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Appendix F

**Part 2:
Audited Financial Statements
Veolia North America, Inc.**

SEPARATE COMPANY FINANCIAL STATEMENTS

Veolia North America, Inc.
Years Ended December 31, 2020 and 2019
With Report of Independent Auditors

Veolia North America, Inc.
Separate Company Financial Statements
Years Ended December 31, 2020 and 2019

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Report of Independent Auditors

The Shareholder
Veolia North America, Inc.

We have audited the accompanying separate company financial statements of Veolia North America, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the separate company financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veolia North America, Inc. at December 31, 2020 and 2019, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Ernst + Young LLP

July 23, 2021

Veolia North America, Inc.

Statements of Financial Position
(In Thousands)

	Note	December 31	
		2020	2019
Assets			
Noncurrent assets:			
Investments in subsidiaries	3	\$ 947,761	\$ 947,761
Long-term loans due from affiliates	4	947,990	946,515
Deferred tax assets	9	203,670	180,850
		<u>2,099,421</u>	<u>2,075,126</u>
Current assets:			
Current amounts due from affiliates	5	441,605	1,250,324
Other receivables		9,666	14,284
Cash and cash equivalents		5,548	10,695
		<u>456,819</u>	<u>1,275,303</u>
Total assets		<u>\$ 2,556,240</u>	<u>\$ 3,350,429</u>
Equity and liabilities			
Equity:			
Share capital	2	\$ —	\$ —
Share premium		1,637,445	1,637,445
Retained earnings		508,203	497,517
		<u>2,145,648</u>	<u>2,134,962</u>
Noncurrent liabilities:			
Long-term debt due to affiliates	6	—	739,221
		—	<u>739,221</u>
Current liabilities:			
Current amounts due to affiliates	5	406,651	464,932
Accrued liabilities		3,941	11,314
		<u>410,592</u>	<u>476,246</u>
Total liabilities		<u>410,592</u>	<u>1,215,467</u>
Equity and liabilities		<u>\$ 2,556,240</u>	<u>\$ 3,350,429</u>

See accompanying notes to separate company financial statements.

Veolia North America, Inc.

Statements of Comprehensive Income
(In Thousands)

	Note	Year Ended December 31	
		2020	2019
Management fees		\$ (74,354)	\$ (69,090)
Other operating income, net		(56)	534
Loss before interest and taxes		(74,410)	(68,556)
Net interest income	8	38,862	49,781
Net loss before tax		(35,548)	(18,775)
Income tax benefit	9	46,234	61,157
Net income		10,686	42,382
Total comprehensive income		\$ 10,686	\$ 42,382

See accompanying notes to separate company financial statements.

Veolia North America, Inc.

Statements of Changes in Equity
(In Thousands, Except Share Amounts)

	Number of Shares Outstanding	Share Capital	Share Premium	Retained Earnings	Total Equity
January 1, 2019	1,473.73	\$ -	\$ 1,637,445	\$ 455,135	\$ 2,092,580
Net income	-	-	-	42,382	42,382
December 31, 2019	1,473.73	-	1,637,445	497,517	2,134,962
Net income	-	-	-	10,686	10,686
December 31, 2020	1,473.73	\$ -	\$ 1,637,445	\$ 508,203	\$ 2,145,648

See accompanying notes to separate company financial statements.

Veolia North America, Inc.

Statements of Cash Flows
(In Thousands)

	Note	Year Ended December 31	
		2020	2019
Operating activities			
Net income		\$ 10,686	\$ 42,382
Income tax benefit	9	(46,234)	(61,157)
Net loss before tax		(35,548)	(18,775)
Adjustments to reconcile net loss before tax to net cash flow from operating activities:			
Net change in other receivables		21,705	154,940
Net change in other payables		(7,373)	7,053
Income taxes paid	9	6,327	(8,960)
Income tax sharing payments received from subsidiaries	9, 12	17,066	154,847
Net cash flows from operating activities		2,177	289,105
Investing activities			
Loan repayments received from affiliates	4, 12	—	784,690
Net change in current amounts due from affiliates	5	791,653	(1,114,140)
Net cash provided by (used in) investing activities		791,653	(329,450)
Financing activities			
Net change in current amounts due to affiliates	5	(58,874)	46,922
Repayment of borrowings from affiliate	6, 12	(739,221)	—
Effect of exchange rates on cash and cash equivalents		(882)	(3,951)
Net cash (used in) provided by financing activities		(798,977)	42,971
Net (decrease) increase in cash and cash equivalents		(5,147)	2,626
Cash and cash equivalents at January 1		10,695	8,069
Cash and cash equivalents at December 31		\$ 5,548	\$ 10,695

See accompanying notes to separate company financial statements.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (In Thousands, Unless Otherwise Indicated)

Years Ended December 31, 2020 and 2019

1. Organization and Basis of Presentation

Veolia North America, Inc. (the Company or VNA) is a wholly owned subsidiary of Veolia Environnement, S.A. (VE), the ultimate parent. VE is a global leader in providing environmental services and offers a wide range of solutions for managing water, waste, and energy. VE is publicly traded on the Euronext exchange, and its principal place of business is at 30 rue Madeleine Vionnet, 93300 Aubervilliers, France.

VNA is the legal and financial holding company of VE's principal businesses located in the United States (U.S.). In its capacity as a financial holding company, VNA also provides intercompany loans to its subsidiaries in the U.S., as well as other affiliate companies of Veolia in Canada. VNA was incorporated in the state of Delaware, and its registered office is located at The Nemours Building, 1007 Orange Street, Suite 1414, Wilmington, Delaware 19801. The Company's principal place of business is 53 State Street, Boston, Massachusetts 02109.

These separate company financial statements, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), represent the financial position, operating activities, and cash flows of the VNA holding company.

In accordance with the limited exemption under IFRS 10, *Consolidated Financial Statements*, VNA is not required to and does not prepare consolidated financial statements because (i) VNA is a wholly owned subsidiary of VE, and VE has been informed about and does not object to VNA not presenting consolidated financial statements, (ii) VNA has no debt or equity instruments that are publicly traded, (iii) VNA has no intention to file these separate company financial statements with a securities commission or other regulatory organization for the purpose of issuing securities or debt to the public, and (iv) VE produces consolidated financial statements that comply with IFRS and are available for public use (www.veolia.com/en/veolia-group/media/publications). Accordingly, these separate company financial statements, as defined in International Accounting Standards (IAS) 27, *Separate Financial Statements*, are unconsolidated financial statements or financial statements in which investments in subsidiaries are not consolidated in accordance with IFRS, do not purport to represent consolidated financial statements, and should not be read as consolidated financial statements, including the assets, liabilities, revenues, expenses, and cash flows of VE's businesses in North America.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

1. Organization and Basis of Presentation (continued)

On December 30, 2019, Veolia Energy North America Holdings, Inc., a wholly owned subsidiary of VNA, sold the Thermal North America, Inc. (TNAI) District Heating and Cooling business units to Antin Infrastructure Partners for \$1.25 billion. This portion of the Energy business produces steam, chilled water, hot water, and electricity in addition to holding several Operating and Maintenance (O&M) agreements. The Company retained its Energy consulting business and a majority of its O&M contracts. The sale was recorded on the books of TNAI. However, the sale had an impact to the Company related to the settlement of long-term loans due from affiliates, as shown in Note 4, and repayment of loans from the Parent. In addition, the sale generated taxable income, which allowed for the utilization of net operating loss (NOL) carryforwards, as discussed in Note 9, below.

In connection with the preparation of these separate company financial statements, the Company evaluated events after the reporting date through July 23, 2021, the date these separate company financial statements were approved by management of VNA and VE and, therefore, were available to be issued. See Note 13 for additional details.

2. Summary of Significant Accounting Policies

Significant Accounting Judgments, Estimates, and Assumptions

The preparation of these separate company financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of expenses, assets and liabilities, and the accompanying disclosures, including the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Investments in Subsidiaries

Investments in direct wholly owned subsidiaries of VNA are carried at cost in these separate company financial statements. Dividends are recognized on the statements of comprehensive income when declared and authorized.

Loans Issued to Affiliates

Loans issued by VNA to its subsidiaries and affiliates are carried at amortized cost.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

2. Summary of Significant Accounting Policies (continued)

Impairment of Assets

Annually, the Company performs a review of its investments in subsidiaries and loans due from affiliates to determine whether any indicator of impairment is present, in accordance with IAS 36, *Impairment of Assets*. In assessing whether there is any indication that an investment in subsidiary or loan due from affiliate is impaired, the Company considers external and internal sources of information. External sources of information considered included observable indications that the value of the underlying assets used by the subsidiary or affiliate has declined more than would be expected or significant changes in the market had an adverse impact on the subsidiary or affiliate. Internal sources of information considered included internal management reporting and the long-term plans of the subsidiary or affiliate, which have also been approved by VE, and whether recent or projected financial performance or management's plans indicate that there may be a potential indicator of impairment. If there is an indication that an investment in subsidiary or loan receivable due from affiliate may be impaired, the Company is then required to make a formal estimate of the recoverable amount. The recoverable amount is defined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU). FVLCD is the amount for which the asset could be sold, having deducted costs of disposal (incrementally incurred direct selling costs). VIU is the present value of the cash flows expected from the future use and eventual sale of the asset at the end of its useful life. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in net income or loss for the period.

At December 31, 2020 and 2019, the Company performed a review and determined there were no indicators of impairment present relating to its investments in subsidiaries and loan receivables due from affiliates.

