Operating & Financial Review

Consolidated Financial Statements at September 30, 2023

(not audited figures)

VEOLIA

OPERATING AND FINANCIAL REVIEW

Message from the Chief Executive Officer

Estelle Brachlianoff, Chief Executive Officer of the Group, commented:

"After an excellent first half with strong growth, Veolia continued its momentum in the third quarter with solid growth in activity and earnings, at rates comparable to those seen in the first half of the year. EBITDA at 30 September was up by 7.7% and current EBIT by 14.2%.

This very strong performance is underpinned by solid fundamentals such as our resistance to inflation, thanks to the indexation of 70% of our contracts to cost increases, our very low exposure to macroeconomic conditions, and our geographical positioning, with close to 40% of sales outside Europe, including almost $5 billion on a yearly basis in the United States.

The rigorous management of all our activities, as well as the exemplary delivery of synergies following the merger with Suez, are bearing fruit, and synergies are even well ahead of plan, as we reached our annual target in 9 months.

This quarter, Veolia once again demonstrated its ability to take advantage of the strong potential of the environmental services market, driven by growth in demand and tighter regulations, particularly on decarbonisation, water savings and pollution control. This commercial momentum was illustrated in the third quarter by the award of a €2 billion contract in Hong Kong, which will save 10 million tonnes of carbon, and record order intake of €3.1 billion in water treatment technologies, in which we are the leader.

These fundamentals - tight management and unique positioning - mean that we can look to the future with confidence and determination, fully confirming our 2023 targets and now aiming for leverage of less than 2.9x at the end of the year, just 18 months after the acquisition of Suez."

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MAJOR EVENTS OF THE PERIOD

1 Major events of the period

1.1 BUSINESS AND INCOME TRENDS

Continued strong growth in results

Strong growth in results in the first nine months of 2023, reflecting the Group's robust business model that has proved resilient despite a less buoyant macro-economic context and high inflation. These results confirm the Group's ability to deliver solid organic growth through a diversified and complementary business portfolio and a balanced geographic footprint.

			2023 / 2022 Change	
(€ million)	30 September 2022	30 September 2023	Δ at constant exchange rates	Δ at constant exchange rates & scope
Revenue	30,713	33,161	10.1 %	10.7 %
EBITDA	4,533	4,793	7.2 %	7.7 %
Current EBIT (1)	2,278	2,518	11.9 %	14.2 %
Net Financial Debt (1)	22,154	18,881		

(1) The indicators are defined in Section 5.1 below.

Revenue for the nine months ended September 30, 2023 is €33,161 million, up significantly compared to 2022: +10.7% at constant scope and exchange rates. Growth was recorded across all businesses and is driven by excellent performance in Water, steady growth in Waste despite lower recyclate prices and ongoing robust growth in Energy boosted by higher energy prices.

- **Water** activities recorded organic growth of +7.2% (compared with +8.4 % in the first semester 2023) due to a high level of activity in Water Technologies and revised tariffs, despite an adverse climate effect that impacted volumes in certain regions.
- **Waste** activities increased by +3.1% (compared with +3.3 % in the first semester 2023) and +6.1% excluding the change in recyclate prices, driven by hazardous waste processing activities, particularly in the United States, Australia and Latin America.
- The **Energy** businesses grew significantly (+30.4% organic growth, compared with +41.3 % in the first semester 2023), benefiting from increases in heating tariffs and electricity selling prices, reflecting the higher cost of purchased energy.

Revenue growth excluding the increase in energy prices amounted to +4.6% at constant scope and exchange rates, after +5.2% in the first semester 2023.

EBITDA for the nine months ended September 30, 2023 is €4,793 million, up +7.7% at constant scope and exchange rates. EBITDA growth outpaced revenue growth restated for the increase in energy prices, reflecting excellent operating leverage. In the first nine months of the year, operating efficiency programs generated €284 million and the Suez integration synergies plan €131 million, ahead of objectives.

Current EBIT is €2,518 million, up 14.2% at constant scope and exchange rates year-on-year.

Net Financial Debt totaled €18,881 million as of September 30, 2023, down compared to June 30, 2023, due to the significant net Free Cash Flow generated during the quarter. Net Free Cash Flow for the nine months of 2023 amounted to +€357 million, up considerably compared to September 30, 2022 (+€33 million), primarily due to the cash flow growth generated by operations and lower restructuring costs.

1.2 ESG ACHIEVEMENTS AS PART OF OUR MULTIFACETED PERFORMANCE

As an ESG benchmark company, Veolia continued to roll out its multifaceted performance during the first nine months of 2023.

Environmental Commitments

Carbon Net Zero 2050 commitment: a 10-year reduction trajectory already launched and being delivered

- As part of its plan to phase-out the use of coal in Europe, Veolia undertook to invest in a massive €1.5 billion program over the period to 2030, to reduce CO_2 emissions by 2.7 million metric tons. Veolia invested €123 million in the first nine months of 2023, increasing aggregate investment in decarbonization projects to nearly €519 million: after the Braunschweig site (Germany), already commissioned, the Prerov and Karvina sites (Czech Republic) will be delivered in 2023.
- Veolia aims to decarbonize and reduce its greenhouse gas emissions, while promoting access to locally sourced energy and contributing to the decarbonization of its customers' activities:
  - In Latin America, the Group has committed to a €70 million investment plan to capture gas at landfill sites. These investments will enable CO_2 emissions to be reduced by 1.5 million metric tons per year.
  - The new contract awarded in Hong Kong to design, build and operate the extension to the West New Territories (WENT) resource recovery site is expected to optimize methane capture and avoid the emission of an estimated 10 million metric tons of CO_2 equivalent over twenty years.

"Net Zero Water": sustainable management of water resources

- As part of its France "Net Zero Water" ambition by 2033, Veolia successfully renewed the Lille water distribution contract for a period of 10 years and combined revenue of €700 million. Through an innovative contract focused on resource conservation, 65 million cubic meters of water will be saved over the duration of the contract. The Group also launched the "Eco d'eau" initiative in France to mobilize all players - citizens, public authorities, companies, associations, etc. - around actions to be taken now to preserve water resources.

Environmental protection and biodiversity:

- With 81% progress at the end of September 2023 on the action plans to protect the environment and biodiversity at sensitive Group sites identified during the Impact 2023 strategic program, Veolia has exceeded its objectives thanks to the governance and management structures implemented and strong momentum within the Business Units.

