Operating & Financial Review

Consolidated Financial Statements at December 31, 2023

(figures under audit)

OPERATING AND FINANCIAL REVIEW

Message from the Chief Executive Officer

Estelle Brachlianoff, Chief Executive Officer of the Group, commented: " The year 2023 will have been another record year for Veolia, exceeding our targets, with sales of 45 billion euros, EBITDA up 7.8% and current net income up 14.9% to 1,335 million euros, double that of 2018. These excellent results are the fruit of our unique positioning in the buoyant ecological transformation market, as well as of our ongoing efforts to maintain strict operational control.

Demand for our services has never been so high, with, for example, a full and fast-growing order book for our Water technologies business, at €5.3 billion, a sign that water scarcity and quality have become one of the primary consequences of climate change for cities and industries alike.

We have also continued to focus on efficiency, achieving savings of €389 million, in addition to the benefits of the Suez acquisition in the form of €168 million in cost synergies, which exceeded our targets.

2023 is the 7th consecutive year of earnings growth. During this period, Veolia, the world leader in ecological transformation, will have absorbed a series of major economic, health, geopolitical and energy shocks. This uninterrupted growth demonstrates not only our resilience and capacity to adapt, but also the relevance of our positioning in the dynamic market of ecological transformation, and our unique geographic footprint with almost 40% of sales outside Europe.

We look forward to 2024 with great confidence, perfectly poised for another year of strong earnings growth, and in particular a target of current net income above €1.5 billion."

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MAJOR EVENTS OF THE PERIOD

1 MAJOR EVENTS OF THE PERIOD

1.1 BUSINESS AND INCOME TRENDS

Strong growth in 2023 results, outstripping objectives

2023 annual results are up significantly. They reflect the strength of the Group's business model and strategic choices, which have proved resilient in a contrasted macroeconomic context. 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 also confirmed the success of the Suez merger, which is bearing fruit faster than expected with synergies ahead of targets.

(€ million)	2022	2023	2023 / 2022 Change Δ at constant exchange rates	 Δ at constant exchange rates & scope
Revenue	42,885	45,351	8.5 %	9.0 %
EBITDA	6,196	6,543	7.8 %	7.8 %
Current EBIT (1)	3,062	3,346	11.6 %	13.7 %
Net Financial Debt (1)	-18,138	-17,903		

(1) The indicators are defined in Section 5.2 below.

2023 results show strong growth in revenue, EBITDA, Current EBIT and free cash flow despite the economic climate in Europe and an unfavorable weather effect.

2023 **Revenue** is €45,351 million, up significantly on 2022: +9.0% 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 +7.5% due to excellent activity levels in Water technologies and tariff reviews, despite an adverse weather effect that impacted volumes in certain regions;
- **Waste** activities increased by +3.4% and +5.9% excluding the change in recyclate prices, driven by hazardous waste processing activities, particularly in the United States, commercial wins and the effect of price reviews;
- The **Energy** businesses grew significantly (19.9% organic growth), benefiting from increases in heating tariffs and electricity selling prices, reflecting the higher cost of purchased energy and sustained commercial activity, notably in energy flexibility services.

Revenue growth excluding the increase in energy prices was +4.4% at constant scope and exchange rates.

2023 **EBITDA** is €6,543 million, up +7.8% at constant scope and exchange rates. EBITDA growth outpaced revenue growth restated for the increase in energy prices, reflecting excellent operating leverage. In 2023, operating efficiency programs generated €389 million and the Suez integration synergies plan €168 million, ahead of objectives.

Current EBIT is €3,346 million, up +13.7% at constant scope and exchange rates year-on-year.

Net financial debt is €17,903 million as of December 31, 2023, down €235 million euros compared to 31 December 2022, in particular thanks to strong free cash flow generation. Net free cash flow before dividends and financial investments totaled +€1,143 million, up compared to 2022 (+€111 million), primarily due to increased cash generated by operations and lower restructuring costs.

Impact 2023 strategic program financial objectives met or exceeded

2023 marked the final year of the impact 2023 plan, with all financial objectives met or exceeded. The success of the program was founded on steady growth over the period 2020-2023 (average annual growth of 5% excluding Suez) and net current income in excess of €1.3 billion in 2023, above target (€1 billion), while maintaining leverage at below 3.

1.2 ESG ACHIEVEMENTS AS PART OF OUR MULTIFACETED PERFORMANCE

As an ESG benchmark company, Veolia continued to roll out its multifaceted performance in 2023. Thanks to this approach, initiated at the beginning of the Impact 2023 plan, the Group has improved its ESG performance. Based on the good results achieved at the end of the Impact 2023 program, this approach will be adjusted and strengthened in the new 2024-2027 strategic plan.

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 €1.6 billion program over the period to 2030, to reduce CO_2 emissions by 2.7 million metric tons. At the end of 2023, Veolia had invested a total of €529 million in decarbonization projects in Central and Eastern Europe.
- At the COP 28 organized in Dubai (United Arab Emirates), Veolia reaffirmed its commitment to phase out coal in Europe, by continuing the conversion of coal-based power generation assets to less carbon-intensive energies and local energies in particular. The Group also reaffirmed its ambition to achieve Carbon Net Zero by 2050.
- 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.
  - Veolia launched the roll-out of a residual cold recovery solution at the Enagás LNG terminal in Barcelona. A world first, this solution will generate 131 GWh of local, affordable and environmentally-friendly energy annually. Commissioning is scheduled for the second quarter of 2024. This solution allows the emissions linked to energy production that would have been necessary in the absence of recovered energy to be avoided. This represents over 42,000 metric tons of CO_2 avoided per year.

"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 ten 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.
- On November 16, 2023, Veolia inaugurated with Vendée Eau the first unit in France for the reuse of treated wastewater for the production of drinking water as part of the Jourdain program. This complementary solution can produce 1.5 million m^3 of drinking water during the period from May to October for dry years in the Vendée region. In addition, the installation program for compact water recycling units (REUT boxes) launched by the Group in France is a great success: nearly 55 municipalities have already expressed interest in this solution.

Environmental protection and biodiversity:

- With an average deployment rate of 85% at the end of 2023 on the action plans to protect the environment and biodiversity at sensitive Group sites identified on the launch of the Impact 2023 strategic program, Veolia has exceeded its 75% objectives thanks to the governance and management structures implemented, as well as 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. At the end of 2023, the gender balance among Executive Resourcers had improved by 1.5 basis points compared to December 31, 2022 to 26.7%.
- In terms of health and safety, the lost time injury frequency rate continued to fall, dropping below 5 at the end of 2023, the target rate in the Impact 2023 plan (vs. 5.61 in 2022).
- The "Voice of Resources" annual commitment survey, addressed to 160,000 Group employees, was conducted in November 2023. It confirmed the strong results achieved in previous years, with a commitment rate of 89%.
- In September, Veolia launched the YouTube channel Verso, dedicated to analyzing, decoding and popularizing the backstage of the 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 Management Report, 82% of directors are independent and 54.5%([1]) are women. Since this General Shareholders' 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.
- The Sequoia 2023 employee share ownership plan was a great success. At the end of this operation, employees strengthened their position as Veolia's largest shareholder, holding approximately 7.5% of the Company's share capital as of December 13, 2023. Offered to 190,000 employees in 49 countries, the Sequoia 2023 plan was subscribed by nearly 79,000 employees, representing a subscription rate of close to 42%. In the same way as the plans performed annually since 2018, the Sequoia 2023 plan confirms Veolia's desire to involve its employees in the development of their Company and its value creation.

[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 to innovate and its commercial developments in 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 it had been awarded the integrated waste management contract for the Gold Coast, Australia's second largest regional authority and sixth largest city. The contract has an initial term of seven years with options to extend to eighteen years, which would represent around €500 million for the full extended term of the contract. This new contract combines the management of recovery and collection facilities 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 largest waste-to-energy plant in Turkey**

On April 20, 2023, Veolia announced it 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 the first quarter of 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 ten years and combined revenue of €700 million (see 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 m3/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 commenced in 2023 with commissioning scheduled 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 that the Group and its Ivorian partner, PFO Africa, will operate one of the largest drinking water treatment plants in West Africa for a period of 15 years. 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 fifteen 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 twelve 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.