Current Amounts Due to and From Affiliates

The Company participates in a global cash management system that includes all its subsidiaries (direct and indirect). Daily, the Company funds cash required by its operating subsidiaries necessary to satisfy payment of liabilities, and the Company sweeps excess cash at the operating subsidiaries.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

2. Summary of Significant Accounting Policies (continued)

On the statement of financial position:

- Net excess cash sweeps from subsidiary are shown as current amounts due to affiliates and classified as current liabilities.
- Net short-term advances issued to a subsidiary are shown as current amounts due from affiliates and classified as current assets.

The Company has a similar arrangement with VE, the ultimate parent.

Cash and Cash Equivalents

Cash and cash equivalents on the statements of financial position comprise cash at banks, which are subject to an insignificant risk of changes in value.

Borrowings Due to Affiliates

Borrowings due to affiliates are initially recognized at fair value and, in the case of loans and borrowings, include directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized on the statements of comprehensive income when the liabilities are derecognized.

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the net income or loss.

Borrowings are classified as noncurrent liabilities when the maturity date is at least 12 months after the balance sheet date. Borrowings due within the next year are considered current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

2. Summary of Significant Accounting Policies (continued)

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported on the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Foreign-Currency-Denominated Transactions

Liabilities, receivables, and cash balances denominated in currencies other than the U.S. dollar (USD) are recorded on the balance sheet at their USD equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign-currency-denominated liabilities and receivables measured using year-end exchange rates are recorded in other operating income, net on the accompanying statements of comprehensive income.

Current vs. Noncurrent Classification

The Company presents assets and liabilities on the statements of financial position based on its current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Expected to be realized within 12 months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

2. Summary of Significant Accounting Policies (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified, on a net basis, as noncurrent assets or liabilities.

Management Fee

The Company is charged a management fee for various services provided by a wholly owned subsidiary, which manages shared services centers (SSCs) in the United States. The SSCs provide various services to the Company and its wholly owned operating subsidiaries in North America, including financing, tax, information technology, legal, and other administrative services. The Company is charged by the SSCs for an allocated portion of the total direct costs incurred by the SSCs in connection with providing these services.

The Company is also charged a management fee by VE that is associated with executive and other administrative management services that are provided by VE, as well as a branding and royalty fee. The branding and royalty charge represents an allocated portion of costs incurred by VE to provide various marketing services and costs linked to the Veolia brand.

In the opinion of management, these allocations and charges have been made on a reasonable basis; however, they are not necessarily indicative of the level of expenses that might have been incurred had the Company been operating as a separate stand-alone entity.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

2. Summary of Significant Accounting Policies (continued)

Income Taxes

VNA files as the parent corporation of the U.S. consolidated tax group, which includes VNA and all of its wholly owned subsidiaries. VNA is obligated to pay all federal taxes when due on behalf of the consolidated group. In addition, VNA is also responsible to pay state taxes due where VNA files tax returns on a combined, consolidated, or unitary basis. Income taxes payable due to taxing authorities are included within accrued liabilities on the accompanying statements of financial position.

Within the framework of a group tax sharing agreement, VNA receives tax sharing payments from its wholly owned subsidiaries. The subsidiaries comprise tax sharing groups that remit tax to VNA based on calculated tax as if each tax sharing group was filing on a stand-alone basis, which are recognized in these separate company financial statements as pass-through payments with no impact on net tax expense, unless the taxable income at the subsidiary level can be offset by NOLs in the VNA tax returns, in which case, these payments are recognized as tax sharing income. This tax sharing income is offset in the period by deferred tax expense associated with the utilization of the deferred tax assets, resulting in no net tax expense. If stand-alone provisions of the subsidiaries produce tax losses, VNA does not make payments to the subsidiaries under the tax sharing agreement, but rather recognizes such losses in these separate company financial statements as deferred tax benefit. If subsidiaries having previously generated tax losses begin to generate taxable income, those subsidiaries do not remit payments to VNA until previously generated tax losses are fully offset, which is recognized in these separate company financial statements as deferred tax expense.

For purposes of these separate company financial statements, income tax expense is composed of current and deferred components determined based on the activities and tax attributes of VNA on a stand-alone basis, applying the enacted regulations under the U.S. Internal Revenue Code as of the reporting date, and the impacts associated with the tax sharing agreement.

Deferred tax assets are recognized for unused tax losses and tax credits of VNA to the extent that these amounts will be utilized and realized. VNA recovers the value of tax loss carryforwards through payments from subsidiaries that benefit from the utilization of the tax loss carryforwards. As such, the value of VNA's deferred tax assets on a separate company basis is dependent upon the tax attributes of its direct and indirect subsidiaries. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

2. Summary of Significant Accounting Policies (continued)

likely timing and the level of future taxable profits, together with future tax planning strategies. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Share Capital

At December 31, 2020 and 2019, the Company had 16,000 shares authorized for issuance, including 15,000 shares of common stock and 1,000 shares of preferred stock at par \$0.01 per share.

Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to intercompany loans denominated in currencies other than USD.

Market Risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk is related to the interest rate risk, as interest on the entity's financial instruments for long-term loans depends on the interest rate per annum for the offering of deposits in USD in the London Interbank Offered Rate (LIBOR) market for a three-month period comparable to the Interest Period (LIBOR 3M) of the financial instrument. Current account borrowings within the Company's cash pooling structure depend on changes to the Federal Funds Rate in the United States. Financial instruments affected by market risk include long-term loans received from and issued to affiliates, current amounts due to and from affiliates in the Company's cash pooling activities, and cash and cash equivalents.

Liquidity Risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

2. Summary of Significant Accounting Policies (continued)

Standards Issued Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of these separate company financial statements are disclosed below. VNA intends to adopt these standards, as applicable, when they become effective.

IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures*

In August 2020, the IASB finalized amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures*, considering the interest rate benchmark reform leading to the replacement of the Euro Overnight Index Average (EONIA) rate and Interbank Offered Rates (IBORs) from January 1, 2022. These amendments clarify what represents a change in the contractual rate and introduce focused practical expedients enabling the continuation of hedge accounting. The amendments apply for annual periods beginning on or after January 1, 2021. The Company is currently evaluating the impact of adopting these amendments for these separate company financial statements.

IAS 1, *Presentation of Financial Statements*

In January 2020 the IASB issued amendments to IAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current*. This clarified a criterion in IAS 1 for classifying a liability as noncurrent: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. In July 2020, the IASB deferred the effective adoption date to annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of adopting these amendments for these separate company financial statements.

The Company believes the impacts of any other recently issued standards that are not yet effective are either not applicable to the Company at this time or will not have a material impact on the separate company financial statements upon adoption.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

3. Investments in Subsidiaries

Investments in subsidiaries are represented by the following holding companies for various Veolia businesses in the United States:

Company Name	Country of Incorporation	Principal Activity	Cost		Ownership Interest Held	
			December 31 2020	2019	December 31 2020	2019
WASCO, LLC (WASCO)	United States	Design, build, and operator of water treatment facilities	\$ 388,752	\$ 388,752	100%	100%
Veolia Energy North America Holdings, Inc. (VENAH)	United States	District heating and cooling; energy consulting services	200,000	200,000	100	100
Veolia Environmental Services North America LLC (VESNA)	United States	Hazardous waste disposal and industrial cleaning	262,009	262,009	100	100
Veolia North America, LLC	United States	Shared services center	–	–	100	100
Veolia North America Regeneration Services, LLC (RGS)	United States	Sulfuric acid treatment and regeneration services	97,000	97,000	100	100
Veolia Nuclear Solutions, Inc. (Kurion)	United States	Nuclear waste treatment services	–	–	100	100
Aqua Alliance, Inc.	United States	Holding company for certain nonoperating water legacy entities	–	–	100	100
Total			<u>\$ 947,761</u>	<u>\$ 947,761</u>		

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

4. Long-Term Loans Due From Affiliates

The Company has a portfolio of long-term loans due from affiliates as follows:

Borrower	Currency	Reference Rate for Variable Interest	Spread	Issuance Date	Maturity Date	December 31 2020	2019
Veolia Nuclear Solutions, Inc. Veolia North America	USD	LIBOR 3M	3.75%	4/1/2016	4/1/2026	\$ 363,600	\$ 363,600
Regeneration Services, LLC	USD	LIBOR 3M	2.50%	7/29/2016	7/29/2026	228,000	228,000
WASCO, LLC	USD	LIBOR 3M	2.50%	12/13/2012	12/13/2022	85,000	85,000
WASCO, LLC	USD	LIBOR 3M	3.00%	12/13/2012	12/13/2027	85,000	85,000
Veolia Energy North America Holdings, Inc.	USD	LIBOR 3M	3.75%	1/9/2017	1/9/2027	27,000	27,000
Veolia Environmental Services North America, LLC	USD	LIBOR 3M	3.75%	11/1/2016	10/31/2026	36,593	36,593
Veolia ES Canada, Inc.	CAD	CDOR 3M	2.50%	7/16/2013	7/15/2023	33,753	33,091
Veolia Water Technologies, Inc.	USD	LIBOR 3M	3.50%	1/10/2013	1/9/2023	23,900	23,900
Veolia ES Canada Industrial Services, Inc.	CAD	CDOR 3M	2.50%	4/27/2012	4/27/2022	23,548	23,087
Veolia Energy Canada, Inc.	CAD	CDOR 3M	3.75%	7/13/2015	7/13/2025	17,975	17,623
Veolia Water North America Operating Services, LLC	USD	LIBOR 3M	3.75%	7/13/2018	7/12/2028	23,621	23,621
Total						<u>\$ 947,990</u>	<u>\$ 946,515</u>

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

4. Long-Term Loans Due From Affiliates (continued)

All existing long-term loans due from affiliates are also charged a loan utilization fee of 0.35% in 2020 and 2019, which is charged in addition to the interest rates referenced above.