Social Commitments

- On September 11, 2023, Veolia announced the launch of its "Veolia Cares" program, which aims to guarantee a common base level of social protection for the Group's 213,000 employees, even in countries where there are no such legal requirements. The program provides all Group employee; whether they have fixed-term or permanent contracts, with access to parental leave, health and death cover, support for carers, and the opportunity to dedicate one day a year to a charity or an environmental protection project. This program demonstrates the company's commitment to the professional and personal well-being of its employees. It also demonstrates the Group's strong roots in the territories where it operates.
- In line with measures implemented as part of the Group's multifaceted performance, employee indicators have progressed significantly. In the first nine months of 2023, the gender balance among *Executive Resourcers* improved by 2 basis points compared to December 31, 2022 to 27.2%.
- In terms of health and safety, the lost time injury frequency rate continued to fall, dropping below 5 at the end of June 2023, the target rate in the Impact 2023 plan (vs. 5.61 in 2022).
- In September, Veolia launched the YouTube channel Verso, dedicated to analyzing, decoding and popularizing the behind-the-scenes aspects of ecological transformation, enabling the younger generation to understand current environmental issues, as well as the Group's ecological transformation solutions proposed to the general public.

Governance Commitments

- Following the Combined General Meeting of April 27, 2023 and as of the date of this Amendment, 82% of directors are independent and 54.5%[1] are women. Since this General Meeting, the Board of Directors includes three new independent directors with strong academic, corporate and institutional skills and experience in key issues related to the company's strategy and development.

[1] *Excluding the two Directors representing employees and the Director representing employee shareholders in accordance with Articles L. 225-27-1 and L. 22-10-7 of the French Commercial Code (Code de commerce).*

1.3 CHANGES IN GROUP STRUCTURE - STRATEGIC PROGRAM

1.3.1 Innovations and commercial developments

As the global leader in the Decarbonization, Depollution and Resource Regeneration market, the Group continued its commercial developments and to innovate in the first nine months of 2023, in line with the Impact 2023 program, confirming its excellent commercial and innovation momentum.

- Regeneration: **New plastic recycling assets (La red) in Spain**

In January 2023, Veolia completed the acquisition of the La Red Group in Spain, which specializes in the collection and recovery of ordinary waste and plastic recycling.

- Decontamination: **First integrated waste management contract in the county, in the Gold Coast, Australia**

On March 9, 2023, Veolia announced that the Group had been awarded an integrated waste management contract in the Gold Coast, Australia's second largest regional authority and sixth largest city. The contract has an initial term of 7 years with options to extend to 18 years, which would represent around €500 million for the full extended term of the contract. This new contract combines the management of facilities, collection and recovery and will optimize the implementation of existing infrastructure across the entire waste treatment value chain. It will also reduce carbon emissions by around 77,000 metric tons per year.

- Decarbonization: **Veolia operates the first waste-to-energy plant in Turkey**

On April 20, 2023, Veolia announced that the Group had been awarded the contract to operate and maintain Turkey's first waste-to-energy plant, the largest in Europe, in Istanbul. With a processing capacity of around 1,1 million metric tons of non-recyclable household waste per year, the plant will save nearly 1.5 million metric tons of carbon emissions annually, thanks in particular to the production of 560,000 MWh of electricity, equivalent to the consumption of 1.4 million inhabitants of the metropolis.

- Decarbonization: **Successful start-up of the Braunschweig biomass plant in Germany**

In Q1 2023, Veolia successfully launched operations at the Braunschweig biomass plant, which will produce 800 GWh of heat per year to supply 68,000 homes. This plant has allowed Veolia to replace the use of coal with a mix of biomass and gas, generating 25% green electricity and reducing the carbon footprint by 50%.

- Regeneration: **Successful renewal of the Lille water distribution contract in France**

In April 2023, Veolia successfully renewed the Lille water distribution contract for a period of 10 years and combined revenue of €700 million. *(refer to section 1.2 for more information)*

- Regeneration of water resources: **Design of the MIRFA 2 desalination plant in Abu Dhabi**

On June 14, 2023, Veolia announced that the Group will design one of the world's largest energy-efficient desalination plants in Abu Dhabi. With a capacity of 550,000 m^3/day, this desalination plant will supply drinking water to around 210,000 households. The project will generate revenue of approximately €300 million for Veolia. Construction is scheduled to start in 2023 with commissioning planned for 2025.

- Regeneration of water resources: **Operation of the La Me drinking water treatment plant in the Ivory Coast**

On June 21, 2023, Veolia announced it had been awarded a 15-year contract to operate one of the largest drinking water production plants in West Africa alongside its Ivorian partner, PFO Africa. The plant addresses the water access issue by treating surface water rather than drawing from groundwater. At full capacity, the plant will cover the daily needs of 2.4 million Abidjan inhabitants. The contract represents revenue of €390 million over 15 years.

- Regeneration of water resources: **Major contract wins with two new innovative offerings to preserve water resources in France**

In July 2023, in Perpignan, Veolia was awarded the public service delegation contract for water services by Perpignan Métropole Méditerranée, representing revenue of €650 million over 12 years. This contract provides for investment to preserve water resources with a target reduction in leaks from 20% to 12%. In Strasbourg, the Group also won the contract to operate a wastewater treatment plant, representing €150 million over 8 years.

- Regeneration of water resources: **50 "Reut boxes" sold in less than a year in France to reuse wastewater**

As a pioneer in wastewater reuse in France, Veolia contributes to industrializing water reuse in France, in a context of increasing drought and scarcity of resources.

In less than a year, more than 50 of the Group's wastewater treatment plants have been equipped with compact water reuse units, which have already enabled 1,250,000 m^3 of water to be saved annually. The aim is to equip 200 stations by the end of 2024.

- Water technologies: **Engineering & Equipment for a water recovery facility for a Samsung semiconductor plant in the United States**

In Q2 2023, Samsung awarded the Group a contract to design, equip, supply and supervise the commissioning of a water recovery facility in the new semiconductor plant in Texas. This contract includes biotreatment, nitrogen treatment, zero liquid discharges and wastewater pretreatment. The project is worth US$177 million over 24 months.

- Water technologies: **Engineering & Equipment for the supply of ultrafiltration and nanofiltration technologies to Keppel in Brazil**

In Q2 2023, Keppel awarded Veolia a contract to supply engineering services and equipment for ultrafiltration and nanofiltration technologies to eliminate sulfates and other pollutants from water reinjected into drilling wells at its P80 and P83 floating production storage and offloading (FPSO) units in Brazil. This contract is worth US$59 million over 24 months.

- Water technologies: **Flagship HPD® technology for lithium recycling in North America and South Korea**

In Q3 2023, Veolia agreed to supply its HPD® flagship technology to two facilities producing lithium hydroxide for use in the manufacture of batteries, in Canada and South Korea. The HPD® process will also be applied in the United States at a facility producing high-purity salt as part of a major expansion of the chlor-alkali industry, essential components for the manufacture of paper pulp, paper and aluminum, as well as for battery recycling. These contracts represent combined revenue of €181 million.

- **Decarbonization and resource regeneration: Signature of a €2 billion waste management contract in Hong Kong**

In October 2023, the Hong Kong Environmental Protection Department (EPD) awarded the contract to design, build and operate the extension of the West New Territories (WENT) resource recovery site to a joint venture set up between Veolia and the Chinese state. This 20-year contract worth over €2 billion for Veolia, a long-standing partner of Hong Kong, will help process up to 90 million metric tons of non-recyclable waste and avoid the emission of 10 million metric tons of CO_2.

