Press Release

Paris, 5th of November 2020

KEY FIGURES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(UNAUDITED IFRS FIGURES)

Q3 RESULTS ABOVE EXPECTATIONS:
STRONG REBOUND IN ACTIVITY COMPARED TO Q2 2020,
AND RESULTS ABOVE Q3 2019

ACQUISITION OF 29.9% OF SUEZ'S CAPITAL ON OCTOBER 6th
1st STEP OF THE CREATION OF THE WORLD LEADER OF THE ECOLOGICAL TRANSFORMATION

- **REVENUE : €18 705M and €6 293M IN Q3, FLAT[1]**
- **EBITDA : €2 492M and €893M IN Q3, UP 2.5%[1]**
- **GOOD OPERATING LEVERAGE THANKS TO THE COST SAVINGS PROGRAM AHEAD OF ANNUAL OBJECTIVE: €395M ACHIEVED AT 30 SEPTEMBER**
- **CURRENT EBIT : €771M and €333M IN Q3, UP 4.3%[1]**
- **NET CURRENT INCOME GROUP SHARE : €149M and €142M IN Q3, UP 10.6%[1]**
- **NET FINANCIAL DEBT OF €11 745M DOWN €742M vs. SEPTEMBER 2019**

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- **OBJECTIVE FOR THE END OF THE YEAR: Q4 OPERATING PERFORMANCE EQUIVALENT TO Q4 2019[2]**

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- **ACQUISITION ON OCTOBER 6th OF 29.9% OF SUEZ'S CAPITAL FROM ENGIE AT €18 PER SHARE FOR A TOTAL OF €3.4BN**
- **CONFIRMATION OF OUR INTENTION TO LAUNCH A VOLUNTARTY TENDER OFFER AT €18 PER SHARE ON SUEZ'S REMAINING CAPITAL (70.1%) AS SOON AS THE PROJECT IS ACCEPTED BY THE CURRENT SUEZ'S BOARD OF DIRECTORS OR BY A BOARD RENEWED BY ITS SHAREHOLDERS**

[1] At constant scope and FX

[2] At constant FX (as of end 2019)

Antoine Frérot, Veolia's Chairman and CEO stated*: «In a global economic context heavily impacted by the sanitary crisis, Veolia has reacted swiftly to implement the safest working conditions for its employees and has once again demonstrated its capacity to absorb shocks, to recover quickly and strongly and to pursue ambitious plans for the future. The rebound that began in June and was amplified during the summer has resulted in a very good Q3: revenue was back at the level of 2019, while profits were above, thanks to the adaptation measures put in place at the beginning of the crisis. I am very proud of all the work accomplished and I would like to thank all our employees whose total commitment has enabled us to continue to deliver high quality services to our clients and to recover a positive momentum very quickly. This is par for the course for the benchmark environmental services company.*

At the same time, we have initiated the most important project for Veolia in 30 years. On October 6th, we bought a 29.9% stake in Suez from Engie, with the goal of acquiring the remaining shares so as to create the world champion of the ecological transformation. Thanks to a unique complementarity, the new Group resulting from this industrial project will create value for all its stakeholders at a time when the priority given to environmental issues has never been greater.

- **Revenue in Q3 was €6 293 million compared to €6 441 million in Q3 2019, stable at constant scope and exchange rates. Revenue for the 9 months reached €18 705 million compared to €19 765 million in 9M2019, -5.4% at current scope and exchange rates, and -3.8% at constant exchange rates**

The Group had a good start of the year before the COVID crisis outbreak mid-March, then rebounded as soon as June, and continued this recovery throughout the 3rd quarter. .

At constant scope and exchange rates, Q1 was nearly flat at -0.5%. Q2 revenue was down by 10.8%, recovering since May, followed by a strong improvement in June. In Q3, the recovery continued and revenue was stable (-0.1%).

Exchange rate variations unfavorably impacted revenue growth by -€214 million (-1.1%) on the 9 month revenue.

Scope impact was negative too and stood at -€101M, mostly due to the divestiture at the end of 2019 of our municipal energy business in the US (TNAI), partially offset by new developments in Hong Kong, Chile and Spain mostly.

The volume/commerce impact was negative by -€862M on revenue, or -4.4%, due to the consequences of the sanitary crisis, but by only -€50M (-0.8%) in Q3..

Strict pricing discipline has resulted in a positive impact of +€206M on the Group's revenue (+1.0%) for the 9 months and of +€63M in Q3 (+1.0%).

Energy prices had a positive impact of +€32M on revenue, and recycled material prices weighed for -€120M, (of which -€74M due to recycled paper).

By geography and at constant exchange rates, the evolution for the 9 month sand in Q3 is as follows:

- In **France**, activity rose by +0.8% in Q3. **Water** revenue increased by 1.0% due to volumes up 0.8% and tariffs up 1.5%. Summer was good, even compared to a 2019 which was already up in terms of volumes. **Waste** revenue was up by 0.6%, including volume increase of 1%, and prices up 2%. This good dynamics was slowed by decreasing recycling activities, mostly in paper. *Over the 9 months*, France revenue was down 3.9% in Water and -8.8% in waste.
- **Europe excluding France** increased by +0.8% in Q3 thanks to the very good performance in Central and Eastern Europe, up +8.3% thanks to good performances both in Water and Energy. The UK (including Ireland) exhibited a slight revenue decline of -1.3% due an exit from lockdown delayed compared to other European countries. Northern Europe was down by 4.4%. Southern Europe (Italy, Spain, Portugal) was up by +0.3%. Over the 9 months, Europe excluding France is down by 1.5% with variances in the above mentioned zones of respectively +2.7%, -4.3%, -4.7% and +0.4%.