For purposes of the loan summary disclosed above, the referenced rates are defined as follows:

USD LIBOR 3M is defined as:

- (i). The interest rate per annum for the offering of deposits in USD in the LIBOR market for a three-month period comparable to the Interest Period, as shown on the Reuters screen (or such other page or pages as may replace that service from time to time) at 11:00 (London time) on the Quotation Day (the LIBOR USD Screen Rate).
- (ii). If the LIBOR Screen Rate is not available, the arithmetic mean (rounded upward to four decimal places) as calculated by the Lender of the interest rates supplied to the Lender by the Reference Banks for the offering of deposits in the currency of the Loan to leading banks in the LIBOR market for a period comparable to the relevant Interest Period and for an amount comparable to the Loan.

CDOR 3M is defined as:

- (i). The Canadian dollar (CAD) offered rate for the offering of deposits in CAD in the Canadian interbank market for a three-month period comparable to the Interest Period displayed (before any correction, recalculation, or republication by the administrator) on the "CDOR" page of the Thomson Reuters screen (or any replacement Thomson Reuters page, which displays that rate) at 11:00 (the CDOR Screen Rate).
- (ii). If the CDOR Screen Rate is not available, the arithmetic mean of the rates (rounded upward to four decimal places) as calculated by the Lender of the interest rates supplied to the Lender by the Reference Banks for the offering of deposits in CAD to leading banks in the interbank market on the Quotation Day for a period comparable to the Interest Period and for an amount comparable to the Loan.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

4. Long-Term Loans Due From Affiliates (continued)

Loans denominated in USD are issued to direct and indirect wholly owned subsidiaries of the Company in the United States. Loans denominated in CAD are issued to affiliates of the Company located in Canada.

Repayment of Long-Term Loans Due From Affiliates

On March 27, 2019, Veolia Water Technologies, Inc. (VWT) repaid its long-term loan for \$30.5 million at its amended maturity date. In addition, on the same date, VWT repaid \$25.0 million of its \$50.0 million long-term loan maturing on December 31, 2020. The remaining \$25.0 million was reclassified to current amounts due from affiliates. This loan's maturity date was extended to December 31, 2021.

On November 30, 2019, Veolia Energy Atlantic Station repaid the remaining principal balance of \$9.7 million due on its long-term loan maturing on March 1, 2026, from Veolia North America, Inc.

On December 31, 2019, Veolia Energy North America Holdings, Inc. repaid the following long-term loans following the divestiture of its District Energy Assets on December 30, 2019:

- Long-term loan for \$74.0 million, maturing on September 30, 2020
- Long-term loan for \$41.3 million, maturing on January 31, 2024
- Long-term loan for \$29.7 million, maturing on March 31, 2025
- Long-term loan for \$605.0 million, maturing on December 31, 2027

5. Current Amounts Due to and Due From Affiliates

The Company participates in the Veolia cash pooling system. As a result, the Company sweeps excess cash from (or provides cash funding to) its operating subsidiaries on a daily basis. In addition, VE periodically sweeps excess cash from (or provides cash funding to) the Company. The 2020 repayment of long-term loans by Veolia North America, Inc. due to Veolia Environnement Finance for \$739.2 million in principal resulted in a corresponding reduction in the current amounts due to/from affiliates in 2020.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

5. Current Amounts Due to and Due From Affiliates (continued)

As a result, the Company has current liabilities for amounts due to certain subsidiaries relating to cumulative net cash swept. In addition, the Company also has current assets for amounts due from affiliates and/or relating to the Company's excess cash, which is swept by VE.

Depending on the current balance, there may be interest expense and interest income recorded by the Company relating to net cash swept from subsidiaries and the net amounts of cash remitted to VE, respectively. During 2019, interest was charged based on amounts outstanding at the Federal Funds Rate plus 0.50% plus a 0.25% utilization fee for current account borrowings. Affiliate deposits with the Company are paid interest at the Federal Funds Rate plus 0.20% in 2019. Effective January 1, 2020, the utilization fee *was not changed* for current account borrowings. Therefore, during 2020, interest was charged based on amounts outstanding at the Federal Funds Rate plus 0.50% plus a 0.25% utilization fee for current account borrowings. Affiliate deposits with the Company are paid interest at the Federal Funds Rate plus 0.20% in 2020.

6. Long-Term Loans Due to Affiliates

In July 2016, the Company received proceeds of \$325.0 million from a long-term loan with VE Finance (a wholly owned subsidiary of VE), in connection with the acquisition of the sulfuric acid treatment and regeneration services business. The long-term loan matures in July 2026 and bears interest on the outstanding principal at a per annum rate of 2.50% plus LIBOR 3M plus a 0.35% utilization fee.

In December 2016, the Company refinanced \$363.6 million of short-term borrowings due to VE with a \$363.6 million long-term loan. This long-term financing is associated with the Company's acquisition of Kurion, Inc. The long-term loan matures in December 2026 and bears interest on the outstanding principal at a per annum rate of 3.75% plus LIBOR 3M plus a 0.35% utilization fee.

In January 2017, the Company received proceeds of \$27.0 million from a long-term loan with VE Finance (a wholly owned subsidiary of VE), in connection with the acquisition of Enovity, Inc. The long-term loan matures in January 2027 and bears interest on the outstanding principal at a per annum rate of 3.75% plus LIBOR 3M plus a 0.35% utilization fee.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

6. Long-Term Loans Due to Affiliates (continued)

In July 2018 and August 2018, the Company received proceeds totaling \$23.6 million from a long-term loan with VE Finance (a wholly owned subsidiary of VE), in connection with the acquisition of the American Water contract (see Note 4). The long-term loan matures in July 2028 and bears interest on the outstanding principal at a per annum rate of 3.75% plus LIBOR 3M plus a 0.35% utilization fee.

On March 25, 2020, Veolia North America, Inc. repaid the following loans from Veolia Environnement Finance for \$739.2 million in principal balance:

- Long-term loan in the amount of \$325.0 million maturing on July 29, 2026, linked to the acquisition of its Regeneration Services business
- Long-term loan in the amount of \$363.6 million maturing on December 16, 2026, linked to the acquisition of Kurion, Inc. in its Nuclear Solutions business
- Long-term loan in the amount of \$27.0 million maturing on January 9, 2027, linked to the acquisition of Enovity, Inc. in its Energy business
- Long-term loan in the amount of \$23.6 million maturing on July 12, 2028, linked to the acquisition of certain contracts in its Water business

7. Dividend Income

In 2020 and 2019, no dividends were declared by the Company's operating subsidiaries.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

8. Net Interest Income

For the years ended December 31, the following amounts of interest income and interest expense were recorded on long-term loans due from (to) affiliates and on outstanding current amounts due from (to) affiliates:

	<u>2020</u>	<u>2019</u>
Interest income on long-term loans due from affiliates	\$ 43,562	\$ 99,267
Interest income on current amounts due from affiliates	8,584	13,666
	<u>52,146</u>	112,933
Interest expense on long-term loans due to affiliates	(9,305)	(45,082)
Interest expense on current amounts due to affiliates	(3,979)	(18,070)
	<u>(13,284)</u>	(63,152)
Net interest income	<u>\$ 38,862</u>	<u>\$ 49,781</u>

9. Income Taxes

For the years ended December 31, the current and deferred components of the income tax benefit recorded were as follows:

	<u>2020</u>	<u>2019</u>
Current income tax benefit	\$ 23,413	\$ 139,258
Deferred income tax (expense) benefit	22,821	(78,101)
Total tax benefit	<u>\$ 46,234</u>	<u>\$ 61,157</u>

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

9. Income Taxes (continued)

For the years ended December 31, the reconciliations of the federal statutory tax rate and the effective income tax rate for each year are as follows:

	<u>2020</u>		<u>2019</u>	
Net loss before tax	\$ (35,548)		\$ (18,775)	
Income tax benefit	46,234		61,157	
Effective tax rate	130.1%		325.5%	
Federal statutory tax rate	7,465	21.0%	3,943	21.0%
State and foreign taxes	3,954	11.1%	(8,926)	(47.5)%
Base erosion anti-abuse tax	4,048	11.4%	345	1.8%
Alternative minimum tax	—	0.0%	3,494	18.6%
Deferred adjustments – NOL	14,363	40.4%	(74,530)	(397.0)%
Tax sharing income	17,370	48.9%	136,616	727.6%
Other	(966)	(2.7)%	215	1.0%
Income tax (benefit) expense	<u>\$ 46,234</u>	<u>130.1%</u>	<u>\$ 61,157</u>	<u>325.5%</u>

Deferred adjustments include deferred tax expense associated with taxable income generated by subsidiaries under the tax sharing agreement (also see tax sharing income, discussed below), deferred tax benefit associated with taxable losses generated by subsidiaries under the tax sharing agreement, deferred tax expense associated with NOL carryforwards utilized, and adjustments to the realizability of deferred tax assets on existing NOL carryforwards.

Tax sharing income relates to taxable income generated by subsidiaries under the tax sharing agreement, as discussed in Note 2 above. Tax sharing income in 2019 includes the tax gain generated by the sale of TNAI, discussed in Note 1, above.

