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June 11, 2021

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

**VIA ELECTRONIC FILING**

**RE: Joint Application of Veolia Environnement S.A., Veolia North America, Inc., SUEZ S.A., SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc. for all approvals pursuant to Sections 1102(a)(3), (4), and 1103 of the Pennsylvania Public Utility Code, and as otherwise required under the Pennsylvania Public Utility Code for the change in control of SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc.; Docket No. A-2021-\_\_\_\_\_.**

Dear Secretary Chiavetta:

Attached please find for filing with the Pennsylvania Public Utility Commission (“PUC” or “Commission”) the Joint Application of Veolia Environnement S.A., Veolia North America, Inc., SUEZ S.A., SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc. (“Joint Applicants”) for all approvals pursuant to Sections 1102(a)(3), (4), and 1103 of the Pennsylvania Public Utility Code, and as otherwise required under the Pennsylvania Public Utility Code for the change in control of SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc.

The Joint Application is being filed separately for each impacted regulated utilities. Please docket this Application for SUEZ Water Bethel Inc. (PUC Utility Code No. 210150).

As stated in the filing, the Joint Applicants are requesting expedited approval by the Commission’s October 28, 2021 Public Meeting.

The \$350.00 payment for the application fee is being made electronically at the time of the e-filing of the Joint Application.

Rosemary Chiavetta, Secretary  
June 11, 2021  
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**A public version of the Joint Application is being e-filed at the Commission. Consistent with the Secretarial Letter dated July 27, 2020, the confidential version of the Joint Application is being emailed separately directly to you. The only confidential information in the filing is included in Attachment C to the Joint Application. The information included in Attachment C is of a proprietary and confidential nature because it includes non-public commercially sensitive information. For these reasons, the Joint Applicants respectfully request that the Commission treat these documents as confidential and prevent public disclosure in accordance with the Commission's procedures. Any party desiring access to the foregoing can contact the undersigned counsel with such a request.**

As shown by the attached Certificate of Service and per the Commission's March 20, 2020, Emergency Order, all parties to these proceedings are being duly served via email only due to the current COVID-19 pandemic. Upon lifting of the aforementioned Emergency Order, we can provide parties with a hard copy upon request.

If you have any questions regarding the enclosed documents, please contact the undersigned.

Sincerely,

McNEES WALLACE & NURICK LLC

A handwritten signature in black ink, appearing to read 'Adeolu A. Bakare', written in a cursive style.

By

Adeolu A. Bakare

Counsel to Veolia Environnement S.A.  
and Veolia North America, Inc.

Enclosures

c: Certificate of Service (without confidential information)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Veolia Environnement S.A., :  
Veolia North America, Inc., SUEZ S.A., :  
SUEZ Water Pennsylvania Inc. :  
and SUEZ Water Bethel Inc. for all approvals :  
pursuant to Sections 1102(a)(3), (4), and 1103 : Docket No. A-2021-\_\_\_\_  
of the Pennsylvania Public Utility Code, and :  
as otherwise required under the Pennsylvania :  
Public Utility Code for the change in control of :  
SUEZ Water Pennsylvania Inc. :  
and SUEZ Water Bethel Inc. :

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**JOINT APPLICATION OF VEOLIA ENVIRONNEMENT S.A., VEOLIA NORTH  
AMERICA, INC., SUEZ S.A., SUEZ WATER PENNSYLVANIA INC. AND SUEZ  
WATER BETHEL INC.**

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TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

THIS APPLICATION filed by Veolia Environnement S.A. (“Veolia”), a French *société anonyme*, Veolia North America, Inc., a Delaware corporation and wholly-owned subsidiary of Veolia (“Veolia North America”), SUEZ S.A., a French *société anonyme* (“SUEZ”), SUEZ Water Pennsylvania Inc. (“SWPA”), a Pennsylvania corporation, and SUEZ Water Bethel Inc. (“SWB”), a Pennsylvania corporation (together, the “SUEZ Pennsylvania Utilities”), (collectively, “Joint Applicants”) seek all approvals which may be required under the Public Utility Code, 66 Pa. C.S. § 101 *et seq.* (“Code”), including approval under *id.* §§ 1102(a)(3), 1102(a)(4) and 1103, as well as the Pennsylvania Public Utility Commission’s (“PUC” or “Commission”) precedent, regulations, and statements of policy, for the indirect change in control of the SUEZ Pennsylvania Utilities. In short, the Joint Applicants seek the Commission’s approval of Veolia’s acquisition of a majority or all of the outstanding shares of SUEZ in accordance with a Combination Agreement entered into between those entities on May 14, 2021. As a result of this acquisition, Veolia would

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acquire a majority or all of SUEZ's equity interests in SUEZ Water Resources LLC ("SWR"), a Delaware limited liability company and parent company for all regulated entities in the United States, and its subsidiaries, including the SUEZ Pennsylvania Utilities (hereinafter, the "Transaction").

The proposed Transaction should be approved because Veolia has the legal, technical and financial fitness to own and operate the SUEZ Pennsylvania Utilities and the Transaction will provide affirmative public benefits of a substantial nature and promote the service, accommodation, convenience, and safety of the public. The Transaction combines the expertise of Veolia and SUEZ as world leaders in water and wastewater treatment and distribution/collection services. As a result of this combination, Veolia plans, on a global level, to accelerate its development of technological solutions to, *inter alia*, satisfy the need for safe and sufficient supplies of water, and to create value and opportunities for its employees, shareholders, and customers. As relates to Pennsylvania, these benefits include continuation of the SUEZ Pennsylvania Utilities' capital plan, continuation and potential improvements to customer service, continued robust access to the financial markets, and continued and enhanced community engagement. Moreover, Veolia will commit to providing financial support to reduce arrearages caused by the COVID-19 pandemic and to contribute additional funding in light of the hardships imposed by COVID-19 to low-income customers. Accordingly, the Transaction provides an affirmative public benefit of a substantial nature and should be approved.

As discussed in more detail herein, the Joint Applicants have agreed to complete the Transaction on an expedited basis due to risks to the Transaction associated with receiving approvals in multiple worldwide jurisdictions on different timelines. The Transaction requires a high degree of coordination of activities, filings, and approvals in various countries, including the

United States. Accordingly, the Joint Applicants respectfully request that the Commission enter a final order approving the Transaction as soon as reasonably possible and, in no event, later than the Commission's October 28, 2021 public meeting.

**I. INTRODUCTION**

1. By this Application, the Joint Applicants by and through their legal counsel, request all approvals required under the Code (including 66 Pa. C.S. §§ 1102(a)(3), 1102(a)(4) and 1103), PUC precedent, regulations, and statements of policy for a proposed corporate restructuring.

2. The complete name and address of the Joint Applicants are as follows:

Veolia Environnement, S.A.  
21 rue La Boétie  
75008 Paris, France

Veolia North America  
53 State Street, 14<sup>th</sup> Floor  
Boston, MA 02109

SUEZ S.A.  
Tour CB 21  
16 place de l'Iris  
92040, Paris La Défense Cedex, France

SUEZ Water Pennsylvania Inc.  
6310 Allentown Blvd  
Harrisburg, PA 17112

SUEZ Water Bethel Inc.  
6310 Allentown Blvd  
Harrisburg, PA 17112

3. The attorneys for Joint Applicants are:

a. Attorneys for Veolia:

Adeolu A. Bakare (ID # 208541)  
Teresa Harrold (ID # 311082)  
Kenneth R. Stark (ID # 312945)  
McNees Wallace & Nurick LLC  
100 Pine Street  
Harrisburg, PA 17101  
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Fax: 717-232-5300  
Email: abakare@mcneeslaw.com  
Email: tharrold@mcneeslaw.com  
Email: kstark@mcneeslaw.com

b. Attorneys for SUEZ and the SUEZ Pennsylvania Utilities:

David P. Zambito (ID # 80017)  
Jonathan P. Nase (ID # 44003)  
Cozen O'Connor  
17 North Second Street, Suite 1410  
Harrisburg, PA 17101  
Phone: 717-703-4892  
Fax: 215-989-4216  
Email: dzambito@cozen.com  
Email: jnase@cozen.com

## **II. DESCRIPTION OF THE JOINT APPLICANTS AND CURRENT OWNERSHIP STRUCTURE**

### **A. SUEZ Entities**

4. SWPA (PUC Utility Code No. 210013 for Water Division and PUC Utility Code No. 230077 for Wastewater Division) and SWB (PUC Utility Code No. 210150) maintain their principal place of business at 6310 Allentown Blvd, Harrisburg, PA 17112. SWPA provides water service to approximately 63,600 customers in Dauphin, Cumberland, Perry, York, Luzerne, Wyoming, Cumberland, Columbia, Montour, and Schuylkill counties and wastewater service to approximately 1,446 customers in Columbia and Montour counties. SWB provides water service

to approximately 2,513 customers in portions of Bethel Township and Concord Township in Delaware County.

5. The SUEZ Pennsylvania Utilities are wholly-owned subsidiaries of SWR, which is headquartered at 461 From Road, Suite 400, Paramus, NJ 07652. SWR is the parent company of nine water utilities in the United States and serves approximately 2.1 million people in Delaware, New Jersey, New York, Pennsylvania, Rhode Island, and Idaho. SUEZ North America Inc. (“SUEZ North America”) indirectly owns an 80% interest in SWR, with the remaining 20% interest owned by Stichting Depository PGGM Infrastructure Funds, acting in its capacity as title holder of PGGM Infrastructure Fund (“PGGM”).<sup>1</sup> PGGM is part of the PGGM NV group, a cooperative Dutch pension fund service provider that manages pension funds and assets, and invests in public and private equity, debt, real estate funds, and infrastructure markets across the globe. All SUEZ entities in North America are subsidiaries of SUEZ North America, which is a direct, wholly-owned subsidiary of SUEZ Groupe S.A.S. (“SUEZ Groupe”).

6. SUEZ Groupe is a subsidiary of SUEZ. SUEZ is headquartered in Paris, France and is listed on Euronext Paris under the symbol SEV. SUEZ’s primary business activities include water management and technology services, including worldwide municipal water activities and the manufacturing of water treatment systems; and waste management services, including general waste management, hazardous waste treatment, and other environmental solutions for industrial and municipal customers. Globally in 2019, SUEZ had more than 90,000 employees worldwide and has operations in all fifty states of the United States. *See* ATTACHMENT A (SUEZ Organizational Chart).

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<sup>1</sup> *Joint Application of SUEZ Water Pennsylvania Inc. (water), SUEZ Water Pennsylvania Inc. (wastewater), and SUEZ Water Bethel Inc. for approval of the Transfer of Control of SUEZ Water Pennsylvania Inc. (water), SUEZ Water Pennsylvania Inc. (wastewater), and SUEZ Water Bethel Inc., Docket Nos. A-2018-3004504, et al. (Order entered Dec. 20, 2018).*

## **B. Veolia Entities**

7. Veolia North America maintains its principal place of business at 53 State Street, 14th Floor, Boston, MA 02109. Veolia North America employs over 7,800 employees throughout North America and provides water, waste, and energy management services, including water and wastewater treatment, commercial and hazardous waste collection and disposal, energy consulting and resource recovery. Veolia North America is a leading expert in water cycle management, from producing and supplying drinking water to collecting, treating, recovering, and recycling wastewater.

8. Veolia North America is a subsidiary of Veolia. Veolia maintains its principal place of business at 21 rue La Boétie, 75008 Paris, France. Veolia is an international corporation whose subsidiaries provide water, waste, and energy management solutions across the globe to contribute to the sustainable development of communities and industries. Veolia is listed on Euronext Paris, part of the CAC 40 index, and employs over 178,000 employees in 55 countries. *See* ATTACHMENT B (Veolia Organizational Chart).

## **III. DESCRIPTION OF THE PROPOSED TRANSACTION AND NEW CONTROLLING INTEREST**

9. Veolia and SUEZ have each been global leaders in water resource management for over 150 years. By combining the strengths of the two companies, Veolia seeks to establish itself as a global leader in the water and waste management sectors to lead the market in ecological issues and better compete in the global marketplace. Veolia and SUEZ have developed similar services and technologies, particularly in water treatment and distribution. By combining the expertise and commercial offerings of both companies in water treatment and water storage, Veolia plans, on a global level, to accelerate its development of technological solutions to, *inter alia*, improve the customer experience and meet the need for safe and sufficient supplies of water, and

to create value and opportunities for its employees, shareholders, customers, and local communities. Further, Veolia will be able to leverage the combined experience and intellectual capability of the two companies to meet future challenges, including the increasing demand for clean water, compliance with more stringent regulatory requirements, addressing climate change, the rising costs of drinking water and affordability and, as demonstrated by the past year, responding to threats posed by COVID-19 and future potential widespread health crises.

10. In October 2020, Veolia acquired 29.9% of the share capital of SUEZ from ENGIE S.A., but it did not acquire any controlling interest or other ability to control or influence any decisions by SUEZ management or its Board of Directors, and the two companies remained independent from each other.<sup>2</sup> Specifically, the European Commission determined that Veolia's proposed acquisition of SUEZ, by first acquiring the 29.9% block of shares from ENGIE S.A. and subsequently issuing a tender offer for the remaining shares, was a single transaction. Because of Veolia's plan to acquire all of SUEZ and the European Commission determination, regulatory approval for the initial share acquisition from ENGIE S.A. was deferred to this time and is sought as part of the Transaction. If the Commission determines that its approval is needed with respect to the 29.9% share acquisition, the Joint Applicants respectfully request that the earlier acquisition be approved herewith.

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<sup>2</sup> Although Veolia acquired 29.9% of SUEZ's share capital, Veolia's ability to exercise any voting rights is restrained pending antitrust approvals. Pursuant to Article 7(2) of the European Commission's Merger Regulations, Veolia does not have the right to exercise any voting rights attached to the 29.9% shares until the European Commission approves the tender offer (unless with the prior approval of the European Commission in specific limited matters only). Accordingly, the two companies have remained independent and Veolia has not exercised any control over SUEZ's operations since the acquisition. Under the Commission's "Utility Stock Transfer Under 66 Pa. C.S. § 1102(a)(3) – Statement of Policy," no Commission approval of the October 2020 transaction was required because it did not involve an immediate change in control. 52 Pa. Code § 60.901(b). To the extent that the Commission determines that approval of Veolia's October 2020 stock purchase did require approval under 66 Pa. C.S. § 1102(a)(3), however, the Joint Applicants respectfully request *nunc pro tunc* approval in conjunction with the current Joint Application.

11. The Transaction at issue herein involves a public tender offer (the “Tender Offer”) for the remaining share capital of SUEZ. Veolia announced the Tender Offer to acquire shares representing a fraction at least greater than 50% of the share capital of SUEZ in order to give it full control over SUEZ. The Tender Offer was filed with the French stock market regulatory authority (*Autorité des marchés financiers* [“AMF”]) on February 8, 2021.

12. On April 12, 2021, Veolia and SUEZ announced that they reached an agreement in principle on the key terms and conditions of the combination of the two companies with a view to entering into a definitive agreement by May 14, 2021. A Combination Agreement between Veolia and SUEZ was executed on May 14, 2021. The Combination Agreement, which is attached hereto as ATTACHMENT C (HIGHLY CONFIDENTIAL), sets forth the terms and conditions of the combination of the two companies through an improvement to the Tender Offer to be filed by Veolia with the AMF.<sup>3</sup> The Combination Agreement was approved by Veolia’s and SUEZ’s Boards of Directors on May 14, 2021.<sup>4</sup> Subject to satisfaction of certain conditions precedent and receipt of regulatory approvals, and in order to minimize market volatility, Veolia and SUEZ seek to consummate the Transaction by the end of 2021.

13. The Combination Agreement provides for an increase in the Tender Offer from €18 (\$21.60) per share (with dividend) to €20.50 (\$24.60) per share (with dividend) (the “Improved Tender Offer”),<sup>5</sup> the recommendation of the Improved Tender Offer by SUEZ’s Board of Directors to SUEZ’s shareholders, and the sale of certain of SUEZ’s assets to Meridiam, Global

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<sup>3</sup> The Combination Agreement is written in French. ATTACHMENT C also includes a copy of the English translation and is being filed with the Commission on a highly confidential basis because it contains highly-sensitive, proprietary business information and constitutes a trade secret.

<sup>4</sup> Board resolutions approving the Combination Agreement are attached as ATTACHMENT D-1.

<sup>5</sup> Because this is a transaction among French companies, all amounts are expressed in Euros. For convenience purposes, the Joint Applicants provide U.S. dollar equivalents using a conversion factor of \$1.20 per €1, which is the approximate rate as of the time of preparation of this Application.

Infrastructure Partners, Caisse des Dépôts et Consignations, and CNP Assurances (collectively, the “Consortium”) to be used for the creation of an independent, “New SUEZ” entity.<sup>6</sup>

14. With the Combination Agreement in place, the Improved Tender Offer is expected to be submitted to the AMF on June 30, 2021. Upon closure of the Improved Tender Offer and notification of the results by the AMF, and provided that the results of the Improved Tender Offer show Veolia holds more than 50% of the share capital of SUEZ<sup>7</sup> Veolia will proceed with the acquisition and payment for the shares within the timeframe indicated by AMF (usually one week from notification of the results). In addition, if the results of the Improved Tender offer show Veolia holds more than 50% of the share capital of SUEZ, the Improved Tender Offer will be automatically reopened for an additional period of at least 10 trading days to attract further tenders (the “Reopened Offer”).

15. Following closure of the Improved Tender Offer and/or the Reopened Offer, Veolia may also be in a position to launch a squeeze-out procedure to automatically acquire the remaining minority shareholdings of SUEZ at the same terms of the Improved Tender Offer, provided the results of the Improved Tender Offer and/or the Reopened Offer show the remaining minority shareholdings of SUEZ do not represent more than 10% of the share capital of SUEZ.<sup>8</sup> Because its final shareholdings are subject to the results of the above future activities, Veolia cannot state at this time the exact percentage of the SUEZ shares it will acquire. However, given the Combination Agreement and the support for the Improved Tender Offer from the SUEZ Board of

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<sup>6</sup> A small group within SUEZ – SUEZ Smart Solutions – provides data collection services to municipalities to support their resilience, environmental, and digital transformation. This group operates out of Paris but offers services around the world, including within the United States, and will remain with the New SUEZ entity.

<sup>7</sup> Pursuant to French securities laws, the Improved Tender Offer will be null and void if the results of the Improved Tender Offer do not lead to Veolia holding more than 50% of the share capital of SUEZ.

<sup>9</sup> Veolia will continue to proceed with planned capital investments and improvements made pursuant to any current or future Long-Term Infrastructure Improvement Plan as approved by the Commission.

Directors, Veolia fully expects to gain control of SUEZ, and by virtue thereof, of the SUEZ subsidiaries and assets in the United States, including the SUEZ Pennsylvania Utilities.

16. The Transaction would result in Veolia being the “beneficial owner of the largest voting interest” in SUEZ. See 52 Pa. Code § 69.901(b)(1). While the final post-transaction corporate structure has not yet been determined, the SUEZ Pennsylvania Utilities will become indirect subsidiaries of Veolia sitting under the current SUEZ North America organization or indirect subsidiaries of Veolia sitting under Veolia North America. Organizational charts showing the most likely post-transaction corporate structures are attached hereto as ATTACHMENT D-2.

17. Veolia and SUEZ are seeking to close the Transaction in late 2021. The North American businesses are important to the overall transaction, and approval from the Commission and other U.S. public utility commissions is critical. However, this is a global transaction occurring in France between two French companies, and there is need to harmonize the time frames for all approvals and required processes.

18. Moreover, because of the nature of the Transaction (a public tender offer), there is a need to minimize market uncertainty and volatility. The acquisition also involves tens of thousands of SUEZ employees worldwide, and both companies want to minimize the instability and disruption to their employees.

19. A separate consideration is that the Transaction requires a multitude of governmental approvals, and the companies are concurrently seeking all such approvals. It is important that no single approval delay the entire Transaction. Indeed, the broad scope of the Transaction – involving businesses in dozens of countries – and the need for almost 20 governmental approvals adds to the market uncertainty and underscores the need for an expeditious closing.

**IV. LEGAL STANDARD FOR COMMISSION APPROVAL OF THE PROPOSED TRANSACTION**

20. Section 1102(a) of the Code provides that the Commission must issue a Certificate of Public Convenience ("CPC") as a legal prerequisite to a public utility prior to certain transfers by public utilities, including in situations of mergers and transfers of stock. Section 1102(a) of the Code provides, in relevant part:

Upon the application of any public utility and the approval of such application by the commission, evidenced by its certificate of public convenience first had and obtained, and upon compliance with existing laws, it shall be lawful:

\* \* \*

(3) For any public utility . . . to acquire from, or to transfer to, any person or corporation, including a municipal corporation, by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

\* \* \*

(4) For any public utility to acquire 5% or more of the voting capital stock of any corporation.

*See also* 52 Pa. Code § 69.901 ("Utility Stock Transfer Under 66 Pa. C.S. § 1102(a)(3) – Statement of Policy").

21. The Commission will approve a CPC if the proposed transfer will “affirmatively promote the ‘service, accommodation, convenience, or safety of the public’ in some substantial way.” *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825, 828 (Pa. 1972). The “substantial public interest” standard is satisfied by a simple preponderance of the evidence of benefits, which can be established by showing a likelihood or probability of public benefits (although such public benefits may not be quantified or guaranteed). *Popowsky v. Pa. Pub. Util. Comm'n*, 937 A.2d 1040, 1057 (Pa. 2007). This standard does not require that every customer of the utility receive a

benefit from the anticipated transaction. *Id.* at 1061. In addition, in order for the Commission to approve such a request, any new entity with a controlling interest in a public utility must demonstrate that it possesses the requisite technical, financial, and legal fitness. *See, e.g., Re: O'Connor*, 54 Pa. PUC 547, 549-550 (Nov. 20, 1980); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240, 245 (Pa. Super. 1958).

V. **TECHNICAL, FINANCIAL, AND LEGAL FITNESS OF THE SUEZ PENNSYLVANIA UTILITIES**

22. As existing certificated public utilities, the SUEZ Pennsylvania Utilities are presumed fit. *See Re Pennsylvania-American Water Company*, 85 PA PUC 548 (1995). After consummation of the Transaction and for a period of at least one year thereafter, no material changes will be made by Veolia to the management, employees, employee compensation and benefits, property, plant, equipment, or other contract rights and obligations of the SUEZ Pennsylvania Utilities, except for their ability to access the additional expertise and resources of Veolia. The SUEZ Pennsylvania Utilities will continue to proceed with all of the same planned capital investments for at least a year.<sup>9</sup> Collective bargaining agreements in effect as of closing on the Transaction will be honored by Veolia through the remaining terms and beyond the expiration dates until new agreements are negotiated. Day-to-day operations and customer service will remain the same before and after the Transaction. From the customer's perspective, the Transaction will be seamless.

23. The Transaction will not have any adverse impact on the SUEZ Pennsylvania Utilities' rates to customers for several reasons. The acquisition of SUEZ's shares will occur at the ultimate parent level, and none of the Transaction-related costs will be passed down to the

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<sup>9</sup> Veolia will continue to proceed with planned capital investments and improvements made pursuant to any current or future Long-Term Infrastructure Improvement Plan as approved by the Commission.

SUEZ Pennsylvania Utilities or other subsidiaries. All financial protections presently in place between the SUEZ Pennsylvania Utilities and other SUEZ entities will continue without change. Veolia is willing to put in place additional protections in place as needed between the SUEZ Pennsylvania Utilities, Veolia, and Veolia affiliates. No transaction or transition costs associated with the Transaction will be requested for recovery in rates from SUEZ Pennsylvania customers.

24. The Transaction is being supported financially by Bank of America Europe DAC, Credit Agricole Corporate and Investment Bank, HSBC Continental Europe, and Morgan Stanley Europe SE. The Transaction will have no immediate impact on the financial condition of the SUEZ Pennsylvania Utilities. The SUEZ family of companies will continue to have the same access to financial resources post-Transaction. The capital structure of the SUEZ Pennsylvania Utilities will not change as a result of the Transaction.<sup>10</sup> Moreover, no assets of the SUEZ Pennsylvania Utilities and that of its immediate parent company SWR, or any subsidiary of SWR, will be pledged or used as collateral or for any purpose by Veolia, Veolia North America, or any Veolia subsidiary or affiliate in the Transaction. Any future changes to the SUEZ Pennsylvania Utilities' rates or tariffs will remain subject to Commission review and approval.

25. The SUEZ Pennsylvania Utilities have Commission-approved affiliate interest agreements with SUEZ Water Management & Services, Inc. ("SWMS") pursuant to which SWMS provides a wide range of administrative and technical services to the SUEZ Pennsylvania Utilities. This Transaction will have no impact on these agreements and SWMS will continue to provide all the same services to the SUEZ Pennsylvania Utilities post-merger. To the extent upstream changes occur in the future that require any amendment to affiliate interest or other operating agreements

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<sup>10</sup> For ratemaking, the capital structure of SWR is utilized for SWPA. All debt is raised at the SWR level for the benefit of SWPA and SWR's other regulated subsidiaries.

(including the current Commission-approved money pool and affiliated sector interest agreements, as well as all other Commission-approved affiliated interest agreements) the SUEZ Pennsylvania Utilities will seek all necessary regulatory approvals in advance of finalizing such changes.<sup>11</sup>

26. The SUEZ Pennsylvania Utilities will continue to operate as Pennsylvania public utilities subject to the continuing jurisdiction and oversight of the Commission and comply with all applicable Commission rules and regulations. The annual reports, tariffs, certificates of public convenience, securities certificates, annual security self-certification forms, and affiliated interest agreements for the SUEZ Pennsylvania Utilities are currently on file with the Commission. If the Transaction is approved, the SUEZ Pennsylvania Utilities will continue to provide safe and reliable utility service to their customers at just and reasonable rates.

## **VI. TECHNICAL, FINANCIAL, AND LEGAL FITNESS OF VEOLIA**

27. Veolia possesses the requisite technical, financial, and legal fitness to become the indirect, majority owner of the SUEZ Pennsylvania Utilities. Veolia has extensive international expertise owning and operating water, wastewater, and other resource management operations. Across the globe, Veolia and its subsidiaries operate 3,362 drinking water production plants and 2,737 wastewater treatment plants. These operations provide water and wastewater services to approximately 95 million people and 62 million people, respectively. As of March 2021, Veolia has over 178,000 employees in 55 countries, with roughly 4% of its global workforce located in North America.

28. Veolia and its subsidiaries have owned and operated regulated steam utilities in the United States, including extensive experience as a Pennsylvania PUC-regulated utility from 2008 through 2019. During this period, Veolia subsidiaries owned steam utilities in Kansas City,

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<sup>11</sup> See Commission Docket Nos. G-2018-3002377, G-2018-3002404, G-2018-3002407, and G-2018-3002450.

Missouri and Philadelphia, Pennsylvania. These utilities were transferred to AIP Project Franklin Bidco, Inc. in 2019. With respect to the Pennsylvania steam utility, this transaction was approved by the Commission in its December 19, 2019 Order at Docket No. A-2019-3012241.

29. Veolia and its subsidiaries also operate large water and wastewater systems across the United States. For example, Veolia's subsidiaries operate the Tampa Bay Water facility, which provides water services to a population of more than two million people, and the San Diego Border Wastewater Project, which provides wastewater services to a population of more than one million people. Veolia has broad experience providing all aspects of public utility service, including maintaining and improving the operation and maintenance of a system, and all meter reading, billing, collection, and customer service functions.

30. In 2008, Veolia partnered with the Milwaukee, Wisconsin Metropolitan Sewerage District ("MMSD") to create the largest private-public wastewater partnership in North America. The operation employs 250 people and includes two water reclamation facilities, a 320-mile collections system to achieve consistent, award-winning compliance with the Clean Water Act. Veolia has also invested in research and development, committing \$1.5 million into the Great Lakes clean water initiatives, including research into the impact of pharmaceuticals on area watersheds, as well as potential wastewater treatment process improvements. The Veolia-MMSD partnership has saved customers millions of dollars since the contract started and was renewed in 2016 for an additional 10-year term.

31. In 2010, Veolia was selected by the City of Buffalo, New York to manage, operate, and maintain the city-wide water system that serves 280,000 people. Under this contract, Veolia has maintained the system's more than 900 miles of pipes, two intake stations, two pump stations, and filtration plant, producing more than 70 million gallons of clean drinking water every day. In

addition to maintaining Buffalo's nearly century-old water system, Veolia has introduced several new and innovative programs and performance metrics to improve customer service and reliability. Veolia automated the monitoring of the distribution network and treatment plant, improved customer service and Call Center operations, implemented new asset management and maintenance programs, and developed a Process Control Management Plan to schedule and track preventative maintenance. These improvements, along with an excellent operations and maintenance record, helped Veolia gain recognition as a recipient of the American Water Works Association's Diamond Pin Award.

32. Veolia has partnered with the City of Danbury, Connecticut to operate and maintain Danbury's Water Pollution Control Plant ("WPCP"). Through this partnership, Veolia assists Danbury's Sewer Division in achieving its core mission to provide the city and the neighboring region with sound disposal and treatment methods for wastewater and septic system wastes to ensure the protection of human health and the preservation of the environment. The WPCP treats an average wastewater flow of 9 million gallons a day and includes operation and maintenance of 20 sewer pump stations, 164 miles of sewer lines, and 4,500 manhole covers. Veolia was integral in Danbury's involvement in the production of biodiesel fuel from fats, oil, and grease ("FOG") in partnership with the University of Connecticut and REA Resource Recovery Systems, LLC. This project converts FOG into 400,000 liters of biodiesel fuel, powering a fleet of heavy equipment and trucks and saving the City millions of dollars each year. In 2017, Veolia helped Danbury save \$1 million in credits through the WPCP's nitrogen removal facility, and Veolia recently expanded the scope of its partnership with Danbury by proposing a new phase of plant upgrades valued at \$42.2 million.

33. Veolia is committed to ensuring infrastructure reliability and resiliency to respond to system degradation, ecological challenges, and the increasing risks of climate change. Veolia's response to Hurricane Katrina provides an illustrative example of this commitment. Over the course of four months, Veolia dispatched thirty of its experts to New Orleans to collaborate with stakeholders and study 200 drinking water, wastewater, and storm drainage facilities to evaluate their vulnerability and recommend resistance measures. This same ability to call upon Veolia's expertise will be available to SUEZ Pennsylvania Utilities and promote continued safe and reliable service to customers.

34. Veolia is financially sound and creditworthy to support the capital needs of its subsidiaries, including the SUEZ Pennsylvania Utilities. Veolia maintains a stable credit outlook of Baa1/Prime-2 from Moody's and BBB/A-2 from Standard and Poor's. It has ready access to the financial markets and will be able to support the SUEZ Pennsylvania Utilities' capital and other financial needs. The strength of Veolia's balance sheet and credit ratings will allow the SUEZ Pennsylvania Utilities to continue to access capital at reasonable rates.

35. Veolia's shares are publicly traded on Euronext Paris under the symbol VIE. Veolia has annual worldwide annual revenues of over €26 billion (\$31.2 billion). Post-closing, the combined revenues will be approximately €37 billion (\$44.4 billion). As explained in the attached testimony, and as demonstrated by the financial information contained in ATTACHMENT E to this Application, Veolia has the financial wherewithal to support the SUEZ Pennsylvania Utilities' continued provision of safe and reliable service to customers.

36. Finally, Veolia is legally fit to become an indirect, majority owner of the SUEZ Pennsylvania Utilities and has extensive internal and external legal support for this Transaction and its ongoing international operations to ensure continued compliance with all applicable laws.

## **VII. SUPPORTING TESTIMONY**

37. Veolia is sponsoring testimony from the following witness.
- a. Keith Oldewurtel, Executive Vice President and Chief Operating Officer at Veolia North America, will testify on Veolia's financial, technical and operational fitness, as well as the public benefits of the Transaction. *See* ATTACHMENT F (Joint Applicants Statement No. 1).
38. The SUEZ Pennsylvania Utilities are sponsoring testimony from the following witnesses.
- a. John D. Hollenbach, P.E., General Manager and Vice President at SUEZ Water Pennsylvania Inc., will testify on the current operations of the SUEZ Pennsylvania Utilities. *See* ATTACHMENT G (Joint Applicants Statement No. 2).
  - b. James C. Cagle, Vice President, Rates and Regulatory Affairs for SUEZ Water Management & Services, Inc., will testify on rates, regulatory compliance, and affiliated interests of the SUEZ Pennsylvania Utilities. *See* ATTACHMENT H (Joint Applicants Statement No. 3).

## **VIII. SUBSTANTIAL, AFFIRMATIVE PUBLIC BENEFITS OF THE TRANSACTION**

39. The Joint Applicants expect that the combined expertise of Veolia and SUEZ will better serve the SUEZ Pennsylvania Utilities, their customers, and the Commonwealth of Pennsylvania and improve the safety, reliability, and quality of the SUEZ Pennsylvania Utilities' service. Although the full scope of potential operational benefits is not yet known, several short-term and expected long-term benefits presented by the Transaction are described below.

40. **Combined Expertise.** Veolia and SUEZ have each been global leaders in water resource management for over 150 years. Veolia and SUEZ have developed similar services and technologies, particularly in water treatment and distribution. By combining the expertise and commercial offerings of both companies in water treatment and water storage, Veolia will be positioned to accelerate the development of future technological solutions, evaluate possible synergies within the higher levels of its portfolio, and create value for customers and the Commonwealth of Pennsylvania. Further, Veolia will be able to leverage the combined experience and intellectual capability of the two companies to meet future challenges, including increasing demand for clean water, climate change, and, as demonstrated by the past year, the threats posed by COVID-19 and future potential widespread health crises.

41. **Customer Service.** Veolia developed a state-of-the-art integrated management center that provides decision-making support for the continued provision of water supply, consumer safety, crisis prevention, and crisis management for the benefit of its customers. Veolia offers multichannel systems for customers globally and in the United States to communicate with it, including service centers, local and mobile branches, web portals, mobile applications for smartphones, and payment and social support platforms. Veolia will assess the potential for using similar multichannel systems to communicate with SUEZ Pennsylvania Utilities' customers and improve customer service.

42. An example of such systems is Veolia's Hubgrade Smart Digital Solutions, which combine real-time data, advanced analytics, and human expertise to create new opportunities to manage and optimize water systems. The system relies on cloud-based computing and the Internet of Things to capture and utilize granular data. To date, the system has improved the following processes: invoice processing, budgeting and financial reporting, optimizing operations and

maintenance for facilities, managing sustainability projects and programs, managing regulatory and environmental compliance, enhancing security and safety on site, and facilitating business continuity by, among other things, preventing or minimizing equipment failures.

43. **Water Quality.** Based on Veolia’s review of the combined portfolio of the Joint Applicants, Veolia will seek to identify technologies and best management practices to maintain and, if possible, enhance water quality levels for the SUEZ Pennsylvania Utilities and its other water utilities. Veolia has significant experience evaluating technology solutions to improve water clarification and purification, softening, disinfection, purification, and mobile drinking water production systems, which the SUEZ Pennsylvania Utilities can leverage for their water treatment processes.

44. **Financial Stability.** As previously noted, Veolia has annual worldwide revenues of over €26 billion (\$31.2 billion). Post-closing, the combined revenues will be approximately €37 billion (\$44.4 billion). Upon consummation of the Transaction, the SUEZ Pennsylvania Utilities will enjoy the same levels of financial support from Veolia. Veolia is committed to ensuring that the SUEZ Pennsylvania Utilities will have access to sufficient capital for the repair, maintenance, improvement, and extension of their systems to ensure the continued provision of safe and reliable service for current and future customers.

45. **Local Economy and Community Involvement.** The Transaction preserves the SUEZ Pennsylvania Utilities’ positive impacts on the Pennsylvania economy and significant community involvement. Because the only organizational change associated with the Transaction is at the parent company level, the SUEZ Pennsylvania Utilities’ workforce levels and community and civic involvement will remain the same post-Transaction. The SUEZ Pennsylvania Utilities and their employees support their local communities in many ways by participating in local

community events and fundraisers and serving on the boards of non-profit organizations. Veolia will not only continue to provide financial and educational support to its local communities through the SUEZ Pennsylvania Utilities, but further improve upon the level of presence and engagement in Pennsylvania that now exists.

46. **Operational and Rate Stability.** As already discussed, Veolia does not intend to make any changes to SUEZ Pennsylvania Utilities' ongoing operations or employment levels for at least one year post-Transaction. In addition, upon approval by the Commission and consummation of the Transaction, Veolia will institute a one-year moratorium on filing for any increases to distribution base rates. This benefit will provide rate stability for customers during this period of economic uncertainty related to the COVID-19 pandemic.

47. **COVID-19 Assistance.** Veolia recognizes the significant financial toll experienced by many customers as a result of the COVID-19 pandemic. Some customers continue to experience high arrearages as a result of the pandemic and remain at greater risk of service termination. Veolia will help to ease these financial impacts via a shareholder contribution to the SUEZ Pennsylvania Utilities to reduce these arrearages. Specifically, Veolia proposes that its shareholders would contribute an amount equal to 20% of the total residential customers' arrears that are more than 60 days overdue, measured as of the date of a Commission Order approving the Transaction. Our goal is to target the SUEZ Pennsylvania Utilities' customers who have been most impacted by the COVID pandemic, particularly disadvantaged communities and low-income residents. The Joint Applicants will work with Commission staff and interested stakeholders to determine the best way to effectuate this relief and ensure that all burdened customers will share in this benefit.

48. Additionally, Veolia is aware of the increasing cost burdens on low-income customers in particular due to utility expenses during the pandemic. To address the additional hardship imposed on low-income customers, Veolia commits to expanding its shareholder-funded relief to low-income customers, with the details to be determined in subsequent consultations with Commission staff and interested stakeholders.

49. Collectively, the benefits expected from the Transaction are substantial and demonstrate that the Transaction should be approved.

## **IX. OTHER REGULATORY APPROVALS / NOTIFICATIONS**

50. The Joint Applicants already have complied with the Hart-Scott-Rodino Antitrust Improvements Act of 1976 by providing premerger notifications to the Federal Trade Commission and U.S. Department of Justice on March 23, 2021. The Department of Justice did not request the opportunity to review the Transaction, so by operation of law the Transaction was deemed to have cleared federal antitrust review as of April 6, 2021.

51. By way of the Transaction, Veolia will acquire five other regulated water and wastewater utilities held by SUEZ in the United States. These include SUEZ Water New York Inc., SUEZ Water Idaho Inc., SUEZ Water New Jersey Inc., SUEZ Water Delaware Inc., and SUEZ Water Rhode Island Inc. In Idaho and Rhode Island, no regulatory approval is required, but Veolia will provide notice of the Transaction to those States' public utility commissions. Pursuant to the statutes in New York, New Jersey, and Delaware, Veolia must also obtain approval from each state's respective Public Utility Commission for the transfer of a regulated water or wastewater utility.

52. Merger and competition approvals are also required by the European Commission, the executive branch of the European Union. In this case, approval from the European

Commission is required, and that approval is expected early in the fourth quarter of 2021, in accordance with Article 6.1(b) of the European Commission’s Regulation No. 139/2004 of January 20, 2004.

53. The Joint Applicants will also submit a joint notice to the Committee on Foreign Investment in the United States (“CFIUS”) and will fully cooperate with and respond to any requests for additional information received from CFIUS until CFIUS clearance is obtained.

54. Further, Veolia must obtain approval from the Federal Communications Commission (“FCC”) in connection with the transfer of radio licenses that SUEZ obtained through its acquisition of United Water in July 2000. SUEZ discovered in 2020 that it inadvertently had not obtained the FCC’s approval for the transfer of the radio licenses originally issued to United Water. Accordingly, SUEZ self-disclosed this matter to the FCC and has reached a settlement with the FCC to resolve the investigation. On June 11, 2021, the FCC issued its Order adopting a consent decree and terminating the investigation. The Joint Applicants plan to seek approval of the transfer of those licenses from SUEZ to Veolia.

55. SWPA and SWB will also provide required notifications of an upstream change of control as required by certain permits of the Pennsylvania Department of Environmental Protection and by certain dockets of the Susquehanna River Basin Commission.

## **X. REQUEST FOR APPROVALS**

56. The Joint Applicants respectfully request that the PUC grant, on an expedited basis, all approvals required under the Public Utility Code for the transaction described above. 66 Pa. C.S §§ 1102(a), 1103.

**XI. EXPEDITED RELIEF**

57. As already discussed in Section III, *infra*, French securities laws, including the General Regulation of the AMF impose specific time frames and deadlines for various actions associated with a public tender offer by one company for another company. In addition, successful completion of the Transaction requires a high degree of coordination on activities, filings, and approvals in various countries, including the United States.

58. Accordingly, the Joint Applicants respectfully request that the Commission take all reasonable measures and to expedite review of the Application and enter a final order approving the transaction no later than its October 28, 2021 public meeting.

**XII. CONCLUSION**

For the reasons set forth in and supported by this Joint Application, the Transaction will affirmatively, and in a substantial manner, promote the service, accommodation, convenience, and safety of the public with no adverse impacts on ratepayers or the general public. Further, the Veolia possesses the requisite legal, technical, and financial fitness as required by the Commission. The Transaction is, therefore, in the public interest and satisfies the legal requirements for Commission approval.

WHEREFORE, Joint Applicants respectfully request that the Commission approve this Application by **October 28, 2021**, and enter an Order finding and ordering that:

(a) The Joint Applicants have established that the Transaction is in the public interest as required by 66 Pa. C.S. §§ 1102(a), 1103; and

(b) All approvals and certificates of public convenience required under the Code and regulations thereunder, as well as any other PUC precedent, be issued or granted for the proposed Transaction.

Respectfully submitted,



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S.A. and Veolia North America, Inc.*



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*Attorneys for SUEZ S.A., SUEZ Water Pennsylvania  
Inc., and SUEZ Water Bethel Inc.*

Date: June 11, 2021

**CERTIFICATE OF SERVICE**

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

**VIA E-MAIL**

Allison Kaster, Esq.  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265  
akaster@pa.gov

Christine Hoover, Esq.  
Erin Gannon, Esq.  
Office of Consumer Advocate  
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choover@paoca.org  
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Erin Fure, Esq.  
Office of Small Business Advocate  
Forum Place  
555 Walnut St., 1<sup>st</sup> Floor  
Harrisburg, PA 17101  
efure@pa.gov



---


Adeolu Bakare  
Counsel to Veolia

Dated this 11th day of June, 2021, in Harrisburg, Pennsylvania

## VERIFICATION

I, Keith Oldewurtel, Executive Vice President and Chief Operating Officer at Veolia North America, hereby state that the facts contained in the Joint Application of Veolia Environnement S.A., Veolia North America, Inc., SUEZ S.A., SUEZ Water Pennsylvania Inc., and SUEZ Water Bethel Inc. in so far as they relate to Veolia Environnement S.A. and Veolia North America, Inc. are true and correct to the best of my knowledge, information, and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.


JUNE 11, 2021  
Date

  
\_\_\_\_\_  
Keith Oldewurtel  
Executive Vice President and Chief  
Operating Officer at Veolia North America

**VERIFICATION**

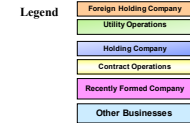
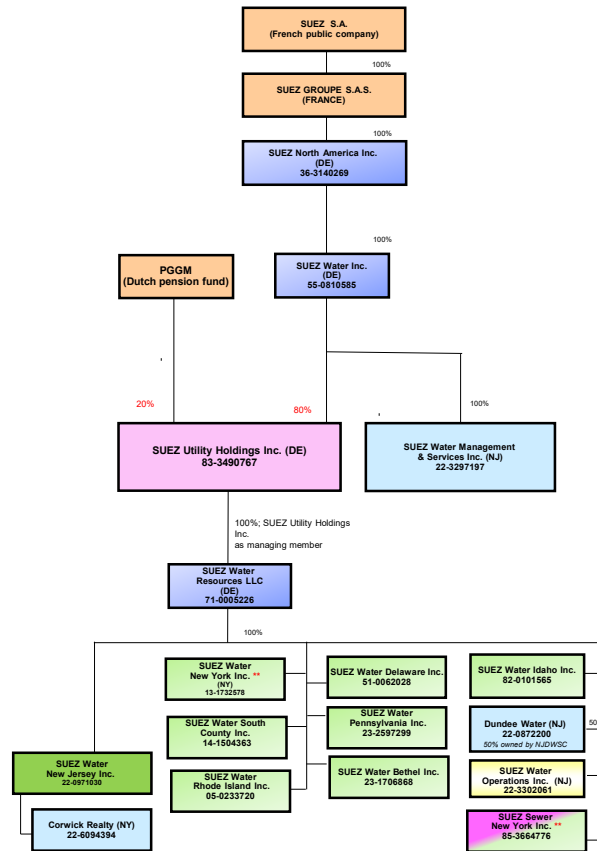
I, John Hollenbach, General Manager and Vice President at SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc., hereby state that the facts contained in the Joint Application of Veolia Environnement S.A., Veolia North America, Inc., SUEZ S.A., SUEZ Water Pennsylvania Inc., and SUEZ Water Bethel Inc. are true and correct to the best of my knowledge, information, and belief insofar as they relate to SUEZ S.A., SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc. and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.

June 16, 2021  
Date

  
\_\_\_\_\_  
John D. Hollenbach, P.E.  
General Manager and Vice President at  
SUEZ Water Pennsylvania Inc. and SUEZ  
Water Bethel Inc.

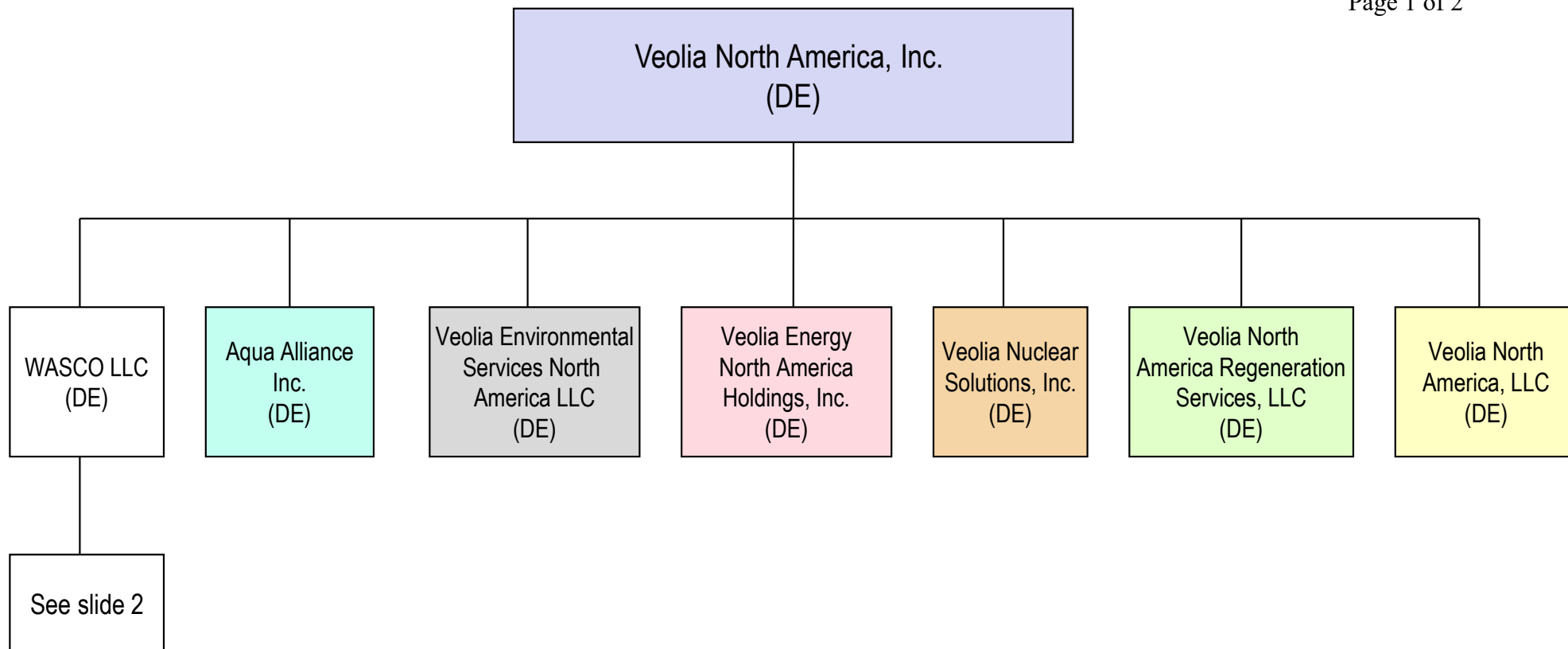
**Attachment A**  
**Suez North America Inc. – Utility Division**  
**Organizational Chart**

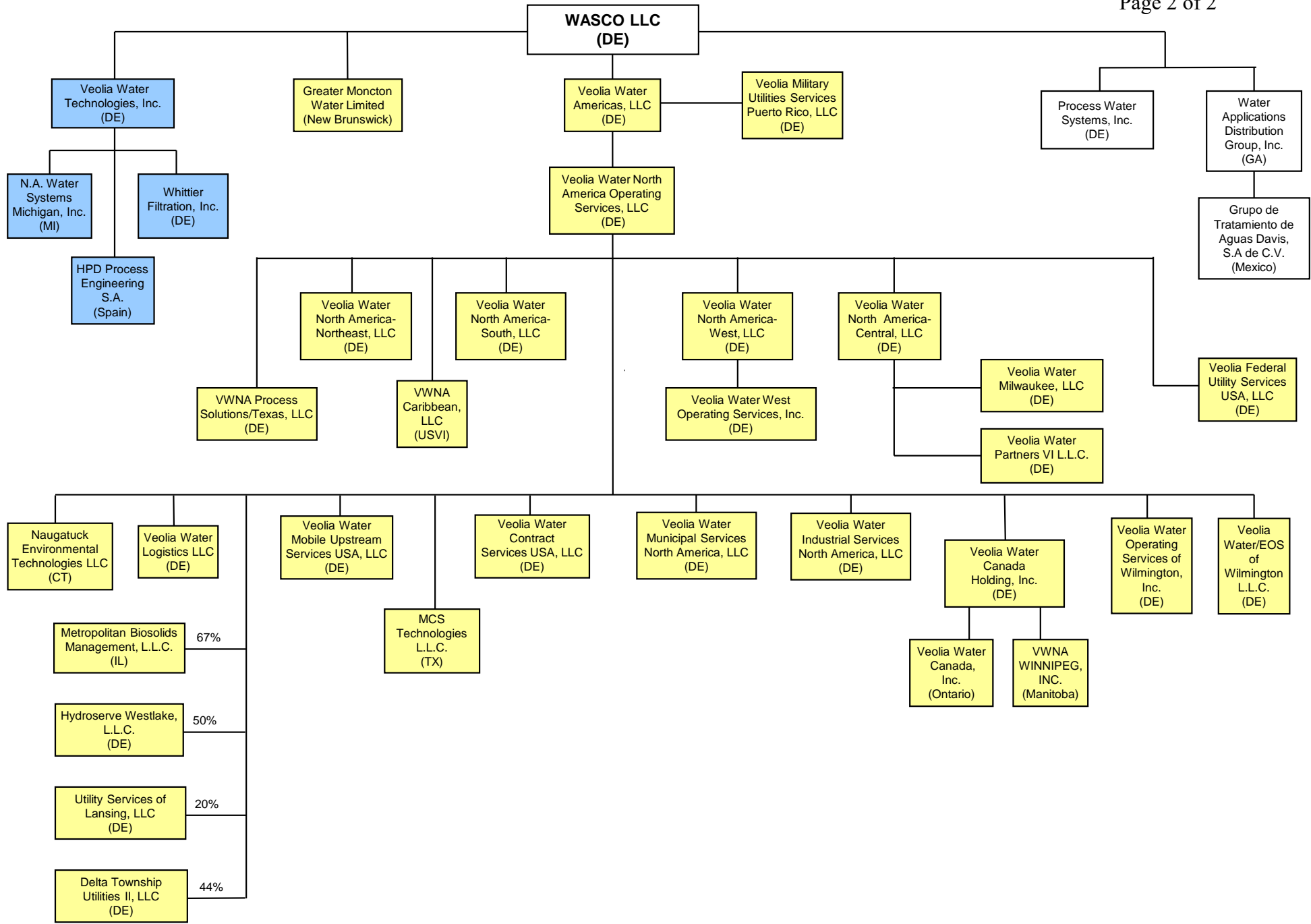
# SUEZ NORTH AMERICA INC. UTILITY DIVISION – Legal Entity Organizational Chart



\*\*Effective 12/10/20 SUEZ Sewer New York Holding Company Inc. merged with and into SUEZ Sewer New York Inc. which is a new entity for the Heritage Hills sewer assets.

**Attachment B**  
**Veolia Environnement**  
**Organizational Chart**





WASCO Entity Organization Chart

**HIGHLY CONFIDENTIAL**

**Attachment C**

**Combination Agreement between Veolia Environnement and Suez North America Inc.**

**Confidential Materials Removed**

**Attachment D-1**  
**Corporate Resolutions**

**VEOLIA ENVIRONNEMENT**

**Société anonyme (French Public Limited Company) with a Board of Directors and share capital of €2,897,915,945**  
**Registered office: 21 rue La Boétie – 75008 Paris, France**  
**Administrative headquarters: 30 rue Madeleine Vionnet – 93300 Aubervilliers, France**  
**403 210 032 RCS Paris**

Extract from the minutes  
of the meeting of the Board of Directors on February 7, 2021

From the minutes of the meeting of the Board of Directors on February 7, 2021, the following information has been extracted:

-----  
**After having deliberated, the Board of Directors, having regard to Veolia's draft prospectus, approves the change of intention and the draft voluntary public offer to purchase under the standard procedure by Veolia for all the shares of Suez not held by it at a price of €18 per share (*cum dividend*), if applicable, followed by a compulsory buyback (the "Offer").**


In addition, the Board authorizes and delegates to the Chairman and Chief Executive Officer (with the option of sub-delegation), as necessary, all powers to:

- Decide to modify Veolia's intentions to abandon the "condition" of a favorable reception by the Suez Board of Directors in view of Suez's refusal, under the terms given to the Board of Directors;
- Communicate this change of intention to the AMF (*Autorité des Marchés Financiers* – French Financial Market Authority), Suez and the market in these terms;
- Announce to the market the filing of the Offer and proceed with any publication relating thereto;
- Proceed with the submission of the draft Offer to the AMF (including the finalization of Veolia's draft prospectus, the standard press release and other documents related thereto), as well as proceed with any filing, publication or formality required or useful in view of the extension of the Offer in Belgium;

[...]

-----  
Extract certified as conforming  
to the original  
May 28, 2021



Helman  Le Pas de Sécheval  
General Counsel and  
Secretary of the Board

**VEOLIA ENVIRONNEMENT**  
**Société anonyme à conseil d'administration au capital de 2 897 915 945 euros**  
**Siège social : 21 rue La Boétie – 75008 Paris**  
**Siège administratif : 30 rue Madeleine Vionnet – 93300 Aubervilliers**  
**403 210 032 RCS Paris**

Extrait du procès-verbal  
de la réunion du conseil d'administration du 7 février 2021

Du procès-verbal de la réunion du conseil d'administration du 7 février 2021, il a été extrait ce qui suit :

Après en avoir délibéré, le conseil d'administration, au vu du projet de note d'information de Veolia, approuve le changement d'intention et le projet d'offre publique d'achat volontaire en procédure normale de Veolia visant l'intégralité des actions de Suez non détenues par elle au prix de 18 € par action (coupon attaché), le cas échéant, suivi d'un retrait obligatoire (l'« Offre »).

Par ailleurs, le conseil autorise et délègue, en tant que de besoin, au Président-directeur général (avec faculté de subdélégation), tous pouvoirs à l'effet de :

- Décider la modification des intentions de Veolia pour abandonner la « condition » d'accueil favorable du conseil d'administration de Suez compte tenu de l'attitude de refus de Suez, dans les termes remis au conseil d'administration ;
- Communiquer dans ces termes ce changement d'intentions à l'AMF, à Suez et au marché ;
- Annoncer au marché le dépôt de l'Offre et procéder à toute publication s'y rapportant ;
- Procéder auprès de l'AMF au dépôt du projet d'Offre (en ce compris la finalisation du projet de note d'information de Veolia, du communiqué normé et des autres documents s'y rapportant), ainsi que procéder à tout dépôt, publication ou formalité requise ou utile en vue de l'extension de l'Offre en Belgique ;

[...]

Pour extrait certifié conforme  
Le 28 mai 2021



Helman le Pas de Sécheval  
*Secrétaire général et  
secrétaire du conseil*

**SUEZ**

Societe Anonyme with a capital of 2 557 356 896 euros  
**Head office: Tour CB21, 16, place de l'Iris, 92040 PARIS LA  
 DEFENSE Cedex 433 466 570 R.C.S. NANTERRE**

**EXCERPT FROM THE MINUTES OF THE BOARD OF DIRECTORS  
 OF MAY 14, 2021 (4:00 P.M.)**

The year two thousand and twenty-one, on May 14, at 4:00 p.m., the Directors of SUEZ met in a Board meeting, by videoconference, at the invitation of the Chairman.

**ATTENDEES**

Messieurs	Philippe Varin,	President
	Bertrand Camus,	Director and General Manager
Madames:	Miriem Bensalah-Chaqroun,	Director
	Agatta Constantini,	Director
	Martha Crawford,	Director
	Delphine Emotte Cunci,	Director
	Anne Lauvergeon,	Director
	Brigitte Taittinger-Jouyet,	Director
Messieurs	Ende Amiguët i Rovira,	Director
	Anthony Coscia,	Director
	Bertrand Meunier,	Director
	Philippe Petitcolin,	Director
	Jacques Richier,	Director
	Guillaume Thivolle,	Director

The Board of Directors is composed solely of these Directors.

The Board, with more than half of the Directors present, can validly deliberate.

**ALSO PRESENT AT THE MEETING WERE**

Mr. Jean-Pierre Maugendre, representative of the Social and Economic Committee,

Mrs. Diane Galbe, Deputy General Manager, in charge of Strategy and BU SES, Mr. Julian Waldron, Deputy General Manager in charge of Finance, and Mr. Jacques Audibert, General Secretary, Mrs. Tiphaine Hecketsweiler, Director of Engagement and Human

Resources, Communications, Delphine Bernard, Secretary of the Board, and Vincent Fremin, Corporate Counsel,

Bertrand Cardi (Darrois Villey Maillot Brochier), Benjamin Kanovitch (Bredin Prat) and Yves Schmidt (Viguie Schmidt & Associates), Arie Flack (Financiere du Lion), Gregoire Chertok (Rothschild), Emmanuel Gueroult (PJT Partners) and Arnaud Dupui-Casteres (Vae Solis),

Mr. Marc Senechal, ad hoc trustee, and Mrs. Serena Azancot.

Mr. Varin chaired the meeting in his capacity as Chairman of the Board of Directors.

The Chairman indicated that the following items were on the agenda:

[...]

3. Merger agreement with Veolia

[...]

Then he declared the meeting could commence.

[...]

3. COMBINATION AGREEMENT WITH VEOLIA

[...]

The Chairman indicated that Veolia and Suez announced on April 12, 2021 that they had reached an agreement in principle (the "**Agreement in Principle**") setting forth the key points of a combination agreement between Suez and Veolia, including:

- the increase of the price of the proposed public offer filed by Veolia on February 8, 2021 for the Suez shares from 20.50 per share (attached coupon) (the "**Tender Offer**");
- the undertakings (including the employee undertakings) to be given by Veolia in connection with the Combination; and
- the sale of certain assets by Suez in order to create a new Suez (the "**New Suez**").

The President indicates that, in this context, Veolia and Suez are considering entering into a combination agreement (the "**Combination Agreement**") to set out, in more detail, the terms of the combination between Suez and Veolia and, in particular, the terms of the implementation of the Tender Offer and the sale of the perimeter related to the New Suez to third party investors.

[...]

The Board of Directors, after having deliberated, on the recommendation of the ad hoc Committee, and having taken note of all the information made available to its members and in particular of the draft Merger Agreement (Mrs. Constantini and Messrs. Amiguet i Rovira and Thivolle voting against the resolution below):

- **welcomes** the proposed Combination between Veolia and Suez;
- **considers** that the transactions contemplated by the proposed Combination Agreement are in the best interests of Suez, particularly in that the proposed Combination Agreement provides for:
  - an undertaking by Veolia to increase the price of its initial public offer from 18 euros per share (attached coupon) to 20.50 euros per share (attached coupon), subject to the issuance by Suez of a reasoned opinion favorable to the Public Offer;
  - the principles and terms of implementation of the sale by Suez to a consortium composed of Meridiam, Caisse des Depots et Consignations, CNP Assurances and Global Infrastructure Management LLC of its water and waste businesses (excluding hazardous waste) in France and certain of its international assets, as described in the appendix to the composition of these assets is in accordance with the principles set forth in the Agreement in Principle, with a view to the creation of the New Suez, which will form a coherent and sustainable industrial and social entity, with sales of approximately 6.9 billion euros;
  - the reiteration of Veolia's social commitments as specified in the Combination Agreement; and the withdrawal by Suez and Veolia of the proceedings and actions they had initiated up to that point, thus putting an end to several months of litigation.
  - authorizes, as a consequence of the foregoing, in accordance with article L. 225-38 of the French Commercial Code, the conclusion of the Combination Agreement, under the terms and conditions set forth in the Combination Agreement. L. 225-38 of the French Commercial Code, to enter into the Combination Agreement, under the terms and conditions
  - presented to the Board of Directors;
- **announces** its intention, subject to its fiduciary duties, the opinion of the Suez Group Committee, and the positive conclusion of Finexsi, acting as independent expert in the framework of the Takeover Bid, on the fairness of the financial terms of the Takeover Bid, to issue a reasoned opinion on the Takeover Bid in accordance with the provisions of Article L. 225-37 of the French Commercial Code. financial conditions of the Takeover Bid, to issue a reasoned opinion on the Takeover Bid in accordance with article 231-19 of the French general regulations. In accordance with article 231-19 of the AMF's general regulations, to issue a reasoned opinion on the

- Takeover Bid, stating that the Takeover Bid is in the interest of the Company, its shareholders and its employees, and recommending to the shareholders to tender their Suez shares to the Tender Offer and being specified that the Combination Agreement provides that the reasoned opinion shall be delivered on the later of the date on which the Group Works Council shall have rendered its opinion on the Tender Offer and the date on which the Consortium shall have signed a promise to purchase relating to the sale of the perimeter and the date on which the Consortium shall have signed a promise to sell on the date on which the Consortium will have signed a promise to purchase relating to the sale of the perimeter and in any event no later than June 29, 2021 (if the annual general meeting of Suez shareholders is postponed to June 30, 2021); and
- **grants** full powers to the Chairman of the Board of Directors and the Chief Executive Officer of the Company, each individually and with the option of delegation, for the following purpose:
- negotiate, finalize, sign, initial or countersign, in the name and on behalf of the Company, the Combination Agreement, as well as all other contracts, acts or documents or in connection with the Combination Agreement to which the Company is a party or signatory; and
  - more generally, to do all things useful or necessary for the implementation of the Combination Agreement and, more generally, for the combination between Suez and Veolia.