- Rest of the World exhibited diverse performances in Q3. Latin America was up +7.7%, thanks to tariff increases complemented by tuck-in acquisitions in Chile and Brazil, Africa Middle East grew by +1.6% with an activity rate back to 2019 level in Morocco, North America was down by -5.6% at constant scope and perimeter due to the slowdown in the refining activity, Asia decreased by -5.1% with notably the end of several construction works, low margin activities not harming the continued results growth, and Pacific was down by -2.4% following the lockdown in Melbourne. Over the 9 months, trends are more favorable, helped by the strong underlying dynamics of all the countries. Asia grew by +1.5%, Latin America by +6.4%, Africa Middle East was stable, North America was slightly down by 3% at constant scope and exchange rates and Pacific showed a slight decline of -1.1%
- Global businesses were up by 3.1% in Q3. Hazardous waste activities were stable with good levels of activity in incineration and landfilling, and a continued strict pricing discipline. Construction rebounded sharply, after being halted in Q2, and are up +9.9%, of which +9.8% for Veolia Water Technologies and +10.1% for SADE. Over the 9 months, Global business revenue remains down due to Q2 lockdown, including -3.0% in Construction and -8.6% in Hazardous Waste..

In Q3, at constant exchange rates, revenue was stable and split by business was as follows: Water and Waste water revenue increased by +2.6%. Waste declined by -3.4% with volumes down -2.6%, tariffs up +1.6%, and an impact of recycled material prices of -0.9%. Energy was up by +0.8%. Over the 9 months, and at constant scope and exchange rates, Water was down by -1.9%, Waste by -6.1%, Energy by -2.2% and Technology and Networks by -3.8%.

- **EBITDA increased by +2.5% at constant scope and forex in Q3, to €893M thanks to the additional cost cutting. EBITDA for the 9 months reached €2 492M vs. €2 894M at 30 September 2019.**
  - Adaptation measures put in place to offset the negative impacts of the sanitary crisis have allowed the Group's results to rebound sharply in Q3 and to be even higher than Q3 2019, ahead of our plans
  - Over the 9 months, scope effect was negative by -€44M mainly due to the divestiture of the municipal energy business in the US. Forex effect was negative by -€33M mostly due to Latin America and Central and Eastern Europe.
  - At constant scope and forex, Q3 EBITDA grew by +2.5%, including a neutral volume effect thanks to the "Recover and Adapt" adaptation measures put in place for €80M , a price cost squeeze of -€34M and the strong contribution of the efficiency plan for +€64M. Over the 9 months, EBITDA stood at €2 492M vs. €2 894M at September 30 2019, including a cumulated volume/commerce impact of -€432M due to sanitary crisis.
- **Current EBIT was up +4.3% at constant scope and forex in Q3 2020, to €333M. At September 30 2020, current EBIT reached €771M vs. 1 190M in 9M2019.**
  - Forex effect of -€13M over the 9 months.
  - In Q3, Current EBIT reached €333M, up +4.3% at constant scope and forex, thanks to EBITDA improvement, lower depreciation and amortization (-€22M) offset by higher renewal expenses (+€22M). Provisions, Fair Value adjustments and capital gains on industrial divestments were up €7M. Share of current net income from Joint Ventures and associates was down by €4M to €33M.
- **Current net income group share in Q3 was up +10.6% at constant scope and forex (+6.8% current) to €142M. Over the 9 months, current net income group share reached €149M vs. €486M in 9M 2019.**

- Cost of financing was down to -€315M vs. -€333M in 9M 2019 thanks to favorable refinancing conditions and lower net financial debt. Other financial income and expense reached -€127M vs. -€132M in 9M 2019.
- Capital gain on financial divestments were down to +€9M vs. +€14M in 9M 2019.
- Income tax expense is down to -€98M vs. -€151M in 9M 2019.
- Non-controlling interests reached -€67M vs. -€89M in H1 2019

- **Net financial debt was €11 745M at 30 September 2020 vs. €12 487M at 30 September 2019, down by €742M vs. September 2019.**
  - Net financial debt favorable evolution is due to controlled capital expenditures, down by €121M. This decrease is mostly attributable to maintenance investments. Growth projects have been maintained at €211M vs. €241M at 30 September 2019. Working capital requirement has continued to improve (+€79M) thanks to strict cash management.

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- **Outlook 2020[1] : Q4 objectives confirmed**
  - Taking into consideration the recovery of our activities since the end of the lockdown and our Q3 performances, we confirm our objective of an operational performance in Q4 2020 equivalent to Q4 2019
  - The strategic choices included in Impact 2023 remain relevant.

(1) At constant exchange rates (as of December 2019)

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- **Acquisition of a 29.9 % stake in Suez from Engie on 6th October 2020 in order to create the world champion of the ecological transformation**
  - On 31 July 2020, as part of a strategic review, Engie announced to envisage the divestment of some of its businesses including its stake in Suez.
  - On 30 August 2020, Veolia proposed to acquire 29.9 % stake in Suez from Engie at €15.5 per share and then raised the price to €18 on September 30, for a total consideration of €3.4bn.
  - On 6 October Engie accepted Veolia's offer. After the acquisition of the 29.9% in Suez, Veolia intends to launch a voluntary tender offer on the remaining share capital of Suez at €18 per share (coupon attached) once our project is accepted by Suez's current Board of Directors or by a Board renewed by its shareholders.