Deferred Income Taxes

Deferred income taxes are generally recognized for differences between book and tax, or for other tax attributes, such as net operating, capital losses and impacts of the tax sharing agreement, which may be carried forward and utilized in future periods.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

9. Income Taxes (continued)

At each period-end, the Company reviews the recoverable amount of deferred tax assets arising from deductible timing difference and from tax attributes that may be carried forward. Deferred tax assets relating to deductible timing differences and from tax attributes are not recognized, or may need to be reduced when required by the specific facts and circumstances, when:

- a) The forecast period and uncertainties regarding the economic environment no longer support realization
 - b) The utilization of tax attributes that may be carried forward becomes significantly uncertain
 - c) The forecast utilization period exceeds the carryforward period authorized by tax legislation
- or
- d) Future taxable net income is uncertain due to other risks

Deferred income taxes are adjusted for the effects of changes in prevailing tax laws and rates at year-end. Deferred income taxes are not discounted. The deferred adjustment NOLs per the table above represent the deferred expense activity from the change in balance of the federal NOL, which is recorded at the Veolia North America Group level, net of VNA Inc.'s income, which is not a rate reconciling item.

At December 31, the components of deferred tax assets were as follows:

	<u>2020</u>	<u>2019</u>
Tax losses carried forward for U.S. federal tax purposes	\$ 190,674	\$ 168,847
Tax losses carried forward for state tax purposes	12,794	10,615
Other liabilities	202	1,388
Total	<u>\$ 203,670</u>	<u>\$ 180,850</u>

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

9. Income Taxes (continued)

The Company's tax losses carried forward for U.S. federal tax purposes begin to expire in 2026. The Company's tax losses carried forward in certain state jurisdictions begin to expire in years 2021, 2022, and 2026.

U.S. Tax Audits and Worthless Stock Deduction

In the normal course of business, the Company is subject to regular tax audits. The tax authorities have carried out various tax audits in respect of both the U.S. consolidated tax group and individual entities.

As a result of an internal reorganization in 2006, VNA sought a tax deduction pursuant to the "Worthless Stock Deduction" (WSD) provisions under U.S. tax law. Related tax losses totaled \$4.5 billion (tax base) as of December 31, 2006. The Internal Revenue Service informed Veolia that it would not pursue a challenge of the WSD and provided a revised revenue agent's report reflecting that decision on April 30, 2019. As a result, the Company recorded a deferred tax asset to the extent that it is probable (or "more likely than not") that sufficient taxable profits will be available to utilize the deductible temporary difference or unused tax losses.

10. Commitments and Contingencies

Legal Proceedings

From time to time and in the normal course of business, the Company may be involved in various litigation, as described below. Management has evaluated the litigation below and concluded that a loss is not probable or estimable.

United States – Water – Flint

In April 2014, the emergency manager in charge of the City of Flint, Michigan (the City), ordered that it switch its water supply source (previously provided from Detroit) and begin treating Flint River water for distribution to its residents. Soon after, Flint residents began to complain about the water's odor, taste, and appearance. Between August 2014 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 by-products)

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

10. Commitments and Contingencies (continued)

maximum contaminant level violations. In February 2015, Flint hired VWNAOS for an analysis related to residual effects of the chlorination process (TTHM), discoloration, and taste and odor issues. The scope of this approximately four-week analysis did not include lead and copper tests.

On February 18, 2015, VWNAOS issued an interim report, which included a statement that the drinking water was “safe” in that it complied “with state and federal standards and required testing.” During a public meeting that was organized by the Flint City Council Public Works Committee in relation to VWNAOS’s interim report, VWNAOS employees communicated to the public information from the report. The City had previously informed VWNAOS that the City, not VWNAOS, would be conducting lead testing.

On March 12, 2015, VWNAOS delivered its final report to Flint, which was then made available to the public. In its final report, VWNAOS included a broad set of recommendations to address TTHM compliance and improve water quality related to odor and discoloration. It would appear that many of these recommendations were ignored by the local authorities.

On June 24, 2015, the U.S. Environmental Protection Agency issued a memorandum summarizing the available information regarding activities conducted by the City and several governmental agencies in response to high lead levels in City drinking water reported by a Flint resident.

On October 21, 2015, the office of the Governor of the State of Michigan commissioned the Flint Water Advisory Task Force (Task Force), a consulting group made up of experts in a variety of disciplines, to conduct an independent review of the Flint water crisis, including lead contamination.

On March 21, 2016, the Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task Force reported in its conclusion that responsibility for the Flint water crisis rested largely with several governmental agencies and the City. Notably, the report highlighted that the Michigan Department of Environmental Quality and the City did not require and implement corrosion control at the time of the change of water supply source, contrary to what was required under the U.S. Environmental Protection Agency’s Lead & Copper Rule to avoid contamination of drinking water with those metals. A total of 15 current or former state and local officials and employees have been charged with criminal conduct for their parts in causing or exacerbating the Flint water crisis.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

10. Commitments and Contingencies (continued)

Since February 2016, numerous individual complaints and putative class actions have been filed in state and federal courts in Michigan by Flint residents and companies against a number of defendants, including the State of Michigan; the Michigan Department of Environmental Quality; VWNAOS; Veolia North America, Inc. (VNA Inc.); and Veolia North America, LLC (VNA LLC). Flint residents allege injury and damages by exposure to toxins, including lead, contained in the Flint municipal water supply and have levied accusations of professional negligence and fraud against VWNAOS, VNA Inc., and VNA LLC. One or more of VWNAOS, VNA Inc., and VNA LLC have been named in about a dozen putative class actions and in many hundreds of individual cases. Those putative class actions have now been consolidated into one action.

On June 22, 2016, the State of Michigan's Attorney General filed a civil action against several defendants, including VWNAOS, VNA Inc., and VNA LLC, for their alleged role in the Flint water crisis. The Attorney General subsequently dismissed that initial action and filed a new civil action on August 16, 2016. On May 1, 2019, the Attorney General filed an amended civil action. On November 8, 2019, the court ruled on the motion, dismissing all claims against the Company's U.S. subsidiaries, except for an unjust enrichment claim. On December 2, 2019, the State, the Company's U.S. subsidiaries, and the LAN defendants filed motions to reconsider this decision, and those motions are still pending. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleges that the acts and omissions of VWNAOS, VNA Inc., and VNA LLC constituted negligence, professional negligence, public nuisance, unjust enrichment, and fraud. VWNAOS, VNA Inc., and VNA LLC will be moving to dismiss all of these claims. On September 9, 2020, Judge Farah denied Veolia's motion for reconsideration in the *parens patriae* case, allowing the unjust enrichment claim to stand. On January 15, 2021, Judge Farah heard arguments on the Attorney General's motion for reconsideration as to the other dismissed claims against Veolia in the *parens patriae* case. On March 1, 2021, Judge Farah reinstated the professional negligence claim against Veolia.

On November 17, 2020, counsel for both the class and individual plaintiffs filed a motion in federal court seeking preliminary approval of a settlement with the State of Michigan and various other defendants, including the City of Flint, McLaren Regional Medical Center, and Rowe Engineering. The court has announced its preliminary approval of settlement on January 21, 2021. A settlement fairness hearing is scheduled to begin on July 12, 2021, and is ongoing. The Veolia entities, along with a handful of other defendants, are not a party to the settlement, and the cases as to the settling defendants in both state and federal court have been stayed.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

10. Commitments and Contingencies (continued)

The federal court entered a comprehensive Case Management Order, and discovery in the federal consolidated putative class case and the federal individual cases is ongoing. A Motion for Class Certification was filed by the putative class plaintiffs on June 30, 2020. The Veolia defendants filed their Opposition to the Motion for Class Certification on January 7, 2021, vigorously opposing the request for certification and challenging each of the putative class plaintiffs' expert reports submitted in support of certification. A class certification hearing was held on June 3, 2021, after which the court ordered further briefing on certain proposed class definitions. No decision as to class certification has been issued yet. Extensive discovery has taken place in both the class and individual cases, including over 130 fact witness depositions. The parties have conducted expert depositions both in the class and individual cases. A complementary Case Management Order with a coordinating class certification schedule in the state putative class action (Mason) has been submitted in state court but is yet to be entered.

The remaining cases are brought on behalf of one or more individuals, most but not all of whom are or were residents of Flint, Michigan, or one or more businesses located in Flint, that have allegedly suffered personal injuries, property damage, or diminished value of their property as a result of the alleged contamination. All of the plaintiffs claim one or more of VNA Inc. or its affiliates committed professional negligence in the course of providing water quality consulting services to the City of Flint in February and March 2015, pursuant to a short-term (about 30-day) contract related to problems the City was having with the Flint Water Treatment Plant and the municipal water distribution system. The first bellwether trial will consist of four minor plaintiffs alleging lead exposure. Discovery for the initial bellwether trial is nearly complete, and VNA filed its Motions for Summary Judgment and related Daubert motions on May 11, 2021. The trial date has been delayed due to the COVID-19 pandemic, and is now set for January 12, 2022.

VWNAOS, VNA Inc., and VNA LLC strongly contest the merits of all these legal proceedings. No amounts have been recorded relating to these matters based on current information available and management's evaluation that a contingent loss is neither probable, nor more likely than not, and estimable.