Around fifty Reut projects are currently in progress, with around half installed and equipped with Reut boxes. The mid-term potential for wastewater reuse as drinking water thanks to Reut projects is around 1 million m3/year, with greater potential in coastal regions. The coastal regions have been prioritized in a bid to reuse treated wastewater that is discharged into the sea and help reduce pressure on resources. Project progress is subject to the pace of delivery of various administrative authorizations, which notably take account of economic, local environment and use factors. Regulations are changing regularly to broaden the use of Reut-water and simplify its access.

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

In the second quarter of 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, ultrafiltration, nitrogen treatment, and zero liquid discharges. The project is worth US$177 million over twenty-four months.

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

In the second quarter of 2023, the Singapore group 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 two floating production storage and offloading units (FPSO) in Brazil. This contract is worth US$59 million over twenty-four months.

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

In the second quarter of 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 cumulated 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 90 million metric tons of non-recyclable waste and avoid the emission of 10 million metric tons of CO2.

- 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, 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 (Refuse Derived Fuel) to produce heat for the city of Prerov's district heating distribution network, as well as cogeneration electricity. It will also reduce CO2 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 the third quarter of 2023, Veolia signed two major energy efficiency contracts: a twelve-year contract covering health care buildings in Cosenza worth €153 million, and a fifteen-year contract with the Municipality of Trieste worth €130 million. In the fourth quarter of 2023, Veolia signed contracts with the Turin municipality totaling €33 million, for the University of Turin and the Turin Court. Through these contracts, Veolia will help its customers reduce their carbon footprint by implementing alternative energy sources.

- Decarbonization: **Installation of solar power plants**

To achieve the energy independence of its services in France, Veolia relies in particular on the installation of solar panels at post-operation landfill sites and plans to equip more than 40 facilities with a total capacity of more than 300 MW of 100% local and renewable energy, equivalent to the consumption of 130,000 inhabitants.

1.3.2 Changes in Group structure

The main changes in scope in 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 could not be obtained, rendering the sale provided for in the Share and Asset Purchase Agreement (SAPA) null and void. The Lydec securities are therefore no longer classified under IFRS 5 from 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 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 addressed its written observations in response to the Moroccan Competition Authorities on July 18, 2023.

On November 13, 2023, the Moroccan Competition Authorities accepted Veolia's request for a settlement procedure. This involves in particular proposing a solution to the Authorities satisfying its competition concerns before January 15, 2024.

In this context, the Group is actively continuing its discussions with the Moroccan Competition Authorities and the Delegating Authority to examine various possible arrangements, including total or partial divestment. The January 15 deadline was extended to allow the parties to find a satisfactory solution.

The analysis conducted by the Group and its advisors of the various decisions issued does not call into question the analysis of control pursuant to IFRS of Lydec by Veolia as of December 31, 2023.

Accordingly, pursuant to IFRS 3, the purchase price allocation process was finalized during the period resulting primarily in the recognition of an intangible asset in respect of the concession arrangement operated by Lydec in Casablanca.

- **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 €54 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, 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 activity was recorded in assets and liabilities classified as held for sale as of December 31, 2022.

This transaction completes the divestitures required under the antitrust remedies agreed with the European Commission in the context of the Veolia-Suez combination.

- **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 received on March 24, 2023 of €106 million.
- The final amount of the earn-out received on June 30, 2023 of €284 million.

- **Divestiture of Italian water concessions**

On October 16, 2023, the Group completed the divestiture of Italian water concessions in the Latium and Sicily regions for €74 million.

- **Acquisition of U.S. Industrial Technologies (USA)**

On October 31, 2023, the Group finalized, via its subsidiary VES Technical Solutions LLC in the United States, the acquisition of U.S. Industrial Technologies, whose activity is the treatment of hazardous waste, for €58 million.

1.4 GROUP FINANCING

1.4.1 Changes in Group debt

Net financial debt is €17,903 million as of December 31, 2023, while cash and cash equivalents total €10,588 million.

The foreign exchange impact including the change in fair value on net financial debt is -€58 million as of December 31, 2023.

The Group has liquidity lines totaling €5,991 million[1], providing it with a strong net liquidity position, which amounts to €8,538 million on December 31, 2023 (net liquidity is broken down in Section 3.4 below).

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.

On November 13, 2023, Veolia issued 6% deeply subordinated perpetual securities in the amount of €600 million. The issue was accompanied by a bond redemption transaction to which investors contributed bonds totaling €397 million. Following this transaction, Veolia had hybrid debt of €3,803 million.

1.4.2 Bonds issue

Veolia Environnement did not need to issue new bonds as of December 31, 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 2022 dividend was paid from May 11, 2023 for a total amount of €787 million.

1.5 FREE SHARE AND 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 2023 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. The subscription rate was close to 42%, with nearly 79,000 employees choosing to subscribe. This new plan enabled Group employees to strengthen their position as Veolia's largest shareholder, holding approximately 7.5% of the Company's share capital. This plan led to a share capital increase of nearly €222 million (including issue premiums). Settlement-delivery of the new shares issued was performed on December 13, 2023.

As for the other plans performed annually since 2018, the Sequoia 2023 plan is fully consistent with Veolia's "multifaceted performance" approach, which seeks to associate employees as closely as possible with the Group's performance.

[1] *The Group has a €4,500 million syndicated credit facility, plus bilateral credit facilities totaling €1,491 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 Shareholders' 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 Shareholders' Meeting. At the recommendation of the Nominations Committee, the same Board of Directors' meeting decided to ask the General Shareholders' 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 Frérot, 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. Véronique Bédague*;
- Mr. Pierre-André de Chalendar*;
- Mrs. Isabelle Courville*;
- Mrs. Marion Guillou*;
- Mr. Franck Le Roux, Director representing employees;
- Mrs. Agata Mazurek- Bąk, 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. Gustavo Migues, Senior Executive Vice President, Iberia and Latin America;
- 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. 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 38 members, including the 14 members of the Executive Committee; its composition can be viewed on Veolia's website (www.veolia.com).

[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).*

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, Current Net Income and Net Financial Debt adopted since the publication of the financial statements for the year ended December 31, 2022 (see Chapter 5.2 - Definitions).

			2023 / 2022 Change		
(€ million)	*2022*	*2023*	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope & exchange rates*
Revenue	**42,885**	**45,351**	**5.8%**	**8.5%**	**9.0%**
EBITDA (1)	**6,196**	**6,543**	**5.6%**	**7.8%**	**7.8%**
Current EBIT (2) (3)	**3,062**	**3,346**	**9.3%**	**11.6%**	**13.7%**
Current Net income - Group share	1,162	1,335	14.9%	21.6%	
Current net income - Group share, excluding capital gains ans losses on financial divestitures net of tax	1,116	1,316	18.0%	24.9%	
Net Income - Group share	716	937			
Current net income - Group share, per share (undiluted)	1.69	1.89			
Current net income - Group share, per share (diluted)	1.63	1.82			
Dividend per share paid during the fiscal year	1,12	1,25 (4)			
Net industrial investments	-3,089	-3,730			
Net free cash-flow	1,032	1,143			
Net financial debt - Closing (5)	**-18,138**	**-17,903**			

(1) The indicators are defined in Section 5.2 below
(2) Including the share of current net income of joint ventures and associates.
(3) Re-presented for depreciation of remeasured assets, identified during the Suez purchase price allocation, of €226 million as of December 31, 2022 and €217 million as of December 31, 2023, as defined in Section 5.2 below.
(4) Subject to approval of the General Shareholders' Meeting of April 25, 2024.
(5) Net financial debt excludes the remeasurement of financial liabilities in the context of the Suez purchase price allocation as defined in Section 5.2. below.

The main foreign exchange impacts between December 31, 2023 and December 31, 2022 are as follows:

FX impacts for the year ended December 31, 2023 (vs December 31, 2022)	%	*(€ million)*
Revenue	-2.8%	-1,187
EBITDA	-2.2%	-133
Current EBIT	-2.3%	-72
Net financial debt (1)	0.3%	-58

(1) including fair value adjustment.