- On November 3rd, Veolia has confirmed its intention to make a public takeover bid for the entire share capital of Suez at a price of €18 per share (cum dividend) as soon as the Board of Directors of Suez issues an opinion in favor of this proposal and deactivates the inalienability mechanism applicable to the water business in France

- This acquisition is the first step of a very ambitious project: the creation of the world champion of the ecological transformation.

- By combining the very strong competencies of Suez and Veolia, this transaction will significantly accelerate the development of the new entity facing growing competition, and enable the sector to tackle the environmental challenges of the 21st century. This project relies on the following pillars:

  - Stronger expertise and commercial offering
  - Enhanced innovation capabilities
  - An improved geographical footprint
  - A compelling combination

Finally this combination is value creating for all the stakeholders:

For employees, the combined entity, more innovative and more international, will offer even more prospects and opportunities. The transaction will have no negative impact on employment in France. Moreover, the new combined entity will be a better partner to all clients, municipalities and industrial clients, enabling them to fulfill their environmental objectives more rapidly.

Finally, the transaction will create value from year 1 for the shareholders of Veolia, thanks notably to operational and procurement synergies estimated at €500M.

This common, inspiring project is perfectly in line with the Purpose of Veolia and will position ideally the new entity in order to tackle the main challenge of this century : the ecological transformation

Veolia group is the global leader in optimized resource management. With nearly 179,000 employees worldwide, the Group designs and provides water, waste and energy management solutions which contribute to the sustainable development of communities and industries. Through its three complementary business activities, Veolia helps to develop access to resources, preserve available resources, and to replenish them.

In 2019, the Veolia group supplied 98 million people with drinking water and 67 million people with wastewater service, produced nearly 45 million megawatt hours of energy and treated 50 million metric tons of waste. Veolia Environnement *(listed on Paris Euronext: VIE)* recorded consolidated revenue of €27.189 billion in 2019 (USD 29.9 billion). www.veolia.com

Important disclaimer

As the changes in the health crisis are difficult to estimate, we draw your attention to the “forward-looking statements” that may appear in this press release and relating to the consequences of this crisis which may affect the future performance of the Company.
Veolia Environnement is a corporation listed on the Euronext Paris. This press release contains “forward-looking statements” within the meaning of the provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside our control, including but not limited to: the risk of suffering reduced profits or losses as a result of intense competition, the risk that changes in energy prices and taxes may reduce Veolia Environnement’s profits, the risk that governmental authorities could terminate or modify some of Veolia Environnement’s contracts, the risk that acquisitions may not provide the benefits that Veolia Environnement hopes to achieve, the risks related to customary provisions of divesture transactions, the risk that Veolia Environnement’s compliance with environmental laws may become more costly in the future, the risk that currency exchange rate fluctuations may negatively affect Veolia Environnement’s financial results and the price of its shares, the risk that Veolia Environnement may incur environmental liability in connection with its past, present and future operations, as well as the other risks described in the documents Veolia Environnement has filed with the Autorités des Marchés Financiers (French securities regulator). Veolia Environnement does not undertake, nor does it have, any obligation to provide updates or to revise any forward looking statements. Investors and security holders may obtain from Veolia Environnement a free copy of documents it filed (www.veolia.com) with the Autorités des Marchés Financiers.

This document contains "non-GAAP financial measures". These "non-GAAP financial measures" might be defined differently from similar financial measures made public by other groups and should not replace GAAP financial measures prepared pursuant to IFRS standards.

Contacts

Relations Presse Groupe
Laurent Obadia
Sandrine Guendoul
Tél : + 33 (0)1 85 57 42 16
sandrine.guendoul@veolia.com

Relations Investisseurs & Analystes
Ronald Wasylec - Ariane de Lamaze
Tél. : + 33 (0)1 85 57 84 76 / 84 80

FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER, 30 2020

A] GENERAL CONTEXT AND COVID HEALTH CRISIS

Overview of the impact of the health crisis

The Group's performance in the first nine months of the year was marked by the impact of the health crisis. All Group regions were affected, with a low point in the second quarter when lockdowns impacted Veolia's activities to varying degrees. Faced with this health crisis, most businesses and regions have been highly resilient. The Group partly operates in activity sectors that resisted well in the crisis (such as key municipal services), while other activities that may have been impacted in the second-half of the year successfully bounced quickly back after the first wave, such as industrial waste and construction work and maintenance.

In this context, the suspension of the 2020 financial objectives announced on April 1st led the Group to react rapidly to the outbreak of the crisis, by implementing a new cost savings plan (Recover and Adapt). It enables to complete and accelerate the savings program of the Group including a reduction by €500 million of its investment program in 2020 and industrial asset optimization that lead to a 2% savings in assets depreciation as of September the 30th 2020. All this contributes to prepare the post-crisis recovery plan, while ensuring strict monitoring of cash management.