These lawsuits have been reported to the insurers, who have reserved their rights.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

10. Commitments and Contingencies (continued)

Off-Balance Sheet Commitments

Commitments given by the Company total approximately \$93.0 million and \$107.0 million as of December 31, 2020 and 2019, respectively, consisting of performance or financial guarantees given on behalf of its subsidiaries as follows:

- a) Standby letter of credit provided as collateral for its general liability, workers' compensation, and other insurance programs for its subsidiaries in the U.S.
- b) Company performance guarantees provided on behalf of one of its owned subsidiaries for the operations and maintenance services on contracts
- c) Other standby letters of credit on behalf of its owned subsidiaries

11. Financial Liabilities

The tables below summarize the maturity profile of the Company's financial liabilities at December 31 based on contractual undiscounted payments (including future interest payments). The reduction in long-term debt due to affiliates is due to the repayment of long-term loans from Veolia Environnement Finance with proceeds from the Energy sale.

	On Demand or Less Than 1 Year	1 to 5 Years	Over 5 Years	Total
2020				
Long-term debt due to affiliates	\$ —	\$ —	\$ —	\$ —
Current amounts due to affiliates	406,651	—	—	406,651
Accrued liabilities	3,941	—	—	3,941
	<u>\$ 410,592</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 410,592</u>

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

11. Financial Liabilities (continued)

	On Demand or Less Than 1 Year	1 to 5 Years	Over 5 Years	Total
2019				
Long-term debt due to affiliates	\$ —	\$ —	\$ 739,221	\$ 739,221
Current amounts due to affiliates	464,932	—	—	464,932
Accrued liabilities	11,314	—	—	11,314
	<u>\$ 476,246</u>	<u>\$ —</u>	<u>\$ 739,221</u>	<u>\$ 1,215,467</u>

12. Transactions With Related Parties

Transactions between related parties may not be effected on the same terms, conditions, and amounts as transactions between unrelated parties.

The nature of the related-party relationships for those related parties with whom VNA Inc. entered into significant transactions during the years ended December 31, 2020 and 2019, or had significant balances outstanding at December 31, 2020 and 2019, is detailed below. The reduction in current amounts due from its affiliates is primarily a result of the repayment of long-term loans totaling \$759.7 million from its wholly owned Energy affiliates in connection with the sale of their District Energy Assets in 2019 and the partial repayment of a long-term loan to its Veolia Water Technologies, Inc. subsidiary in the amount of \$25.0 million.

At December 31, 2020, the outstanding balances with related parties were as follows:

	Subsidiaries	Other Affiliates	Total
Long-term loans receivable due from affiliates	\$ 872,714	\$ 75,276	\$ 947,990
Current amounts due from affiliates	441,605	—	441,605
Current amounts due to affiliates	(298,930)	(107,721)	(406,651)

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

12. Transactions With Related Parties (continued)

At December 31, 2019, the outstanding balances with related parties were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Long-term loans receivable due from affiliates	\$ 872,714	\$ 73,801	\$ 946,515
Current amounts due from affiliates	338,188	912,136	1,250,324
Long-term debt due to affiliates	—	(739,221)	(739,221)
Current amounts due to affiliates	(460,334)	(4,598)	(464,932)

For the year ended December 31, 2020, transactions with related parties recognized on the statements of comprehensive income were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Management fees	\$ (74,354)	\$ —	\$ (74,354)
Interest income	46,873	5,273	52,146
Interest expense	(2,289)	(10,995)	(13,284)

For the year ended December 31, 2019, transactions with related parties recognized on the statements of comprehensive income were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Management fees	\$ (69,090)	\$ —	\$ (69,090)
Interest income	109,111	3,822	112,933
Interest expense	(8,357)	(54,795)	(63,152)

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

12. Transactions With Related Parties (continued)

For the year ended December 31, 2020 cash receipts from and cash payments to related parties were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Settlement of long-term loans due to VE	\$ –	\$ (739,221)	\$ (739,221)
Tax sharing receipts from subsidiaries	17,066	–	17,066
Cash pooling			
Total cash swept from subsidiaries	264,823	–	264,823
Total cash remitted to VE	–	(1,014,666)	(1,014,666)

For the year ended December 31, 2019, cash receipts from and cash payments to related parties were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Receipts from long-term loans	\$ 784,690	\$ –	\$ 784,690
Tax sharing receipts from subsidiaries	154,847	–	154,847
Cash pooling			
Total cash swept from subsidiaries	52,556	–	52,556
Total cash remitted to VE	–	(964,927)	(964,927)

13. Events After the Reporting Date

In accordance with IAS 10, the Company has evaluated subsequent events through July 23, 2021, which is the date these financial statements were available to be issued. There were no events subsequent to the balance sheet date that were required to be recognized or disclosed.

SEPARATE COMPANY FINANCIAL STATEMENTS

Veolia North America, Inc.
Years Ended December 31, 2019 and 2018
With Report of Independent Auditors

Veolia North America, Inc.
Separate Company Financial Statements
Years Ended December 31, 2019 and 2018

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Report of Independent Auditors

The Shareholder
Veolia North America, Inc.

We have audited the accompanying separate company financial statements of Veolia North America, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the separate company financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veolia North America, Inc. at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Ernst & Young LLP

May 19, 2020

Veolia North America, Inc.

Statements of Financial Position
(In Thousands)

		December 31	
	Note	2019	2018
Assets			
Noncurrent assets:			
Investments in subsidiaries	3	\$ 947,761	\$ 947,761
Long-term loans due from affiliates	4	946,515	1,752,766
Deferred tax assets	9	180,850	258,951
		<u>2,075,126</u>	<u>2,959,478</u>
Current assets:			
Current amounts due from affiliates	5	1,250,324	266,031
Other receivables		14,284	21,006
Cash and cash equivalents		10,695	8,069
		<u>1,275,303</u>	<u>295,106</u>
Total assets		<u>\$ 3,350,429</u>	<u>\$ 3,254,584</u>
Equity and liabilities			
Equity:			
Share capital	2	\$ -	\$ -
Share premium		1,637,445	1,637,445
Retained earnings		497,517	455,135
		<u>2,134,962</u>	<u>2,092,580</u>
Noncurrent liabilities:			
Long-term debt due to affiliates	6	739,221	739,221
		<u>739,221</u>	<u>739,221</u>
Current liabilities:			
Current amounts due to affiliates	5	464,932	418,522
Accrued liabilities		11,314	4,261
		<u>476,246</u>	<u>422,783</u>
Total liabilities		<u>1,215,467</u>	<u>1,162,004</u>
Equity and liabilities		<u>\$ 3,350,429</u>	<u>\$ 3,254,584</u>

See accompanying notes to separate company financial statements.

Veolia North America, Inc.

Statements of Comprehensive Income
(In Thousands)

	Note	Year Ended December 31	
		2019	2018
Dividend income	7	\$ -	\$ 189,500
Management fees		(69,090)	(83,319)
Other operating income, net		534	455
(Loss) income before interest and taxes		(68,556)	106,636
Net interest income	8	49,781	46,727
Net (loss) income before tax		(18,775)	153,363
Income tax benefit	9	61,157	114,358
Net income		42,382	267,721
Total comprehensive income		\$ 42,382	\$ 267,721

See accompanying notes to separate company financial statements.

Veolia North America, Inc.

Statements of Changes in Equity
(In Thousands, Except Share Amounts)

	Number of Shares Outstanding	Share Capital	Share Premium	Retained Earnings	Total Equity
January 1, 2018	1,473.73	\$ -	\$ 1,632,821	\$ 266,927	\$ 1,899,748
Net income	-	-	-	267,721	267,721
Dividends	-	-	-	(80,900)	(80,900)
Merger of legacy holding subsidiary VENAC	-	-	4,624	1,387	6,011
December 31, 2018	1,473.73	-	1,637,445	455,135	2,092,580
Net income	-	-	-	42,382	42,382
December 31, 2019	1,473.73	\$ -	\$ 1,637,445	\$ 497,517	\$ 2,134,962

See accompanying notes to separate company financial statements.

Veolia North America, Inc.

Statements of Cash Flows
(In Thousands)

	Note	Year Ended December 31	
		2019	2018
Operating activities			
Net income		\$ 42,382	\$ 267,721
Income tax benefit	9	(61,157)	(114,358)
Net (loss) income before tax		(18,775)	153,363
Adjustments to reconcile net (loss) income before tax to net cash provided by operating activities:			
Net change in other receivables		154,940	6,540
Net change in accrued liabilities		7,053	175
Income taxes paid	9	(8,960)	(4,955)
Income tax sharing payments received from subsidiaries	9, 12	154,847	29,416
Net cash provided by operating activities		289,105	184,539
Investing activities			
Loans issued to affiliates	4, 12	—	(23,621)
Loan repayments received from affiliates	4, 12	784,690	961
Net change in current amounts due from affiliates	5	(1,114,140)	39,316
Net cash (used in) provided by investing activities		(329,450)	16,656
Financing activities			
Net change in current amounts due to affiliates	5	46,922	(143,656)
Borrowings from affiliate	6, 12	—	23,621
Dividends paid to affiliate	12	—	(80,900)
Effect of exchange rates on cash and cash equivalents		(3,951)	3,061
Net cash provided by (used in) financing activities		42,971	(197,874)
Net increase in cash and cash equivalents		2,626	3,321
Cash and cash equivalents at January 1		8,069	4,748
Cash and cash equivalents at December 31		\$ 10,695	\$ 8,069

See accompanying notes to separate company financial statements.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (In Thousands, Unless Otherwise Indicated)

December 31, 2019

1. Organization and Basis of Presentation

Veolia North America, Inc. (the Company or VNA) is a wholly owned subsidiary of Veolia Environnement, S.A. (VE), the ultimate parent. VE is a global leader in providing environmental services and offers a wide range of solutions for managing water, waste, and energy. VE is publicly traded on the Euronext exchange, and its principal place of business is at 30 rue Madeleine Vionnet, 93300 Aubervilliers, France.