- **Decarbonization and resource regeneration: Commissioning of a new biomass-RDF plant in the Czech Republic**

As part of its plan to phase-out the use of coal in Europe, representing a €1.5 billion investment and enabling a 2.7 million metric ton reduction in CO_2 emissions, the Group commissioned a cogeneration plant in Prerov, Czech Republic, in October 2023 representing an investment of €65 million. This plant replaces coal with biomass and RDF to produce heat for the city of Prerov's district heating distribution network, as well as cogeneration electricity. It will also reduce CO_2 emissions by around 111,000 metric tons per year.

- **Resource regeneration: Sludge incineration in St. Louis, USA**

Through its subsidiary, Veolia Water Technologies and Solutions, Veolia signed a US$154 million contract with Kokosing/Plocher to supply its state-of-the-art sludge incineration and air pollution control technology to the Metropolitan St. Louis Sewer District.

- **Decarbonization: New energy efficiency contracts in Italy**

In Q3 2023, Veolia signed two major energy efficiency contracts: a 12-year contract covering health care buildings in Cosenza worth €153 million, and a 15-year contract with the Municipality of Trieste worth €130 million. Through these contracts, Veolia will help its customers reduce their carbon footprint by implementing alternative energy sources.

1.3.2 Changes in Group structure

The main changes in scope in the first nine months of 2023 were as follows:

- **Consolidation of Lydec (Morocco)**

On January 1, 2023, the local authorizations needed for the transfer of the Lydec securities to New Suez had not been obtained, rendering the sale provided in the Share and Asset Purchase Agreement (SAPA) null and void. Lydec's securities are therefore no longer classified under IFRS 5 as of January 1, 2023.

At the same time there were a number of changes to Lydec's governance, with the resignation of the Suez (Consortium) representatives, effective January 25, 2023. Pursuant to IFRS, this event and the rights and obligations under the Moroccan "hold separate" status led to the consolidation of Lydec's contribution from this date.

On June 15, 2023, the Moroccan Competition Authorities notified the Company of its grievances regarding, in particular, the aborted sale of its stake to New Suez initially provided for in the Share and Asset Purchase Agreement (SAPA). The Group submitted its reply memorandum to the Moroccan Competition Authorities on July 18, 2023.

On September 26, 2023, Moroccan Competition Authorities provided its decision. The Group's analysis of this decision did not call into question the analysis of Veolia's control of Lydec pursuant to IFRS as of September 30, 2023.

The Group is currently pursuing discussions with the Moroccan Competition Authorities and the Moroccan Delegating Authority in order to analyze all possible schemes.

- **Acquisition of the subsidiaries Reciclados La Red and Banales III (Spain)**

On January 10, 2023, the Group acquired the subsidiaries Reciclados La Red S.LL and Banales III located in Madrid and Seville, respectively, for a total of €53 million. These subsidiaries are active in plastic recovery and recycling in Spain.

- **Divestiture of Advanced Solutions (USA)**

Advanced Solutions provides water infrastructure and asset management services to municipal and commercial customers across the United States. On February 23, 2023, the operating subsidiaries were sold for a total of €84 million.

This activity was recorded in assets and liabilities classified as held for sale as of December 31, 2022.

- **Completion of the divestiture of Suez hazardous waste activities (France)**

Following the signature of a partnership agreement on January 27, 2023, the sale of the final activities by SARPI to Suez was completed for a consideration of €49 million. This transaction completes the divestitures required under the antitrust remedies agreed with the European Commission in the context of the Veolia-Suez combination.

This activity was recorded in assets and liabilities classified as held for sale as of December 31, 2022.

- **Divestiture of WTS's O&M activities (United Kingdom)**

The divestiture of Suez's industrial water operations and maintenance business in the United Kingdom to SAUR was completed on February 15, 2023 for €15 million.

- **Acquisition of Suez - Final payments under the Share and Asset Purchase Agreement (SAPA)**

The final amounts in respect of the completion accounts and the outstanding earn-outs for the 2022 transaction in accordance with the SAPA were finalized in the agreement between Suez and Veolia Environnement dated March 3, 2023:

- The net amount in respect of the completion accounts and closing statements was paid to Veolia on March 24, 2023 in the amount of €106 million.
- The final amount of the earn-out was paid by Suez to Veolia on June 30, 2023 for €284 million.

1.4 GROUP FINANCING

1.4.1 Evolution of the Group's debt

Net financial debt is €18,881 million as of September 30, 2023, while cash and cash equivalents total €9,933 million.

The Group has liquidity lines totaling €5,686 million[1], providing it with a strong net liquidity position, which amounts to € 7,279 million on September 30, 2023.

Given its robust cash position, the Group decided to refinance its two syndicated credit facilities (€3 billion historic syndicated facility and €2.5 billion former-Suez syndicated facility) at the beginning of March 2023, securing a new €4.5 billion single syndicated credit facility.

The foreign exchange impact including changes in fair value on net financial debt is -€182 million as of September 30, 2023.

1.4.2 Bonds issue

Veolia Environnement SA did not need to issue new bonds as of September 30, 2023, as its liquidity position was sufficient to cover its maturities.

1.4.3 Confirmation of the credit

On April 20, 2023, Standard and Poor's confirmed Veolia Environnement's credit rating at A-2/BBB with a stable outlook. On April 28, 2023, Moody's confirmed the Group's rating at P-2/Baa1 with a stable outlook.

1.4.4 Dividend payment

The Combined General Meeting of April 27, 2023 approved payment of a dividend of €1.12 per share for 2022, payable in cash. The ex-dividend date was set at May 9, 2023 and the 2022 dividend was paid from May 11, 2023 for a total amount of €787 million.

1.5 PERFORMANCE SHARE PLANS AND GROUP SAVINGS

In accordance with the Group's compensation policy and the authorization granted by the Veolia Environnement Combined General Meeting, the Board of Directors decided on May 3, 2023, at the recommendation of the Compensation Committee, to grant 1,030,848 performance shares (representing approximately 0.2% of the share capital out of a General Shareholders' Meeting authorization of 0.35%) to approximately 550 beneficiaries, made up of senior executives, high potential employees and key contributors of the Group, including the Chief Executive Officer. The vesting of these shares is subject to presence and performance conditions. The detailed features of these Plans can be found in Chapter 3, Section 3.4.3 of the 2022 Universal Registration Document.

In addition, during the Veolia Environnement Combined General Meeting of April 27, 2023, the Company reaffirmed its wish to associate ever closer employees, both in France and internationally, with the Group's development and performance by launching a new employee share ownership program. On September 8, 2023, the Group therefore announced the launch of an employee share ownership plan open to around 190,000 Group employees.