Rebound in the 3rd quarter

In the third quarter, the resumption of activities, which had already started in June, was confirmed with a strong rebound for most of the regions and the activities in which the Group operates. The Covid impact on the Group is now moderate in the 3rd quarter and the level of activity is broadly comparable to the 3rd quarter of 2019.

At constant scope and exchange rates, the results for the 3rd quarter of 2020 are generally back to their 2019 level and are slightly higher with sales representing 99.9% of sales for the 3rd quarter of 2019 and EBITDA representing 102.5% of the EBITDA for the 3rd quarter of 2019. These results should be compared with those of the 2nd quarter which were down compared to last year: at constant scope and exchange rates, the 2nd quarter of 2020 was lower than 2019 by 10.8 % in revenue and 32.6% in EBITDA.

The 3rd quarter was marked by a catch-up at revenue level fueled by a resumption of commercial development, volume growth and satisfactory activity in the works.

- Return to waste volumes comparable to the 3rd quarter of 2019 (-2.6% in the 3rd quarter of 2020 against -14.7% in the 2nd quarter of 2020 and -1.8% in the 1st quarter of 2020)
- Confirmation of the improvement in tariff indexes (+ 0.9% in Water in the 3rd quarter against + 0.6% at the end of June)
- Resumption of construction activity in the 3rd quarter with increases in revenue from works at Veolia Water Technology (+ 9.8% in the third quarter compared to -1.2% in the 1st half) (1) and SADE (+ 10.1% in the third quarter against a decline of -18.2% in the 1st half)(1)

(1) At constant exchange rates

EBITDA for the 3rd quarter, higher than the 3rd quarter of 2019 at constant exchange rates and scope, is supported by the level of sales, continued efficiency gains and the contribution of the additional savings measures put in place to cope with the health crisis.

- Growing contribution of efficiency gains: 64 million euros in the 3rd quarter, after a contribution of 131 million euros in the first half.

- Strong involvement of all geographic areas in the implementation of the new savings plan (Recover and Adapt) which amounted to 80 million in the 3rd quarter.

Situation at the end of September 2020

Compared to the situation at the end of June which was more marked by the health crisis, the situation at the end of September 2020 has improved thanks to the rebound in the 3rd quarter.

Thus, over the first 9 months of the year, the Group's results are as follows:

- -4.3% decline in revenue [(1)] (€18,705 million) and down -3.8% at constant scope and exchange rates (compared to -6.1% and -5.6% respectively in the first-half of 2020);
- -12.8% decrease in EBITDA [(1)] (€2,492 million) (compared to -19.2% in the first-half of 2020);
- Current EBIT of €771 million, down -34.1% [(1)] (versus -48.0% in the first-half of 2020);
- Current net income attributable to owners of the Company of €149 million and current net income excluding net capital gains or losses on financial divestitures of €139 million;
- Net industrial investments of €1,334 million (including €211million of discretionary capex);
- Net financial debt of €11,745 million versus €12,487 million as of September 30, 2019.

(1) At constant exchange rates

The contribution of efficiency gains and cost-saving measures (Recover and Adapt) amounted over the first 9 months to €395 million, enabling us to confirm our objective that was revised on the occasion of the publication of our half-year results, of a global savings plan of over 500 million euros in 2020.

Update on the Group’s liquidity

Faced with an unprecedented crisis, in the context of the merger with Suez and the associated hybrid operation, Veolia immediately prioritized the monitoring of its liquidity. This involved the daily monitoring of changes in its cash position and weekly forecasts by Business Unit covering a five-week time frame, monitoring of Finance Back Office operations (invoicing, collection, payments, suppliers) and a daily financial market update at the Group level.

The Group is therefore pursuing a prudent and resilient financing policy: the main end-of-year bond maturities were refinanced in advance in the first half of the year; the commercial paper program has been extended and its maturities spread; lastly, pooled cash is invested primarily in liquid monetary assets, qualifying as monetary equivalents pursuant to IAS7: cash UCITS and liquid bank deposits.

The Group’s liquidity position at September 30, 2020 is solid and mainly consists of the following:

(1) €7.9 billion of pooled cash (including commercial paper with an average residual maturity of 5.3 months totaling €5.8 billion);
(2) €1.1 billion of cash available in the subsidiaries;
(3) Undrawn and available bilateral credit lines totaling €4.1 billion.

B] KEY FIGURES

(in € million)	*Third quarter 2019*	*Third quarter 2020*	*Δ at constant scope and exchange rates*	*Nine months ended September 30, 2019*	***Nine months ended September 30, 2020***	*2019 / 2020 change* Δ	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Revenue	6 441	6 293	-0,1%	19 764	18 705	-5,4%	-4,3%	-3,8%
EBITDA	892	893	2,5%	2 894	2 492	-13,9%	-12,8%	-11,2%
EBITDA Margin	13,8%	14,2%	0,0%	14,6%	13,3%			
Current EBIT (2)	332	333	4,3%	1 190	771	-35,2%	-34,1%	-29,9%
Current Net income - Group share	133	142	10,6%	486	149	-69,3%	-66,9%	-59,4%
Current net income - Group share, excluding capital gains and losses on financial divestitures net of tax	134	134	3,9%	468	139	-70,2%	-67,7%	-59,9%
Net industrial investments	-486	-461		-1 455	-1 334			
Net free cash-flow(3)	306	138		-167	-377			
Net financial debt	-12 487	-11 745		-12 487	-11 745			

(1) Including the share of current net income of joint ventures and associates viewed as core Company activities.