[...]

Certified true to the original

/s/ Delphine Bernard  
Delphine BERNARD  
Secrétaire du Conseil d' administration

**PROJET**

**SUEZ**

Société Anonyme au capital de 2 557 356 896 euros  
Siège social : Tour CB21, 16, place de l'Iris, 92040 PARIS LA DEFENSE Cedex  
433 466 570 R.C.S. NANTERRE

**EXTRAIT DU PROCES-VERBAL  
DU CONSEIL D'ADMINISTRATION  
DU 14 MAI 2021 (16H)**

L'an deux mil vingt-et-un, le 14 mai à 16 heures, les Administrateurs de SUEZ se sont réunis en Conseil, par visio-conférence, sur convocation du Président.

**PRESENTS :**

Messieurs	Philippe Varin,	Président,
	Bertrand Camus,	Administrateur et Directeur Général,
Mesdames	Miriem Bensalah-Chaqrour,	Administrateur,
	Agatta Constantini,	Administrateur,
	Martha Crawford,	Administrateur,
	Delphine Ernotte Cunci,	Administrateur,
	Anne Lauvergeon,	Administrateur,
	Brigitte Taittinger-Jouyet,	Administrateur,
Messieurs	Enric Amiguet i Rovira,	Administrateur,
	Anthony Coscia,	Administrateur,
	Bertrand Meunier,	Administrateur,
	Philippe Petitcolin,	Administrateur,
	Jacques Richier,	Administrateur,
	Guillaume Thivolle,	Administrateur,

seuls Administrateurs composant le Conseil.

Le Conseil, réunissant plus de la moitié des Administrateurs, peut valablement délibérer.

**ASSISTAIENT EGALEMENT A LA SEANCE :**

Monsieur Jean-Pierre Maugendre, représentant du Comité Social et Economique,

Madame Diane Galbe, Directrice Générale Adjointe, en charge de la Stratégie et de la BU SES,  
Messieurs Julian Waldron, Directeur Général Adjoint en charge des Finances, et Jacques Audibert,  
Secrétaire Général, Madame Tiphaine Hecketsweiler, Directrice de l'Engagement et des

Communications, Madame Delphine Bernard, Secrétaire du Conseil, et Monsieur Vincent Frémin, Directeur Juridique Corporate,

Maîtres Bertrand Cardi (Darrois Villey Maillot Brochier), Benjamin Kanovitch (Bredin Prat) et Yves Schmidt (Viguié Schmidt & Associés), Messieurs Arié Flack (Financière du Lion), Grégoire Chertok (Rothschild), Emmanuel Guérout (PJT Partners) et Arnaud Dupui-Casteres (Vae Solis),

Monsieur Marc Sénéchal, mandataire ad hoc, et Madame Séréna Azancot.

Monsieur Varin préside la séance en sa qualité de Président du Conseil d'administration.

Le Président rappelle que l'ordre du jour porte sur les points suivants :

[...]

3. Accord de rapprochement avec Veolia

[...]

Puis il déclare la séance ouverte.

[...]

**3. ACCORD DE RAPPROCHEMENT AVEC VEOLIA**

[...]

Le Président rappelle que Veolia et Suez ont annoncé le 12 avril 2021 être parvenues à un accord de principe (l'« **Accord de Principe** ») fixant les points clés d'un accord de rapprochement entre Suez et Veolia et notamment :

- le rehaussement du prix du projet d'offre publique déposé par Veolia le 8 février 2021 sur les actions Suez pour le porter de 18 euros par action (coupon attaché) à 20,50 euros par action (coupon attaché) (l'« **Offre Publique** ») ;
- les engagements (et notamment les engagements sociaux) devant être souscrits par Veolia dans le cadre du rapprochement ; et
- la cession de certains actifs par Suez en vue de la constitution d'un nouveau Suez (le « **Nouveau Suez** »).

Le Président indique que, dans ce contexte, Veolia et Suez envisagent de conclure un accord de rapprochement (l'« **Accord de Rapprochement** ») pour fixer, de manière plus détaillée, les conditions du rapprochement entre Suez et Veolia et notamment les conditions de la mise en œuvre de l'Offre Publique et de la cession du périmètre lié au Nouveau Suez à des investisseurs tiers.

[...]

Le Conseil d'administration, après en avoir délibéré, sur recommandation du Comité ad hoc, et connaissance prise de l'ensemble des éléments mis à la disposition de ses membres et notamment

du projet d'Accord de Rapprochement (Madame Constantini et Messieurs Amiguet i Rovira et Thivolle votant contre la délibération ci-dessous) :

- **accueille** favorablement le projet de Rapprochement entre Veolia et Suez ;
- **considère** que les opérations prévues par le projet d'Accord de Rapprochement sont conformes à l'intérêt social de Suez notamment en ce que le projet d'Accord de Rapprochement prévoit :
  - un engagement de Veolia de relever le prix de son offre publique initiale pour le porter de 18 euros par action (coupon attaché) à 20,50 euros par action (coupon attaché) sous réserve de l'émission par Suez d'un avis motivé favorable à l'Offre Publique ;
  - les principes et modalités de mise en œuvre de la cession par Suez à un consortium composé de Meridiam, la Caisse des Dépôts et Consignations, CNP Assurances et Global Infrastructure Management LLC de ses activités Eau et Déchets (hors déchets dangereux) en France et de certains de ses actifs à l'international, tels que décrits en annexe de l'Accord de Rapprochement et dont la composition est conforme aux principes figurant dans l'Accord de Principe, en vue de la constitution du Nouveau Suez formant un ensemble cohérent et pérenne sur le plan industriel et social, avec un chiffre d'affaires de l'ordre de 6,9 milliards d'euros ;
  - la réitération des engagements sociaux de Veolia ainsi que précisés dans l'Accord de Rapprochement ; et
  - le désistement par Suez et Veolia des instances et actions qu'elles ont initié jusqu'alors, mettant ainsi fin à plusieurs mois de litiges.
- **autorise**, en conséquence de ce qui précède, conformément à l'article L. 225-38 du Code de commerce, la conclusion de l'Accord de Rapprochement, dans les termes et conditions présentées au Conseil d'administration ;
- **fait part de son intention**, sous réserve de ses devoirs fiduciaires, de l'avis du Comité de Groupe de Suez, et de la conclusion positive du cabinet Finexsi intervenant en qualité d'expert indépendant dans le cadre de l'Offre Publique sur le caractère équitable des conditions financières de l'Offre Publique, d'émettre un avis motivé sur l'Offre Publique conformément à l'article 231-19 du règlement général de l'AMF indiquant que l'Offre Publique est conforme à l'intérêt de la Société, de ses actionnaires et de ses salariés et recommandant aux actionnaires d'apporter leurs actions Suez à l'Offre Publique étant précisé que l'Accord de Rapprochement prévoit que l'avis motivé devra être remis à la date la plus lointaine entre la date à laquelle le Comité de Groupe aura rendu son avis sur l'Offre Publique et la date à laquelle le Consortium aura signé une promesse d'achat portant sur la cession du périmètre et en tout état de cause au plus tard le 29 juin 2021 (si l'assemblée générale annuelle des actionnaires de Suez est reportée au 30 juin 2021) ; et
- **donne tous pouvoirs** au Président du Conseil d'Administration et au Directeur Général de la Société, chacun individuellement et avec faculté de délégation, à l'effet de :

- négocier, finaliser, signer, parapher, ou contresigner, au nom et pour le compte la Société, l'Accord de Rapprochement, ainsi que tous autres contrats, actes ou documents concourant à ou en lien avec l'Accord de Rapprochement auxquels la Société serait partie ou signataire ; et
- plus généralement, faire tout ce qui sera utile ou nécessaire à la mise en œuvre de l'Accord de Rapprochement, et plus généralement, au rapprochement entre Suez et Veolia.

[...]

**Certifié conforme à l'original**



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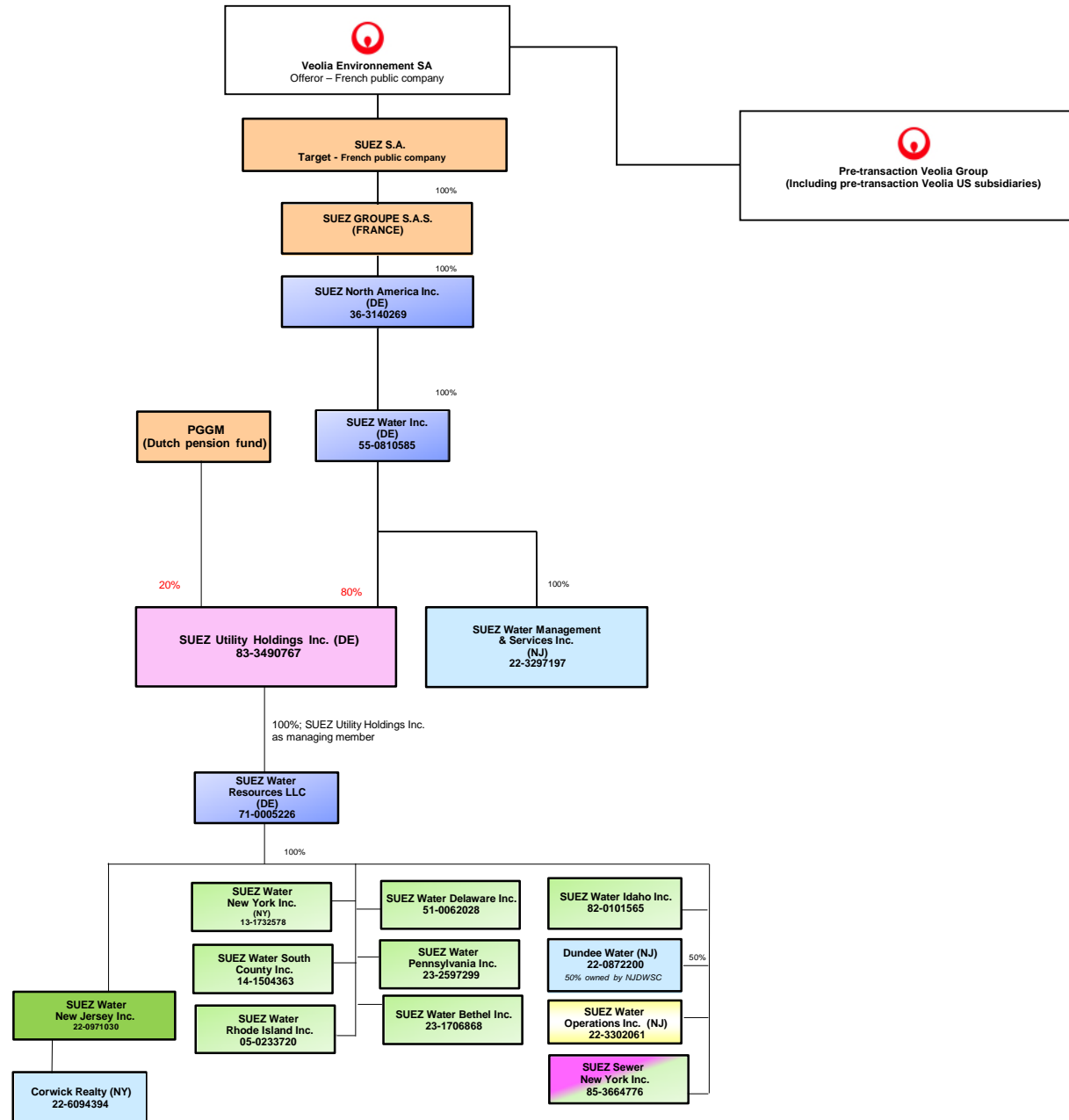
**Delphine BERNARD**  
**Secrétaire du Conseil d'administration**

**Attachment D-2**  
**Post-Transaction Organization Chart**

Veolia-Suez post transactions

Organizational Chart

**Scenario 1 – Suez US Utility Division**

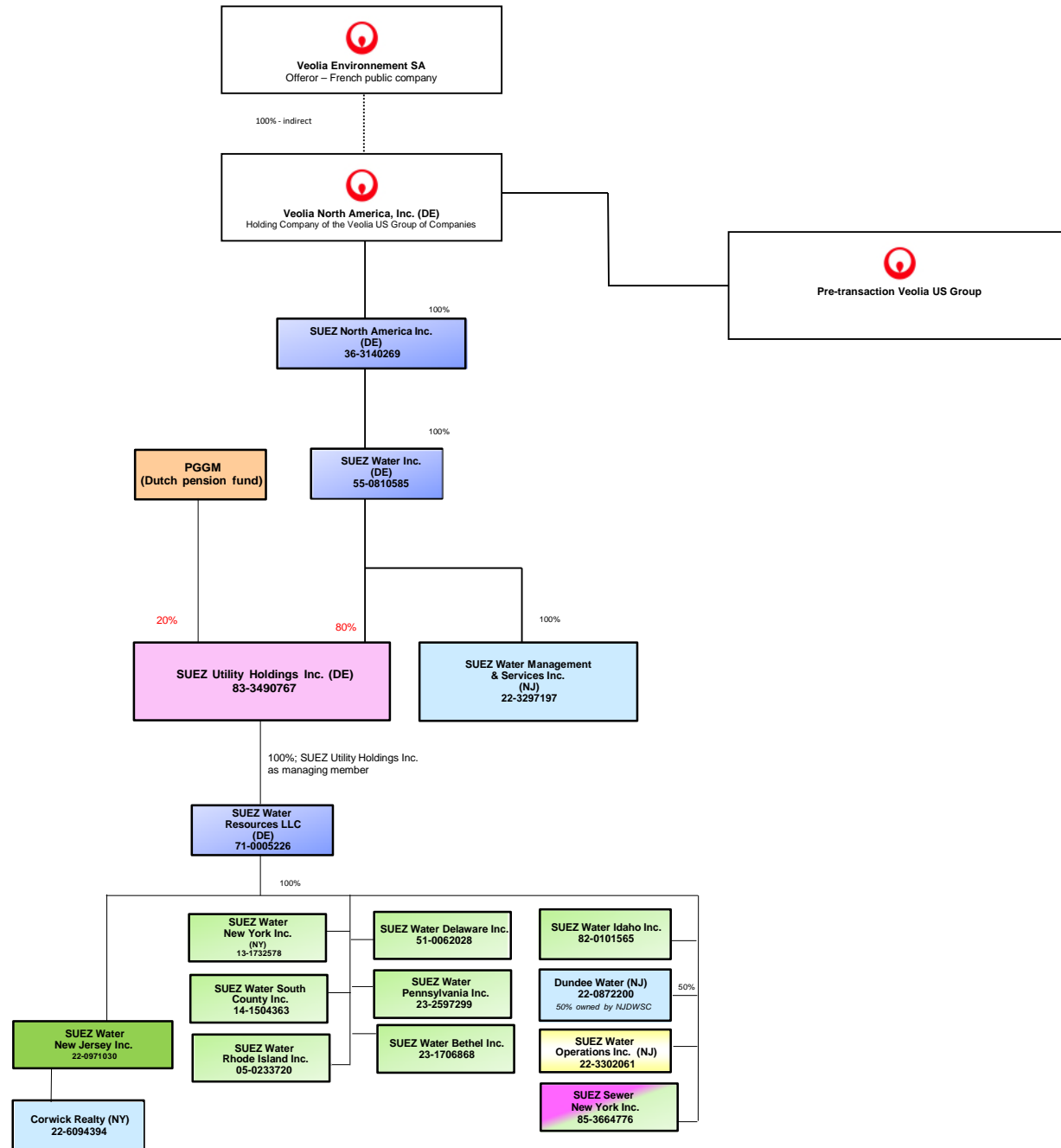


Foreign Holding Company
Utility Operations
Advanced Solutions
Holding Company
Contract Operations
Changes pending
Canada Operations
Newly Formed Company
Other Businesses

Veolia-Suez post transactions

Organizational Chart

**Scenario 2 – Suez US Utility Division**



**Attachment E**  
**Financial Statements**  
**of Veolia**



# Consolidated financial statements

## Year ended December 31, 2020



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# Consolidated financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Consolidated Statement of Financial Position-Assets

(€ million)	Notes	As of December 31, 2019	As of December 31, 2020
Goodwill	Note 9.1	5,128.0	5,888.9
Concession intangible assets	Note 9.2.1	3,517.4	3,544.9
Other intangible assets	Note 9.2.2	1,372.6	1,371.3
Property, plant and equipment	Note 9.3	7,679.8	8,216.6
Right of use (net)	Note 9.4	1,664.6	1,529.5
Investments in joint ventures	Note 7.2.4	1,497.7	1,020.8
Investments in associates	Note 7.2.4	382.5	353.9
Non-consolidated investments (*)		52.4	3,102.2
Non-current operating financial assets	Note 7.4	1,431.2	1,198.1
Non-current derivative instruments - Assets	Note 10.3	39.0	53.4
Other non-current financial assets	Note 10.1.2	374.6	427.3
Deferred tax assets	Note 13.2	952.9	1,036.5
<b>Non-current assets</b>		<b>24,092.7</b>	<b>27,743.6</b>
Inventories and work-in-progress	Note 7.3	792.0	797.7
Operating receivables	Note 7.3	9,341.7	9,106.2
Current operating financial assets	Note 7.4	86.0	172.8
Other current financial assets	Note 10.1.2	738.5	1,073.2
Current derivative instruments - Assets	Note 10.3	91.5	174.8
Cash and cash equivalents	Note 10.1.3	5,843.3	5,840.0
Assets classified as held for sale	Note 5.3	33.3	455.7
<b>Current assets</b>		<b>16,926.3</b>	<b>17,620.3</b>
<b>TOTAL ASSETS</b>		<b>41,019.0</b>	<b>45,363.9</b>

(\*) As of December 31, 2020, non-consolidated investments consist of Suez shares for €3,046.0 million (see Note 4) and other securities for €56.2 million, compared with €52.4 million as of December 31, 2019.

The accompanying notes are an integral part of these consolidated financial statements.

**FINANCIAL STATEMENTS**

Consolidated financial statements

**Consolidated Statement of Financial Position – Equity and Liabilities**

<i>(€ million)</i>		<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
Share capital	Note 11.2.1	2,836.3	2,893.1
Additional paid-in capital		7,197.9	7,291.8
Deeply-subordinated perpetual securities	Note 11.4	-	1,987.1
Reserves and retained earnings attributable to owners of the Company	Note 11.2	(4,100.5)	(4,955.8)
<b>Total equity attributable to owners of the Company</b>	Note 11.2	<b>5,933.7</b>	<b>7,216.2</b>
Total equity attributable to non-controlling interests	Note 11.3	1,144.7	1,098.5
<b>Equity</b>		<b>7,078.4</b>	<b>8,314.7</b>
Non-current provisions	Note 12	1,848.7	1,846.8
Non-current financial liabilities	Note 10.1.1	9,366.8	10,836.4
Non-current IFRS 16 lease debt	Note 10.1.1	1,417.9	1,296.8
Non-current derivative instruments - Liabilities	Note 10.3	52.4	65.5
Concession liabilities - non-current	Note 7.5	1,421.7	1,459.9
Deferred tax liabilities	Note 13.2	984.4	1,094.4
<b>Non-current liabilities</b>		<b>15,091.9</b>	<b>16,599.6</b>
Operating payables	Note 7.3	11,753.6	11,850.4
Concession liabilities - current	Note 7.5	128.3	145.6
Current provisions	Note 12	539.1	510.7
Current financial liabilities	Note 10.1.1	5,443.7	7,196.7
Current IFRS 16 lease debt	Note 10.1.1	465.7	402.9
Current derivative instruments - Liabilities	Note 10.3	197.8	117.9
Bank overdrafts and other cash position items	Note 10.1.3	302.2	217.6
Liabilities directly associated with assets classified as held for sale	Note 5.3	18.3	7.8
<b>Current liabilities</b>		<b>18,848.7</b>	<b>20,449.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41,019.0</b>	<b>45,363.9</b>

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED INCOME STATEMENT

<i>(€ million)</i>	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2020</b>
<b>Revenue</b>	<b>27,188.7</b>	<b>26,009.9</b>
Cost of sales	(22,827.7)	(22,121.8)
Selling costs	(610.6)	(562.1)
General and administrative expenses	(2,157.4)	(2,144.0)
Other operating revenue and expenses	(258.0)	(373.0)
<b>Operating income before share of net income (loss) of equity-accounted entities</b>	<b>1,335.0</b>	<b>809.0</b>
<b>Share of net income (loss) of equity-accounted entities</b>	<b>129.8</b>	<b>110.5</b>
o/w share of net income (loss) of joint ventures	89.3	87.4
o/w share of net income (loss) of associates	40.5	23.1
<b>Operating income after share of net income (loss) of equity-accounted entities</b>	<b>1,464.8</b>	<b>919.5</b>
Cost of net financial debt	(440.5)	(414.4)
Other financial income and expenses	146.7	(139.7)
<b>Pre-tax net income (loss)</b>	<b>1,171.0</b>	<b>365.4</b>
Income tax expense	(298.5)	(137.0)
Share of net income (loss) of other equity-accounted entities	-	-
<b>Net income (loss) from continuing operations</b>	<b>872.5</b>	<b>228.4</b>
Net income (loss) from discontinued operations	(111.9)	(19.9)
<b>Net income (loss) for the year</b>	<b>760.6</b>	<b>208.5</b>
<b>Attributable to owners of the Company</b>	<b>624.9</b>	<b>88.8</b>
Attributable to non-controlling interests	135.7	119.7
<b>NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE</b>		
Basic	1.12	0.16
Diluted	1.07	0.15
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE</b>		
Basic	1.32	0.20
Diluted	1.26	0.19
<b>NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE</b>		
Basic	(0.20)	(0.04)
Diluted	(0.19)	(0.04)

The accompanying notes are an integral part of these consolidated financial statements.

**FINANCIAL STATEMENTS**

Consolidated financial statements

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>(€ million)</i>	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2020</b>
<b>Net income (loss) for the year</b>	<b>760.6</b>	<b>208.5</b>
Actuarial gains or losses on pension obligations	(53.5)	(4.3)
Income tax expense	0.7	2.6
<i>Amount net of tax</i>	<i>(52.8)</i>	<i>(1.7)</i>
Fair value adjustments on financial instruments at fair value through equity not subsequently released to net income (*)	5.2	(375.2)
Income tax expense	(1.5)	(0.2)
<i>Amount net of tax</i>	<i>3.7</i>	<i>(375.4)</i>
<b>Other items of comprehensive income not subsequently released to net income</b>	<b>(49.1)</b>	<b>(377.1)</b>
<b><i>o/w attributable to joint ventures</i></b>	<b><i>(0.2)</i></b>	<b><i>-</i></b>
<b><i>o/w attributable to associates</i></b>	<b><i>(0.1)</i></b>	<b><i>-</i></b>
Fair value adjustments on hedging costs	-	(3.4)
Income tax expense	-	-
<i>Amount net of tax</i>	<i>-</i>	<i>(3.4)</i>
Fair value adjustments on financial instruments at fair value through equity subsequently released to net income	-	-
Income tax expense	-	-
<i>Amount net of tax</i>	<i>-</i>	<i>-</i>
Fair value adjustments on cash flow hedge derivatives	(0.7)	31.5
Income tax expense	0.7	(4.7)
<i>Amount net of tax</i>	<i>-</i>	<i>26.8</i>
Foreign exchange gains and losses:		
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	(109.0)	(373.2)
<i>Amount net of tax</i>	<i>(109.0)</i>	<i>(373.2)</i>
• on the net financing of foreign operations	112.3	8.2
• income tax expense	-	-
<i>Amount net of tax</i>	<i>112.3</i>	<i>8.2</i>
<b>Other items of comprehensive income subsequently released to net income</b>	<b>3.3</b>	<b>(341.6)</b>
<b><i>o/w attributable to joint venture <sup>(1)</sup></i></b>	<b><i>(4.6)</i></b>	<b><i>(41.0)</i></b>
<b><i>o/w attributable to associates</i></b>	<b><i>2.2</i></b>	<b><i>(18.0)</i></b>
<b>Total Other comprehensive income</b>	<b>(45.8)</b>	<b>(718.7)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>714.8</b>	<b>(510.2)</b>
Attributable to owners of the Company	589.5	(586.9)
Attributable to non-controlling interests	125.3	76.7

(\*) Including -€376.0 million relating to the acquisition of Suez (see Note 4)

(1) The share attributable to joint ventures mainly concerns the change in foreign exchange translation reserves of the Chinese concessions (-€34.1 million for the year ended December 31, 2020 and -€7.3 million for the year ended December 31, 2019).

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

<i>(€ million)</i>	Notes	Year ended December 31, 2019	Year ended December 31, 2020
<b>Net income (loss) for the year</b>		<b>760.6</b>	<b>208.5</b>
<b>Net income (loss) from continuing operations</b>		<b>872.5</b>	<b>228.4</b>
<b>Net income (loss) from discontinued operations</b>		<b>(111.9)</b>	<b>(19.9)</b>
Operating depreciation, amortization, provisions and impairment losses		2,028.1	2,058.2
Financial amortization and impairment losses		0.7	15.6
Gains (losses) on disposal of operating assets		12.5	19.2
Gains (losses) on disposal of financial assets		(403.0)	(46.6)
Share of net income (loss) of joint ventures	Note 7.2.4	(89.3)	(87.4)
Share of net income (loss) of associates	Note 7.2.4	(40.5)	(23.1)
Dividends received	Note 10.4.2	(3.4)	(2.8)
Cost of net financial debt	Note 10.4.1	440.5	414.4
Income tax expense	Note 13	298.5	137.0
Other items		138.4	179.9
<b>Operating cash flow before changes in working capital</b>		<b>3,255.0</b>	<b>2,892.8</b>
Change in operating working capital requirements		208.9	233.2
Change in concession working capital requirements		(103.6)	(130.0)
Income taxes paid		(241.8)	(258.3)
<b>Net cash from operating activities of continuing operations</b>		<b>3,118.5</b>	<b>2,737.7</b>
<b>Net cash from operating activities of discontinued operations</b>		<b>(30.7)</b>	<b>(12.7)</b>
<b>Net cash from operating activities</b>		<b>3,087.8</b>	<b>2,725.0</b>
Industrial investments, net of grants		(1,676.0)	(1,608.6)
Proceeds on disposal of industrial assets		162.8	235.9
Purchases of investments	Note 5.2	(321.6)	(5,026.2)
Proceeds on disposal of financial assets	Note 5.2	1,524.8	188.0
Operating financial assets		-	-
New operating financial assets	Note 7.4	(177.9)	(160.0)
Principal payments on operating financial assets	Note 7.4	161.8	199.2
Dividends received (including dividends received from joint ventures and associates)		97.9	75.3
New non-current loans granted		(208.3)	(526.0)
Principal payments on non-current loans		167.2	480.5
Net decrease/increase in current loans		14.0	6.6
<b>Net cash used in investing activities of continuing operations</b>		<b>(255.3)</b>	<b>(6,135.3)</b>
<b>Net cash used in investing activities of discontinued operations</b>		<b>-</b>	<b>(4.7)</b>
<b>Net cash used in investing activities</b>		<b>(255.3)</b>	<b>(6,140.0)</b>

**FINANCIAL STATEMENTS**

Consolidated financial statements

<i>(€ million)</i>	<b>Notes</b>	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2020</b>
Net increase (decrease) in current financial liabilities	Note 10.1.1	(465.0)	1,083.5
Repayment of current IFRS 16 lease debt	Note 10.1.1	(470.9)	(478.9)
Other changes in non-current IFRS 16 lease debt	Note 10.1.1	(76.3)	(140.5)
New non-current borrowings and other debt	Note 10.1.1	1,824.4	2,314.7
Principal payments on non-current borrowings and other debt	Note 10.1.1	(850.0)	(70.6)
Change in liquid assets and financing financial assets	Note 10.1.2	(274.7)	(368.7)
Proceeds on issue of shares	Note 11.2.1	16.7	147.2
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases		(127.8)	(4.8)
Transactions with non-controlling interests: partial sales		10.2	2.4
Proceeds on issue of deeply subordinated securities	Note 11.4	(5.5)	1,987.1
Coupons on deeply subordinated securities	Note 11.4	-	-
Purchases of/proceeds from treasury shares		1.2	(8.3)
Dividends paid		(661.0)	(426.0)
Interest paid	Note 10.4.1	(427.5)	(404.8)
Interest on IFRIC 12 operating assets		(81.3)	(79.8)
Interest on IFRS 16 lease debt (*)	Note 10.4.2	(40.8)	(32.2)
<b>Net cash from (used in) financing activities of continuing operations</b>		<b>(1,628.3)</b>	<b>3,520.3</b>
<b>Net cash from (used in) financing activities of discontinued operations</b>		<b>-</b>	<b>(0.1)</b>
<b>Net cash from (used in) financing activities</b>		<b>(1,628.3)</b>	<b>3,520.2</b>
Effect of foreign exchange rate changes and other		(3.9)	(25.7)
<b>Increase (decrease) in external net cash of discontinued operations</b>		<b>-</b>	<b>1.8</b>
<b>NET CASH AT THE BEGINNING OF THE YEAR</b>		<b>4,340.8</b>	<b>5,541.1</b>
<b>NET CASH AT THE END OF THE YEAR</b>		<b>5,541.1</b>	<b>5,622.4</b>
Cash and cash equivalents	Note 10.1.3	5,843.3	5,840.0
Bank overdrafts and other cash position items	Note 10.1.3	302.2	217.6
<b>NET CASH AT THE END OF THE YEAR</b>		<b>5,541.1</b>	<b>5,622.4</b>

(\*) Interest on IFRS 16 lease debt is not included in the Cost of net financial debt, but in Other financial income and expenses (see Note 10.4).

The accompanying notes are an integral part of these consolidated financial statements.

**FINANCIAL STATEMENTS**

Consolidated financial statements

**STATEMENT OF CHANGES IN EQUITY**

<i>(€ million)</i>	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities and OCEANE	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
<b>Amount as of January 1, 2019 published</b>	<b>565,593,341</b>	<b>2,828.0</b>	<b>7,182.5</b>	<b>17.6</b>	<b>(444.1)</b>	<b>(3,433.0)</b>	<b>(103.1)</b>	<b>(62.5)</b>	<b>5,985.4</b>	<b>1,158.9</b>	<b>7,144.3</b>
IFRS 16 impacts		-	-	-	-	(116.8)	1.0	-	(115.8)	(7.2)	(123.0)
<b>Amount as of January 1, 2019 re-presented</b>	<b>565,593,341</b>	<b>2,828.0</b>	<b>7,182.5</b>	<b>17.6</b>	<b>(444.1)</b>	<b>(3,549.8)</b>	<b>(102.1)</b>	<b>(62.5)</b>	<b>5,869.6</b>	<b>1,151.7</b>	<b>7,021.3</b>
Issues of share capital of the parent company	1,673,198	8.3	15.4	-	-	(7.0)	-	-	16.7	-	16.7
Redemption of OCEANE bonds		-	-	(5.5)	-	-	-	-	(5.5)	-	(5.5)
OCEANE equity component		-	-	(12.1)	-	12.1	-	-	-	-	-
Parent company dividend distribution		-	-	-	-	(509.1)	-	-	(509.1)	-	(509.1)
Movements in treasury shares		-	-	-	1.7	(0.5)	-	-	1.2	-	1.2
Share-based payments		-	-	-	-	21.4	-	-	21.4	-	21.4
Third party share in share capital increases of subsidiaries		-	-	-	-	-	-	-	-	(7.4)	(7.4)
Third party share in dividend distributions of subsidiaries		-	-	-	-	-	-	-	-	(151.9)	(151.9)
Transactions with non-controlling interests		-	-	-	-	(86.5)	-	-	(86.5)	4.4	(82.1)
<b>Total transactions with non-controlling interests</b>	<b>1,673,198</b>	<b>8.3</b>	<b>15.4</b>	<b>(17.6)</b>	<b>1.7</b>	<b>(569.6)</b>	<b>-</b>	<b>-</b>	<b>(561.8)</b>	<b>(154.9)</b>	<b>(716.7)</b>
Other comprehensive income		-	-	-	-	(50.3)	9.5	5.4	(35.4)	(10.4)	(45.8)
Net income for the period		-	-	-	-	624.9	-	-	624.9	135.7	760.6
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>574.6</b>	<b>9.5</b>	<b>5.4</b>	<b>589.5</b>	<b>125.3</b>	<b>714.8</b>
Other movements		-	-	-	-	36.4	-	-	36.4	22.6	59.0
<b>Amount as of December 31, 2019</b>	<b>567,266,539</b>	<b>2,836.3</b>	<b>7,197.9</b>	<b>0.0</b>	<b>(442.4)</b>	<b>(3,508.4)</b>	<b>(92.6)</b>	<b>(57.1)</b>	<b>5,933.7</b>	<b>1,144.7</b>	<b>7,078.4</b>

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<i>(€ million)</i>	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
<b>Amount as of December 31, 2019</b>	<b>567,266,539</b>	<b>2,836.3</b>	<b>7,197.9</b>	-	<b>(442.4)</b>	<b>(3,508.4)</b>	<b>(92.6)</b>	<b>(57.1)</b>	<b>5,933.7</b>	<b>1,144.7</b>	<b>7,078.4</b>
Issues of share capital of the parent company	11,344,823	56.8	93.9	-	-	(3.5)	-	-	147.2	-	147.2
Proceeds on issue of deeply subordinated securities	-	-	-	1,987.1	-	-	-	-	1,987.1	-	1,987.1
Reclassification of coupons paid on hybrid debt / deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
Parent company dividend distribution	-	-	-	-	-	(277.1)	-	-	(277.1)	-	(277.1)
Movements in treasury shares	-	-	-	-	(8.3)	-	-	-	(8.3)	-	(8.3)
Share-based payments	-	-	-	-	-	33.3	-	-	33.3	-	33.3
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	20.9	20.9
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(148.9)	(148.9)
Transactions with non-controlling interests	-	-	-	-	-	(3.5)	-	-	(3.5)	4.3	0.8
<b>Total transactions with non-controlling interests</b>	<b>11,344,823</b>	<b>56.8</b>	<b>93.9</b>	<b>1,987.1</b>	<b>(8.3)</b>	<b>(250.8)</b>	<b>0</b>	<b>0</b>	<b>1,878.7</b>	<b>(123.7)</b>	<b>1,755.0</b>
Other comprehensive income (*)	-	-	-	-	-	(1.8)	(313.0)	(360.9)	(675.7)	(43.0)	(718.7)
Net income for the period	-	-	-	-	0	88.8	-	-	88.8	119.7	208.5
<b>Total comprehensive income for the period</b>	-	-	-	-	-	<b>87.0</b>	<b>(313.0)</b>	<b>(360.9)</b>	<b>(586.9)</b>	<b>76.7</b>	<b>(510.2)</b>
Other movements	-	-	-	-	-	(9.3)	-	-	(9.3)	0.8	(8.5)
<b>As of December 31, 2020</b>	<b>578,611,362</b>	<b>2,893.1</b>	<b>7,291.8</b>	<b>1,987.1</b>	<b>(450.7)</b>	<b>(3,681.5)</b>	<b>(405.6)</b>	<b>(418.0)</b>	<b>7,216.2</b>	<b>1,098.5</b>	<b>8,314.7</b>

(\*) Including -€376.0 million relating to the acquisition of Suez (see Note 4)

A dividend per share of €0.50 was distributed in 2020, compared with €0.92 in 2019.

A dividend distribution of €0.70 per share is proposed to the General Shareholders' Meeting of April 22, 2021.

The total dividend paid recorded in the Consolidated Cash Flow Statement for the years ended December 31, 2020 and 2019, respectively, breaks down as follows:

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
Parent company dividend distribution	(509.1)	(277.1)
Third-party share in dividend distributions of subsidiaries	(151.9)	(148.9)
Scrip dividend	-	-
<b>TOTAL DIVIDEND PAID</b>	<b>(661.0)</b>	<b>(426.0)</b>

# Notes to the Consolidated Financial Statements

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**ACCOUNTING POLICIES AND METHODS**

General principles underlying the preparation of the financial statements

**NOTE 1****ACCOUNTING POLICIES AND METHODS****1.1 General principles underlying the preparation of the financial statements**

The accounting methods presented in these notes to the consolidated financial statements have been applied consistently for all periods presented in the consolidated financial statements.

The consolidated financial statements are presented on a historical cost basis, with the exception of assets and liabilities held for sale measured in accordance with IFRS 5 and assets and liabilities recognized at fair value: derivatives, financial instruments held for trading, financial instruments at fair value (in accordance with IFRS 9).

The Veolia Environnement consolidated financial statements for the year ended December 31, 2020 were adopted by the Board of Directors on February 24, 2021 and will be presented for approval at the General Shareholders' Meeting on April 22, 2021.

**1.2 Accounting standards framework**

Pursuant to Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation no.297/2008 of March 11, 2008, the consolidated financial statements are presented in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

In the absence of IFRS standards or interpretations and in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Veolia refers to other IFRS dealing with similar or related issues and the conceptual framework.

The consolidated financial statements are presented in millions of euros, unless stated otherwise.

The consolidated financial statements comprise the financial statements of Veolia Environnement, the entities it controls (its subsidiaries) and the entities equity accounted. The financial statements of subsidiaries are drawn up for the same reference period as those of the parent company, from January 1, to December 31, 2020, in accordance with uniform accounting policies and methods.

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2020 comprise those applied by the Group as of December 31, 2019 and the standards, standard amendments and interpretations adopted or in the course of adoption by the European Union as of December 31, 2020:

- applicable from fiscal year 2020; or
- that the Group has elected to apply early as permitted by these texts.

**ACCOUNTING POLICIES AND METHODS**

Accounting standards framework

Texts applicable from 2020

- **Amendment to IFRS 16**, regarding Covid-19 related rent concessions;
- **Amendments to IAS 1 and IAS 8**, regarding the definition of relative importance;
- **Amendment to IFRS 3**, regarding the definition of a business;
- **Amendments to IFRS 9 and IFRS 7 (phase 1)**, relating to the interest rate benchmark reform;
- **Amendments to references to the conceptual framework in IFRS.**

The impact of the first-time application of these texts is not material for the Group.

Texts adopted early in 2020

**Amendments to IFRS 9 and IFRS 7 (phase 2)**, relating to the interest rate benchmark reform:

The interest rate benchmark reform leading to the replacement of EONIA and IBOR rates from January 1, 2022, impacts or will impact certain of the Group's financial instruments and hedging transactions. The main indexes used by the Group and concerned by the reform are Euribor and Libor USD.

The Group launched an inventory of the impacts of this reform and is currently in discussions with its counterparties to integrate these changes in index. Certain investments are already based on these new indexes and others are under review.

These amendments clarify what represents a change in the contractual rate and introduce focused practical expedients enabling the continuation of hedge accounting.

As of December 31, 2020, the Group has elected for **early application** of the amendments to IFRS 7 and IFRS 9 (phase 2) published by the IASB.

At this date, the instruments concerned by the reform represent a nominal amount of €2,000 million and primarily consist of interest rate and cross currency swaps.

The Group does not expect a material impact on Euribor-based derivatives.

The following texts are of mandatory application after December 31, 2020 and were not applied early by the Group:

**ACCOUNTING POLICIES AND METHODS**

Translation of foreign subsidiaries' financial statements

Texts applicables after 2020

- **IFRS 17, Insurance contracts;**
- **IFRS annual improvement process (2018-2020 cycle);**
- **Other amendments to the following standards:**
  - **IAS 1:** classification of liabilities as current or non-current;
  - **IAS 16:** property, plant and equipment - proceeds before intended use;
  - **IFRS 3:** update of the reference to the Conceptual Framework;
  - **IAS 37:** costs to be considered when determining if a contract is onerous.

The Group is currently assessing the potential impact of the first-time application of these texts.

## 1.3 Translation of foreign subsidiaries' financial statements

### 1.3.1 Exchange rates

Statements of financial position, income statements and cash flow statements of subsidiaries whose functional currency is different from the presentation currency of the Group are translated into the presentation currency at the applicable rate of exchange (i.e. the year-end rate for statement of financial position items and the average annual rate for income statement and cash flow items). Foreign exchange translation gains and losses are recorded in other comprehensive income in equity. The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

<b>Period-end exchange rate</b> (one foreign currency unit = €xx)	<b>Year ended</b> <b>December 31, 2019</b>	<b>Year ended</b> <b>December 31, 2019</b>
US dollar	0.8902	0.8149
Pound sterling	1.1754	1.1123
Chinese renminbi	0.1283	0.1259
Australian dollar	0.6252	0.6291
Polish zloty	0.2349	0.2193
Hungarian forint	0.0030	0.0027
Argentinian peso	0.0149	0.0097
Mexican peso	0.0471	0.0410
Brazilian real	0.2214	0.1569
Czech crown	0.0394	0.0381

<b>Average exchange rate</b> (one foreign currency unit = €xx)	<b>2019</b>	<b>2020</b>
US dollar	0.8932	0.8762
Pound sterling	1.1398	1.1247
Chinese renminbi	0.1292	0.1270
Australian dollar	0.6210	0.6041
Polish zloty	0.2327	0.2250
Hungarian forint	0.0031	0.0028
Argentinian peso	0.0185	0.0097
Mexican peso	0.0464	0.0408
Brazilian real	0.2266	0.1699
Czech crown	0.0390	0.0378

### 1.3.2 Hyperinflation

The market consensus is that Argentina is a hyperinflationary economy since July 1, 2018. The provisions of IAS 29 are, however, applicable from the beginning of the period in which the existence of hyperinflation is identified (IAS 29.4). The Group has therefore applied the provisions of IAS 29 from January 1, 2018 for its businesses in Argentina.

## 1.4 Foreign currency transactions

Foreign currency transactions are translated into euro at the exchange rate prevailing at the transaction date. At the year end, foreign currency-denominated monetary assets and liabilities are remeasured at year-end exchange rates. The resulting foreign exchange gains and losses are recorded in net income for the period.

Loans to a foreign subsidiary, the settlement of which is neither planned nor probable in the foreseeable future represent, in substance, a portion of the Group's net investment in this foreign operation. Foreign exchange gains and losses on monetary items forming part of a net investment are recognized directly in other comprehensive income in foreign exchange translation adjustments and are released to net income on the disposal of the net investment.

Exchange gains and losses on foreign currency-denominated borrowings or on currency derivatives that qualify as hedges of a net investment in a foreign operation, are recognized directly in other comprehensive income as foreign exchange translation adjustments. Amounts recognized in other comprehensive income are released to income on the date of disposal of the relevant investment.

Foreign currency-denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency-denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

NOTE 2

USE OF MANAGEMENT ESTIMATES IN THE APPLICATION OF GROUP ACCOUNTING STANDARDS

Veolia may be required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Future results may be different from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered as reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

All these estimates are based on organized procedures for the collection of forecast information on future flows, validated by operating management, and on expected market data based on external indicators and used in accordance with consistent and documented methodologies.

Underlying estimates and assumptions are reviewed at each reporting date. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change.

The United Kingdom definitively exited the European Union after a transition period that ended on December 31, 2020. The local presence of the Group's activities limits its exposure to foreign exchange transactional risk. With regard to foreign exchange risk on assets, as it is Group policy to back net foreign investments with foreign-currency financing or foreign currency derivatives, the Group does not have a material foreign exchange position that could generate significant volatility in foreign exchange gains and losses. With respect to foreign currency translation risk, please refer to Note 10.3.1.2.

The Covid-19 pandemic led Veolia to pay close attention to certain judgments and estimates, as detailed in Note 3.

This is notably the case for impairment testing of assets with an indefinite useful life (goodwill). Note 9 presents the methodology and main assumptions used in preparing the financial statements for the year ended December 31, 2020 and particularly future flow and discount rate assumptions underlying the recoverable amount of these assets. Sensitivity analyses were also performed on the Goodwill CGUs and certain of them are presented in the aforementioned note.

Beyond the specific problems created by the Covid-19 pandemic, the items that generally require Management to make estimates or exercise judgment are as follows:

- determination of the recoverable amount of intangible assets and property, plant and equipment (Notes 7.2 and 9);
- property, plant and equipment estimated useful lives used for depreciation purposes, described in Note 9.3 ;
- measurement of provisions and employee commitments, as well as contingent assets and liabilities (Notes 8, 12 and 14);

**IMPACT OF THE COVID 19 PANDEMIC**

Foreign currency transactions

- fair value measurement of financial instruments (Note 10.3) including derivatives;
- the amount of deferred tax assets and liabilities and the tax expense recognized (Note 13.2);
- methods used for determining the value of identifiable assets acquired and liabilities assumed in business combinations.

In addition, pursuant to the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the Group must exercise judgment in determining whether the criteria for recognizing an asset or group of assets as held for sale are met. Furthermore, discontinued operations are identified with respect to criteria also defined in IFRS 5. These assessments are reviewed at each period end taking account of any changes in facts or circumstances.

Finally, Veolia must make assumptions and judgments when assessing the level of control exercised over certain investments and particularly when defining relevant activities and identifying substantial rights. These judgments are reassessed when the facts and circumstances change.

The Group uses several discount rate calculation methodologies for the purposes of these estimates. They are detailed in Notes 8, 9 and 12.

**NOTE 3****IMPACT OF THE COVID 19 PANDEMIC**

The generalization of the pandemic across all geographies and its economic consequences led the Group to implement, from the outset of the pandemic, measures to ensure the continuity of customer services, while minimizing the effects of this crisis on employees, reducing the impact on results and preparing, as of now, the future growth. The crisis units were activated, continuity plans triggered and economic measures implemented.

The Group's geographical presence across all continents and the good balance between municipal and industrial customers, combined with a reasonable exposure to the oil and gas and automobile markets, generally ensured the good resilience of its business models. Certain zones, and particularly the Americas and Africa, were however more heavily impacted by the health crisis.

In preparing the consolidated financial statements for the year ended December 31, 2020, the main items directly impacted by the crisis were as follows:

**Asset impairment tests (including goodwill)**

Veolia performs systematic annual impairment tests on goodwill and other intangible assets with an indefinite useful life. More frequent tests are performed where there is indication that the cash-generating unit (CGU) may have suffered a loss in value (based on long-term plans prepared at the year-end by the entities). A specific methodology was therefore adopted for the half-year end, primarily focused on CGUs identified as at risk at the end of December 2019 and CGUs whose performance was materially impacted by the health crisis.

As of December 31, 2020, the Group conducted impairment tests in accordance with the methodology described in Note 9.1.2.

The procedures carried out as of December 31, 2020 led to the recognition of additional impairment to that already recognized as of June 30, 2020 of -€96.5 million.

### **Recoverable amount of operating assets (trade receivables, contract assets, etc.)**

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The Group has limited exposure to the risk of default by its counterparties due to the diversity and large number of its customers. In particular, the Group has minimal exposure to the industrial sectors heavily impacted by the health crisis, such as the automobile or oil and gas sectors.

Nonetheless, it reviewed the impact of the Covid-19 pandemic on the recovery of trade receivables. The Group observed one-off deteriorations in bad debts and unpaid amounts, but without any structural increase in credit defaults for customer segments that would require a comprehensive review of provision matrices as of December 31, 2020.

The Group therefore strengthened monitoring of changes in its working capital requirements and cash position. It continues to closely monitor client credit incidents that could require a review of provision matrices.

The customer portfolio and impairment of trade receivables is presented in Note 7.3.

### **Recoverability of deferred tax assets on tax losses**

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The Group conducted an in-depth review of the recoverable amount of deferred tax assets arising from material tax losses, without identifying a material impact on the 2020 financial statements (see Note 13).

### **Cash and net liquidity**

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During the first half of 2020, the Group strengthened the monitoring of its cash position (daily analysis of positions, weekly cash forecasts, etc.), investments and working capital requirements.

The Group also continued its debt management policy, completing in 2020:

- several bond issues for a total amount of €2.1 billion, intended for general corporate purposes. These enabled Veolia to bring forward the refinancing of all bond payments scheduled for 2020 and 2021 totaling €2 billion;
- a €2 billion issue of deeply subordinated perpetual hybrid notes. This transaction was used to refinance the purchase of the 29.9% stake in Suez from Engie, while strengthening the Group's credit ratios.

The financial terms and conditions of these transaction are presented in note 10.1

In addition, the Group did not draw in 2020 on its €3 billion syndicated credit facility or its €1.0 billion bilateral credit lines.

The Group therefore has liquidity net of current debt and bank overdrafts and other cash position items of €2,879.5 million as of December 31, 2020 (see Note 10.3.2.2).

### **Credit outlook**

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In the context of the health and economic crisis and following the announcements regarding the proposed acquisition by Veolia of Engie's 29.9% stake in Suez, S&P confirmed Veolia Environnement's credit rating at A-2 / BBB with a stable outlook in September 2020 and February 2021. Moody's confirmed its credit rating at P-2/Baa1 with a stable outlook in October 2020 (see also Note 10.3.2.2).

### Covenants

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In 2020, as detailed in Note 10.3.2.3, the legal documentation for bank financing and bond issues contracted by Veolia Environnement does not contain any financial covenants. In addition, the Group considers that the covenants included in the material financing agreements of subsidiaries were satisfied as of December 31, 2020.

Given the major uncertainties surrounding the development of the pandemic around the world (second wave and/or new lockdown measures), the Group is closely monitoring developments in the current crisis. Its potential economic and financial consequences for the Group will be identified, where applicable, at future reporting dates.

## NOTE 4

## PURCHASE PROJECT OF SUEZ ENVIRONNEMENT

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### Acquisition of a 29.9% share block in Suez

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**On July 31, 2020**, on the launch of its strategic review, Engie announced its decision to sell certain activities, including its investment in the Suez group.

**On August 30, 2020**, Veolia presented an offer to acquire Engie's 29.9% stake in Suez for a price of €15.5 per share, before increasing its offer to €18 per share (cum dividend) on September 30.

This proposal also comprised the following components:

- the intention, following the acquisition of the 29.9% share block, to file a public tender offer on the remaining Suez share capital for all its shareholders;
- a guarantee to maintain jobs and employee benefits for Suez employees in France;
- the preservation of competition through the takeover by the French company Meridiam of the Suez Water business in France; Meridiam has committed to preserving jobs and employee benefits, taking over Suez's R&D center and doubling planned investment by injecting €800 million in this new scope within 5 to 7 years.

**On October 5, 2020**, Veolia duly noted Engie's decision to respond favorably to its purchase offer and signed a purchase agreement with Engie for the 29.9% share block.

The acquisition of the 29.9% Suez share block by Veolia became effective on **October 6, 2020** following a cash payment of €3.4 billion in consideration for delivery of the shares. To protect Engie, the purchase agreement includes a price supplement clause should Veolia increase the price offered to the market, enabling Engie to benefit from this increase in full or in part.

### Filing of a public tender offer for Suez shares

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In its press release of October 5, 2020, Veolia announced its intention to file a voluntary public takeover bid on the remaining Suez shares to complete the merger of the two companies.

**PURCHASE PROJECT OF SUEZ ENVIRONNEMENT**

Foreign currency transactions

**On January 7, 2021**, Veolia announced it had sent to the Suez Board of Directors the public tender offer it intends to file for the 70.1% of shares not yet in its possession, formally setting out the components of the industrial project, the social project and the financial conditions.

Because of the lack of success of Veolia's attempts to find an amicable solution, Veolia announced, on February 7, 2021, the filing of a tender offer for the entire share capital of Suez, at a price per share of €18 cum dividend.

**On February 8, 2021**, the French Financial Markets Authority (AMF) published the notice of filing for Veolia's public tender offer for the Suez share capital and Veolia published the draft offer document on its website.

In accordance with applicable AMF rules, the offer and the draft offer document will be subject to a compliance review by the AMF. This offer responds to the wish expressed several times by Suez management to be presented with a formal tender offer. The Suez Board of Directors will be able to conduct a formal examination of Veolia's offer with a view to issuing the reasoned opinion required by regulations. The Suez employee representation bodies have a one-month information and consultation period, commencing the date of filing of the offer and its formal notification, to issue an opinion; in the absence of an opinion it will be deemed issued by law.

**The offer** is accompanied by all the guarantees presented publicly in recent months, first among which the preservation of jobs and employee benefits of Suez employees in France and more precisely:

- the offer will be in cash, without a cap, with Veolia reserving the possibility of adding to the part offered in cash a capped part in Veolia shares;
- it covers all shares already issued or likely to be issued (free share grant plan);
- it remains subject to the condition precedent of obtaining merger control authorization of the combination from the European Commission. Veolia can waive this condition;
- the offer price will be the same price as that paid to Engie, i.e. €18 per share (cum dividend). This price will be adjusted to take into account any distributions in any form (cash or kind) or transactions impacting Suez's share capital.

Veolia also reserves the right to withdraw its offer, notably if Suez's substance is modified during the offer or if measures taken by Suez increase the costs of the offer for Veolia. This may particularly occur in the event of a commitment by Suez or any other entity of its group that may result in a transfer to a third party of an asset classified in the draft offer document as strategic (securities of Agbar group companies or any asset of those companies, any regulated water asset in the United States or any waste asset in the United Kingdom or Australia) or that, together with the disposals announced by Suez since January 1, 2020, may have a significant impact on Suez (as defined in the draft offer document filed with the AMF on February 8, 2021). This right to withdraw may only be exercised with the prior authorization of the AMF.

All the information concerning the public tender is provided in the draft offer document filed with the AMF on February 8, 2021 and published on Veolia's website.

### Employee commitments

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Veolia gave a commitment that the merger would not negatively impact employment in France. This commitment is effective until at least the second half of 2023.

Veolia also undertook that the chosen buyers for the activities in France that will have to be sold to obtain regulatory authorizations, will provide the same employee commitments.

### Merger control authorizations

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**PURCHASE PROJECT OF SUEZ ENVIRONNEMENT**

Foreign currency transactions

As reported on August 30, 2020, Veolia has identified the targeted competition issues that a merger with Suez would involve and has anticipated remedies.

Notifications will be required in a number of jurisdictions, including notably the European Union, the United States of America, the United Kingdom, Australia, China and Morocco. Pending regulatory authorizations, Veolia will not exercise the voting rights attached to its stake, except for decisions to protect the property value of this stake with the authorization of the European Commission and the UK competition authority.

Among the remedies identified, Veolia proposed Meridiam as a buyer capable of preserving competition and employment for Suez's Water activities in France. Meridiam formally committed to this acquisition by submitting an offer to Veolia covering the management and operation of drinking water and sanitation services carried out in France, as well as R&D activities relating to water and water treatment facility design/construction activities in France (Degremont France). Meridiam's offer expires on December 31, 2022.

**Transaction financing**

On **October 14, 2020**, Veolia Environnement issued deeply subordinated perpetual hybrid notes in euros (€850 million bearing a coupon of 2.25% until the first reset date in April 2026 and €1,150 million bearing a coupon of 2.50% until the first reset date in April 2029). This transaction reinforced the Group's financial structure and was used to refinance the purchase of the **29.9% stake in Suez from Engie**, while strengthening its credit ratios.

The **Public Tender Offer is financed** by a bridging loan with a banking syndicate. It is expected that this loan will be refinanced in part by the proceeds from the sale of assets required by the competition authorities, the hybrid bond issue and the issue of shares or securities granting access to the share capital. The aim is to preserve a solid investment grade credit rating while maintaining the extended Group's net financial debt / EBITDA ratio below 3.0x in the medium term, in accordance with the Group's objectives.

**Ongoing legal proceedings**

A certain number of legal proceedings were launched by Veolia and Suez, which are detailed in Chapter 8.2 of the 2020 URD.

**Impact in the consolidated financial statements for the year ended December 31, 2020 of the investment in Suez**

Veolia reviewed the rights attached to the Suez shares acquired on October 6, 2020 to determine the appropriate accounting treatment of the 29.9% share block purchase.

The following was identified:

- Veolia does not have a representative on the Suez Board of Directors;
- Veolia cannot freely use its voting rights to influence Suez policies due to the restrictions imposed by the antitrust process: Veolia has undertaken not to exercise the voting rights attached to its stake until validation of the merger transaction, except for decisions to protect the property value of this stake with the authorization of the European Commission and the UK competition authority.

Accordingly, based on the facts set out above, Veolia management considers it cannot participate in Suez's financial and operating policy decisions within the meaning of IAS 28.

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

In accordance with IFRS 9, the shares are valued at fair value. In practice, the closing share price is used. In accordance with the Group accounting policy (see Note 10.1.2), fair value gains and losses, including for Suez shares the initial price difference between acquisition and market value, are recognized directly in other comprehensive income.

Accordingly, the Suez shares are valued at €3,046 million as of December 31, 2020. A total negative impact of €376 million is recognized in other comprehensive income since October 6, 2020.

Developments in ongoing proceedings will be closely monitored and, where appropriate, the Group will review the accounting method for this investment at future reporting dates.

## NOTE 5

## CONSOLIDATION SCOPE

### 5.1 Accounting principles relating to the consolidation scope

#### 5.1.1 Consolidation principles

##### CONTROLLED ENTITIES

Veolia Environnement fully consolidates all entities over which it exercises control.

##### **Definition of control**

Control exists when the Group (i) holds power over an entity, (ii) is exposed or has rights to variable returns from its involvement with the entity and (iii) has the ability to use its power over the entity to effect the amount of its returns.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

##### **Full consolidation**

The Group consolidates a subsidiary in its consolidated financial statements from the date it obtains control of the entity to the date it ceases to control the entity.

Interests that are not directly or indirectly attributable to the Group are recorded in non-controlling interests.

Net income and each component of other comprehensive income of subsidiaries are attributed to owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests, even if this results in non-controlling interests having a deficit balance.

##### **Change in ownership interests in consolidated subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in a change in control over the subsidiaries are accounted for as equity transactions, as they are transactions performed by shareholders acting in this capacity.

The effects of these transactions are recognized in equity at their net-of-tax amount and do not therefore impact the Consolidated Income Statement of the Group.

**CONSOLIDATION SCOPE**

Accounting principles relating to the consolidation scope

These transactions are presented in financing activities in the Consolidated Cash Flow Statement.

**INVESTMENTS IN JOINT VENTURES AND ASSOCIATES****Definition**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to its net assets.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

**Accounting for joint ventures and associates**

The results and assets and liabilities of associates or joint ventures are incorporated in the Group consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations

Under the equity method, the investment in the associate or joint venture is initially recognized at acquisition cost and subsequently adjusted, notably to recognize the Group's share of the net income and other comprehensive income of the associate or joint venture.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transaction with the associate or joint venture are recognized in the Group consolidated financial statements only to the extent of interests in the associate or joint venture.

The share of net income (loss) of equity-accounted entities is included in the Group Consolidated Income Statement. Pursuant to recommendation no. 2013-01 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, the share of net income (loss) of equity-accounted entities must be included in "Operating income after share of net income (loss) of equity-accounted entities" or presented in a separate line "Share of net income (loss) of other equity-accounted entities" depending on whether the activities of such entities represent an extension of the Group's businesses.

**Impairment tests**

When necessary, the carrying amount of the investment in associates or joint-ventures (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets.

**Loss of significant influence or joint control**

The equity method is discontinued from the date the investment ceases to be an associate or a joint venture. Where the Group retains a residual interest in the entity and that interest is a financial asset, the financial asset is measured at fair value at the date the investment ceases to be an associate or a joint venture.

Where an investment in an associate becomes an investment in a joint venture, or vice versa, the equity method continues to be applied and the change in ownership interest does not trigger remeasurement to fair value.

**INVESTMENTS IN JOINT OPERATIONS****Definition**

**CONSOLIDATION SCOPE**

Accounting principles relating to the consolidation scope

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities, relating to the arrangement.

**Accounting for joint operations**

As a joint operator in a joint operation, the Group recognizes in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its expenses, including its share of any expenses incurred jointly.

**5.1.2 Transactions impacting the consolidation scope****BUSINESS COMBINATIONS AND GOODWILL**

Business combinations are recorded in accordance with the acquisition method as defined in IFRS 3, revised.

Under this method, identifiable assets acquired and liabilities assumed of the acquiree are recorded at fair value at the acquisition date.

The goodwill arising from the business combination is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and, where applicable, the fair value of any previously held interest, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities and contingent liabilities assumed.

This goodwill is measured in the functional currency of the company acquired and recognized in assets in the Consolidated Statement of Financial Position.

The Group may elect, on an individual transaction basis, at the acquisition date, to measure non-controlling interests either at fair value (full goodwill) or at the share in the fair value of the identifiable net assets of the company acquired (partial goodwill).

Pursuant to IFRS, goodwill is not amortized but is subject to impairment tests performed at least annually or, where appropriate, more frequently where there is evidence calling into question the net carrying amount recorded in assets in the Statement of Financial Position.

Where the terms and conditions of a business combination are advantageous, negative goodwill arises. The corresponding profit is recognized in net income at the acquisition date.

Acquisition-related costs are expensed in the period in which the costs are incurred and the services received.

Pursuant to the provisions of IFRS 3 revised, the Group may finalize the recognition of the business combination during the measurement period. This period ends when all the necessary information has been obtained and no later than one year after the acquisition date.

**ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE, DISCONTINUED OPERATIONS**

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

The standard notably requires the separate presentation of assets held for sale in the Consolidated Statement of Financial Position at the lower of net carrying amount and fair value less costs to sell, where the criteria set-out in the standard are satisfied.

**CONSOLIDATION SCOPE**

Main changes in Group structure

When the Group is committed to a sales process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale where the standard classification criteria are met, irrespective of whether the Group retains a residual interest in the entity after sale.

In addition, the standard requires the separate presentation in the Consolidated Income Statement of the results of discontinued operations for all comparative periods on a retrospective basis.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or major geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

## 5.2 Main changes in Group structure

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### ACQUISITIONS

- Elemental Environmental Solutions (Alcoa)- Hazardous waste in North America

On January 31, 2020, the Group completed the takeover of Alcoa USA Corporation's hazardous waste processing site in Gum Springs, Arkansas (United States), through its subsidiary, Veolia North America, adding to the Group's hazardous waste processing activities in the region. The transaction was completed for a consideration of €231 million (enterprise value).