[1] *The Group has a €4,500 million syndicated credit facility, plus bilateral credit facilities totaling €1,186 million.*

1.6 CHANGES IN GOVERNANCE

As part of the annual renewal of the Board, the Board of Directors' meeting of March 14, 2023 noted the expiry of the terms of office of three directors at the end of the General Meeting of April 27, 2023 (Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Louis Schweitzer) and that Mrs. Clara Gaymard and Mr. Louis Schweitzer did not seek the renewal of their terms of office at the end of that General Meeting. At the recommendation of the Nominations Committee, the same Board of Directors' meeting decided to ask the General Meeting to renew the term of office of Mrs. Maryse Aulagnon as director and appoint Mr. Olivier Andriès, Mrs. Veronique Bédague and Mr. Francisco Reynés as directors.

The Veolia Environnement Combined General Meeting of April 27, 2023:

- renewed the term of office of Mrs. Maryse Aulagnon as director; and
- appointed Mrs. Veronique Bédague, Mr. Olivier Andriès and Mr. Francisco Reynés as directors;

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, 2026.

At the date of this management report, the Veolia Environnement Board of Directors had fourteen directors, 82% of whom were independent directors (excluding the two directors representing employees and the director representing employee shareholders), and 54.5%[1] of whom were women, and one non-voting member (*censeur*):

- Mr. Antoine Frerot, Chairman of the Board of Directors;
- Mrs. Estelle Brachlianoff, Chief Executive Officer;
- Mrs. Maryse Aulagnon*, Vice-Chairwoman and Senior Independent Director;
- Mr. Olivier Andriès*;
- Mrs. Veronique Bédague*;
- Mr. Pierre-André de Chalendar*;
- Mrs. Isabelle Courville*;
- Mrs. Marion Guillou*;
- Mr. Franck Le Roux, Director representing employees;
- Mrs. Agata Mazurek-Bak, Director representing employee shareholders;
- Mr. Pavel Páša, Director representing employees;
- Mrs. Nathalie Rachou*;
- Mr. Francisco Reynés*;
- Mr. Guillaume Texier*;
- Mr. Enric Amiguet i Rovira, non-voting member (censeur).

* Independent member.

The composition of the Board Committees is:

- **Accounts and Audit Committee**: Mrs. Nathalie Rachou (Chairwoman), Mr. Olivier Andriès, Mrs. Véronique Bédague, Mr. Franck Le Roux, Mrs. Agata Mazurek-Bąk and Mr. Guillaume Texier.
- **Nominations Committee**: Mr. Pierre-André de Chalendar (Chairman), Mrs. Maryse Aulagnon, Mrs. Isabelle Courville and Mr. Antoine Frérot.
- **Compensation Committee**: Mrs. Maryse Aulagnon (Chairwoman), Mr. Olivier Andriès, Mr. Pierre-André de Chalendar, Mrs. Marion Guillou and Mr. Franck Le Roux.
- **Research, Innovation and Sustainable Development Committee**: Mrs. Isabelle Courville (Chairwoman), Mrs. Marion Guillou, Mr. Pavel Páša, Mr. Francisco Reynés and Mr. Guillaume Texier. Mr. Enric Amiguet i Rovira is a permanent guest of this committee.
- **Purpose Committee**: Mr. Antoine Frérot (Chairman), Mrs. Maryse Aulagnon, Mr. Pierre-André de Chalendar, Mrs. Isabelle Courville, Mr. Franck Le Roux and Mrs. Nathalie Rachou.

The Chief Executive Officer is assisted in the performance of her duties by an Executive Committee, a discussion, consultation and general policy decision-making body which seeks to implement the Group's strategic direction. The Committee is also consulted on major issues concerning the Group's corporate life. The Executive Committee meets monthly.

As of the date of this management report, the Company's Executive Committee had 14 members:

- Mrs. Estelle Brachlianoff, Chief Executive Officer;
- Mrs. Isabelle Calvez, Senior Executive Vice President, Human Resources;
- Mr. Sébastien Daziano, Senior Executive Vice President, Strategy and Innovation;
- Mr. Gavin Graveson, Senior Executive Vice President, Northern Europe;
- Mr. Philippe Guitard, Senior Executive Vice President, Central and Eastern Europe;
- Mr. Éric Haza, Chief Legal Officer;
- Mr. Claude Laruelle, Deputy Chief Executive Officer Finance, Digital and Purchasing;
- Mrs. Anne Le Guennec, Senior Executive Vice President, Worldwide Water Technologies;
- Mr. Christophe Maquet, Senior Executive Vice President, Asia and Pacific;
- Mr. Jean-François Nogrette, Senior Executive Vice President, France and Special Waste Europe;
- Mr. Laurent Obadia, Senior Executive Vice President, Stakeholders and Communications; Advisor to the Chairman
- Mr. Helman le Pas de Sécheval, General Counsel;
- Mr. Angel Simon, Senior Executive Vice President, Iberia and Latin America;
- Mr. Frédéric Van Heems, Senior Executive Vice President, North America.

In addition, Management Committee meetings bring together, each quarter, all the Group's functions and geographies to share and commit to the Group's challenges and outlook. At the date of this management report, this Committee had 39 members, including the 14 members of the Executive Committee; its composition can be viewed on Veolia's website (www.veolia.com).

[1] *Excluding Directors representing employees and employee shareholders in accordance with Articles L. 225-27-1 and L. 22-10-7 of the French Commercial Code (Code de commerce).*

2

ACCOUNTING AND FINANCIAL INFORMATION

2 Accounting and financial information

2.1 KEY FIGURES

Group key figures are presented in accordance with the new definitions for Current EBIT and Net Financial Debt adopted since the publication of the financial statements for the year ended December 31, 2022 (see Chapter 5.1 - Definitions).

			2023 / 2022 Change		
(€ million)	*September 30, 2022*	*September 30,2023*	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope & exchange rates*
Revenue	**30,713**	**33,161**	**8.0%**	**10.1%**	**10.7%**
EBITDA (1)	**4,533**	**4,793**	**5.7%**	**7.2%**	**7.7%**
Current EBIT (2)(3)	**2,278**	**2,518**	**10.5%**	**11.9%**	**14.2%**
Net industrial investments	-2,125	-2,532			
Net free cash-flow	33	357			
Net financial debt - Closing (4)	**-22,154**	**-18,881**			

(1) The indicators are defined in Section 5.1 .
(2) Including the share of current net income of joint ventures viewed as core Company activities and associates.
(3) Re-presented for depreciation of remeasured assets, identified during the Suez purchase price allocation, €61 million as of September 30, 2022 and €132 million as of September 30, 2023.
(4) Net financial debt excludes the remeasurement of financial liabilities during the Suez purchase price allocation as defined in Section 5.1 .