The main foreign exchange impacts were as follows:

FX impacts for the nine months ended September 30, 2020 (vs. September 30, 2019 published)	%	(in € million)
Revenue	-1.1%	-214
EBITDA	-1.1%	-33
Current EBIT	-1.1%	-13
Current net income - Group share	-2.4%	-12
Net financial debt	2.0%	244

C] INCOME STATEMENT

1. GROUP CONSOLIDATED REVENUE

Group consolidated revenue for the nine months ended September 30, 2020 was €18,705 million, compared with €19,764 million for the same period in 2019, **down -4.3% at constant exchange rates and -3.8% organically**.

The quarterly change in revenue by operating segment is as follows:

At constant exchange rates	*1st Quarter 2020*	*2nd Quarter 2020*	*3rd Quarter 2020*
France	-3.1%	-16.1%	0.8%
Europe, excluding France	1.1%	-6.7%	0.8%
Rest of the world	-1.8%	-5.7%	-6.0%
Global businesses	-3.6%	-20.8%	3.1%
Group	**-1.3%**	**-11.0%**	**-0.6%**

In Q3 2020, the increase was marked by a rebound in revenue across all segments:

- A business turnaround in France reflecting rising water volumes in France, higher incineration volumes and continued price increases in waste.
- In Europe excluding France, a boost in activity in Central Europe (+8.3% at constant exchange rates), mainly due to increased energy tariffs in Poland and which offsets a slowdown of activity in the UK due to sanitary crisis and a decrease in revenue in Northern Europe and in Iberia.
- The impact of the divestiture of the heating and cooling networks in the United States in 2019 and the Singapore waste activities in the Rest of the world.
- In Global businesses, steady construction business performance at VWT and Sade in the third quarter.

By operating segment, the change in revenue over the nine months compared with the nine months ended September 30, 2019 is down -4.3% at constant exchange rates and breaks down as follows:

			Change 2019 / 2020		
(in € million)	*Nine months ended September 30, 2019 published*	***Nine months ended September 30, 2020***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France	4,175	3,918	-6.2%	-6.2%	-6.2%
Europe, excluding France	6,869	6,702	-2.4%	-1.5%	-1.8%
Rest of the world	5,288	4,921	-6.9%	-4.5%	-1.7%
Global businesses	3,427	3,160	-7.8%	-7.2%	-7.9%
Other	4	4	-9.3%	-	-
Group	**19,764**	**18,705**	**-5.4%**	**-4.3%**	**-3.8%**

- Revenue decreased -6.2% in **France** at constant scope compared to the nine months ended September 30, 2019:
  - **Water** revenue is down -3.9% year-on-year, with a significant slowdown in construction activity (virtual stoppage during the lockdown) and an activity slump generated by the health crisis, partially offset by higher tariff indexation (+1.5% in 2020) and positive volume effects (+0.8%).
  - **Waste** revenue declined -8.8% at constant scope year-on-year, with a fall in the price of recyclates (-32%), including -€40 million for recycled paper and cardboard (price effect of -€26 million, volume effect of -€14 million), a drop in volumes linked to the health crisis in industrial waste collection (-16.2%) and municipal collection (-7.7% despite an upturn in Q3) and declining landfill activity (-10.3%), partially offset by higher incineration volumes (+5.4%) and tariff rises in the first quarter.

- **Europe excluding France** declined -1.5% at constant exchange rates compared with the nine months ended September 30, 2019, with varying trends across the regions:
  - In the **United Kingdom/Ireland**, revenue fell -4.3% at constant exchange rates to €1,630.7 million following an erosion in landfill volumes (-1.9%), a downturn in municipal collection contracts (non-renewal of low profit contracts) and a slowdown in commercial activity in the second quarter, compensated by a high rate of incinerator availability (92.9%).
  - **In Northern Europe**, revenue fell -4.7% at constant exchange rates compared with the nine months ended September 30, 2019 to €1,913.2 million, mainly due to:
    - A drop in industrial activity in Sweden (closure of Volvo sites due to the COVID-19 health crisis) and the Netherlands (postponed maintenance work in Energy), as well as reduced recycling activity across the region.
    - A -2.2% decline in revenue in Germany (main revenue contributor: €1,341 million) at constant scope and exchange rates due to the decline in recyclate revenue (price impact of -€39 million; volume impact of -€22 million) and despite the increase in prices for services and collection (municipal and industrial waste).
  - In **Central and Eastern Europe**, revenue totaled €2,329.9 million, up +2.7% at constant exchange rates year-on-year and +3.1% excluding the unfavorable weather impact of -€9 million. This growth was mainly driven by:
    - higher tariffs in Energy;
    - in Water, rising tariffs in the Czech Republic (annual indexation) and in Bulgaria, an increase in construction in the Czech Republic (maintenance and construction) and Romania, partially offset by declining volumes particularly in the Czech Republic (impact of the health crisis on tourism).

- Decline of -4.5% year-on-year in the **Rest of the world** at constant exchange rates due to reduction in North America impacted by a negative scope effect :
  - Revenue fell -3.0% in **North America** at constant scope and exchange rates to €1,317 million (scope impact tied to the divestiture of heating networks in the United States of €251.7 million as of September 30, 2019). This reduction was marked by the negative impact of the health crisis on industrial water activity and sulfur products, partially offset by improved hazardous waste activities and favorable tariff indexations in Municipal Water.