2.2 GROUP REVENUE

2.2.1 Revenues by operating segment

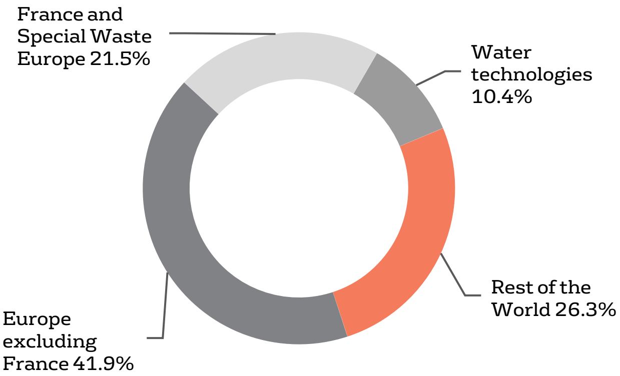
Consolidated revenue totaled €45,351 million for the year ended December 31, 2023, compared with €42,885 million for the year ended December 31, 2022. All operating segments reported growth in 2023.

(€ million)	2022	2023	2023/2022 change Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
France and Special Waste Europe	9,666	9,726	0.6 %	0.6 %	1.4 %
Europe excluding France	17,850	19,000	6.4 %	5.9 %	11.6 %
Rest of the World	11,196	11,907	6.3 %	14.6 %	10.0 %
Water technologies	4,561	4,707	3.2 %	11.1 %	12.1 %
Other (1)	-388	12	-	-	-
GROUP	42,885	45,351	5.8 %	8.5 %	9.0 %

(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.

2023 revenue breaks down by operating segment as follows:

2023 Revenue: €45,351 million



Compared with December 31, 2022, 2023 revenue rose 9.0% at constant scope and exchange rates, increasing significantly across all segments outside France. France and Special Waste Europe activities posted moderate growth:

- Water technologies +12.1%;
- Europe excluding France +11.6%;
- Rest of the world +10.0%; and
- France and Special Waste Europe +1.4%.

Revenue for the **France and Special Waste Europe** segment totaled €9,726 million, with organic growth of +1.4% compared with December 31, 2022:

- **Water France** revenue increased +1.0% to €3,006 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 a -2.8% contraction in volumes due to an unfavorable weather effect.
- **Waste France** revenue increased +0.7% to €2,909 million: the decline in recyclate prices (-49% decrease in COPACEL compared to 2022) and the pressure on volumes were offset by tariff reviews and higher electricity sales. Excluding recyclates prices, revenue increased 5.4%.
- **Special Waste Europe** revenue declined slightly by -0.8% to €2,125 million, mainly due to lower oil prices, offset by higher contractual prices in hazardous waste processing and sanitation maintenance activities.
- **SADE** reported growth of +5.2%, thanks to strong commercial momentum in France.

Revenue for the **Europe excluding France** segment totaled €19,000 million for the year ended December 31, 2023, with organic growth of +11.6%.

- In **Central and Eastern Europe**, revenue rose +19.1% to €11,360 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 (-€159 million).
- In **Northern Europe**, revenue rose +5.2% to €4,043 million. This growth was mainly attributable to the **United Kingdom**, up +5.5% at constant scope and exchange rates, due to tariff indexation and the favorable impact of electricity prices on incineration and good commercial development for waste collection.
- In **Iberia**, revenue increased +6.6% to €2,603 million, driven primarily by water activities in Spain, which benefited from strong construction momentum and increased tariffs partially offset by a slight fall in volumes (-0.8% compared to 2022), impacted by unfavorable weather conditions.
- **Italy** generated revenue of €994 million, down -12.5% mainly following a drop in energy selling prices. Profitability was not, however, affected due to a parallel decrease in energy purchase costs.

In the **Rest of the world**, revenue totaled €11,907 million, representing organic growth of +10.0%, increasing across all geographies:

- Revenue increased +30.3% to €1,832 million in **Latin America**, driven by the impacts of hyperinflation in Argentina (offset by the devaluation of the Argentinian peso), and Water activities in Chile which benefited from tariff reviews.
- In **Africa Middle-East**, revenue rose +10.0% to €2,213 million, mainly driven by new contracts in waste activities (Istanbul in Turkey), the start-up of new water facilities (Jeddah in Saudi Arabia), the growth of energy services in the Middle East and the increase in water contracts in Morocco due to slightly higher volumes.
- In **North America**, revenue rose +5.8% to €3,347 million. The Hazardous waste business had a very good year, growing +6.4%, with higher volumes and increased tariffs. The Water activity enjoyed higher tariffs, which more than offset the -1.7% fall in "regulated water" volumes, impacted by unfavorable weather conditions (without impacting the margin).
- Revenue in **Asia** increased +4.6% to €2,540 million, mainly driven by Hong Kong (+16.1%), Taiwan (+11.9%) and Japan (+4.8%). China revenue stabilized.

- In the **Pacific**, revenue increased +6.4% to €1,975 million, mainly driven by tariff reviews and commercial wins in Waste (in particular the Gold Coast contract), as well as a good commercial performance in industrial maintenance.

The **Water technologies** activity reported an increase of +12.1% to €4,707 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 €3,490 million as of December 31, 2023[1], up significantly by 31.1% on December 31, 2022 (€2,662 million).

2.2.2 Revenues by business line

Compared with the year ended December 31, 2022, revenue by business rose +9.0% at constant scope and exchange rates, driven mainly by:

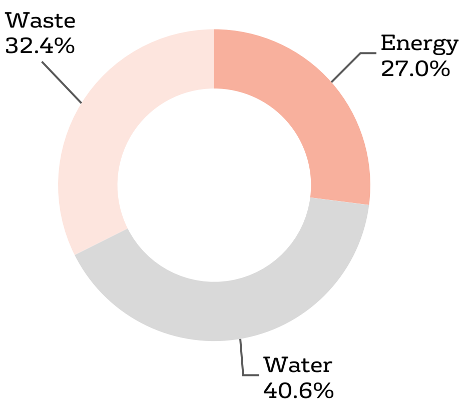
- strong growth in **Energy** of +19.9%, underpinned by higher electricity prices and tariff reviews for heating sales, reflecting the rise in the cost of purchased energies;
- growth in **Water** activities of +7.5%, due to contract tariff indexation across all geographies, as well as growth in Technology and Construction activities (+10.8%);
- growth in **Waste** activities of +3.4% due to favorable tariff reviews, offsetting lower recyclate prices.

			2023/2022		
(in € million)	2022	2023	Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Water	17,238	18,409	6.8 %	9.7 %	7.5 %
of which Water Operations (1)	11,649	12,627	8.4 %	9.7 %	5.9 %
of which Technology and Construction	5,589	5,782	3.5 %	9.9 %	10.8 %
Waste (1)	15,795	14,683	(7.0)%	(2.8)%	3.4 %
Energy (1)	10,253	12,260	19.6 %	19.7 %	19.9 %
Other (2)	-400	-	-	-	-
GROUP	42,885	45,351	5.8 %	8.5 %	9.0 %

(1) In 2022, €1,022 million was reclassified from Water operations to Energy and €7 million was reclassified from Waste to Energy, mainly corresponding to Braunschweiger Versorgungs-AG (BVAG) revenue in Germany.
(2) 2022 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 year ended December 30, 2023 breaks down by business as follows:

2023 Revenue: €45,351 million



The main changes in revenue by business at constant scope and exchange rates compared with figures for the year ended December 31, 2023 break down as follows.

Water revenue

Water revenue rose +7.5%. **Water Operations** revenue rose by +5.9%, with tariff rises across all geographies, good commercial development in Africa/Middle East and strong construction activity levels, despite volumes impacted by unfavorable weather conditions in France, Spain and the United States.

Technology and Construction revenue rose +10.8%, driven by Water technologies activities.

Waste revenue

Waste revenue increased +3.4% and +5.9% excluding changes in recyclate prices, benefiting from favorable tariff reviews (+5.3%) which offset lower recyclate prices (-2.5% in revenue) observed in France, Germany and Northern Europe. The commercial/volumes/works effect is slightly positive (+0.1%) marked by resilient volumes. The decline in Europe (notably in France and Germany) is offset by the Rest of the world and good commercial activity in Australia and the United Kingdom.