In accordance with the provisions of IFRS 3, Business combinations, Elemental Environmental Solutions is fully consolidated from this date. As of December 31, 2020, fair value remeasurement procedures were completed and the transaction is recognized as follows:

- recognition of definitive goodwill of €194.8 million (see Note 9.1.1);
- contribution to consolidated revenue of €14 million.

- Nagpur- India

In the second quarter of 2020, the Group acquired the 50% stake held by the partner in Orange City Water and Orange City Hydraulic Works in Nagpur, India, through its subsidiary, Veolia India, for a consideration of €113 million (enterprise value). This acquisition expanded the Group's drinking water distribution activities in the Indian subcontinent. These companies carry the water delegated management contract for the city of Nagpur until September 30, 2037.

- MAG- Russia

In the third quarter of 2020, the Group acquired the MAG Group in Russia through its subsidiaries Veolia Vostock and Neva Energia for a consideration of €125 million (enterprise value), thereby expanding its waste processing activities in Russia.

- Pražská Teplárenská (PT)- Czech Republic

On November 3, 2020, Veolia acquired Pražská Teplárenská - PT, the subsidiary of the Energetický a Průmyslový Holding a.s Czech group managing the Prague Right Bank urban heating network, through its subsidiary Veolia Ceska Republika for a consideration of €710 million (enterprise value).

As the Group already operates the Prague Left Bank district heating network this contract will strengthen its presence in energy services in this country.

In accordance with the provisions of IFRS 3, Business combinations, PT is fully consolidated from this date. The purchase price allocation procedure will be completed in 2021. The transaction is recognized as follows:

- recognition of provisional goodwill of €429.3 million (see Note 9.1.1);
- contribution to consolidated revenue of €55 million.

- BERT- Hungary

On December 2, 2020, the Group acquired Budapesti Eromu Reszveny Tarsasag and Energia-Pro, which specialize in heat production for the Budapest urban heating networks, through CHP Energia ZRT for a consideration of €294 million (enterprise value).

In accordance with the provisions of IFRS 3, Business combinations, BERT is fully consolidated from this date. As of December 31, 2020, the fair value remeasurement procedures are in progress and will be completed in 2021. The transaction is recognized as follows:

- recognition of provisional goodwill of €127.9 million (see Note 9.1.1);
- contribution to consolidated revenue of €26 million.

In 2020, newly consolidated companies in the Group scope together contributed €214.6 million to revenue and €8.9 million to net income and represented cash inflows of €49.6 million.

**CONSOLIDATION SCOPE**

Assets classified as held for sale, discontinued operations and divestitures

**DIVESTITURES**

- Liuzhou- China

In the third quarter of 2020, the Group completed the sale of its 49% stake in the water concession for the city of Liuzhou in China through its subsidiary Veolia Water Investment Ltd for €47 million, generating a capital gain of €9 million.

- Sade Telecom - France

In the fourth quarter of 2020, as part of its asset rotation program, the Group sold SADE's telecom network business for €44 million, generating a capital gain of €25 million.

## 5.3 Assets classified as held for sale, discontinued operations and divestitures

### 5.3.1 Discontinued operations

In the Consolidated Income Statement presented for comparative purposes, the net income (loss) of operations divested or in the course of divestiture was reclassified to "Net income (loss) from discontinued operations".

In **2020**, discontinued operations concern VWT's EPC (Engineering, Procurement, Construction) business, discontinued in all regions, in the amount of -€19.9 million.

In 2019, discontinued operations concerned VWT's EPC business, discontinued in all regions, in the amount of -€145.2 million and net income in Gabon of €33.3 million.

### 5.3.2 Assets and liabilities classified as held for sale

Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale are presented separately in the Group Consolidated Statement of Financial Position as follows:

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
Assets classified as held for sale	33.3	455.7
Liabilities directly associated with assets classified as held for sale	18.3	7.8

**As of December 31, 2020**, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale break down by operating segment as follows:

**CONSOLIDATION SCOPE**

Assets classified as held for sale, discontinued operations and divestitures

<i>(€ million)</i>	<b>France</b>	<b>Europe excluding France</b>	<b>Rest of the world</b>	<b>Global businesses</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Non-current assets	-	3.5	441.9	-	-	445.4
Current assets	-	10.3	-	-	-	10.3
Cash and cash equivalents	-	-	-	-	-	-
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>-</b>	<b>13.8</b>	<b>441.9</b>	<b>-</b>	<b>-</b>	<b>455.7</b>
<b>Liabilities</b>						
Non-current liabilities	-	0.8	-	-	-	0.8
Current liabilities	-	7.0	-	-	-	7.0
<b>LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>-</b>	<b>7.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.8</b>

In Europe excluding France, assets classified as held for sale concern Waste activities in Eastern Europe.

In the Rest of the world, they concern the full investment in two Chinese concessions, Shenzhen and Baoji, following the signature of sales agreements on December 31, 2020 (see also Note 7.2.4.1).

**As of December 31, 2019**, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

<i>(€ million)</i>	<b>France</b>	<b>Europe excluding France</b>	<b>Rest of the world</b>	<b>Global businesses</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Non-current assets	-	25.9	-	-	-	25.9
Current assets	-	4.4	-	-	-	4.4
Cash and cash equivalents	-	3.0	-	-	-	3.0
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>-</b>	<b>33.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33.3</b>
<b>Liabilities</b>						
Non-current liabilities	-	11.6	-	-	-	11.6
Current liabilities	-	6.7	-	-	-	6.7
<b>LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>-</b>	<b>18.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.3</b>

It is recalled that these amounts consist of the assets and liabilities of a German subsidiary and its fully-consolidated subsidiary, classified in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale following the exercise of a call option by its partner, which were sold during 2020.

## 5.4 Off-balance sheet commitments relating to the consolidation scope

### 5.4.1 Commitments given

Off-balance sheet commitments given break down as follows:

( <i>€ million</i> )	As of December 31, 2019	As of December 31, 2020	Maturing in		
			Less than 1 year	1 to 5 years	More than 5 years
Vendor warranties	599.3	143.1	36.0	97.2	9.9
Securities purchase commitments	296.0	216.7	200.4	16.3	-
Sale commitments	0.3	-	-	-	-
Other commitments relating to the consolidated scope	0.5	3.2	1.3	1.5	0.4
<b>TOTAL COMMITMENTS GIVEN RELATING TO THE CONSOLIDATED SCOPE</b>	<b>896.1</b>	<b>363.0</b>	<b>237.7</b>	<b>115.0</b>	<b>10.3</b>

The decrease in **vendor warranties** between December 31, 2019 and December 31, 2020 is mainly due to the lifting of vendor warranties given on the sale of the investment in Eaux de Berlin of €484.0 million.

No warranties were given on the divestiture of district energy assets in the United States in 2019.

**Securities purchase commitments** concern current acquisition processes. As of December 31, 2020, they mainly concern the acquisition from Suez of shares in Osis, a specialist in wastewater services, for €182.5 million. As of December 31, 2019, they concerned the takeover of Alcoa's hazardous waste processing site in the United States for €223.3 million, as part of the Group's expansion in this business sector.

### 5.4.2 Commitments received

Commitments received relating to the consolidated scope total €591.6 million as of December 31, 2020, compared with €293.9 million as of December 31, 2019. This increase mainly concerns vendor warranties received on the acquisition of BERT in Hungary of €101.1 million and on the acquisition of PT in the Czech Republic of €221.7 million.

The operating segments are components of the Group that engage in activities and whose operating results are reviewed by the Group Chairman and Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance. Information presented to the Chief Operating Decision Maker is taken from the Group internal reporting system.

**REPORTING BY OPERATING SEGMENT**

Off-balance sheet commitments relating to the consolidation scope

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements.

In accordance with the provisions of IFRS 8 on the identification of operating segments and after taking account of regrouping criteria, the following segments are presented:

- **France;**
- **Europe excluding France;**
- **Rest of the world;**
- **Global businesses;**
- **Other**, including the various Group holding companies.

The main financial aggregates, in Group share, are also presented for the Chinese concessions, in the Water business.

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

The main financial indicators by operating segment are as follows:

2020							Joint ventures Data in Group share	
	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Chinese concessions	
<i>(€ million)</i>								
Revenue	5,389.9	9,411.4	6,759.7	4,443.9	5.0	<b>26,009.9</b>	797.3	
EBITDA	847.7	1,403.7	941.6	324.4	123.4	<b>3,640.8</b>	166.3	
Operating income after share of net income (loss) of equity-accounted entities	18.9	580.9	318.0	79.0	(77.3)	<b>919.5</b>	99.4	
Industrial investments net of subsidies	(261.9)	(595.0)	(574.7)	(160.8)	(16.2)	<b>(1,608.6)</b>	(100.2)	

Joint  
ventures  
Data in  
Group share

2019

(€ million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Chinese concessions
Revenue	5,611.5	9,501.1	7,303.5	4,733.8	38.8	<b>27,188.7</b>	867.8
EBITDA	899.7	1,501.2	1,160.5	396.2	64.2	<b>4,021.8</b>	179.2
Operating income after share of net income (loss) of equity-accounted entities	139.9	654.0	589.2	129.6	(47.9)	<b>1,464.8</b>	109.1
Industrial investments net of subsidiaries	(298.5)	(559.5)	(632.9)	(164.2)	(20.9)	<b>(1,676.0)</b>	(135.0)

Assets and liabilities break down by operating segment as follows:

As of December 31, 2020

Joint  
ventures  
Data in  
Group  
share

Assets by operating segment (€ million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Chinese concessions (*)
Goodwill, net	1,236.7	2,954.7	975.4	719.7	2.4	<b>5,888.9</b>	244.7
Intangible assets and Property, plant and equipment, net	1,999.7	7,166.3	4,253.4	1,038.7	204.2	<b>14,662.3</b>	1,081.0
Operating financial assets	165.6	814.4	382.4	8.5	-	<b>1,370.9</b>	4.0
Working capital assets, including DTA	3,012.6	2,981.1	2,770.8	2,247.6	(71.7)	<b>10,940.4</b>	144.2
Investments in joint ventures	4.0	52.7	952.6	10.8	0.7	<b>1,020.8</b>	-
Investments in associates	0.5	249.1	93.2	7.8	3.3	<b>353.9</b>	-
<b>Total segment assets</b>	<b>6,419.1</b>	<b>14,218.3</b>	<b>9,427.8</b>	<b>4,033.1</b>	<b>138.9</b>	<b>34,237.2</b>	<b>1,473.9</b>
Other unallocated assets					11,126.7	11,126.7	331.0
<b>Total assets</b>						<b>45,363.9</b>	<b>1,804.9</b>

(\*) Excluding Shenzhen and Baoji reclassified in assets classified as held for sale as of December 31, 2020

**REPORTING BY OPERATING SEGMENT**

Off-balance sheet commitments relating to the consolidation scope

As of December 31, 2019	Joint ventures Data in Group share						
	Assets by operating segment (€ million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements
Goodwill, net	1,233.5	2,333.6	799.9	757.7	3.3	<b>5,128.0</b>	255.1
Intangible assets and Property, plant and equipment, net	2,012.3	6,724.2	4,171.6	1,082.4	243.9	<b>14,234.4</b>	1,851.8
Operating financial assets	183.6	919.3	404.4	9.9	-	<b>1,517.2</b>	4.7
Working capital assets, including DTA	2,811.7	3,037.5	2,697.8	2,609.5	(69.9)	<b>11,086.6</b>	253.9
Investments in joint ventures	3.8	22.3	1,439.1	31.8	0.7	<b>1,497.7</b>	-
Investments in associates	0.6	181.9	117.4	79.4	3.2	<b>382.5</b>	57.3
<b>Total segment assets</b>	<b>6,245.5</b>	<b>13,218.8</b>	<b>9,630.2</b>	<b>4,570.7</b>	<b>181.2</b>	<b>33,846.4</b>	<b>2,422.8</b>
Other unallocated assets					7,172.6	7,172.6	(716.0)
<b>Total assets</b>						<b>41,019.0</b>	<b>1,706.8</b>

As of December 31, 2020	Joint ventures Data in Group share						
	Liabilities by operating segment (€ million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements
Concession liabilities	159.1	1,431.1	15.2	0.1	-	<b>1,605.5</b>	27.8
Provisions for contingencies and losses	661.1	561.6	388.0	409.1	337.7	<b>2,357.5</b>	-
IFRS 16 lease debt	336.5	510.5	389.6	339.1	124.0	<b>1,699.7</b>	31.8
Working capital liabilities, including DTL	4,010.6	3,385.0	2,817.9	2,390.8	340.5	<b>12,944.8</b>	435.0
<b>Total segment liabilities</b>	<b>5,167.3</b>	<b>5,888.2</b>	<b>3,610.7</b>	<b>3,139.1</b>	<b>802.2</b>	<b>18,607.5</b>	<b>494.6</b>
Other unallocated liabilities					26,756.4	<b>26,756.4</b>	1,310.3
<b>Total liabilities</b>						<b>45,363.9</b>	<b>1,804.9</b>

(\*) Excluding Shenzhen and Baoji reclassified in liabilities classified as held for sale as of December 31, 2020

Joint  
ventures  
Data in  
Group  
share

As of December 31, 2019

Liabilities by operating segment (€ million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Chinese concessions
Concession liabilities	76.6	1,454.3	18.9	0.2	-	<b>1,550.0</b>	30.0
Provisions for contingencies and losses	633.6	573.5	392.0	446.5	342.1	<b>2,387.7</b>	28.7
IFRS 16 lease debt	351.8	568.2	420.8	389.1	153.7	<b>1,883.6</b>	30.7
Working capital liabilities, including DTL	3,733.8	3,182.3	2,746.2	2,624.1	451.6	<b>12,738.0</b>	641.3
<b>Total segment liabilities</b>	<b>4,795.8</b>	<b>5,778.3</b>	<b>3,573.3</b>	<b>3,459.9</b>	<b>952.0</b>	<b>18,559.3</b>	<b>730.7</b>
Other unallocated liabilities					22,459.7	<b>22,459.7</b>	976.1
<b>Total liabilities</b>						<b>41,019.0</b>	<b>1,706.8</b>

**REPORTING BY OPERATING SEGMENT**

Off-balance sheet commitments relating to the consolidation scope

In application of IFRS 8.33, revenue by destination geography is as follows:

<i>(€ million)</i>	<b>Year ended December 31, 2019</b>	<b>% of revenue 2019</b>	<b>Year ended December 31, 2020</b>	<b>% of 2020 revenue</b>
<b>Revenue</b>	<b>27,188.7</b>	<b>100.0%</b>	<b>26,009.9</b>	<b>100.0%</b>
France	8,221.3	30.2%	<b>7,847.3</b>	<b>30.2%</b>
United Kingdom	2,264.5	8.3%	<b>2,117.0</b>	<b>8.1%</b>
United States	2,226.1	8.2%	<b>1,647.8</b>	<b>6.3%</b>
Germany	1,966.2	7.2%	<b>1,900.5</b>	<b>7.3%</b>
Czech Republic	1,155.4	4.2%	<b>1,102.5</b>	<b>4.2%</b>
Poland	1,095.3	4.0%	<b>1,135.7</b>	<b>4.4%</b>
Australia	1,059.7	3.9%	<b>1,018.8</b>	<b>3.9%</b>
China	947.2	3.5%	<b>923.2</b>	<b>3.5%</b>
Italy	788.7	2.9%	<b>788.3</b>	<b>3.0%</b>
Morocco	731.0	2.7%	<b>694.2</b>	<b>2.7%</b>
Japan	568.0	2.1%	<b>596.9</b>	<b>2.3%</b>
Other < €500 million	6,165.3	22.8%	<b>6,237.7</b>	<b>24.1%</b>

Revenue realized by destination in France may not be compared with revenue presented for the operating segment "France".

The EBITDA indicator reconciles with operating cash flow for fiscal years 2020 and 2019, as follows:

<i>(€ million)</i>	<b>2019</b>	<b>2020</b>
<b>Operating cash flow before changes in working capital</b>	<b>(A) 3,255.1</b>	<b>2,892.8</b>
o/w Operating cash flow from financing activities	<b>(B) (34.1)</b>	<b>(20.8)</b>
<b>o/w Adjusted operating cash flow</b>	<b>(C) = (A)-(B) 3,289.2</b>	<b>2,913.6</b>
Less:	<b>(D)</b>	<b>-</b>
Renewal expenses	280.3	260.5
Restructuring costs*	109.9	116.4
Share acquisition and disposal costs	90.7	37.6
Other items	89.9	113.5
Plus:	<b>(E)</b>	<b>-</b>
Principal payments on operating financial assets	161.8	199.2
<b>EBITDA</b>	<b>(C)+(D)+(E) 4,021.8</b>	<b>3,640.8</b>

(\* ) 2020 restructuring costs mainly concern the VWT transformation plan in the amount of -€20.7 million (-€33.7 million in 2019), the Water France transformation plan in the amount of -€15.6 million (-€14.8 million in 2019) and RVD transformation plan in the amount of -€11.2 million (-€13.9 million in 2019).

**OPERATING ACTIVITIES**

Off-balance sheet commitments relating to the consolidation scope

**NOTE 7****OPERATING ACTIVITIES**

The main environmental services carried out by Veolia in its business lines are:

- Water: drinking water treatment and distribution, wastewater treatment and the sale of water treatment equipment, technologies and facilities;
- Waste: waste collection, product recovery and waste-to-energy processing (including the sale of recycled products), dismantling and hazardous waste processing;
- Energy: heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, and integrated services for the comprehensive management of buildings.

Environmental services also include the design, construction and, where applicable, funding of necessary facilities to supply such services which are provided to industrial and service sector companies, public authorities and private individuals.

The range of business models used by the Group results in a variety of contractual forms specific to each business and adapted to local jurisdiction constraints and the nature and needs of customers (public or private).

The Group primarily conducts its activities under concession, construction (non-concession), lease and operation and maintenance contracts.

### **Concession arrangements (IFRIC 12)**

In the conduct of its activities, Veolia provides collective general interest services (distribution of drinking water and heating, household waste collection and/or treatment, etc.). These services are generally managed by Veolia under contracts entered into at the request of public sector bodies, which retain control over these collective services.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities built by Veolia, or made available to it for or without consideration:

- these contracts define “public service obligations” in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term;
- Veolia can, in certain cases, be responsible for a given service as it holds the service support network (water/heat distribution network, wastewater treatment network). Such situations are the result of full or partial privatizations. Provisions impose public service obligations and the means by which the local authority may recover control of the concession holder.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts.

The nature and extent of the Group’s rights and obligations under these different contracts differ according to the public services rendered by the different Group businesses: Water, Waste, Energy.

**OPERATING ACTIVITIES**

Off-balance sheet commitments relating to the consolidation scope

**WATER**

In France, these services are primarily rendered under public service delegation "affermage" contracts with a term of 8 to 20 years. They can use specific assets, such as distribution or wastewater treatment networks and drinking water or wastewater treatment plants, which are generally provided by the concession grantor and returned to it at the end of the contract.

Abroad, Veolia renders its services under contracts which reflect local legislation, the economic situation of the country and the investment needs of each partner. These contracts generally have a term of between 7 and 40 years. Contracts can also be entered into with public entities in which Veolia purchased an interest on their partial privatization. The profitability of these contracts is not fundamentally different from other contracts, but operations are based on a partnership agreement with the local authority.

**WASTE**

Both in France and abroad, the main concession arrangements entered into by Veolia concern the treatment and recovery of waste in sorting units, landfills and incineration plants. These contracts have an average term of 10 to 30 years.

**ENERGY**

The main contracts concern the management of heating and air-conditioning networks under urban concessions or on behalf of local authorities.

In Eastern Europe, Veolia provides services under mixed partial privatizations or through public-private partnerships with public authorities responsible for the production and distribution of thermal energy.

The characteristics of these contracts vary significantly depending on the country and activities concerned.

**"Financial asset model"**

The Group applies the financial asset model for the accounting recognition of these concession arrangements, independently of service or infrastructure use by customers, when the concession grantor contractually guarantees the payment of amounts specified or determined in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Financial assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets" and recognized at amortized cost.

Unless otherwise indicated in the contract, the effective interest rate (EIR) is equal to the weighted average cost of capital of the entities carrying the assets concerned.

Cash flows relating to these operating financial assets are included in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement.

Pursuant to IFRS 9, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR.

Revenue associated with this financial model includes:

- revenue recorded on a completion basis, in the case of construction operating financial assets (in accordance with IFRS 15);

**OPERATING ACTIVITIES**

Off-balance sheet commitments relating to the consolidation scope

- the remuneration of the operating financial asset recorded in revenue from operating financial assets (excluding principal payments);
- service remuneration.

**“Intangible asset model”**

The intangible asset model applies when the Group is paid by users or when the concession grantor has not provided a contractual guarantee in respect of the recoverable amount, regardless of service or infrastructure use by customers. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service in remuneration of concession services provided by the operator under the concession arrangement.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading “Concession intangible assets”, as described in Note 9.2.1, and generally amortized on a straight-line basis over the term of the agreement.

Cash outflows, that is disbursements, relating to the construction of infrastructures under concession arrangements accounted using the “intangible asset model” are presented in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement, while cash inflows are presented in Net cash from operating activities.

Under the intangible asset model, revenue includes:

- revenue recorded on a completion basis for assets and infrastructure under construction (in accordance with IFRS 15);
- service remuneration.

**“Mixed or bifurcation model”**

The choice of the financial asset or intangible asset model depends on the existence, or not, of payment guarantees granted by the concession grantor, independently of service or infrastructure use by customers.

However, certain contracts may include a payment commitment on the part of the concession grantor covering only part of the investment, with the remaining balance covered by the remuneration from services charged to users.

Where this is the case, the investment amount guaranteed by the concession grantor is recognized under the financial asset model and the residual balance is recognized under the intangible asset model.

**OPERATING ACTIVITIES**

Off-balance sheet commitments relating to the consolidation scope

**Recognition of concession arrangements where existing infrastructures are made available to the Group by the concession authority in return for payment of fees**

On the signature of certain concession arrangements, the infrastructures necessary to the operation of the concession already exist and are owned by the delegating authority. In such cases, the infrastructures are generally made available to the concession holder for the term of the concession arrangement in return for payments to the delegating authority for the right to use these infrastructures under the concession.

In July 2016, the IFRS Interpretations Committee clarified the appropriate accounting treatment when the concession holder is required to make fixed payments to the delegating authority for the provision of pre-existing infrastructure.

These fixed payments give rise to:

- the recognition of a liability equal to the present value of payments over the term of the concession arrangement;
- offset by the recognition of an intangible asset, where the concession arrangement is recognized using the intangible asset model, representing the right to charge users of the public service.

Payments satisfying this definition within the Group mainly concern concession arrangements recognized using the intangible asset model in Central Europe.

**Regulated activities**

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Veolia provides drinking water and heating production and distribution services in certain legal jurisdictions where the public authorities have performed privatizations. Accordingly, Veolia owns the production and/or distribution assets but remains subject to pricing regulations imposed by public authorities.

This is particularly the case in Eastern Europe where Veolia exercises this activity under mixed partial privatizations or public service management agreements between local subsidiaries and the public authorities in charge of the production and distribution of thermal energy.

Revenue from these activities is recognized in accordance with IFRS 15.

**Construction contracts**

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A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets (complex sections of installations, equipment) that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose.

This type of contract is often used for design and build contracts for infrastructure necessary for water treatment/distribution and wastewater treatment activities. These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts.

The Group's construction revenues are mainly recognized on a completion basis.

The percentage of completion is determined by comparing costs incurred at the period end with total estimated costs under the contract. Costs incurred comprise costs directly attributable to the contract and borrowing costs incurred up to completion of the work. However, prospecting costs, costs incurred prior to contract signature, and administrative and selling costs are expensed in the period incurred and do not therefore contribute to contract completion.

**OPERATING ACTIVITIES**

Off-balance sheet commitments relating to the consolidation scope

Where total contract costs exceed total contract revenue, the Group recognizes a loss to completion as an expense of the period, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably. Provisions for losses to completion are recorded as liabilities in the Consolidated Statement of Financial Position.

The amount of costs incurred, plus profits and less losses recognized and intermediary billings is determined on an individual contract basis. Where positive, this amount is recognized in assets in "Amounts due from customers for construction contract work" (in "Other operating receivables" as a contract asset). Where negative, it is recognized in liabilities in "Amounts due to customers for construction contract work" (in "Other operating payables" as a contract liability). Any loss to completion is recognized immediately through a provision.

Partial payments received under construction contracts before the corresponding work has been performed, are recognized as liabilities in the Consolidated Statement of Financial Position under "Other operating payables".

### Service contracts including an asset lease

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These contracts generally concern outsourcing services performed for industrial/private customers either under BOT (Build, Operate and Transfer) contracts, or incineration or cogeneration contracts under which, notably, demand or volume risk is, in substance, transferred to the prime contractor.

Services include the design, construction and financing of the construction of a specific asset/installation on behalf of the customer and the operation of the asset concerned.

These contracts are recognized in accordance with the principles set out in IFRS 16 (see Note 7.4).

Accordingly, construction revenue is recognized in accordance with the percentage of completion method and, more generally, the principles set out in IFRS 15.

The service invoiced to the customer includes a component representing the operation of the specific asset/installation concerned and a second component representing the financing of the construction.

- revenue relating to the operation of the asset is recognized on delivery of the goods or performance of the service, in accordance with IFRS 15;
- the financing of construction work involves finance costs that are invoiced to the customer and recognized in revenue, under the heading "Revenue from operating financial assets". This interest is recognized in revenue from the start of construction work and represents remuneration received by the builder/lender.

### Operation and maintenance contracts

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The services rendered by Veolia do not systematically require the construction or acquisition of new infrastructure and can be provided through a variety of contractual forms tailored to the objectives and choices of customers. These services may particularly take the form of contracts for the operation and/or maintenance of installations already owned by the customer or service contracts aimed at improving the performance of these installations.

Accordingly, Veolia operates waste-to-energy plants, water production and/or distribution installations and heating networks under this type of contract recognized in accordance with IFRS 15.

## 7.1 Revenue

Group revenue is recognized for the amount the Group expects to receive in consideration for the transfer of control of goods and services.

The following table presents the revenue recognition method, rate and unit for the main environmental services provided by the Group:

Environmental service	Contract					Revenue		
	Concession	Regulated activity	Construction	Services including an asset lease	Operation & maintenance	Revenue recognition method	Revenue recognition rate	Revenue measurement unit
Waste processing, water distribution, network operation, thermal services	✓	✓		✓	✓	Progressively	When the customer receives the benefit of the service	m3 of water, metric ton of waste processed, Gwh, etc.
Sale of equipment, sale of recycled products	✓	✓		✓	✓	At a point in time	On physical delivery of the goods	Quantity sold
Design and build of infrastructures	✓		✓	✓		Progressively	As the customer obtains control of the asset being built	Completion basis

### Infrastructure maintenance and renewal services

Installation maintenance and renewal services rarely represent a separate performance obligation. Nonetheless, a separate performance obligation may be identified in respect of maintenance services in concession arrangements recognized using the financial asset model or operating contracts, depending on the obligations contained in the contracts and the related remuneration terms.

### Services on behalf of third parties

Few of the Group's activities are concerned by this provision and primarily combined energy purchase and distribution services.

For this type of contract, the Group determines whether it is acting on its own behalf (principal: recognition of gross revenue) or on behalf of a third party (agent: recognition of the margin), by analyzing in particular whether the Group has primary responsibility for performance of the service and whether it can freely set the price paid by the end customer.

### Variable compensation

Variable consideration provided in contracts with customers can take several forms: rebates, discounts, penalties, incentives, performance bonuses. They are assessed on contract inception to determine the revenue amount to be recognized, applying either the expected value method or the most probable amount method.

**OPERATING ACTIVITIES**

Revenue

**Revenue by business**

As for other Income Statement headings, revenue does not include amounts relating to discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations. The results of these activities are presented in a separate line, "Net income (loss) from discontinued operations", for fiscal year 2020 and fiscal year 2019 presented for comparison purposes (see Note 5.3).

Revenue breaks down by business as follows:

<i>(€ million)</i>	<b>2019</b>	<b>2020</b>
Water	11,142.1	10,900.0
Waste	10,166.7	9,672.9
Energy	5,879.9	5,437.0
<b>Group</b>	<b>27,188.7</b>	<b>26,009.9</b>

A breakdown of revenue by operating segment and region is presented in Note 6.

**Backlog**

The backlog, as required by IFRS 15, is equal to firm revenue as contracted with customers, where the services have not yet been performed, or are only partially performed, at the reporting date.

After taking account of the exceptions provided in the standard (contracts with a term of less than one year, concession arrangements and service agreements, etc.), the backlog therefore primarily consists of revenue from VWT construction contracts, with an average contractual period of 2 to 3 years.

As of December 31, 2020, expected revenue is as follows:

<i>(€ million)</i>	<b>Total</b>	2021	2022 and beyond
Backlog	1,489.3	898.5	590.8

## 7.2 Operating income

Operating income breaks down as follows:

<i>(€ million)</i>	<b>2019</b>	<b>2020</b>
<b>Revenue</b>	<b>27,188.7</b>	<b>26,009.9</b>
<b>Cost of sales</b>	<b>(22,827.7)</b>	<b>(22,121.8)</b>
<i>o/w:</i>	-	-
• Renewal expenses	(280.3)	(260.5)
<b>Selling costs</b>	<b>(610.6)</b>	<b>(562.1)</b>
<b>General and administrative expenses</b>	<b>(2,157.4)</b>	<b>(2,144.0)</b>
<b>Other operating revenue and expenses</b>	<b>(258.0)</b>	<b>(373.0)</b>
<i>o/w:</i>	-	-
• Restructuring costs	(126.9)	(106.6)
• Impairment of goodwill	-	(44.1)
• Employee costs – share-based payments	(21.4)	(33.3)
• Other non-current charges, impairment losses and net provisions	(96.1)	(159.5)
• Share acquisition costs	(12.1)	(29.4)
<b>Operating income before share of net income (loss) of equity-accounted entities</b>	<b>1,335.0</b>	<b>809.0</b>
<b>Share of net income (loss) of equity-accounted entities</b>	<b>129.8</b>	<b>110.5</b>
<b>Operating income after share of net income (loss) of equity-accounted entities</b>	<b>1,464.8</b>	<b>919.5</b>

### 7.2.1 Breakdown of provisions and impairment losses on non-current assets

The carrying amount of non-financial assets, other than inventory and deferred tax assets is reviewed at each period end in order to assess the existence of any indication of loss in value (non-performance of a significant long-term contract under the terms laid down in the contract, technical operating issues, and counterparty default for operating financial assets...). Where such indication exists, the recoverable amount of the asset or group of assets is estimated.

The need to recognize impairment is assessed by comparing the net carrying amount of these assets with their recoverable amount. Unless there are future prospects for the sale of these assets, the recoverable amount corresponds to their value in use, generally equal to the present value of the future cash flows expected to be derived from the asset or group of assets, taking account of any residual value. The value in use of these assets is determined based on assumptions consistent with those adopted for impairment testing of goodwill and other intangible assets with an indefinite useful life. See Note 9.1.2.

Goodwill and other assets with an indefinite useful life are subject to systematic annual impairment tests following the update of the long-term plan and more frequent tests where there is an indication of loss in value.

Where the resulting recoverable amount is less than the net carrying amount of the asset or group of assets, an impairment is recorded.

Impairment losses on non-current assets can be reversed, with the exception of those relating to goodwill.

Other expenses, impairment losses and charges to non-current provisions in **2020** break down as follows:

- impairment losses on intangible assets, property, plant and equipment and operating financial assets of -€59.6 million, recognized particularly in the Rest of the World in the amount of -€58.5 million,
- other charges and non-current provisions of -€99.9 million, recognized particularly in the Rest of the world in the amount of -€44.5 million.

Other expenses, impairment losses and charges to non-current provisions in **2020** break down as follows:

- impairment losses on intangible assets, property, plant and equipment and operating financial assets of -€20.4 million, recognized particularly in the Rest of the World in the amount of -€26.2 million.
- other charges and non-current provisions of -€75.7 million, particularly in the following operating segments:
  - Europe excluding France, in the amount of -€16.3 million;
  - the Rest of the world, in the amount of -€58.4 million.

More generally, operating depreciation, amortization, provisions and impairment losses included in operating income in **2020** break down as follows:

**OPERATING ACTIVITIES**

Operating income

(€ million)	2019		2020	
	Net	Charge	Reversal	Net
<b>Operating depreciation, amortization and provisions, net</b>				
<b>Depreciation and amortization</b>	<b>(2,060.8)</b>	<b>(1,991.8)</b>	<b>(0.5)</b>	<b>(1,992.4)</b>
Property, plant and equipment*	(990.7)	(916.0)	(0.5)	(916.6)
Intangible assets	(624.9)	(636.5)	-	(636.5)
Right of use	(445.2)	(439.3)	-	(439.3)
<b>Impairment losses</b>	<b>(17.4)</b>	<b>(117.1)</b>	<b>57.4</b>	<b>(59.7)</b>
Property, plant and equipment	8.8	(59.0)	24.7	(34.3)
Intangible assets and Operating financial assets	(24.4)	(58.0)	32.4	(25.7)
Right of use	(1.8)	-	0.3	0.3
<b>Impairment losses and impact of disposals on goodwill and negative goodwill recognized in the Consolidated Income Statement</b>	<b>(1.6)</b>	<b>(44.3)</b>	<b>0.1</b>	<b>(44.2)</b>
<b>Non-current and current operating provisions</b>	<b>51.7</b>	<b>(571.7)</b>	<b>609.8</b>	<b>38.1</b>
Non-current operating provisions	(179.8)	(327.1)	149.0	(178.1)
Current operating provisions	231.5	(244.6)	460.8	216.2
<b>Operating depreciation, amortization, provisions and impairment losses</b>	<b>(2,028.1)</b>	<b>(2,725.0)</b>	<b>666.8</b>	<b>(2,058.2)</b>

(\*) Including investment grants.

## 7.2.2 Restructuring costs

A restructuring is a program planned and controlled by Group management that significantly changes the scope of activity of the Group or the way in which this activity is managed. Accordingly, the following events can meet the definition of a restructuring: the sale or discontinuation of an activity branch, the closure of activity sites in a country or a region or the relocation of activities from one country to another or from one region to another; changes to the management structure such as the suppression of a management level; and fundamental reorganizations with a significant impact on the nature and focus of an activity.

	2019	2020
Restructuring costs	(109.9)	(116.4)
Net charges to restructuring provisions	(17.0)	9.8
<b>Restructuring costs</b>	<b>(126.9)</b>	<b>(106.6)</b>

Restructuring costs recognized in operating income in **2020** mainly concern Water France in the amount of -€7.6 million, Waste in France in the amount of -€10.1 million and VWT in the amount of -€18.6 million.

Restructuring costs recognized in operating income in **2019** mainly concern Water France in the amount of -€14.8 million, Waste in France in the amount of -€15.8 million and VWT in the amount of -€40.0 million.

### 7.2.3 Research and development costs

Research and development costs total €56.5 million in **2020** and €55.6 million in 2019.

### 7.2.4 Joint ventures and associates

All equity-accounted companies, whether joint ventures or associates, represent an extension of the Group's businesses and are therefore allocated to the four operating segments.

<i>(€ million)</i>	<b>2019</b>	<b>2020</b>
Share of net income (loss) of joint ventures	89.3	87.4
Share of net income (loss) of associates	40.5	23.1
<b>Share of net income (loss) of equity-accounted entities</b>	<b>129.8</b>	<b>110.5</b>

#### 7.2.4.1 JOINT VENTURES

Movements in investments in joint ventures in **2020** break down as follows:

<i>(€ million)</i>	<b>As of December 31, 2019</b>	Net income	Dividend distribution	Changes in consolidation scope	Foreign exchange translation	Other movements	<b>As of December 31, 2020</b>
Joint ventures	<b>1,497.7</b>	87.4	(46.2)	(24.1)	(30.3)	(463.7)	<b>1,020.8</b>

**Changes in consolidation scope** mainly reflect the sale of the Liuzhou sub-entity in the amount of -€43.8 million (see Note 5).

**Other movements** mainly concern the transfer to assets classified as held for sale of Shenzhen for -€429.1 million and Baoji for -€12.8 million (see Note 5.3.2).

**OPERATING ACTIVITIES**

Operating income

**Note 7**

	<b>Share of equity</b>		<b>Share of net income(loss)</b>	
<i>(€ million)</i>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>2019</b>	<b>2020</b>
Chinese concessions (*)	1,335.2	857.4	63.4	65.1
Other joint ventures	162.5	163.4	25.9	22.3
<b>TOTAL ASSETS</b>	<b>1,497.7</b>	<b>1,020.8</b>	<b>89.3</b>	<b>87.4</b>
<i>Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b)</i>				
<b>Share of net income (loss) of joint ventures (a)</b>			<b>89.3</b>	<b>87.4</b>
<i>Impairment losses recognized in other operating revenue and expenses (b)</i>			-	-

(\*) including the impact of the transfer to assets classified as held for sale of Shenzhen and Baoji for €441.9 million as of December 31, 2020.

**Chinese concessions**

As of December 31, 2020, the Chinese concessions comprise a combination of approximately twenty separate legal entities in which the Group holds interests of between 21% and 50%; the most significant concessions, in terms of revenue, are Shenzhen (25% interest) and Shanghai Pudong (50% interest).

Summarized financial information (at 100%) in respect of the Chinese concessions is set out below. This information reflects amounts presented in the joint ventures' financial statements prepared in accordance with IFRS, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

	As of December 31, 2019	As of December 31, 2020
<b>Summarized financial information (at 100%) – Chinese Concession joint ventures</b>		
Current assets	1,613.4	1,725.1
Non-current assets	6,176.4	6,150.4
<b>TOTAL ASSETS</b>	<b>7,789.8</b>	<b>7,875.5</b>
Equity attributable to owners of the Company	3,224.0	3,138.4
Net income attributable to non-controlling interests	424.3	415.1
Current liabilities	2,551.4	2,547.7
Non-current liabilities	1,590.1	1,774.3
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,789.8</b>	<b>7,875.5</b>
The above amounts of assets and liabilities include the following :		
Cash and cash equivalents	806.5	894.1
Current financial liabilities (excluding trade and other payables and provisions)	814.4	738.3
Non-current financial liabilities (excluding trade and other payables and provisions)	950.0	1,121.6
<b>INCOME STATEMENT</b>		
Revenue	2,517.9	2,440.0
Operating income	311.0	301.1
Net income (loss) from continuing operations	206.4	209.7
Post-tax net income (loss) from discontinued operations	-	-
Net (income) loss attributable to non-controlling interests	(28.2)	(27.0)
Net income (loss) attributable to owners of the Company at Chinese concession level	178.2	182.8
Net income (loss) for the year	206.4	209.7
Other comprehensive income for the year	57.4	(74.4)
Total comprehensive income for the year	263.8	135.3
The above net income (loss) for the year includes the following :		
Depreciation and amortization	(187.7)	(190.1)
Interest income	13.5	18.8
Interest expense	(62.2)	(73.0)
Income tax (expense) income	(62.5)	(50.1)
<b>DIVIDENDS</b>		
Dividends received	30.5	26.5

Reconciliation of the above summarized financial information on the Chinese concessions to the carrying amount of the interest in these joint ventures recognized in the consolidated financial statements:

## OPERATING ACTIVITIES

Operating income

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<i>(€ million)</i>	As of December 31, 2019	As of December 31, 2020
Net assets of the Chinese concession joint ventures	3,224.0	3,138.4
Group's ownership interest in the Chinese concession joint ventures – weighted average rate	36.35%	36.07%
Goodwill	227.2	164.0 (*)
Other adjustments	(64.0)	(438.6) (*)
<b>Carrying amount of the Group's interest in the Chinese concession joint ventures</b>	<b>1,335.2</b>	<b>857.4</b>

(\*) including the impact of the transfer of Shenzhen and Baoji to assets classified as held for sale for €441.9 million as of December 31, 2020

As the Chinese concessions represent approximately twenty individual concessions, the percentage interest indicated in the above reconciliation is a weighted-average rate of the contribution of each concession within the combination.

The average rate used for the reconciliation of the different elements takes into account the Group's holdings in these different concessions, weighted by the relative importance of each of the entities to the whole. This rate is therefore adjusted each year and is sensitive to variations in the weight of the contributions to the results of each of the joint ventures within the presented set.

The decrease in the weighted average rate between 2019 and 2020 is due to a combination of two impacts:

- changes in scope tied to the Liuzhou and Weinan transactions;
- a change in the weightings of the contributions.

Accordingly, the "Other adjustments" line in the reconciliation of the summarized financial information on the Chinese concessions as a whole, to their carrying amount in the Consolidated Statement of Financial Position, represents the adjustment between the share in net assets obtained by applying the weighted average percentage interest for all Chinese concessions and the share in net assets recognized in the financial statements, calculated using the effective interest held in each of the Chinese concessions individually. As of December 31, 2020, it also includes the impact of the reclassification of the Shenzhen and Baoji concessions in assets classified as held for sale.

<i>(€ million)</i>	2019	2020
Net income (loss) for the year of the Chinese concession joint ventures	178.2	182.8
Group's ownership interest in the Chinese concession joint ventures – weighted average rate	36.35%	36.07%
Other	(1.4)	(0.8)
<b>Group share of net income (loss) of the Chinese concession joint ventures</b>	<b>63.4</b>	<b>65.1</b>

The recoverable amount of each Chinese concession joint venture is tested for impairment in accordance with the provisions set out in the standard. The long-term plans of the Chinese Water concessions were extended to 2026, in order to identify standard flows for the calculation of the terminal value, as Water activities in China follow a specific business model, with extremely long contract terms (between thirty and fifty years) and high investment flows during the initial contract years. In 2020, the health crisis was particularly concentrated in the first quarter of the year and did not have a significant impact on the recoverable amount of the Chinese concessions.

Given the models used and the time frame adopted, the recoverable amounts determined are sensitive and closely monitored. They are based on a certain number of structuring assumptions such as price increases, volume trends,

**OPERATING ACTIVITIES**

Operating income

construction activity levels and margins and efficiency and productivity measures integrated in future cash flows, as well as on the macro-economic assumptions (discount and inflation rates) underlying the business plans.

**Other joint ventures**

The Group also holds interests in other joint ventures that are not individually material, with a total net carrying amount of €163.4 million as of December 31, 2020.

**Unrecognized share of losses of joint ventures**

As all the Group joint ventures are partnerships in which the Group exercises joint control, the share of any losses is recognized in full at the year end.

**Transactions with joint ventures (related parties)**

The Group grants loans to joint ventures. These loans are recorded in assets in the Group Consolidated Statement of Financial Position (see Note 10.1.2, "Other non-current and current financial assets").

As of December 31, 2020, non-current and current loans granted to all these entities totaled €156.8 million, including €145.9 million in non-current (see Note 10.1.2.2) and €10.9 million in current. The loans were mainly granted to the Chinese Water concessions in the amount of €105.9 million.

As of December 31, 2019, current and non-current loans granted to all these entities totaled €159.5 million, including €136.3 million in non-current and €23.2 million in current. The loans were mainly granted to the Chinese Water concessions in the amount of €99.5 million.

In addition, given the Group's activities, operating flows between companies are generally limited to companies operating in the same country. As such, the level of operating transactions between the Group and equity-accounted companies is not material.

However, certain contractual agreements in the Group's businesses, impose the existence of a holding company (generally equity-accounted) and companies carrying the operating agreement (generally fully consolidated).

**7.2.4.2 INVESTMENTS IN ASSOCIATES**

Movements in investments in associates in 2020 break down as follows:

<i>(€ million)</i>	<b>December 31, 2019</b>	Net income	Dividend distribution	Changes in consolidation scope	Foreign exchange translation	Other movements	<b>As of December 31, 2020</b>
Investments in associates	<b>382.5</b>	23.1	(26.3)	(0.9)	(14.3)	(10.2)	<b>353.9</b>

Investments in associates break down as follows:

(€ million)	Share of equity		Share of net income(loss)	
	As of December 31, 2019	As of December 31, 2020	2019	2020
Fovarosi Csatomazasi Muvek	76.7	70.0	0.8	0.3
Siciliacque	59.1	61.7	-	2.4
Wasserversorg, in Mitteldeutschland GmbH	38.0	38.5	0.3	0.4
Ajman Sewerage Co. Ltd	31.4	28.9	7.5	8.3
Other non-material associates (2)	177.3	154.8	31.9	11.7
<b>TOTAL ASSETS</b>	<b>382.5</b>	<b>353.9</b>	<b>40.5</b>	<b>23.1</b>

#### Impacts on the Consolidated Income Statement

Share of net income (loss) of equity-accounted entities in continuing operations	40.5	23.1
Impairment losses recognized in other operating revenue and expenses (1)	-	-
Share of net income (loss) of other equity-accounted entities	-	-

(1) Impairment of goodwill pertaining to associates.

(2) Associates with a value below €15 million as of December 31, 2020.

## 7.3 Working capital

### 7.3.1 Working capital

Net working capital includes "operating" working capital (inventories, trade receivables, trade payables and other operating receivables and payables, tax receivables and payables other than current tax), "tax" working capital (current tax receivables and payables) and "investment" working capital (receivables and payables related to industrial investments/disposals).

In accordance with IAS 2 "Inventories", inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Commercial receivables and payables are recognized at nominal value, unless discounting at the market rate has a material impact. The Group applies the simplified approach to the impairment of commercial receivables, in accordance with the option available in IFRS 9. The Group uses a provision matrix that takes account of the business, geographic region and customer category in question. When preparing this matrix, the Group considered late payment and default rates observed in the past, as well as the macro-economic environment. The matrix is updated to reflect changes in economic factors.

Trade payables are recognized as liabilities at amortized cost in accordance with IFRS 9 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which substantially all the risks and rewards inherent to ownership of the financial asset are transferred. Any interest created or retained by the Group in a financial asset is recognized separately as an asset or liability.

Movements in net working capital during 2020 are as follows:

(€ million)	As of December 31, 2019	Changes in business	Impairment losses, net	Changes in consolidation scope	Foreign exchange translation	Other movements	As of December 31, 2020
Inventories and work-in-progress, net	792.0	68.0	(52.7)	21.7	(26.0)	(5.3)	797.7
Operating receivables, net	9,341.7	159.7	(106.7)	(12.5)	(239.8)	(36.2)	9,106.2
Operating payables	(11,753.6)	(297.2)	0.5	(73.5)	270.9	2.5	(11,850.4)
<b>Net working capital</b>	<b>(1,619.9)</b>	<b>(69.5)</b>	<b>(158.9)</b>	<b>(64.3)</b>	<b>5.1</b>	<b>(39.0)</b>	<b>(1,946.5)</b>

Movements in each of these working capital categories in 2020 are as follows:

(€ million)	As of December 31, 2019	Changes in business	Impairment losses, net	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/ Liabilities classified as held for sale	Other movements	As of December 31, 2020
Inventories and work-in-progress, net	792.0	68.0	(52.7)	21.7	(26.0)	(1.4)	(3.9)	797.7
Operating receivables (including tax receivables other than current tax) <sup>(1)</sup>	9,177.4	175.8	(107.3)	(14.0)	(231.5)	(8.8)	(24.4)	8,967.2
Operating liabilities (including operating liabilities other than current tax) <sup>(1)</sup>	(11,148.6)	(317.0)	-	(53.2)	242.9	(11.9)	11.6	(11,276.2)
<b>Operating working capital <sup>(2)</sup></b>	<b>(1,179.2)</b>	<b>(73.2)</b>	<b>(160.0)</b>	<b>(45.5)</b>	<b>(14.6)</b>	<b>(22.1)</b>	<b>(16.7)</b>	<b>(1,511.3)</b>
Tax receivables (current tax)	121.4	(8.4)	-	0.6	(7.3)	-	(0.1)	106.2
Tax payables (current tax)	(215.3)	42.5	-	(11.9)	10.1	-	(2.4)	(177.0)
<b>Tax working capital</b>	<b>(93.9)</b>	<b>34.1</b>	<b>-</b>	<b>(11.3)</b>	<b>2.8</b>	<b>-</b>	<b>(2.5)</b>	<b>(70.8)</b>
Receivables on non-current asset disposals	42.9	(7.7)	0.6	0.9	(1.0)	-	(2.9)	32.8
Industrial investment payables	(389.7)	(22.7)	0.5	(8.4)	17.9	0.1	5.1	(397.2)
<b>Investment working capital</b>	<b>(346.8)</b>	<b>(30.4)</b>	<b>1.1</b>	<b>(7.5)</b>	<b>16.9</b>	<b>0.1</b>	<b>2.2</b>	<b>(364.4)</b>
<b>Net working capital</b>	<b>(1,619.9)</b>	<b>(69.5)</b>	<b>(158.9)</b>	<b>(64.3)</b>	<b>5.1</b>	<b>(22.0)</b>	<b>(17.0)</b>	<b>(1,946.5)</b>

(1) Including contract assets and liabilities presented in Note 7.6

(2) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and net impairment losses on operating working capital presented above.

Movements in inventories during **2020** are as follows:

<b>Inventories</b> <i>(€ million)</i>	<b>As of December 31, 2019</b>	Changes in business	Impairment losses	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other movements	<b>As of December 31, 2020</b>
Raw materials and supplies	632.4	5.4	-	-	14.2	(22.3)	(1.1)	1.8	630.4
Work-in-progress	110.9	6.4	-	-	6.9	(1.2)	-	(5.0)	118.0
Other inventories <sup>(1)</sup>	124.5	56.2	-	-	0.7	(5.8)	(1.0)	(1.0)	173.6
<b>Inventories and work-in-progress, gross</b>	<b>867.8</b>	<b>68.0</b>	<b>-</b>	<b>-</b>	<b>21.8</b>	<b>(29.3)</b>	<b>(2.1)</b>	<b>(4.2)</b>	<b>922.0</b>
<b>Impairment losses on inventories and work-in-progress</b>	<b>(75.8)</b>	<b>-</b>	<b>(92.0)</b>	<b>39.3</b>	<b>(0.1)</b>	<b>3.3</b>	<b>0.7</b>	<b>0.3</b>	<b>(124.3)</b>
<b>Inventories and work-in-progress, net</b>	<b>792.0</b>	<b>68.0</b>	<b>(92.0)</b>	<b>39.3</b>	<b>21.7</b>	<b>(26.0)</b>	<b>(1.4)</b>	<b>(3.9)</b>	<b>797.7</b>

(1) Including CO<sub>2</sub> inventories.

Inventories mainly concern the Europe excluding France operating segment in the amount of €362.0 million, the Global Businesses operating segment in the amount of €171.7 million and the Rest of the World operating segment in the amount of €159.3 million.

Net impairment losses on inventories and work in progress total -€52.7 million and mainly concern Europe excluding France for -€47.7 million and primarily reflect the increase in the unit value of CO<sub>2</sub> emission allowances consumed by the Group in 2020.

Movements in operating receivables during **2020** are as follows:

Operating receivables (€ million)	As of December 31, 2019	Changes in business	Impairment losses <sup>(1)</sup>	Reversal of impairment losses <sup>(1)</sup>	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other movements	As of December 31, 2020
Trade receivables	7,698.0	295.0	-	-	(19.0)	(195.5)	(8.1)	(39.3)	7,731.1
Impairment losses on trade receivables	(848.5)	-	(230.1)	103.1	(9.8)	33.5	0.1	3.5	(948.2)
<b>Trade receivable, net <sup>(1)</sup></b>	<b>6,849.5</b>	<b>295.0</b>	<b>(230.1)</b>	<b>103.1</b>	<b>(28.8)</b>	<b>(162.0)</b>	<b>(8.0)</b>	<b>(35.8)</b>	<b>6,782.9</b>
Contract assets	637.7	(86.8)	-	-	(4.7)	(25.6)	-	25.0	545.6
Losses on contracts assets	-	-	-	-	-	-	-	-	-
<b>Net contracts assets <sup>(2)</sup></b>	<b>637.7</b>	<b>(86.8)</b>	<b>-</b>	<b>-</b>	<b>(4.7)</b>	<b>(25.6)</b>	<b>-</b>	<b>25.0</b>	<b>545.6</b>
Other current operating receivables	735.2	(127.9)	-	-	30.8	(23.2)	(0.8)	(15.7)	598.4
Impairment losses on other current operating receivables	(74.3)	-	(2.0)	23.5	0.6	1.0	-	(1.3)	(52.5)
<b>Other operating receivables, net</b>	<b>660.9</b>	<b>(127.9)</b>	<b>(2.0)</b>	<b>23.5</b>	<b>31.4</b>	<b>(22.2)</b>	<b>(0.8)</b>	<b>(17.1)</b>	<b>545.8</b>
Other receivables	245.0	42.9	(1.2)	-	(5.1)	(6.7)	-	3.1	278.0
Tax receivables	948.6	36.5	-	-	(5.3)	(23.3)	-	(2.6)	953.9
<b>Operating receivables, net</b>	<b>9,341.7</b>	<b>159.7</b>	<b>(233.3)</b>	<b>126.6</b>	<b>(12.5)</b>	<b>(239.8)</b>	<b>(8.8)</b>	<b>(27.4)</b>	<b>9,106.2</b>

(1) Impairment losses are recorded in operating income and included in the line "Changes in working capital" in the Consolidated Cash Flow Statement.

(2) Contract assets and liabilities are described in Note 7.6.

Operating receivables held by the Group in countries considered high-risk by the IMF are not material in amount.

**OPERATING ACTIVITIES**

Working capital

Note 7

Movements in operating payables during **2020** are as follows:

<b>Operating payables</b> <i>(€ million)</i>	<b>As of December 31, 2019</b>	Changes in business	Changes in consolidation scope	Foreign exchange translation	Transfers to Liabilities classified as held for sale	Other movements	<b>As of December 31, 2020</b>
Trade payables	5,035.9	(423.8)	4.4	(116.4)	13.4	(9.0)	4,504.5
Other current operating liabilities	4,234.9	608.2	47.1	(85.2)	(0.7)	(14.1)	4,790.2
Contracts liabilities <sup>(1)</sup>	1,052.2	12.4	26.8	(29.3)	-	(8.8)	1,053.3
Other liabilities	193.2	52.8	5.2	(8.2)	(0.7)	19.3	261.6
Tax and employee- related liabilities	1,237.4	47.1	(10.0)	(31.8)	(0.2)	(1.7)	1,240.8
<b>Operating payables</b>	<b>11,753.6</b>	<b>296.7</b>	<b>73.5</b>	<b>(270.9)</b>	<b>11.8</b>	<b>(14.3)</b>	<b>11,850.4</b>

(1) Contract assets and liabilities are described in Note 7.6.

### 7.3.2 Working capital management transactions

Veolia had several programs for the assignment of receivables through factoring, discounting and assignment by way of security still in progress in **2020**.

#### FACTORING

Under these programs, certain subsidiaries have agreed to assign, on a renewable basis, trade receivables by contractual subrogation or assignment of receivables (such as "Dailly" programs in France) without recourse against the risk of default by the debtor. The analysis of the risks and rewards as defined by IFRS 9 led the Group to derecognize almost all the receivables assigned under these factoring programs. In addition, the transferor subsidiaries remain, in certain cases, responsible for invoicing and debt recovery, for which they receive remuneration but do not retain control.

Accordingly, receivables totaling €3,807.5 million were assigned under these programs in 2020, compared with €3,895.2 million in 2019. Receivables derecognized as of December 31, 2020 total €686.5 million, compared with €795.0 million as of December 31, 2019.

#### DISCOUNTING AND ASSIGNMENT BY WAY OF SECURITY

Under Public-Private partnerships, Veolia subsidiaries can assign the fraction of future payments guaranteed by public authorities / private customers (recognized in financial receivables pursuant to IFRIC 12 or IFRS 16) to the bodies funding the project, through discounting or assignment by way of security programs (such as Dailly programs in France). For the majority of partnerships concerned by these financial receivable assignments, the assignment agreements negotiated and the contractual clauses agreed between the stakeholders are sufficient to satisfy the derecognition criteria set out in IFRS 9. The residual risk retained by the companies (considered immaterial) is generally tied solely to late customer payment due to late/deferred invoicing of services by Group subsidiaries. Group subsidiaries are mandated by the financial institutions to manage the invoicing and recovery of the receivables covered

**OPERATING ACTIVITIES**

Non-current and current operating financial assets

by these programs. Veolia analyzed the management and recovery procedures falling to Group subsidiaries and concluded that these services did not constitute continuing involvement.

Two assignments by way of security performed in 2005 and 2006 in connection with the specific terms and conditions of finance lease agreements entered into by the Waste solutions activities operate differently and do not permit the derecognition of the receivables assigned. The assignment terms provide for the provision of a joint surety by the subsidiaries and their partners to the assignee financial institutions.

Receivables of €38.2 million and corresponding finance lease obligations maturing in 2025 and 2026 of €38.9 million are recognized in Veolia's balance sheet as of December 31, 2020 in respect of these contracts (€45.5 million and €46.3 million, respectively, as of December 31, 2019).

The Group also assigned tax credits (Research tax credits in 2020 and 2019 and Competitiveness and Employment tax credits in 2019) through discounting of €11.1 million in December 2020, compared with €98.9 million in 2019. These receivables were derecognized in the Statement of Financial Position at the end of 2020.

## 7.4 Non-current and current operating financial assets

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Operating financial assets comprise financial assets resulting from the application of IFRIC 12 on accounting for concession arrangements and from the application of IFRS 16 on accounting for leases.

### ***Concession arrangements***

Pursuant to IFRIC 12, when the operator has an unconditional right to receive cash or another financial asset from the grantor in remuneration for concession services, the financial asset model applies. In this context, the infrastructures managed under these contracts cannot be recorded in assets of the operator as property, plant and equipment, but are recorded as financial assets.

Investment grants received in respect of concession arrangements are generally definitively earned and, therefore, are not repayable. In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets or financial assets depending on the applicable model following an analysis of each concession arrangement (IFRIC 12). Under the financial asset model, investment grants are equated to a means of repaying the operating financial asset.

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue is recognized in the Consolidated Income Statement, in accordance with the percentage of completion method laid down in IFRS 15 on construction contracts.

Financial receivables are initially measured at the lower of fair value and the sum of discounted future cash flows and subsequently recognized at amortized cost using the effective interest method, as, in accordance with IFRS 9, they represent the right to receive contractual cash flows and have the characteristics of a loan.

After a review of the contract and its financing, the implied interest rate on the financial receivable is notably based on either the Group financing rate and/or the borrowing rate associated with the contract.

## Leases

IFRS 16 requires the identification of contractual terms and conditions of agreements which, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract (right of use analyzed as a transfer of control of a group of assets during the contract term). A lease component is thereby identified in these agreements, which is then analyzed and recognized in accordance with the criteria laid out in this standard.

**The contract operator (Veolia) therefore becomes the lessor** with respect to its customers. On contract signature, Veolia now determines whether the terms of the contract constitute a finance lease or an operating lease.

To this end, Veolia performs a comprehensive analysis to determine whether the lease transfers substantially all the risks and rewards inherent to ownership of the underlying asset to the customer (the lessee).

The following indicators in particular are considered when performing this analysis: (i) the lease transfers ownership of the asset to the customer by the end of the lease term, (ii) the lease term is for the major part of the economic life of the underlying asset, (iii) the present value of the lease payments amounts to at least substantially all of the fair value of the asset, or (iv) the asset is of such a specialized nature that only the customer can use it without major modifications.

If this analysis leads to the conclusion that the lease is a finance lease, Veolia does not recognize a tangible asset but an operating financial asset to reflect the corresponding financing.

Breakdown of operating financial assets by operating segment:

	As of December 31					
	Non-current		Current		Total	
(€ million)	2019	2020	2019	2020	2019	2020
France	175.9	83.6	7.7	82.0	183.6	165.6
Europe excluding France	868.1	754.1	51.2	60.3	919.3	814.4
Rest of the world	378.7	353.5	25.7	28.9	404.4	382.4
Global businesses	8.5	6.9	1.4	1.6	9.9	8.5
Other	-	-	-	-	-	-
<b>Operating financial assets</b>	<b>1,431.2</b>	<b>1,198.1</b>	<b>86.0</b>	<b>172.8</b>	<b>1,517.2</b>	<b>1,370.9</b>
<b>Of which IFRIC 12 operating financial assets</b>	<b>1,132.8</b>	<b>871.8</b>	<b>57.1</b>	<b>137.4</b>	<b>1,189.9</b>	<b>1,009.2</b>
<b>Of which IFRS 16 operating financial assets</b>	<b>298.4</b>	<b>326.3</b>	<b>28.9</b>	<b>35.4</b>	<b>327.3</b>	<b>361.7</b>

## Note 7

## OPERATING ACTIVITIES

Non-current and current operating financial assets

Movements in the net carrying amount of non-current and current operating financial assets during **2020** are as follows:

(€ million)	As of December 31, 2019	New operating financial assets (2)	Repay- ments/ Disposals	Impairment losses (1)	Changes in consolida- tion scope	Foreign exchange translation	Non- current / current reclassifi- cation	Other move- ments	As of December 31, 2020
Non-current and current IFRIC 12 operating financial assets	1,189.9	104.3	(154.3)	1.5	3.4	(24.5)	-	(111.1)	1,009.2
Non-current and current IFRS 16 operating financial assets	327.3	53.7	(44.9)	6.1	-	(7.9)	-	27.4	361.7
<b>Non-current and current operating financial assets</b>	<b>1,517.2</b>	<b>158.0</b>	<b>(199.2)</b>	<b>7.6</b>	<b>3.4</b>	<b>(32.4)</b>	<b>-</b>	<b>(83.7)</b>	<b>1,370.9</b>

(1) Impairment losses are recorded in operating income.

(2) New operating financial assets presented in the Consolidated Cash Flow Statement correspond to new operating financial assets in the above table (€158.0 million) net of the related acquisition debt (€2.0 million) as of December 31, 2020.

The principal **new** operating financial assets in 2020 mainly concern the increase in financial receivables for pre-existing contracts, in particular in the following operating segments:

- France, in the amount of €68.9 million, primarily following investments in the Troyes incineration plant of €24 million;
- Europe excluding France, in the amount of €75.0 million, primarily following investments in Germany under the Braunschweig contract of €18.5 million;
- the Rest of the World, in the amount of €13.4 million, primarily following investments by Veolia Energy North America to maintain the cogeneration plant in Virginia of €4.9 million.

The principal **repayments and disposals** of operating financial assets in 2020 concern the following operating segments:

- France, in the amount of -€87.1 million;
- Europe excluding France, in the amount of -€60.9 million;
- the Rest of the World, in the amount of -€49.7 million.