- The **Pacific zone** reported a -1.1% decline in revenue at constant exchange rates for the nine months ended September 30, 2020. The increase in industrial services and hazardous waste and contract wins in New Zealand were unable to offset the lack of construction activity in Municipal Water which contributed substantially to revenue in 2019.
- **Africa/Middle East** revenue was stable at constant exchange rates: the decrease in volumes and delayed construction work in Morocco (-6.4% at constant exchange rates) were offset by the impact of construction work in the Ivory Coast and Niger.
- Revenue in **Asia** increased by +1.5% at constant exchange rates, mainly due to continued strong growth in the zone China/Hong Kong/Taiwan, in India and Japan, driven:
  - In the China/Hong Kong/Taiwan perimeter (+2.3% at constant exchange rates), by the integration of Southa's activities (energy services for buildings, +€31 million);
  - In India (+49.2% at constant exchange rates compared with 2019), by the integration of Nagpur assets as of April 1, 2020;
  - In Japan (+4.7% at constant exchange rates), by an increase in Municipal Water revenue due to organic growth in O&M activities and good performance of industrial EPC activities: Lithium and Hiroshima EPC projects.

  This momentum was partly offset by the sale of waste activities in Singapore.
- Revenue growth in **Latin America** (+6.4% at constant exchange rates), driven mainly by tariff increases in Argentina (tied to inflation), the start-up of new contracts in Peru and scope impacts (Stericycle in Chile, Gadere in Ecuador and Panachi in Colombia - impact of +28 million).

▪ **Global businesses:** revenue fell -7.2% at constant exchange rates compared with the nine months ended September 30, 2019:

- **Hazardous waste activities in Europe** have been relatively resilient since the end of lockdown but report a drop of -8.6% at constant exchange rates at the end of September due to the decline in landfill volumes and decontamination activities heavily impacted by the shutdown of construction and public works sites. There has been a rebound since the end of the lockdown period, solid incinerator activity and positive commercial effects which mitigate these effects;

- **Veolia Water Technologies** activity rose by +2.6% at constant exchange rates, with revenue recognition on desalination plant construction contracts won in 2019 (All Dur II, Um Al Quwain and Rabigh 3), the sound performance of HPD and improved services activity offsetting the effects of the health crisis.

The increase in revenue between 2019 and 2020 breaks down **by main impact** as follows:

For the 3rd quarter 2020, turnover remains steady (-0,1% at constant scope and foreign exchange rates). Foreign exchange rates have negative impact by €107,8 million (mainly South American and USA dollar currencies).

The scope effect is -€36,3 million (out of which the US heating network).

Weather impact (-€3 million), unfavorable effects of recyclate prices (-€14 million) and activity volume (in sharp rebound versus 2nd quarter 2020 -0,8% versus 3rd quarter 2019) are partially offset by positive price effects (+€63 million) in waste (+1,6%) and in water in France (+1,5%).

For the period ended September 30 2020, turnover evolution is characterized by:

The **foreign exchange impact** of -€213.5 million (-1.1% of revenue) mainly reflects fluctuations in the Argentine peso (-€35.7 million), the Brazilian real (-€30.6 million), the Australian dollar (-€25.9 million), the Polish zloty (-€21.9 million), the Czech crown (-€19.7 million) and the Hungarian forint (-€17.4 million).

The **consolidation scope impact** of-€101.4 million is explained by:

- operations in 2019: sale of heating networks in the United States (-€251.7 million), acquisition of Southa in Hong Kong (+€30.5 million), sludge treatment assets in Germany (+€17.3 million) and Stericycle hazardous waste activities in Chile (+€17.2 million);
- operations in 2020, including the acquisition of Torrepet in Spain for €17.6 million, waste treatment activities in Russia (MAG +€13.8 million), buyback of Nagpur minority interests - municipal water - in India (+€12 million) and Alcoa assets (hazardous waste) in the United States (+€9.7 million).

The impact **of energy tariffs and recyclate prices** was -€88 million, with declining recyclate prices (-0.6%, or -€120 million, including a -€74 million decrease in recycled paper and cardboard prices). The energy tariff increases (mainly in Central and Eastern Europe) partly mitigates this negative effect.

The Commerce effect (Volume/works) was -€862 million including the effect of the health crisis in the second quarter.

Favorable **price effects** (+€206 million) are tied to positive tariff indexation in water in France (+1.5%) and Central and Eastern Europe and in waste in France, the United Kingdom, Northern Europe and Latin America.
The negative **weather effect** (-€1 million) was mainly due to the negative weather impact in Central Europe (Poland, Czech Republic), partially offset in Germany and Italy in the first half of 2020.