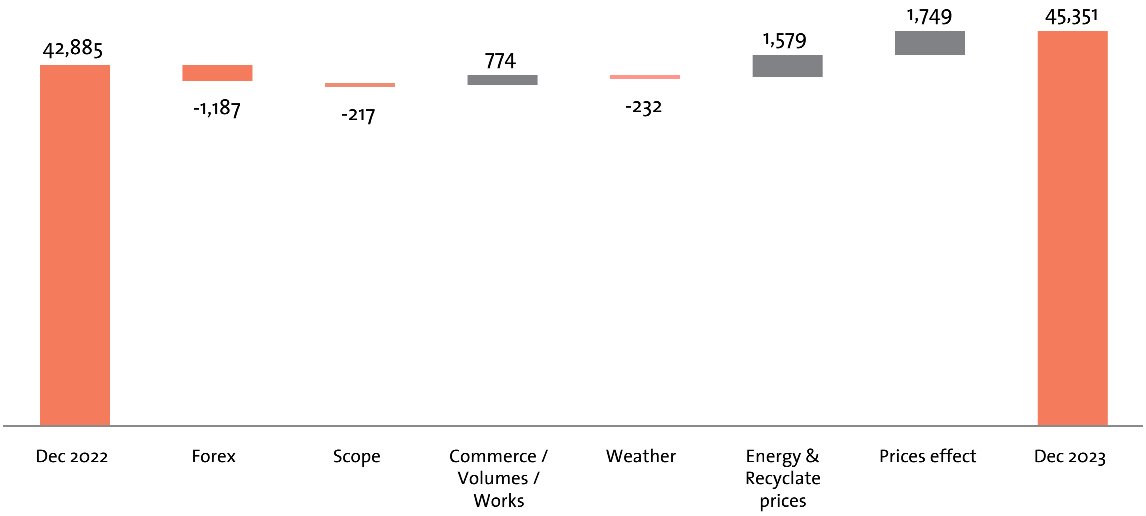
Energy revenue

Energy revenue rose +19.9%. The strong activity growth is founded on positive price effects (+18.5%), mainly in Central and Eastern Europe, as well as the start-up of new projects (biomass fueled cogeneration facility in Germany, takeover of the Tashkent heating network in Uzbekistan) and robust growth in electricity flexibility services (network support). Unfavorable weather had a negative effect of -1.5% of revenue in 2023.

[1] *For the Projects and Products businesses*

2.2.3 Analysis of changes in Group revenues

Revenue growth is +9.0% at constant scope and exchange rates, and +4.4% excluding energy prices and breaks down as follows:



The **foreign exchange impact** of -€1,187 million (-2.8%) mainly reflects fluctuations in the Argentinian, American, Australian, Chinese and British currencies, partially offset by an improvement in the Polish and Czech currencies[1].

The **consolidation scope impact** of -€217 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 +€774 million (+1.8%), driven by good commercial momentum, progress with construction work, the start-up of new projects (biomass fueled cogeneration facility in Germany, takeover of the Tashkent heating network in Uzbekistan), as well as growth in Water technologies activities.

The **weather impact** of -€232 million (-0.5%) 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 +€1,579 million (+3.7%), driven by higher heating and electricity tariffs (+€1,978 million), 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** (+€1,749 million) are mainly tied to tariff reviews estimated at +5.2% in waste and +4.4% in water.

[1] *Main foreign exchange impacts by currency: Argentinian peso (-€647 million), Australian dollar (-€145 million), US dollar (-€133 million), Chinese yuan (-€87 million) and Pound Sterling (-€59 million), partially offset by the Polish zloty (+€94 million) and Czech koruna (+€51 million).*

2.3 GROUP EBITDA

Group consolidated EBITDA for the year ended December 31, 2023 was €6,543 million, compared with €6,196 million for the year ended December 31, 2022. EBITDA is up +7.8% at constant scope and exchange rate year-on-year. EBITDA growth outpaced revenue growth restated for the increase in energy prices, reflecting excellent operating leverage. In 2023, operating efficiency programs generated €389 million and the Suez integration synergies plan €168 million, ahead of objectives.

2.3.1 EBITDA by operating segment

			2023 / 2022 Change		
(€ million)	*2022*	*2023*	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France and Special Waste Europe	1,418	1,338	-5.6%	-5.7%	-5.2%
Europe excluding France	2,373	2,599	9.5%	9.0%	13.7%
Rest of the world	1,831	1,925	5.1%	11.3%	7.1%
Water technologies	496	534	7.5%	14.5%	17.0%
Other (1)	78	148	-	-	-
GROUP	6,196	6,543	5.6%	7.8%	7.8%

(1) In 2022, EBITDA 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 -€49 million.

Compared to December 31, 2022, 2023 EBITDA by operating segment changed as follows :

- Water technologies +17.0%;
- Europe excluding France +13.7%;
- Rest of the world +7.1%; and
- France and Special Waste Europe -5.2%.

France and Special Waste Europe reported an EBITDA of €1,338 million. The -5.2% decline year-on-year at constant scope and exchange rates is mainly due to lower recyclate prices and an unfavorable weather effect on water volumes, partially offset by operational efficiency action plans.

Europe excluding France EBITDA is €2,599 million. The +13.7% organic growth compared to 2022 was driven by high energy prices and gains in energy flexibility and support services in Central and Eastern Europe, as well as tariff increases in water.

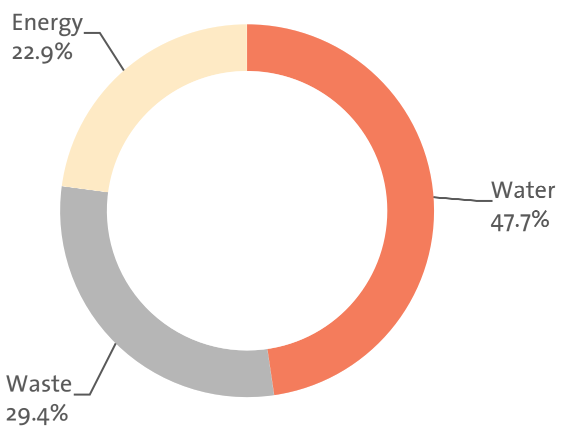
The **Rest of the world** posted EBITDA of €1,925 million and organic growth of +7.1% compared to December 31, 2022, attributable to the North America, Africa-Middle East and Pacific regions.

Water technologies activities generated EBITDA of €534 million and reported organic growth of +17.0% compared to 2022, driven by all Engineering Systems, Chemical Solutions and Services and Technologies activities.

2.3.2 EBITDA by business line

EBITDA for the year ended December 30, 2023 breaks down by business as follows:

2023 EBITDA: €6,543 million



The main changes in EBITDA by business at constant scope and exchange rates compared with figures for the year ended December 31, 2022 break down as follows.

Water EBITDA

Water EBITDA is €3,122 million, up +5.4% at constant scope and exchange rates year-on-year, driven mainly by **Water technologies** activities. In **Water Operations**, EBITDA benefited from efficiency gains and synergies generated in 2023, allowing weather impacts on volumes to be offset.

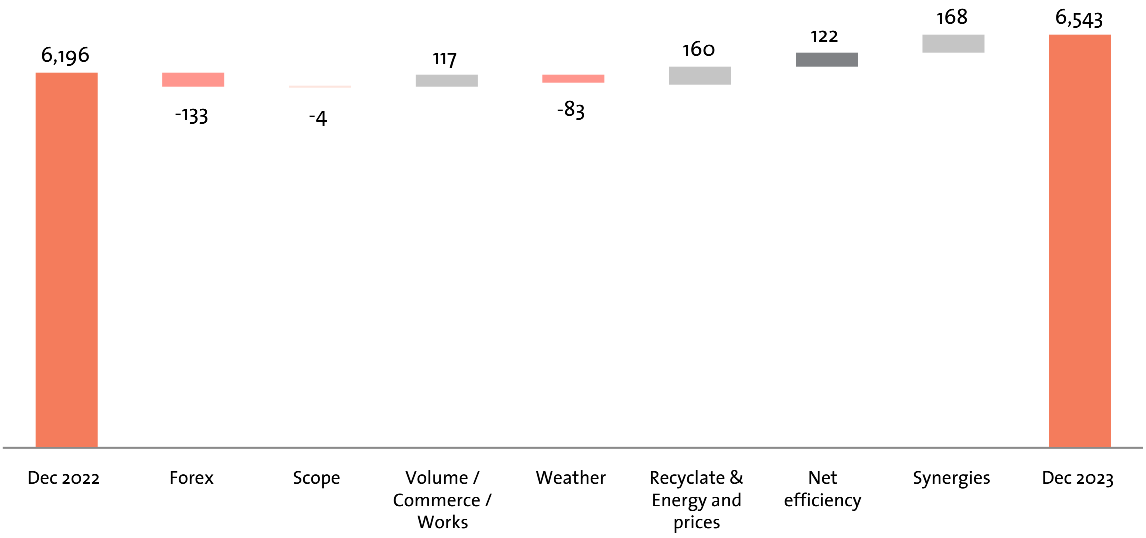
Waste EBITDA

Waste EBITDA is €1,924 million, up +1.0% at constant scope and exchange rates year-on-year, excluding changes in recyclate prices, benefiting from efficiency gains and synergies achieved in 2023 and robust hazardous waste activities, particularly in the United States.