VNA is the legal and financial holding company of VE's principal businesses located in the U.S. In its capacity as a financial holding company, VNA also provides intercompany loans to its subsidiaries in the U.S., as well as other affiliate companies of Veolia in Canada. VNA was incorporated in the state of Delaware, and its registered office is located at The Nemours Building, 1007 Orange Street, Suite 1414, Wilmington, Delaware 19801. The Company's principal place of business is 53 State Street, Boston, Massachusetts 02109.

These separate company financial statements, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), represent the financial position, operating activities, and cash flows of the VNA holding company.

In accordance with the limited exemption under IFRS 10, *Consolidated Financial Statements*, VNA is not required to and does not prepare consolidated financial statements because (i) VNA is a wholly owned subsidiary of VE and VE has been informed about and does not object to VNA not presenting consolidated financial statements, (ii) VNA has no debt or equity instruments which are publicly traded, (iii) VNA has no intention to file these separate company financial statements with a securities commission or other regulatory organization for the purpose of issuing securities or debt to the public, and (iv) VE produces consolidated financial statements that comply with IFRS and are available for public use (www.veolia.com/en/veolia-group/media/publications). Accordingly, these separate company financial statements, as defined in International Accounting Standards (IAS) 27, *Separate Financial Statements*, are unconsolidated financial statements or financial statements in which investments in subsidiaries are not consolidated in accordance with IFRS, do not purport to represent, and should not be read as consolidated financial statements, including the assets, liabilities, revenues, expenses, and cash flows of VE's businesses in North America.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

1. Organization and Basis of Presentation (continued)

On December 30, 2019, Veolia Energy North America Holdings, Inc., a wholly owned subsidiary of VNA, sold the Thermal North America Inc. (TNAI) District Heating and Cooling business units to Antin Infrastructure Partners for \$1.25 billion. This portion of the Energy business produces steam, chilled water, hot water, and electricity in addition to holding several Operating and Maintenance (O&M) agreements. The Company retained its Energy consulting business and a majority of its O&M contracts. The sale was recorded on the books of Veolia Energy North America Holdings, Inc. However, the sale had an impact to the Company related to the settlement of long-term loans due from affiliates, as shown in Note 4, and repayment of loans from the Parent, as shown in Note 13. In addition, the sale generated taxable income, which allowed for the utilization of NOL carryforwards, as discussed in Note 9 below.

In connection with the preparation of these separate company financial statements, the Company evaluated subsequent events through May 19, 2020, the date these separate company financial statements were approved by management of VNA and VE and, therefore, were available to be issued. See Note 13 for additional details.

2. Summary of Significant Accounting Policies

Significant Accounting Judgments, Estimates, and Assumptions

The preparation of these separate company financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of expenses, assets and liabilities, and the accompanying disclosures, including the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Investments in Subsidiaries

Investments in direct wholly owned subsidiaries of VNA are carried at cost in these separate company financial statements. Dividends are recognized on the statements of comprehensive income when declared and authorized.

Loans Issued to Affiliates

Loans issued by VNA to its subsidiaries and affiliates are carried at amortized cost.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

2. Summary of Significant Accounting Policies (continued)

Impairment of Assets

Annually, the Company performs a review of its investments in subsidiaries and loans due from affiliates to determine whether any indicator of impairment is present, in accordance with IAS 36, *Impairment of Assets*. In assessing whether there is any indication that an investment in subsidiary or loan due from affiliate is impaired, the Company considered external and internal sources of information. External sources of information considered included observable indications that the value of the underlying assets used by the subsidiary or affiliate has declined more than would be expected or significant changes in the market have had an adverse impact on the subsidiary or affiliate. Internal sources of information considered included internal management reporting and the long-term plans of the subsidiary or affiliate, which have also been approved by VE, and whether recent or projected financial performance or management's plans indicate that there may be a potential indicator of impairment. If there is an indication that an investment in subsidiary or loan receivable due from affiliate may be impaired, the Company is then required to make a formal estimate of the recoverable amount. The recoverable amount is defined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU). FVLCD is the amount for which the asset could be sold, having deducted costs of disposal (incrementally incurred direct selling costs). VIU is the present value of the cash flows expected from the future use and eventual sale of the asset at the end of its useful life. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in net income or loss for the period.

At December 31, 2019 and 2018, the Company performed a review and determined there were no indicators of impairment present relating to its investments in subsidiaries and loan receivables due from affiliates.

Current Amounts Due to and From Affiliates

The Company participates in a global cash management system that includes all its subsidiaries (direct and indirect). Daily, the Company funds cash required by its operating subsidiaries necessary to satisfy payment of liabilities, and the Company sweeps excess cash at the operating subsidiaries.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

2. Summary of Significant Accounting Policies (continued)

On the statement of financial position:

- Net excess cash sweeps from subsidiary are shown as current amounts due to affiliates and classified as current liabilities.
- Net short-term advances issued to a subsidiary are shown as current amounts due from affiliates and classified as current assets.

The Company has a similar arrangement with VE, the ultimate parent.

Cash and Cash Equivalents

Cash and cash equivalents on the statements of financial position comprise cash at banks, which are subject to an insignificant risk of changes in value.

Borrowings Due to Affiliates

Borrowings due to affiliates are initially recognized at fair value and, in the case of loans and borrowings, include directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized on the statements of comprehensive income when the liabilities are derecognized.

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the net income or loss.

Borrowings are classified as noncurrent liabilities when the maturity date is at least 12 months after the balance sheet date. Borrowings due within the next year are considered current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

2. Summary of Significant Accounting Policies (continued)

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported on the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Foreign-Currency-Denominated Transactions

Liabilities, receivables, and cash balances denominated in currencies other than the U.S. dollar (USD) are recorded on the balance sheet at their U.S. dollar equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign currency denominated liabilities and receivables measured using year-end exchange rates are recorded in other operating income, net on the accompanying statements of comprehensive income.

Current vs. Noncurrent Classification

The Company presents assets and liabilities on the statements of financial position based on its current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Expected to be realized within 12 months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

2. Summary of Significant Accounting Policies (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified, on a net basis, as noncurrent assets or liabilities.

Management Fee

The Company is charged a management fee for various services provided by a wholly owned subsidiary, which manages shared services centers (SSC) in the United States. The SSC provides various services to the Company and its wholly owned operating subsidiaries in North America, including financing, tax, information technology, legal, and other administrative services. The Company is charged by the SSC for an allocated portion of the total direct costs incurred by the SSC in connection with providing these services.

The Company is also charged a management fee by VE that is associated with executive and other administrative management services that are provided by VE, as well as a branding and royalty fee. The branding and royalty charge represents an allocated portion of costs incurred by VE to provide various marketing services and costs linked to the Veolia brand.

In the opinion of management, these allocations and charges have been made on a reasonable basis; however, they are not necessarily indicative of the level of expenses that might have been incurred had the Company been operating as a separate stand-alone entity.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

2. Summary of Significant Accounting Policies (continued)

Income Taxes

VNA files as the parent corporation of the U.S. consolidated tax group, which includes VNA and all of its wholly owned subsidiaries. VNA is obligated to pay all federal taxes when due on behalf of the consolidated group. In addition, VNA is also responsible to pay state taxes due where VNA files tax returns on a combined, consolidated, or unitary basis. Income taxes payable due to taxing authorities are included within accrued liabilities on the accompanying statements of financial position.

Within the framework of a group tax sharing agreement, VNA receives tax sharing payments from its wholly owned subsidiaries. The subsidiaries comprise tax sharing groups that remit tax to VNA based on calculated tax as if each tax sharing group was filing on a stand-alone basis, which are recognized in these separate company financial statements as pass-through payments with no impact on net tax expense, unless the taxable income at the subsidiary level can be offset by net operating losses in the VNA tax returns, in which case these payments are recognized as tax sharing income. This tax sharing income is offset in the period by deferred tax expense associated with the utilization of the deferred tax assets, resulting in no net tax expense. If stand-alone provisions of the subsidiaries produce tax losses, VNA does not make payments to the subsidiaries under the tax sharing agreement, but rather recognizes such losses in these separate company financial statements as deferred tax benefit. If subsidiaries having previously generated tax losses begin to generate taxable income, those subsidiaries do not remit payments to VNA until previously generated tax losses are fully offset, which is recognized in these separate company financial statements as deferred tax expense.

For purposes of these separate company financial statements, income tax expense is composed of current and deferred components determined based on the activities and tax attributes of VNA on a stand-alone basis, applying the enacted regulations under the U.S. Internal Revenue Code as of the reporting date, and the impacts associated with the tax sharing agreement.

Deferred tax assets are recognized for unused tax losses and tax credits of VNA to the extent that these amounts will be utilized and realized. VNA recovers the value of tax loss carryforwards through payments from subsidiaries that benefit from the utilization of the tax loss carryforwards. As such, the value of VNA's deferred tax assets on a separate company basis is dependent upon the tax attributes of its direct and indirect subsidiaries. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

2. Summary of Significant Accounting Policies (continued)

likely timing and the level of future taxable profits, together with future tax planning strategies. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Share Capital

At December 31, 2019 and 2018, the Company had 16,000 shares authorized for issuance, including 15,000 shares of common stock and 1,000 shares of preferred stock at par \$0.01 per share.

Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to intercompany loans denominated in currencies other than the U.S. dollar.