By business, the change in revenue compared with September 30, 2019 breaks down as follows:

(in € million)	*Nine months ended September 30, 2019 published*	***Nine months ended September 30, 2020***	*Change 2019 / 2020* *Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Water	8,094	7,890	-2.5%	-1.8%	-2.4%
of which Water Operations	*6,078*	*5,954*	*-2.0%*	*-1.4%*	*-1.9%*
of which Technology and Construction	*2,016*	*1,936*	*-4.0%*	*-3.0%*	*-3.8%*
Waste	7,568	7,090	-6.3%	-5.1%	-6.1%
Energy	4,103	3,725	-9.2%	-7.8%	-2.2%
Group	**19,764**	**18,705**	**-5.4%**	**-4.3%**	**-3.8%**

WATER

Water Operations revenue decreased -1.4% at constant exchange rates compared with the nine months ended September 30, 2019, reflecting:

- In France: resilient with increasing volume (+0,8%) with very good summer, increased tariff indexation (+1.5%) and a recovery of activity in construction after a period of stoppage during the lockdown period;

- A decline in the Rest of the world, mainly due to the end of construction contracts in the Pacific region (Springvale and Kurnell);
- In Northern Europe, lower tariffs (primarily Germany) offset by rising volumes;
- In Central and Eastern Europe: water tariff increases with good volumes expects in Czech republic (lower tourism) .

Technology and Construction revenue declined -3.0% at constant exchange rates compared with the nine months ended September 30, 2019. This decrease is explained by:

- VWT revenue of €1,040 million (+2.6% at constant exchange rates), due to desalination projects won in 2019 and launched in 2020, a limited COVID 19 impact and resilient Technology & Services activities;
- SADE revenue of €896 million, down -8.8% at constant exchange rates, due to the stoppage of construction activity in France during lockdown, partially offset by the increase in construction activities in Telecoms and a turnaround in international activity.

WASTE

Waste revenue is down -5.1% at constant exchange rates compared with the nine months ended September 30, 2019:

- A commerce and volume effect of -6.4% (-1.8% in Q1, -14.7% in Q2, -2.6% in Q3);
- A positive price effect of +2.0%, partially offset by continued decline of recycled prices (impact -1.6%).

ENERGY

Energy revenue fell -7.8% at constant exchange rates compared with the nine months ended September 30, 2019 (-2.2% at constant scope and exchange rates), mainly due to:

- A scope effect of -€227 million, mainly due to the disposal of heating network activities in the United States in 2019;
- A negative weather effect of -€6 million (-0.2%), notably in Central and Eastern Europe;
- A positive energy price effect of +1.1%, with higher heating and electricity tariffs in Central and Eastern Europe.

2. EBITDA

Group consolidated EBITDA for the nine months ended September 30, 2020 was €2,491.8 million, down -12.8% at constant exchange rates compared with September 30, 2019. The margin rate fell to 13.3% in September 2020, compared with 14.6% as of September 30, 2019.

The decrease in EBITDA between 2019 and 2020 breaks down **by impact** as follows:

For the 3rd quarter 2020, EBITDA increases by +2.5% at constant scope and exchange rates. Foreign exchange rates -€14,3 million (mainly South American and USA dollar currencies), scope effect (-€6.9 million including north American heating network), negative effects on volume, commerce and works (-€2 million), weather impacts(-€1 million), unfavorable prices on recyclate (-€5 million) and prices net of inflation costs (-€34 million) are offset by cost cutting impact by +€64 million.

For the 9 months ended September 30, the EBITDA evolution is as follows.

Foreign exchange impact on EBITDA was -€32.9 million and mainly reflects fluctuations in the Czech crown (-€5.3 million), the Polish zloty (-€4.3 million), the Brazilian real (-€4.0 million), the Argentine peso (-€3.8 million), the Colombian peso (-€3.8 million), the Australian dollar (-€3.2 million), and the Hungarian forint (-€2.8 million).

The consolidation scope impact of -€44 million mainly reflects operations completed in 2019 and particularly the divestiture of heating network activities in the United States (-€61.3 million) and the acquisition of Stericycle activities in Chile (+€3.2 million), as well as the acquisition of Yibin heating networks in China (+€3.2 million), the acquisition of Southa in Hong Kong (+€2.5 million) and sludge treatment assets in Germany (+€1.2 million), as well as some developments in 2020, including the integration of Torrepet assets in Spain (+€3.2 million), waste activities in Russia (+€3.9 million) and the buyback of minority interests in municipal water in India (+€4.1 million).

Unfavorable **commerce and volume** impacts totaled -€432 million and include the COVID impacts partially offset by the introduction of a "Recover & Adapt plan". This plan has enabled additional operating cost savings of €200 million as of September 30, 2020.

The **weather impact** was -€5 million (-€6 million as of September 30, 2019), notably due to unfavorable weather conditions in Central and Eastern Europe and Asia.

The impact of **prices net of inflation** is -€103 million.

Energy and recyclate prices had a positive impact on EBITDA and represent a marked improvement on 2019: +€20 million (versus -€27 million at September 30, 2019), including +€52 million in energy and -€32 million in recyclates, with a significant increase in the price of energy sold in Central, Eastern and Northern Europe (+€50 million mainly in Poland with higher heating prices), partially offset by a -€21 million drop in Italy resulting from the fall in the price of gas (-20%) and electricity (-18%) in connection with the health crisis.
The **contribution of cost savings plans** totaled +€195 million. These savings mainly concern operating efficiency (55%) and purchasing (33%) and were achieved across all geographic zones: France (26%), Europe excluding France (34%), Rest of the world (28%), Global businesses (11%) and Corporate (1%).

3. CURRENT EBIT

Group consolidated current EBIT for the nine months ended September 30, 2020 was €771 million, down 34.1% at constant exchange rates year-on-year.