**Foreign exchange translation** gains and losses on non-current and current operating financial assets mainly concern movements in the pound sterling (-€17.4 million), the US dollar (-€5.9 million), the Korean won (-€4.2 million) and the Chinese renminbi (-€3.4 million) against the euro.

**Other movements** in non-current and current operating financial assets mainly concern contractual changes in Germany and Romania.

## OPERATING ACTIVITIES

Non-current and current operating financial assets

(€ million)	As of December 31, 2019	New operating financial assets	Repay- ments /Disposals	Impairment losses	Changes in consolida- tion scope	Foreign exchange translation	Non- current / current reclassifi- cation	Other move- ments	As of December 31, 2020
Gross	1,152.3	71.5	(57.3)	-	3.4	(23.0)	(96.5)	(165.9)	884.5
Impairment losses	(19.5)	-	-	1.5	-	-	-	5.3	(12.7)
<b>Non-current IFRIC 12 operating financial assets</b>	<b>1,132.8</b>	<b>71.5</b>	<b>(57.3)</b>	<b>1.5</b>	<b>3.4</b>	<b>(23.0)</b>	<b>(96.5)</b>	<b>(160.6)</b>	<b>871.8</b>
Gross	57.1	32.8	(97.0)	-	-	(1.5)	96.5	49.5	137.4
Impairment losses	-	-	-	-	-	-	-	-	-
<b>Current IFRIC 12 operating financial assets</b>	<b>57.1</b>	<b>32.8</b>	<b>(97.0)</b>	<b>-</b>	<b>-</b>	<b>(1.5)</b>	<b>96.5</b>	<b>49.5</b>	<b>137.4</b>
<b>Non-current and current IFRIC 12 operating financial assets</b>	<b>1,189.9</b>	<b>104.3</b>	<b>(154.3)</b>	<b>1.5</b>	<b>3.4</b>	<b>(24.5)</b>	<b>-</b>	<b>(111.1)</b>	<b>1,009.2</b>

(€ million)	As of December 31, 2019	New operating financial assets	Repay- ments /Disposals	Impairment losses	Changes in consolida- tion scope	Foreign exchange translation	Non- current / current reclassifi- cation	Other move- ments	As of December 31, 2020
Gross	355.1	41.7	(4.3)	-	0.0	(7.3)	(35.0)	30.6	380.8
Impairment losses	(56.7)	-	-	6.1	-	0.1	-	(4.0)	(54.5)
<b>Non-current IFRS 16 operating financial assets</b>	<b>298.4</b>	<b>41.7</b>	<b>(4.3)</b>	<b>6.1</b>	<b>-</b>	<b>(7.2)</b>	<b>(35.0)</b>	<b>26.6</b>	<b>326.3</b>
Gross	33.1	12.0	(40.6)	-	-	(0.9)	35.0	(3.2)	35.4
Impairment losses	(4.2)	-	-	-	-	0.2	-	4.0	-
<b>Current operating IFRS 16 financial assets</b>	<b>28.9</b>	<b>12.0</b>	<b>(40.6)</b>	<b>-</b>	<b>-</b>	<b>(0.7)</b>	<b>35.0</b>	<b>0.8</b>	<b>35.4</b>
<b>Non-current and current IFRS 16 operating financial assets</b>	<b>327.3</b>	<b>53.7</b>	<b>(44.9)</b>	<b>6.1</b>	<b>-</b>	<b>(7.9)</b>	<b>-</b>	<b>27.4</b>	<b>361.7</b>

## Note 7

## OPERATING ACTIVITIES

Concession liabilities

IFRIC 12 operating financial assets maturity schedule:

<i>(€ million)</i>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>	<b>More than 5 years</b>	<b>Total</b>
France	82.0	34.1	13.2	10.6	8.2	17.5	<b>165.6</b>
Europe excluding France	37.5	140.2	65.0	31.3	28.6	378.1	<b>680.7</b>
Rest of the world	17.9	24.3	25.4	30.3	16.4	48.6	<b>162.9</b>
Global businesses	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>137.4</b>	<b>198.6</b>	<b>103.6</b>	<b>72.2</b>	<b>53.2</b>	<b>444.2</b>	<b>1,009.2</b>

IFRS 16 operating financial assets maturity schedule:

<i>(€ million)</i>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>	<b>More than 5 years</b>	<b>Total</b>
France	-	-	-	-	-	-	-
Europe excluding France	22.8	72.4	8.5	6.6	6.0	17.4	<b>133.7</b>
Rest of the world	11.0	18.1	9.6	14.2	17.2	149.4	<b>219.5</b>
Global businesses	1.6	1.4	1.4	1.4	1.4	1.3	<b>8.5</b>
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>35.4</b>	<b>91.9</b>	<b>19.5</b>	<b>22.2</b>	<b>24.6</b>	<b>168.1</b>	<b>361.7</b>

Operating financial assets held by the Group in countries considered high-risk by the International Monetary Fund are not material in amount.

## 7.5 Concession liabilities

Concession liabilities result from the application of IFRIC 12 on the accounting treatment of concessions (see Note 7)).

Non-current and current concession liabilities in **2020** break down by operating segment as follows:

**OPERATING ACTIVITIES**

Contracts assets and liabilities

Note 7

	Non-current		Current		Total	
	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020
<i>(€ million)</i>						
France	61.8	<b>133.6</b>	14.8	<b>25.5</b>	76.6	<b>159.1</b>
Europe excluding France	1,344.2	<b>1,313.6</b>	110.1	<b>117.5</b>	1,454.3	<b>1,431.1</b>
Rest of the world	15.7	<b>12.7</b>	3.2	<b>2.5</b>	18.9	<b>15.2</b>
Global businesses	-	-	0.2	<b>0.1</b>	0.2	<b>0.1</b>
Other	-	-	-	-	-	-
<b>Concession liabilities</b>	<b>1,421.7</b>	<b>1,459.9</b>	<b>128.3</b>	<b>145.6</b>	<b>1,550.0</b>	<b>1,605.5</b>

## 7.6 Contracts assets and liabilities

Non-current and current contract assets represent services rendered by the Group but not yet billed, where the right to remuneration is conditional. These assets are mainly receivables recognized on a percentage completion basis in respect of construction activities, concession contracts including construction services or public or private service contracts including a construction component (concession or industrial BOT contract).

Non-current and current contract liabilities mainly reflect amounts already settled by customers for which the Group has not yet performed the service (deferred income, down payments received from customers). These liabilities are recognized in revenue when the Group performs the service.

Contract assets and liabilities break down as follows:

<i>(€ million)</i>	As of December 31			
	Contract assets		Contract liabilities	
	2019	2020	2019	2020
France	29.3	<b>27.9</b>	100.9	<b>149.3</b>
Europe excluding France	92.1	<b>88.9</b>	372.9	<b>375.2</b>
Rest of the world	110.5	<b>121.4</b>	348.1	<b>294.4</b>
Global businesses	405.8	<b>307.4</b>	230.3	<b>234.4</b>
Other	-	-	-	-
<b>Total</b>	<b>637.7</b>	<b>545.6</b>	<b>1,052.2</b>	<b>1,053.3</b>

Contract assets and liabilities are mainly included in Operating receivables, Non-current operating financial assets and Operating payables in the Consolidated Statement of Financial Position.

## 7.7 Management of supply risks

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As part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

Commodity risks are described in note 10.3.1.3.

## 7.8 Commitments relating to operating activities

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### 7.8.1 Commitments given

Commitments given relating to operating activities comprise operating guarantees and purchase commitments.

Operational or operating guarantees encompass all commitments not relating to the financing of operations, required in respect of contracts or markets and generally given in respect of the operations and activities of Group companies. Such guarantees include bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

The main categories of commitments include:

- Commitments related to site rehabilitation:

Pursuant to environmental texts and legislation concerning the operation of landfill sites, the Group is obliged to provide financial guarantees to local authorities/government agencies. These guarantees notably encompass the rehabilitation and supervision of the site during 30 years or more, depending on national legislation (currently 60 years in the United Kingdom), following its operation.

In this context, performance bonds and letters of credit are issued to local authorities and other public bodies.

Depending on the contract, these guarantees cover the costs necessary for the supervision and rehabilitation of all or part of the site.

These guarantees are quantified in accordance with legal or contractually-defined procedures. These guarantees, which are given in their total amount from the start of operations, expire at the end of the commitment (termination of rehabilitation work and site supervision).

Therefore, the amount of our commitment for the rehabilitation and supervision of landfill sites is in general different from the amount of the provision recorded in the Group accounts (see Note 12). Provisions calculated by the Group are based on different valuations (based on internal policies regarding site security and designed for optimal environmental protection), which take into account the progressive nature of the obligation: operation of the landfill sites results in progressive damage to the site and, as such, a related liability is recognized as the facility is operated (see Note 12).

If the amount of the commitment is less than the provision at the balance sheet date, an off-balance sheet commitment is not disclosed. Conversely, if the amount of the commitment is greater than the provision, an off-balance sheet commitment is disclosed in the amount not provided.

**OPERATING ACTIVITIES**

Commitments relating to operating activities

- Commitments related to engineering and construction activities:

In the context of its business activities the Group gives (and receives) commitments which can take several forms (deposits on construction works and performance guarantees). Issued in favor of customers or banking institutions, they are subject to individual follow-up by site and their maturity depends on their contractual characteristics.

- Commitments relating to concession arrangements:

Pursuant to public service contracts with a public entity, the Group may be called on/obliged to invest in infrastructures that will then be operated and remunerated in accordance with contractual terms and conditions.

The contractual commitment may concern both the financing of installations and infrastructures to be used in operations and also the maintenance and replacement of infrastructures necessary to operations.

Expenditure relating to the replacement or rehabilitation of installations is monitored and recognized through any timing differences between the total contractual commitment over the contract term and its realization, in accordance with IAS 37 on Provisions.

Expenditure relating to the construction, maintenance and restoration of concession assets is reviewed with respect to IFRIC 12 and detailed in Note 7.4.

- Firm commodity purchase and sale commitments:

As part of supply management and cost optimization, certain Group subsidiaries may be required, depending on their activities, to set-up derivatives to fix the cost of commodity supplies where the contracts do not offer appropriate protection or contract forward purchases or sales of commodities.

Commodity risks are described in Note 10.3.1.3.

Firm commodity purchase commitments, excluding derivatives, mainly concern:

- gas in Energy activities (mainly in Central Europe) and Water activities. Most commitments mature in less than 5 years;
- electricity in Energy activities (purchase commitments mature in less than three years due to poor liquidity in the electricity market for longer maturities);
- biomass and coal in Energy activities.

In parallel, firm electricity sales contracts, excluding derivatives, are entered into to secure selling prices over a period of less than 3 years. These commitments concern production activities exposed to the electricity wholesale market and primarily Waste activities in the UK (electricity produced by waste incineration) and Energy activities in Central Europe.

## Note 7

## OPERATING ACTIVITIES

Commitments relating to operating activities

Off-balance sheet commitments given break down as follows:

<i>(€ million)</i>	As of December 31, 2019	As of December 31, 2020	Maturing in		
			Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	8,272.0	7,826.6	3,769.3	2,050.8	2,006.5
Purchase commitments	205.4	189.6	122.1	51.1	16.4
<b>Total commitments relating to operating activities</b>	<b>8,477.4</b>	<b>8,016.2</b>	<b>3,891.4</b>	<b>2,101.9</b>	<b>2,022.9</b>

Commitments given break down by operating segment as follows:

<i>(€ million)</i>	As of December 31, 2019	As of December 31, 2020
France	276.7	<b>278.0</b>
Europe excluding France	1,598.4	<b>1,702.8</b>
Rest of the world	1,349.4	<b>1,213.6</b>
Global businesses	2,617.2	<b>2,220.9</b>
Other	2,635.7	<b>2,600.9</b>
<b>Total commitments relating to operating activities</b>	<b>8,477.4</b>	<b>8,016.2</b>

The decrease in commitments given between December 31, 2019 and December 31, 2020 (-€461.2 million) is mainly due to the fall in the number of VWT work sites, offset by the guarantee in Veolia Environnement regarding hazardous waste processing for €120 million (Ecospace project).

Total commitments given in respect of Veolia Water Technologies' activities amount to €1,808.0 million as of December 31, 2020, compared with €2,185.5 million as of December 31, 2019.

In addition to the commitments given quantified above, Veolia has also granted commitments of an unlimited amount in respect of completion or performance bonds and a waste construction and treatment contract in Hong Kong, in the Waste and Water businesses. This commitment, of an unlimited amount, is tied to the contract duration (37 months of construction and 15 years of operation) and has a residual duration of 8 years as of December 31, 2020.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

Commitments given in respect of joint ventures (at 100%) total €578.8 million as of December 31, 2020 compared with €619.7 million as of December 31, 2019 and mainly consist of performance bonds given to AI Wathba VB in the amount of €386.7 million for the construction of a wastewater treatment plant and to Glen Water Holding in the amount of €73.3 million for a water treatment facility.

**PERSONNEL COSTS AND EMPLOYEE BENEFITS**

Personnel costs and employee numbers

**7.8.2 Commitments received**

These commitments mainly consist of commitments received from our partners in respect of construction contracts.

They total €723.4 million as of December 31, 2020, compared with €683.6 million as of December 31, 2019.

Total commitments received in respect of Veolia Water Technologies activities amount to €111.3 million as of December 31, 2020, compared with €110.5 million as of December 31, 2019.

**NOTE 8****PERSONNEL COSTS AND EMPLOYEE BENEFITS****8.1 Personnel costs and employee numbers**

Personnel costs break down as follows:

<i>(€ million)</i>	<b>2019</b>	<b>2020</b>
Employee costs	(7,515.4)	(7,407.3)
Profit-sharing and incentive schemes	(126.3)	(116.5)
Share-based compensation (IFRS 2) (*)	(26.2)	(35.1)
<b>Personnel costs</b>	<b>(7,667.9)</b>	<b>(7,558.9)</b>

(\*) As disclosed in Note 8.2, share-based compensation concerns the Management Incentive Plan and the Employee Savings Plan.

Average consolidated employees\* break down as follows:

<b>By operating segment</b>	<b>2019</b>	<b>2020</b>
France	30,497	30,380
Europe excluding France	58,383	60,688
Rest of the world	58,382	61,848
Global businesses	28,912	27,003
Other	1,847	1,595
<b>Consolidated employees (*)</b>	<b>178,021</b>	<b>181,514</b>

<b>By company</b>	<b>2019</b>	<b>2020</b>
Fully-consolidated companies	177,921	181,414
Joint operations	100	100
<b>Consolidated employees (*)</b>	<b>178,021</b>	<b>181,514</b>

(\*) Consolidated employees, excluding employees of equity-accounted subsidiaries.

## 8.2 Share-based compensation

### 8.2.1 Accounting policies

Pursuant to IFRS 2, Share-based Payment, an expense is recorded in respect of share purchase or subscription plans and other share-based compensation granted by the Group to its employees. When the plans are equity-settled, the fair value of instruments is determined at the grant date and the fair value of the plan is expensed in the Consolidated Income Statement and recognized directly in equity over the period in which the benefit vests and the service is rendered.

For share grant plans, the fair value of instruments is calculated based on the share price at the grant date and the expected dividend yield. Where beneficiaries are required to hold shares beyond the vesting period, the expense includes a discount for non-transferability.

With regard to Group Savings Plans (GSP), the Veolia Group applies CNC recommendations (press release of December 21, 2004 on Company Savings Plans and supplement of February 2, 2007). The GSP compensation expense corresponds to the discount and the Company's contribution to subscribers. It also takes account of the requirement to hold shares for five years.

The discount for non-transferability is calculated as the difference in value between a forward sale of shares at the end of the lock-in period and the spot purchase of the same number of shares, financed by a loan.

### 8.2.2 Share-based compensation expense

The share-based compensation expense breaks down as follows:

<i>(€ million)</i>	<b>2019</b>	<b>2020</b>
Employee savings plan	10.0	29.0
2018 Performance share grant plan	9.5	4.5
2019 Performance share grant plan	2.8	0.7
2020 Performance share grant plan	-	0.9
2018 Free share grant plan	3.9	-
<b>Total including social security costs</b>	<b>26.2</b>	<b>35.1</b>

#### 8.2.2.1 2020 EMPLOYEE SAVINGS PLANS

Veolia Environnement regularly sets up, through Group Savings Plans (GSP), in France and internationally, standard and leveraged savings plans which enable a large number of employees of Veolia Environnement and its subsidiaries to subscribe for Veolia Environnement shares. Shares subscribed by employees under these plans are subject to certain restrictions regarding their sale or transfer.

In 2020, Veolia proposed a new Group employee share ownership transaction, rolled-out across 31 countries.

**PERSONNEL COSTS AND EMPLOYEE BENEFITS**

Share-based compensation

Under this transaction, shares were subscribed with a 20% discount on the average closing price of the share during the 20 trading days preceding the date the subscription price was set by the Chairman and Chief Executive Officer. The subscription price was set at €13.89.

Under the so-called secure format, employees benefit from:

- a gross contribution from the Group equal to 100% of the employee's investment up to a maximum of €300;
- a leveraged system supplementing their personal investment in the event of an increase in the share price.

This personal investment and the net contribution from the Group are guaranteed in the event of a fall in the share price and receive a guaranteed minimum return. In certain countries, in order to adapt to local legislation, a Share Appreciation Rights plan is offered.

A financial institution is appointed by Veolia to hedge the transaction.

In the United Kingdom, a Share Incentive Plan (SIP) was offered as an alternative to the standard plan, enabling employees to subscribe at the lower of the share price on November 1, 2020 and the share price on April 19, 2021, while benefiting from a contribution from the Group capped at GBP 250. This plan is still ongoing as of December 31, 2020.

On December 17, 2020, Veolia Environnement issued 11,344,823 new shares under the Group Savings Plan, representing a share capital increase of €157.6 million (see Note 11.2).

In 2020, an expense of €29.0 million is recorded in operating income.

**8.2.2.2 2020 PERFORMANCE SHARE GRANT PLANS**

In 2020, the Group granted 1,109,400 performance shares (PS) to executives and employees of the Group, subject to the beneficiary's presence in the Group on May 5, 2023 and performance conditions based on the following criteria:

- financial criteria (average increase in Current net income attributable to owners of the Company and relative performance of the total shareholder return (TSR) of the Veolia Environnement share compared with the Stoxx 600 Utilities (Price) SX6P index);
- quantifiable non-financial criteria relating to the Company's Purpose.

Taking account of these characteristics and market conditions at the plan implementation date, the fair value of the instruments was estimated at €13.59.

The performance and presence conditions are taken into account in estimating the compensation expense.

An expense of €0.9 million is recorded in operating income in 2020.

**8.2.2.3 PLANS IMPLEMENTED BEFORE 2020**

Veolia implemented the following plans in previous years:

- **2019 Employee Savings Plans:** In 2019, Veolia proposed a new Group employee share ownership transaction, rolled-out across 30 countries. This plan expired on December 31, 2019 and therefore had no impact on the Group financial statements in 2020.

**PERSONNEL COSTS AND EMPLOYEE BENEFITS**

Pension plans and other post-employment benefits

- **2018 and 2018 Performance Share Grant Plans:** the Group set-up performance share grant plans (PSP) in 2018 and 2019 subject to the beneficiary's presence in the Group at the vesting date on May 2, 2021 and April 30, 2022, respectively, and performance conditions. An expense of €5.2 million is recorded in operating income in 2020 in respect of these two plans. It includes the modification to the 2018 plan in the first half of 2020.

### 8.3 Pension plans and other post-employment benefits

The following disclosures relate to the pension plans offered by fully consolidated entities.

#### 8.3.1 Accounting policies

Veolia Environnement and its subsidiaries have several pension plans.

**Defined contribution plans:** plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments.

These obligations are expensed in the Consolidated Income Statement when due.

**Defined benefit plans:** all plans which do not meet the definition of a defined contribution plan. The net obligations of each Group entity are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. The amount of the obligation is discounted to present value and the fair value of plan assets is deducted.

Where the calculation shows a plan surplus, the asset recognized is capped at the total of the discounted present value of profits, in the form of future repayments or reductions in plan contributions. The plan surplus is recognized in non-current financial assets.

Certain obligations of the Group or Group entities may enjoy a right to reimbursement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. This right to reimbursement is recognized in non-current financial assets.

The financing of defined benefit pension plans may lead the Group to make voluntary contributions to pension funds. Where applicable, these voluntary contributions are presented in Net cash from operating activities in the Consolidated Cash Flow Statement, in the same way as other employer contributions.

Employee obligations of the Group are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with companies in the Group until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary area. They are determined based on the yield offered by bonds issued by leading companies (rated AA) or treasury bonds where the market is not liquid, with maturities equivalent to the average term of the plans valued in the relevant region. This results in the recognition of pension-related assets or provisions in the Consolidated Statement of Financial Position and the recognition of the related net expenses.

Pursuant to IAS 19, Employee Benefits, actuarial gains and losses are recognized in other comprehensive income.

**PERSONNEL COSTS AND EMPLOYEE BENEFITS**

Pension plans and other post-employment benefits

**8.3.2 Description of plans**

In accordance with the regulatory environment and collective agreements, the Group has established defined benefit and defined contribution pension plans (companies or multi-employer) in favor of employees and other post-employment benefits.

**DEFINED CONTRIBUTION PLANS**

Supplemental pension defined contribution plans have been set up in certain subsidiaries. Expenses incurred by the Group under these plans totaled €98.1 million in 2020 and €96.6 million in 2019.

**DEFINED BENEFIT PLANS**

The tables in Note 8.3.3 present the obligations in respect of defined benefit pension plans and other post-employment benefits.

The measurement of these obligations is reflected by the DBO (Defined Benefit Obligation). These future outflow commitments may be partially or fully funded ("plan assets").

The most significant obligations are located in the United Kingdom and France.

***United Kingdom***

The defined benefit obligation in the United Kingdom is €1,155.0 million as of December 31, 2020 (compared with €1,177.7 million as of December 31, 2019) and is funded by plan assets of €1,195.0 million at this date (compared with €1,189.4 million as of December 31, 2019). The increase in the defined benefit obligation is presented in the table below in Note 8.3.3.

The average duration of these plans is approximately 17 years.

In the United Kingdom, defined benefit pension plans are mainly final salary plans. Most of these plans are closed to new employees and the majority are also closed to the accrual of new rights. These plans are financed by employer contributions, or even employee contributions, paid to an independent pension fund (managed by a Trustee). Local regulations ensure the independence of the pension funds, which has nine members (including five employer representatives, three representatives of active and retired employees and one independent member).

Plan rules authorize the employer to recover excess funds paid at the end of the plans.

These plans allow retirees to take part of the benefit as a lump-sum and the balance as a pension. In the case of a pension, the related risk is tied to the longevity of beneficiaries.

***France***

In France, the defined benefit obligation for all plans totaled €485.4 million as of December 31, 2020 (€464.2 million as of December 31, 2019) and is funded by plan assets of €78.3 million at this date (€80.6 million as of December 31, 2019). The increase in the defined benefit obligation is presented in the table below in Note 8.3.3.

Nearly 87% of the obligation relates to retirement indemnities (legally required payments) paid in a lump sum. These indemnities represent a number of months' salary based on seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee's retirement. A portion of these obligations is covered by insurance contracts, but this funding is at the discretion of the employer. The average duration of these plans is approximately 12 years.

**PERSONNEL COSTS AND EMPLOYEE BENEFITS**

Pension plans and other post-employment benefits

The risk associated with this type of plan is linked to the renegotiation of collective bargaining agreements which could generate adjustments to the indemnities granted.

**MULTI-EMPLOYER PLANS**

Under collective agreements, some Group companies participate in multi-employer defined benefit pension plans. However, these plans are unable to provide a consistent and reliable basis for the allocation of the obligation, assets and costs between the different participating entities. They are therefore recorded as defined contribution plans in accordance with IAS 19. The multi-employer plans concern approximately 4,000 employees in 2020 and are mainly located in Germany, where such plans are generally funded by redistribution and in the United States.

The corresponding expense recorded in the Consolidated Income Statement is equal to annual contributions and totals €12.9 million in 2020 compared with €8.3 million in 2019.

**8.3.3 Obligations in respect of defined benefit pension plans and other post-employment benefits****8.3.3.1 ACTUARIAL ASSUMPTIONS**

Actuarial assumptions used for calculation purposes vary depending on the country in which the plan is implemented.

The benefit obligation in respect of pension plans and post-employment benefits is based on the following average assumptions:

	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
<b>Discount rate</b>	<b>1.57%</b>	<b>1.22%</b>
<i>United Kingdom</i>	<i>2.05%</i>	<i>1.45%</i>
<i>Euro zone</i>	<i>0.85%</i>	<i>0.65%</i>
<b>Inflation rate</b>	<b>2.25%</b>	<b>2.27%</b>
<i>United Kingdom (RPI/CPI)</i>	<i>2.90% / 1.90%</i>	<i>2.85% / 2.05%</i>
<i>Euro zone</i>	<i>1.50%</i>	<i>1.50%</i>

**PERSONNEL COSTS AND EMPLOYEE BENEFITS**

Pension plans and other post-employment benefits

**8.3.3.2 CHANGE IN THE DEFINED BENEFIT OBLIGATION (DBO)**

	As of December 31							
	United Kingdom		France		Other countries		TOTAL	
	2019	2020	2019	2020	2019	2020	2019	2020
<b>Change in the DBO</b> <i>(€ million)</i>								
<b>Defined Benefit Obligation at beginning of year</b>	<b>1,019.2</b>	<b>1,177.7</b>	<b>413.2</b>	<b>464.2</b>	<b>473.0</b>	<b>496.6</b>	<b>1,905.4</b>	<b>2,138.5</b>
Current service cost	2.6	2.8	20.1	24.2	22.4	18.5	45.1	45.5
Plan amendments or new plans (contract wins)	0.3	-	0.5	7.0	(1.5)	(0.7)	(0.7)	6.3
Curtailments and settlements	18.5	(5.5)	(1.2)	(5.4)	(9.4)	(144.7)	7.9	(155.6)
Interest cost	29.1	22.4	6.7	3.5	8.9	5.3	44.7	31.2
Actuarial (gains) losses	98.7	60.8	43.0	12.8	50.7	8	192.4	81.6
<i>o/w actuarial (gains) losses arising from experience adjustments</i>	<i>(3.3)</i>	<i>(3.2)</i>	<i>(4.0)</i>	<i>3.7</i>	<i>2.6</i>	<i>3.6</i>	<i>(4.7)</i>	<i>4.1</i>
<i>o/w actuarial (gains) losses arising from changes in demographic assumptions</i>	<i>(21.8)</i>	<i>(7.6)</i>	<i>0.7</i>	<i>0.3</i>	<i>1.9</i>	<i>(1.2)</i>	<i>(19.2)</i>	<i>(8.5)</i>
<i>o/w actuarial (gains) losses arising from changes in financial assumptions</i>	<i>123.8</i>	<i>71.6</i>	<i>46.3</i>	<i>8.8</i>	<i>46.2</i>	<i>5.6</i>	<i>216.3</i>	<i>86.0</i>
Plan participants' contributions	0.3	0.3	-	0.0	1.5	0.9	1.8	1.2
Benefits paid	(40.5)	(39.4)	(17.6)	(17.8)	(30.9)	(19.1)	(89.0)	(76.3)
Benefit obligations assumed on acquisition of subsidiaries	-	-	1.3	0.4	0.9	4.3	2.2	4.7
Benefit obligations transferred on divestiture of subsidiaries	-	-	(1.3)	(4.0)	(9.9)	(0.6)	(11.2)	(4.6)
Foreign exchange translation	55.4	(63.9)	-	0.0	8.7	(8.2)	64.1	(72.1)
Other	(5.9)	(0.2)	(0.5)	0.5	(17.8)	0.9	(24.2)	1.2
<b>(a) Defined Benefit Obligation at end of year</b>	<b>1,177.7</b>	<b>1,155.0</b>	<b>464.2</b>	<b>485.4</b>	<b>496.6</b>	<b>361.2</b>	<b>2,138.5</b>	<b>2,001.6</b>

**8.3.3.3 SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION AND THE CURRENT SERVICE COST**

The Group defined benefit obligation is especially sensitive to discount and inflation rates.

A 1% increase in the discount rate would decrease the defined benefit obligation by approximately €262 million and the current service cost of the next year by €6 million. A 1% decrease in the discount rate would increase the defined benefit obligation by €308 million and the current service cost of the next year by €7 million.

Conversely, a 1% increase in the inflation rate would increase the defined benefit obligation by approximately €224 million and the current service cost by €6 million. A 1% decrease in the inflation rate would decrease the defined benefit obligation by €198 million and the current service cost by €5 million.

### 8.3.4 Change in the funding status of post-employment benefit obligations and the provision

	United Kingdom		France		Other countries		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
<i>(€ million)</i>								
(a) Defined Benefit Obligation at end of year	1,177.7	1,155.0	464.2	485.4	496.6	361.2	2,138.5	2,001.6
(b) Fair value of plan assets at end of year	1,189.4	1,195.0	80.6	78.3	206.2	91.1	1,476.2	1,364.4
<b>Funding status = (b) – (a)</b>	<b>11.7</b>	<b>40.0</b>	<b>(383.6)</b>	<b>(407.1)</b>	<b>(290.4)</b>	<b>(270.1)</b>	<b>(662.3)</b>	<b>(637.2)</b>
Provisions	(18.3)	(13.6)	(383.8)	(407.1)	(290.9)	(270.8)	(693.0)	(691.5)
Prepaid benefits (regimes with a funding surplus)	30.0	53.6	0.2	0.0	0.5	0.7	30.7	54.3

Provisions for post-employment benefits total €691.5 million, compared with €693.0 million in 2019.

### 8.3.5 Change in plan assets

The following table presents plan assets funding obligations in respect of defined benefit pension plans and other post-employment benefits.

**PERSONNEL COSTS AND EMPLOYEE BENEFITS**

Pension plans and other post-employment benefits

	As of December 31							
	United Kingdom		France		Other countries		TOTAL	
	2019	2020	2019	2020	2019	2020	2019	2020
<b>Change in plan assets</b> <i>(€ million)</i>								
<b>Fair value of plan assets at beginning of year</b>	<b>990.6</b>	<b>1,189.4</b>	<b>82.0</b>	<b>80.6</b>	<b>205.5</b>	<b>206.2</b>	<b>1,278.1</b>	<b>1,476.2</b>
Actual return on plan assets	145.3	95.0	2.3	1.7	26.3	1.1	173.9	97.8
<i>o/w interest income</i>	29.0	23.1	1.5	0.7	3.0	1.2	33.5	25.0
<i>o/w return on plan assets excluding amounts included in interest income</i>	116.3	71.9	0.8	1	23.3	(0.1)	140.4	72.8
Employer contributions	20.9	19.9	0.2	0.3	7.6	6	28.7	26.2
Plan participants' contributions	0.3	0.3	-	0	1.5	0.9	1.8	1.2
Plan assets assumed on acquisition of subsidiaries	-	-	-	0	-	2.1	-	2.1
Plan assets transferred on divestiture of subsidiaries	-	-	-	0	(2.2)	0	(2.2)	-
Settlements	17.2	(5.5)	-	0	(0.5)	(120.1)	16.7	(125.6)
Benefits paid	(40.3)	(39.3)	(3.8)	(4)	(18.7)	(4.8)	(62.8)	(48.1)
Administrative expenses paid by the fund	-	-	-	0	(0.2)	(0.2)	(0.2)	(0.2)
Foreign exchange translation	55.4	(64.6)	-	0	5.4	0.6	60.8	(64.0)
Other	-	(0.2)	(0.1)	(0.3)	(18.5)	(0.7)	(18.6)	(1.2)
<b>(b) Fair value of plan assets at end of year</b>	<b>1,189.4</b>	<b>1,195.0</b>	<b>80.6</b>	<b>78.3</b>	<b>206.2</b>	<b>91.1</b>	<b>1,476.2</b>	<b>1,364.4</b>

**Significant events**

In Switzerland, the Group transferred pensions to a collective foundation retaining no obligation to make additional payments. This transfer was recorded as a settlement with a reduction in the defined benefit obligation (-€123.7 million) and the corresponding assets (-€115.0 million).

**Investment policy**

**In the United Kingdom**, the investment policy is defined by the pension fund. Funding levels and the contribution payment schedule are negotiated by the employer and the Trustee, based on triennial actuarial valuations. Contributions include both the funding of the shortfall in relation to past rights and service costs for future years.

United Kingdom pension funds aim to attain 100% technical coverage of liabilities within 10 years, while maintaining a risk level considered as acceptable by all parties (Trustees and employers). In order to achieve that goal, plan assets are allocated within two portfolios:

- a Liability Driven Investment portfolio (where flows best match liabilities and the value fluctuates in line with the liability value). This portfolio mainly includes inflation-linked bonds issued or guaranteed by the UK government and derivatives with leading banking counterparties, with which collateralization contracts have been signed in order to minimize counterparty risk;

- a portfolio of growth assets invested in a diverse range of asset classes (equities, bonds, diversified funds, etc.) and seeking to outperform the liabilities. Portfolio management was delegated to an external manager in January 2017.

A hedging policy covering some financial risks (particularly foreign exchange, inflation and interest rate) was implemented, in order to reduce the fund's exposure to these risks and therefore reduce the risk of increased contributions. These hedges were implemented using derivatives (currency forwards, total return swaps on gilts, interest rate swaps, etc.).

**In France**, the Group's assets are placed primarily with insurance companies and invested in the general insurance fund. The French General Insurance Code (*Code général des assurances*) requires insurance companies to provide a minimum rate of return on these funds, calculated primarily based on the rate offered by government bonds.

For the entire Group, the actual rate of return on plan assets reflects market performance based on the asset investment profiles. In 2020, assets were mainly impacted by the good performance of assets in the United Kingdom (+€95.0 million) and the plan settlement in Switzerland following the transfer of retired employees to a collective foundation (-€115.0 million), with the Group not retaining any obligation to make additional payments.

The Group plans to make contributions of €14.1 million to defined benefit plans in 2021, compared with €26.2 million in 2020. The decrease in expected contributions is mainly due to agreements signed with the Trustees in the United Kingdom in 2020, reducing the required contributions for the 2021-2023 three-year period.

### **Investment and return on assets**

On average, Group pension plan assets were invested as follows:

	<b>2019</b>	<b>2020</b>
<b>Unquoted assets</b>	<b>10.6%</b>	<b>12.0%</b>
Liquid unquoted assets - Investment funds (general insurance fund)	7.6%	8.2%
Non-liquid unquoted assets - Investment funds (*)	2.3%	2.3%
Unquoted assets - Other	0.7%	1.5%
<b>Quoted assets (liquid)</b>	<b>86.8%</b>	<b>85.5%</b>
Government bonds (**)	29.5%	20.6%
Corporate bonds	5.6%	1.1%
Shares	1.6%	3.2%
Diversified Investment funds	48.7%	60.0%
Liquid quoted assets - Other	1.4%	0.5%
<b>Liquid assets</b>	<b>2.6%</b>	<b>2.6%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>

(\*) The line "Non-liquid unquoted assets - Investment funds" consists of funds without guaranteed monthly liquidity (e.g. real estate funds, infrastructure funds).

(\*\*) The portion of government bonds from high-risk countries is not material.

**PERSONNEL COSTS AND EMPLOYEE BENEFITS**

Compensation and related benefits of key management (related parties)

**8.3.6 Impact on comprehensive income**

The net benefit cost breaks down as follows:

<i>(€ million)</i>	Year ended December 31							
	United Kingdom		France		Other countries		TOTAL	
	2019	2020	2019	2020	2019	2020	2019	2020
Service cost	4.2	2.8	19.0	25.8	12.1	(6.8)	35.3	21.8
<i>o/w Current service cost</i>	2.6	2.8	20.1	24.2	22.4	18.5	45.1	45.5
<i>o/w Past service cost</i>	1.6	0	(1.1)	1.6	(10.3)	(25.3)	(9.8)	(23.7)
Net interest expense	0.1	(0.7)	5.2	2.8	5.9	4.1	11.2	6.2
<i>o/w Interest cost</i>	29.1	22.4	6.7	3.5	8.9	5.3	44.7	31.2
<i>o/w Interest income on plan assets</i>	(29.0)	(23.1)	(1.5)	(0.7)	(3.0)	(1.2)	(33.5)	(25.0)
Interest income on right to reimbursement	-	-	-	-	-	-	-	-
Administrative expenses paid by the fund	-	-	-	-	0.2	0.2	0.2	0.2
Other	0.1	-	-	(0.1)	-	(0.6)	0.1	(0.7)
<b>Net benefit cost recognized in the Consolidated Income Statement</b>	<b>4.4</b>	<b>2.1</b>	<b>24.2</b>	<b>28.5</b>	<b>18.2</b>	<b>(3.1)</b>	<b>46.8</b>	<b>27.5</b>
Return on plan assets excluding amounts included in interest income	(116.3)	(71.9)	(0.8)	(1.0)	(23.3)	0.1	(140.4)	(72.8)
Actuarial (gains) losses arising from experience adjustments	(3.3)	(3.2)	(4.0)	3.7	2.6	3.6	(4.7)	4.1
Actuarial (gains) losses arising from changes in demographic assumptions	(21.8)	(7.6)	0.7	0.3	1.9	(1.2)	(19.2)	(8.5)
Actuarial (gains) losses arising from changes in financial assumptions	123.8	71.6	46.3	8.8	46.2	5.6	216.3	86.0
<b>Net benefit cost recognized in other comprehensive income</b>	<b>(17.6)</b>	<b>(11.1)</b>	<b>42.2</b>	<b>11.8</b>	<b>27.4</b>	<b>8.1</b>	<b>52.0</b>	<b>8.8</b>
<b>Net benefit cost recognized in total comprehensive income</b>	<b>(13.2)</b>	<b>(9.0)</b>	<b>66.4</b>	<b>40.3</b>	<b>45.6</b>	<b>5.0</b>	<b>98.8</b>	<b>36.3</b>

The costs in the Consolidated Income Statement are recorded in operating income, except for the net interest expense, recorded in net finance costs.

**8.4 Compensation and related benefits of key management (related parties)**

Group Executive Committee members and directors represent the key management personnel of the Group.

The following table summarizes amounts paid by the Group in respect of compensation and other benefits granted to members of the Company Executive Committee.

Short-term benefits include fixed and variable compensation, employee benefits and directors' fees. Variable compensation comprises amounts paid in a given fiscal year in respect of previous fiscal years.

<i>(€ million)</i>	Year ended December 31, 2019	Year ended December 31, 2020
Short-term benefits, excluding employer contributions	9.5	9.7
Employer contributions	3.6	3.8
Post-employment benefits <sup>(a)</sup>	0.1	0.1
Other long-term benefits <sup>(b)</sup>	-	-
Share-based payments	1.0	0.5
Other items	-	-
<b>Total</b>	<b>14.2</b>	<b>14.1</b>

(a) Current service cost.

(b) Other compensation vested but payable in the long-term.

As of December 31, **2020**, total pension and post-employment benefits obligations in respect of members of the Executive Committee amount to €4.7 million, compared with €4.2 million as of December 31, 2019.

With the exception of the Chairman and Chief Executive Officer, the members of the Board of Directors receive no compensation other than directors' fees from the Company and, if applicable, from controlled companies. The total gross amount of compensation (before withholding tax) paid by the Company and controlled companies to directors and the non-voting members was €969,538 in **2020**.

## NOTE 9

## GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

### 9.1 Goodwill

#### 9.1.1 Movements in goodwill

Goodwill breaks down as follows:

<i>(€ million)</i>	As of December 31, 2019	As of December 31, 2020
Gross	6,042.3	6,831.6
Accumulated impairment losses	(914.3)	(942.7)
<b>Net</b>	<b>5,128.0</b>	<b>5,888.9</b>

#### 9.1.1.1 MAIN GOODWILL BALANCES BY CASH-GENERATING UNIT

A Cash-Generating Unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units or each of the groups of cash-generating units that are expected to benefit from the business combination, referred to hereafter as "goodwill CGUs".

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Goodwill

Given the Group's activities, the goodwill CGUs are below operating segments in the organizational structure and generally represent a country or group of countries.

The Group has 24 goodwill CGUs as of December 31, 2020, including nine with allocated goodwill in excess of €200 million, presented below.

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
Czech Republic and Slovakia	615.0	1,037.9
Water France	902.4	902.4
British Isles	801.4	762.8
Germany	383.1	383.4
North America	197.5	355.3
Hazardous Waste	364.1	340.8
France Waste	331.2	334.3
VWT	275.1	270.8
Poland	253.5	236.6
<b>Goodwill balances &gt; €200 million as of December 31, 2020</b>	<b>4,123.3</b>	<b>4,624.3</b>
Other goodwill balances < €200 million	1,004.7	1,264.6
<b>Total goodwill</b>	<b>5,128.0</b>	<b>5,888.9</b>

Goodwill balances of less than €200 million break down by operating segment as follows:

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
France	-	-
Europe excluding France	280.6	534.0
Rest of the world	603.1	620.1
Global businesses	118.4	108.0
Other	2.6	2.5
<b>Total</b>	<b>1,004.7</b>	<b>1,264.6</b>

As of December 31, 2020, accumulated impairment losses total -€942.7 million and mainly concern goodwill of the Germany (-€493.0) and Poland (-€92.9 million) cash-generating units.

**9.1.1.2 MOVEMENTS IN THE NET CARRYING AMOUNT OF GOODWILL**

Movements in the net carrying amount of goodwill during **2020** are as follows:

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

## Goodwill

(€ million)	As of December 31, 2019	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other movements	As of December 31, 2020
France	1,233.5	3.1	-	-	-	-	<b>1,236.6</b>
Europe excluding France	2,333.6	687.8	(80.1)	-	-	13.4	<b>2,954.7</b>
Rest of the world	800.0	298.0	(85.4)	(44.1)	-	6.9	<b>975.4</b>
Global businesses	757.7	(5.0)	(32.6)	-	-	(0.4)	<b>719.7</b>
Other	3.2	-	-	-	-	(0.7)	<b>2.5</b>
<b>Total Goodwill</b>	<b>5,128.0</b>	<b>983.9</b>	<b>(198.1)</b>	<b>(44.1)</b>	<b>-</b>	<b>19.2</b>	<b>5,888.9</b>

The main movements in Group goodwill **during 2020** were primarily due to:

- **changes in consolidation scope** in the amount of -€983.9 million, including:
  - provisional goodwill of €687.8 million in Europe excluding France, relating notably to the acquisition of PT in the Czech Republic (€429.3 million) BERT in Hungary (€127.9 million) and MAG in Russia (€111.7 million),
  - goodwill of €298.0 million in the Rest of the world, relating notably to the acquisition of Elemental Environmental Solutions (Alcoa) in the United States (€194.8 million);
- **impairment losses** of -€44.1 million in respect of Latin America - Mexico;
- **foreign exchange translation** gains and losses of -€198.1 million, mainly due to fluctuations in the US dollar (-€63.6 million), the pound sterling (-€43.3 million) and the Polish zloty (-€16.9 million) against the euro.

### 9.1.2 Impairment tests

Veolia performs systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life. More frequent tests are performed where there is indication that the cash-generating unit may have suffered a loss in value.

Changes in the general economic and financial context, worsening of local economic environments, or changes in the Group's economic performance or stock market capitalization represent, in particular, external indicators of impairment that are analyzed by the Group to determine whether it is appropriate to perform more frequent impairment tests.

Impairment testing was performed on all cash-generating units as of December 31, 2020.

Goodwill impairment is recognized in operating income and is definitive.

### KEY ASSUMPTIONS UNDERLYING THE DETERMINATION OF RECOVERABLE AMOUNTS

The need to recognize an impairment is assessed by comparing the net carrying amount of the assets and liabilities of the CGU or group of CGUs with their recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

*Fair value less costs to sell* is determined based on available information enabling the best estimate of the amount obtainable from the sale of the cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Goodwill

The *value in use* determined by the Group is generally equal to the present value of the future cash flows expected to be derived from the CGU or group of CGUs, taking account of their residual value and based on the following:

- cash flow projections are taken from the Long-Term Plan prepared each year and reflect changes in volumes, prices, direct costs and investment in the period, determined based on contracts and activities and in line with past data and expected changes over the period covered by the Long-Term Plan. In the context of the current health crisis, the cash flows used in impairment tests were prepared taking account of the performance of cash-generating units in the second half of 2020 and expectations for 2021. The cash flows adopted, in line with the financial performance of the Group's cash generating units in the second half of the year, confirm the resilience of activities and a one-year lag in financial objectives in the 2021 base plan. Among the main assumptions, the timing of a return to normal activities in 2021 remains a major area of judgment determined individually cash-generating unit per cash generating unit with local management;
- this plan covers the year in progress and the next six years. This period is representative of the average duration of the Group's long-term contract portfolio and its short-term activities;
- terminal values are calculated based on discounted forecast flows for the last year of the long-term plan (2026). These flows are determined for each CGU or group of CGUs based on a perpetual growth rate which takes account of factors such as inflation;
- these terminal values are calculated based on discount rates and perpetual growth rates reflecting the country or the geographic area of the cash-generating unit;
- a discount rate (weighted average cost of capital) is determined for each asset, cash-generating unit or group of cash-generating units: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks (see Note 2). A risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro zone and the following euro zone countries: Spain, Italy, Portugal. The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the CGU or group of CGUs is exposed, with the other risks reflected in the expected future cash flows from the assets. These rates were updated by an independent expert in the second half of 2020. This update included, where applicable and by geography, a specific risk relating to the health crisis;
- investments included in forecast future cash flows are those investments that enable the level of economic benefits expected to arise from the assets to be maintained in their current condition. Restructuring plans to which the Group is not committed are not included in forecast cash flows used to determine values in use.

Changes in the economic and financial context, as well as changes in the competitive or regulatory environment may impact estimates of recoverable amounts, as may unforeseen changes in the political, economic or legal systems of certain countries.

The assumptions underlying the impairment tests on Group cash-generating units with material goodwill balances are as follows:

<b>Geographic area</b>	<b>Recoverable amount determination method</b>	<b>Discount rate</b>	<b>Perpetual growth rate</b>
France	Value in use	5.2%	1.6%
British Isles	Value in use	5.6%	2.0%
Germany	Value in use	5.2%	1.9%
Czech Republic and Slovakia	Value in use	6.2%	1.9%
Poland	Value in use	6.3%	2.8%
North America	Value in use	6.0%	2.3%

### 9.1.2.1 IMPAIRMENT TEST RESULTS

The health crisis relating to the Covid-19 pandemic and its consequences on the economy in the first half of the year, led the Group to conduct more in-depth impairment tests on its assets and particularly goodwill. This involved a specific exercise to identify cash-generating units at risk: an in-depth review of cash flow projections, limited to these sensitive CGUs or CGUs materially affected by the crisis, was conducted at the half year end. Following these procedures, the Group impaired the Mexico goodwill in full (CGU already identified as sensitive at the December 31, 2019 closing), in the amount of €44.1 million during the fiscal year.

As of December 31, 2020, no additional impairment was recognized following impairment testing of all Group cash-generating units.

### 9.1.2.2 SENSITIVITY OF RECOVERABLE AMOUNTS

Recoverable amounts determined for impairment testing purposes were tested for their sensitivity to a 1% increase in discount rates, a 1% decrease in perpetual growth rates and a 5% decrease in operating cash flows.

The changes in operating cash flows taken into account for the purpose of these sensitivity tests include EBITDA, less investments net of divestitures, plus changes in working capital. They also include the impact of Efficiency and Convergence plans launched by each cash-generating unit at the date of preparation of the Long-Term Plan.

These assumptions are considered reasonable given the Group's activities and the geographic areas of its operations.

For a certain number of cash-generating units, these tests lead to the identification of recoverable amounts lower than the net carrying amount of the cash-generating unit, adjusted where appropriate for impairments recognized during the period:

<b>Cash-generating unit</b>	<b>Net carrying amount at 100%</b>	<b>Difference between the recoverable amount and the net carrying amount</b>				
		<b>o/w goodwill (*)</b>	<b>As of December 31, 2020</b>	<b>With an increase in the discount rate (1%)</b>	<b>With a decrease in the perpetual growth rate (1%)</b>	<b>With a decrease in operating cash flows (5%)</b>
Germany	1,468.2	383.4	301.7	(152.0)	(97.6)	211.0

As of December 31, 2020, the recoverable amount of the Poland CGU remains higher than its net carrying amount. The cash-generating unit nonetheless continues to be monitored with regard to its dependence on the realization of several operating assumptions, such as commercial wins, tariff rises and the implementation of its production asset decarbonization program.

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Intangible assets

The Group impaired in full the goodwill relating to the Mexico cash-generating unit in 2020, with the country heavily impacted by the health crisis. The progressive recovery in activity and the stabilization of invoicing and debt recovery conditions in the fourth quarter confirm the absence of any additional evidence of impairment as of December 31, 2020. Management nonetheless continues to closely monitor changes in performance and the conditions of contract renewal.

The performance of the Latin America cash-generating unit fell during the year, notably due to high exposure to bad debts and activity slowdown linked to the health crisis. The sensitivity tests performed at the year-end did not identify any sensitivity. Nonetheless, the CGU continues to be monitored and management is closely watching the expected improvement in operating performance in 2021 and the conditions of upcoming contract renewals.

The Czech Republic-Slovakia cash-generating unit is no longer sensitive to changes in macro-economic and operational assumptions. However, it continues to be closely monitored due to the ambitions of the transformation plan and the integration of the Prague Right Bank recent acquisition.

## 9.2 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They mainly consist of certain assets recognized in respect of concession arrangements (IFRIC 12).

Intangible assets purchased separately are initially measured at cost in accordance with IAS 38. Intangible assets acquired through business combinations are recognized at fair value separately from goodwill. Subsequently, intangible assets are measured at cost less accumulated amortization and impairment losses. They are tested for impairment where there is indication of loss in value (non-performance of a significant long-term contract under the terms laid down in the contract, technical operating issues).

### 9.2.1 Concession intangible assets

Concession intangible assets correspond to the right of the concession holder to bill users of a public service in return for construction services provided by it to the concession grantor under public service contracts in accordance with IFRIC 12, Service Concession arrangements.

This concession holder right is equal to the fair value of the construction of the concession infrastructure plus borrowings costs recognized during the construction period. It is amortized over the contract term in accordance with an appropriate method reflecting the rate of consumption of the concession asset's economic benefits as from the date the infrastructure is brought into service.

Investment grants received in respect of concession arrangements are generally definitively earned and, therefore, are not repayable. In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets and reduce the amortization charge in respect of the concession intangible asset over the residual term of the concession arrangement.

Movements in the net carrying amount of concession intangible assets during **2020** are as follows:

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Intangible assets

(€ million)	As of December 31, 2019	Additions	Disposals	Impairment losses	Amortization/ Reversals	Change in scope of consolidation	Foreign exchange translation	Transfer s to assets classified as held for sale	Other movements	As of December 31, 2020
Concession intangible assets, gross	7,493.4	450.8	(251.5)	-	-	12.8	(186.0)	-	166.5	<b>7,686.0</b>
Amortization and impairment losses	(3,976.0)	-	220.7	2.7	(420.8)	0.4	86.0	-	(54.1)	<b>(4,141.1)</b>
<b>Concession intangible assets, net</b>	<b>3,517.4</b>	<b>450.8</b>	<b>(30.8)</b>	<b>2.7</b>	<b>(420.8)</b>	<b>13.2</b>	<b>(100.0)</b>	<b>-</b>	<b>112.4</b>	<b>3,544.9</b>

**Additions** mainly concern France (€190.9 million) and Europe excluding France (€190.7 million).

Charges to **amortization and impairment losses** mainly concern Europe excluding France (-€202.5 million) and France (-€131.6 million) and include an impairment loss of -€17.3 million in respect of a concession contract in the Africa/Middle East region.

**Foreign exchange translation** gains and losses are primarily due to movements in the pound sterling (-€33.5 million), the US dollar (-€17.0 million) and the Czech crown (-€25.8 million) against the euro.

**Other movements** mainly concern Europe excluding France for €137.4 million and primarily relate to contractual changes in Germany and Romania.

Concession intangible assets break down by operating segment as follows:

(€ million)	Net carrying amount as of December 31, 2019	As of December 31, 2020		
		Gross carrying amount	Amortization and impairment losses	Net carrying amount
France	611.1	1,534.1	(878.7)	655.4
Europe excluding France	2,124.2	4,708.5	(2,531.8)	2,176.7
Rest of the world	780.6	1,432.2	(720.7)	711.5
Global businesses	1.5	11.2	(9.9)	1.3
Other	-	-	-	-
<b>Concession intangible assets</b>	<b>3,517.4</b>	<b>7,686.0</b>	<b>(4,141.1)</b>	<b>3,544.9</b>

### 9.2.2 Other intangible assets

Other intangible assets mainly consist of entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations ("contractual rights"), patents, licenses, software and operating rights.

Other intangible assets are amortized on a straight-line basis over their useful life, unless another systematic amortization basis better reflects the rate of consumption of the asset.

Useful lives are as follows:

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Intangible assets

**Range of useful lives in number of years\***

Entry fees paid to local authorities	3 to 80
Purchased contractual rights	3 to 60
Purchased software	3 to 10
Other intangible assets	1 to 30

\* The range of useful lives is due to the diversity of intangible assets concerned.

Other intangible assets break down as follows:

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
<b>Intangible assets with an indefinite useful life, net</b>	<b>41.5</b>	<b>46.6</b>
Intangible assets with a definite useful life, gross	3,896.5	3,824.7
Depreciation and impairment losses	(2,565.4)	(2,500.0)
<b>Intangible assets with a definite useful life, net</b>	<b>1,331.1</b>	<b>1,324.7</b>
<b>Other intangible assets, net</b>	<b>1,372.6</b>	<b>1,371.3</b>

Movements in the net carrying amount of other intangible assets during **2020** are as follows:

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Intangible assets

(€ million)	As of December 31, 2019	Additions	Disposals	Impairment losses	Amortization	Changes in consolid- ation scope	Foreign exchange translation	Other move- ments	As of December 31, 2020
<b>Intangible assets with an indefinite useful life, net</b>	<b>41.5</b>	<b>1.2</b>	<b>-</b>	<b>(0.1)</b>	<b>-</b>	<b>3.3</b>	<b>(2.1)</b>	<b>2.8</b>	<b>46.6</b>
Entry fees paid to local authorities	34.6	0.5	(0.1)	-	(11.1)	13.1	(1.4)	(0.5)	<b>35.1</b>
Purchased contractual rights	378.0	0.6	(2.9)	(36.5)	(37.4)	21.9	(20.9)	5.7	<b>308.5</b>
Purchased software	160.1	49.1	(1.1)	(0.1)	(62.8)	2.2	(5.0)	32.4	<b>174.8</b>
Purchased customer portfolios	136.0	2.4	-	(0.1)	(15.1)	(3.8)	(2.7)	(0.1)	<b>116.6</b>
Other purchased intangible assets	521.1	53.5	(1.0)	0.1	(52.3)	114.7	(40.7)	(7.9)	<b>587.5</b>
Other internally-developed intangible assets	101.3	32.8	(1.8)	0.7	(37.0)	0.2	(0.4)	6.4	<b>102.2</b>
<b>Intangible assets with a definite useful life, net</b>	<b>1,331.1</b>	<b>138.9</b>	<b>(6.9)</b>	<b>(35.9)</b>	<b>(215.7)</b>	<b>148.3</b>	<b>(71.1)</b>	<b>36.0</b>	<b>1,324.7</b>
<b>Other intangible assets</b>	<b>1,372.6</b>	<b>140.1</b>	<b>(6.9)</b>	<b>(35.9)</b>	<b>(215.7)</b>	<b>151.5</b>	<b>(73.2)</b>	<b>38.8</b>	<b>1,371.3</b>

Intangible assets with an indefinite useful life are primarily trademarks.

Intangible assets with a definite useful life are comprised of:

- entry fees paid to local authorities in respect of public service contracts of €35.1 million as of December 31, 2020, including €9.4 million in France, compared with €34.6 million as of December 31, 2019, including €16.9 million in France;
- purchased contractual rights of €308.5 million as of December 31, 2020, compared with €378.0 million as of December 31, 2019;
- purchased software of €174.8 million as of December 31, 2020, compared with €160.1 million as of December 31, 2019.

**Impairment losses** include an amount of -€35.0 million in respect of a contractual right in Latin America, due to the difficult economic situation tied to the health crisis.

**Changes in consolidation scope** mainly concern the Rest of the world segment for €157.8 million and in particular the acquisition of Orange City Private Ltd in India for €94.6 million to be finalized in 2021.

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment

**9.3 Property, plant and equipment**

Property, plant and equipment are recorded at historical acquisition cost, less accumulated depreciation and any accumulated impairment losses.

Borrowing costs attributable to the acquisition or construction of identified installations, incurred during the construction period, are included in the cost of those assets in accordance with IAS 23, Borrowing Costs.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life.

Estimated useful lives are reviewed regularly. Changes in estimated are accounted for on a prospective basis from the change date.

Useful lives are as follows:

	<b>Range of useful lives in number of years*</b>
Buildings	20 to 50
Technical installations	7 to 35
Vehicles	3 to 25
Other plant and equipment	3 to 12

\* The range of useful lives is due to the diversity of property, plant and equipment concerned.

Property, plant and equipment are primarily depreciated on a straight-line basis, unless another systematic depreciation basis better reflects the rate of consumption of the asset.

They are tested for impairment where there is indication of loss in value.

In accordance with the option offered by IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, investment grants are deducted from the gross carrying amount of property, plant and equipment to which they relate. When the construction of an asset covers more than one period, the portion of the grant not yet used is recorded in "Other liabilities" in the Consolidated Statement of Financial Position.

**9.3.1 Movements in the net carrying amount of property, plant and equipment**

Movements in the net carrying amount of property, plant and equipment during **2020** are as follows:

(€ million)	<b>As of December 31, 2019</b>	Additions	Disposals	Impair- ment Losses	Depreciation	Changes in consolidation scope	Foreign exchange translation	Other movements	<b>As of December 31, 2020</b>
Property, plant and equipment, gross	19,575.5	1,278.7	(619.7)	-	-	981.5	(681.3)	(148.6)	<b>20,386.1</b>
Depreciation and impairment losses	(11,895.7)	-	535.1	(34.4)	(916.0)	(315.8)	357.0	100.3	<b>(12,169.5)</b>
<b>Property, plant and equipment, net</b>	<b>7,679.8</b>	<b>1,278.7</b>	<b>(84.6)</b>	<b>(34.4)</b>	<b>(916.0)</b>	<b>665.7</b>	<b>(324.3)</b>	<b>(48.3)</b>	<b>8,216.6</b>

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment

**Additions** mainly concern:

- France (€138.4 million);
- Europe excluding France (€505.5 million); Additions mainly comprise the purchase of rolling stock and containers in the United Kingdom for €44.0 million; and maintenance investments, environmental standard compliance costs and the development of new connections in the Energy sector in Poland and the Czech Republic for €72.2 million and €52.5 million, respectively;
- the Rest of the world (€489.6 million). Additions mainly comprise the construction of new hazardous waste processing plants in Asia for €71.7 million (China and Singapore).

**Disposals**, net of impairment losses and depreciation, of -€84.6 million mainly concern:

- France (-€13.8 million);
- Europe excluding France (-€40.1 million);
- and the Rest of the World (-€19.4 million).

**Depreciation** of -€916.0 million mainly concerns France (-€177.9 million), Europe excluding France (-€390.5 million) and the Rest of the World (-€236.4 million).**Changes in consolidation scope** of €665.7 million mainly concern:

- Europe excluding France (€621.0 million), including BERT in Hungary (€238.0 million) and PT in the Czech Republic (€351.2 million);
- the Rest of the world (€58.2 million).

**Foreign exchange translation** gains and losses are primarily due to movements in the US dollar (-€45.3 million), the Hungarian forint (-€40.4 million), the pound sterling (-€27.0 million) and the Polish zloty (-€91.3 million) against the euro.

Property, plant and equipment break down by operating segment as follows:

	<b>As of December 31, 2020</b>			
<i>(€ million)</i>	<b>Net carrying amount as of December 31, 2019</b>	<b>Gross carrying amount</b>	<b>Depreciation and impairment losses</b>	<b>Net carrying amount</b>
France	983.2	3,839.6	(2,905.2)	934.4
Europe excluding France	3,751.8	9,581.7	(5,383.0)	4,198.7
Rest of the world	2,280.6	4,459.2	(2,038.9)	2,420.3
Global businesses	606.3	2,317.4	(1,703.1)	614.3
Other	57.9	188.2	(139.3)	48.9
<b>Property, plant and equipment</b>	<b>7,679.8</b>	<b>20,386.1</b>	<b>(12,169.5)</b>	<b>8,216.6</b>

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Right of use

The breakdown of property, plant and equipment by class of assets is as follows:

<i>(€ million)</i>	Net carrying amount as of December 31, 2019	As of December 31, 2020		
		Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Land	651.6	1,484.4	(801.5)	682.9
Buildings	1,377.3	3,656.5	(1,930.0)	1,726.5
Technical installations, plant and equipment	3,785.9	10,259.2	(6,410.6)	3,848.6
Rolling stock and other vehicles	660.9	2,223.1	(1,580.1)	643.0
Other property, plant and equipment	319.2	1,769.2	(1,411.6)	357.6
Property, plant and equipment in progress	884.9	993.7	(35.7)	958.0
<b>Property, plant and equipment</b>	<b>7,679.8</b>	<b>20,386.1</b>	<b>(12,169.5)</b>	<b>8,216.6</b>

The increase in buildings between December 31, 2019 and 2020 is mainly due to the entry of PT in the Czech Republic into the consolidation scope for €289.0 million.

## 9.4 Right of use

In application of the Lease standard (IFRS 16), the Group analyses the contractual provisions of an agreement at the time of signature, to determine whether it presents the characteristics of a lease. In substance, it is necessary to determine whether the agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where these characteristics exist, the Group recognizes, at the time the asset is made available:

- a new asset, the "Right of use", which represents the right to use the leased asset during the term of the lease;
- a liability, the "IFRS 16 lease debt", which represents the lease payment commitment.

The Group applies a single recognition method for all leases, excluding short-term leases (duration of 12 months or less) and leases of assets with a low value. The Group adopted a threshold of US\$5,000 for low value assets.

Lease payments on contracts excluded from the scope of IFRS 16, as well as variable payments, continue to be recognized as operating expenses.