The main foreign exchange impacts between September 30, 2022 and September 30, 2023 are as follows:

FX impacts for the year ended September 30, 2023 (vs September 30, 2022)	%	*(€ million)*
Revenue	-2.2%	-664
EBITDA	-1.4%	-65
Current EBIT	-1.3%	-31
Net financial debt (1)	1.0%	-182

(1) including fair value adjustment.

2.2 GROUP REVENUE

2.2.1 Revenues by operating segment

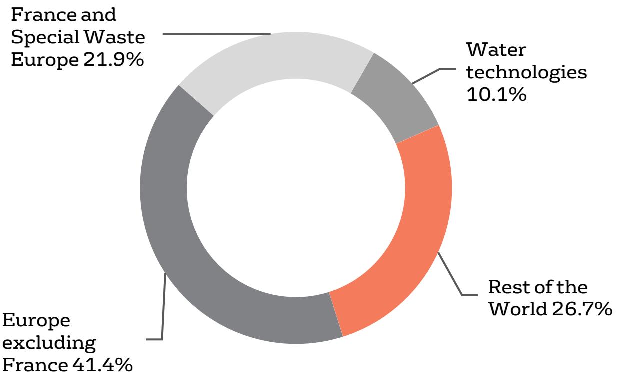
Consolidated revenue totaled €33,161 million for the nine months ended September 30, 2023, compared with €30,713 million for the nine months ended September 30, 2022. All operating segments reported growth in the first nine months of 2023.

(€ million)	September 30,2022	September 30,2023	2023/2022 change Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
France and Special Waste Europe	7,135	7,244	1.5 %	1.5 %	2.2 %
Europe excluding France	12,498	13,708	9.7 %	9.5 %	16.3 %
Rest of the World	8,156	8,861	8.6 %	15.2 %	10.9 %
Water technologies	3,317	3,336	0.6 %	5.3 %	6.3 %
Other (1)	-393	12	-	-	-
GROUP	30,713	33,161	8.0 %	10.1 %	10.7 %

(1) In the 2022 column, revenue was restated for the period January 1 to January 17 corresponding to the period prior to the acquisition of Suez by Veolia, in the amount of -€400 million.

Revenue for the first nine months of 2023 breaks down by operating segment as follows:

Group revenue for the first nine months ended September 30, 2023: €33,161 million



Compared with September 30, 2022, 2023 revenue rose +10.7% at constant scope and exchange rates, increasing significantly across all segments outside France. France and Special Waste Europe activities posted moderate growth:

- Europe excluding France +16.3%;
- Water technologies +6.3%;
- Rest of the world +10.9%; and
- France and Special Waste Europe +2.2%.

Revenue for the **France and Special Waste Europe** segment totaled €7,244 million, with organic growth of +2.2% compared with September 30, 2022:

- **Water France** revenue increased +2.4% to €2,231 million, mainly fueled by the +6.2% positive effect of tariff reviews which offset the return to public management of the Greater Lyon water contract and lower volumes (-3.2%).
- **Waste France** revenue increased by +0.3% to €2,183 million, due to tariff reviews and higher electricity selling prices, partially offset by a decrease in recyclate prices and lower volumes.
- **Special Waste Europe** revenue remained stable at €1,579 million, due to lower oil prices and the drop in volumes (particularly landfill and incineration), offset by higher contractual prices in hazardous waste processing and sanitation maintenance activities.
- **SADE** reported growth of +5.5%, thanks to strong commercial momentum in France.

Revenue for the **Europe excluding France** segment totaled €13,708 million for the nine months ended September 30, 2023, with organic growth of +16.3% mainly due to growth in energy activities in Central and Eastern Europe.

- In **Central and Eastern Europe**, revenue rose +29.4% to €8,099 million. Momentum was strong during the period, driven by higher electricity prices and heating tariff reviews (Poland, Hungary, Czech Republic, Slovakia and Germany), despite an unfavorable weather effect (-€42 million).
- In **Northern Europe**, revenue rose +5.1% to €3,000 million. This growth was mainly attributable to the United Kingdom, up +5.6% at constant scope and exchange rates, due to good commercial development for waste in collection and the favorable impact of electricity prices on incineration, and, in energy, to the start-up of new contracts linked to the launch of the UK government decarbonizing plan.
- In **Iberia**, revenue increased +8.3% to €1,920 million, driven primarily by water activities in Spain, which benefited from strong construction activity momentum and increased tariffs partially offset by a slight fall in volumes (-0.5% compared to 2022).
- **Italy** generated revenue of €689 million, down -14.0% mainly following a drop in energy selling prices. Profitability was not, however, affected due to a parallel decrease in energy purchase costs and the selling price indexation mechanism.

In the **Rest of the world**, revenue totaled €8,861 million, representing organic growth of +10.9% across all geographies:

- Revenue increased +28.2% to €1,406 million in **Latin America,** driven by the impacts of very high inflation in Argentina, and water activities in Chile which benefited from tariff reviews.
- In **Africa Middle-East**, revenue rose +13.9% to €1,631 million, mainly driven by new contracts in water activities, the start-up of new waste facilities, the growth of energy services in the Middle East and the increase in water contracts in Morocco due to higher volumes.

- In **North America**, revenue rose +6.1% to €2,495 million. Growth is mainly driven by sustained activity in hazardous waste with tariff increases and a good mix of waste processed together with higher tariffs in water which offset the 1.2% drop in volumes in the "regulated water" activity.
- Revenue in **Asia** increased +7.1% to €1,844 million, mainly driven by energy activities in China and water activities, with the start-up of the Miyagi contract in Japan, as well as by construction work in Hong Kong, Taiwan and South Korea.
- In the **Pacific**, revenue increased +6.9% to €1,485 million, mainly thanks to strong commercial performance in industrial maintenance activities, as well as tariff reviews and commercial wins in the waste business.

The **Water Technologies** activity reported an increase of +6.3% to €3,336 million, driven by growth in WTS's Engineering Systems and Chemical Solutions activities and VWT's Services and Technology activities. Bookings by the Water technologies business totaled €2,591 million as of September 30, 2023, compared with €2,074 million one year earlier.

2.2.2 Revenues by business line

Compared with figures for the nine months ended September 30, 2022, revenue by business rose +10.7% at constant scope and exchange rates, driven mainly by**:**

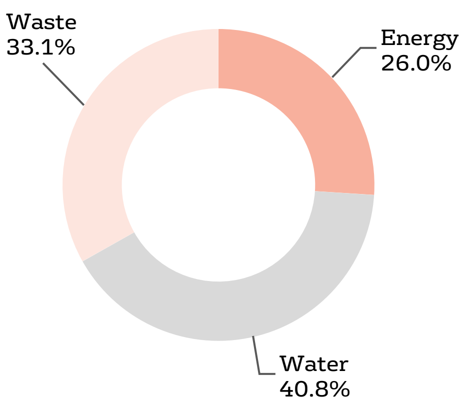
- growth in **Water** activities of 7.2%, due to contract tariff indexation across all geographies and slightly higher volumes, as well as growth in Water technology activities (+6.3%) ;
- growth in **Waste** activities of 3.1% due to favorable tariff reviews, offsetting lower recyclate prices ;
- strong growth in **Energy** of +30.4%, underpinned by higher electricity prices and tariff reviews for heating sales, reflecting the rise in the cost of purchased energies.