EBITDA reconciles with Current EBIT for the nine months ended September 30, 2020 and September 30, 2019 as follows:

(in € million)	*Nine months ended September 30, 2019 published*	***Nine months ended September 30, 2020***
EBITDA	**2,894**	**2,492**
Renewal expenses (*)	(209)	(225)
Depreciation and amortization (**)	(1,597)	(1,555)
Provisions, fair value adjustments & other	5	(14)
Share of current net income of joint ventures and associates	97	73
Current EBIT	**1,190**	**771**

(*) Including renewal expenses of €180.6 million and €44.4 million for provisions for contractual commitments

(**) Including principal payments on operating financial assets (OFA) of -€88 million for the nine months ended September 30, 2020 (compared with -€94 million for the nine months ended September 30, 2019.)

The decline in Current EBIT at constant exchange rates reflects:

- A decrease in EBITDA;
- Lower depreciation and amortization charges compared with September 2019;
- An increase in operating provisions due notably to self-insurance provisions;
- A decrease in the contribution of associates, notably in China (-€9 million) in water concessions (negative change in water/construction volume mix) and North America (Canada: -€7 million).

The foreign exchange impact on Current EBIT was -€12.8 million and mainly reflects fluctuations in the Chinese renminbi (-€2.2. million), the Argentine peso (-€2.1 million), the Polish zloty (-€2.0 million), the Czech crown (-€2.0 million), the Hungarian forint (-€1.4 million) and the Brazilian real (-€1.4 million).

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The reduction in selling, general and administrative expenses mainly reflects savings realized under the Recover and Adapt plan. Selling, general and administrative expenses impacting Current EBIT decreased 5.4% (current basis) from €2,089 million for the nine months ended September 30, 2019 to €1,974 million for the nine months ended September 30, 2020.

The ratio of selling, general and administrative expenses to revenue was stable at 10.6% for the nine months ended September 30, 2020.

4. NET FINANCIAL EXPENSE

The **cost of net financial debt** is down and totaled -€315 million for the nine months ended September 30, 2020, compared with -€333 million year-on-year. This decrease is principally due to the FAVORABLE Euro debt refinancing in 2019 and 2020, combined with non euro-denominated debt savings and a higher cash remuneration. Gross cost of borrowing rate decreases by 55 bps from 3.11% 2.58%.
The financing rate was therefore 4.24% at September 30, 2020, compared with 4.22% at September 30, 2019.

Other financial income and expenses totaled -€118 million for the nine months ended September 30, 2020, stable year-on-year.

These expenses include interest on concession liabilities (IFRIC 12) of -€60.0 million, interest on the right of use (IFRS 16) of -€24.5 million and the unwinding of discounts on provisions of-€16.2 million.
Gains on financial divestitures recognized in the nine months ended September 30, 2020 totaled +€9 million, compared with +€14 million for the nine months ended September 30, 2019. In 2020, capital gains on financial divestitures mainly include the divestiture of Liuzhou in China. In 2019, capital gains on financial divestitures mainly included the divestiture of the Foshan landfill (+€36 million).

5. INCOME TAX EXPENSE

The current income tax expense for the nine months ended September 30, 2020 amounted to -€97.7 million, compared with -€151.1 million for the nine months ended September 30, 2019.

The current income tax rate for the nine months ended September 30, 2020 increased to 36.8% (versus 23.5% for the nine months ended September 30, 2019).

The change to the current tax rate is due to the geographic mix and negative net income before tax in regions without recognition of deferred tax assets.

6. CURRENT NET INCOME

Current net income attributable to owners of the Company was €149 million for the nine months ended September 30, 2020, compared with €486 million for the nine months ended September 30, 2019. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company decreased from €468 million for the nine months ended September 30, 2019 to €139 million for the same period in 2020, due to the negative impact of COVID-19 on the Group's financial statements for the nine months ended September 30, 2020.

D] CHANGES IN FREE CASH FLOW AND NET FINANCIAL DEBT

Net free cash flow totaled -€377 million for the nine months ended September 30, 2020 (versus -€167 million for the nine months ended September 30, 2019).
The change in net free cash flow **compared with the nine months ended September 30, 2019** reflects:

- a decline in EBITDA;
- lower net industrial investments, down -8.3% compared with September 30, 2019 and including:
  - net maintenance investments of €607 million (3.2% of revenue);
  - growth investments in the current portfolio of €516 million (€483 million in the nine months ended September 30, 2019);
  - discretionary investments of €211 million, down €30 million compared with the nine months ended September 30, 2019.
- The seasonal decline in the change in operating working capital of -€651 million for the nine months ended September 30, 2020, compared with -€730 million for the nine months ended September 30, 2019.

Overall, **net financial debt** amounted to €11,745 million, compared with €12,487 million for the nine months ended September 30, 2019.

Compared to December 2019, variation of net financial debt, which amounted to €10,780 million as of December 2019 is mainly due to :

- Negative free cash flow -€377 million
- Nets Financial investments -€512 million
- Payment of dividends -€ 379 million
- Positive exchange rate fluctuations of €255 million as of September 30, 2020 compared with December 31, 2019, primarily in the Hong Kong dollar (€60 million), the pound sterling (€34 million), the US dollar (€26 million), the Brazilian real (€24 million) and the Polish zloty (€22 million).

Total Group gross industrial investments, including new operating financial assets, amounted to €1,446 million for the nine months ended September 30, 2020, compared with €1,574 million for the nine months ended September 30, 2019 re-presented.