<i>(€ million)</i>	As of December 31, 2019	As of December 31, 2020
Short-term leases	2.3	13.0
Low value lease contracts	6.4	5.1
Variable leases	4.2	7.2
<b>Total</b>	<b>12.9</b>	<b>25.3</b>

**Initial and subsequent measurement of Right of use assets**

The right of use asset recognized includes:

- the amount of the related lease debt,
- plus, where applicable:
  - lease payments made before the asset is made available,
  - initial direct costs incurred to obtain the lease, and
  - any dismantling or rehabilitation costs for which Veolia is liable.
- less any incentives received.

The lease debt is equal to the present value of:

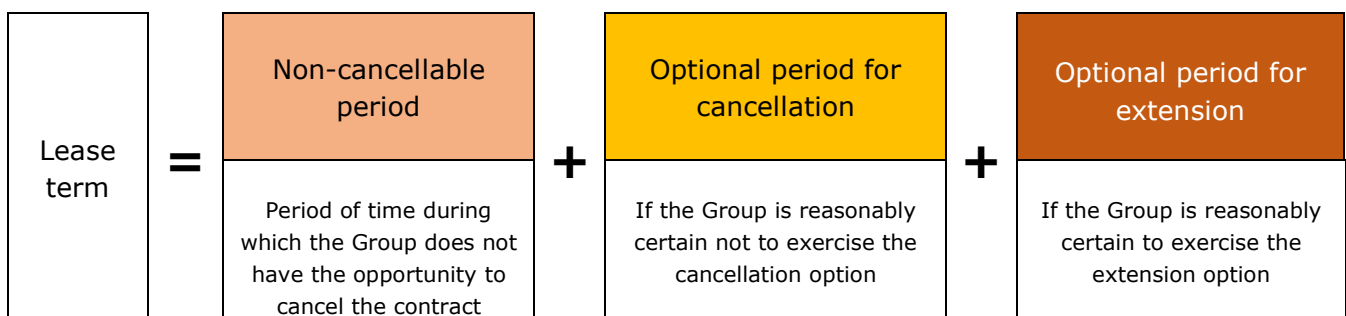
- future lease payments (fixed payments and in-substance fixed payments, as well as variable lease payments that depend on an index or a rate),
- incentives receivable,
- amounts that Veolia expects to pay under residual value guarantees,
- the exercise price of a purchase option if Veolia is reasonably certain to exercise it, as well as
- any penalties for terminating the lease.

The right of use asset is depreciated or amortized on a straight-line over the shorter of the expected useful life of the asset and the lease term.

Impairment tests are performed in accordance with the method described in Note 9.1.2.

**Lease term**

To determine the lease term, the Group analyzes the lease provisions, as illustrated below:



The enforceable period is also assessed taking into account the duration and characteristics of the customer contract.

**GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Right of use

**Discount rate**

When calculating the present value of future lease payments and as authorized by the standard, the Group has elected not to use the rate implicit in the lease as the discount rate, and has developed a calculation method to determine the incremental borrowing rate that would apply to the financing of these leased assets. This methodology is based on a rate schedule calculated by currency and maturity based on the following parameters: reference rate of the relevant currency and the Veolia credit spread, the Group satisfying, through access to the bond market, the majority of the financing requirements of its subsidiaries.

**Lease amendments**

The net carrying amount of the right of use asset is adjusted in the event of amendments to the lease provisions that require the remeasurement of the lease debt (modification of an index, increase or reduction in the lease term, increase or decrease in future lease payments, etc.) or in the event of changes in assumptions as to whether the exercise of renewal or termination options is reasonably certain.

Right of use assets break down as follows:

<i>(€ million)</i>	Net carrying amount as of December 31, 2019	As of December 31, 2020		
		Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Right of use, Land	302.1	504.6	(209.2)	295.4
Right of use, Buildings	736.7	1,499.0	(831.6)	667.4
Right of use assets, Technical installations, plant and equipment	157.5	292.5	(156.6)	135.9
Right of use assets, Rolling stock and other vehicles	421.5	790.0	(408.4)	381.6
Right of use - Other PP&E	46.8	97.2	(48.0)	49.2
<b>Right of use</b>	<b>1,664.6</b>	<b>3,183.3</b>	<b>(1,653.8)</b>	<b>1,529.5</b>

Right of use breaks down by operating segment as follows:

<i>(€ million)</i>	Net carrying amount as of December 31, 2019	As of December 31, 2020		
		Gross carrying amount	Depreciation and impairment losses	Net carrying amount
France	290.5	602.0	(315.9)	286.1
Europe excluding France	495.8	890.9	(437.8)	453.1
Rest of the world	365.5	689.9	(336.1)	353.8
Global businesses	366.1	700.2	(381.5)	318.7
Other	146.7	300.3	(182.5)	117.8
<b>Right of use</b>	<b>1,664.6</b>	<b>3,183.3</b>	<b>(1,653.8)</b>	<b>1,529.5</b>

Movements in the net carrying amount of the right of use during **2020** are as follows:

(€ million)	As of December 31, 2019	Additions	Contract termin- ation or expiry	Impair- ment losses	Depreciation	Changes in consolidatio n scope	Foreign exchange translation	Other move- ments	As of December 31, 2020
Right of use	3,273.6	484.9	(461.0)	-	-	(55.0)	(58.3)	1.0	<b>3,183.3</b>
Depreciation and impairment losses	(1,609.0)	-	329.1	0.3	(439.3)	33.4	27.4	2.8	<b>(1,653.8)</b>
<b>Right of use, net</b>	<b>1,664.6</b>	<b>484.9</b>	<b>(131.9)</b>	<b>0.3</b>	<b>(439.3)</b>	<b>(21.6)</b>	<b>(30.9)</b>	<b>3.8</b>	<b>1,529.5</b>

**Additions** mainly concern France (€127.7 million), Europe excluding France (€137.9 million) and Global businesses (€100.9 million).

Depreciation totals -€439.3 million in **2020** and mainly breaks down as follows:

- land: -€46.5 million;
- buildings: -€163.2 million;
- technical installations and plant and equipment: €59.5 million;
- vehicles: -€158.5 million.

**Depreciation** mainly concerns France (-€94.2 million), Europe excluding France (-€111.7 million), the Rest of the World (-€105.5 million), and Global businesses (-€93.1 million).

Sublease revenue associated with right-of-use assets is not material.

## NOTE 10

## FINANCING AND FINANCIAL INSTRUMENTS

### 10.1 Financial assets and liabilities

Financial assets and liabilities mainly consist of:

- Financial liabilities, presented in Note 10.1.1;
- Other non-current and current financial assets, presented in Note 10.1.2;
- Cash and cash equivalents and bank overdrafts and other cash position items, presented in Note 10.1.3;
- Derivative instruments, presented in Note 10.3.

### 10.1.1 Financial liabilities

Financial liabilities include borrowings, other financing and bank overdrafts and derivative liabilities.

With the exception of trading liabilities and derivative liabilities which are measured at fair value, borrowings and other financial liabilities are recognized initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

	Notes	Non-current		Current		Total	
		As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020
(€ million)							
Bond issues	10.1.1.1	8,830.4	10,205.2	1,145.4	648.1	9,975.8	10,853.3
Other financial liabilities	10.1.1.2	536.4	631.2	4,298.4	6,548.6	4,834.8	7,179.8
IFRS 16 lease debt	10.1.1.3	1,417.9	1,296.8	465.7	402.9	1,883.6	1,699.7
<b>Total non-current and current financial liabilities</b>		<b>10,784.7</b>	<b>12,133.2</b>	<b>5,909.5</b>	<b>7,599.6</b>	<b>16,694.2</b>	<b>19,732.8</b>

The headings "Net increase/decrease in current financial liabilities" and "Repayment of current IFRS 16 lease debt" in the Consolidated Cash Flow Statement include redemptions of current bonds in the amount of -€1,148.1 million in 2020 and increases and repayments of other current financial liabilities of -€1,755.7 million. This heading does not include accrued interest payable of -€3.9 million in 2020, presented on the line "Interest paid" in the Consolidated Cash Flow Statement.

The heading "New non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes non-current bond issues in the amount of €2,087.6 million in 2020 and new other non-current financial liabilities of €226.7 million. However, it excludes new finance lease obligations of €488.7 million in 2020, presented in investment flows.

#### 10.1.1.1 CHANGES IN NON-CURRENT AND CURRENT BOND ISSUES

##### ISSUES ON THE PANDA BOND MARKET

On June 24, 2020, Veolia Environnement successfully issued two Panda bonds of a nominal amount of 1.5 billion renminbi (€188 million euro-equivalent) on the Chinese domestic market, with a three-year maturity and bearing a coupon of 3.85%.

On December 16, 2020, Veolia Environnement issued two new three-year Panda Bonds for a total nominal amount of 1.5 billion renminbi (€189 million euro-equivalent) on the Chinese domestic market. The bonds have a 3 year maturity and bear a coupon of 4.45 %.

**BOND ISSUES TOTALING €1.7 BILLION**

In 2020, Veolia Environnement successfully performed in 2020:

- On January 15, a €500 million bond issue maturing in January 2031 and bearing a coupon of 0.66%.
- On April 15, a €700 million bond issue maturing in January 2028 and bearing a coupon of 1.25%.
- On June 15, a €500 million bond issue maturing in January 2032 and bearing a coupon of 0.80%.

These three issues enabled Veolia to bring forward the refinancing of all bond payments scheduled for 2020 and 2021 totaling €1.7 billion.

Non-current and current bond issues break down as follows:

(€ million)	As of December 31, 2019	Net movement	Redemptions	Changes in consolidation scope	Fair value adjustments <sup>(1)</sup>	Foreign exchange translation	Non-current / current reclassification	Other movements	As of December 31, 2020
Non-current bond issues	8,830.4	2,087.6	-	-	8.3	(69.7)	(651.4)	-	10,205.2
Current bond issues	1,145.4	-	(1,148.1)	(2.1)	-	(0.8)	651.4	2.3	648.1
<b>Total bond issues</b>	<b>9,975.8</b>	<b>2,087.6</b>	<b>(1,148.1)</b>	<b>(2.1)</b>	<b>8.3</b>	<b>(70.5)</b>	<b>-</b>	<b>2.3</b>	<b>10,853.3</b>

<sup>(1)</sup> Value adjustments are recorded in financial income and expenses.

**Net movements** mainly concern bond issues performed by Veolia Environnement totaling €2.1 billion (see above).

**Redemptions** mainly concern the redemption at maturity on November 23, 2020 and December 11, 2020 of the euro bond lines in the nominal amount of €500 million and €431.2 million, respectively; and on December 17, 2020 of the Panda bond line denominated in renminbi in the euro-equivalent nominal amount of €192.2 million.

**Non-current/current reclassifications** total €651.4 million and mainly concern the euro bond line maturing in January 2021 in the nominal amount of €638.4 million.

**Foreign exchange translation** gains and losses total -€70.5 million and mainly concern the translation at the year-end exchange rate of the GBP bond line maturing in 2037 for a euro equivalent of -€40.4 million as of December 31, 2020 and of the US dollar bond line maturing in 2038 for a euro-equivalent of -€24.8 million as of December 31, 2020.

(€ million)	Non-current		Current		Total	
	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020
<b>Bond issues</b>	<b>8,830.4</b>	<b>10,205.2</b>	<b>1,145.4</b>	<b>648.1</b>	<b>9,975.8</b>	<b>10,853.3</b>
• maturing in < 1 year	-	-	1,145.4	648.1	1,145.4	648.1
• maturing in 2-3 years	1,969.0	2,304.6	-	-	1,969.0	2,304.6
• maturing in 4-5 years	1,367.3	1,477.8	-	-	1,367.3	1,477.8
• maturing in > 5 years	5,494.1	6,422.8	-	-	5,494.1	6,422.8

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Non-current bond issues break down by maturity as follows:

(€ million)	As of December 31, 2019	As of December 31, 2020	Maturing in		
			2 to 3 years	4 to 5 years	> 5 years
Publicly offered or traded issuances <sup>(a)</sup>	8,035.7	9,052.7	1,906.7	748.7	6,397.3
European market <sup>(i)</sup>	7,747.0	8,789.0	1,906.7	748.7	6,133.6
American market <sup>(ii)</sup>	288.7	263.7	-	-	263.7
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	717.4	713.4	-	713.4	-
Panda	-	376.3	376.3	-	-
Stirling Water Seafield Finance bond issue <sup>(b)</sup>	48.0	39.1	14.6	15.7	8.8
Other amounts < €50 million in 2019 and 2020	29.3	23.7	7.0	-	16.7
<b>Non-current bond issues</b>	<b>8,830.4</b>	<b>10,205.2</b>	<b>2,304.6</b>	<b>1,477.8</b>	<b>6,422.8</b>

(a) Publicly offered or traded issuances

i. European market: as of December 31, 2020, an amount of €9,427.3 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €8,789.0 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €8.3 million at the year-end (non-current portion).

ii. American market: as of December 31, 2020, remaining nominal outstandings on the bond issues performed in the United States on May 27, 2008 total USD 300.0 million, maturing June 1, 2038 and paying fixed-rate interest of 6.75% (Tranche 3).

(b) Stirling Water Seafield Finance bond issue: the outstanding nominal balance as of December 31, 2020 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water activities), is GBP 40.2 million (non-current and current portion). This bond issue is recognized at amortized cost for a euro equivalent of €39.1 million as of December 31, 2020 (non-current portion). This bond matures on September 26, 2026.

Breakdown of **non-current bond issues** by main components:

Transaction <i>(all amounts are in € million)</i>	Final maturity	Currency	Nominal	Interest rate	Net carrying amount
Series 12	11/25/2033	EUR	700	6.13%	696
Series 23	05/24/2022	EUR	645	5.13%	658
Series 24	10/29/2037	GBP	723	6.13%	723
Series 29 (PEO)	03/30/2027	EUR	750	4.625%	701
Series 31 (PEO)	01/10/2028	EUR	500	1.590%	381
Series 33	10/04/2023	EUR	600	0.314%	599
Series 34	01/04/2029	EUR	500	0.927%	499
Series 35	03/30/2022	EUR	650	0.672%	649
Series 36	11/30/2026	EUR	650	1.496%	691
Series 38	01/07/2030	EUR	750	1.940%	748
Series 39	01/14/2024	EUR	750	0.892%	749
Series 40	01/15/2031	EUR	500	0.664%	498
Series 41	04/15/2028	EUR	700	1.250%	698
Series 42	01/15/2032	EUR	500	0.800%	499
<b>Total bond issues (EMTN)</b>	<b>N/A</b>	<b>N/A</b>	<b>8,918</b>	<b>N/A</b>	<b>8,789</b>
USD Series Tranche 3	06/01/2038	USD	244	6.750 %	264
<b>Total publicly offered or traded issuances in USD</b>	<b>N/A</b>	<b>N/A</b>	<b>244</b>	<b>N/A</b>	<b>264</b>
Panda 4	06/24/2023	CNY	189	3.850%	188
Panda 5	12/16/2023	CNY	189	4.450%	188
<b>Total bond issues in CNY</b>	<b>N/A</b>	<b>N/A</b>	<b>378</b>	<b>N/A</b>	<b>376</b>
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	01/01/2025	EUR	700	N/A	713
<b>Total bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)</b>	<b>N/A</b>	<b>N/A</b>	<b>700</b>	<b>N/A</b>	<b>713</b>
Stirling Water Seafield Finance bond issue	09/26/2026	GBP	35	5.822 %	39
<b>Total principal bond issues</b>	<b>N/A</b>	<b>N/A</b>	<b>10,275</b>	<b>N/A</b>	<b>10,181</b>
<b>Total other bond issues</b>	<b>N/A</b>	<b>N/A</b>		<b>N/A</b>	<b>24</b>
<b>Total non-current bond issues</b>	<b>N/A</b>	<b>N/A</b>		<b>N/A</b>	<b>10,205</b>

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Financial assets and liabilities

**10.1.1.2 CHANGE IN OTHER FINANCIAL LIABILITIES**

	Non-current		Current		Total	
	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020
<i>(€ million)</i>						
<b>Other financial liabilities</b>	<b>536.4</b>	<b>631.2</b>	<b>4,298.4</b>	<b>6,548.6</b>	<b>4,834.8</b>	<b>7,179.8</b>
• maturing in < 1 year	-	-	4,298.4	6,548.6	4,298.4	6,548.6
• maturing in 2-3 years	228.6	171.1	-	-	228.6	171.1
• maturing in 4-5 years	60.0	109.1	-	-	60.0	109.1
• maturing in > 5 years	247.8	351.0	-	-	247.8	351.0

Movements in other **financial liabilities** in **2020** are as follows:

<i>(€ million)</i>	As of December 31, 2019	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current / current reclassification	Transfers to Liabilities classified as held for sale	Other movements	As of December 31, 2020
Other non-current financial liabilities	536.4	156.5	42.2	-	(17.3)	(79.0)	-	(7.6)	631.2
Other current financial liabilities	4,298.4	2,234.6	84.3	-	(150.2)	79.0	-	2.5	6,548.6
<b>Other financial liabilities</b>	<b>4,834.8</b>	<b>2,391.1</b>	<b>126.5</b>	<b>-</b>	<b>(167.5)</b>	<b>-</b>	<b>-</b>	<b>(5.1)</b>	<b>7,179.8</b>

**Other non-current financial liabilities** mainly comprise debt carried by:

- France of €14.8 million;
- the Rest of the world of €372.9 million, including:
  - Redal and Amendis in Morocco (Water) of €62.7 million and €7.4 million, without recourse, respectively, as of December 31, 2020 compared with €71.4 million and €13.6 million, respectively, as of December 31, 2019,
  - International Water Services Guayaquil Interagua in Ecuador (Water) of €68.2 million as of December 31, 2020 and €79.1 million as of December 31, 2019;
- Europe excluding France, including Germany, of €213.2 million, and mainly:
  - Braunschweig in Germany of €106.0 million as of December 31, 2020 and €38.0 million as of December 31, 2019,
  - Stadtwerke Gorlitz of €34.3 million as of December 31, 2020 and €34.9 million as of December 31, 2019;

- the Global businesses in the amount of €20.0 million, including €18.6 million in Sarpi;
- certain subsidiaries of the Other operating segment in the amount of €10.3 million.

**Other current financial liabilities** total €6,548.6 million as of December 31, 2020, compared with €4,298.4 million as of December 31, 2019.

**Net movements** in other current financial liabilities in 2020 mainly reflect the increase in issued treasury notes for €2,463.0 million and the repayment in August and October 2020 of two Chinese renminbi loans for a total amount of €260.4 million.

As of December 31, **2020**, other current financial liabilities mainly concern Veolia Environnement for €6,132.5 million (including treasury notes of €5,957.8 million and accrued interest on debt of €139.4 million).

### 10.1.1.3 IFRS 16 LEASE DEBT

Lease debt recognition and measurement principles are disclosed in Note 9.4.

(€ million)	As of December 31, 2019	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current / current reclassification	Transfers to Liabilities classified as held for sale	Other movements	As of December 31, 2020
Non-current IFRS 16 lease debt	1,417.9	348.2	(9.1)	(1.8)	(27.0)	(431.4)	(0.7)	0.7	1,296.8
Current IFRS 16 lease debt	465.7	(478.9)	(6.0)	1.8	(9.1)	431.5	(0.3)	(1.8)	402.9
<b>IFRS 16 lease debt</b>	<b>1,883.6</b>	<b>(130.7)</b>	<b>(15.1)</b>	<b>-</b>	<b>(36.1)</b>	<b>0.1</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>1,699.7</b>

IFRS 16 lease debt by operating segment breaks down as follows:

(€ million)	As of December 31, 2020			
	IFRS 16 lease debt as of December 31, 2019	Non-current IFRS 16 lease debt	Current IFRS 16 lease debt	IFRS 16 lease debt
France	351.9	242.7	93.8	336.5
Europe excluding France	568.2	406.2	104.3	510.5
Rest of the world	420.0	299.5	90.1	389.6
Global businesses	389.1	259.8	79.3	339.1
Other	154.4	88.6	35.4	124.0
<b>IFRS 16 lease debt</b>	<b>1,883.6</b>	<b>1,296.8</b>	<b>402.9</b>	<b>1,699.7</b>

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IFRS 16 lease debt by type of assets breaks down as follows:

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
Real estate	72.8%	70.0%
Technical installations, plant and equipment	8.4%	9.9%
Rolling stock and other vehicles	18.8%	19.7%

The decrease in the weight of real estate lease debt in 2020 is mainly due to the sale of entities with a significant portion of real estate lease debt, particularly in Europe excluding France and the Rest of the world.

IFRS 16 lease debt by maturity breaks down as follows:

<i>(€ million)</i>	<b>Non-current</b>		<b>Current</b>		<b>Total</b>	
	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
<b>IFRS 16 lease debt</b>	<b>1,417.9</b>	<b>1,296.8</b>	<b>465.7</b>	<b>402.9</b>	<b>1,883.6</b>	<b>1,699.7</b>
• 1 year	-	-	465.7	402.9	465.7	402.9
• 2 years	338.5	328.5	-	-	338.5	328.5
• 3 years	263.2	249.6	-	-	263.2	249.6
• 4 years	198.6	184.5	-	-	198.6	184.5
• 5 years	148.9	127.6	-	-	148.9	127.6
• > 5 years	468.7	406.6	-	-	468.7	406.6

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
Repayments of IFRS 16 lease debt	446.7	619.4
Interest on IFRS 16 lease debt	40.8	32.2
Exemptions and variable leases	12.9	25.3
<b>Lease payments of the period</b>	<b>500.4</b>	<b>676.9</b>

#### 10.1.1.4 BREAKDOWN OF NON-CURRENT AND CURRENT FINANCIAL LIABILITIES BY CURRENCY

Financial liabilities break down by original currency (before currency swaps) as follows:

- euro-denominated debt of €16,630.4 million as of December 31, 2020 and €13,195.2 million as of December 31, 2019;
- pound sterling-denominated debt of €926.1 million as of December 31, 2020 and €1,018.7 million as of December 31, 2019;
- US dollar-denominated debt of €807.6 million as of December 31, 2020 and €1,080.9 million as of December 31, 2019.

#### 10.1.2 Non-current and current financial assets

Financial assets include assets classified as loans and receivables, liquid assets, financing assets, other financial assets, derivative assets and cash and cash equivalents.

Financial assets are initially recognized at fair value plus transaction costs, where the assets concerned are not subsequently measured at fair value through profit or loss. Where the assets are measured at fair value through profit or loss, transaction costs are expensed directly to net income.

The Group classifies financial assets in one of the categories identified by IFRS 9 on the acquisition date, based on the instrument's characteristics and the business model.

##### ASSETS AT AMORTIZED COST

Financial assets are valued at amortized cost where they are recovered by collecting contractual cash flows (payments of principal and interest on the principal amount outstanding).

These assets comprise loans to non-consolidated investments, operating financial assets, other loans and receivables and trade receivables. After initial recognition at fair value, they are recognized and measured at amortized cost using the effective interest method.

In accordance with IFRS 9, these assets are impaired in the amount of expected credit losses. Impairment losses are recorded in other financial income and expenses.

##### ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME SUBSEQUENTLY RELEASED TO NET INCOME

This category includes financial assets recovered by collecting contractual cash flows (payments of principal and interest on the principal amount outstanding) or selling the assets.

Changes in the fair value of these assets are recognized directly in other comprehensive income, with the exception of interest income and dividends recognized in other financial income and expenses. Fair value gains and losses are released to net income on the sale of the assets.

##### ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME NOT SUBSEQUENTLY RELEASED TO NET INCOME

This category includes equity instruments not held for trading. It relates primarily to non-consolidated investments.

Changes in the fair value of these assets are recognized directly in other comprehensive income, with the exception of interest income and dividends recognized in other financial income and expenses. Fair value gains and losses are not released to net income on the sale of the assets.

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Fair value is equal to market value in the case of quoted securities and to an estimate of the fair value in the case of unquoted securities, determined based on financial criteria most appropriate to the specific situation of each security. Financial investments which are not quoted in an active market and for which the fair value cannot be measured reliably, are recorded by the Group at historical cost less any accumulated impairment losses.

**ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

This category includes:

- financial assets that are not held either to collect contractual cash flows or to sell the assets and whose contractual conditions do not solely give rise to payments of principal and interest on the principal amount outstanding;
- assets designated at fair value and primarily the cash UCITS portfolio whose performance and management is based on fair value.

Fair value gains and losses are recognized in other financial income and expenses.

Net gains and losses on derivatives entered into for trading purposes consist of swapped flows and the change in the value of the instrument.

**10.1.2.1 OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS**

Other non-current and current financial assets break down as follows:

	Non-current		Current		Total	
	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020
<i>(€ million)</i>						
Gross	427.9	472.4	309.9	282.7	737.8	755.1
Impairment losses	(72.7)	(68.8)	(37.5)	(37.4)	(110.2)	(106.2)
<b>Financial assets relating to loans and receivables, net</b>	<b>355.2</b>	<b>403.6</b>	<b>272.4</b>	<b>245.3</b>	<b>627.6</b>	<b>648.9</b>
<b>Other financial assets</b>	<b>14.6</b>	<b>13.0</b>	<b>3.3</b>	<b>3.5</b>	<b>17.9</b>	<b>16.5</b>
<b>Liquid assets and financing financial assets (*)</b>	<b>4.8</b>	<b>10.7</b>	<b>462.8</b>	<b>824.4</b>	<b>467.6</b>	<b>835.1</b>
<b>Total other financial assets, net</b>	<b>374.6</b>	<b>427.3</b>	<b>738.5</b>	<b>1,073.2</b>	<b>1,113.1</b>	<b>1,500.5</b>

(\*) 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.

### 10.1.2.2 CHANGES IN OTHER NON-CURRENT FINANCIAL ASSETS

Changes in the value of other non-current financial assets during **2020** are as follows:

(€ million)	As of December 31, 2019	Changes in business	Changes in consolidation scope	Fair value adjustments	Impairment losses <sup>(1)</sup>	Foreign exchange translation	Non-current/ current/ reclassification	Transfers to Assets classified as held for sale	Other movements <sup>(2)</sup>	As of December 31, 2020
Gross	427.9	37.1	6.8	-	0.2	(18.2)	(2.8)	-	21.4	472.4
Impairment losses	(72.7)	-	(0.7)	-	(1.3)	5.8	-	-	-	(68.8)
<b>Non-current financial assets relating to loans and receivables, net</b>	<b>355.2</b>	<b>37.1</b>	<b>6.1</b>	<b>-</b>	<b>(1.1)</b>	<b>(12.4)</b>	<b>(2.8)</b>	<b>-</b>	<b>21.4</b>	<b>403.6</b>
<b>Other non- current financial assets</b>	<b>14.6</b>	<b>14.2</b>	<b>(0.2)</b>	<b>0.3</b>	<b>(2.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13.8)</b>	<b>13.0</b>
<b>Liquid assets and financing financial assets</b>	<b>4.8</b>	<b>6.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.9)</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>10.7</b>
<b>Total other non- current financial assets, net</b>	<b>374.6</b>	<b>58.1</b>	<b>6.0</b>	<b>0.3</b>	<b>(3.4)</b>	<b>(13.3)</b>	<b>(2.8)</b>	<b>-</b>	<b>7.5</b>	<b>427.3</b>

(1) Impairment losses are recorded in financial income and expenses.

(2) Part of reinsurers.

#### **Non-current financial assets relating to loans and receivables**

As of December 31, 2020, the main non-current financial assets relating to loans and receivables primarily comprise loans granted to equity-accounted joint ventures totaling €145.9 million, compared with €136.3 million as of December 31, 2019 (see also Note 7.2.4.1).

These loans mainly comprise loans granted to the Chinese concessions in the amount of €105.6 million as of December 31, 2020, compared with €88.4 million as of December 31, 2019.

#### **Other non-current financial assets**

Other non-current financial assets are classified as "Assets at fair value through profit or loss" in accordance with the principles set out in Note 10.1.2.

Other financial assets held by the Group in countries considered high-risk by the IMF are not material in amount.

### 10.1.2.3 MOVEMENTS IN CURRENT FINANCIAL ASSETS

Movements in Other current financial assets during **2020** are as follows:

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(€ million)	As of December 31, 2019	Changes in business	Changes in consolidation scope	Fair value adjustments	Impairment losses <sup>(1)</sup>	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other movements <sup>(2)</sup>	As of December 31, 2020
Gross	309.9	0.8	0.1	-	(29.6)	(6.3)	2.8	-	5.0	282.7
Impairment losses	(37.5)	-	-	-	(0.9)	1.6	-	-	(0.6)	(37.4)
<b>Current financial assets relating to loans and receivables, net</b>	<b>272.4</b>	<b>0.8</b>	<b>0.1</b>	<b>-</b>	<b>(30.5)</b>	<b>(4.7)</b>	<b>2.8</b>	<b>-</b>	<b>4.4</b>	<b>245.3</b>
<b>Other current financial assets</b>	<b>3.3</b>	<b>-</b>	<b>1.0</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.9)</b>	<b>3.5</b>
<b>Liquid assets and financing financial assets</b>	<b>462.8</b>	<b>361.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.4)</b>	<b>-</b>	<b>-</b>	<b>0.1</b>	<b>824.4</b>
<b>Total other current financial assets, net</b>	<b>738.5</b>	<b>362.7</b>	<b>1.1</b>	<b>0.1</b>	<b>(30.5)</b>	<b>(5.1)</b>	<b>2.8</b>	<b>-</b>	<b>3.6</b>	<b>1,073.2</b>

(1) Impairment losses are recorded in financial income and expenses.

(2) Part of reinsurers.

As of December 31, 2020, liquid assets and financing financial assets primarily comprise investments 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.

Movements in 2020 mainly concern the optimization of the Group's cash management and the allocation of a portion of the proceeds from the sale of energy assets in the United States to liquid assets at the end of 2019.

The accounting treatment of other current financial assets relating to loans and receivables complies with the required treatment of assets at amortized cost. Other financial assets are classified as "Assets at fair value through profit or loss" in accordance with the principles set out in Note 10.1.2.

### 10.1.3 Cash and cash equivalents, bank overdrafts and other cash position items

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and monetary UCITS.

Cash equivalents are held to meet short-term cash commitments. In order to be considered a cash equivalent, an investment must be readily convertible to a known amount of cash and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Term deposit accounts and negotiable debt instruments present characteristics satisfying the requirements of IAS 7 when their yield is based on short-term money-market rates (such as Eonia) and their maturity is less than 3 months (contractually or due to an early exit option exercisable at least every 3 months and held at a low or nil cost, without loss of capital or remuneration received net of the early exit penalty of less than the yield on short-term investments).

UCITS classified in "cash equivalents" comply with Regulation (EU) 2017/1131 of the European Parliament and of the Council of June 14, 2017 on money market funds and are presumed to satisfy the cash equivalent criteria defined by IAS 7.

These UCITS can be sold daily on demand, conferring on them the characteristics of short-term, highly liquid investments that are readily convertible to known amounts of cash. These instruments are not intended to be held more than three months and offer a yield similar to the Eonia (European Overnight Index Average) interbank rate,

thereby limiting sensitivity to interest rates. The regularity of performance trends does not expose them to a material risk of change in value.

Bank overdrafts repayable on demand which form an integral part of the Group's cash management policy represent a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

Cash and cash equivalents are valued at fair value through profit or loss. Note 10.2.1 sets out the method of determining fair value. Cash and cash equivalents belong to fair value levels 1 and 2:

- instruments with a quoted price in an active market in level 1;
- other instruments that are not quoted but the fair value of which is determined using valuation techniques involving standard mathematical calculation methods integrating observable market data, in level 2.

### 10.1.3.1 MOVEMENTS IN CASH AND CASH EQUIVALENTS

Movements in cash and cash equivalents and bank overdrafts and other cash position items during 2020 are as follows:

(€ million)	As of December 31, 2019	Changes in business	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Transfers to Assets/ Liabilities classified as held for sale	Other movements	As of December 31, 2020
Cash	1,449.8	13.1	77.7	-	(49.6)	-	(74.3)	1,416.7
Cash equivalents	4,393.5	27.7	3.5	-	(4.5)	-	3.0	4,423.3
<b>Cash and cash equivalents</b>	<b>5,843.3</b>	<b>40.8</b>	<b>81.2</b>	<b>-</b>	<b>(54.1)</b>	<b>-</b>	<b>(71.3)</b>	<b>5,840.0</b>
<b>Bank overdrafts and other cash position items</b>	<b>302.2</b>	<b>(59.8)</b>	<b>56.8</b>	<b>-</b>	<b>(4.1)</b>	<b>-</b>	<b>(77.6)</b>	<b>217.6</b>
<b>Net cash</b>	<b>5,541.1</b>	<b>100.6</b>	<b>24.3</b>	<b>-</b>	<b>(50.0)</b>	<b>-</b>	<b>6.3</b>	<b>5,622.4</b>

Cash and cash equivalents total €5,840.0 million, including €177.0 million "subject to restrictions" as of December 31, 2020.

Restricted cash comprises €105 million subject to contractual legal restrictions (particularly for the Group's reinsurance activities), €49 million backing the servicing of local financial liabilities and €23 million in respect of subsidiaries located in countries with currency restrictions.

Cash and cash equivalents remained stable over 2020.

As of December 31, 2020, the France segment held cash of €22.6 million, the Europe excluding France segment held cash of €267.9 million, the Rest of the World segment held cash of €428.5 million, the Global Businesses segment held cash of €136.9 million and the Other segment held cash of €560.8 million (including €394.3 million held by Veolia Environnement).

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement level, are invested in accordance with procedures defined by the Group. Note 10.3.2, "Management of liquidity risk", presents a breakdown of investments by nature.

**FINANCING AND FINANCIAL INSTRUMENTS**

Fair value of financial assets and liabilities

As of December 31, 2020, cash equivalents were primarily held by Veolia Environnement in the amount of €4,128.6 million, including monetary UCITS of €2,772.1 million and term deposit accounts of €1,356.4 million.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

**10.1.3.2 MANAGEMENT OF EQUITY RISK**

As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

**10.2 Fair value of financial assets and liabilities**

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**10.2.1 Principles**

The recognition and measurement of financial assets and liabilities is governed by IFRS 9. Fair value measurement incorporates, in particular, the risk of non-performance by the Group or its counterparties, determined based on default probabilities taken from rating agency tables.

The fair value of all financial assets and liabilities is determined at the reporting date, either for recognition in the accounts or disclosure in the Notes to the financial statements.

Fair value is determined:

- i. Based on quoted prices in an active market (level 1); or
- ii. Using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of the Group or the counterparty (level 2); or
- iii. Using internal valuation techniques integrating factors estimated by the Group in the absence of observable market data (level 3).

**QUOTED PRICES IN AN ACTIVE MARKET (LEVEL 1)**

When quoted prices in an active market are available, they are used in priority for the determination of the market value. Non consolidated investments (out of which Suez shares) , marketable securities and certain quoted bond issues are valued in this way.

**FINANCING AND FINANCIAL INSTRUMENTS**

Fair value of financial assets and liabilities

**FAIR VALUES DETERMINED USING MODELS INTEGRATING OBSERVABLE MARKET DATA (LEVEL 2)**

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Group credit risk.

**FAIR VALUES DETERMINED USING MODELS INTEGRATING CERTAIN NON-OBSERVABLE DATA (LEVEL 3)**

Derivative instruments valued using internal models integrating certain non-observable data include certain electricity derivative instruments for which there are no quoted prices in an active market (notably for electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials, interest-rate curves, etc.), in particular for distant maturities.

**10.2.2 Financial assets**

The following table presents the net carrying amount and fair value of Group financial assets as of December 31, 2020, grouped together in accordance with IFRS 9 categories.

**FINANCING AND FINANCIAL INSTRUMENTS**

Fair value of financial assets and liabilities

**As of December 31, 2020**

(€ million)	Note	Net carrying amount Total	Financial assets at fair value			Fair value Total	Method for determining fair value		
			Assets at fair value through other comprehensive income	Assets at amortized cost	Assets at fair value through the Consolidated Income Statement		Level 1	Level 2	Level 3
Non-consolidated investments (*)		3,102.2	3,102.2	-	-	3,102.2	3,046.0	56.2	-
Non-current and current operating financial assets	Note 7.4	1,370.9	-	1,370.9	-	1,502.4	-	1,502.4	-
Other non-current financial assets	Note 10.1.2	427.3	-	427.3	-	427.3	-	427.3	-
Trade receivables	Note 7.3	6,782.9	-	6,782.9	-	6,782.9	-	6,782.9	-
Other current operating receivables	Note 7.3	1,091.4	-	1,091.4	-	1,091.4	-	1,091.4	-
Other current financial assets	Note 10.1.2	1,073.2	-	1,073.2	-	1,073.2	-	1,073.2	-
Non-current and current derivative instruments	Note 10.3	228.2	-	-	228.2	228.2	-	228.2	-
Cash and cash equivalents	Note 10.1.3	5,840.0	-	-	5,840.0	5,840.0	4,188.9	1,651.1	-
<b>TOTAL</b>		<b>19,916.1</b>	<b>3,102.2</b>	<b>10,745.7</b>	<b>6,068.2</b>	<b>20,047.6</b>	<b>7,234.9</b>	<b>12,812.7</b>	<b>-</b>

(\*) including Suez shares for €3,046 million as of December 31, 2020,

Level 2 cash and cash equivalents mainly consist of negotiable debt instruments and term deposit accounts.

**10.2.3 Financial liabilities**

The following table presents the net carrying amount and fair value of Group financial liabilities as of December 31, 2020, grouped together in accordance with IFRS 9 categories.

As of December 31, 2020

(€ million)	Note	Net carrying amount Total	Financial liabilities at fair value		Fair value Total	Method for determining fair value			
			Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement		Liabilities at fair value through profit or loss and held for trading	Level 1	Level 2	Level 3
<b>Borrowings and other financial liabilities</b>									
Non-current bond issues	Note 10.1.1	10,205.2	10,205.2	-	-	10,862.6	10,795.8	66.8	-
Current bond issues	Note 10.1.1	648.1	648.1	-	-	648.1	648.1	-	-
Non-current financial liabilities	Note 10.1.1	631.2	631.2	-	-	735.6	-	735.6	-
Current financial liabilities	Note 10.1.1	6,548.6	6,548.6	-	-	6,548.6	-	6,548.6	-
Non-current IFRS 16 lease debt	Note 10.1.1	1,296.8	1,296.8	-	-	1,296.8	-	1,296.8	-
Current IFRS 16 lease debt	Note 10.1.1	402.9	402.9	-	-	402.9	-	402.9	-
Bank overdrafts and other cash position items	Note 10.1.3	217.6	217.6	-	-	217.6	-	217.6	-
Trade payables	Note 7.3	4,504.5	4,504.5	-	-	4,504.5	-	4,504.5	-
Concession liabilities	Note 7.5	1,605.5	1,605.5	-	-	1,605.5	-	1,605.5	-
Non-current and current derivative instruments	Note 10.3	183.4	183.4	-	-	183.4	-	183.4	-
Other operating payables	Note 7.3	5,843.5	5,843.5	-	-	5,843.5	-	5,843.5	-
<b>TOTAL</b>		<b>32,087.3</b>	<b>32,087.3</b>	<b>-</b>	<b>-</b>	<b>32,849.1</b>	<b>11,443.9</b>	<b>21,405.2</b>	<b>-</b>

#### 10.2.4 Offsetting of financial assets and financial liabilities

As of December 31, 2020, derivatives managed under ISDA or EFET agreements are the only financial assets and/or liabilities covered by a legally enforceable master netting agreement. These instruments may only be offset in the event of default by one of the parties to the agreement. They are not therefore offset in the accounts.

Such derivatives are recognized in assets in the amount of €228.2 million and in liabilities in the amount of €183.4 million in the Consolidated Statement of Financial Position as of December 31, 2020.

## 10.3 Market risks and financial instruments

As a result of its operational and financial activities, the Group is exposed to various financial risks, for which it has implemented management rules:

- market risks: interest rate risk, foreign exchange risk and commodity risk;
- liquidity risk;
- credit risk.

These risks are described in Chapter 5, Section 5.1, Note 7.2.1.3.

Equity risk is presented in Notes 10.1.3.2 and 11.2.2.2.

### Derivative instruments

To manage its exposure to market risks, Veolia uses derivatives, the majority of which are classified as hedging instruments.

Derivative instruments are recognized at fair value in the Consolidated Statement of Financial Position. Other than the exceptions detailed below, changes in the fair value of derivative instruments are recorded through profit or loss. The fair value of derivatives is estimated using standard valuation models which take into account active market data.

Net gains and losses on instruments at fair value through profit or loss consist of swapped flows and changes in the value of the instrument.

Hedge accounting is applicable if:

- the hedging relationship is precisely defined and documented at the inception date;
- the effectiveness of the hedge is demonstrated at inception and by regular verification of the offsetting nature of movements in the market value of the hedging instrument and the hedged item. The ineffective portion of the hedge is systematically recognized in the Consolidated Income Statement.

Hedge accounting relationships currently used by the Group meet the requirements of IFRS 9 and are aligned with the Group's risk management strategy and objectives.

The effectiveness of derivatives in these hedging relationships is assessed using the hypothetical derivative method: the designated derivative in each hedging relationship must enable changes in cash flows of the hedged item to be offset.

The main sources of ineffectiveness are:

- the impact of Group and counterparty credit risk on the fair value of hedging instruments, not reflected by fluctuations in the fair value of the hedged item (foreign exchange, interest rate and commodities). Pursuant to IFRS 13, the impact of credit risk on derivatives is regularly assessed. In the absence of materiality, an adjustment has never been recognized;
- changes to the timing and amount of expected cash flows from hedged transactions, in the case of transaction foreign exchange risk.

The recognition of period-on-period fair value gains and losses depends on the type of hedge accounting applied.

**FINANCING AND FINANCIAL INSTRUMENTS**

Market risks and financial instruments

A **fair value hedge** is a hedge of exposure to changes in the fair value of all or a portion of a recognized asset or liability impacting net income for the period. Fair value gains and losses on hedging instruments are recognized in net income for the period. Changes in the value of the hedged item attributable to the hedged risk are also recorded in the Consolidated Income Statement for the period, to match these gains and losses (and adjust the value of the hedged item). These two remeasurements offset each other in the income statement headings, with the exception of any "ineffective portion" of the hedge.

A **cash flow hedge** is a hedge of exposure to variability in cash flows of an asset or liability or a highly probable forecast transaction impacting net income for the period. In the case of cash flow hedges, the portion of the gain or loss on the fair value remeasurement of the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, while the gain or loss on the fair value remeasurement of the underlying item is not recognized in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. Gains or losses recognized in other comprehensive income are reclassified to profit or loss in the same period or periods in which the asset acquired or liability issued affects profit or loss.

A **hedge of a net investment in a foreign operation** hedges the exposure to foreign exchange risk of the net assets of a foreign operation including loans considered part of the investment (IAS 21, The Effects of Changes in Foreign Exchange Rates). For this type of hedge, the effective portion of the gain or loss on the hedging instrument is recognized in translation reserves in other comprehensive income, while the ineffective portion is recognized in the Consolidated Income Statement. Gains and losses recognized in foreign exchange translation reserves are reclassified to profit or loss when the foreign investment is sold.

Certain transactions performed in accordance with the Group interest rate and foreign exchange risk management policy, but that do not satisfy hedge accounting criteria, are recorded as trading/non-qualifying instruments.

In the case of **currency hedges**, the Group only designates the "spot" component of derivatives as hedging its foreign exchange risk. As the "hedging cost" option is not applied, the premium/discount on hedging contracts is excluded from the hedging relationship and recognized separately in the financing cost.

In the case of **commodities**, purchase/sales contracts are generally recognized outside the scope of IFRS 9 ("own use" exemption), except for certain specific transactions in electricity, coal and gas. For these specific transactions, cash flow hedge accounting is systematically preferred.

The "own use" classification is applicable when the following conditions are satisfied:

- the volumes purchased or sold under the contracts reflect the operating requirements of the subsidiary;
- the contracts are not subject to net settlement as defined by IFRS 9 and, in particular, physical delivery is systematic;
- the contracts are not equivalent to sales of options, as defined by IFRS 9.

Commodity hedging instruments falling within the application scope of IFRS 9 are derivative instruments and are measured at fair value, calculated using models mostly based on observable data. Fair value gains and losses and the net impact of unwinding these transactions are recognized in operating income.

### 10.3.1 Management of market risk

The Group uses derivatives to manage and reduce its risk exposure: the Veolia Environnement Financing and Treasury Department is directly responsible for implementing and monitoring these hedges, while the Middle and Back Office

**FINANCING AND FINANCIAL INSTRUMENTS**

Market risks and financial instruments

teams in the Finance Department verify transactions and monitor limits, ensuring the security of transactions processed.

The fair value of derivatives in the Consolidated Statement of Financial Position breaks down as follows:

	Notes	As of December 31, 2019		As of December 31, 2020	
		Assets	Liabilities	Assets	Liabilities
<i>(€ million)</i>					
<b>Interest rate derivatives</b>	10.3.1.1	<b>34.1</b>	<b>3.6</b>	<b>41.3</b>	<b>7.4</b>
Fair value hedges		31.6	-	40.1	-
Cash flow hedges		0.7	0.4	-	5.2
Derivatives not qualifying for hedge accounting		1.8	3.2	1.2	2.2
<b>Foreign currency derivatives</b>	10.3.1.2	<b>83.0</b>	<b>186.7</b>	<b>152.5</b>	<b>120.3</b>
Net investment hedges		0.9	28.9	33.5	11.5
Fair value hedges		14.7	18.6	27.4	29.0
Cash flow hedges		-	3.4	3.8	1.9
Derivatives not qualifying for hedge accounting		67.4	135.8	87.8	77.9
<b>Commodity derivatives</b>	10.3.1.3	<b>13.4</b>	<b>59.9</b>	<b>34.4</b>	<b>55.7</b>
<b>Total Derivatives</b>		<b>130.5</b>	<b>250.2</b>	<b>228.2</b>	<b>183.4</b>
<b>o/w non-current derivatives</b>		<b>39.0</b>	<b>52.4</b>	<b>53.4</b>	<b>65.5</b>
<b>o/w current derivatives</b>		<b>91.5</b>	<b>197.8</b>	<b>174.8</b>	<b>117.9</b>

The fair value of derivatives recognized in the Consolidated Statement of Financial Position and the determination method (as described in Note 1.1.33) breaks down as follows:

	As of December 31, 2020		Level 2 (in %)		Level 3 (in %)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<i>(€ million)</i>						
Interest rate derivatives	41.3	7.4	100.0%	100.0%	0.0%	0.0%
Foreign currency derivatives	152.5	120.3	100.0%	100.0%	0.0%	0.0%
Commodity derivatives	34.4	55.7	100.0%	15.2%	0.0%	84.8%
<b>Total Derivatives</b>	<b>228.2</b>	<b>183.4</b>	<b>100.0%</b>	<b>74.2%</b>	<b>0.0%</b>	<b>25.8%</b>

Derivatives valued using internal models integrating certain non-observable data are primarily electricity derivatives (see Note 10.3.1.3) for which there are no quoted prices in an active market (mainly electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials), in particular for distant maturities. In such cases, data is estimated by Veolia experts.

(€ million)	As of December 31, 2019		Level 2 (in %)		Level 3 (in %)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	34.1	3.6	100.0%	100.0%	-	-
Foreign currency derivatives	83.0	186.7	100.0%	100.0%	-	-
Commodity derivatives	13.4	59.9	100.0%	23.9%	-	76.1%
<b>Total Derivatives</b>	<b>130.5</b>	<b>250.2</b>	<b>100.0%</b>	<b>81.8%</b>	<b>0.0%</b>	<b>18.2%</b>

### 10.3.1.1 MANAGEMENT OF INTEREST RATE RISK

The interest rate risk management policy is centralized. The financing structure of the Group exposes it naturally to the risk of interest rate fluctuations. As such, the cash and cash equivalents position covers floating-rate debt which impacts future financial results according to fluctuations in interest rates.

Short-term debt is primarily indexed to short-term indexes (Eonia for the treasury note program and Euribor/Libor for the main short-term credit lines). Medium and long-term debt comprises both fixed and floating-rate debt.

Veolia manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item taking account of reference interest rates, the frequency of coupons, the currency and the nominal amount.

These swaps may be classified as fair value hedges or cash flow hedges.

The following table shows the interest-rate exposure of gross debt (defined as the sum of non-current financial liabilities, current financial liabilities and bank overdrafts and other cash position items) before and after hedging.

(€ million)	As of December 31, 2019		As of December 31, 2020	
	Outstandings	% total debt	Outstandings	% total debt
Fixed rate	12,403.0	73.0%	13,029.7	65.4%
Floating rate	4,593.4	27.0%	6,881.2	34.6%
<b>Gross debt before hedging</b>	<b>16,996.4</b>	<b>100.0%</b>	<b>19,910.9</b>	<b>100.0%</b>
Fixed rate	11,880.4	69.9%	13,069.1	65.5%
Floating rate	5,116.0	30.1%	6,881.2	34.5%
<b>Gross debt after hedging and fair value remeasurement of fixed-rate debt</b>	<b>16,996.4</b>	<b>100.0%</b>	<b>19,950.3</b>	<b>100.0%</b>
<b>Fair value adjustments to (assets)/liability hedging derivatives</b>	<b>(4.0)</b>		<b>(57.1)</b>	
<b>Gross debt at amortized cost</b>	<b>16,992.4</b>		<b>19,893.2</b>	

Total gross debt as of December 31, 2020, after hedging, is 65.5% fixed-rate and 34.5% floating-rate.

As of December 31, 2020, the Group has cash and cash equivalents of €5,840.0 million, the majority of which bears interest at floating rates.

The Group manages its exposure to interest rate fluctuations based on floating-rate gross financial debt net of cash.

The Group's net floating-rate position after hedging (asset position) is -€206.1 million, maturing €317.2 million in less than one year, -€238.2 million in 1 to 5 years and -€285.1 million after 5 years.

### Interest rate fair value hedges

The risk of volatility in the value of debt is hedged by fixed-rate receiver/floating-rate payer swaps which change bond issues to floating-rate debt (see Note 10.1.1.1) recorded in non-current and current financial liabilities.

Fair value hedging swaps represent a notional outstanding amount of €500 million as of December 31, 2020, unchanged on December 31, 2019, with a net fair value in the Consolidated Statement of Financial Position of +€40.1 million as of December 31, 2020, compared with +€31.6 million as of December 31, 2019, as follows:

Fixed-rate receiver/ floating-rate payer swaps (€ million)	Notional contract amount by maturity				Fair value of derivatives	
	Total	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
<b>As of December 31, 2020</b>	<b>500.0</b>	-	-	<b>500.0</b>	<b>40.1</b>	-
<b>As of December 31, 2019</b>	500.0	-	-	500.0	31.6	-

As of December 31, 2020, accumulated fair value hedging adjustments to bond issues included in their net carrying amount totaled -€95.8 million.

The +€8.5 million increase in fair value is due to the fall in euro forward rates during the period. It is offset by the fair value remeasurement of the debt relating to the hedged risk in the amount of -€8.5 million. A review of the inefficiency of these hedging instruments did not give rise to any material impacts.

### Interest rate cash flow hedges

The Group has entered into interest rate swaps to fix the cost of existing floating-rate debt or the cost of future debt issues.

Contractual flows are paid to match interest flows on the hedged borrowings. The amount recorded in equity is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

Cash flow hedging swaps represent a notional outstanding amount of €1,027.4 million as of December 31, 2020, compared with €510 million as of December 31, 2019, with a net fair value of -€5.2 million as of December 31, 2020, compared with +€0.3 million as of December 31, 2019.

The change in the nominal amount of the cash flow hedging portfolio is mainly due to the set up-of fixed-rate payer swaps hedging in advance a future bond issue in the amount of €500 million. The -€5.5 million decrease in fair value is due to the fall in euro forward rates during the period.

The efficiency of these hedging instruments was measured but did not give rise to any material impacts.

Floating-rate receiver / fixed-rate payer swaps / purchases of caps (€ million)	Notional contract amount by maturity				Fair value of derivatives	
	Total	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
<b>As of December 31, 2020</b>	<b>1,027.4</b>	<b>500.8</b>	<b>-</b>	<b>526.7</b>	<b>-</b>	<b>5.2</b>
As of December 31, 2019	510.0	-	501.5	8.5	0.7	0.4

An amount of -€20.9 million, net of tax, was recorded directly in equity attributable to owners of the Company in respect of cash flow hedge interest-rate derivatives as of December 31, 2020. +€0.2 million was released from equity to net income as of December 31, 2020.

Contractual flows on interest rate swaps are paid at the same time as contractual flows on floating-rate borrowings and the amount recorded in other comprehensive income is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

### Interest-rate derivatives not qualifying for hedge accounting

A certain number of derivatives do not qualify as hedges under IFRS 9. The Group does not, however, consider these transactions to be of a speculative nature and views them as necessary for the effective management of its exposure to interest rate risk.

**FINANCING AND FINANCIAL INSTRUMENTS**

Market risks and financial instruments

<i>(€ million)</i>	<b>Notional amount as of December 31, 2020</b>				Fair value of derivatives	
	Total	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	189.3	150.0	39.3	-	1.2	2.2
Total optional financial instruments	-	-	-	-	-	-
<b>Total interest-rate derivatives not qualifying for hedge accounting</b>	<b>189.3</b>	<b>150.0</b>	<b>39.3</b>	<b>-</b>	<b>1.2</b>	<b>2.2</b>

The increase in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2019 and 2020 is mainly due to the set-up of short-term financial instruments hedging cash investments totaling €150 million.

Recap: the breakdown as of December 31, 2019 is as follows:

<i>(€ million)</i>	<b>Notional amount as of December 31, 2019</b>				Fair value of derivatives	
	Total	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	43.1	-	43.1	-	1.8	3.2
Total optional financial instruments	-	-	-	-	-	-
<b>Total interest-rate derivatives not qualifying for hedge accounting</b>	<b>43.1</b>	<b>-</b>	<b>43.1</b>	<b>-</b>	<b>1.8</b>	<b>3.2</b>

**10.3.1.2 MANAGEMENT OF FOREIGN EXCHANGE RISK**

The Group's international activities generate significant foreign currency flows.

The Group's central treasury department manages foreign exchange risk centrally within limits set by the Chief Finance Officer.

Foreign exchange risk, as defined by IFRS 7, mainly results from:

- a) foreign currency-denominated purchases and sales of goods and services relating to operating activities and the related hedges (e.g. currency forwards). The Group has no significant exposure to foreign exchange transaction risk. Indeed, the activities of the Group are performed by subsidiaries operating in their own country and their own currency. Exposure to foreign exchange risk is therefore naturally limited;
- b) Foreign currency-denominated financial assets and liabilities including foreign currency-denominated loans/borrowings and related hedges (e.g. forex swaps). With many operations worldwide, Veolia organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. In order to limit the impact of this risk, Veolia has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with inter-company receivables denominated in the same currency. The asset exposure hedging strategy primarily involves hedging certain net foreign investments and ensuring that Group companies do not have a material balance sheet foreign exchange position that could generate significant volatility in foreign exchange gains and losses;
- c) Investments in foreign subsidiaries reflected by the translation of accounts impacting the translation reserves.

The Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the value of the hedging instrument attributable to a change in the spot foreign exchange rate with the impact of changes in this same rate on the hedged instrument. It is Group policy to align the key characteristics of hedging instruments (currency, nominal amount, maturity, etc.) with the hedged item.

### ***Foreign exchange risk with regard to the net finance cost***

With many operations worldwide, Veolia organizes financing in local currencies.

The foreign currency debt borne by the parent company, Veolia Environnement SA, is generally hedged using either derivative instruments or assets in the same currency.

The Group's net finance cost, i.e. a euro-equivalent of -€414.4 million in 2020, is primarily denominated in EUR (51%), GBP (11%), USD (6%), CNY (9%), PLN (3%) and HKD (3%).

A 10% appreciation in the main currencies to which the Group is exposed (GBP, USD, PLN, HKD and CNY) against the euro would generate a €14.6 million increase in the net finance cost, while a 10% depreciation in these currencies would generated a €12.0 million decrease in the net finance cost.

### ***Translation risk***

Due to its international presence, the translation of the income statements of the Group's foreign subsidiaries is sensitive to exchange rate fluctuations.

The following table summarizes the sensitivity of certain Group Consolidated Income Statement aggregates to a 10% increase or decrease in foreign exchange rates against the euro, with regard to the translation of financial statements of foreign subsidiaries.

**FINANCING AND FINANCIAL INSTRUMENTS**

Market risks and financial instruments

Contribution to the consolidated financial statements										Sensitivity to a change of:	
	(€ million)	Euro	Pound sterling	US dollar	Polish zloty	Czech crown	Australian dollar	Chinese renminbi	Other currencies	Total	10%
Revenue	12,667.3	2,186.7	2,019.5	1,133.4	1,098.6	1,001.9	911.6	4,990.9	<b>26,009.9</b>	1,468.7	(1,201.7)
Operating income	81.6	211.5	11.7	110.2	86.3	45.6	234.7	137.9	<b>919.5</b>	92.4	(75.6)

### **Foreign exchange and translation risk in the Consolidated Statement of Financial Position**

Due to its international presence, the Group's Consolidated Statement of Financial Position is exposed to exchange rate fluctuations. A fluctuation in the euro impacts the translation of subsidiary foreign currency denominated assets in the Consolidated Statement of Financial Position.

For its most significant assets, the Group has issued debt in the relevant currencies. The main net assets of the Group are located in the United States, the United Kingdom, China, Poland and the Czech Republic. A 10% appreciation in the currencies of the above countries would increase net assets by €407 million, while a 10% depreciation in these currencies would reduce net assets by €333 million.

### **Hedge of a net investment in a foreign operation**

Financial instruments designated as net investment hedges break down as follows:

Financial instrument (€ million)	Notional amount as of December 31, 2020 by maturity				Fair value of derivatives	
	Amount	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Currency payer swaps	112.7	112.7	-	-	3.4	0.9
Currency receiver swaps	19.4	19.4	-	-	0.2	-
Options	1,382.6	1,382.6	-	-	29.9	4.8
Cross currency swaps	60.0	-	-	60.0	-	5.8
<b>Total foreign currency derivatives</b>	<b>1,574.7</b>	<b>1,514.7</b>	<b>-</b>	<b>60.0</b>	<b>33.5</b>	<b>11.5</b>
USD borrowings					N/A	N/A
CNY borrowings					N/A	N/A
<b>Total financing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL</b>	<b>1,574.7</b>	<b>1,514.7</b>	<b>-</b>	<b>60.0</b>		

The above currency swaps are short-term but are generally renewed at maturity, until financing of an appropriate term is secured in the currency of the related country.

Options are hedging strategies using collars.

It is Group policy to hedge the net investment only in the nominal amount of the foreign currency debt financing the securities.

Inter-company loans and receivables forming part of a foreign investment (IAS 21) are nearly systematically hedged by foreign currency external financing or foreign currency derivatives (cross currency swaps, currency forwards,

collars) meeting IFRS 9 criteria for hedge accounting. Foreign exchange gains and losses recorded in foreign exchange translation reserves in respect of hedging instruments are systematically offset by foreign exchange gains and losses recognized in foreign exchange translation reserves on loans forming part of the net investment, unless:

- the inter-company loan forming part of the net investment in a foreign operation is not hedged;
- the hedge is partially ineffective due to a difference between the nominal amount of the hedge and the amount of the hedged net asset;
- only the net assets of the foreign subsidiary (excluding the loan forming part of the net investment) are hedged.

A break-down of foreign exchange gains and losses recorded in Group foreign exchange translation reserves as of December 31, 2020 is presented in Note 11.2.4.

Recap: the breakdown as of December 31, 2019 is as follows:

Financial instrument (€ million)	Notional amount as of December 31, 2019 by maturity				Fair value of derivatives	
	Amount	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Currency payer swaps	133.9	133.9	-	-	0.2	4.0
Currency receiver swaps	25.4	25.4	-	-	0.7	-
Options	1,323.7	1,323.7	-	-	-	20.1
Embedded derivatives (forward sale)	-	-	-	-	-	-
Cross currency swaps	60.0	-	-	60.0	-	4.8
<b>Total foreign currency derivatives</b>	<b>1,543.0</b>	<b>1,483.0</b>	<b>-</b>	<b>60.0</b>	<b>0.9</b>	<b>28.9</b>
USD borrowings	-	-	-	-	N/A	N/A
CNY borrowings	-	-	-	-	N/A	N/A
<b>Total financing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>

### Foreign currency fair value hedges

Financial instruments designated as fair value hedges break down as follows:

Financial instrument (€ million)	Notional amount as of December 31, 2020 by maturity				Fair value of derivatives	
	Amount	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Forward purchases	194.4	190.8	3.6	-	3.4	8.4
Forward sales	1,444.3	423.5	1,020.8	-	24.0	20.6
<b>Foreign currency derivatives: Fair value hedges</b>	<b>1,638.7</b>	<b>614.3</b>	<b>1,024.4</b>	<b>-</b>	<b>27.4</b>	<b>29.0</b>

**FINANCING AND FINANCIAL INSTRUMENTS**

Market risks and financial instruments

The fair value hedges presented above mainly consist of foreign currency swaps hedging balance sheet items and mainly hedges of internal financing or hedges of construction contracts or sales of water treatment equipment and solutions. The impact of these hedges is offset by the remeasurement of the underlying items.

Financial instrument (€ million)	Notional amount as of December 31, 2019 by maturity				Fair value of derivatives	
	Amount	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Forward purchases	216.7	166.6	50.1	-	8.0	2.4
Forward sales	826.6	408.1	418.5	-	6.7	16.2
<b>Foreign currency derivatives: Fair value hedges</b>	<b>1,043.3</b>	<b>574.7</b>	<b>468.6</b>	<b>-</b>	<b>14.7</b>	<b>18.6</b>

**Foreign currency cash flow hedges**

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument (€ million)	Notional amount as of December 31, 2020 by maturity				Fair value of derivatives	
	Amount	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Forward purchases	40.7	38.4	2.3	-	1.7	0.3
Forward sales	205.9	158.6	47.3	-	2.1	1.6
<b>Foreign currency derivatives: Cash flow hedges</b>	<b>246.6</b>	<b>197.0</b>	<b>49.6</b>	<b>-</b>	<b>3.8</b>	<b>1.9</b>

The cash flow hedges presented above mainly consist of forward purchases/sales of foreign currencies different from the functional currencies of the entities concerned, in connection with their own activities.

They mainly include currency hedges in respect of commodity purchases and sales in Central Europe.