Market Risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk is related to the interest rate risk, as interest on the entity's financial instruments for long-term loans depends on the interest rate per annum for the offering of deposits in U.S. dollars in the London Interbank Offered Rate (LIBOR) market for a three-month period comparable to the Interest Period (LIBOR 3M) of the financial instrument. Current account borrowings within the Company's cash pooling structure depend on changes to the Federal Funds Rate in the U.S. Financial instruments affected by market risk include long-term loans received from and issued to affiliates, current amounts due to and from affiliates in the Company's cash pooling activities, and cash and cash equivalents.

Liquidity Risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

Effective January 1, 2018, the standards and interpretations disclosed below are applied to these separate company financial statements.

Recently Adopted Accounting Standards

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company has evaluated the impact of adopting IFRS 9 on these separate company financial statements, including (a) the requirement to evaluate contractual cash flow characteristics of financial instruments in order to determine appropriate classification and measurement, and (b) whether the impairment review performed relative to outstanding loans will need to be supported by more detailed analyses, which considers reasonable and supportable information, including forward-looking elements, to determine potential indicators of impairment. The Company adopted this standard in 2018 and concluded that there was no material impact to the financial statements.

Borrowings due from affiliates are initially recognized at fair value and, in the case of loans and borrowings, include directly attributable transaction costs. All loans are clearly documented and priced according to published terms and conditions provided by the parent company. These terms and conditions are priced at market rates. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

2. Summary of Significant Accounting Policies (continued)

IFRIC 23, Uncertainty Over Income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*, which clarifies application of recognition and measurement requirements of IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. This Interpretation addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates; and how an entity considers changes in facts and circumstances. The Company adopted this standard in 2018 and concluded that there was no material impact to the financial statements.

3. Investments in Subsidiaries

Investments in subsidiaries are represented by the following holding companies for various Veolia businesses in the United States:

Company Name	Country of Incorporation	Principal Activity	Cost		Ownership Interest Held	
			December 31 2019	December 31 2018	December 31 2019	December 31 2018
WASCO, LLC (WASCO)	United States	Design, build, and operator of water treatment facilities	\$388,752	\$388,752	100%	100%
Veolia Energy North America Holdings, Inc. (VENAH)	United States	District heating and cooling; energy consulting services	200,000	200,000	100	100
Veolia Environmental Services North America LLC (VESNA)	United States	Hazardous waste disposal and industrial cleaning	262,009	262,009	100	100
Veolia North America, LLC	United States	Shared services center	--	--	100	100
Veolia North America Regeneration Services, LLC (RGS)	United States	Sulfur acid treatment and regeneration services	97,000	97,000	100	100
Veolia Nuclear Solutions, Inc. (Kurion)	United States	Nuclear waste treatment services	--	--	100	100
Aqua Alliance, Inc.	United States	Holding company for certain nonoperating water legacy entities	--	--	100	100
Veolia Environment North America Company (VENAC)	United States	Legacy activity holding company	--	--	N/A	N/A
Total			<u>\$947,761</u>	<u>\$947,761</u>		

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

3. Investments in Subsidiaries (continued)

VENAC, an inactive legacy holding company with no operating activities, merged into VNA Inc. as of December 6, 2018. The merger had no impact on the net results of VNA Inc.

4. Long-Term Loans Due From Affiliates

The Company has a portfolio of long-term loans due from affiliates as follows:

Borrower	Currency	Reference Rate for Variable Interest	Spread	Issuance Date	Maturity Date	December 31	
						2019	2018
Veolia Energy North America Holdings, Inc.	USD	LIBOR 3M	2.50%	12/12/2007	12/31/2027	\$ —	\$ 605,000
Veolia Nuclear Solutions, Inc.	USD	LIBOR 3M	3.75	04/01/2016	04/01/2026	363,600	363,600
Veolia North America Regeneration Services, LLC	USD	LIBOR 3M	2.50	07/29/2016	07/29/2026	228,000	228,000
WASCO, LLC	USD	LIBOR 3M	2.50	12/13/2012	12/13/2022	85,000	85,000
WASCO, LLC	USD	LIBOR 3M	3.00	12/13/2012	12/13/2027	85,000	85,000
Veolia Energy North America Holdings, Inc.	USD	LIBOR 3M	2.50	10/01/2010	09/30/2020	—	74,000
Veolia Water Technologies, Inc.	USD	LIBOR 3M	1.00	01/01/2010	12/31/2020	—	50,000
Veolia Energy North America Holdings, Inc.	USD	LIBOR 3M	2.50	01/31/2014	01/31/2024	—	41,300
Veolia Energy North America Holdings, Inc.	USD	LIBOR 3M	3.75	01/09/2017	01/09/2027	27,000	27,000
Veolia Environmental Services North America, LLC	USD	LIBOR 3M	3.75	11/01/2016	10/31/2026	36,593	36,593
Veolia ES Canada, Inc.	CAD	CDOR 3M	2.50	07/16/2013	07/15/2023	33,091	31,549
Veolia Energy Cambridge Holding, Inc.	USD	LIBOR 3M	3.75	03/31/2015	03/31/2025	—	29,700
Veolia Water Technologies, Inc.	USD	LIBOR 3M	3.50	01/10/2013	01/09/2023	23,900	23,900
Veolia ES Canada Industrial Services, Inc.	CAD	CDOR 3M	2.50	04/27/2012	04/27/2022	23,087	22,011
Veolia Energy Atlantic Station, LLC	USD	Fixed interest rate	5.13	09/01/2015	03/01/2026	—	9,690
Veolia Energy Canada, Inc.	CAD	CDOR 3M	3.75	07/13/2015	07/13/2025	17,623	16,802
Veolia Water North America Operating Services, LLC	USD	LIBOR 3M	3.75	07/13/2018	07/12/2028	23,621	23,621
Total						\$ 946,515	\$1,752,766

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

4. Long-Term Loans Due From Affiliates (continued)

All existing long-term loans due from affiliates are also charged a loan utilization fee of 0.35% in 2019 and 2018, which is charged in addition to the interest rates referenced above.

For purposes of the loan summary disclosed above, the referenced rates are defined as follows:

USD LIBOR 3M is defined as:

- (i). The interest rate per annum for the offering of deposits in U.S. dollars in the LIBOR market for a three-month period comparable to the Interest Period, as shown on the Reuters screen (or such other page or pages as may replace that service from time to time) at 11:00 (London time) on the Quotation Day (the LIBOR USD Screen Rate).
- (ii). If the LIBOR Screen Rate is not available, the arithmetic mean (rounded upward to four decimal places) as calculated by the Lender of the interest rates supplied to the Lender by the Reference Banks for the offering of deposits in the currency of the Loan to leading banks in the LIBOR market for a period comparable to the relevant Interest Period and for an amount comparable to the Loan.

CDOR 3M is defined as:

- (i). The Canadian dollar (CAD) offered rate for the offering of deposits in CAD in the Canadian interbank market for a three-month period comparable to the Interest Period displayed (before any correction, recalculation, or republication by the administrator) on the “CDOR” page of the Thomson Reuters screen (or any replacement Thomson Reuters page, which displays that rate) at 11:00 (the CDOR Screen Rate).
- (ii). If the CDOR Screen Rate is not available, the arithmetic mean of the rates (rounded upward to four decimal places) as calculated by the Lender of the interest rates supplied to the Lender by the Reference Banks for the offering of deposits in CAD to leading banks in the interbank market on the Quotation Day for a period comparable to the Interest Period and for an amount comparable to the Loan.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) (In Thousands, Unless Otherwise Indicated)

4. Long-Term Loans Due From Affiliates (continued)

Loans denominated in USD are issued to direct and indirect wholly owned subsidiaries of the Company in the U.S. Loans denominated in CAD are issued to affiliates of the Company located in Canada.

Acquisition of American Water Contracts

In July 2018, the Company established a ten-year, long-term loan agreement with Veolia Environment Finance for borrowings of up to \$26.0 million to finance the acquisition of certain American Water contracts by its indirect subsidiary Veolia Water North America Operating Services, LLC (VWNAOS). In turn, VNA established a ten-year, long-term loan agreement for the same amount and terms with VWNAOS. As of December 31, 2019 and 2018, utilization of this loan, following draws in July and August 2018, amounts to \$23.6 million.

Repayment of Long-Term Loans Due From Affiliates

On March 27, 2019, Veolia Water Technologies, Inc. (VWT) repaid its long-term loan for \$30.5 million at its amended maturity date. In addition, on the same date, VWT repaid \$25.0 million of its \$50.0 million long-term loan maturing on December 31, 2020. The remaining \$25.0 million was reclassified to current amounts due from affiliates.

On November 30, 2019, Veolia Energy Atlantic Station repaid the remaining principal balance of \$9.7 million due on its long-term loan maturing on March 1, 2026, from Veolia North America, Inc.

On December 31, 2019, Veolia Energy North America Holdings, Inc. repaid the following long-term loans following the divestiture of its District Energy Assets on December 30, 2019:

- Long-term loan for \$74.0 million, maturing on September 30, 2020
- Long-term loan for \$41.3 million, maturing on January 31, 2024
- Long-term loan for \$29.7 million, maturing on March 31, 2025
- Long-term loan for \$605.0 million, maturing on December 31, 2027

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

4. Long-Term Loans Due From Affiliates (continued)

On December 31, 2018, the Company extended the maturity on one loan agreement:

- \$30.5 million loan to Veolia Water Technologies, Inc. due December 31, 2018 – maturity extended to March 27, 2019

Accordingly, this loan is classified as a current asset in 2018.