(in € million)	September 30, 2022	September 30,2023	2023/2022 Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Water	12,607	13,538	7.4 %	9.3 %	7.2 %
of which Water Operations (1)	8,533	9,403	10.2 %	11.3 %	7.7 %
of which Technology and Construction	4,074	4,135	1.5 %	5.3 %	6.1 %
Waste (1)	11,859	10,992	(7.3)%	(3.9)%	3.1 %
Energy (1)	6,647	8,632	29.9 %	30.1 %	30.4 %
Other	-400	-	-	-	-
GROUP	30,713	33,161	8.0 %	10.1 %	10.7 %

(1) In 2022, €700 million was reclassified from Water operations to Energy and €4 million was reclassified from Waste to Energy, mainly corresponding to Braunschweiger Versorgungs-AG (BVAG) revenue.

Revenue for the nine months ended September 30, 2023 breaks down by business as follows:

Group revenue for the nine months ended September 30, 2023: €33,161



The main changes in revenue by business at constant scope and exchange rates compared with figures for the nine months ended **September 30, 2023** break down as follows.

Water revenue

Water revenue increased +7.2% (compared with +8.4 % in the first semester 2023). **Water Operations** revenue rose by +7.7% (compared with +8.6% in the first semester 2023) with tariff rises across all geographies, good commercial development in Asia and Africa/Middle East, robust construction activity levels, which offset the slight decline in volumes, impacted by unfavorable weather conditions, in France, Spain and the United States.

Technology and Construction revenue rose +6.1%, driven by Water technology activities.

Waste revenue

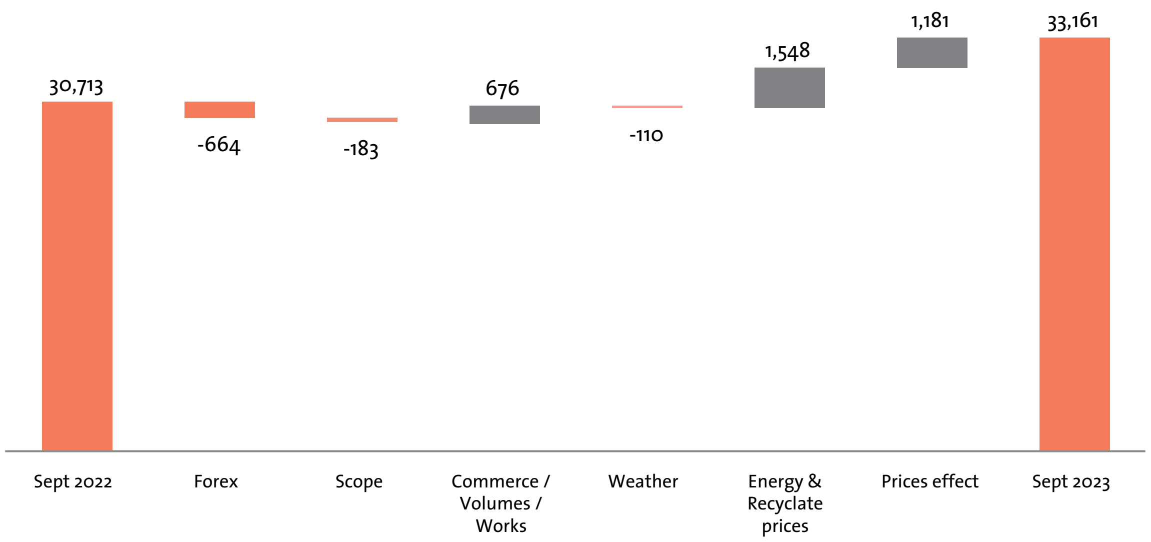
Waste revenue were on a par with the first semester, rising by +3.1% (compared with +3.3 % in the first semester 2023), benefiting from favorable tariff reviews (+4.6%), offsetting lower recyclate prices (-2.9% in revenue) observed in France, Germany and Northern Europe. The commerce/volumes/works effect was positive (+0.7%), despite lower solid and special waste volumes, mainly in France, offset by other geographies.

Energy revenue

Energy revenue rose +30.4% (compared with +41.3% in the first semester 2023), with the end of the heating season in the third quarter. The strong activity growth is founded on positive price effects (+27.3%), mainly in Central and Eastern Europe. The unfavorable weather effect in the first nine months of 2023 was -0.7% of revenue.

2.2.3 Analysis of changes in Group revenues

The increase in revenue breaks down as follows:



The **foreign exchange impact** of -€664 million (-2.2%) mainly reflects fluctuations in the Argentinian, Australian, Chinese, American and British currencies, partially offset by an improvement in the Czech and Polish currencies[1].

The **consolidation scope impact** of -€183 million mainly comprises the impact of the remedies imposed by the European Commission and the UK Competition and Markets Authority, completed in 2022 in the context of the Suez acquisition, as well as the impact of the divestiture of Advanced Solutions (USA) on February 23, 2023. These negative effects are mainly offset by the revenue adjustment for the first 17 days of 2022 for the Suez scope; prior to acquisition of control (+€400 million), as well as the entry into the consolidation scope of Lydec (Morocco).

The **Commerce / Volumes / Works** impact is +€676 million (2.2%), driven by good volumes in energy, progress with construction work, and growth in Water technology activities.

The **weather impact** of -€110 million (-0.4%) mainly concerns Central and Eastern Europe, where energy activities were impacted by a milder winter than in 2022, as well as unfavorable weather conditions in France, Spain and the United States, which impacted water consumption in the summer.

Energy and recyclate prices had an impact of +€1,548 million (5.1%), driven by higher heating and electricity tariffs, mainly in Central and Eastern Europe. This increase was partially offset by lower recyclate prices across all materials, mainly impacting Northern Europe, France and Germany.