Financial instrument (€ million)	Notional amounts as of December 31, 2019 by maturity date				Fair value of derivatives	
	Amount	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Forward purchases	69.4	63.3	6.1	-	-	-
Forward sales	159.1	129.6	29.5	-	-	3.4
<b>Foreign currency derivatives: Cash flow hedges</b>	<b>228.5</b>	<b>192.9</b>	<b>35.6</b>	<b>-</b>	<b>-</b>	<b>3.4</b>

**Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting**

Financial instrument (€ million)	Notional amount as of December 31, 2020 by maturity				Fair value of derivatives	
	Amount	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Currency receiver swaps and forward purchases	2,870.0	2,869.4	0.6	-	14.0	34.7
Currency payer swaps and forward sales	6,265.0	6,206.4	58.6	-	73.8	43.2
<b>Foreign currency derivatives not qualifying for hedge accounting</b>	<b>9,135.0</b>	<b>9,075.8</b>	<b>59.2</b>	<b>-</b>	<b>87.8</b>	<b>77.9</b>

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement to hedge its foreign currency-denominated net financial debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

Financial instrument (€ million)	Notional amount as of December 31, 2019 by maturity				Fair value of derivatives	
	Amount	< 1 year	1 to 5 years	> 5 years	Total assets	Total liabilities
Currency receiver swaps and forward purchases	4,038.4	3,982.0	56.4	-	53.9	13.9
Currency payer swaps and forward sales	6,873.7	6,643.5	230.2	-	13.5	120.0
Currency options	-	-	-	-	-	-
Embedded derivatives	4.6	4.6	-	-	-	1.9
<b>Foreign currency derivatives not qualifying for hedge accounting</b>	<b>10916.7</b>	<b>10,630.1</b>	<b>286.6</b>	<b>-</b>	<b>67.4</b>	<b>135.8</b>

**FINANCING AND FINANCIAL INSTRUMENTS**

Market risks and financial instruments

**10.3.1.3 MANAGEMENT OF COMMODITY RISK**

Energy, commodity and consumable purchases represent a major operating expense for the Group's businesses, in particular diesel for waste collection, coal and gas for the supply of energy services, and electricity for water treatment and distribution. The Group is therefore exposed to fluctuations in their price.

The long-term contracts entered into by Veolia generally include price review and/or indexation clauses which enable it to pass on the majority of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

Nonetheless, as part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity). The majority of these commitments are reciprocal; the third parties concerned are obliged to deliver the quantities negotiated in these contracts and the Group is obliged to take them.

These transactions form part of the Group's commodity risk management policy, which seeks to establish a progressive hedge over three years (where possible) in order to limit results volatility.

As of December 31, 2020, the fair value of commodity derivatives is recorded €34.4 million in assets and €55.7 million in liabilities.

**As of December 31, 2019** **As of December 31, 2020**

<i>(€ million)</i>	Assets	Liabilities	Assets	Liabilities
<b>Commodity derivatives</b>	<b>13.4</b>	<b>59.9</b>	<b>34.4</b>	<b>55.7</b>
Electricity	13.4	56.6	9.9	55.4
Petroleum products	-	-	1.4	-
CO <sub>2</sub>	-	-	8.2	-
Coal	-	1.7	0.5	0.1
Gas	-	1.6	14.2	-
Other	-	-	0.2	0.2

These derivatives break down by hedge type as follows:

	<b>As of December 31, 2019</b>		<b>As of December 31, 2020</b>	
<i>(€ million)</i>	Assets	Liabilities	Assets	Liabilities
<b>Commodity derivatives</b>	<b>13.4</b>	<b>59.9</b>	<b>34.4</b>	<b>55.7</b>
Fair value hedges	-	-	-	-
Cash flow hedges	-	3.3	23.1	0.1
Derivatives not qualifying for hedge accounting	13.4	56.6	11.3	55.6

### Electricity risk

Certain subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IFRS 9.

#### Contract notional amount as of December 31, 2020 by maturity

(€ million)	Total amount	< 1 year	1 to 5 years	> 5 years
Electricity purchase instrument:				
• in Gwh	3,911	1,190	2,721	
• in € million	149	49	100	
Electricity sales instrument:				
• in Gwh	1,562	1,008	554	
• in € million	73	47	26	

Electricity purchase and sales instruments maturing in 2021 have a market value of -€15 million (based on valuation assumptions at the reporting date). Instruments maturing after 2021 have a market value of -€31 million. These transactions are recorded in the Consolidated Statement of Financial Position at fair value based on the quoted price of commodities with similar maturities and using internal models integrating non-observable data in the absence of a liquid market.

A 10% increase or decrease in the price of electricity (all other things being equal) would have an impact on net income of +€7.4 million and -€5.4 million, respectively.

#### Contract notional amount as of December 31, 2019 by maturity

(€ million)	Total amount	< 1 year	1 to 5 years	> 5 years
Electricity purchase instruments:				
• in Gwh	5,158	1,321	3,154	683
• in € million	181	54	106	21
Electricity sales instruments:				
• in Gwh	1,899	1,255	644	0
• in € million	87	55	32	0

### Greenhouse gases

The increase in greenhouse gases in the atmosphere led certain States and the international community to introduce regulatory measures to limit this trend. Under European regulations, the actual emissions position is determined each

year and the corresponding rights surrendered. The Group then purchases or sells emission rights, depending on whether actual emissions are greater or lesser than emission rights allocated.

In the absence of specific IFRS provisions, the Group has adopted the "net liability approach," which involves the recognition of a liability at the period end if actual emissions exceed allowances held, in accordance with IAS 37.

Allowances are managed as a production cost and, in this respect, are recognized in inventories at:

- nil value, when they are received free of charge;
- acquisition cost, if purchased for valuable consideration on the market.

Transactions in these allowances performed on the forward market are generally recognized outside the application scope of IFRS 9 ("own use" exemption), except for certain specific transactions related to the hedging of electricity production activities.

The position in **2020** is as follows:

Volume (in thousands of metric tons)	As of January 1, 2020	Changes in consolidation scope	Granted	Purchased / Sold / Canceled	Used	As of December 31, 2020
<b>TOTAL</b>	<b>484</b>	<b>(1)</b>	<b>1,355</b>	<b>5,977</b>	<b>(7,246)</b>	<b>569</b>

The inventory of 569 thousand metric tons is equivalent to approximately €18.4 million as of December 31, 2020, including 2020 returned emissions allowances.

In 2020, the Group received the last free allocations under phase III (2013-2020) of the Emissions Trading Scheme which has now ended. This system will continue during phase IV (2021 to 2030) with a continued steady decrease in free allocations. However, the final amounts allocated by the European authorities have not yet been published.

### 10.3.2 Management of liquidity risk

The operational management of liquidity and financing is managed by the Treasury and Financing Department. This management involves the centralization of major financing in order to optimize liquidity and cash.

The Group secures financing on international bond markets, international private placement markets, the treasury note market and the bank lending market (see Note 04 - Non-current and current financial liabilities).

10.3.2.1 MATURITY OF FINANCIAL LIABILITIES

As of December 31, 2020, undiscounted contractual flows on net financial debt (nominal value) break down by maturity date as follows:

(€ million)	As of December 31, 2020		Maturity of undiscounted contractual flows					
	Carrying amount	Total undiscounted contractual flows	2021	2022	2023	2024	2025	Beyond 5 years
Bond issues <sup>(1)</sup>	10,853.3	10,950.0	647.8	1,305.1	988.4	757.7	708.2	6,542.8
Other liabilities	7,396.1	7,396.1	6,767.9	85.9	122.6	31.5	34.1	354.1
<b>Gross financial liabilities excluding IFRS 16, the impact of amortized cost and hedging derivatives</b>	<b>18,249.4</b>	<b>18,346.1</b>	<b>7,415.7</b>	<b>1,391.0</b>	<b>1,111.0</b>	<b>789.2</b>	<b>742.3</b>	<b>6,896.9</b>
IFRS 16 lease debt	1,699.7	1,892.2	441.1	353.0	269.8	201.3	141.6	485.5
<b>Gross financial liabilities excluding the impact of amortized cost and hedging derivatives</b>	<b>19,949.1</b>	<b>20,238.3</b>	<b>7,856.8</b>	<b>1,744.0</b>	<b>1,380.8</b>	<b>990.5</b>	<b>883.9</b>	<b>7,382.4</b>
Impact of derivatives hedging debt	(57.1)							
<b>Gross financial liabilities</b>	<b>19,892.0</b>							
Cash and cash equivalents	(5,840.0)							
Liquid assets and financing financial assets	(835.0)							
<b>Net financial debt</b>	<b>13,217.0</b>							

(1) Excluding the impact of amortized cost and derivatives hedging debt.

**10.3.2.2 NET LIQUID ASSET POSITIONS**

Liquid assets of the Group as of 31 December **2020** break down as follows:

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
<b>Veolia Environnement (*):</b>		
Undrawn MT syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	1,000.0	1,000.0
Undrawn ST bilateral credit lines	100.0	-
Letters of credit facility	86.8	21.6
Cash and cash equivalents <sup>(1)</sup>	5,092.4	5,542.2
<b>Subsidiaries:</b>		
Cash and cash equivalents <sup>(1)</sup>	1,218.3	1,132.9
<b>Total liquid assets</b>	<b>10,497.7</b>	<b>10,696.7</b>
<b>Current debt and bank overdrafts and other cash position items:</b>		
Current debt	5,909.5	7,599.6
Bank overdrafts and other cash position items	302.2	217.6
<b>Total current debt and bank overdrafts and other cash position items</b>	<b>6,211.7</b>	<b>7,817.2</b>
<b>Total liquid assets net of current debt and bank overdrafts and other cash position items (1)</b>	<b>4,286.0</b>	<b>2,879.5</b>

*(1) Including liquid assets and financing financial assets included in net financial debt*

*(\*) including liquids assets from GIE Placement*

As of December 31, 2020, Veolia has total liquid assets of €10.7 billion, including cash and cash equivalents of €6.7 billion.

As of December 31, 2020, cash equivalents are mainly held by Veolia Environnement in the amount of €4,128.6 million. They comprise monetary UCITS of €2,772.1 million and term deposit accounts of €1,356.4 million.

**Confirmation of the credit outlook**

The rating agencies confirmed the credit outlook in the fourth quarter of 2020 (see Note 3).

**Refinancing of the multi-currency liquidity lines**

In October 2017, the multi-currency syndicated loan facility initially secured on November 2, 2015 for an amount of €3 billion and with a maturity of 2020, was extended to 2022. It may be drawn in eastern European currencies and Chinese renminbi.

This syndicated loan facility was not drawn as of December 31, 2020.

### Renewal of bilateral credit lines

Veolia Environnement has bilateral credit lines for a total undrawn amount of €1,000 million as of December 31, 2020.

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

Undrawn confirmed credit lines mature as follows:

(€ million)	As of December 31, 2020	Maturing in					
	Total	2021	2022	2023	2024	2025	2026
Undrawn syndicated loan facility	3,000.0	-	3,000.0	-	-	-	-
Credit lines	1,000.0	-	300.0	200.0	200.0	300.0	-
Letters of credit facility	21.6	12.2	9.4	-	-	-	-
<b>Total</b>	<b>4,021.6</b>	<b>12.2</b>	<b>3,309.4</b>	<b>200.0</b>	<b>200.0</b>	<b>300.0</b>	<b>-</b>

### 10.3.2.3 INFORMATION ON EARLY DEBT REPAYMENT CLAUSES

#### Veolia Environnement debt

The legal documentation for bank financing and bond issues contracted by the Company does not contain any financial covenants, i.e. obligations to comply with a debt coverage ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing.

#### Subsidiary debt

Certain project financing or financing granted by multilateral development banks to the Group's subsidiaries contain financial covenants (as defined above).

Based on due diligence performed within the subsidiaries, the Group considers that the covenants included in the Group's material financing agreements were satisfied (or had been waived by lenders) as of December 31, 2020.

### 10.3.3 Management of credit risk

The Group is exposed to counterparty risk in various areas: its operating activities, cash investment activities and derivatives.

**FINANCING AND FINANCIAL INSTRUMENTS**

Market risks and financial instruments

**10.3.3.1 COUNTERPARTY RISK RELATING TO OPERATING ACTIVITIES**

Credit risk must be considered separately with respect to operating financial assets and operating receivables. Credit risk on operating financial assets is appraised via the rating of primarily public customers. Credit risk on other operating receivables is appraised through an analysis of risk dilution and late payments for private customers and exceptionally, for public customers, by a credit analysis.

Group customer credit risk analysis may be broken down into the following four categories (Public customers - Delegating authority, Private customers - Individuals, Public customers - Other and Private customers - Companies):

	<b>As of December 31, 2020</b>				<b>Breakdown by customer type</b>			
	Note	Gross carrying amount	Impairment losses	Net carrying amount	Public customers - Delegating authority	Private customers - Individuals	Public customers - Other	Private customers - Companies
<i>(€ million)</i>								
Non-current and current operating financial assets	7.4	1,438.1	(67.2)	1,370.9	1,061.6	-	38.6	270.7
Trade receivables	7.3	7,731.1	(948.2)	6,782.9	1,766.3	884.5	1,339.1	2,793.0
Other current operating receivables	7.3	1,144.0	(52.5)	1,091.5	122.4	36.9	51.0	881.2
Non-current financial assets in loans and receivables	10.1.2	472.4	(68.8)	403.6	59.1	26.7	5.8	312.0
Current financial assets in loans and receivables	10.1.2	282.7	(37.4)	245.3	50.0	12.8	15.2	167.3
<b>Loans and receivables</b>		<b>11,068.3</b>	<b>(1,174.1)</b>	<b>9,894.2</b>	<b>3,059.4</b>	<b>960.9</b>	<b>1,449.7</b>	<b>4,424.2</b>
Other financial assets	10.1.2	863.3	(11.7)	851.6	10.3	8.3	1.5	831.5
<b>Total as of December 31, 2020</b>		<b>11,931.6</b>	<b>(1,185.8)</b>	<b>10,745.8</b>	<b>3,069.7</b>	<b>969.2</b>	<b>1,451.2</b>	<b>5,255.7</b>
<b>Total as of December 31, 2019</b>		<b>11,901.2</b>	<b>(1,122.8)</b>	<b>10,778.4</b>	<b>2,416.7</b>	<b>1,615.7</b>	<b>1,531.5</b>	<b>5,214.5</b>

Assets past due and not impaired break down as follows:

	Assets past due but not impaired					
	Note	Net carrying amount	Amount not yet due	0-6 months	6 months – 1 year	More than 1 year
<i>(€ million)</i>						
Non-current and current operating financial assets	7.4	1,370.9	1,348.4	1.9	17.5	3.1
Trade receivables	7.3	6,782.9	4,861.3	1,369.4	220.2	332.0
Other current operating receivables	7.3	1,091.5	929.7	66.4	26.0	69.4
Non-current financial assets in loans and receivables	10.1.2	403.6	403.6	-	-	-
Current financial assets in loans and receivables	10.1.2	245.3	220.9	1.4	1.4	21.6
<b>Loans and receivables as of December 31, 2020</b>		<b>9,894.2</b>	<b>7,763.9</b>	<b>1,439.1</b>	<b>265.1</b>	<b>426.1</b>
Other non-current and current financial assets	10.1.2	851.6	851.6	-	-	-
<b>Total as of December 31, 2020</b>		<b>10,745.8</b>	<b>8,615.5</b>	<b>1,439.1</b>	<b>265.1</b>	<b>426.1</b>
<b>Total as of December 31, 2019</b>		<b>10,778.4</b>	<b>8,551.1</b>	<b>1,608.5</b>	<b>267.0</b>	<b>351.8</b>

Assets past due over six months are mainly concentrated in Italy, France and Morocco and concern local authorities.

In Morocco, net trade receivables total €242.2 million as of December 31, 2020, including €73.6 million over six months past due.

### 10.3.3.2 COUNTERPARTY RISK RELATING TO INVESTMENT AND HEDGING ACTIVITIES

The Group is exposed to credit risk relating to the investment of its surplus cash and its use of derivative instruments in order to manage interest rate and foreign exchange risk. Credit risk corresponds to the loss that the Group may incur should a counterparty default on its contractual obligations. In the case of derivative financial instruments, this risk corresponds to the fair value of all the instruments contracted with a counterparty insofar as this value is positive.

The Group minimizes counterparty risk through internal control procedures limiting the choice of banking counterparties to leading banks and financial institutions (banks and financial institutions with a minimum Moody's, Standard & Poor's or Fitch's rating of A3/P3/F3 respectively for transactions with a term of less than one year and of A2/A/A respectively for transactions with a term of more than one year, unless justified). Limits are determined for each counterparty based primarily on the rating awarded by the rating agencies, the size of their equity and commitments given to the Group and are reviewed regularly. In addition, the Group has set-up Credit Support Annexes with its main counterparties limiting counterparty risk using margin call mechanisms.

**FINANCING AND FINANCIAL INSTRUMENTS**

Financial income and expenses

Counterparty risk on financial transactions is monitored on an ongoing basis by the middle-office within the Group Finance Department. The Group is not exposed to any risk as a result of material concentration.

Veolia Environnement cash surpluses (€4.1 billion as of December 31, 2020) are managed with a profitability objective close to that of the money market, avoiding exposure to capital risk and maintaining a low level of volatility.

They were injected into the following types of investment:

- UCITS satisfying the AMF cash and cash equivalents classification for €2,772.1 million;
- term deposit accounts classified as cash equivalents, mainly with leading international banks, with a short-term rating from Standard & Poor's, Moody's or Fitch of A3/P3/F3, for €1,355.0 million.

## 10.4 Financial income and expenses

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### 10.4.1 Cost of net financial debt

Finance costs consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

Interest costs included in payments under lease finance contracts are recorded using the effective interest rate method.

Finance income consists of gains on interest rate derivatives, both qualifying and not qualifying as hedges and income from cash investments and equivalents.

Interest income is recognized in profit or loss when earned, using the effective interest method.

Finance costs and finance income represent the cost of financial liabilities net of income from cash and cash equivalents. In addition, the cost of net financial debt include net gains and losses on derivatives allocated to debt, irrespective of whether they qualify for hedge accounting.

Finance income totals €82.1 million, while finance expenses total -€496.5 million in **2020**.

The cost of net financial debt presented in the Consolidated Cash Flow Statement reflects the cost of net financial debt of continuing operations presented above and the cost of net financial debt of discontinued operations of nil in 2020.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the cost of net financial debt of continuing and discontinued operations adjusted for accrued interest of €3.9 million and fair value adjustments to hedging derivatives of -€5.5 million in 2020.

(€ million)	2019	2020
Expenses on gross debt	(348.4)	(331.4)
Assets at fair value through the Consolidated Income Statement (fair value option)*	13.3	3.7
Net gains and losses on derivative instruments, hedging relationships and other	(105.4)	(86.7)
<b>Cost of net financial debt</b>	<b>(440.5)</b>	<b>(414.4)</b>

(\*) Cash equivalents are valued at fair value through the Consolidated Income Statement.

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for fiscal year **2020**:

- a net interest expense on hedging relationships (fair value hedges and cash flow hedges) of -€4.9 million;
- net losses on derivatives not qualifying for hedge accounting of -€81.9 million, mainly on foreign currency derivatives.

In addition, the charge relating to the ineffective portion of net investment hedges and cash flow hedges was not material in 2020 or 2019.

#### 10.4.2 Other financial income and expenses

Other financial income and expenses primarily include capital gains and losses on disposals of financial assets, net of disposal costs, the unwinding of discounts on provisions, interest on concession liabilities and interest on IFRS 16 lease debt.

(€ million)	2019	2020
Net gains and losses on loans and receivables	13.1	12.6
Capital gains and losses on disposals of financial assets, net of disposal costs	325.8	26.1
Dividends received	3.4	2.8
Assets and liabilities at fair value through the Consolidated Income Statement	0.3	0.1
Unwinding of the discount on provisions	(31.3)	(23.5)
Foreign exchange gains and losses	(4.4)	(12.9)
Interest on concession liabilities	(81.3)	(79.8)
Interest on IFRS 16 lease debt	(40.8)	(32.2)
Other	(38.1)	(32.9)
<b>Other financial income and expenses</b>	<b>146.7</b>	<b>(139.7)</b>

In **2020**, capital gains and losses on disposals of financial assets, net of disposal costs, include the impact of:

- the divestiture of Sade Telecom for €25.0 million;
- the divestiture of Liuzhou in China for €9.1 million.

In **2019**, capital gains and losses on disposals of financial assets, net of disposal costs, include the impact of:

- the divestiture of heating and cooling networks in the United States for €269.0 million before tax;
- the divestiture of Foshan for €36.4 million;
- the divestiture of Transdev for €32.7 million.

## 10.5 Financing commitments

### 10.5.1 Commitments given

**Debt guarantees:** these relate to guarantees given to financial institutions in connection with the financial liabilities of non-consolidated companies and equity-accounted entities, when the commitment covers the entire amount.

**Letters of credit:** letters of credit delivered by financial institutions to Group creditors, customers and suppliers guaranteeing operating activities.

Off-balance sheet commitments given break down as follows:

	As of December 31, 2019	As of December 31, 2020	Maturing in		
			Less than 1 year	1 to 5 years	More than 5 years
<i>(€ million)</i>					
Letters of credit	(39.6)	(50.5)	(30.8)	(13.3)	(6.4)
Debt guarantees	(35.1)	(47.7)	(18.8)	(1.1)	(27.8)
Other financing commitments given	(43.9)	(42.2)	(6.1)	(23.1)	(13.0)
<b>Total financing commitments given</b>	<b>(118.6)</b>	<b>(140.4)</b>	<b>(55.7)</b>	<b>(37.5)</b>	<b>(47.2)</b>

Commitments on lease contracts entered into by the Group are analyzed in Note 9.3.

Commitments given in respect of joint ventures (at 100%) total €3.4 million as of 31 December **2020** compared with €3.7 million as of December 31, 2019.

### 10.5.2 Commitments received

Commitments received total €144.9 million as of December 31, 2020, compared with €134.8 million as of December 31, 2019 re-presented.

### 10.5.3 Collateral guaranteeing financial liabilities

As of December 31, 2020, the Group has given €47.0 million of collateral guarantees in support of borrowings including €23.0 million in support of borrowings of its joint ventures.

The breakdown by type of asset is as follows (€ million):

Type of pledge/mortgage (€ million)	Amount pledged (a)	Total in the Consolidated Statement of Financial Position (b)	Corresponding % (a)/(b)
Tangible assets	11	8,217	0.1%
Financial assets*	24		
<b>Total non-current assets</b>	<b>35</b>	<b>27,744</b>	
Current assets	12	17,620	0.1%
<b>TOTAL ASSETS</b>	<b>47</b>	<b>17,620</b>	

\* As financial assets pledged as collateral are shares of consolidated subsidiaries and other financial assets, the ratio of pledged assets to total assets in the Consolidated Statement of Financial Position is not significant.

**EQUITY AND EARNINGS PER SHARE**

Share capital management procedures

**Note 11**

The breakdown by maturity is as follows:

(€ million)	As of December 31, 2019	As of December 31, 2020	Maturing in		
			Less than 1 year	1 to 5 years	More than 5 years
<b>Tangible assets</b>	<b>18</b>	<b>11</b>	<b>1</b>	<b>10</b>	<b>0</b>
Mortgage pledge	5	0	0	0	0
Other PP&E pledge <sup>(1)</sup>	13	11	1	10	0
<b>Financial assets <sup>(2)</sup></b>	<b>109</b>	<b>24</b>	<b>23</b>	<b>1</b>	<b>0</b>
<b>Current assets</b>	<b>21</b>	<b>12</b>	<b>10</b>	<b>0</b>	<b>2</b>
Pledges on receivables	21	12	10	0	2
<b>TOTAL</b>	<b>148</b>	<b>47</b>	<b>34</b>	<b>11</b>	<b>2</b>

<sup>(1)</sup> Mainly equipment and traveling systems.

<sup>(2)</sup> Including non-consolidated investments of €98.8 million and other financial assets (primarily operating financial assets) of €10.2 million as of December 31, 2019, compared with non-consolidated investments of €23.0 million and other financial assets (primarily operating financial assets) of €1.0 million as of December 31, 2020.

**NOTE 11****EQUITY AND EARNINGS PER SHARE****11.1 Share capital management procedures**

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure easy access to French and international capital markets, to enable investments in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining an "Investment Grade" credit rating.

On May 28, 2019, Veolia Environnement entered into a liquidity contract with Kepler Cheuvreux, effective June 1, 2019, for an initial period expiring on December 31, 2019, tacitly renewable thereafter for periods of one year. This contract complies with the prevailing legal framework.

**11.2 Equity attributable to owners of the Company****11.2.1 Share capital**

The share capital is fully paid-up.

**11.2.1.1 SHARE CAPITAL INCREASE RESERVED FOR GROUP EMPLOYEES**

In 2020, Veolia Environnement performed a share capital increase of €56.8 million as part of the 2020 Sequoia employee share ownership plan, using the delegation of authority granted by the Combined General Meeting of April 22, 2020, bringing the share capital to €2,893,056,810 as of December 31, 2020. This capital increase is accompanied by an additional paid-in-capital of €100.9 million. An extra amount of €5.7 million has been realized through a deduction on paid-in capital. The expenses relating to this transaction were deducted from additional paid-in capital for €1.3 million.

In 2019, Veolia Environnement performed a share capital increase of €1.2 million by capitalizing reserves, in order to grant five free shares to beneficiary employees as decided by the Board of Directors on May 2, 2018, bringing the share capital to €2,829,128,105.

Veolia then performed a second share capital increase of €25.1 million as part of the 2019 Sequoia employee share ownership plan, using the delegation of authority granted by the Combined General Meeting of April 18, 2019, bringing the share capital to €2,836,332,695. An amount of €6.0 million was charged to the legal reserve through a deduction from additional paid-in capital. The expenses relating to this transaction were deducted from additional paid-in capital for a net of tax amount of €1.4 million.

**11.2.1.2 NUMBER OF SHARES OUTSTANDING AND PAR VALUE**

The number of shares outstanding was 567,266,539 as of December 31, 2019 and 578,611,362 as of December 31, 2020. The par value of each share is €5.

**11.2.1.3 AUTHORIZED BUT UNISSUED SHARES**

For the financial management of Veolia Environnement, resolutions authorizing share capital increases approved every two years by Veolia Environnement's General Meeting are intended to authorize the Board of Directors to increase the share capital subject to certain conditions and limits. They allow the nature of financial instruments issued to be adapted in line with financing requirements and the situation of the French and international capital markets.

These resolutions are generally divided into two categories and subject to the following share capital increase ceilings:

- resolutions authorizing share capital increases with preferential subscription rights (PSR) subject to a maximum par value amount capped at €850 million (i.e. approximately 30% of the Company's share capital on the date of the General Shareholders' Meeting that approved these resolutions), and
- resolutions authorizing share capital increases without PSR subject to an overall maximum par value amount capped at €281 million (i.e. approximately 10% of the Company's share capital on the date of the General Shareholders' Meeting that approved these resolutions).

The use of these resolutions may not lead to share capital increase transactions with or without PSR exceeding a second overall ceiling of a par value amount of €850 million (approximately 30% of the Company's share capital on the date of the General Shareholders' Meeting that approved these resolutions).

All these authorizations are suspended during a public tender offer filed by a third party and aimed at taking control of the Company.

***Fiscal years 2019 and 2020***

For 2019, 169,000,000 shares could be issued pursuant to the share increase authorizations granted by the General Meeting of April 19, 2018, based on 565,593,341 shares comprising the share capital as of April 18, 2019.

**EQUITY AND EARNINGS PER SHARE**

Equity attributable to owners of the Company

As of December 31, 2019, 1,440,918 shares had been issued under the above transaction and 232,280 shares under free share grants, representing a total of 1,673,198 shares

For 2020, 170,000,000 shares could be issued pursuant to the share increase authorizations granted by the General Meeting of April 22, 2020, based on 567,266,539 shares comprising the share capital as of April 22, 2020.

As of December 31, 2020, 11,344,823 shares had been issued from among the 170,000,000 above-mentioned authorized shares.

**11.2.2 Offset of treasury shares against equity**

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

**11.2.2.1 PURCHASES AND SALES OF TREASURY SHARES**

Purchase and sale transactions in Veolia Environnement shares under the liquidity contract in 2020 and 2019 were as follows:

	<b>2019</b>	<b>2020</b>
Number of shares purchased during the year	1,545,769	2,406,320
Number of shares sold during the year	1,535,769	2,016,320

As of December 31, 2019 and 2020, Veolia Environnement did not hold any shares under the liquidity contract. A €20 million drawdown authorization was granted for the operation of this liquidity contract.

12,450,465 and 12,839,673 treasury shares are held as of December 31, 2019 and December 31, 2020, respectively

**11.2.2.2 EQUITY RISK**

As of December 31, 2020, Veolia Environnement holds 12,839,673 of its own shares, of which 8,389,059 are allocated to external growth transactions and 4,450,614 were acquired for allocation to employees under employee savings plans. These shares have a market value of €256.9 million, based on a share price of €20.01 and a net carrying amount of €450.7 million deducted from equity.

**11.2.3 Appropriation of net income and dividend distribution**

The General Shareholders' Meeting of April 22, 2020 set the cash dividend for 2019 at €0.50 per share. The shares went ex-dividend on May 12, 2020 and the dividend was paid from May 14, 2020 for a total amount of €277.1 million.

A dividend of €509.1 million was distributed by Veolia Environnement in 2019 and deducted from 2018 net income.

**11.2.4 Foreign exchange gains and losses**

Accumulated foreign exchange translation reserves total -€92.6 million as of December 31, 2019 (attributable to owners of the Company).

In 2019, the change in foreign exchange translation reserves primarily reflected fluctuations in the Chinese renminbi (-€10.4 million), the pound sterling (+€31.7 million), the Canadian dollar (+€10.1 million), the Hong Kong dollar (-€19.3 million) and the Argentinian peso (-€34.2 million).

Accumulated foreign exchange translation reserves total -€405.6 million as of December 31, 2020 (attributable to owners of the Company).

In 2020, the change in foreign exchange translation reserves in 2020 primarily reflects fluctuations in the Chinese renminbi (-€47.4 million), the US dollar (-€108.0 million), the pound sterling (-€39.4 million) and the Hong Kong dollar (+€69.4 million).

**MOVEMENTS IN FOREIGN EXCHANGE TRANSLATION RESERVES (ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TO NON-CONTROLLING INTERESTS)**

<i>(€ million)</i>	<b>Total</b>	o/w Attributable to owners of the Company
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	150.5	103.4
Translation differences on net foreign investments	(195.7)	(196.0)
<b>As of December 31, 2019</b>	<b>(45.2)</b>	<b>(92.6)</b>
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(373.2)	(321.2)
Translation differences on net foreign investments	8.2	8.2
<b>Movements in 2020</b>	<b>(365.0)</b>	<b>(313.0)</b>
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(222.7)	(217.9)
Translation differences on net foreign investments	(187.5)	(187.7)
<b>As of December 31, 2020</b>	<b>(410.2)</b>	<b>(405.6)</b>

**EQUITY AND EARNINGS PER SHARE**

Equity attributable to owners of the Company

**Note 11****BREAKDOWN BY CURRENCY OF FOREIGN EXCHANGE TRANSLATION RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY**

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>Change</b>	<b>As of December 31, 2020</b>
Chinese renminbi	272.1	(47.4)	224.7
US dollar	139.7	(108.0)	31.7
Czech crown	22.4	(21.7)	0.7
Mexican peso	(17.5)	(11.2)	(28.7)
Polish zloty	(21.3)	(29.7)	(51.0)
Argentinian peso	(98.2)	(25.6)	(123.8)
Pound sterling	(154.1)	(39.4)	(193.5)
Hong Kong dollar	(238.2)	69.4	(168.8)
Colombian peso	(23.9)	(18.3)	(42.2)
Hungarian forint	(18.7)	(19.6)	(38.3)
Other currencies	45.1	(61.5)	(16.4)
<b>Total</b>	<b>(92.6)</b>	<b>(313.0)</b>	<b>(405.6)</b>

**11.2.5 Fair value reserves**

Fair value reserves attributable to owners of the Company total -€418.0 million as of December 31, 2020 and -€57.1 million as of December 31, 2019, and break down as follows:

<i>(€ million)</i>	Available-for-sale securities	Commodity derivatives hedging cash flows	Foreign currency derivatives hedging cash flows	Hedging costs	Interest rate derivatives hedging cash flows	Total	o/w Attributable to owners of the Company
<b>As of December 31, 2019</b>	<b>11.6</b>	<b>(1.8)</b>	<b>(4.4)</b>	<b>-</b>	<b>(62.5)</b>	<b>(57.1)</b>	<b>(57.1)</b>
Fair value adjustments	(375.4)	12.2	2.1	(3.4)	0.4	(364.1)	(370.3)
Other movements	-	12.0	-	-	-	12.0	9.4
<b>As of December 31, 2020</b>	<b>(363.8)</b>	<b>22.4</b>	<b>(2.3)</b>	<b>(3.4)</b>	<b>(62.1)</b>	<b>(409.2)</b>	<b>(418.0)</b>

*Amounts are presented net of tax.*

The change in financial instruments at fair value through equity mainly concerns the Suez shares for -€376.0 million (see Note 4).

No material amounts were released to the Consolidated Income Statement in respect of interest rate derivatives hedging cash flows and recorded in finance costs and income.

## 11.3 Equity attributable to non-controlling interests

Pursuant to IFRS 10, non-controlling interests in fully consolidated subsidiaries are considered a component of equity.

Furthermore, in accordance with IAS 32, Financial Instruments: Presentation, non-controlling interest put options are recognized as liabilities.

### 11.3.1 Equity attributable to non-controlling interests

A breakdown of the movement in non-controlling interests is presented in the Statement of Changes in Equity.

As of December 31, 2020, non-controlling interests mainly concern:

- in Europe excluding France: Poland (€170.9 million) and Germany (€184.5 million);
- in the Rest of the World: China (€391.3 million).

The change in non-controlling interests is mainly due to net income for the year (€119.7 million), dividend distributions (-€148.9 million) and changes in consolidated scope (+€5.1 million).

### 11.3.2 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests is €119.7 million for the year ended December 31, 2020, compared with €135.7 million for the year ended December 31, 2019.

Net income attributable to non-controlling interests breaks down by operating segment as follows:

<i>(€ million)</i>	<b>As of December 31, 2019 re- presented</b>	<b>As of December 31, 2020</b>
France	0.7	(0.7)
Europe excluding France (b)	(53.6)	(53.7)
Rest of the world (a)	(70.9)	(61.6)
Global businesses	(11.9)	(3.7)
Other	-	-
<b>Net income attributable to non-controlling interests</b>	<b>(135.7)</b>	<b>(119.7)</b>

(a) Including net income attributable to non-controlling interests in China (€34.2 million) as of December 31, 2020.

(b) Including net income attributable to non-controlling interests in Central Europe (€38.5 million) as of December 31, 2020.

## 11.4 Deeply-subordinated securities and OCEANE convertible bonds

### 11.4.1 OCEANE convertible bonds

On March 8, 2016, Veolia Environnement issued convertible "OCEANE" bonds. The conversion option of this transaction may be settled solely in shares and is recognized in equity. The bonds convertible and/or exchangeable for new and/or

existing shares ("OCEANES") issued in March 2016 were redeemed on September 14, 2019. -€5.5 million was recognized in equity as of December 31, 2019.

On September 12, 2019, Veolia Environnement completed an offering of bonds convertible and/or exchangeable for new and/or existing shares maturing January 1, 2025 by way of a private placement without shareholders' preferential subscription rights, of a nominal amount of €700 million (see Note 10.1.1.1).

#### 11.4.2 Deeply subordinated securities

As disclosed in Note 4, Veolia Environnement performed a €2 billion debt issue on October 20, 2020 to refinance the acquisition of the 29.9% Suez share block from Engie.

This issue comprised two tranches of deeply subordinated perpetual hybrid notes in euros:

- €850 million bearing a coupon of 2.25% until the first reset date in April 2026 ;
- €850 million bearing a coupon of 2.50% until the first reset date in April 2029.

Costs relating to this transaction totaled -€12.9 million.

Pursuant to IAS 32.11 and given its intrinsic characteristics (no mandatory repayment, no obligation to pay a coupon except in the event of a dividend distribution to shareholders or the buyback of its own instruments), this instrument is recognized in equity.

### 11.5 Earnings per share

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Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year.

Pursuant to IAS 33, the weighted average number of shares outstanding taken into account for the calculation of net income per share is adjusted for the distribution of scrip dividends during the year. Pursuant to IAS 33.9 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

Diluted earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.

Net income and the number of shares used to calculate basic and diluted earnings per share are presented below for all activities.

	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
<b>Weighted average number of ordinary shares</b> <i>(in millions of shares)</i>	<b>553.4</b>	<b>554.9</b>
Weighted average number of ordinary shares for the calculation of basic earnings per share	553.4	554.9
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options	25.1	25.0
<b>Weighted average number of ordinary shares for the calculation of diluted earnings per share</b> <i>(in millions of shares)</i>	<b>578.5</b>	<b>579.9</b>
Net income (loss) attributable to owners of the Company per share <i>(in millions of euros)</i>		
Net income (loss) attributable to owners of the Company	619.4	88.8
Net income (loss) attributable to owners of the Company per share:		
Basic	1.12	0.16
Diluted	1.07	0.15
<b>Net income (loss) from discontinued operations attributable to owners of the Company per share</b> <i>(in millions of euros)</i>		
Net income (loss) from discontinued operations attributable to owners of the Company	(111.8)	(19.9)
Net income (loss) from discontinued operations attributable to owners of the Company per share:		
Basic	(0.20)	(0.04)
Diluted	(0.19)	(0.04)
<b>Net income (loss) from continuing operations attributable to owners of the Company per share</b> <i>(in millions of euros)</i>		
Net income (loss) from continuing operations attributable to owners of the Company	731.3	108.7
Net income (loss) from continuing operations attributable to owners of the Company per share:		
Basic	1.32	0.20
Diluted	1.26	0.19

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 8.2.2.

## NOTE 12

## PROVISIONS

Pursuant to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions cover all losses that are considered probable, and that relate to litigation (taxation other than income tax, employee or other) arising in the normal course of Veolia's business operations, including adjustments on uncertain tax positions identified but not yet adjusted.

As part of its obligations under public services contracts, Veolia generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there are delays in work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

Provisions for closure and post-closure costs encompass the legal and contractual obligations of the Group on the completion of operating activities at a site (primarily site rehabilitation provisions) and, more generally, expenditure associated with environmental protection (provision for environmental risks).

In the case of provisions for rehabilitation of landfill facilities, Veolia accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component. This asset is amortized during the fiscal year based on its depletion. The costs included take account of the technical and operating characteristics of the sites, as well as applicable regulatory requirements. The monitoring period following the closure of a landfill site depends on the country where the Group operates (France: 30 years; UK: 60 years). Inflation is taken into account in the total cost calculation and, depending on the projected expenditure schedule, a discount rate is applied (based on the country and flow maturities). Provisions are calculated, by site, at the reporting date, taking account of the landfill site fill rate, total estimated costs per year, the scheduled closure date and the discount rate and are recorded progressively over the operating period.

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

Movements in non-current and current provisions during **2020** are as follows:

(€ million)	As of December 31, 2019	Addition/ Charge	Repay- ment/ Utiliza- tion	Reversal	Actuarial gains (losses)	Unwinding of the discount	Changes in consolida- tion scope	Foreign exchange transla- tion	Non- current/ current reclassifi- cation	Other move- ments	As of December 31, 2020
Tax litigation <sup>(1)</sup>	48.3	12.1	(5.1)	(5.7)	-	-	0.1	(1.6)	-	(0.3)	47.8
Employee litigation	18.5	8.2	(2.4)	(1.6)	-	-	-	(0.5)	-	-	22.2
Other litigation	152.3	28.1	(7.0)	(9.5)	-	0.1	(0.3)	(4.0)	-	(17.4)	142.3
Contractual commitments	74.1	202.8	(181.8)	(1.8)	-	0.7	-	(0.1)	-	0.1	94.0
Provisions for work-in- progress and losses to completion on long-term contracts	138.9	52.4	(69.2)	(5.3)	-	2.2	19.5	(6.3)	-	(2.4)	129.8
Closure and post-closure costs	678.7	17.4	(28.4)	(25.2)	-	43.5	13.8	(22.2)	-	0.4	678.0
Restructuring provisions	57.3	38.4	(31.2)	(17.0)	-	-	-	(0.9)	-	(1.1)	45.5
Self-insurance provisions	251.4	71.1	(44.4)	(36.6)	-	0.4	-	(0.9)	-	(0.2)	240.8
Other provisions	182.3	82.8	(38.6)	(25.1)	-	-	-	(4.0)	-	(13.2)	184.2
<b>Provisions excluding pensions and other employee benefits</b>	<b>1,601.8</b>	<b>513.3</b>	<b>(408.1)</b>	<b>(127.8)</b>	<b>-</b>	<b>46.9</b>	<b>33.1</b>	<b>(40.5)</b>	<b>-</b>	<b>(34.1)</b>	<b>1,584.6</b>
<b>Provisions for pensions and other employee benefits</b>	<b>786.0</b>	<b>60.5</b>	<b>(77.6)</b>	<b>(28.8)</b>	<b>3.1</b>	<b>7.8</b>	<b>0.1</b>	<b>(12.0)</b>	<b>-</b>	<b>33.8</b>	<b>772.9</b>
<b>TOTAL PROVISIONS</b>	<b>2,387.8</b>	<b>573.8</b>	<b>(485.7)</b>	<b>(156.6)</b>	<b>3.1</b>	<b>54.7</b>	<b>33.2</b>	<b>(52.5)</b>	<b>-</b>	<b>(0.3)</b>	<b>2,357.5</b>
<b>NON- CURRENT PROVISIONS</b>	<b>1,848.7</b>	<b>356.5</b>	<b>(259.4)</b>	<b>(74.3)</b>	<b>3.1</b>	<b>54.8</b>	<b>31.8</b>	<b>(41.8)</b>	<b>(80.5)</b>	<b>7.9</b>	<b>1,846.8</b>
<b>CURRENT PROVISIONS</b>	<b>539.1</b>	<b>217.3</b>	<b>(226.3)</b>	<b>(82.3)</b>	<b>-</b>	<b>(0.1)</b>	<b>1.4</b>	<b>(10.7)</b>	<b>80.5</b>	<b>(8.2)</b>	<b>510.7</b>

(1) Provisions other than for income tax

**Provisions for litigation** total €212.3 million overall as of December 31, 2020, compared with €219.1 million overall as of December 31, 2019.

The France, Europe excluding France, Rest of the World and Global Businesses operating segments account for €55.1 million, €71.2 million, €36.4 million and €43.8 million of these provisions, respectively, as of December 31, 2020.

Additional information on the main litigation is presented in Note 14.

As of December 31, 2020, **provisions for contractual commitments** primarily concern the France operating segment in the amount of €59.8 million.

**Provisions for work-in-progress and losses to completion on long-term contracts** total €129.8 million as of December 31, 2020 and mainly concern the France operating segment in the amount of €19.6 million, the Europe excluding France operating segment in the amount of €27.1 million, the Rest of the world operating segment in the amount of €48.5 million and the Global Businesses operating segment in the amount of €34.6 million.

**Provisions for closure and post-closure costs** total €678.0 million as of December 31, 2020 compared with €678.7 million as of December 31, 2019 and mainly concern the following operating segments:

- France in the amount of €262.9 million in 2020, compared with €245.9 million in 2019;
- Europe excluding France, in the amount of €219.0 million in 2020, compared with €231.8 million in 2019.

The change in these provisions in 2020 is mainly due to the unwinding of the discount in the amount of €43.5 million, net reversals of provisions in the amount of -€36.2 million and foreign exchange translation gains and losses in the amount of -€22.2 million.

By nature of obligation, these provisions concern:

- provisions for site rehabilitation in the amount of €626.0 million at the end of 2020, compared with €632.8 million at the end of 2019;
- provisions for environmental risks in the amount of €17.8 million at the end of 2020, compared with €19.8 million at the end of 2019;
- provisions for plant dismantling in the amount of €34.2 million at the end of 2020, compared with €26.1 million at the end of 2019.

**Self-insurance provisions** were mainly recorded by Group insurance and reinsurance subsidiaries.

**Other provisions** include various obligations recorded as part of the normal operation of the Group's subsidiaries and which are of immaterial individual amount. They primarily concern the following operating segments:

- France in the amount of €34.9 million as of December 31, 2020, compared with €36.0 million as of December 31, 2019;
- Europe excluding France, in the amount of €60.3 million as of December 31, 2020, compared with €48.7 million as of December 31, 2019;
- the Rest of the world in the amount of €40.3 million as of December 31, 2020, compared with €42.9 million as of December 31, 2019;
- Global businesses in the amount of €24.5 million as of December 31, 2020, compared with €30.1 million as of December 31, 2019.

**Provisions for pensions and other employee benefits** as of December 31, 2020 total €772.9 million, and include provisions for pensions and other post-employment benefits of €691.5 million (governed by IAS 19 and detailed in Note 1.19), and provisions for other long-term benefits of €81.4 million.

**NOTE 13 INCOME TAX EXPENSE**

**13.1 Income taxes**

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

**13.1.1 Analysis of the income tax expense**

The income tax expense breaks down as follows:

<i>(€ million)</i>	<b>2019</b>	<b>2020</b>
<b>Current income tax (expense) income</b>	<b>(331.4)</b>	<b>(224.2)</b>
France	(33.7)	(22.9)
Other countries	(297.7)	(201.3)
<b>Deferred tax (expense) income</b>	<b>32.9</b>	<b>87.2</b>
France	(14.6)	11.7
Other countries	47.5	75.5
<b>Total income tax expense</b>	<b>(298.5)</b>	<b>(137.0)</b>

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company. Veolia Environnement is liable to the French Treasury Department for the full income tax charge, calculated based on the group tax return. Any tax savings are recognized at Veolia Environnement level.

### 13.1.2 Effective tax rate

	<b>2019</b>	<b>2020</b>
Net income (loss) from continuing operations (a)	872.5	228.4
Share of net income (loss) of associates (b)	40.5	23.1
Share of net income (loss) of joint ventures (c)	89.3	87.4
Share of net income (loss) of other equity-accounted entities (d)	-	-
Income tax expense (e)	(298.5)	(137.0)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	1,041.2	254.9
<b>Effective tax rate (e)/(f)</b>	<b>28.7%</b>	<b>53.8%</b>
<b>Theoretical tax rate (1)</b>	<b>34.4%</b>	<b>32.02%</b>
Net impairment losses on goodwill not deductible for tax purposes	0.0%	5.1%
Differences in tax rate	(11.1%)	(16.1%)
Capital gains and losses on disposals	1.4%	(4.6%)
Dividends	0.9%	2.4%
Taxation without tax base	4.6%	8.4%
Effect of tax projections (2)	(1.4%)	9.2%
Other permanent differences	(0.1%)	17.4%
<b>Effective tax rate</b>	<b>28.7%</b>	<b>53.8%</b>

(1) The tax rate indicated is the statutory tax rate in France applicable in fiscal years 2019 and 2020.

(2) Effect of tax projections primarily includes impairment losses on deferred tax assets and capitalized deferred taxes.

The main elements explaining the effective tax rate in **2020** are as follows:

- transactions in countries with a lower tax rate than the French standard rate;
- taxation without tax base.

It is recalled that the main elements explaining the effective tax rate in **2019** were as follows:

- transactions in countries with a lower tax rate than the French standard rate;
- taxation without tax base.

## 13.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are generally recognized on timing differences and/or tax loss carry forwards.

Deferred tax assets arising from timing differences are only recognized when it is probable that:

- there are sufficient taxable timing differences within the same tax group or tax entity that are expected to reverse in the same periods as the expected reversal of such deductible timing differences or in the periods when the deferred tax assets arising from tax losses can be carried back or forward; or
- the Group is likely to generate sufficient future taxable profits against which the asset can be offset.

At each reporting date, the Group reviews the recoverable amount of deferred tax assets arising from material tax losses carried-forward.

Deferred tax assets arising from these tax losses are no longer recognized or are reduced when required by the specific facts and circumstances of each company or tax group concerned, and particularly when:

- the forecast period and uncertainties regarding the economic environment no longer enable the probability of utilization to be assessed;
- the companies have not started utilizing the losses;
- the forecast utilization period exceeds the carry forward period authorized by tax legislation;
- offset against future taxable profits is uncertain due to the risk of different interpretations of the application of tax legislation.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

**Movements** in deferred tax assets and liabilities during **2020** are as follows:

(€ million)	<b>December 31, 2019</b>	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/Liabilities classified as held for sale	Other movements	<b>As of December 31, 2020</b>
Deferred tax assets, gross	2,599.7	136.0	13.9	8.5	(107.8)	(1.9)	(1.9)	2,646.5
Deferred tax assets not recognized	(1,646.8)	(13.4)	(4.7)	(5.9)	58.1	0.5	2.2	(1,610.0)
<b>Deferred tax assets, net</b>	<b>952.9</b>	<b>122.6</b>	<b>9.2</b>	<b>2.6</b>	<b>(49.7)</b>	<b>(1.4)</b>	<b>0.3</b>	<b>1,036.5</b>
<b>Deferred tax liabilities</b>	<b>984.4</b>	<b>35.4</b>	<b>9.6</b>	<b>116.2</b>	<b>(52.2)</b>	<b>(0.2)</b>	<b>1.2</b>	<b>1,094.4</b>

As of December 31, 2020, deferred tax assets not recognized total -€1,610.0 million, including -€1,256.8 million on tax losses and -€353.3 million on timing differences. As of December 31, 2019, such deferred tax assets totaled -€1,646.8 million, including -€1,328.5 million on tax losses and -€318.3 million on timing differences.

**INCOME TAX EXPENSE**

Deferred tax assets and liabilities

**Note 13**

Due to the impacts of the Covid-19 pandemic, the Group reviewed the recoverable amount of deferred tax assets arising from material tax losses. These procedures did not lead the Group to record additional impairment as of December 31, 2020.

Deferred tax assets and liabilities **break down by nature** as follows:

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
<b>Deferred tax assets</b>		
Tax losses	1,587.4	1,561.7
Provisions and impairment losses	148.1	177.0
Employee benefits	218.0	218.7
Financial instruments	60.3	70.6
Operating financial assets	34.4	39.7
Fair value of assets purchased	23.8	18.2
Foreign exchange gains and losses	0.1	0.2
Finance leases	38.3	40.6
Intangible assets, PP&E and operating financial assets	94.8	97.8
Other	394.5	422.0
<b>Deferred tax assets, gross</b>	<b>2,599.7</b>	<b>2,646.5</b>
<b>Deferred tax assets not recognized</b>	<b>(1,646.8)</b>	<b>(1,610.0)</b>
<b>Recognized deferred tax assets</b>	<b>952.9</b>	<b>1,036.5</b>

<i>(€ million)</i>	<b>As of December 31, 2019</b>	<b>As of December 31, 2020</b>
<b>Deferred tax liabilities</b>		
Intangible assets and Property plant and equipment	438.1	462.2
Fair value of assets purchased	213.6	263.1
Operating financial assets	70.8	69.1
Financial instruments	26.0	49.3
Finance leases	53.9	59.7
Provisions	32.0	32.2
Foreign exchange gains and losses	7.7	4.9
Employee benefits	38.3	41.0
Other	104.0	112.9
<b>Deferred tax liabilities</b>	<b>984.4</b>	<b>1,094.4</b>

The breakdown **by main tax group** as of December 31, 2020 is as follows:

(€ million)	Recognized deferred tax assets on tax losses	Recognized deferred tax assets on timing differences	Deferred tax liabilities on timing differences	Net recognized deferred tax position
France Veolia tax group	10.7	79.3	(79.3)	10.7
United States tax group	164.1	105.0	(135.6)	133.5
<b>Total for the main tax groups</b>	<b>174.8</b>	<b>184.3</b>	<b>(214.9)</b>	<b>144.2</b>

The **timing schedule for the reversal** of the net deferred tax position on timing differences and the deferred tax asset position on tax losses of the France tax group and the United States tax group is as follows:

(€ million)	Deferred tax assets on tax losses			Net deferred tax on timing differences			Total		
	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total
France Veolia tax group	10.7	-	<b>10.7</b>	-	10.7	-	-	-	<b>10.7</b>
United States tax group	164.1	-	<b>164.1</b>	0.8	(31.4)	<b>(30.6)</b>	164.9	(31.4)	<b>133.5</b>

The **expiry schedule** for deferred tax assets on tax losses recognized and not recognized as of December 31, 2020 is as follows:

(€ million)	Maturing in			Total as of December 31, 2020	Total as of December 31, 2019
	5 years or less	More than 5 years	Unlimited		
Recognized tax losses	9.8	179.5	115.6	<b>304.9</b>	<b>258.7</b>
Tax losses not recognized	122.1	330.5	804.2	<b>1,256.8</b>	<b>1,328.7</b>

The increase in tax losses not recognized as of December 31, 2020 follows the reassessment by the Group of its outlook and, particularly the outlook of the US tax group.

Deferred tax assets and liabilities **break down by destination** as follows:

(€ million)	As of December 31, 2019	As of December 31, 2020
<b>Deferred tax assets, net</b>		
Deferred tax assets through net income	885.3	962.5
Deferred tax assets through equity	67.6	74.0
<b>Deferred tax assets, net</b>	<b>952.9</b>	<b>1,036.5</b>
<b>Deferred tax liabilities</b>		
Deferred tax liabilities through net income	956.0	1,055.6
Deferred tax liabilities through equity	28.4	38.8
<b>Deferred tax liabilities</b>	<b>984.4</b>	<b>1,094.4</b>

### 13.3 Tax audits

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In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits.

The Group assesses income tax risks in accordance with IFRIC 23, notably by considering that the tax authorities will conduct an audit and will have full knowledge of all relevant information.

The tax authorities have carried out various tax audits in respect of both consolidated tax groups and individual entities. To date, none of these reviews have led to liabilities to the tax authorities materially in excess of amounts estimated during the review of tax risks.

In estimating the risk as of December 31, 2020, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

**NOTE 14****CONTINGENT ASSETS AND LIABILITIES****North America****United States – Water – Flint**

In November 2011, the Governor of Michigan declared the City of Flint, ("Flint") to be in financial difficulty and appointed an emergency manager ("Emergency Manager") for Flint. In an attempt to save money, the Emergency Manager decided to switch the city's water supply source (previously provided by Detroit) to the Flint River on an interim basis as part of a long-term plan to switch to water from Lake Huron.

In 2013, Flint hired the engineering firm Lockwood, Andrews & Newman ("LAN") to prepare the Flint water plant to switch water sources. In April 2014, the Flint water plant began treating Flint River water for distribution to its residents.

Following the switch to Flint River water, Flint residents began to complain about its odor, taste and appearance.

Between August and December 2014, Flint experienced a number of water quality issues resulting in violations of National Primary Drinking Water Regulations, including "Total Trihalomethanes" - ("TTHM") (which are disinfection byproducts) maximum contaminant level violations.

In February 2015, Flint hired a US subsidiary of the Company, Veolia Water North America Operating Services, LLC ("VWNAOS"), to produce a report, which included a discussion of residual effects of the chlorination process, discoloration and taste and odor issues. This one-time review (invoiced at USD \$40,000), was completed by VWNAOS in approximately four weeks. Throughout that time, and subsequently, Flint continued to retain LAN as its primary water engineering consultant. In December 2014 and during 2015, LAN developed a treatment plan for the Flint River water and submitted reports to Flint that addressed compliance with the Safe Drinking Water Act. In its plan and reports, LAN did not raise or address any concerns that Flint's new water supply could create problems with lead levels in the drinking water.

On February 18, 2015, VWNAOS issued an interim report, based among other things on tests performed exclusively by Flint which showed that the city was in compliance with the Lead & Copper rule. This report included a statement that the drinking water was "safe" in that it complied "with state and federal standards and required testing". During that evening's public meeting, which was organized by the Flint City Council Public Works Committee, VWNAOS employees communicated to the public the results of VWNAOS' interim report.

In parallel, Flint conducted lead tests at the home of a Flint resident which revealed high levels of lead in the water but did not share these results with VWNAOS. Michigan government officials maintained that it was an isolated incident, not a system-wide problem.

On March 12, 2015, VWNAOS delivered its final report to Flint, which was subsequently made available to the public. In its report, VWNAOS issued a broad set of recommendations to address TTHM compliance and improve water quality related to taste, odor and discoloration. The report also recommended that Flint work with the State regulators and Flint's engineering firm (LAN) to establish a corrosion control plan. Most of these recommendations were ignored by Flint.

On June 24, 2015, an employee of the U.S. Environmental Protection Agency issued a memorandum summarizing the available information regarding measures taken by Flint and several governmental agencies in response to high lead

levels in Flint's drinking water reported by a Flint resident in February 2015. On September 25, 2015, Flint issued a lead advisory to the residents of Flint regarding the presence of lead in the drinking water.

On October 16, 2015, Flint switched its water supply source back to the Detroit water system.

On October 21, 2015, the office of the Governor of the State of Michigan commissioned the Flint Water Advisory Task Force, a group of experts from a variety of disciplines, to conduct an independent review of the Flint water crisis, including lead contamination of the water.

On March 21, 2016, the Flint Water Advisory Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The report concluded that the responsibility for the Flint water crisis rested largely with several governmental agencies and Flint. The report concluded that the Michigan Department of Environmental Quality and the City of Flint did not require the implementation of corrosion control when the source of the water supply was changed to the Flint River, which the Task Force found was contrary to requirements imposed by a federal law known as the Lead & Copper Rule.

#### *Individual and class actions*

Since February 2016, numerous individual complaints and putative class actions have been filed in Michigan state and federal courts by Flint residents against a number of defendants, including the State of Michigan, the Michigan Department of Environmental Quality and three of the US subsidiaries of the Company, Veolia North America Inc., VWNAOS and Veolia North America LLC (collectively "VNA"). Flint residents allege that they were injured by exposure to toxins, including lead, contained in Flint River water, and brought several claims against VNA, including for professional negligence and fraud. The federal court dismissed the fraud claims.

Although the Company has been named in several putative class actions and individual actions, it has not been served and is not a party to any of these actions. Only the three U.S. subsidiaries of the Company are active parties in these actions.

In January 2018, a mediation process was ordered by the federal court. The mediators required the participation of all parties to the federal litigation, which includes the three U.S. subsidiaries of the Company, but not the Company itself.

Mid July, 2020, the plaintiffs in the federal putative class action filed their motion for Class Certification. This procedure is ongoing.

In November 2020, the plaintiffs in the putative class actions and individual actions (both state and federal) reached a settlement with some defendants in these actions, including the State of Michigan and Flint, but not VNA, for USD \$641.25 million. This settlement agreement remains subject to the final approval of the federal judge in charge of these proceedings. The proceedings will continue with regard to those who are not parties to the settlement, including VNA.

In October 2021, the first trials for the individual federal actions will be held.

#### *Civil action of the State of Michigan's Attorney General*

On June 22, 2016, the State of Michigan's Attorney General filed a civil action in state court against several corporations, including VWNAOS and the Company itself, for their alleged roles in the Flint water crisis. The Attorney General subsequently dismissed that action, and filed a new civil action on August 17, 2016. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleged that

the acts and omissions of these corporations constitute, among other things, professional negligence and fraud. Subsequent to filing the new action, the Attorney General agreed to dismiss the Company without prejudice from the case.

On September 12, 2016, stipulations of dismissal were filed with the state court to that effect.

On November 6, 2018, the State of Michigan elected a new Governor and a new Attorney General. The new Attorney General subsequently filed, on April 12, 2019, a new amended complaint against, among others, the Company and its three U.S. subsidiaries. The Company has not been served with that complaint and so it is not currently an active party in this civil action, but its U.S. subsidiaries are.

In early November 2019, the state court dismissed all claims against the Company's U.S. subsidiaries and LAN except for a claim for unjust enrichment. In early December 2019, the Attorney General, the Company's U.S. subsidiaries, and the LAN defendants, filed motions to reconsider this decision. The motions of the Company's U.S. subsidiaries and the LAN defendants were denied by the court. The 1<sup>st</sup> of March 2021, the same court partially granted the Attorney General's motion for reconsideration ultimately retaining the claims against VNA for unjust enrichment and professional negligence.

The Group strongly contests the merits of all these legal proceedings.

#### *Criminal actions*

Criminal proceedings were initiated by the former Attorney General against fifteen employees of the State of Michigan and the City of Flint for their conduct related to the water crisis in Flint. Of these fifteen employees, seven pleaded guilty. On June 13, 2019, the new Attorney General dropped all charges against the remaining eight employees. Mid January 2021, the Michigan Attorney General's Office announced that a Grand Jury had issued criminal indictments against eight former Flint and state officials and one current State official for their alleged roles in the Flint water crisis. The Michigan Solicitor General stated the investigation remains open and is ongoing.

These lawsuits have been reported to the insurers. Some of the insurers, relying on an exclusion clause contained in their policies, have made it known that they do not intend on covering the financial consequences of VNA's liability, if this were to be established, for damages resulting from lead.

The Group strongly contests this position, arguing that this exclusion clause is not applicable in the current situation and that in any case, the clause is void as it is contrary to both the mandatory rule of article L.113-1 of the French Insurance Code, requiring that the exclusion shall be "formal and limited" and contrary to its interpretation by the courts.

## Central and Eastern Europe

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### **Romania**

In 2000, Apa Nova Bucuresti ("ANB"), Veolia Eau's Romanian subsidiary in which it holds a 74% stake, signed a 25-year concession agreement for water distribution and wastewater services with the city of Bucharest.

At the end of July 2015, the National Anticorruption Division of Ploiesti ("NAD") opened an investigation on influence peddling involving several persons and entities, including several Romanian subsidiaries of the Company.

ANB and certain of its former managers were suspected of having purchased, between 2008 and 2015, the influence of three natural persons in order to obtain favorable decisions from Bucharest's public authorities, resulting in significant increases in water prices. In exchange for their influence, ANB allegedly made significant payments to companies controlled by these three persons or related persons, without these payments being proportionate to the services rendered, and without these services necessarily being real.

Throughout October 2015, three former managers of ANB were placed under the status of "inculpat". On October 30, 2015, ANB was placed under this same status, for bribery, buying influence, invasion of privacy, tax evasion and money laundering.

The Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) opened investigations concerning possible violations of US federal laws, relating to the facts which are the subject of NAD's investigation. At the SEC's behest, as part of international cooperation, the Autorité des marchés financiers (AMF) opened its own investigation on the matter.

In 2017, the Parquet National Financier confirmed that a preliminary investigation has been launched.