Energy EBITDA **Energy** EBITDA is €1,497 million, a strong +35.3% rise at constant scope and exchange rates year-on-year, benefiting from higher energy prices and the improved energy performance of cogeneration facilities, as well as the start-up of new projects (biomass fueled cogeneration facility in Germany, takeover of the Tashkent heating network in Uzbekistan) and robust growth in electricity flexibility services (network support).

2.3.3 Analysis of changes in Group EBITDA

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



The **foreign exchange impact** in EBITDA of -€133 million (-2.2%) mainly reflects the depreciation of the Argentinian, American, Australian, Chinese and British currencies, partially offset by an appreciation of the Czech and Polish currencies[1].

The **consolidation scope impact** of -€4 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 / Volumes / Works impacts** of +€117 million resulted from the positive impact on revenue.

The **weather impact** of -€83 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.

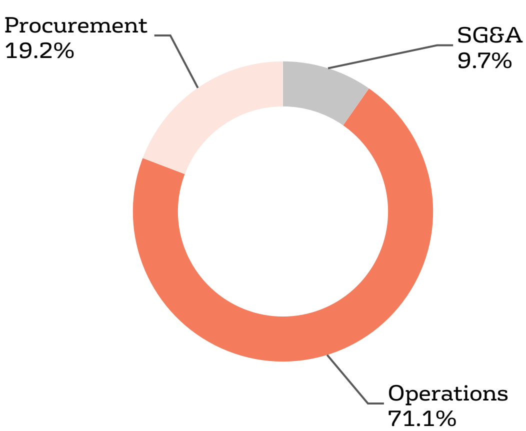
Recyclate and energy prices had a net favorable impact on EBITDA of + €160 million, mainly tied to increased energy selling prices net of higher purchase costs, which offset the unfavorable impact of recyclate prices (-€88 million) in France, Northern Europe and Germany.

The **efficiencies** generated by the Group, net of gains shared with clients, contract renegotiations and the effect of timing differences on the retrocession of costs generated additional EBITDA of €122 million in 2023.

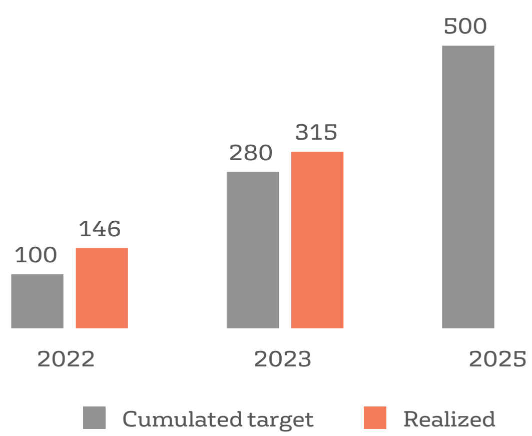
The **efficiency plan** generated €389 million in 2023, above the annual objective of €350 million. Gains mainly concerned operating efficiency (71%) and purchasing (19%) and were achieved across all geographic zones: France and Special Waste Europe (26%), Europe excluding France (39%), Rest of the world (28%) and Water Technologies (6%).

Synergies achieved following the integration of Suez totaled €168 million in 2023. Together with those already achieved in 2022, synergies total €315 million, above the aggregate target of €280 million at the end of 2023, mainly thanks to economies of scale achieved on purchases.

Efficiency plan €389 million



Cumulated synergies: 315 M€



[1] *Main foreign exchange impacts by currency: Argentinian peso (-€59 million), US dollar (-€23 million), Australian dollar (-€18 million), Chinese yuan (-€16 million) and Pound Sterling (-€9 million), partially offset by the Czech koruna (+€12 million) and the Polish zloty (+€8 million).*

2.4 OTHER INCOME STATEMENT ITEMS

2.4.1 Current EBIT

Group **Current EBIT** for the year ended December 31, 2023 was €3,346 million, up +13.7% at constant scope and exchange rates on the year ended December 31, 2022. EBITDA reconciles with Current EBIT as follows:

(€ million)	2022	2023
EBITDA	**6,196**	**6,543**
Renewal expenses	-303	-303
Amortizations (1)	-3,025	-3,060
Provisions, capital gain or loss on disposals and others	68	43
Share of current net income of joint ventures and associates	127	123
Current EBIT	**3,062**	**3,346**

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

The +€420 million increase (+13.7%) in Current EBIT at constant scope and exchange rates year-on-year is mainly due to:

- robust growth in EBITDA (+€485 million at constant scope and exchange rates);
- an increase in depreciation and amortization[1], including principal payments on operating financial assets (-€60 million at constant scope and change rate). Excluding principal payments on operating financial assets, depreciation and amortization is €2,827 million, stable at constant scope and exchange rates;
- a decrease in provisions net of capital gains on disposals (-€37 million at constant scope and exchange rates), mainly due to the decrease in capital gains on disposals (-€71 million), partially offset by the reversal of pension provisions, primarily due to pension reforms in France;
- an increase in the Group's share of net income of joint ventures of + €21 million at constant scope and exchange rates. This increase is offset by a consolidation scope effect of -€20 million, mainly tied to the divestiture of Suez activities in the United Kingdom.

The foreign exchange impact on Current EBIT of -€72 million mainly reflects fluctuations in the Argentinian (-€34 million), American (-€15 million), Australian (-€10 million), Chinese (-€7 million) and British (-€6 million) currencies, partially offset by an appreciation of the Hungarian (+€6 million) and Czech (+€5 million) currencies.

The change in 2023 Current EBIT by operating segment compared to the year ended December 31, 2022 is as follows :

			2023 / 2022 Change		
(€ million)	2022	2023	Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
France and Special Waste Europe	495	428	-13.4%	-13.6%	-15.1%
Europe excluding France	1,233	1,440	16.8%	15.8%	22.4%
Rest of the World	1,004	982	-2.2%	3.3%	1.1%
Water Technologies	364	420	15.4%	23.6%	30.0%
Other[(1)]	-34	75	-	-	-
GROUP	**3,062**	**3,346**	**9.3%**	**11.6%**	**13.7%**

(1) In 2022, Current EBIT 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 -€11 million.

[1] *Excluding the Suez purchase price allocation*

2.4.2 Net financial expense

(€ million)	Year ended December 31, 2022	Year ended December 31, 2023
Current cost of net financial debt (1)	**-707**	**-626**
Dividends received	10	3
Foreign exchange gains and losses and fair value adjustments	-168	-79
Other	-228	-274
Other financial income and expense (2)	**-386**	**-350**
Gains (losses) on disposals of financial assets (3)	**70**	**11**
Current net financial expenses (1)+(2)+(3)	**-1,023**	**-966**
Other non-current financial income and expenses and impact of the remeasurement of financial liabilities	186	-12
Net financial expense	**-837**	**-978**

The **net financial expense** for the year ended December 31, 2023 is -€978 million, compared with -€837 million for the year ended December 31, 2022. This -€141 million increase is mainly due to the fall in non-current financial income and expenses.

- The **current net financial expense** is -€966 million for the year ended December 31, 2023, compared with -€1,023 million for the year ended December 31, 2022. The current cost of net financial debt is down €81 million at -€626 million for the year ended December 31, 2023, compared with -€707 million one year previously. This decrease in the Group cost of net financial debt is mainly due to an increase in income from cash and cash equivalents and liquid assets following the rise in interests rates. The Group's financing rate (excluding IFRS 16 impacts) was therefore 3.68% at December 31, 2023, compared with 3.87% at December 31, 2022 (3.59% vs. 3.70% including IFRS 16 impacts).