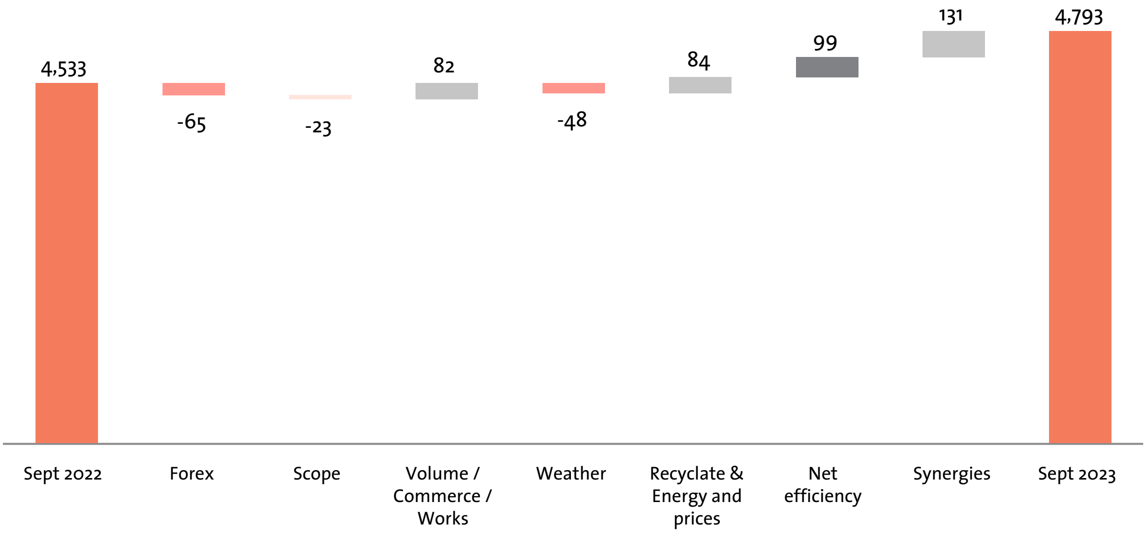
Favorable **price effects** (+€1,181 million) are mainly tied to tariff reviews estimated at +4.6% in waste and +4.2% in water.

[1] Main foreign exchange impacts by currency: Argentinian peso (-€254 million), Australian dollar (-€113 million), Chinese yuan (-€64 million), US dollar (-€63 million), and Pound Sterling (-€62 million), partially offset by Czech koruna (+€52 million), and Polish Zloty (+€40 million).

2.3 GROUP EBITDA

Group consolidated EBITDA for the nine months ended September 30, 2023 was €4,793 million, compared with €4,533 million for the nine months ended September 30, 2022. **EBITDA is up +7.7% at constant scope and exchange rate year-on-year.**

The increase in EBITDA between 2022 and 2023 breaks down by impact as follows:



The **foreign exchange impact** of -€65 million (-1.4%) mainly reflects the depreciation of the Argentinian, Australian, Chinese, American and British currencies, partially offset by an improvement in the Czech and Chilean currencies[1].

The **consolidation scope impact** of -€23 million mainly comprises the impact of the remedies imposed by the European Commission and the UK Competition and Markets Authority, completed in 2022 in the context of the Suez acquisition, as well as the impact of the divestiture of Advanced Solutions (USA) on February 23, 2023. These negative effects are offset by the EBITDA adjustment for the first 17 days of 2022 for the Suez scope, prior to acquisition of control (+€49 million), as well as the entry into the consolidation scope of Lydec (Morocco).

Favorable **Commerce / Volume / Works** impacts of +€82 million resulted from the positive impact on revenue.

The **weather impact** of -€48 million mainly concerns Central and Eastern Europe, affected by a milder winter than in 2022, as well as unfavorable weather conditions in France, Spain and the United States, which impacted water consumption in the summer.

Recyclate and energy prices had a net favorable impact on EBITDA of +€84 million, mainly tied to increased energy selling prices net of higher purchase costs, which offset the unfavorable impact of recyclate prices in France, Northern Europe and Germany.

Group **efficiencies**, net of gains shared with customers, contract renegotiations and the effect of timing differences on the retrocession of costs, generated €99 million. The efficiency plan generated €284 million in the first nine months of 2023, mainly comprising operating efficiency (67%) and purchasing (22%) across all geographic zones: France and Special Waste Europe (24%), Europe excluding France (38%), Rest of the world (31%) and Water Technologies (6%). Gains generated by the efficiency plan are ahead of the €350 million annual objective for 2023.

[1] Main foreign exchange impacts by currency: Argentinian peso (-€22 million), Australian dollar (-€14 million), US dollar (-€12 million), Chinese yuan (-€11 million) and Pound Sterling (-€9 million), partially offset by Czech koruna (+€14 million), and Chilean peso (+€7 million)

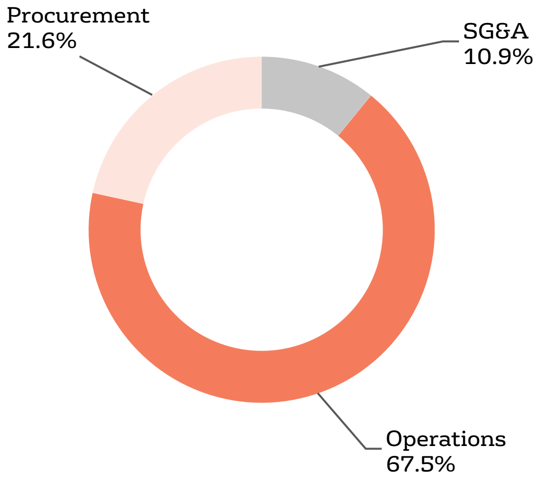
Synergies achieved following the integration of Suez totaled €131 million in the first nine months of the year. Together with synergies already achieved in 2022, synergies total €277 million at end-September 2023 and are ahead of the aggregate target of €280 million for the end of 2023, mainly thanks to economies of scale achieved on purchases.

Cost-savings plan and synergies

EBITDA impact (€ million)	2023 Objective	Actual end of september 2023
Saving plans	350	284
Synergies (1)		131

(1) Synergies realized since 2022 amount to €277 million at end September 2023, ahead of aggregate target of €280 million at the end of 2023.

Efficiency plan €284 million



2.4 OTHER INCOME STATEMENT ITEMS

2.4.1 Current EBIT

Group **Current EBIT** for the nine months ended September 30, 2023 was €2,518 million, up +14.2% at constant scope and exchange rates on figures for the nine months ended September 30, 2022. EBITDA reconciles with Current EBIT as follows:

(€ million)	September 30, 2022	September 30,2023
EBITDA	**4,533**	**4,793**
Renewal expenses	-222	-223
Amortizations (1)	-2,243	-2,271
Provisions, capital gain or loss on disposals and others	106	129
Share of current net income of joint ventures and associates	105	90
Current EBIT	**2,278**	**2,518**

(1) Including principal payments on operating financial assets, excluding the Suez purchase price allocation.

The +€324 million increase in Current EBIT at constant scope and exchange rates compared with figures for the nine months ended September 30, 2022 is mainly due to:

- robust growth in EBITDA (+€348 million at constant scope and exchange rates);
- an increase in depreciation and amortization[2], including principal payments on operating financial assets (-€54 million at constant scope and change rate), which represents an increase of +2.4% vs September 30, 2022;
- a slight increase in reversal provisions net of capital gains on disposals (+€16 million at constant scope and exchange rates), mainly concerning pension provisions, notably related to pension reforms in France;
- an increase in the Group's share of net income of joint ventures of +€8 million at constant scope and exchange rates.