By letter July 8, 2019, the SEC informed the Company's US lawyer that it has concluded its investigation and that it does not intend to recommend any enforcement action against the Company.

By order November 1st, 2019, the NAD decided (i) to dismiss the charges of bribery, buying influence and invasion of privacy against ANB and all the named individuals and (ii) to continue the investigations for tax evasion and money laundering against ANB and two of its former executives. This order is now final.

In July 2020, the Parquet National Financier closed its investigation.

## Lithuania - Energy

Between 2000 and 2003, the Lithuanian subsidiaries of the Group, UAB Vilniaus Energija ("UVE") and UAB Litesko ("Litesko"), signed a number of contracts with Lithuanian cities, of which the most significant was with the city of Vilnius ("Vilnius") in 2002 to rent, operate and modernize the heating and electricity production and distribution infrastructure. The Group made significant investments over the years for which it expects the cost incurred to be taken into account and a return on its investment.

Since 2009, the government publicly, and on numerous occasions, accused the Group of being responsible for high heating prices by waging a sustained campaign against it. Several steps were thus taken by the public authorities against the Lithuanian subsidiaries of the Group, among others:

- a €19M fine imposed on UVE by the Competition Council;
- the transfer of ownership without compensation of the individual heat exchange sub-stations invested by UVE;
- the unilateral reduction of the heating prices to capture the savings realized with the help of a smoke condenser invested by UVE;
- the retroactive annulment of the heating prices applied by UVE for the period 2011-2015;
- the annulment of the amendments extending the duration of the contract concluded between Litesko and the city of Alytus and the transfer to Alytus of the assets invested by Litesko.

All the harmful decisions taken against the Lithuanian subsidiaries of the Group are subject to pending challenges or appeals before the local courts.

In this context, the Company and its subsidiaries also had to initiate the arbitral proceedings described below.

### (i) ICSID arbitration

In January 2016, the Company, Veolia Energie International (successor in law to Veolia Baltics and Eastern Europe), UVE and Litesko (collectively "the Companies") filed a request for arbitration against Lithuania before the International Center for Settlement of Investment Disputes ("ICSID").

To date, the Companies' claim amounts to circa €80M (not including interest). For its part, Lithuania withdrew its €150M counterclaim in its last submission. This procedure is still pending.

In June 2018, Lithuania filed an objection to the arbitral tribunal's jurisdiction, based on a decision rendered by the European Court of Justice on March 6, 2018 in the *Achmea* case, in which the Court ruled that investor-state arbitration provisions in intra-EU bilateral investment treaties are incompatible with European Union law. In a declaration dated January 15, 2019, the EU Member States indicated their intention to terminate the intra-EU bilateral investment treaties by December 2019. On May 5th 2020, a vast majority of Member states – including France and Lithuania – signed a plurilateral treaty organizing the termination of the intra-EU bilateral investment treaties. These developments may have an impact on the ICSID arbitration and, as the case may be, on the enforcement of the future award.

In July 2020, Lithuania initiated a legal action against the Companies and other respondents before the Vilnius regional court, by which it seeks compensation for damages worth over € 240 million. Lithuania has indicated that this action is a transfer of the counterclaims it previously withdrew from the ICSID arbitration, following the *Achmea* decision. To date, only VEI, UVE and Litesko have been served with Lithuania's writ of summons. These latter vigorously contest Lithuania's claims. In August 2020, the Vilnius regional court declared Lithuania's claim inadmissible. Lithuania appealed that decision. In March 2021, the court of appeal annulled the decision and remanded the case to the tribunal.

(ii) *SCC arbitration*

In November 2016, in the context of the Vilnius agreement which expiration date was nearly reached (March 2017), the Company and UVE filed a request for arbitration before the Stockholm Chamber of Commerce ("SCC") to secure the appointment of an independent expert to evaluate the condition of the assets. That SCC arbitration has since expanded in scope to address claims by the Company, UVE, Vilnius and municipal company VST ("VST") in connection with the Vilnius lease.

In this arbitration, the Company and UVE filed a claim for an indemnity of circa €22M. For their part, Vilnius and VST submitted counterclaims quantified to date at circa €690M. This procedure is still ongoing. The Company and UVE vigorously contest Vilnius and VST's counterclaims and seek their dismissal.

## Other segments

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### VWT v. K+S Potash

On December 1, 2012, Veolia Water Technologies, Inc. ("VWT") signed a \$324.5MUSD contract with K + S Potash Canada GP ("KSPC") for the design, supply and commissioning of a evaporation and crystallization system, which includes 14 large evaporators and crystallizers (the "Tanks"), for a potash mine then under construction by KSPC in the province of Saskatchewan, Canada. In this framework, a letter of guarantee at first request was issued by VWT to the benefit of KSPC in the amount of \$14.6MUSD.

On July 17, 2016, during the process of commissioning the Tanks, one tank collapsed (the "Incident"). A new replacement tank had to be manufactured and installed. The Incident also damaged other Tanks and plant equipment, which had to be removed and replaced. VWT cooperated with KSPC to determine the cause of the incident. The first investigation, conducted by KSPC, identified a defect in the design of the metal structure supporting the Tanks, for which VWT and one of its subcontractors were responsible. A second investigation conducted by VWT, however, found a defect in the production of the concrete bases to which the metal structure supporting the Tanks was affixed. These concrete bases were in turn built by a subcontractor of KSPC. VWT has repaired the damaged Tanks. These repairs resulted in significant contractual changes ("Change Orders") and additional costs. Mid-June, 2017, a second letter of guarantee at first request was issued by VWT to KSPC in the amount of \$15MUSD.

Several procedures are currently in progress.

*ADRIC Arbitration Procedure (ADR Institute of Canada)*

On August 18, 2017, VWT filed a complaint with the ADRIC seeking KSPC's reimbursement of the costs incurred by the contractual modifications made to carry out repairs linked to the Incident, i.e. \$19MUSD. Mid-January 2019, the arbitral tribunal accepted jurisdiction over only some claims (approximately \$13.6MUSD). This procedure is stayed due to proceedings initiated by KSCP before the Court of Queen's Bench for Saskatchewan (see below).

*Legal Proceedings (the Court of Queen's Bench for Saskatchewan and Paris Commercial Court)*

On April 11, 2018, KSPC brought claims against VWT before the Court of Queen's Bench for Saskatchewan in the amount of \$180MCAD (approximately €119M) for consequential damages and additional costs of repair in relation to the Incident. On January 18 2019, VWT made a settlement offer to KSPC who refused the offer.

By an Act of May 28, 2018, one of KSPC's subcontractors, AECON, sued KSPC before the Court of Queen's Bench for various claims for damages. On June 28, 2018, KSPC joined VWT as a third party to the proceedings in an attempt to require VWT to indemnify KSPC for a minimum of \$466MCAD (approximately €318M) as well as for reimbursement of sums already paid by KSPC to other subcontractors.

On March 25, 2020, KSPC brought claims against VWT before the Court of Queen's Bench for Saskatchewan for an amount quantified to date at \$4,6MCAD (approximately €3M). These new claims include an equipment failure occurred in November 2018 and alleged corrosion in specific materials of the plant. In June 2020, VWT filed a statement of defence before this court and contested these new claims.

KSPC obtained payment of the first and second letter of guarantee in November 2020 and 2019, respectively.

The Group strongly contests the merits of all these legal proceedings.

These lawsuits have been reported to insurance companies, which have already covered part of the expenses incurred.

## **VWT v. Antero**

In August 2015, Veolia Water Technologies Inc. ("VWT") and Antero Resources Corporation ("Antero") entered into a Design Build Agreement ("DBA") for a revised contract sum of USD \$255,8 million for the treatment of water associated with the drilling, production and general development of shale gas at the Clearwater facility located in Pennsboro West Virginia ("Facility").

VWT achieved the substantial completion of the Facility on March 15, 2019. The Facility was fine-tuned over the following months. The final performance test was scheduled to begin on September 16, 2019 but by letter of 12 September 2019, Antero wrongly terminated the DBA without proper contractual notice.

On March 13, 2020 VWT filed suit against Antero in United States District Court in Colorado alleging breach of contract and seeking damages of USD \$120 million. On the same day and in front of the same tribunal, Antero filed suit against VWT and claimed that VWT breached its contractual obligations under the DBA. In this lawsuit, Antero asserts claims for damages of approximately USD \$600 million and explains that the largest portion of its claims is based on an alleged VWT gross negligence. VWT vigorously rejected all of these claims, as they are without merit.

VWT's claims have been consolidated with Antero's claims. The consolidated proceedings were suspended for a few months due to COVID 19. The proceedings are now ongoing.

The Antero lawsuit has been reported to the insurers.

## NOTE 15 RELATED-PARTY TRANSACTIONS

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures.

A breakdown of compensation and related benefits of key management (related parties) is presented in Note 8.4.

A breakdown of relations with joint ventures is presented in Note 7.2.4.1.

Relations with other related parties break down as follows:

### Relations with Icade SA, a subsidiary of Caisse des dépôts et consignations (6.07% shareholding as of December 31, 2020)

On January 31, 2013, Icade SA and Veolia Environnement entered into a firm lease for off-plan property (BEFA) for the building housing Veolia's administrative headquarters in Aubervilliers. This nine-year lease entered into effect on July 18, 2016, for an annual rent of €16,590,104, excluding taxes and VAT.

Veolia Environnement recorded a rental expense payable to the lessor of €17,557,141 in respect of fiscal year 2020.

Caisse des dépôts et consignations (CDC) and its subsidiary, Icade SA, are considered related parties in the context of this lease agreement. CDC is a director on the Board of Directors of Veolia Environnement, as a legal entity, and of Icade SA. In addition, Mr. Olivier Mareuse, CDC's representative on the Veolia Environnement Board of Directors, also sits on the Icade SA Board of Directors as a private individual.

### Relations with the association the Institut de l'Entreprise

The Institut de l'Entreprise is an association governed by the law of 1901 bringing together a community of multinational companies working to better understand and enhance the role of the company at the heart of society. It helps to define new balances between economic, social, societal and environmental performance through reflections and educational actions aimed at fostering dialogue between companies and other actors in society.

The governance of the association is ensured by a steering committee made up of about twenty business leaders setting the association's policy and objectives and determining the means necessary for their achievement. This steering committee is chaired by Mr. Antoine Frérot.

During the confinement of the first half of 2020, Veolia Environnement and other companies belonging to the association wished to support a specific initiative consisting of giving a daily voice to a company manager so that they could testify about their way of managing the unprecedented coronavirus health crisis. This initiative was a great success and made it possible to give high visibility to the leadership of business leaders in the management of a particularly complicated period.

This specific initiative led Veolia Environnement to make an exceptional contribution of €300,000 not including tax, which was paid to the association at the end of December 2020.

Through its steering committee chaired by Mr. Antoine Frérot, the Institut de l'Entreprise association is considered a related party because of the functions of the CEO of Veolia Environnement, also exercised by Mr. Antoine Frérot.

**NOTE 16** **SUBSEQUENT EVENTS****€700 million bond issue**

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

**NOTE 17** **MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS**

In 2020, Veolia Group consolidated or accounted for a total of 1,662 companies, of which the main companies are:

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Environnement SA 21 rue La Boétie 75008 Paris	403 210 032 00104	FC	100.00	100.00
<b>FRANCE</b>				
<b>Water</b>				
Veolia Eau – Compagnie Générale des Eaux 21 rue La Boétie 75008 Paris	572 025 526 10945	FC	100.00	100.00
Veolia Water 21 rue La Boétie 75008 Paris	421 345 042 00053	FC	100.00	100.00
Compagnie des Eaux et de l'Ozone 21 rue La Boétie 75008 Paris	775 667 363 02470	FC	100.00	100.00
Société Française de Distribution d'Eau 28 boulevard de Pesaro 92000 Nanterre	542 054 945 00416	FC	99.62	99.62
Compagnie Fermière de Services Publics ZAC de la Pointe 9, rue des Frênes 72190 SARGE LES LE MANS	575 750 161 00904	FC	99.87	99.87
Compagnie Méditerranéenne d'Exploitation des Services d'Eau – CMESE 1 rue Albert Cohen Immeuble Plein Ouest A 13016 MARSEILLE	780 153 292 00187	FC	99.72	99.72
Société des Eaux de Melun Zone Industrielle – 198/398, rue Foch 77000 Vaux Le Pénil	785 751 058 00047	FC	99.32	99.32
Société des Eaux de Marseille 25, rue Edouard-Delanglade 13006 Marseille	057 806 150 00017	FC	98.43	98.43
<b>Waste</b>				
Veolia Propreté 21 rue La Boétie	572 221 034 01230	FC	100.00	100.00

Note 17 in the consolidated financial statements  
in the consolidated financial statements

75008 Paris				
Routière de l'Est Parisien 28 boulevard de Pesaro 92000 Nanterre	612 006 965 00182	FC	100.00	100.00
ONYX Auvergne Rhône-Alpes 2/4, AVENUE DES CANUTS 69120 VAULX EN VELIN	302 590 898 00656	FC	100.00	100.00
Onyx Est ZI de la Hardt – Route de Haspelschiedt 57230 Bitche	305 205 411 00070	FC	95.00	95.00
Paul Grandjouan SACO 6 rue Nathalie Sarraute 44200 Nantes	867 800 518 00609	FC	100.00	100.00
OTUS 28 boulevard de Pesaro 92000 Nanterre	622 057 594 00385	FC	100.00	100.00
<b>OTHER EUROPEAN COUNTRIES</b>				
Veolia Water UK Plc and its subsidiaries 210 Pentonville Road London N1 9JY (United Kingdom)		FC	100.00	100.00
Veolia ES (UK) Ltd and its subsidiaries 210 Pentonville Road London - N19JY (United Kingdom)		FC	100.00	100.00
Veolia Umweltservice GmbH and its subsidiaries Hammerbrookstrasse 69 20097 Hamburg (Germany)		FC	100.00	100.00
Veolia Deutschland GmbH and its subsidiaries Lindencorso Unter den linden 21 10117 Berlin (Germany)		FC	100.00	100.00
Braunschweiger Versorgungs- AG &Co.KG Taubenstrasse 7 38106 Braunschweig (Germany)		FC	74.90	50.11
Aquiris SA Avenue de Vilvorde, 450 1130 Brussels (Belgium)		FC	99.00	99.00
Apa Nova Bucuresti Srl Strada Aristide Demetriade nr 2, Sector 1 Bucharest (Romania)		FC	73.69	73.69
Veolia Central & Eastern Europe and its subsidiaries 21 rue La Boétie 75008 Paris	433 934 809 00032	FC	100.00	100.00
Veolia Energie Praha, a.s. Na Florenci 2116/15, Nové Město, 110 00 Praha 1 (Czech Republic)		FC	100.00	83.05
Prazske Vodovody A Kanalizace a.s. Ke Kably 971/1 102 00 Prague 10 (Czech Republic)		FC	51.00	51.00
Sofiyska Voda AD Mladost region Mladost 4 Business Park Street Building 2a 1000 Sofia Sofia (Bulgaria)		FC	77.10	77.10
Veolia Energy UK PLC and its subsidiaries 210 Pentonville Road N1 9JY London (United Kingdom)		FC	100.00	99.99
Veolia NV-SA and its subsidiaries 52, quai Fernand-Demets 1070 – Brussels (Belgium)		FC	100.00	100.00
Siram SPA and its subsidiaries Via Bisceglie, 95 20152 Milan (Italy)		FC	100.00	99.99
Veolia Espana S.L.U.and its subsidiaries Cl Juan Ignacio Luca De tena, 4 28027 Madrid (Spain)		FC	100.00	99.99

Main companies included in the consolidated financial statements

Main companies included in the consolidated financial statements

Veolia Energia Polska ul. Puławska 2, Budynek Plac Unii C 02-566 WARSZAWA (Poland)		FC	60.00	60.00
Veolia Term SA and its subsidiaries ul Pulawska 2, 02-566 WARSZAWA (Poland)		FC	100.00	60.00
Veolia Energia Warszawa and its subsidiary ul Pulawska 2, 02-566 WARSZAWA (Poland)		FC	97.16	58.29
Veolia Nordic AB and its subsidiaries Hälsingegatan 47 113 31 Stockholm (Sweden)		FC	100.00	99.99
Veolia Nederland BV and its subsidiaries Wattbaan 2 3439 ML NIEUWEGEIN (Netherlands)		FC	100.00	99.99
Vilnius Energija Joconiu St. 13 02300 Vilnius (Lithuania)		FC	100.00	99.99
Veolia Energy Hungary Co Ltd and its subsidiaries Szabadsag ut 301 2040 Budapest (Hungary)		FC	99.98	99.97
Veolia Energia Slovensko A.S. and its subsidiaries Einsteinova 25 851 01 Bratislava (Slovakia)		FC	100.00	99.99
LLC Veolia Mag and its subsidiaries (Russia)		FC	100.00	99.99
Pražská teplárenská – PT and its subsidiaries Partyzánská 1 170 00 Praha 7-Holešovice (Czech Republic)		FC	100.00	100.00
Veolia Energie CR A.S. and its subsidiaries 28.Rijna 3123/152 709 74 Ostrava (Czech Republic)		FC	83.06	83.05
<b>REST OF THE WORLD</b>				
VNA Regeneration Services LLC 4760 World Houston Parkway, Suite 100 Houston, TX 77032 (United States)		FC	100.00	100.00
Veolia Water Americas, LLC and its subsidiaries 53 State street 14th floor 02109 MA Boston (United States)		FC	100.00	100.00
Veolia Environmental Services North America 53 State street 14th floor 02109 MA Boston (United States)		FC	100.00	100.00
VES Technical Solutions LLC 53 State street 14th floor 02109 MA Boston (United States)		FC	100.00	100.00
Veolia ES Canada Industrial Services Inc. 1705, 3 <sup>ème</sup> avenue H1B 5M9 Montreal – Quebec (Canada)		FC	100.00	100.00
Veolia Holding America Latina SA Calle Torrelaguna 60, 2 Planta 28043 Madrid (Spain)		FC	100.00	100.00
Beijing Yansan Veolia Water No. 5 Yanshan Xinghua East Road, 102500 BEIJING CHINA		FC	50.00	50.00
Shenzhen Water (Group) Co. Ltd and its subsidiaries 23 Floor, Wan De Building Shennan Zhong Road Shenzhen, (China)		EA	45.00	25.00
Shanghai Pudong Veolia Water Corporation Ltd No. 703 Pujian Road, Pudong New District 200127 SHANGHAI (China)		EA	50.00	50.00
Changzhou CGE Water Co Ltd No.12 Juqian Road, CHANGZHOU Municipality, Jiangsu Province		EA	49.00	24.99

Note 17 in the consolidated financial statements  
Note 17 in the consolidated financial statements

213000 (China)					
Kunming CGE Water Supply Co Ltd No.6 Siyuan Road, Kunming Municipality, Yunnan Province 650231 (China)			EA	49.00	24.99
Veolia Korea and its subsidiaries East 16 F Signature Towers Building Chungyechou-ro 100 Jung-gu (South Korea)			FC	100.00	100.00
Veolia Water Australia and its subsidiaries Level 4, Bay Center, 65 Pirrama Road, Pyrmont NSW 2009 (Australia)			FC	100.00	100.00
Veolia Middle East and its subsidiaries 21 rue La Boétie 75008 Paris	505 190 801 00041		FC	100.00	100.00
Amendis 20 rue Imam Ghazali 90 000 Tangier (Morocco)			FC	100.00	100.00
REDAL SA 6 Zankat Al Hoceima, BP 161 10 000 Rabat (Morocco)			FC	100.00	100.00
Lanzhou Municipal Water Supply (Group) Co LTD No. 2 Hua Gong Street, Xigu District, LANZHOU, Gansu Province (China)			EA	35.84	18.27
Sharqiyah Desalination Co. SAOC PO Box 685, PC 114 Jibroo, (Sultanate of Oman)			EA	35.75	35.75
Tianjin Jinbin Veolia Water Co Ltd No2 Xinxiang Road, Bridge 4 Jin Tang Expressway, Dongli District Tianjin Municipality (China)			EA	49.00	49.00
Veolia Water – Veolia Environmental Service (Hong Kong) - VW- VES (HK) Ltd Units 7601-03&06-13,76/F, The Center, 99 Queen’s Road Central, (Hong Kong)			FC	100.00	100.00
Veolia Environmental Services Australia Pty Ltd Level 4, Bay Center – 65 Pirrama Road NSW 2009 – Pyrmont (Australia)			FC	100.00	100.00
Veolia Environmental Services Asia Pte Ltd 143 Cecil Street, 17-00, GB Building 069542 (Singapore)			FC	100.00	100.00
Veolia Environmental Services China LTD Units 7601-02 and 06-13 76/F, the center, 99 Queen’s road central (Hong Kong)			FC	100.00	100.00
<b>GLOBAL BUSINESSES</b>					
Sade-Compagnie Générale de Travaux d’Hydraulique (CGTH-SADE) and its subsidiaries ZAC François Ory 23/25 avenue du docteur Lannelongue 75014 Paris	562 077 503 02584		FC	100.00	99.47
Veolia Water Technologies and its subsidiaries l’Aquarène 1, place Montgolfier 94417 St Maurice Cedex	414 986 216 00037		FC	100.00	100.00
OTV l’Aquarène – 1 place Montgolfier 94417 St Maurice Cedex	433 998 473 000 14		FC	100.00	100.00
SARP Industries and its subsidiaries 427, route du Hazay – Zone Portuaire Limay-Porcheville 78520 Limay	303 772 982 00029		FC	100.00	99.86
Société d’Assainissement Rationnel et de Pompage (SARP) and its subsidiaries 52 avenue des Champs Pierreux – 92000 Nanterre	775 734 817 00387		FC	100.00	99.68
Société Internationale de Dessalement (SIDEM)	342 500 956 000 20		FC	100.00	100.00

Main companies included in the consolidated financial statements

Main companies included in the consolidated financial statements

20-22 rue de Clichy – 75009 Paris				
Veolia Nuclear Solutions, Inc and its subsidiaries 575 High street, suite 330, Palo Alto 94301 CA California (United States)		FC	100.00	100.00
<b>OTHER</b>				
Veolia Energie International 21 rue La Boétie 75008 Paris	433 539 566 00045	FC	99.99	99.99

Consolidation method.

FC: Full consolidation – EA: Equity associate.

The German subsidiaries of the Group are included in the enclosed consolidated financial statements. In accordance with section 264(3), 264-B and 291 of the German Commercial Code (HGB), these entities may be exempt from the obligation to publish an annual report and present consolidated financial statements under German GAAP. Subsidiaries that have opted for this exemption are listed below:

Publication exemption	COMPANY	COUNTRY	CURRENCY
	ALTVATER CHERNIVZY	Ukraine	UAH
	ALTVATER KIEV	Ukraine	UAH
	ALTVATER TERNOPIIL	Ukraine	UAH
	BIOCYCLING GmbH	Germany	EUR
	BRAUNSCHWEIGER NETZ GmbH	Germany	EUR
	BRAUNSCHWEIGER VERSORGUNGS-AG & Co. KG	Germany	EUR
	BRAUNSCHWEIGER VERSORGUNGS-VERWALTUNGS-AG	Germany	EUR
	EUROLOGISTIK UMWELTSERVICE GmbH	Germany	EUR
	GASVERSORGUNG GÖRLITZ GmbH	Germany	EUR
	GERAER STADTWIRTSCHAFT GmbH	Germany	EUR
	GLOBALIS BETEILIGUNGSGESELLSCHAFT mbH	Germany	EUR
Yes	GLOBALIS SERVICE GmbH & CO. KG	Germany	EUR
Yes	GUD GERAER UMWELTDIENSTE GmbH & Co. KG	Germany	EUR
	GUD GERAER UMWELTDIENSTE VERWALTUNGS GmbH	Germany	EUR
	HVT Handel Vertrieb Transport GmbH	Germany	EUR
	INTROTEC SCHWARZA GmbH	Germany	EUR
	JOB & MEHR GmbH	Germany	EUR
	KANALBETRIEBE FRITZ WITHOFS GmbH	Germany	EUR
	KOM-DIA GmbH	Germany	EUR
	MULITPET GmbH	Germany	EUR
	MULITPORT GmbH	Germany	EUR
	ÖKOTEC Energiemanagement GmbH	Germany	EUR
	ONYX ROHR- UND KANAL-SERVICE GmbH	Germany	EUR
	Ostthüringer Wasser und Abwasser GmbH	Germany	EUR
	RECYCLING & ROHSTOFFVERWERTUNG KIEL GmbH	Germany	EUR
	RECYPET AG	Switzerland	CHF

Yes	ROHSTOFFHANDEL KIEL GmbH & Co. KG	Germany	EUR
	STADTENTWAESSERUNG BRAUNSCHWEIG GmbH	Germany	EUR
	STADTWERKE GÖRLITZ Aktiengesellschaft	Germany	EUR
	STADTWERKE PULHEIM DIENSTE GmbH	Germany	EUR
	STADTWERKE WEISSWASSER GmbH	Germany	EUR
	SWG Services GmbH	Germany	EUR
	VBG VERWALTUNGS- UND BETEILIGUNGSGESELLSCHAFT mbH	Germany	EUR
	VEOLIA BS ENERGY BETEILIGUNGS GmbH	Germany	EUR
	VEOLIA DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA ENERGIE DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA ENVIRONNEMENT LAUSITZ GmbH	Germany	EUR
	VEOLIA GEBÄUDESERVICE DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA INDUSTRIE DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA INDUSTRIEPARK DEUTSCHLAND GmbH	Germany	EUR
	Veolia Infra Klärschlamm Deutschland GmbH	Germany	EUR
	Veolia Klärschlamm und Biogas Schönebeck GmbH	Germany	EUR
	VEOLIA Klärschlammverwertung Deutschland GmbH	Germany	EUR
	VEOLIA PET GERMANY GmbH	Germany	EUR
	Veolia Pet Norge AS	Norway	NOK
	VEOLIA PET SVENSKA AB	Sweden	SEK
	VEOLIA STADTWERKE BRAUNSCHWEIG BETEILIGUNGS- GmbH & Co.KG	Germany	EUR
	VEOLIA UMWELTSERVICE & CONSULTING GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE BETEILIGUNGSVERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE DUAL GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE GmbH DEUTSCHLAND	Germany	EUR
	VEOLIA UMWELTSERVICE NORD GmbH	Germany	EUR
Yes	VEOLIA UMWELTSERVICE OST GmbH & Co. KG	Germany	EUR
	VEOLIA UMWELTSERVICE OST VERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE RESSOURCENMANAGEMENT GmbH	Germany	EUR
Yes	VEOLIA UMWELTSERVICE SÜD GmbH & Co. KG	Germany	EUR
	VEOLIA UMWELTSERVICE SÜD VERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE WERTSTOFFMANAGEMENT GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE WEST GmbH	Germany	EUR
	VEOLIA VERWALTUNGSGESELLSCHAFT mbH	Germany	EUR
	VEOLIA WASSER DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA WASSER STORKOW GmbH	Germany	EUR
	VEOLIA WASSER WAGENFELD GMBH	Germany	EUR
	VEOLIA WASSER WEGELEBEN GmbH	Germany	EUR
	VKD Holding GmbH	Germany	EUR

**NOTE 18****AUDIT FEES**

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Audit fees incurred by the Group, during fiscal years 2020 and 2019 total €28.2 million and €28.1 million, respectively, including:

- €23.3 million in 2020 and €22.7 million in 2019 in respect of the statutory audit of the accounts; and
- €4.8 million in 2020 and €5.4 million in 2019 in respect of services falling within the scope of diligences directly related to the audit engagement.

**Attachment F**

**Direct Testimony of Keith Oldewurtel**

**Joint Applicants Statement No. 1**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Veolia Environnement S.A., :  
Veolia North America, Inc., SUEZ S.A., :  
SUEZ Water Pennsylvania Inc. :  
and SUEZ Water Bethel Inc. for all approvals :  
pursuant to Sections 1102(a)(3), (4), and 1103 : Docket No. A-2021-\_\_\_\_\_  
of the Pennsylvania Public Utility Code, and :  
as otherwise required under the Pennsylvania :  
Public Utility Code for the change in control of :  
SUEZ Water Pennsylvania Inc. :  
and SUEZ Water Bethel Inc. :

**Prepared Direct Testimony of Keith Oldewurtel**

**On Behalf of**

**Veolia Environnement S.A. and Veolia North America, Inc.**

June 11, 2021

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

3 A. My name is Keith Oldewurtel. I am the Executive Vice President and Chief Operating  
4 Officer of Veolia North America, Inc. (“Veolia North America”), with responsibilities  
5 specifically covering all municipal water business in the United States and Canada. My  
6 business address is 53 State Street, 14th Floor, Boston, Massachusetts 02109.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

8 A. I hold a degree in water and wastewater technology from Bay College in Michigan. I also  
9 hold the highest level of water and wastewater operator certifications issued by the State  
10 of Michigan.

11 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

12 A. I have more than forty-four years of experience in utilities management and operation. I  
13 joined Veolia North America’s energy business in 2008 as a general manager of the Grand  
14 Rapids district energy system. Since joining Veolia North America, I have served in a  
15 variety of leadership roles including leading corporate departments, environmental health  
16 and safety, and procurement. Before joining Veolia North America, I spent twenty years  
17 at Earth Tech, a large international engineering and construction firm and was a key leader  
18 contributing to the growth and success of its water and wastewater contact operations  
19 business. At Veolia North America, I am responsible for the United States and Canada  
20 Municipal and Water business line. In this capacity, my responsibilities include ensuring  
21 customer satisfaction, operational performance, environmental compliance, safety, and  
22 financial performance.

23 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

1 A. I am testifying on behalf of Veolia Environnement S.A. (“Veolia”) and Veolia North  
2 America in this proceeding.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY COURT OR**  
4 **REGULATORY AGENCY?**

5 A. Yes, I provided prepared testimony before the Missouri Public Service Commission on  
6 April 22, 2011 in Case No. HR-2011-0241 on behalf of Veolia Energy Kansas City, Inc.

7 **II. PURPOSE AND SUMMARY OF TESTIMONY**

8 **Q. DESCRIBE THE SCOPE AND PURPOSE OF YOUR TESTIMONY.**

9 A. I am sponsoring this testimony in support of the Joint Application (“Application”) jointly  
10 filed by Veolia, Veolia North America, SUEZ S.A. (“SUEZ”), and SUEZ Water  
11 Pennsylvania Inc. (“SWPA”), and SUEZ Water Bethel Inc. (“SWB”) (together, the “SUEZ  
12 Pennsylvania Utilities”) for approval of an indirect change in control of ownership of the  
13 SUEZ Pennsylvania Utilities. My testimony provides factual information demonstrating  
14 that this transfer in control (the “Transaction”) is in the public interest. I will provide  
15 background on Veolia and demonstrate that Veolia is legally, financially, and technically  
16 fit to indirectly own SUEZ’s water and wastewater utilities in Pennsylvania. I will also  
17 provide information regarding the Transaction, the affirmative benefits for Pennsylvania  
18 customers and the public in general, and how Veolia will ensure the continued provision  
19 of safe, adequate, and reliable service at just and reasonable rates.

20 **Q. ARE YOU SPONSORING ANY EXHIBITS IN CONJUNCTION WITH YOUR**  
21 **TESTIMONY?**

22 A. Yes, I am sponsoring the following exhibits:

23 Joint Applicants Exhibit \_\_ (KW-1) – my resume/curriculum vitae;

1 **III. VEOLIA AND ITS BUSINESS PRACTICES**

2 **Q. DESCRIBE THE HISTORY AND OPERATIONS OF VEOLIA.**

3 A. Veolia is a global company based in Paris, France whose primary business activities  
4 include: (1) water management and technology services, including the management of  
5 water and wastewater utilities and the manufacturing of water treatment systems; (2) waste  
6 management services, including collection and treatment of non-hazardous, hazardous, and  
7 specific waste; and (3) energy services, including energy management for municipalities  
8 and private companies. Veolia has over 178,000 employees in 55 countries. The  
9 Company's roots trace back to 1853, when its predecessor was created in France by  
10 Imperial Decree. Its shares are traded on Euronext under the symbol VIE.

11 Veolia's central focus in its operations as a water and wastewater service provider  
12 is to contribute to the global achievement of sustainable development goals. Accordingly,  
13 Veolia remains dedicated to economic, social, and environmental issues in all the  
14 communities it serves and instills this commitment in its management teams and  
15 employees. In 2020, Veolia once again reaffirmed its commitment to its strategic plan for  
16 development and embraced the role it will continue to play in responding to environmental  
17 and climate emergencies occurring throughout the world.

18 In 2020, Veolia was responsible for supplying 95 million people with drinking  
19 water, 62 million with wastewater services, and nearly 43 million megawatt hours of  
20 energy. Veolia assisted customers in developing sustained water resource management  
21 plans with solutions that acknowledge the impacts of climate change and foster the  
22 development of a circular economy. Because Veolia is active in all stages of the water  
23 cycle, it is able to optimize how the cycle is managed on a daily basis. Further, Veolia

1 continues to focus on developing solutions to improve access to water with processes such  
2 as desalination and recycling and reuse of wastewater.

3 **Q. PLEASE DESCRIBE HOW VEOLIA IS ORGANIZED.**

4 A. Veolia is the parent company of subsidiaries in Europe, North America, Latin America,  
5 Asia, Australia, Africa, and the Middle East. A chart depicting Veolia’s organizational  
6 structure is attached as Attachment B to the Joint Application.

7 **Q. PLEASE DESCRIBE VEOLIA’S FINANCIAL STRENGTH.**

8 A. Veolia maintains a stable credit outlook of Baa1/Prime-2 from Moody’s and BBB/A-2  
9 from Standard and Poor’s. It has ready access to the financial markets and is able to support  
10 the capital and other financial needs of its subsidiaries. The strength of Veolia’s balance  
11 sheet and credit ratings allows its subsidiaries to access capital at reasonable rates.

12 **Q. PLEASE DESCRIBE VEOLIA’S BUSINESS PRACTICES.**

13 A. Veolia’s activities fall into three areas of expertise: water-related services, cleaning  
14 services associated with hazardous and non-hazardous waste, and energy services. Veolia  
15 provides innovative solutions to address specific local issues as well as creates and  
16 improves upon services to generate efficient and reliable outcomes. Innovation is inherent  
17 to Veolia’s entrepreneurial DNA and allows it to fulfill its core mission of resourcing the  
18 world. Veolia strives to fully leverage this inventive capability through its Research and  
19 Innovation network. In 2020, it devoted approximately €56 million or \$68 million to its  
20 Research and Innovation initiatives. This investment enabled the collaboration between  
21 Veolia and Water France to develop “VIGIE-COVID-19” to track early warning signs of  
22 the impact of the spread of coronavirus on municipal wastewater operations.

1           Additionally, as described in detail below, Veolia is committed to ensuring socially  
2 responsible operations. Veolia has put mechanisms in place to ensure its operations  
3 conform to stakeholders' expectations and promote sustainability. Further, Veolia is  
4 committed to promoting transparency and integrity in its operations.

5 **Q. PLEASE DESCRIBE HOW VEOLIA SUPPORTS THE COMMUNITIES IN**  
6 **WHICH IT OPERATES.**

7 A. Veolia is committed to acting as a partner to the communities it serves. Through its  
8 sustainable development strategy, Veolia focuses on promoting a circular economy and  
9 improving its customers' environmental footprint, supporting development in the localities  
10 where it operates, and ensuring the continued well-being of its employees working in those  
11 communities. In 2020, it supported over one million jobs and added over €50 billion (or  
12 \$60 billion) in value to the localities in which it operates throughout the world.

13           Further, Veolia is committed to collaborating with its stakeholders to ensure  
14 constant dialogue regarding industry best practices, corporate strategies, and corporate  
15 responsibility. In 2013, it created the Veolia Critical Friends Committee comprised of  
16 about fifteen independent stakeholders from various sectors including institutions and non-  
17 profits. The Committee serves as an advisory body to Veolia's management team to  
18 provide insight on its strategic direction and corporate responsibility. Finally, through  
19 Veolia's participation with multi-stakeholder platforms, such as local and international  
20 scientific institutes, it can achieve synergies with its regional ecosystem.

21 **Q. EXPLAIN VEOLIA'S COMMITMENT TO A CIRCULAR ECONOMY AND**  
22 **WHAT THAT MEANS.**

1 A. Veolia is a leader in fostering sustainable development, and specifically, its strategy is to  
2 promote a circular economy. A circular economy seeks to minimize new resource inputs  
3 that generate new waste and pollution by keeping existing products and materials in use  
4 through reuse, recycling, sharing, repairing, and remanufacturing. Thus, a circular  
5 economy seeks to “design out” waste and pollution, such as carbon emissions. In  
6 December of 2020, Europe adopted a focus towards encouraging a circular economy to  
7 reduce the stress imposed on our Earth’s natural resources. Through its operations, Veolia  
8 consumes water, energy, raw materials, and generates waste resulting in an environmental  
9 impact of its own. Veolia is committed to limiting its consumption of raw materials and  
10 recovering any byproduct that may be used as a secondary raw material to fuel its  
11 operations. This strategy governs Veolia’s operations throughout the world and will  
12 similarly inform its management and oversight of the SUEZ Pennsylvania Utilities.  
13 Further, this focus encourages Veolia to develop solutions to reduce its own consumption  
14 while also encouraging the efficient use of resources in the localities in which it operates.

15 **Q. PLEASE DESCRIBE VEOLIA’S EXPERTISE IN WATER MANAGEMENT.**

16 A. Veolia is a world leader in water management and water technology services, supplying 95  
17 million customers worldwide with drinking water. Upon consummation of the acquisition  
18 of SUEZ and integration of its water experts, Veolia’s competence in this area will be  
19 unparalleled. Veolia has tens of thousands of employees dedicated to operating water  
20 systems and conducting research and development activities on water conservation, water  
21 quality, purification, and other related matters. It has developed processes to improve  
22 operations, mitigate risks, enhance infrastructure, and contain operational costs.

1           In the United States, Veolia has made a substantial commitment to the Great Lakes  
2 clean water initiatives, including research into the impact of pharmaceuticals on area  
3 watersheds. In 2010, Veolia was selected by the City of Buffalo to manage, operate, and  
4 maintain its water system and provide safe, high quality drinking water to over 280,000  
5 people. Veolia maintains a system of more than 900 miles of pipes, two intake stations,  
6 two pump stations, and a filtration plant, producing more than 70 million gallons of clean  
7 drinking water every day. As part of its services, Veolia has introduced several new and  
8 innovative programs and performance metrics to improve customer service and reliability.  
9 Veolia automated the monitoring of the distribution network and treatment plant, improved  
10 customer service and Call Center operations, implemented new asset management and  
11 maintenance programs, and developed a Process Control Management Plan to ensure  
12 effective operational control. These improvements, along with a stellar operations and  
13 maintenance record, have helped Veolia gain recognition as a recipient of the American  
14 Water Works Association's Diamond Pin Award.

15 **Q. HAS VEOLIA PREVIOUSLY INVESTED IN OTHER REGULATED PUBLIC**  
16 **UTILITY COMPANIES IN THE UNITED STATES?**

17 A. Yes. Veolia North America has owned and operated regulated utilities in the United States,  
18 including extensive experience as a Commission--regulated utility from 2008 through  
19 2019. Veolia North America owned and operated district energy systems throughout the  
20 United States before divesting the business line in December of 2019. The steam system  
21 located in Philadelphia, Pennsylvania was regulated by the Pennsylvania Commission; the  
22 steam system located in Kansas City, Missouri was regulated by the Missouri Public  
23 Service Commission; and the steam system located in Boston, Massachusetts was regulated

1 by the Commonwealth of Massachusetts Department of Public Utilities (as to pipeline  
2 safety). With respect to the Pennsylvania steam utility, the divestment was approved by  
3 the Commission in its December 19, 2019 Order at Docket No. A-2019-3012241.

4 **Q. IS VEOLIA INVESTING IN OTHER REGULATED WATER PUBLIC UTILITY**  
5 **COMPANIES IN THE UNITED STATES?**

6 A. Yes. As contemplated by the terms of the Transaction, Veolia is seeking to acquire SUEZ's  
7 regulated water and wastewater utilities in Delaware, Idaho, New Jersey, New York,  
8 Pennsylvania, and Rhode Island.

9 **Q. DOES VEOLIA HAVE ANY OWNERSHIP INTEREST IN ANY PENNSYLVANIA**  
10 **REGULATED UTILITIES?**

11 A. Not currently. As already discussed, Veolia previously owned and operated steam utility  
12 in the Commonwealth.

13 **V. THE PROPOSED TRANSACTION**

14 **Q. WHAT IS THE SUEZ PENNSYLVANIA UTILITIES' CURRENT OWNERSHIP**  
15 **STRUCTURE?**

16 A. James C. Cagle testified in detail on the ownership structure of the SUEZ Pennsylvania  
17 Utilities. As shown on the organizational chart included as Attachment A to the Joint  
18 Application, SUEZ wholly owns SUEZ North America Inc. ("SUEZ North America"), a  
19 Delaware corporation. In turn, SUEZ North America indirectly owns 80% of SUEZ Utility  
20 Holdings Inc., also a Delaware corporation. SUEZ Utility Holdings Inc. is the direct parent  
21 of SUEZ Water Resources LLC ("SWR"), a Delaware limited liability company, which is  
22 the direct parent of the SUEZ Pennsylvania Utilities. Thus, SUEZ is the ultimate parent.  
23 See Attachment A.

1 **Q. HOW DO THE JOINT APPLICANTS PLAN TO CHANGE THIS STRUCTURE?**

2 A. There are no immediate plans to change the organizational structure of the SUEZ  
3 Pennsylvania Utilities. Due to the multinational nature of the transaction and the  
4 companies' respective holdings, incorporating the SUEZ entities into the Veolia corporate  
5 structure is complex and requires careful tax and business planning. At a high level, the  
6 SUEZ Pennsylvania Utilities will become indirect subsidiaries of Veolia, with SUEZ North  
7 America becoming a direct subsidiary of Veolia, or they will become indirect subsidiaries  
8 of Veolia with SUEZ North America becoming a subsidiary of Veolia North America.

9 **Q. CAN YOU PROVIDE AN ORGANIZATIONAL CHART SHOWING THE POST-  
10 TRANSACTION STRUCTURE?**

11 A. Yes. Attachment D-2 to the Joint Application reflects the most likely post-Transaction  
12 organizational charts.

13 **Q. PLEASE DESCRIBE THE TRANSACTION PROCESS.**

14 A. The Transaction at issue herein involves a public tender offer (the "Tender Offer") under  
15 French law for the remaining share capital of SUEZ. In October 2020, Veolia acquired  
16 29.9% of the share capital of SUEZ from ENGIE S.A., but it did not acquire any controlling  
17 interest or other ability to control or influence any decisions by SUEZ management or its  
18 Board of Directors, and the two companies remained independent from each other.

19 Veolia subsequently announced the Tender Offer to acquire shares representing a  
20 fraction at least greater than 50% of the share capital of SUEZ in order to give it full control  
21 over SUEZ. The Tender Offer was filed with the French stock market regulatory authority  
22 (*Autorité des marchés financiers* ("AMF")) on February 8, 2021.

23 On April 12, 2021, Veolia and SUEZ announced that they reached an agreement in

1 principle on the key terms and conditions of the combination of the two companies. A  
2 Combination Agreement between Veolia and SUEZ was executed on May 14, 2021. The  
3 Combination Agreement, an English translation of which is also attached to the Application  
4 as Attachment C, and must be treated as confidential proprietary information, sets forth the  
5 terms and conditions of the combination of the two companies through an improvement to  
6 the Tender Offer to be filed by Veolia with the AMF. The Combination Agreement was  
7 approved by Veolia's and SUEZ's Boards of Directors on May 14, 2021.

8 **Q. WHAT DOES THE COMBINATION AGREEMENT PROVIDE?**

9 A. The Combination Agreement provides for an increase in the Tender Offer from €18  
10 (\$21.60) per share (with dividend) to €20.50 (\$24.60) per share (with dividend) (the  
11 "Improved Tender Offer"), the recommendation of the Improved Tender Offer by SUEZ's  
12 Board of Directors to SUEZ's shareholders, and the sale of certain of SUEZ's assets to  
13 Meridiam, Global Infrastructure Partners, Caisse des Dépôts et Consignations, and CNP  
14 Assurances (collectively, the "Consortium") to be used for the creation of an independent,  
15 "New SUEZ" entity.

16 **Q. WHAT IS THE NEXT STEP IN THE PROCESS?**

17 A. In accordance with French securities law, Veolia expects to submit the Improved Tender  
18 Offer to the AMF on or about June 30, 2021. Thereafter, the offer period will open and  
19 holders of SUEZ shares will have an opportunity to tender them to the AMF for acquisition  
20 by Veolia at the stated price. Upon closure of the Improved Tender Offer and notification  
21 of the results by the AMF, and provided Veolia receives tenders from holders of at least  
22 50% of SUEZ's share capital, Veolia will proceed with the acquisition and payment for the  
23 shares tendered. Under such circumstances, Veolia also will reopen the Improved Tender

1 Offer to attract further tenders (the “Reopened Offer”).

2 Following closure of the Improved Tender Offer and the Reopened Offer, and if  
3 those Offers do not result in Veolia acquiring 100% of the shares of SUEZ, Veolia may  
4 launch a procedure to acquire the remaining minority shareholdings of SUEZ on the same  
5 terms as in the Improved Tender Offer. Because its final shareholdings are subject to the  
6 results of the above future activities, Veolia cannot state at this time the exact percentage  
7 of the SUEZ shares it will acquire. However, given the Combination Agreement and the  
8 support for the Improved Tender Offer from the SUEZ Board of Directors, Veolia fully  
9 expects to gain control of SUEZ, and by virtue thereof, of the SUEZ subsidiaries and assets  
10 in the United States, including the SUEZ Pennsylvania Utilities.

11 **Q. WHAT IS THE TIMING OF THIS PROCESS?**

12 A. We expect the Improved Tender Offer period to commence in July 2021. In accordance  
13 with the General Regulation of the AMF and the other steps that are required as outlined  
14 above, including receipt of governmental and regulatory approvals, we expect the AMF to  
15 announce the results of the Improved Tender Offer on or about mid-November to mid-  
16 December. At that time, Veolia will take ownership of the shares and be required to settle  
17 the Improved Tender Offer, and pay the holders of the shares. The Reopened Offer will  
18 follow the same process a few weeks later.

19 Put another way, Veolia and SUEZ are seeking to close the Transaction before the  
20 end of 2021. Accordingly, the Joint Applicants respectfully seek the Commission’s  
21 approval to allow the Transaction to proceed and close on a timely basis.

22 **Q. WHY IS TIMELY REGULATORY APPROVAL IMPORTANT TO THE**  
23 **TRANSACTION?**

1 A. Veolia and SUEZ are both domiciled in France and traded on the Euronext stock market.  
2 The North American businesses are important to the overall transaction, and approval from  
3 the Commission and other U.S. public utility commissions is critical. However, this is a  
4 global transaction occurring in France between two French companies, and there is need  
5 to harmonize the time frames for all approvals and required processes. In fact, the  
6 companies are presently seeking approvals in 18 countries, and requesting all such  
7 approvals in time to allow an end-of-year closing.

8 Moreover, because of the nature of the transaction – a public tender offer – there is  
9 a need to minimize market uncertainty and volatility. A lengthy period between the May  
10 14, 2021 announcement and the completion of the tender offer process would create  
11 uncertainty, which the Companies prefer to avoid. Further, the acquisition also involves  
12 tens of thousands of SUEZ employees worldwide, and both Companies want to minimize  
13 the instability and disruption to their employees. It is for these reasons that the Companies  
14 are seeking harmony between the receipt of regulatory approvals and completion of the  
15 tender offer process. The broad scope of the Transaction – involving businesses in dozens  
16 of countries – adds to potential market uncertainty and underscores the need for an  
17 expeditious closing.

18 **Q. WHAT ARE THE TRANSACTION’S IMPACTS ON THE SUEZ PENNSYLVANIA**  
19 **UTILITIES’ OPERATIONS?**

20 A. The Transaction will not impact the SUEZ Pennsylvania Utilities’ operations because the  
21 Joint Applicants do not expect any changes in the SUEZ Pennsylvania Utilities’ day-to-  
22 day operations following the close of the Transaction. Thus, the SUEZ Pennsylvania  
23 Utilities will continue to operate as they have for years. Under Veolia’s ownership, the

1 SUEZ Pennsylvania Utilities will continue to make the same infrastructure improvements  
2 currently outlined in their capital plans. All existing SUEZ Pennsylvania Utilities’  
3 employees will be retained for at least one year following the consummation of the  
4 Transaction and all collective bargaining agreements in effect will be honored by Veolia.

5 At present, certain support services for the SUEZ Pennsylvania Utilities are  
6 provided by SUEZ Water Management & Services, Inc. pursuant to an affiliate agreement  
7 between the companies entered into in 2016. In the same manner that Veolia’s acquisition  
8 of SUEZ will result in its acquisition of the SUEZ Pennsylvania Utilities, it will result in  
9 acquisition of SUEZ Water Management & Services, Inc. Further, there is presently a  
10 Money Pool Agreement and an Affiliated Sector Water Agreement in place between and  
11 among the SUEZ Pennsylvania Utilities and certain of its affiliates in other States, which  
12 will remain in place post-Transaction.

13 Veolia hereby commits to keeping all operations, practices, processes, employees,  
14 existing agreements, and provision of services in place as is for a period of at least one year  
15 from the date of consummation of the Transaction.

16 **Q. WHAT APPROVALS ARE REQUIRED BEFORE THE PROPOSED**  
17 **TRANSACTION CAN BE EFFECTUATED?**

18 A. Through its acquisition of SUEZ, Veolia will acquire five other regulated water and  
19 wastewater utilities within the United States that are indirect, majority-owned subsidiaries  
20 of SUEZ. They are SUEZ New York Inc., SUEZ Water Delaware Inc., SUEZ Water Idaho  
21 Inc., SUEZ Water New Jersey Inc., and SUEZ Water Rhode Island Inc. In Idaho and  
22 Rhode Island, no regulatory approval is required, but Veolia will provide notice of the  
23 Transaction to those States’ public utility commissions. In Delaware, New Jersey, and

1 New York, Veolia must obtain approval of its acquisition of SUEZ from each State’s public  
2 utility commission, similar to the approval sought herein. It is simultaneously filing  
3 petitions or applications with those commissions for such approvals.

4 Separately, the Joint Applicants already have complied with the Hart-Scott-Rodino  
5 Antitrust Improvements Act of 1976 by providing premerger notifications to the Federal  
6 Trade Commission and U.S. Department of Justice on March 23, 2021. The Department  
7 of Justice did not request the opportunity to review the transaction, so by operation of law  
8 the Transaction was deemed to have cleared federal antitrust review as of April 6, 2021.

9 Veolia must obtain approval from the Federal Communications Commission  
10 (“FCC”) in connection with the transfer of radio licenses that SUEZ obtained through its  
11 acquisition of United Water in July 2000. SUEZ discovered in 2020 that it inadvertently  
12 had not obtained the FCC’s approval for the transfer of the radio licenses originally issued  
13 to United Water. Accordingly, SUEZ self-disclosed this issue to the FCC and reached a  
14 settlement with the FCC to resolve the investigation. The FCC consent decree was  
15 executed by SUEZ on June 9, 2021 and is pending execution and release by the FCC. The  
16 Joint Applicants plan to complete that transfer and then seek approval of the transfer of  
17 those licenses from SUEZ to Veolia.

18 **Q. WILL CUSTOMERS OF THE SUEZ PENNSYLVANIA UTILITIES BEAR ANY**  
19 **OF THE COSTS OF THE TRANSACTION?**

20 A. No. Veolia will not pass along any of the costs associated with the Transaction to  
21 customers.

22 **Q. WHY DOES VEOLIA SEEK TO ACQUIRE SUEZ?**

1 A. The Transaction will allow Veolia to have the combined skills of two of the top global  
2 leaders in resource management, SUEZ and Veolia, thereby enabling Veolia to  
3 significantly accelerate its development in the face of growing international competition.  
4 Further, it will enable the sector worldwide to meet the central challenge of the Twenty-  
5 First Century—ecological transformation—to respond to population growth, the  
6 impending and existing threats of climate change, and the recently emerged health crisis  
7 posed by the COVID-19 pandemic.

8           The world’s population is expected to increase by two billion more people by 2050  
9 and the average life expectancy has been projected to increase by five years. These  
10 developments will double the existing pressure on the Earth’s natural resources such as  
11 water and energy and will constitute a considerable challenge in terms of the management  
12 of ever-increasing waste, infrastructure, and the environment. Without new investments,  
13 at least 40% of water demand may exceed the available supply by 2030, and the volume of  
14 ordinary waste may increase by 70% by 2050. The Transaction will give the Joint  
15 Applicants better means to tackle these problems by improving the management of  
16 environmental infrastructure and services everywhere they provide operations.

17           The climate crisis facing the globe also requires immediate action. The 2010-2019  
18 decade has been the warmest since the pre-industrial era and global warming will continue  
19 to contribute to the scarcity of resources and is itself aggravated by the above-mentioned  
20 steady population growth. Governments, regulators, and businesses around the world are  
21 paying increasing attention to environmental sustainability and new green consumption  
22 patterns. The European Union, for example, plans to devote an increasing portion of its  
23 current budget to natural resources and the environment. The COVID-19 pandemic further

1 revealed the need for further investment in ecological and digital transitions. Europe’s  
2 “Green Deal” proposes an action plan to promote the efficient use of resources by moving  
3 to a clean and circular economy—a philosophy embraced by both Veolia and SUEZ in  
4 their respective operations. The Transaction will therefore enable Veolia to support the  
5 various national and state initiatives, while also enabling the combined force to share  
6 innovations in environmentally friendly products and services with the communities it  
7 serves.

8 Finally, the health crisis generated by the COVID-19 pandemic reveals the essential  
9 nature of Veolia’s and SUEZ’s services supplying drinking water, wastewater treatment,  
10 and waste collection and treatment. Combining the strengths of both entities will enable  
11 the continued provision of this essential service with greater efficiency.

12 **Q. DO VEOLIA’S AND SUEZ’S BOARDS OF DIRECTORS APPROVE OF THE**  
13 **TRANSACTION?**

14 A. Yes, each respective entity’s Board of Directors has approved the Transaction.

15 **Q. WHAT ARE VEOLIA’S PLANS FOR THE SUEZ PENNSYLVANIA UTILITIES’**  
16 **EXISTING LIABILITIES AND ASSETS?**

17 A. There are no plans to modify SUEZ Pennsylvania Utilities’ existing liabilities and assets  
18 following the approval of the Transaction. The SUEZ Pennsylvania Utilities will not incur  
19 any debt as part of the Transaction.

20 **Q. HOW WILL VEOLIA FINANCE THE TRANSACTION?**

21 A. The Transaction will be financed via a bridge loan entered into with a bank pool including  
22 Bank of America Europe DAC, Credit Agricole Corporate and Investment Bank, HSBC  
23 Continental Europe, and Morgan Stanley Europe SE. This loan will then be refinanced in

1 part by the proceeds of the disposals required by the competition authorities and by hybrid  
2 bond issuances and the issuance of share capital securities or securities giving access to the  
3 share capital. This will not impact the SUEZ Pennsylvania Utilities. The intent is to  
4 preserve a strong investment grade credit rating for Veolia and maintain the net financial  
5 debt/Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) ratio  
6 of the extended group below 3.0x in the medium term.

7 **VI. THE TRANSACTION IS IN THE PUBLIC INTEREST**

8 **Q. ARE YOU AWARE OF THE LEGAL STANDARDS THAT GOVERN THE**  
9 **COMMISSION’S CONSIDERATION OF UTILITY ACQUISITIONS IN**  
10 **PENNSYLVANIA?**

11 A. Yes, I have been advised by counsel that the Commission will consider whether the  
12 proposed Transaction is in the public interest. Further, I have been advised that in making  
13 this determination, the Commission has considered factors such as whether the acquiring  
14 company has the requisite technical, financial, and legal fitness (including managerial  
15 competence), and is committed to the continued improvement of its water infrastructure.  
16 It is my understanding that the Commission’s analysis also requires the demonstration of  
17 an affirmative, public benefit of a substantial nature, as well as a weighing of the benefits  
18 and risks associated with the Transaction to ultimately determine if it will enable the  
19 continued provision of safe, adequate, and reliable service at just and reasonable rates.

20 **Q. IN APPLYING THE ABOVE STANDARDS, WHAT CONCLUSIONS DO YOU**  
21 **DRAW?**

22 A. I conclude that there are many benefits innate to this Transaction that are in the public  
23 interest. While not all of them are readily quantifiable, they will positively impact

1 customers and the public generally. I also conclude that there are no material risks that  
2 flow from the Transaction.

3 **Q. WHAT BENEFITS ARE ASSOCIATED WITH THE TRANSACTION?**

4 A. As discussed in the Application, the primary benefits to customers that will result from this  
5 Transaction can be described pursuant to the following broad categories: (1) Veolia's  
6 expertise in water and wastewater services; (2) commitment to water quality, system  
7 resiliency and integrity; (3) financial stability and creditworthiness; and (4) continuation  
8 of the current rates, operations, and management of the SUEZ Pennsylvania Utilities for at  
9 least 12 months post-Transaction. The Transaction also provides funding to account for  
10 and mitigate the ongoing economic hardships faced by customers as a result of the COVID-  
11 19 global health pandemic.

12 **Q. PLEASE FURTHER DESCRIBE THE BENEFITS TO CUSTOMERS  
13 ASSOCIATED WITH VEOLIA'S EXPERTISE IN WATER OPERATIONS.**

14 A. The SUEZ Pennsylvania Utilities and its customers will benefit from Veolia's expertise  
15 and the best practices developed from combining the expertise and knowledge bases of  
16 Veolia and SUEZ. By combining the expertise and commercial offerings of both  
17 companies in water treatment and water storage, Veolia will be positioned to accelerate the  
18 development of future technological solutions, evaluate possible operational synergies  
19 within the portfolio, and create value for customers and the Commonwealth of  
20 Pennsylvania. For example, the potential exists – but should be studied – of employing  
21 systems from other Veolia and SUEZ operations for the benefit of the SUEZ Pennsylvania  
22 Utilities. As Veolia integrates the SUEZ entities, it will examine the potential for such

1 improvements and, as appropriate, present proposals to do so for the Commission's  
2 consideration.

3 **Q: CAN YOU PROVIDE AN EXAMPLE OF THE WATER QUALITY BENEFITS**  
4 **CREATED BY THE TRANSACTION?**

5 A: Veolia has significant experience evaluating technology solutions to improve water  
6 clarification and purification, softening, disinfection, purification, and mobile drinking  
7 water production systems, which the SUEZ Pennsylvania Utilities can leverage for their  
8 water treatment processes. For example, Veolia is working with the research group in Paris  
9 investigating treatment technologies and disposal options for PFOA/PFAS in drinking  
10 water. The approach is a detailed evaluation of the most cost-effective methodologies for  
11 not only removing but potentially destroying the chemical. By destroying the chemical we  
12 will not be perpetuating the compounds in the environment (air, soil, water). The research  
13 includes a review of existing and emerging technologies that can be deployed on a water  
14 system to optimally remove the pollutant. We are evaluating capex cost and long-term  
15 O&M costs to select the optimum treatment strategy.

16 **Q. CAN YOU PROVIDE ANY OTHER EXAMPLES OF IMPROVEMENTS TO**  
17 **CUSTOMER SERVICE AND WATER OPERATIONS?**

18 Yes. Veolia developed a state-of-the-art integrated management center that provides  
19 decision-making support for the continued provision of water supply, consumer safety,  
20 crisis prevention, and crisis management for the benefit of its customers. Veolia offers  
21 multichannel systems for customers to communicate with it, including service centers,  
22 local and mobile branches, web portals, mobile applications for smartphones, and payment  
23 and social support platforms. Veolia will assess the potential for using similar

1 multichannel systems to communicate with the SUEZ Pennsylvania Utilities' customers  
2 and improve customer service.

3 An example of such systems is Veolia's Hubgrade Smart Digital Solutions, which combine  
4 real-time data, advanced analytics, and human expertise to create new opportunities to  
5 manage and optimize water systems. The system relies on cloud-based computing and the  
6 Internet of Things to capture and utilize granular data. To date, the system has improved  
7 the following processes: invoice processing, budgeting and financial reporting, optimizing  
8 operations and maintenance for facilities, managing sustainability projects and programs,  
9 managing regulatory and environmental compliance, enhancing security and safety on site,  
10 and facilitating business continuity by, among other things, preventing or minimizing  
11 equipment failures.

12 **Q. CAN THESE SYSTEMS BE ADAPTED FOR USE BY THE SUEZ**  
13 **PENNSYLVANIA UTILITIES?**

14 A. Possibly, but Veolia first needs to gain a better understanding of the SUEZ Pennsylvania  
15 Utilities' current operations, any opportunities for improvement, limitations on its  
16 information technology infrastructure, and other factors. Cost is also a consideration.  
17 Assuming the Transaction is approved, post-closing Veolia will assess the potential for  
18 using similar multichannel systems to communicate with customers and improve customer  
19 service. Any improvement opportunities that are identified will be presented to the  
20 Commission.

21 **Q. PLEASE DESCRIBE THE SYSTEM RESILIENCY AND INTEGRITY BENEFITS**  
22 **ASSOCIATED WITH THE TRANSACTION.**

23 A. Veolia is committed to ensuring infrastructure resiliency to respond to the increasing risks

1 of climate change. Veolia’s response to Hurricane Katrina provides an illustrative example  
2 of this commitment. Over the course of four months, Veolia dispatched thirty of its experts  
3 to New Orleans to collaborate with stakeholders and study 200 drinking water, wastewater,  
4 and storm drainage facilities to evaluate their vulnerability and recommend resilience  
5 measures. This same ability to call upon experts and dispatch professional assistance will  
6 be available to the SUEZ Pennsylvania Utilities’ customers, and Veolia is well-positioned  
7 and ready to help the State continue to prepare for and respond to the risks of climate  
8 change.

9 Veolia has the operational experience to ensure that there is no diminution of  
10 service to its Pennsylvania customers. It has no specific plans for improvements at this  
11 time, other than to continue the SUEZ Pennsylvania Utilities’ capital plans that already are  
12 in place. Once the Transaction is approved and consummated, Veolia will evaluate the  
13 operations of its U.S. water utilities and, as appropriate, employ new technologies and  
14 operational efficiencies to maintain adequate water resources, ensure the quality of the  
15 water provided to customers, and control costs.