  Other current financial income and expenses total -€350 million for the year ended December 31, 2023, compared with -€386 million for the year ended December 31, 2022. The change in foreign exchange gains and losses and fair value adjustments is mainly due to the decrease in the inflation impact of the debt of the subsidiary in Chile.

  The "Other current financial income and expenses" item comprises the unwinding of discounts on provisions, interest on concession liabilities and interest on IFRS16 lease debt.

- **Non-current net financial income and expenses** total -€12 million and mainly comprise impairment of shareholder loans in Northern Europe of -€44 million and costs relating to the legal restructuring in Canada of -€32 million, as well as interest paid in respect of a dispute in Lithuania of -€17 million, offset by the impact of the remeasurement of financial liabilities for €78 million. Non-current net financial income and expenses for the year ended December 31, 2022 mainly consisted of the capital gain realized on the sale of certain Hazardous waste activities in France as part of the Suez acquisition remedies required by the European Commission.

2.4.3 Current income tax expense

The current income tax expense for the year ended December 31, 2023 is -€599 million, compared with -€514 million for the year ended December 31, 2022.

The current income tax rate for the year ended December 31, 2023 is 26.5%, versus 26.9% for the year ended December 31, 2022.

(€ million)	**December 31, 2022**	**December 31, 2023**
Current income before tax (a)	2,039	2,380
Of which share of net income of joint ventures & associates (b)	127	123
Re-presented current income before tax : (c)=(a)-(b)	1,912	2,257
Restated tax expense (d) (1)	-514	-599
RE-PRESENTED TAX RATE ON CURRENT INCOME (d)/(c)	**26.9%**	**26.5%**

(1) Tax expense restated for depreciation of revalued assets and the remeasurement of financial liabilities as part of the Suez purchase price allocation, as defined in section 5.2 below.

2.4.4 Current net income / Net income attributable to the owners of the Company

Net income attributable to owners of the Company was €937 million for the year ended December 31, 2023, compared with €716 million for the year ended December 31, 2022.

- Current net income attributable to owners of the Company was €1,335 million for the year ended December 31, 2023, compared with €1,162 million for the year ended December 31, 2022. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company is €1,316 million, compared with €1,116 million for the year ended December 31, 2022.
- Net income attributable to non-controlling interests is €397 million for the year ended December 31, 2023, compared with €282 million for the year ended December 31, 2022, and is consistent with the growth in net income of the Group's activities, particularly in Central and Eastern Europe and Chile.

Net income (loss) attributable to owners of the Company for the year ended December 31, 2023 breaks down as follows:

	2022			2023		
(In € million)	Current	Non-current & PPA (*)	Total	Current	Non-current & PPA (*)	Total
EBIT	3,062	-729	2,333	3,346	-499	2,847
Cost of net financial debt	-707	75	-633	-626	87	-539
Other financial income and expenses	-316	111	-205	-340	-99	-439
Pre-tax net income (loss)	2,039	-543	1,496	2,380	-511	1,869
Income tax expense	-514	94	-420	-599	88	-511
Net income (loss) from discontinued operations	0	-79	-79	-	-24	-24
Attributable to non-controlling interests	-363	81	-282	-446	49	-397
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	1,162	-446	716	1,335	-398	937

** including non-current items, as well as depreciation of remeasured assets and the remeasurement of financial liabilities in the context of the Suez purchase price allocation as defined in Section 5.2 below.*

Current EBIT reconciles with operating income, as presented in the income statement, as follows:

(€ million)	2022	2023
Current EBIT	**3,062**	**3,346**
Impairment losses on goodwill and negative goodwill	-69	-2
Net charges to non-current provisions	-23	15
Restructuring costs	-116	-76
Non-current amortizations, provisions and impairment of property, plant and equipment, intangible assets, operating financial assets and other	-435	-425
Share acquisition costs, with or without acquisition of control	-87	-10
Total non-current items	**-729**	**-499**
OPERATING INCOME AFTER SHARE OF NET INCOME OF EQUITY-ACCOUNTED ENTITIES	2,333	2,847

- Net restructuring costs mainly concern the holding company, France and Iberia.
- Non-current depreciation, amortization, provisions and impairment of property, plant and equipment, intangible assets and operating financial assets and other non-current expenses include:
  - depreciation of assets remeasured as part of the Suez purchase price allocation of -€217 million in the year ended December 31, 2023, compared with -€226 million in the year ended December 31, 2022.
  - the cost of integrating the Suez scope (migrating IT systems to common platforms, rebranding and assistance with organizational changes) of -€100 million.
  - provisions for asset impairment, particularly in China (-€20 million),
  - costs following the resolution of a dispute in Lithuania (-€18 million) (excluding interests but compensated by a provision release of 19 millions d'euros), and
  - costs relating to the Flint dispute in the United States, following the signature of a settlement agreement between the parties at the beginning of February 2024 in respect of the class action (-€22 million).

3

FINANCING

3 Financing

3.1 CHANGE IN FREE CASH FLOW AND NET FINANCIAL DEBT

Net free cash flow before financial investments and dividends is +€1,143 million for the year ended December 31, 2023, a significant improvement of +€111 million on December 2022 (+€1,032 million).

The change in net free cash flow compared with December 31, 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 of €3,730 million compared to €3,089 million in the year ended December 31, 2022. This increase is due to higher gross investments (+€383 million), mainly due to decarbonization projects in Central and Eastern Europe and growth investments in hazardous waste. In addition, industrial divestitures fell -€258 million, following major disposals in 2022 as part of the Suez acquisition anti-trust remedies (divestiture of mobile water treatment solutions, industrial water treatment activities, Integrated Waste Services assets in Australia and Osis Greater Paris subsidiaries);
- A change in operating working capital requirements of +€195 million, an improvement on December 31, 2022 (+€48 million) thanks to ongoing debt recovery efforts;
- A reduction in Other non-current costs and restructuring costs of -€188 million on December 31, 2022.

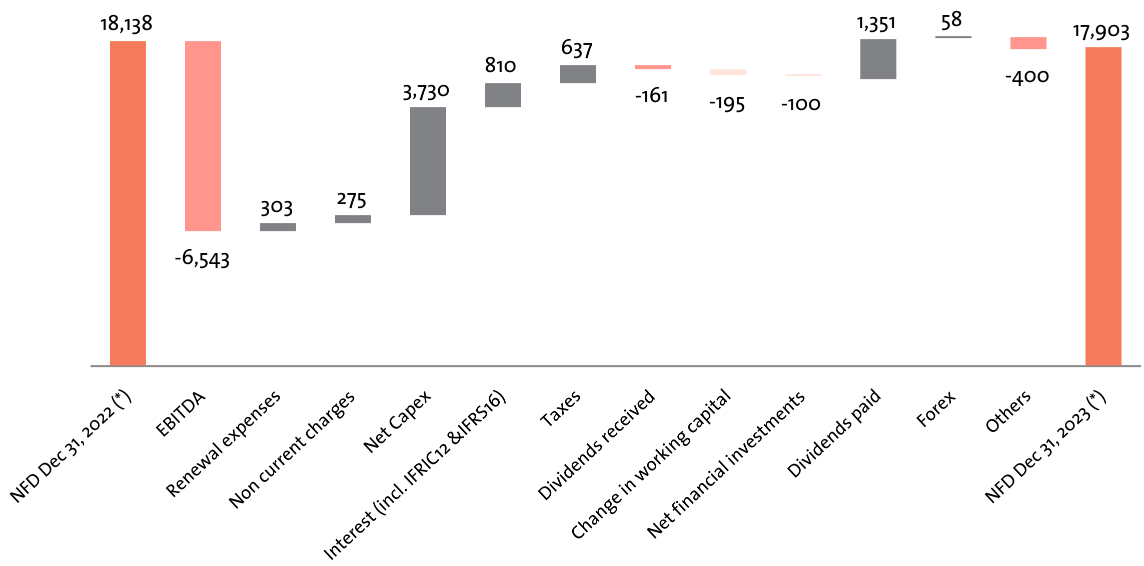
Net financial debt amount to €17,903 million as of December 31, 2023, compared with €18,138 million as of December 31, 2022.