The foreign exchange impact on Current EBIT of -€31 million mainly reflects fluctuations in the Argentinian (-€11 million), Australian (-€6 million), British (-€6 million), Chinese (-€5 million) and American (-€5 million) currencies, partially offset by an appreciation of the Czech (+€8 million) and Chilean (+€4 million) currencies.

[2] Excluding Suez purchase price allocation

3

FINANCING

3 Financing

3.1 CHANGE IN FREE CASH FLOW AND NET FINANCIAL DEBT

Free Cash Flow before financial investments and dividends is €357 million for the nine months ended September 30, 2023, a significant improvement on September 30, 2022 (+€33 million).

The change in net free cash flow compared with the nine months ended September 30, 2022 reflects:

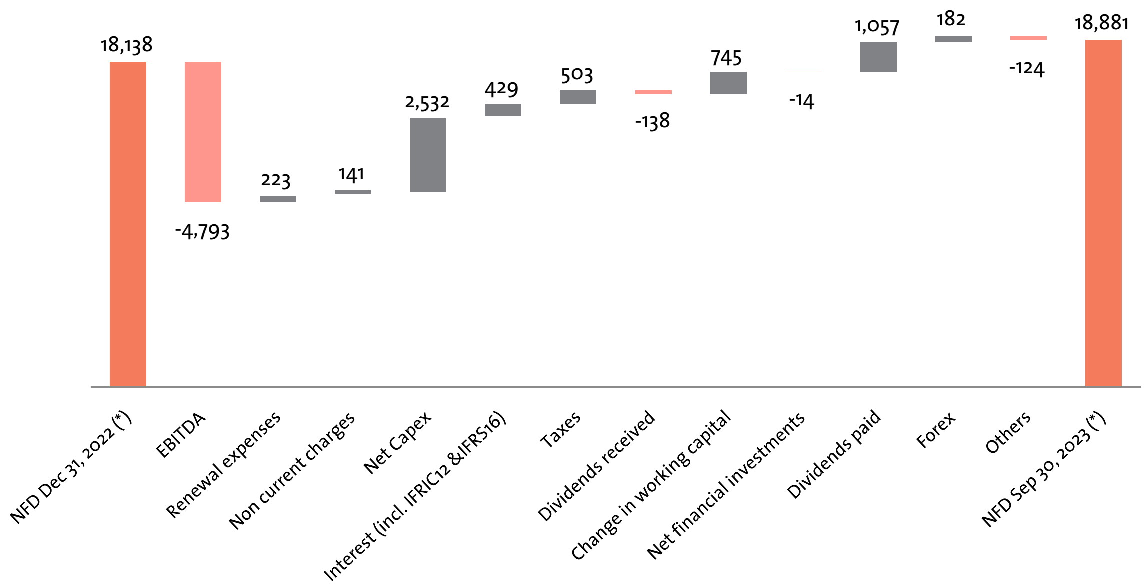
- Higher EBITDA, driven by organic activity growth fueled by favorable price effects and increased energy prices, gains generated by operating and commercial efficiency plans and synergies;
- Net industrial investments that rose to €2,532 million compared to €2,125 million for the nine months ended September 30, 2022. This increase is explained by the increase in gross investments, mainly due to decarbonization projects in Central and Eastern Europe and growth investments in hazardous waste. In addition, industrial divestitures fell €124 million, following major disposals in the first nine months of 2022 (divestiture of Integrated Waste Services in Australia and OSIS Greater Paris subsidiaries);
- a change in operating working capital requirements of -€745 million, an improvement on September 30, 2022 (-€848 million);
- A reduction in Other non-current expenses and restructuring charges of -€174 million on September 30, 2022.

Net financial debt amounted to €18,881 million as of September 30, 2023, compared with €18,138 million as of December 31, 2022.

Compared with December 31, 2022, the change in net financial debt is mainly due to:

- net free cash flow generation of €357 million for the first nine months of 2023;
- net financial investments of €14 million following the receipt of the final earn-out due for the acquisition of Suez in 2022, the entry of Lydec into the consolidation scope, the acquisition of the Spanish subsidiaries La Red and Banales and the divestiture of Advanced Solutions (United States) and the Quality Circular Polymers subsidiary (Netherlands), as well as the final antitrust remedies pursuant to the acquisition of Suez (a hazardous waste subsidiary in France and WTS's O&M activities in the United Kingdom - see 1.3.2 Changes in Group structure);
- the payment of the dividends voted by the Veolia Environnement Combined Shareholders' Meeting of April 27, 2023 in the amount of -€787 million.

Net financial debt was also impacted by foreign exchange gains and losses and fair value adjustments of -€182 million as of September 30, 2023.



(*) Net financial debt excluding the impact of the remeasurement of debt as part of the Suez purchase price allocation, see Section 5.1

4

OTHER ITEMS

4 Other items

4.1 OUTLOOK

In view of the very good 9 months performance, our 2023 targets have been fully confirmed, with organic EBITDA growth at the upper end of the +5% to +7% range, and a leverage ratio now expected below 2.9x.

2023 Guidance [1]

- Solid organic revenue growth;
- Efficiency gains above €350 million, plus additional expected synergies for a cumulated amount of over €280 million end-2023, in line with the €500 million cumulated objective;
- Organic growth EBITDA at the upper end of the +5% to +7% range;
- Current net income, Group share around €1.3 billion[2]
- Confirmation of the EPS accretion[3] of around 40 % in 2024;
- Leverage ratio below 2.9x[2];
- Dividend growth in line with current EPS growth.

[1] *At constant forex and scope*
[2] *excluding Suez PPA*
[3] *Current net income per share after hybrid costs and before Suez PPA.*

5

APPENDICES

5.1 DEFINITIONS

No changes have been made to non-GAAP financial indicators used by the Group in the preparation of the financial statements as of September 30, 2023.

5.1.1 Presentation of Current EBIT at September 30, 2022

Following changes to financial indicators related to the integration of Suez, Current EBIT was redefined on the preparation of the December 31, 2022 financial statements, and excludes depreciation of remeasured assets identified during the Suez purchase price allocation.

Current EBIT published on September 30, 2022 were therefore restated as follows to take account of the impacts of the Suez purchase price allocation:

(in € million)	September 30, 2022
Published Current EBIT	**2,217**
+ exclusion of depreciation of remeasured assets	61
Redefined Current EBIT	**2,278**

5.1.2 Non-Strictly accounting indicators (non GAAP)

To calculate **Current EBIT** (which includes the share of current net income of joint ventures viewed as core Group activities and associates) the following items are deducted from Operating income: of controlled subsidiaries and equity-accounted entities;

- 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);
- depreciation of assets remeasured as part of the Suez purchase price allocation;
- share acquisition costs.

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. Net financial debt excludes the net impact of the remeasurement of debt as part of the Suez purchase price allocation.

Resourcing the world

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