16 **Q. PLEASE DESCRIBE ANY FINANCIAL STABILITY BENEFITS ASSOCIATED**  
17 **WITH THE TRANSACTION.**

18 A. Veolia is financially stable and creditworthy. Veolia’s annual revenues are over €26 billion  
19 (\$31 billion). After the acquisition, its annual revenues are projected to be over €37 billion  
20 (\$44 billion). It has ready access to the financial markets and will be able to support SUEZ  
21 Pennsylvania Utilities’ capital and other financial needs. The strength of its balance sheet  
22 and credit ratings will continue to allow the SUEZ Pennsylvania Utilities to access capital  
23 at reasonable rates. Veolia is committed to ensuring that the SUEZ Pennsylvania Utilities

1 will have access to sufficient capital for the repair, maintenance, improvement, and  
2 extension of their systems to ensure the continued provision of safe and reliable service for  
3 current and future customers.

4 **Q. WILL THERE BE ANY CHANGES TO THE MANNER IN WHICH THE SUEZ**  
5 **PENNSYLVANIA UTILITIES ARE ABLE TO OBTAIN FINANCIAL SUPPORT**  
6 **FOR THEIR OPERATIONS AND CAPITAL NEEDS?**

7 A. Not at this time. At present, the SUEZ Pennsylvania Utilities obtain financial support  
8 through SWR and participate in a joint financing program with their regulated utility  
9 affiliates. There are no plans to change this structure or that program. If any changes are  
10 contemplated, we will discuss them with Commission Staff and seek approval from the  
11 Commission, as necessary.

12 **Q. PLEASE DESCRIBE ANY PERSONNEL OR COMMUNITY INTERACTION-**  
13 **RELATED CHANGES VEOLIA WILL MAKE FOLLOWING THE CLOSE OF**  
14 **THE TRANSACTION.**

15 A. As already discussed, Veolia does not intend to make any changes to SUEZ Pennsylvania  
16 Utilities' ongoing operations or employment levels for at least one year post-  
17 Transaction. In addition, upon approval by the Commission and consummation of the  
18 Transaction, Veolia will institute a one-year moratorium on filing for any increases to  
19 distribution base rates. This benefit will provide rate stability for customers during this  
20 period of economic uncertainty related to the COVID-19 pandemic.

21 Importantly, the merger is occurring upstream at the ultimate parent level. This  
22 Application does not involve a merger at the distribution utility level where proffered  
23 benefits may include consolidation of jobs and positions. Additionally, Veolia will

1 encourage the management and employees of the SUEZ Pennsylvania Utilities to continue  
2 the community activities currently undertaken without change. Veolia also will continue  
3 to provide financial and educational support to its local communities through the SUEZ  
4 Pennsylvania Utilities, and it will maintain or improve upon the level of presence and  
5 engagement in Pennsylvania that now exists.

6 **Q. AS PART OF THE TRANSACTION, IS VEOLIA PROPOSING TO PROVIDE**  
7 **CUSTOMERS WITH ANY RELIEF POST-CLOSING TO MITIGATE THE**  
8 **IMPACTS OF COVID-19?**

9 A. Yes. Veolia recognizes the significant financial toll experienced by many customers as a  
10 result of the COVID-19 pandemic. Some customers continue to experience high arrearages  
11 as a result of the pandemic and remain at greater risk of service termination. Veolia will  
12 help to ease these financial impacts by contributing via a shareholder contribution to the  
13 SUEZ Pennsylvania Utilities to reduce these arrearages. Specifically, Veolia proposes that  
14 its shareholders would contribute an amount equal to 20% of the total residential  
15 customers' arrears that are more than 60 days overdue, measured as of the date of a  
16 Commission Order approving the Transaction. The Joint Applicants commit to working  
17 with Commission Staff and interested stakeholders on developing the best way to  
18 effectuate this relief and ensure that all burdened customers will share in this benefit.

19 We are also aware of the cost burdens on low-income customers during the  
20 pandemic. To address this hardship, Veolia commits to expanding its shareholder-funded  
21 relief for low-income customers, with the details to be determined in subsequent  
22 consultations with Commission staff and interested stakeholders.

1 **Q. IS THE PROPOSED TRANSACTION RISKIER THAN MAINTAINING THE**  
2 **STATUS QUO?**

3 A. No. The public benefits being proposed through this Transaction will result in a net  
4 positive benefit to customers. By sharing their best practices and lessons learned, Veolia  
5 and SUEZ will be able to maximize efficiency in water and wastewater service operations  
6 while customers reap the rewards from the Joint Applicants' combined expertise as global  
7 leaders in this field.

8 **VII. CONCLUSION**

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes. I reserve the right to supplement my testimony as additional issues arise during the  
11 course of the proceeding. Thank you.

**Attachment F**

**Exhibit KW-1**

**F. Keith Oldewurtel Bio**

## F. Keith Oldewurtel

### PROFESSIONAL PROFILE

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Senior Executive with extensive record of collaborative leadership in energy (cogeneration, district energy and energy efficiency consulting) and water/wastewater (municipal, industrial and groundwater remediation markets). Knowledgeable of energy, water and environmental regulations. Certified water/wastewater operator.

### CAREER HIGHLIGHTS

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- Operations and executive positions leading operations, sales, performance management and procurement utilizing a results oriented management style, based on goal setting, transparency and collaboration.
- Responsible for multi-million dollar critical infrastructure asset operation, maintenance and capital programs including potable water, municipal/industrial wastewater, groundwater remediation and energy production/distribution.
- Delivered greenfield construction of plants, capacity expansions and efficiency improvements through conventional design/bid/build and design/build contracting methods.
- Provided effective communications and company representation ranging across constituencies from the plant operator, collective bargaining units, state/local/federal agencies, public forums to the Board room.
- Designed and implemented KPI, behavior based safety and environmental compliance programs.

### PROFESSIONAL EXPERIENCE

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#### Veolia North America – Boston, MA

Veolia is the global leader providing energy, water and waste management solutions that contribute to the sustainable development of communities and industries around the world. In North America, Veolia employs over 8,000 people with annual revenues over \$2 Billion and is the largest owner/operator of 1) district energy businesses 2) operator of municipal/industrial water/wastewater treatment plants and 3) hazardous waste treatment.

**Executive VP & COO Municipal Water and Interim EVP/COO Facility & Building Services 2019- Present**

**Senior Vice President Central & West and Enovity – 2018 – 2019**

**Senior Vice President Corporate EHS & Procurement - 2013 - 2018**

**President Source One/Senior Vice President Veolia Energy Solutions - 2012 - 2013**

**Regional Vice President Central/West Region - 2010 to 2012**

**General Manager Grand Rapids District Energy - 2008 to 2010**

#### **Responsibilities/Accomplishments:**

- Implementing organization's vision and mission. Strategic plan development and implementation ranging across individual business units to overall company. Analyzing market dynamics and annual/long range business plans.
- Leadership and P&L responsibility for multiple district energy business units, Source One & Enovity energy consulting business and O&M contract locations.
- Established clear performance objectives for each business unit. Implemented energy efficiency dashboards, KPI monitoring and efficiency improvement programs that provided management visibility and tools for local managers to improve business results.
- Improved customer retention and growth through establishment of customer relation programs, community participation and a customer centric culture within the business units.
- Presentations, communication and negotiations with major customers including City Managers/Mayors, Boards/Commissions, "C" level executives, hospitals, universities, regulators and industry associations.
- Public presentations, media relations, published media and internal employee communications.
- Development of strategic plans for web based energy management, energy performance contracting and construction management service lines. Negotiation and completion of a legacy environmental cleanup under an Administrative Consent Order in the State of Kansas.
- Effectively led strategy development and directed negotiation of multiple collective bargaining agreements.
- Member of Worldwide Best Practice/Center of Excellence team. Chartered to deliver business improvement through best practice sharing, benchmarking and market innovation.
- Financial close of business purchase transaction, integration of acquired businesses and due diligence.
- Responsible for reorganization and transformation of \$1B annual spend procurement organization and North America Operational Performance plan for 2016-2018.

## Earth Tech - Grand Rapids, MI

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Earth Tech provided consulting; engineering; and design, build and operate (DBO) services to water/wastewater, environmental, transportation, and facilities clients globally. Earth Tech employed 7,000 people worldwide generating \$1.4B in revenue. The Engineering/Environmental Services Division was acquired by AECOM and the Utility Contract Operations Division by United Water in 2008.

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**Senior Vice President, North America Contract Operations Division - 1994 to 2008**

**Director of Operations, North America Contract Operations Division - 1987 to 1994**

**Operations Specialist, North America Contract Operations Division - 1985 to 1987**

**Responsibilities/Accomplishments:**

- Provided leadership to the Utility (water/wastewater/groundwater remediation) Contract Operations Division of the company. The division had revenues approaching \$100 million with 600 employees located throughout North America.
- Effectively interfaced with all levels from plant operators to the President/CEO, subcontractors, regulators and industrial/municipal government customers. Provided leadership for business unit including Operations, Finance, HR, SH&E, Sales and Operational Excellence.
- Developed business strategy and policy.
- Analyzed market dynamics and established annual/long range business plans.
- Drove sales growth, expansion of business into new regions/service areas, and developed/motivated sales team. Collaborated on contract strategy, negotiation and internal parent company approval process incorporating risk management.
- Developed and executed Design/Build/Operate projects in the public sector. Led sale, contract negotiation and implementation of the first municipal water supply Design/Build/Finance/Operate in the United States at Franklin, Ohio.
- Implemented and provided active leadership of ethical conduct and diversity programs.
- Interacted with various state and federal regulatory agencies on behalf of customers and the company.
- Designed leadership development program which included personal assessments, facilitated encounters, 360° reviews and coaching plans. The program solidified the leadership team, improved communication and enhanced performance of the team.
- Instituted several key programs contributing to the improvement of the business, service to customers and quality:
  - o Operational Excellence program utilizing Six Sigma process and ISO-14001/OHSAS-18001 accreditation programs.
  - o Environmental Compliance Auditing and Compliance Program.
  - o Safety behavior based program encompassing training, auditing and action planning tools.
  - o Chairman of worldwide (Australia, Ireland, China, Mexico, Canada, US) Best Practices team focused on improving business quality including asset management, quality, design/build and sales.
- Member of Divisional Senior Management team with reporting responsibility to Corporate leadership.

## Iron Mountain-Kingsford Joint Sewage Authority - Iron Mountain, MI

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The IM-K JSB provides wastewater treatment services to a population of 13,000 and 8 employees.

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**Superintendent 1982-1985**

**Responsibilities/Accomplishments:**

- Provided leadership of wastewater treatment authority serving two communities operating under and reporting directly to an independent board.
- Directed all functions of this facility including operations, maintenance and capital planning.
- Responsible for final start-up and close-out of wastewater treatment plant upgrade project.

## City of Gladstone, MI - Gladstone, MI

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The City provides water and wastewater treatment services to a population of 5,000 and 7 employees.

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**Operator/Construction Inspector 1977-1982**

**Responsibilities/Accomplishments:**

- Performed all operations and maintenance of this utility including surface water filtration plant, wastewater treatment plant, water distribution system and wastewater collection systems.
- Served as engineering field inspector for new water and wastewater system improvement projects.

## **EDUCATION/CERTIFICATIONS**

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AAS Water Purification Technology - Bay College, Escanaba MI

Michigan Class A Wastewater Treatment Plant Operator

Michigan Class F-1 Water Treatment Plant Operator

Michigan Class S-1 Water Distribution System Operator

Veolia Energy Lead 2012 - Year long, worldwide leadership program for high potential senior managers.

Veolia Executive Seminar 2016 - Year long, worldwide leadership program for high potential executives.

## **ASSOCIATIONS and BOARD POSITIONS**

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International District Energy Association Company Member

Michigan American Water Works Association Member

Michigan Water Environment Federation Member

Veolia ERISA Committee for employee 401k, pension and health plans.

**Attachment G**

**Direct Testimony of John Hollenbach**

**Joint Applicants Statement No. 2**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Veolia Environnement S.A., :  
Veolia North America, Inc., SUEZ S.A., :  
SUEZ Water Pennsylvania Inc. :  
and SUEZ Water Bethel Inc. for all approvals :  
pursuant to Sections 1102(a)(3), (4), and 1103 : Docket No. A-2021-\_\_\_\_  
of the Pennsylvania Public Utility Code, and :  
as otherwise required under the Pennsylvania :  
Public Utility Code for the change in control of :  
SUEZ Water Pennsylvania Inc. :  
and SUEZ Water Bethel Inc. :

**Direct Testimony of John D. Hollenbach**

**On Behalf of**

**SUEZ S.A., SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc.**

**June 11, 2021**

**I. Introduction**

1 **Q. What is your name and business address?**

2 A. John D. Hollenbach. My business address is 6310 Allentown Blvd. Harrisburg, PA 17112.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am employed by SUEZ Water Pennsylvania Inc. (“SWPA” or the “Company”) and SUEZ Water  
5 Bethel (“SWB”) as General Manager and Vice President. See Exhibit\_\_(JDH-1) for a copy of my  
6 curriculum vitae.

7 **Q. What is your educational background?**

8 A. I have a Bachelor of Science Degree in Environmental Engineering from Pennsylvania State  
9 University.

10 **Q. Please describe your work experience.**

11 A. I have over forty-two years of experience in the private water utility sector, starting in 1979 with  
12 the former General Waterworks Company as a Staff Engineer and holding multiple positions in  
13 Arkansas, Delaware, Missouri and Pennsylvania.

14 **Q. Have you previously testified before any regulatory commissions?**

15 A. Yes. I testified on multiple occasions before the Pennsylvania, Missouri and Delaware  
16 commissions in formal service complaints, certification hearings, and rate filings.

17 **Q. Are you a registered Professional Engineer?**

18 A. Yes. I have Professional Engineer licenses in Pennsylvania, Delaware, and Arkansas. The  
19 Arkansas and Pennsylvania licenses are currently in an inactive status.

20 **Q. What is the subject of your direct testimony?**

21 A. The purpose of my testimony is to support the Joint Application which is being contemporaneously  
22 filed in this proceeding by Veolia Environnement S.A. and Veolia North America, Inc.

1 (collectively, “Veolia”) and SUEZ S.A., SWPA and SWB (together with Veolia, the “Joint  
2 Petitioners”) for all approvals which may be required under the Public Utility Code, 66 Pa. C.S. §  
3 101 *et seq.*, including approval under id. §§ 1102(a)(3), 1102(a)(4) and 1103, for the indirect  
4 change of control of SWPA and SWB (the “Transaction”).

5 My direct testimony will address the current operations of SUEZ North America Inc.’s two  
6 public utility companies that are regulated by the Pennsylvania Public Utility Commission  
7 (“Commission” or “PUC”). The first is SWPA, which includes a Water Division (PUC Utility  
8 Code No. 210013) and a Wastewater Division (PUC Utility Code No. 230077). The second is  
9 SWB (PUC Utility Code No. 210150). Where applicable, I will indicate in my testimony that my  
10 response applies to both SWPA and SWB (collectively, the “Companies”). If I do not indicate  
11 that my response applies to the Companies, the response applies only to SWPA – the larger of the  
12 Companies.

13 In addition to a general overview of SWPA’s and SWB’s operations, I will present  
14 testimony on the following specific topics:

- 15 • SWPA’s commitment to capital via its five-year capital plan and its Long Term Infrastructure  
16 Improvement Plan (“LTIIP”), and SWPA’s new LTIIP which is anticipated to be filed in  
17 September 2021 for Years 2022-2026;
- 18 • The Companies’ commitment to rate stability, customer affordability, low-income assistance,  
19 and response to COVID-19;
- 20 • The Companies’ commitment to efficiency and cost controls;
- 21 • The Companies’ commitment to its core value of Customer First, and SWPA’s call center  
22 operations and customer service metrics;

- 1 • The Companies’ commitment to employee development and succession planning /  
2 identification of key employees, and labor union relations;
- 3 • The Companies’ commitment to safety and compliance;
- 4 • The Companies’ history of environmental compliance;
- 5 • The Companies’ compliance with annual report, security self-certification, and other PUC  
6 compliance filings;
- 7 • The Companies’ commitment to regionalization and consolidation; and,
- 8 • The Companies’ local community involvement and charitable contributions.

9 **II. Description of the Companies**

10 **Q. Please give general descriptions of SWPA and SWB.**

11 A. SWPA provides water service to approximately 64,000 customers in nine counties and 39  
12 municipalities throughout Pennsylvania. It operates five surface water treatment plants ranging in  
13 size from 750,000 to 12,000,000 gallons per day. It also operates 29 wells with varying degrees  
14 of treatment, 30 booster stations and 36 storage facilities. Its infrastructure includes over 943 miles  
15 of main, 13,665 valves and 3,657 hydrants.

16 SWB provides water service to approximately 2,513 customers in portions of Bethel and  
17 Concord Townships located in Delaware County, Pennsylvania. It is located adjacent to the water  
18 operations of SUEZ Water Delaware Inc. (“SWD”) in New Castle County, Delaware. SWB  
19 purchases 100% of its water from Chester Water Authority in Chester County, Pennsylvania and  
20 from SWD. SWB’s infrastructure includes over 40 miles of main, 525 valves and 201 hydrants.

21 **Q. Please provide a breakdown of the customers served respectively by SWPA and SWB.**

22 A. As of December 2020, SWPA provides service to a total of 63,622 water customers and 1,446  
23 wastewater customers. The breakdown of water customers by customer class is as follows: 57,440

1 residential; 4,880 commercial; 54 industrial; 281 public authority; and 967 private fire. The  
 2 breakdown on its 1,446 wastewater customers is as follows: 1,340 residential; 101 commercial;  
 3 and, five industrial.

4 As of December, 2020, SWB provides service to a total of 2,518 water customers: 2,441  
 5 residential; 76 commercial; and, one industrial.

6 **III. Companies' Capital Commitment**

7 **Q. What are the Companies' capital budgets for 2021?**

8 A. The 2021 net capital investment budget for SWPA is \$21,345,000. For SWB, it is only \$21,000.

9 **Q. What are the projected capital budget dollars for the Companies for 2022 through 2024?**

10 A. SWPA's four-year budget prepared in 2020 projects a capital need of \$94,480,000 over the next  
 11 four years. SWB's four-year budget projects a capital need of \$645,000 over the next four years.  
 12 See table below for net capital dollars for 2022 through 2024 for both SWPA and SWB.

Company	2022	2023	2024
SWPA	\$25,863,000	\$46,462,000	\$36,122,000
SWB	\$451,000	\$136,000	\$73,000

13

14 **Q. What are SWPA's major projects for the years 2022 through 2024?**

15 A. The major projects include \$41 million for infrastructure main replacements; \$25 million for a new  
 16 source of supply and a treatment plant for the Mechanicsburg operation; \$8.9 million for  
 17 replacement meters/AMI; \$4.9 million for tank paintings; \$3.5 million for a SCADA upgrade  
 18 project; and \$1.7 million for a new tank in our Bloomsburg operation.

19 **Q. Were these projects already being planned prior to the announcement of the Transaction?**

20 A. Yes.

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**Q. Please provide an update to SWPA’s five-year LTIP for the years 2017-2021?**

A. SWPA filed its first LTIP in February 17, 2017 and it was subsequently approved by the Commission on June 14, 2017 at Docket No. P-2017-2589724. With four years of the five years completed, SWPA has spent \$75,032,000 on infrastructure updates which included installing 49 miles of replacement main and 10 miles of new main; and replacing 3,977 services, 970 valves, 201 hydrants, and 9,793 meters. For each year of the LTIP, the Commission has found SWPA to be in compliance with its LTIP.

**Q. Is SWPA required to provide yearly updates to the LTIP and, if so, when was the last update and what was the result?**

A. Yes. Each year, SWPA files an Annual Asset Optimization Plan (“AAOP”) with the Commission. The latest AAOP was filed on February 26, 2021 and a Zoom conference call with Commission Staff to report on the results was held on May 13, 2021.

**Q. When will SWPA file its second five-year LTIP?**

A. SWPA anticipates filing its five-year LTIP for 2022 to 2027 by September 30, 2021. The timing of the filing is intended to give the Commission sufficient time to approve the LTIP so that SWPA may continue to charge a Distribution System Improvement Charge (“DSIC”).

**Q. Please describe what you believe will be included in the 2022-2027 LTIP.**

A. SWPA projects that it will invest approximately \$50 million in infrastructure improvements over the next five years. This projection remains tentative and was developed independently of the Transaction.

**Q. Does SWB have an LTIP?**

1 A. No. SWB does not have an LTIP because of its small size. An LTIP is required in order to  
2 charge a DSIC and SWB has never petitioned the Commission for approval of a DSIC.

3 **IV. The Companies' Commitment to Rate Stability**

4 **Q. When was SWPA's last general rate filing?**

5 A. SWPA last filed with the Commission for a general base rate increase on April 30, 2018, and new  
6 rates became effective February 1, 2019.

7 SWB last filed with the Commission for a general base rate increase on October 28, 2011,  
8 and new rates became effective March 15, 2012. SWB has a purchased water pass-through  
9 surcharge for bulk supply water purchased from the Chester Water Authority, which mitigates the  
10 frequency of SWB base rate filings.

11 **Q. Would you please provide an overview of the SWPA and SWB most-recent base rate cases?**

12 A. The SWPA case was based upon an historic test year ending December 31, 2017 and a Fully  
13 Projected Future Test Year ("FPFTY") ending December 31, 2019. Under the terms of the  
14 Commission-approved settlement, the Company was granted an overall increase in annual operating  
15 revenue of \$3,000,000 and was obligated not to propose any new general base rate increase earlier  
16 than April 29, 2021. Customer service charges for 5/8" and 3/4" meters increased to \$14.50 per  
17 month. The existing DSIC rate was reset to 0% in the case and was to remain at 0% until the later  
18 of (i) the end of the FPFTY or (ii) the quarter following the point in time at which SWPA's DSIC-  
19 eligible investment, net of plant funded with customer advances and customer contributions,  
20 exceeded \$26,790,000. The \$26,790,000 is calculated to include DSIC investment made  
21 beginning January 1, 2018 (the beginning of the Future Test Year) and ending December 31, 2019  
22 (the end of the FPFTY). For purposes of calculating DSIC, SWPA is required to use the equity  
23 return rate for water utilities contained in the Commission's most recent Quarterly Report on the

1 Earnings of Jurisdictional Utilities and the equity return rate must be updated each quarter  
2 consistent with any changes to the equity return rate for water utilities contained in the most recent  
3 Quarterly Earnings Report. SWPA's acquisitions of the Mahoning water and wastewater systems  
4 were removed from the case, however, SWPA was not precluded from proposing a rate increase  
5 of less than \$1,000,000 to be applied to Mahoning customers once the acquisition transaction was  
6 finalized.

7 The SWB general base rate filing in 2011 was filed under the Commission's "Short Form"  
8 filing process (available for anticipated annual revenue increases below \$1,000,000) and was  
9 mainly driven by an increase in purchased water of \$370,000. The case was settled using the  
10 Commission's mediation process. A significant take away was the approved Purchased Water  
11 Adjustment Charge, which is capped at 7.5% of a customer's billed revenues.

12 **Q. Were there quality of service and reporting commitments included in the SWPA rate case**  
13 **settlement?**

14 **A.** Yes. The settlement required the following:

- 15 • SWPA was required to establish and document a valve maintenance program by January 1, 2019  
16 that set forth a minimum number of valves to exercise annually.
- 17 • SWPA was requested, within 60 days of Commission approval of the settlement, to meet with the  
18 Office of Consumer Advocate ("OCA") and the Commission's Bureau of Investigation &  
19 Enforcement ("I&E") to discuss proposed modifications to SWPA's social media outreach to  
20 customers regarding quality of service events.
- 21 • In SWPA's next base rate proceeding, SWPA is required to prepare and submit a complaint log in  
22 sortable Excel format. The log must include complaints made to SWPA about its service or

1 facilities, showing the name and address of the complainant, the date and character of the  
2 complaint, and the final disposition of the complaint.

- 3 • SWPA was required to respond (or had already responded) to several service-related issues that  
4 were brought up during the Public Input Hearings held in the base rate case.
- 5 • SWPA is required to prepare Section 500 forms for each of its operating systems for which it  
6 submits a Chapter 110 Report and provide them to the OCA and the PUC's Bureau of Technical  
7 Utility Services ("TUS") in live Excel format at the time of its Chapter 110 Report submission.  
8 SWPA must include records supporting its estimate of "Located and Repaired Breaks in Mains &  
9 Services."
- 10 • SWPA was required to provide TUS, I&E, OCA and the Office of Small Business Advocate  
11 ("OSBA") with an update to an exhibit by April 30, 2019 to include actual plant additions and  
12 retirements by month for the twelve months ending December 31, 2018 and by October 31, 2019  
13 for the twelve months ending June 30, 2019. In SWPA's next base rate proceeding, SWPA must  
14 prepare and submit a comparison of its actual expenditures and rate base additions for the twelve  
15 months ending December 31, 2019 to its projections in this case.

16 **Q. Were all these conditions met for SWPA?**

17 A. Yes, noting that some of the settlement obligations have not yet come due.

18 **Q. What is SWPA's current rate per hundred gallons?**

19 A. The SWPA residential rate is \$0.9051 per hundred gallons, with a monthly service charge of  
20 \$14.50. All other classifications have the same rate (\$0.9051) for the first 25,000 gallons. For  
21 additional usage, the commercial rate is \$0.65790 per hundred gallons, the public authority rate is  
22 \$0.54321 per hundred gallons and the industrial rate is \$0.747 per hundred gallons.

1           The SWB residential rate is \$0.4290 per hundred gallons, with a monthly service charge of  
2           \$6.31. All other classifications have the same rate.

3   **Q.   Do all of SWPA’s customers receive the same rate?**

4   A.   No. The Mahoning and Overbrook customers, which were recently acquired, have a different rate.

5   **Q.   How much does an average residential customer use per day and what does that equate to in  
6           cost-per-day under current rates?**

7   A.   Residential customers used approximately 120 gallons per day or 3600 gallons per month which  
8           for SWPA is approximately \$1.50 per day and for SWB it is \$0.71 per day.

9   **Q.   How do SWPA’s rates compare to other Class A private water utilities in Pennsylvania?**

10  A.   SWPA has competitive rates. For a residential customer that uses 3,600 gallons, SWPA’s annual  
11           water bill is \$562; compared to \$545, \$708 and \$765 for three other PA Class A water utilities.

12  **Q.   What is SWPA’s current DSIC surcharge rate?**

13  A.   SWPA is eligible to file a DSIC up to 7.5% of a customer’s billed revenues; however, the DSIC  
14           rate is currently zero because SWPA’s earnings currently exceed the PUC Staff-determined Return  
15           on Equity in the PUC’s Quarterly Earnings Report. The reset to zero is one of the safeguards  
16           included in SWPA’s Commission-approved DSIC program.

17  **Q.   SWPA had a rate case filing stay out until April of 2021 which has since expired. When does  
18           SWPA anticipate filing its next water base rate case?**

19  A.   The timing of SWPA’s next base rate case is unknown at this time.

20  **Q.   Would you please briefly describe SWPA-Wastewater Division’s current base rates?**

21  A.   SWPA wastewater rates are based on their consumptive water usage. There is a minimum monthly  
22           charge, which, for residential customers is \$25 monthly and for commercial customers is \$277.08.

1 The minimum monthly charge covers the first 5,000 gallons. A declining volumetric charge is  
2 applied for all consumption over 5,000 gallons.

3 **V. The Companies' Commitment to Efficiency and Cost Control**

4 **Q. Please describe how the Companies propose to manage their costs.**

5 A. The Companies recognize that overall costs are going to increase each year. Labor, material costs,  
6 health insurance, etc. are some examples of annual cost increases that cannot be avoided or, even  
7 in some circumstances, mitigated. The Companies also understand their responsibility to provide  
8 an excellent level of services to their customers. Cutting costs simply to keep rates low is not an  
9 option where the public is dependent upon the quality and reliability of the services. Therefore,  
10 the Companies must continue to find ways to operate more efficiently. The Companies will  
11 continue to improve their service level by utilizing new technology, changing business processes,  
12 and continuing to invest prudently in their assets.

13 **Q. Can you give a few examples of how the Companies will continue to utilize new technology  
14 to reduce costs, improve business efficiency, and meet regulatory requirements?**

15 A. Yes. The Companies have and will continue to use the following systems:

- 16 • GIS – The Companies utilize real time GIS for its field operations.
- 17 • Asset Management – The Companies use two computer tools to manage their linear and  
18 vertical assets. The Companies use INFOR to track their over 2400 vertical assets and are  
19 in the process of installing KloudGin as an asset and workforce management system for  
20 linear assets.
- 21 • Radio Read Meter Program – The Companies are in the process of converting their radio  
22 drive by meter reading system to a fully AMI system which will enable the Companies to

1 access meter reads every ten minutes. This is a five-year program which will be completed  
2 in 2025. To date, the Companies have converted over 15,000 end points.

- 3 • Infrastructure Optimization – The Companies have implemented several computer based  
4 tools to ensure optimization of their infrastructure projects.
- 5 • Energy Efficiency – The Companies are using digital technologies to improve energy  
6 efficiency. Power meters have been installed on strategic pumps to track the real time  
7 power usage of the pumps.

## 8 VI. The Companies' Commitment to Customer Service

9 **Q. Please describe the Companies' ongoing efforts to measure and provide continuous**  
10 **improvement in the services that they deliver to their customers.**

11 A. The Companies have implemented the following initiatives:

- 12 • The Companies offer e-billing to their customers. Currently, 22,218 SWPA and 766 SWB  
13 customers are utilizing e-billing to realize a “Green” solution to routine billing. E-billing  
14 adds a customer convenience and reduces the cost of bill procurement.
- 15 • The Companies offer direct debit and currently 14,992 SWPA and 695 SWB customers are  
16 enrolled.
- 17 • The Companies utilize an Interactive Voice Response (“IVR”) phone system that allows  
18 the customer to self-serve.
- 19 • The Companies use multiple technology platforms to keep customers informed, *e.g.*, social  
20 media outlets including Facebook and Twitter, mysuezwater.com website, and a call-back  
21 system called Notify which can call, email and text customers.

22 **Q. Describe what metrics the Companies currently use to track customer service performance.**

1 A. The Companies track inbound calls answered by a customer service representative, self-service  
 2 calls via IVR, abandoned phone calls rate, average abandoned time, time to answer call, average  
 3 talk time and percentage of estimated meter reads. Below are the results for 2020 and YTD 2021  
 4 (as of April 30, 2021).

Metric	SWPA		SWB	
	2020	2021 YTD	2020	2021 YTD
Total Calls (includes IVR)	64,622	21,707	1,502	619
Calls answered by Agent	37,315	12,412	927	351
Abandoned # %	470	161	12	9
Answer time (sec)	17	22	28	37
Email Inquires	4,297	1,607	NA	NA
Informal Complaints	24	15	1	0
Formal	3	2	0	0

5

6 **Q. Please describe the impact that the COVID-19 pandemic has had on collections.**

7 A. On March 6, 2020, Governor Tom Wolf issued a *Proclamation of Disaster Emergency*  
 8 (“Proclamation”) that identified the COVID-19 pandemic as a disaster emergency affecting the  
 9 entire Commonwealth. On March 13, 2020, relying on both the Proclamation and the  
 10 Commission’s authority under the provisions of Section 1501 of the Pennsylvania Public Utility  
 11 Code (“Code”), Chairman Gladys Brown Dutrieuille issued an Emergency Order (“March 13  
 12 Emergency Order”), establishing a prohibition on the termination of public utility service and  
 13 directing the reconnection of service to customers previously terminated, to the extent it could be  
 14 done safely, for the duration of the Proclamation, or until a time otherwise established by the

1 Commission. The Commission ratified the March 13 Emergency Order at its March 26, 2020  
2 Public Meeting.

3 On October 13, 2020, the Commission entered an Order modifying the March 13  
4 Emergency Order by initiating Phase 2 of the public utility service termination moratorium  
5 (“October 13 Order”). The October 13 Order continued the termination moratorium for “protected  
6 customers” at or below 300% of the federal poverty income guideline (“FPIG”), under certain  
7 conditions, and established protections for certain residential and small business customers. The  
8 termination moratorium and protections established by the October 13 Order expired on March  
9 31, 2021.

10 The utility service termination moratorium was lifted, and disconnections were able to  
11 commence on April 1, 2021. The following modifications/protections to existing collection  
12 policies were applied to all water and wastewater utilities subject to the Commission’s jurisdiction  
13 until December 31, 2021:

- 14 1. For residential customers with incomes below 250% of the Federal Poverty Level (“FPL”),  
15 a utility is required to offer a payment arrangement for a minimum length of five years  
16 while allowing the customer to agree to or request a shorter payment arrangement and the  
17 utility to agree to a longer payment arrangement.
- 18 2. For residential customers with incomes between 250% and 300% of FPL, a utility is  
19 required to offer a payment arrangement for a minimum length of two years while allowing  
20 the customer to agree to or request a shorter payment arrangement and the utility to agree  
21 to a longer payment arrangement.
- 22 3. For residential customers with incomes over 300% of FPL, a utility is required to offer a  
23 payment arrangement for a minimum length of one year while allowing the customer to

1 agree to or request a shorter payment arrangement and the utility to agree to a longer  
2 payment arrangement.

3 4. For small business customers, a utility is required to offer a payment arrangement for a  
4 minimum length of 18 months while allowing the customer to agree to or request a shorter  
5 payment arrangement and the utility to agree to a longer payment arrangement.

6 5. In response to informal and formal complaints filed by December 31, 2021, the  
7 Commission may:

8 a. Order one payment arrangement consistent with the terms outlined in Paragraphs  
9 1-3 above for a residential customer who is eligible for a new payment arrangement  
10 under the Code.

11 b. Order one payment arrangement consistent with the terms outlined in Paragraphs  
12 1-3 above for a residential customer who has previously defaulted on a Commission  
13 payment arrangement, even where 66 Pa. C.S. § 1405(d) has not been satisfied.  
14 This allowance for one additional payment arrangement was made solely in  
15 response to the COVID-19 pandemic and the March 13 Emergency Order.

16 c. Order one payment arrangement consistent with the terms outlined in Paragraph 4  
17 above for a small business customer.

18 Neither residential nor small business customers can receive more than one Commission  
19 payment arrangement with the extended repayment terms outlined in Paragraphs 1-4  
20 above. The terms outlined in Paragraphs 1-3 above do not apply to payment arrangements  
21 ordered under 66 Pa. C.S. §1405(e). For residential customers eligible for both a payment  
22 arrangement under 66 Pa. C.S. § 1405(e) and a payment arrangement under the terms

1 outlined in Paragraphs 1-3 above, the Commission should order the payment arrangement  
2 most advantageous to the customer.

3 6. Utilities and the Commission's Bureau of Consumer Services may accept income  
4 verification and business status information obtained through flexible means, for example,  
5 over-the-phone or via electronic mail, for the purpose of qualifying customers for payment  
6 arrangements or universal service programs.

7 **Q. Have the Companies complied with all of these Commission directives with respect to**  
8 **COVID-19?**

9 A. Yes.

10 **Q. What has been the impact of the Commission's COVID-19 service termination policies on**  
11 **SWPA's Accounts Receivables?**

12 A. The Accounts Receivables for over 90 days has nearly tripled in the past year.

13 **Q. Have the Companies commenced collections/shutoffs since the moratorium was lifted?**

14 A. Yes, consistent with Commission policy.

15 **Q. Do the Companies have a customer assistance program for those customers who find it**  
16 **difficult to pay their water bill?**

17 A. Yes. SUEZ Cares is a nonprofit 501(c)(3) organization that provides financial assistance to low-  
18 income customers or customers that experience a temporary financial crisis caused by job loss,  
19 severe illness, casualty, or extended military service. Cash grants up to \$150 are provided to  
20 qualifying customers who are first screened by SUEZ Cares for eligibility. To be eligible for a  
21 grant, customers must have made a good faith payment of at least \$20 in the last 90 days, and they  
22 must have a past due outstanding balance. Grants are offered one time per year.

1 Customers can apply for assistance by contacting SUEZ Cares at 1-888-942-8080 or visit  
2 them online at [www.suezcares.org](http://www.suezcares.org). In addition, those customers that live in the Harrisburg,  
3 Bloomsburg and Mechanicsburg, Pennsylvania area can schedule an appointment with the  
4 Salvation Army, who offers additional programs to our customers.

5 **Q. How many customers used SUEZ Cares in 2020?**

6 A. In 2020, 52 SWPA customers utilized the Company's' SUEZ Cares program for a total of  
7 \$6,990.94

## 8 VII. Company Personnel Commitment

9 **Q. What is the current staffing level of SWPA and SWB?**

10 A. SWPA has planned staff of 98 full time employees and one part time employee. SWB does not  
11 have any employees. The operation is run by SWD.

12 **Q. Due to COVID-19, has SWPA laid off any employees?**

13 A. No. The full complement of employees was required in order to continue to provide safe, adequate,  
14 and reliable service to the public – which was even more important during a pandemic.

15 **Q. Did SWPA have any plans, prior to the announcement of the SUEZ/Veolia transaction, to  
16 eliminate or add any new positions?**

17 A. No. However staffing is always being evaluated in light of retirements, new technology, and new  
18 business requirements.

19 **Q. Who are the officers of SWPA?**

20 A. The President of the Company is Gary Albertson. I am the Vice President. The CFO is Adrien  
21 Fremau. The Secretary is Bryant Gonzalez. The Treasurer is Michael Algranati and the Senior  
22 Director of Supply Chain Management is Herb Imbornoni.  
23

1 **Q. How many of the officers reside in Pennsylvania?**

2 A. I am the only officer with a Pennsylvania residency.

3 **Q. What is SWPA’s approach to employee retention?**

4 A. SWPA offers competitive salary, bonuses and benefits to its employees. The bonuses range in  
5 percentage based on the employee’s position and performance.

6 **Q. Does SWPA have any labor union contracts?**

7 A. Yes. See the table below:

<b>Union Affiliate</b>	<b>Contract</b>	<b># Current Employees</b>	<b>Terms</b>
Utility Workers Union of America AFL-CIO Local 489	Production Employees Unit	31 w/2 vacancies	June 1, 2017 through May 31, 2022
Utility Workers Union of America AFL-CIO Local 489	Clerical Employees Unit	8 w/1 vacancy	June 1, 2017 through May 31, 2022
Utility Workers Union of America AFL-CIO Local 516	Bloomsburg Operation	8	January 1,2021 to December 31, 2025

8

9 **Q. How many grievances were filed in 2020 and YTD 2021 (as of April 30, 2021)**

10 A. There were no grievances filed despite a very challenging year with COVID-19 protocols.

11 **VIII. The Companies’ Commitment to Safety**

12 **Q. What metrics do the Companies use to measure safety?**

13 A. The Companies track recordable injury rates (as defined by OSHA), frequency rates (number of  
14 lost time accidents per 100 employees), severity rate (number of lost days per 100 employees),  
15 environmental incidents, and number of vehicle incidents and unsafe conditions reported. See  
16 table below for SWPA 2020 year end results and 2021 YTD (as of April 30, 2021) results.

<b>Category</b>	<b>2019</b>	<b>2020</b>	<b>2021 YTD</b>
Recordable Injuries	1	0	0

Recordable injury rate	1.03	0	0
Frequency	0	0	0
Severity	0	0	0
Environmental incidents	0	6	4
Avoidable Environmental incidents	0	0	0
Vehicle Incidents	3	9	1
Near Miss/Unsafe Condition	133	209	50

1

2 **Q. What safety training do the Companies provide?**

3 A. The Companies utilize a system called “Talent Up” to assign safety training tailored to the specific  
 4 job classifications. In 2020, SWPA employees completed 2606 training assignments. As of April  
 5 30, 2021, the employees have completed 1,444 assignments.

6 **IX. The Companies’ Commitment to Environmental Compliance**

7 **Q. Describe the Companies’ compliance record as it relates to meeting the Safe Drinking Water  
 8 Act?**

9 A. SWPA produces over six billion gallons of water each year to its approximately 64,000 customers.  
 10 To ensure it is in compliance with all regulations, in 2020 SWPA performed over 7,000 compliance  
 11 tests and over 6,000 additional analytical tests.

12 In the year 2020, SWPA did not have any violations. In 2021, SWPA has had to issue a  
 13 tier one and tier two notice to its 70 Kensington customers as a result of Manganese being over the  
 14 safe health limit of 0.3 mg/l. SWPA is required to provide the Pennsylvania Department of  
 15 Environmental Protection (“PA DEP”) with a design solution by September 2021.

1 SWB purchased 261 million gallons in 2020 and conducted 410 compliance tests and 84  
2 analytical tests, with no violations.

3 **Q. How do the Companies plan to meet the proposed EPA Lead and Copper rule?**

4 A. Neither SWPA or SWB has any known lead service lines. However, the Companies will have to  
5 update their inventories of both company side services (the main to the curb stop at the property  
6 line) and Customer side services (the services from the curb stop to the customer premises).

7 **Q. Has Pennsylvania set a Maximum Contaminant level for Perfluorooctanesulfonic acid  
8 (“PFOS”)?**

9 A. No. However, Pennsylvania is using the EPA health advisory limit of 70 parts per trillion (ppt).

10 **Q. What have the Companies done in regard to meeting the 70 ppt or any proposed MCL?**

11 A. SWPA and SWB have tested all of their sources for PFOS and perfluorooctanoic acid (“PFOA”).  
12 Based on test results, SWPA has installed PFOS/PFOA removal treatment on two of its well  
13 facilities -- the DuPont and Conley wells in its Newberry (York County, Pennsylvania) system.

14 **X. The Companies’ Commitment to Regulatory Compliance**

15 **Q. Are SWPA and SWB current with all annual report filings and quarterly financial report  
16 filings as required by the Commission’s regulations at 52 Pa. Code §§ 65.19 and 71.1 et seq.?**

17 A. Yes.

18 **Q. Are SWPA and SWB current with all required security self-certification filings as required  
19 by the Commission’s regulations at 52 Pa. Code § 101.1 et seq.?**

20 A. Yes.

21 **Q. Are SWPA and SWB current with payment of all assessments to the Commission as required  
22 by 66 Pa. C.S. § 510?**

23 A. Yes.

1 **Q. Have SWPA and SWB obtained approvals from the Commission under 66 Pa. C.S. § 2102**  
2 **for affiliated interest agreements under which they are currently operating?**

3 A. Yes. Such affiliated interest agreements are described in greater detail in the direct testimony of  
4 James C. Cagle, Vice President – Rates and Regulatory Affairs, SUEZ Water Management and  
5 Services Inc.

6 **Q To the best of your knowledge, is SWPA or SWB the subject of any formal or informal**  
7 **investigation by the Commission regarding regulatory compliance?**

8 A. No. The Companies have a good compliance record.

9 **XI. The Companies' Commitment to Regionalization and Consolidation**

10 **Q. How has SWPA promoted the regionalization and consolidation of water and wastewater**  
11 **companies in Pennsylvania?**

12 A. SWPA has deployed a tuck-in strategy when it comes to the acquisition of smaller water and  
13 wastewater companies. Priority is given to troubled systems that can be incorporated into SWPA's  
14 existing operations. SWB, because of its small size and location, has not pursued acquisition  
15 opportunities. SWPA is the vehicle for acquisition activity.

16 **Q. What is SWPA's most recent tuck-in acquisition activity?**

17 A. In December 2020, SWPA acquired the Overbrook system which serves approximately 180 water  
18 customers adjacent to SWPA's Dallas-Shavertown operation.

19 **Q. Is SWPA actively pursuing any other tuck-in opportunities?**

20 A. SWPA is in the process of acquiring the Wonderview Water system which serves approximately  
21 160 water customers across the Susquehanna River from SWPA's Bloomsburg operation. It is  
22 also evaluating several other opportunities.

23

**XII. The Companies' Commitment to Community**

**Q. Please describe the Companies' efforts to educate the public in conservation and the value of water.**

A. The Companies know that water is one of our most precious natural resources. As a responsible steward of this resource, the Companies are committed to educating the public about the value of water and the importance of conservation. While COVID-19 restrictions limited some of the opportunities such as plant tours, and speaking to service and school groups, the Companies continued to use social media, Zoom town hall meetings, and participation in trade associations (such as the National Association of Water Companies and the American Water Works Association) to promote the value of water.

**Q. Have the Companies made any significant donations to the community?**

A. In 2020, the Companies made several donations, many related to COVID 19 relief efforts. Our contributions helped local organizations maintain efforts to help families in need in our service territories and beyond. A few of the organizations that we made contributions to include: \$25,000 to UPMC Pinnacle; \$10,000 to Central Pennsylvania Food Bank; \$500 to Love Inc.; \$1,000 to AGAPE; \$1,000 to New Hope Ministries; and \$500 worth of meals to first responders.

**Q. How have the Companies promoted environmental causes within the community?**

A. For several years, the Companies have been involved with regional environmental preservation organizations. Donations and events have been coordinated with local organizations such as Yellow Breeches Watershed Association, Manada Conservatory, and the Columbia Conservation District. The Companies also promote conservation throughout the year with outlets such as customer bill inserts and social media campaigns with conservation tips to help customers conserve water all-year round.

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**Q. Do you have any additional comments concerning the Transaction?**

A. Yes. The Transaction will combine the strengths of Veolia Environnement S.A. and SUEZ S.A. to create an industry leader equipped with technical and managerial competence that will benefit SUEZ Water Pennsylvania Inc.'s and SUEZ Water Bethel's operations and customers. Customers will benefit from the best practices and processes and joint expertise of the two Companies. Accordingly, and for the reasons further addressed in the Testimony of Keith Oldewurtel, I encourage the Commission to approve the Transaction.

**XIII. Conclusion**

**Q. Does this conclude your direct testimony?**

A. Yes. I reserve the right to supplement my testimony as additional issues arise during the course of this proceeding. Thank you.

**JOHN D. HOLLENBACH**  
**GENERAL MANAGER & VICE PRESIDENT**

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**PROFESSIONAL BACKGROUND**

**John D. Hollenbach**

A graduate of the Pennsylvania State University in Water Resources Engineering Technology, a registered engineer in Pennsylvania and Delaware and more than 39 years of experience in the water industry. Prior to joining SUEZ Mid Atlantic Region, he served as General Manager of United Water Missouri, Jefferson City, Missouri. Other experience includes several years as Company Engineer and Assistant Manager at both United Water Delaware and United Water Arkansas.

**CURRENT AND PAST RELEVANT EMPLOYMENT**

- **SUEZ Mid Atlantic Region, Harrisburg , PA 1/13 to Present Region Vice President** Responsible for Operation oversight and P&L for South NJ ( Toms River), Pennsylvania and Delaware operations which combined serve over 150,000 customers with revenues of \$130 million and EBIT of \$52 million
- **United Water Pennsylvania, Harrisburg, PA., 1/00 to 12/12, Segment Vice President for Pennsylvania and Delaware** - Responsible for Operation oversight and P&L for both Pennsylvania and Delaware operations.
- **United Water Missouri, Jefferson City, Missouri, 1/96 – 12/99, General Manager** - Responsible for the operation of United Water Missouri, which provided water service to over 10,000 customers in Jefferson City.
- **General Waterworks – Wilmington Suburban Water Corporation, Wilmington, Delaware – 9/90 – 12/95, Assistant Manager** - Responsible for supervising the operating departments of the company as well as direct supervision of the Engineering Department.
- **General Waterworks – Wilmington Suburban Water Corporation, Wilmington, Delaware – 1/89 – 9/90, Company Engineer** - Responsible for the Conay's asset management program which included supervision, design, inspection and specification preparation for a million dollar capital budget.
- **SIM/Water Development, Ethiopia, East Africa, - 10/87 – 12/88, Missionary** – One year leave of absence to do water development for SIM International. Involved in water development to rural areas which consisted of drilling manual hand pump wells, protecting springs, and installing small water systems for rural villages. Responsible for a water team which consisted of four nations.
- **General Waterworks Corporation of Pine Bluff, Arkansas, - 1/85 – 10/87 – Assistant Manager/Engineer** - Responsible for the company operations and asset management of the water company which served the City of Pine Bluff, population 60,000. Its source of supply was nine deep wells and there were two iron removal treatment plants.
- **General Waterworks, Harrisburg, PA. – 7/82 – 1/85, Senior Staff Engineer**
- **General Waterworks, Altoona, PA. - 9/80 – 7/82, District Engineer**
- **General Waterworks, Harrisburg, PA. - 6/79 – 9/80, Staff Engineer**

## **EDUCATION**

- Associate Degree in Surveying, Pennsylvania State University, 1975 – 1977
- B.S. in Environmental Engineering, Pennsylvania State University, 1977 – 1979

## **CERTIFICATIONS**

- Professional Engineer License in PA, DE, (AR, PA inactive status)
- NIMS Certified

## **PROFESSIONAL ORGANIZATIONS**

### **Current Membership**

- NAWC PA Chapter Board Member
- AWWA Member
- Water For People AWWA Committee Member
- Hummelstown Rotary Club
- Haitian Perle Coffee Board Member

### **Past Board Membership**

- Capital Region Water Board
- Jefferson City YMCA Board Member
- Jefferson City St Mary's Hospital Board Member
- Harrisburg Boys and Girls Club

**Attachment H**

**Direct Testimony of James Cagle**

**Joint Applicants Statement No. 3**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Veolia Environnement S.A., :  
Veolia North America, Inc., SUEZ S.A., :  
SUEZ Water Pennsylvania Inc. :  
and SUEZ Water Bethel Inc. for all approvals :  
pursuant to Sections 1102(a)(3), (4), and 1103 : Docket No. A-2021-\_\_\_\_  
of the Pennsylvania Public Utility Code, and :  
as otherwise required under the Pennsylvania :  
Public Utility Code for the change in control of :  
SUEZ Water Pennsylvania Inc. :  
and SUEZ Water Bethel Inc. :

**Direct Testimony of James C. Cagle**

**On Behalf of**

**SUEZ S.A., SUEZ Water Pennsylvania Inc., and SUEZ Water Bethel Inc.**

**June 11, 2021**

**I. Introduction**

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**Q. Please state your name and business address.**

A. I am James C. Cagle. My business address is 461 From Road, Paramus, NJ 07652.

**Q. By whom and in what capacity are you employed?**

A. I am the Vice President, Rates and Regulatory Affairs for SUEZ Water Management & Services Inc. (“SWM&S”).

**Q. What are your job responsibilities?**

A. I am primarily responsible for the management and direction of rate case filings for the Company. I am also responsible for oversight of certain rate related compliance and reporting requirements as prescribed by the various regulatory commissions having jurisdiction over the SUEZ utilities.

**Q. Please outline your educational and professional qualifications.**

A. I received a Bachelor of Accountancy degree from the University of Oklahoma in 1987 and am a Certified Public Accountant licensed in the State of Texas. I was initially employed by United Water Management & Services Inc. (predecessor of SWM&S) as Director, Regulatory Business in October of 2007 and have held my current position since March 2010. Previous to that, I was employed by Atmos Energy Corporation, a natural gas utility operating in twelve states, as Manager, Rates and Revenue Requirements.

**Q. Have you previously testified before the Pennsylvania Public Utility Commission (“Commission”)?**

A. Yes. I have testified several times before the Commission, including SUEZ Water Pennsylvania Inc.’s (“SWPA” or “Company”) last rate case filing (R-2018-3000834)

1 as well as before several other state commissions on various regulatory issues.

2 **II. Purpose of Testimony**

3 **Q. What is the purpose of your testimony in this proceeding?**

4 A. The purpose of my testimony in this case is to present and provide support for Veolia  
5 Environnement S.A.'s ("Veolia") indirect acquisition of SUEZ S.A.'s ("SUEZ")  
6 equity interests in SWPA and SUEZ Water Bethel Inc. ("SWB") (the "Transaction")  
7 in the following areas:

- 8 • The SUEZ North America Inc. Corporate Structure as it relates to SWPA and  
9 SWB (collectively, the "SUEZ Pennsylvania Utilities");
- 10 • Current Funding sources;
- 11 • Current affiliate transaction protections; and
- 12 • SWM&S and Affiliate Agreements including the current Money Pool  
13 Agreement and Affiliated Sector Agreement.

14 **III. Overview of the SUEZ Companies**

15 **Q. Please provide an overview of the SUEZ Companies.**

16 A. Please refer to the Organizational Chart included as page 1 of Attachment A to the  
17 Application in this matter. SUEZ Water Inc. ("SUEZ Water"), a Delaware  
18 corporation, maintains its headquarters in Paramus, New Jersey, and is a direct,  
19 wholly-owned subsidiary of SUEZ North America Inc. ("SUEZ North America").  
20 SUEZ North America also maintains its corporate headquarters in Paramus, New  
21 Jersey. SUEZ North America employs approximately 2,800 people, and provides  
22 water and wastewater recycling services to approximately 7.5 million people in  
23 locations across the United States and Canada. SUEZ North America is a direct,

1 wholly-owned subsidiary of SUEZ Groupe S.A.S. SUEZ Groupe S.A.S. is a  
2 subsidiary of SUEZ S.A., a global enterprise operating on five continents, with nearly  
3 90,000 employees. SUEZ S.A. is a French public limited company that is listed on the  
4 Euronext Paris under the symbol SEV. SUEZ S.A. provides water and waste  
5 management solutions to optimize resource management and strengthen  
6 environmental and economic performance consistent with applicable regulatory  
7 standards.

8 SUEZ Water holds an 80% interest in SUEZ Utility Holdings Inc. (“SUHI”), the  
9 corporate parent of SUEZ Water Resources LLC (“SWR”). The remaining 20%  
10 interest in SUHI is held by Stichting Depository PGGM Infrastructure Funds, acting in  
11 its capacity as title holder of PGGM Infrastructure Fund (“PGGM”), which is further  
12 described below. In addition to SUHI, SUEZ Water is also the parent company of  
13 SWM&S, a shared services entity that provides certain management and operational  
14 support services to SWR and its subsidiaries as well as to SUEZ Water Environmental  
15 Services Inc. (“SWES”) and SUEZ Water Advanced Solutions Inc. (“SWAS”). Both  
16 SWES and SWAS are subsidiaries of SUEZ North America and maintain their  
17 corporate headquarters in Paramus, New Jersey and Perry, Georgia, respectively.

18 SWR is the parent company of the SUEZ Pennsylvania Utilities, as well as the  
19 following: SUEZ Water New Jersey Inc. (“SWNJ”), SUEZ Water New York Inc.,  
20 SUEZ Water Delaware Inc., SUEZ Water Idaho Inc., SUEZ Water Rhode Island Inc.,  
21 SUEZ Water South County Inc., and SUEZ Sewer New York Inc. (collectively the  
22 “SUEZ Utilities”). SWR is also the indirect parent company of Corwick Realty

1 Company<sup>1</sup> (a direct subsidiary of SWNJ), the direct parent company of SUEZ Water  
2 Operations Inc.,<sup>2</sup> and holds a 50% interest in Dundee Water and Land Corporation.  
3 PGGM forms part of the PGGM NV group, which is a cooperative Dutch pension  
4 fund service provider that manages pension funds and assets, and invests in public and  
5 private equity, debt, real estate funds, and infrastructure markets across the globe.  
6 PGGM holds 20% of SWR.

7 In total, SWR's subsidiaries serve approximately 2.1 million people in New Jersey,  
8 New York, Idaho, Pennsylvania, Delaware and Rhode Island.

9 The SUEZ Pennsylvania Utilities maintain their principal place of business at 6310  
10 Allentown Blvd, Harrisburg, PA 17112. As further described in Mr. Hollenbach's  
11 testimony, SWPA provides water service to approximately 64,000 customers in nine  
12 counties and 39 municipalities throughout Pennsylvania and wastewater service to  
13 approximately 1,446 customers in Columbia and Montour counties. SWB provides  
14 water service to approximately 2,513 customers in portions of Bethel Township and  
15 Concord Township in Delaware County.

#### 16 **IV. SWR Financing**

17 **Q. How and at what corporate level is debt issued for the SUEZ Utilities, including**  
18 **the SUEZ Pennsylvania Utilities?**

19 A. Debt offerings are made at the SWR level for the benefit of the SWR utility  
20 subsidiaries including the SUEZ Pennsylvania Utilities. This financing structure

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<sup>1</sup> Corwick Realty Company holds property in both New Jersey and New York State, including property around Lake Tappan Reservoir, an asset of SWNJ. Lake Tappan is bisected by the New York / New Jersey state line.

<sup>2</sup> SUEZ Water Operations Inc. primarily includes non-regulated operations and maintenance contracts for Allendale, Saddle River, and Manalapan.

1 reduces issuance costs for the benefit of customers. No debt is held at the SWR  
2 subsidiary level and the terms of SWR's debt agreements do not utilize utility assets to  
3 secure such debt. Similarly, SWR's utility subsidiaries, such as the SUEZ  
4 Pennsylvania Utilities, do not act as guarantors or utilize their assets to guarantee such  
5 debt.

6 **Q. What is the current credit rating for SWR by S&P Global?**

7 A. SWR is currently rated as 'A' by S&P Global and maintains its own credit facilities.  
8 Debt arrangements are independent from the rest of the SUEZ group. SWR is not  
9 rated by other rating agencies.

10 **Q. Do SWR subsidiaries keep separate books and records?**

11 A. Yes. The books and records of each of the SUEZ Utilities, including the SUEZ  
12 Pennsylvania Utilities, are maintained at the utility (legal entity) level in each of the  
13 regulatory jurisdictions in compliance with US GAAP and the applicable Uniform  
14 System of Accounts.

15 **V. Affiliate Agreements**

16 **Q. Do the SUEZ Pennsylvania Utilities have appropriate affiliate agreements in**  
17 **place?**

18 A. Yes. The SUEZ Pennsylvania Utilities are party to an Affiliated Sector Agreement  
19 whereby operational and management support services can be provided among SWR's  
20 utility subsidiaries on an as needed basis. The Company also has an agreement with  
21 SWM&S which provides common/shared services such as accounting, human  
22 resources, business technology services (IT), treasury, legal and others. In addition,

1 the SUEZ Pennsylvania Utilities are a party to a Money Pool Agreement that  
2 coordinates and provides for short-term cash and working capital requirements.

3 **Q. Please describe the agreement with SWM&S in greater detail.**

4 A. SWPA has been party to a management and services agreement with SWM&S since  
5 2016 (“M&S Agreement”), which supersedes prior agreements. The M&S Agreement  
6 allows for the centralization of certain specialized shared services, thereby allowing  
7 the SUEZ Pennsylvania Utilities to enjoy economies of scale and realize savings over  
8 the cost of providing the same services on its own. The services SWM&S provides  
9 include, but are not limited to, executive management and support services, financial  
10 planning services, accounting and tax planning and compliance services, treasury  
11 services, internal audit services, information technology infrastructure services, legal  
12 management services, engineering and technical services, procurement services,  
13 human resources services, and environmental, health and safety oversight and program  
14 management for each regulated water and wastewater service in their respective  
15 service territories. These shared services represent the efforts of approximately 200  
16 employees allocated amongst SUEZ’s utility companies per the M&S agreement.

17 **Q. Please further describe the currently effective Money Pool Agreement.**

18 A. The current Money Pool is limited to the subsidiaries of SWR which are substantially  
19 all utilities subject to the regulation of state agencies.<sup>3</sup> Affiliated companies outside of  
20 the SWR ownership chain do not participate in the Money Pool Agreement. While  
21 there is one non-regulated operational entity, SUEZ Water Operations Inc. (“SOI”),

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<sup>3</sup> SWM&S does not participate in the money pool but provides administrative services for the money pool through the M&S Agreement.

1 within the SWR subsidiaries, it is closely tied to SWNJ whereby SWNJ provides the  
2 required operational expertise. SOI represents less than 1% of the total revenues of  
3 SWR and represent less than 0.1% of the total assets of SWR. Furthermore, SOI can  
4 only be a net provider of funds for use by the money pool. The Money Pool  
5 Agreement does not allow for the comingling of assets.

6 **Q. Are there currently any affiliate transaction protective measures in place?**

7 A. As noted above, SUHI is the direct parent company of SWR. SUEZ owns 80% of  
8 SUHI. As a part of the governance structure, in recognition of PGGM's 20%  
9 ownership in SUHI, SUHI's Board of Directors comprises members from SUEZ (3  
10 employee directors), PGGM (1 director and one 1 non-voting observer) and one non-  
11 employee (independent) director. In addition, anti-dilutive measures are in place to  
12 ensure that PGGM can maintain its economic interest at current levels and there are no  
13 cross-default provisions between SUEZ S.A. and SUHI (or its subsidiaries).  
14 Additionally, as a condition of the New York Public Service Commission's  
15 ("NYPSC") approval of PGGM's indirect 20% acquisition of SWR, through  
16 December 31, 2023, should SWR's common equity ratio fall below 50 percent on a 12  
17 month rolling basis, SWR and SWNY must meet with NYPSC Staff within 30 days to  
18 discuss the SWR's plan to address any further deterioration in common equity ratio.  
19 Similarly and also as a condition of the New Jersey Board of Public Utilities'  
20 ("NJBPU") approval of PGGM's indirect 20% acquisition of SWR, if the equity  
21 portion of the SWR capital structure rises above 54% at December 31, SWR must  
22 report to the NJBPU its plan to maintain its 54% equity capital structure. This  
23 requirement is in effect through February 27, 2024.

**VI. Rates and Other**

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**Q Will the proposed Transaction have an impact on rates charged to customers?**

A. No. As described in the petition, the proposed Transaction will occur at the ultimate parent company level. It is not anticipated there will be any impact on rates charged to customers.

**Q. Will the proposed Transaction have any impact on matters currently pending at the Commission?**

A. No. As described above, the proposed Transaction will occur at the ultimate parent company level. It is not anticipated that there will be any impact on matters currently pending before the Commission.

**Q. Will the proposed Transaction have any impact on the Commission’s jurisdiction over the SUEZ Pennsylvania Utilities?**

A. No. The Commission’s jurisdiction will remain unchanged as a result of the Transaction.

**Q. Will the transaction costs associated with the proposed Transaction be recovered in the SUEZ Pennsylvania Utilities’ rates?**

A. As described in the petition, the transaction costs related to the Transaction will not be allocated to SWR operating companies, including the SUEZ Pennsylvania Utilities, and no request shall be made to include these costs in rates for recovery from customers. Specifically, costs related to consultants, investment bankers, regulatory fees and legal fees associated with obtaining any required approvals of the Transaction will not be recovered from customers.

1 Q. **Does this conclude your testimony at this time?**

2 A. Yes. However, I reserve the right to supplement my testimony as additional issues arise

3 during the course of this proceeding. Thank you.