Compared to December 31, 2022, net financial debt is down €235 million, mainly due to:

- net free cash flow generation of €1,143 million for the year
- net financial investments of €100 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 of U.S. Industrial Technologies (USA), the buyback of the minority stake held by Lanzhou in Veolia Water Yellow River in China, as well as the divestitures of Water Italian concessions, Advanced Solutions (USA) 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;
- the subordinated debt issue for €198 million (net of issue costs);
- the share capital increase performed under the Sequoia 2023 employee share ownership plan for €203 million net.

Net financial debt is also impacted by foreign exchange gains and losses and fair value adjustments of -€58 million as of December 31, 2023.

(€ million)	2022	2023
EBITDA	**6,196**	**6,543**
Net industrial investments	-3,089	-3,730
Change in operating WCR	48	195
Dividends received	129	161
Renewal expenses	-303	-303
Other non-current costs and restructuring costs	-463	-275
Interest on concession liabilities (I12)	-79	-84
Interest on right of use (IFRS 16)	-53	-58
Financial items (current cash financial expense, and operating cash flow from financing activities)	-796	-668
Taxes paid	-557	-637
Net free cash flow before dividend payment, financial investments and financial divestitures	**1,032**	**1,143**
Dividends paid	-1,079	-1,351
Net financial investments	-8,970	100
Change in receivables and other financial assets	488	126
Issue / repayment of deeply subordinated securities	-500	198
Proceeds on issue of shares	221	263
Free cash-flow	**-8,807**	**480**
Effect of foreign exchange rate	-232	-58
Other movements	83	-109
Change	**-8,956**	**313**
Opening net financial debt	-9,532	-18,138
Impact of the remeasurement of financial liabilities	351	-78
CLOSING NET FINANCIAL DEBT	**-18,138**	**-17,903**



(*) Net financial debt excluding the impact of the remeasurement of debt as part of the Suez purchase price allocation, see Section 5.2 below.

3.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

3.2.1 Net Industrial investments

Group net industrial investments, including new operating financial assets, amounted to €3,730 million for the year ended December 31, 2023, compared with €3,089 million for the year ended December 31, 2022.

Gross industrial investments total €4,049 million for the year ended December 31, 2023, including maintenance investments of €1,968 million (including IFRS 16), contractual growth investments of €1,541 million and discretionary investments of €540 million, as well as new operating financial assets of €254 million.

Industrial divestitures total -€319 million for the year ended December 31, 2023 and are the result of the existing asset rotation program; they mainly concern France and Special Waste Europe (€69 million), Water technologies (€51 million), Australia (€47 million) and Germany (€42 million).

Industrial investments for the year ended December 31, 2023, excluding discontinued operations, break down by **segment** as follows:

Year ended December 31, 2023 (€ million)	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France and Special Waste Europe	832	-69	763
Europe excluding France	1,559	-101	1,458
Rest of the world	1,367	-80	1,287
Water technologies	219	-51	167
Other	72	-17	55
GROUP	4,049	-319	3,730

Gross industrial investments totaled €3,666 million for the year ended December 31, 2022[1], including maintenance investments of €1,888 million (including IFRS 16) contractual growth investments of €1,347 million and discretionary investments of €431 million, as well as new operating financial assets of €184 million.

Industrial divestitures totaled -€577 million for the year ended December 31, 2022 and comprised remedy divestitures regarding mobile water treatment services in Europe for €191 million and industrial water treatment activities in France for €30 million, as well as the sale of Integrated Water Services assets in Australia for €102 million and the sale of Osis Greater Paris assets for €32 million.

Industrial investments for the half year ended December 31, 2022, excluding discontinued operations, broke down by **segment** as follows:

Year ended December 31, 2022 (€ million)	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France and Special Waste Europe	798	-149	649
Europe excluding France	1,322	-57	1,265
Rest of the world	1,343	-179	1,164
Water technologies	216	-191	24
Other	-13	0	-13
GROUP	3,666	-577	3,089

[1] *Excluding restatement of the effect of the first 17 days of 2022 relating to the pre-acquisition period of Suez by Veolia, gross industrial investments amounted to €3,705 million.*

3.2.2 Net financial investments

Net financial investments for the year ended December 31, 2023 total €100 million (including acquisition costs, net financial debt of acquired entities and disposal costs). These financial investments mainly comprise the receipt of the final earn-out paid by Suez to Veolia on December 31, 2023 of €284 million.

Financial acquisitions total -€552 million in 2023 and mainly concern:

- the acquisition of the subsidiaries Reciclados La Red S.LL and Banales III located in Madrid and Seville, respectively, for a total of €54 million on January 10, 2023;
- Lydec debt of €47 million assumed on its consolidation as of January 25, 2023;
- the buy-out of minority interests (49%) in Promecap in Mexico on July 21, 2023, through the exchange of Veolia shares for €55 million following the exercise of a purchase option;
- the buy-out of Lanzhou minority interests in Veolia Water Yellow River (49%) in China for €68 million on September 27, 2023;
- the acquisition of U.S. Industrial Technologies in the United States, a hazardous waste processing subsidiary, for €58 million on October 31, 2023.

Financial divestitures for the year ended December 31, 2023, including disposal costs but excluding the final earn-out paid by Suez, total + €368 million and mainly comprise:

- the receipt of proceeds from the divestiture of Suez hazardous waste activities (France remedies) of €49 million;
- the divestiture of Advanced Solutions subsidiaries in the United States for €84 million;
- the divestiture of Quality Circular Polymers (QCP) shares, a plastic recycling subsidiary in the Netherlands, for €20 million (excluding loan repayment);
- the divestiture of Italian water concessions for €74 million.

Net financial investments for the year ended December 31, 2022 totaled -€8,970 million (including acquisition costs, net financial debt of acquired entities and disposal costs). The main change in scope in 2022 was the acquisition of the Suez Group, following the finalization of the Public Tender Offer in the first quarter for -€8,664 million, including debt assumed and net of the divestiture of components of the Suez Group to the consortium on January 31, 2022 and antitrust remedies.

Excluding the acquisition of Suez and the divestitures mentioned above, net financial investments totaled -€70 million and mainly included the acquisition of 48.7% of Lydec for -€101 million.

Excluding the disposal of new Suez, financial divestitures in 2022 (including disposal costs) mainly comprised the divestiture of Lanzhou in China for €141 million, the divestiture of Huancheng Puxi in China, a waste-to-energy subsidiary, for €27 million and a sales price adjustment in respect of a divestiture performed in 2021 in Germany of -€26 million.

3.3 OPERATING WORKING CAPITAL

The change in operating working capital requirements (excluding discontinued operations) is +€195 million for the year ended December 31, 2023, compared with +€48 million for the year ended December 31, 2022.

The improvement of change in operating working capital requirements in a context of increased vigilance of rising inflation, energy prices and interest rates, reflects regular monitoring and improvements in collection and invoicing processes.

See Note 5.3 to the consolidated financial statements for the year ended December 31, 2023.

3.4 EXTERNAL FINANCING

Structure of the net financial debt

As of December 31, 2023, net financial debt after hedging is 87% at fixed rates, compared with 83% as of December 31, 2022. The average maturity of net financial debt is 7.4 years as of December 31, 2023 compared with 7.9 years as of December 31, 2022.

(€ million)	Note to the Consolidated Financial Statements	As of December 31, 2022	As of December 31, 2023
Non-current financial liabilities	7.1.1	21,348	20,310
Current financial liabilities	7.1.1	7,018	7,662
Bank overdraft and other cash position items	7.1.4	214	379
Sub-total borrowings		**28,580**	**28,350**
Cash and cash equivalents	7.1.4	-9,012	-8,696
Liquid assets and financing-related assets	7.1.3	-1,677	-1,892
Fair value gains (losses) on hedge derivatives	7.2.2	599	414
Remeasurement of financial liabilities (1)		-351	-273
NET FINANCIAL DEBT		**18,138**	**17,903**

(1) Net financial debt excludes the remeasurement of financial liabilities in the context of the Suez purchase price allocation as defined in Section 5.2. below.

Group liquidity position

Liquid assets of the Group as of December 31, 2023 break down as follows:

(€ million)	As of December 31, 2022	As of December 31, 2023
Veolia Environnement :		
Undrawn syndicated loan facility	5,500	4,500
Undrawn MT bilateral credit lines	910	727
Undrawn ST bilateral credit lines	0	75
Cash and cash equivalents (1)	8,073	8,344
Subsidiaries :		
Undrawn bilateral credit lines	-	689
Cash and cash equivalents (1)	2,617	2,244
Total liquid assets	**17,100**	**16,579**
Current debt, bank overdrafts and other cash position items		
Current debt	7,018	7,662
Bank overdrafts and other cash position items	214	379
Total current debt, bank overdrafts and other cash position items	**7,232**	**8,041**
TOTAL LIQUID ASSETS NET OF CURRENT DEBT, BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	**9,868**	**8,538**

(1) Including liquid assets and financing financial assets included in Net financial debt.

The decrease in liquid assets is mainly due to the €1 billion reduction in the syndicated loan facility and the reclassification in current debt of the bond issue redeemed on January 14, 2024 for €750 million.

The Group decided to refinance its two syndicated loan 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 loan facility.

Banks Covenants

See Note 8.3 to the consolidated financial statements for the year ended December 31, 2023.

4

OTHER ITEMS

4 Other items

4.1 RETURN ON CAPITAL EMPLOYED (ROCE)

(€ million)	As of December 31, 2022	As of December 31, 2023
Current EBIT	**3,062**	**3,346**
- Current income tax expense	-514	-599
Current EBIT after tax	**2,548**	**2,747**

(€ million)	As of December 31, 2022	As of December 31, 2023
Intangible assets and property, plant and equipment, net	24,941	25,538
Right of use	1,997	1,853
Goodwill, net of impairment	11,699	11,650
Investments in joint ventures and associates	1,985	1,714
Operating financial assets	1,377	1,393
Operating and non-operating working capital requirements, net	-5,579	-6,041
Net derivatives and other instruments	-626	-468
Provisions	-3,744	-3,647
Capital employed	**32,051**	**31,992**
Impact of discontinued operations and other restatements (1)	1,950	177
Represented capital employed	**34,001**	**32,169**

(1) 2022 restatements mainly concern the add-back of the capital employed of Suez activities sold in the United Kingdom and the investment sold in Lanzhou Water.

(€ million)	Curent EBIT after tax	Average capital employed	Post-tax ROCE
2022 (incl. IFRS 16) (1)	2,548	33,564	7.6 %
2023 (incl. IFRS 16)	**2,747**	**33,085**	**8.3 %**

(1) 2022 average capital employed (including IFRS 16) includes the capital employed of the Suez scope at the beginning of the period.

2023 average capital employed is €33,085 million, down -1.4% year-on-year.

Post-tax ROCE is 8.3% as of December 31, 2023; the +0.7 point increase compared to 2022 was mainly driven by growth in post-tax Current EBIT of +7.8%.

4.2 STATUTORY AUDITORS' FEES

	KPMG SA				Ernst & Young			
	Amount		Percentage		Amount		Percentage	
(€ million)	2023	2022	2023	2022	2023	2022	2023	2022
Certification of individual and consolidated accounts and limited annual review								
Veolia Environnement	2.1	2.1	13 %	13 %	2.4	2.4	10 %	10 %
Controlled entities	11.0	9.3	68 %	57 %	19.3	19.1	84 %	81 %
Sub-total (a)	13.1	11.4	81 %	70 %	21.7	21.5	94 %	91 %
Non-audit services required by legal and regulatory texts								
Veolia Environnement	0.5	0.3	3 %	2 %	0.4	0.2	2 %	1 %
Controlled entities	0.0	0.2	— %	1 %	0.2	0.4	1 %	2 %
Sub-total (b)	0.5	0.5	3 %	3 %	0.6	0.6	3 %	3 %
Non-audit services provided at the request of the entity								
Veolia Environnement	1.6	1.9	10 %	12 %	0.5	0.2	2 %	1 %
Controlled entities	1.0	2.5	6 %	15 %	0.2	1.3	1 %	6 %
Sub-total (c)	2.6	4.4	16 %	27 %	0.7	1.5	3 %	6 %
Non-audit services								
Sub-total (d) = (b) + (c)	3.1	4.9	19 %	30 %	1.3	2.1	6 %	9 %
TOTAL (E) = (A) + (D)	16.2	16.3	100 %	100 %	23.0	23.6	100 %	100 %

Statutory Auditors' fees incurred by the Group, including for equity accounted entities, total €39 million and €40 million for 2023 and 2022, respectively, including:

- €35million in 2022 and €33 million in 2022 in respect of the statutory audit of the company and consolidated accounts; and
- €4 million in 2023 and €7 million in 2022 for non-audit services.

4.3 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 13 to the consolidated financial statements for the year ended December 31, 2023).

4.4 SUBSEQUENT EVENTS

No significant events occurred between the reporting date and the date on which the consolidated financial statements were approved by the Board of Directors.

4.5 RISK FACTORS

The main risk factors the Group could face are set out in Chapter 2 of the 2023 Universal Registration Document.

4.6 OUTLOOK

2024 Guidance

In view of the very strong 2023 results and the good start to the year, we can look forward to 2024 with confidence, and announce ambitious targets:

- Solid organic growth in revenue[1][2] ;
- Efficiency gains above €350 million, complemented by additional synergies for a cumulated amount of more than €400 million end 2024, in line with the €500 million cumulated objective;
- Organic growth of EBITDA between +5% and +6% [1] ;
- Current net income, Group share above €1.5 billion[3];
- Leverage ratio expected below 3x[3];
- Dividend growth in line with current EPS growth.

[1] *at constant scope and exchange rates*
[2] *excluding energy prices*
[3] *excluding Suez PPA*

5

APPENDICES

5 Appendices

5.1 RECONCILIATION OF GAAP INDICATORS AND THE INDICATORS USED BY THE GROUP

The reconciliation of Current EBIT with Operating income, as shown in the income statement, is presented in Section 2.4.4.

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 2.4.4.

(€ million)	Year ended December 31, 2022	Year ended December 31, 2023
Operating cash flow before changes in working capital	4,804	5,582
o/w Operating cash flow from financing activities	-229	-134
o/w Adjusted operating cash-flow	5,034	5,715
Excluding:		
Renewal expenses	303	303
Cash restructuring costs	224	84
Share acquisition and disposal costs	201	30
Other non-current expenses	239	178
Including:		
Principal payments on operating financial assets	195	233
EBITDA	6,196	6,543

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)	2022	2023
Net cash from operating activities of continuing operations	**4,104**	**5,027**
including :		
Industrial investments, net of grants	-2,784	-3,140
Proceeds on disposals of industrial assets	577	319
New operating financial assets	-184	-254
Principal payments on operating financial assets	195	233
New finance lease debt	-529	-542
Dividends received	129	161
Interest paid	-793	-681
Excluding :		
Share acquisition and disposal costs, and other items	317	19
Net free cash-flow	**1,032**	**1,143**

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

(€ million)	2022	2023
Industrial investments, net of grants	**-2,784**	**-3,140**
New finance lease debt	-529	-542
Change in concession working capital requirements	-191	-112
New operating financial assets	-184	-254
Industrial Investments	**-3,666**	**-4,049**

5.2 DEFINITIONS

No changes have been made to non-GAAP financial indicators used by the Group in the preparation of the financial statements as of December 31, 2023.

5.2.1 Strictly accounting indicators (GAAP: IFRS)

Cost of net financial debt is equal to the cost of gross debt excluding IFRS 16 financial interest presented in 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. .

5.2.2 Non-Strictly accounting indicators (non GAAP)

The expression "**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.

EBITDA comprises the sum of all operating income and expenses received and paid (excluding restructuring charges, non-current working capital 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);
- depreciation of assets remeasured in the context of the Suez purchase price allocation;
- share acquisition costs.

The **current cost of net financial debt** is equal to the cost of net financial debt excluding amortization of the debt remeasured in the context of the Suez purchase price allocation.

To calculate **Current net income, Group share**, the following items are deducted from Net income, Group share:

- non-current items of net income;
- amortization of assets remeasured in the context of the Suez purchase price allocation, net of tax and non-controlling interests;
- amortization of the debt remeasured in the context of the Suez purchase price allocation, net of tax and non-controlling interests.

Current net income, Group share, per share is defined as the ratio of Current net income, Group share (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 issues of share capital 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. Net financial debt excludes the net impact of the remeasurement of debt in the context of the Suez purchase price allocation.

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 as defined above, 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 and tax effects of the depreciation of assets remeasured in the context of the Suez purchase price allocation; to
- 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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