5. Current Amounts Due to and Due From Affiliates

The Company participates in the Veolia cash pooling system. As a result, the Company sweeps excess cash from (or provides cash funding to) its operating subsidiaries on a daily basis. In addition, VE periodically sweeps excess cash from (or provides cash funding to) the Company.

As a result, the Company has current liabilities for amounts due to certain subsidiaries relating to cumulative net cash swept. In addition, the Company also has current assets for amounts due from affiliates and/or relating to the Company's excess cash, which is swept by VE.

Depending on the current balance, there may be interest expense and interest income recorded by the Company relating to net cash swept from subsidiaries and the net amounts of cash remitted to VE, respectively. During 2018, interest was charged based on amounts outstanding at the Federal Funds Rate plus 0.50% plus a 0.35% utilization fee for current account borrowings. Affiliate deposits with the Company are paid interest at the Federal Funds Rate plus 0.20% in 2018. Effective January 1, 2019, the utilization fee has been amended to 0.25% for current account borrowings. Therefore, during 2019, interest was charged based on amounts outstanding at the Federal Funds Rate plus 0.50% plus a 0.25% utilization fee for current account borrowings. Affiliate deposits with the Company are paid interest at the Federal Funds Rate plus 0.20% in 2019.

6. Long-Term Loans Due to Affiliates

In July 2016, the Company received proceeds of \$325.0 million from a long-term loan with VE Finance (a wholly owned subsidiary of VE), in connection with the acquisition of the sulfuric acid regenerations services business. The long-term loan matures in July 2026 and bears interest on the outstanding principal at a per annum rate of 2.50% plus LIBOR 3M plus a 0.35% utilization fee.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

6. Long-Term Loans Due to Affiliates (continued)

In December 2016, the Company refinanced \$363.6 million of short-term borrowings due to VE with a \$363.6 million long-term loan. This long-term financing is associated with the Company's acquisition of Kurion, Inc. The long-term loan matures in December 2026 and bears interest on the outstanding principal at a per annum rate of 3.75% plus LIBOR 3M plus a 0.35% utilization fee.

In January 2017, the Company received proceeds of \$27.0 million from a long-term loan with VE Finance (a wholly owned subsidiary of VE), in connection with the acquisition of Enovity, Inc. The long-term loan matures in January 2027 and bears interest on the outstanding principal at a per annum rate of 3.75% plus LIBOR 3M plus a 0.35% utilization fee.

In July 2018 and August 2018, the Company received proceeds totaling \$23.6 million from a long-term loan with VE Finance (a wholly owned subsidiary of VE), in connection with the acquisition of the American Water contract (see Note 4). The long-term loan matures in July 2028 and bears interest on the outstanding principal at a per annum rate of 3.75% plus LIBOR 3M plus a 0.35% utilization fee.

7. Dividend Income

For the year ended December 31, 2018, the components of dividend income received from the Company's operating subsidiaries were as presented below. In 2019, no dividends were declared by the Company's operating subsidiaries.

<u>Subsidiary</u>	<u>Division</u>	<u>2018</u>
WASCO	Water	\$ 49,500
VESNA	Environmental Services	17,700
RGS	Financial Group	8,700
VENAH	Energy	113,600
Total		<u>\$ 189,500</u>

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

8. Net Interest Income

For the years ended December 31, the following amounts of interest income and interest expense were recorded on long-term loans due from (to) affiliates and on outstanding current amounts due from (to) affiliates:

	<u>2019</u>	<u>2018</u>
Interest income on long-term loans due from affiliates	\$ 99,267	\$ 95,265
Interest income on current amounts due from affiliates	13,666	6,889
	<u>112,933</u>	<u>102,154</u>
Interest expense on long-term loans due to affiliates	(45,082)	(41,695)
Interest expense on current amounts due to affiliates	(18,070)	(13,732)
	<u>(63,152)</u>	<u>(55,427)</u>
Net interest income	<u>\$ 49,781</u>	<u>\$ 46,727</u>

9. Income Taxes

For the years ended December 31, the current and deferred components of the income tax benefit recorded were as follows:

	<u>2019</u>	<u>2018</u>
Current income tax benefit	\$ 139,258	\$ 7,502
Deferred income tax (expense) benefit	(78,101)	106,856
Total tax benefit	<u>\$ 61,157</u>	<u>\$ 114,358</u>

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

9. Income Taxes (continued)

For the years ended December 31, the reconciliations of the federal statutory tax rate and the effective income tax rate for each year are as follows:

	2019		2018	
Profit before tax	\$ (18,775)		\$ 153,363	
Federal statutory tax rate	(3,943)	21.0%	32,206	21.0%
Nontaxable dividend income	–	0.0	(39,795)	(25.9)
State and foreign taxes	8,926	(47.5)	3,329	2.2
Derecognition of deferred tax assets	–	0.0	5,931	3.9
Base erosion anti-abuse tax	(345)	1.8	4,347	2.8
Alternative minimum tax	(3,494)	18.6	(4,161)	(2.7)
Deferred adjustments – NOL	74,530	397.0	(106,823)	(69.8)
Tax sharing income	(136,616)	727.7	(9,185)	(6.0)
Other	(215)	1.1	(207)	(0.1)
Income tax (benefit) expense	\$ (61,157)	325.70%	\$ (114,358)	(74.6)%

Deferred adjustments include deferred tax expense associated with taxable income generated by subsidiaries under the tax sharing agreement (also see tax sharing income, discussed below), deferred tax benefit associated with taxable losses generated by subsidiaries under the tax sharing agreement, deferred tax expense associated with net operating loss carryforwards utilized, and adjustments to the realizability of deferred tax assets on existing net operating loss carryforwards. Deferred adjustments in 2018 include the deferred tax benefit associated with the Internal Revenue Service (IRS) decision on the Worthless Stock Deduction discussed below.

Tax sharing income relates to taxable income generated by subsidiaries under the tax sharing agreement, as discussed in Note 2 above. Tax sharing income in 2019 includes the tax gain generated by the sale of TNAI, discussed in Note 1, above.

Deferred Income Taxes

Deferred income taxes are generally recognized for differences between book and tax, or for other tax attributes, such as net operating, capital losses, and impacts of the tax sharing agreement, which may be carried forward and utilized in future periods.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

9. Income Taxes (continued)

At each period-end, the Company reviews the recoverable amount of deferred tax assets arising from deductible timing differences and from tax attributes that may be carried forward. Deferred tax assets relating to deductible timing differences and from tax attributes are not recognized, or may need to be reduced when required by the specific facts and circumstances, when:

- a) The forecast period and uncertainties regarding the economic environment no longer support realization
 - b) The utilization of tax attributes that may be carried forward becomes significantly uncertain
 - c) The forecast utilization period exceeds the carryforward period authorized by tax legislation
- or
- d) Future taxable net income is uncertain due to other risks

Deferred income taxes are adjusted for the effects of changes in prevailing tax laws and rates at year-end. Deferred income taxes are not discounted. The deferred adjustment net operating losses (NOLs) per the table above represent the deferred expense activity from the change in balance of the federal NOL, which is booked topside at the Veolia North America Group level, net of VNA Inc.'s income, which is not a rate reconciling item.

At December 31, the components of deferred tax assets were as follows:

	<u>2019</u>	<u>2018</u>
Tax losses carried forward for U.S. federal tax purposes	\$ 168,847	\$ 239,435
Tax losses carried forward for state tax purposes	10,615	18,394
Other liabilities	1,388	1,122
Total	<u>\$ 180,850</u>	<u>\$ 258,951</u>

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

9. Income Taxes (continued)

The Company's tax losses carried forward for U.S. federal tax purposes begin to expire in 2026. The Company's tax losses carried forward in certain state jurisdictions begin to expire in years 2020, 2021, 2022, and 2026.

U.S. Tax Audits and Worthless Stock Deduction

In the normal course of business, the Company is subject to regular tax audits. The tax authorities have carried out various tax audits in respect of both the U.S. consolidated tax group and individual entities.

As a result of an internal reorganization in 2006, VNA sought a tax deduction pursuant to the "Worthless Stock Deduction" (WSD) provisions under U.S. tax law. Related tax losses totaled \$4.5 billion (tax base) as of December 31, 2006. The IRS informed Veolia that it would not pursue a challenge of the WSD and provided a revised revenue agent's report reflecting that decision on April 30, 2019. As a result, the Company recorded a deferred tax asset to the extent that it is probable (or "more likely than not") that sufficient taxable profits will be available to utilize the deductible temporary difference or unused tax losses.

10. Commitments and Contingencies

Legal Proceedings

From time to time and in the normal course of business, the Company may be involved in various litigation, as described below. Management has evaluated the litigation below and concluded that a loss is not probable or estimable.

United States – Water – Flint

In April 2014, the emergency manager in charge of the City of Flint, Michigan (the City), ordered that it switch its water supply source (previously provided from Detroit) and begin treating Flint River water for distribution to its residents. Soon after, Flint residents began to complain about the water's odor, taste, and appearance. Between August 2014 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 by-products)

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

10. Commitments and Contingencies (continued)

maximum contaminant level violations. In February 2015, Flint hired VWNAOS for an analysis related to residual effects of the chlorination process (TTHM), discoloration, and taste and odor issues. The scope of this approximately four-week analysis did not include lead and copper tests.

On February 18, 2015, VWNAOS issued an interim report, which included a statement that the drinking water was “safe” in that it complied “with state and federal standards and required testing.” During a public meeting that was organized by the Flint City Council Public Works Committee in relation to VWNAOS’s interim report, VWNAOS employees communicated to the public information from the report. The City had previously informed VWNAOS that the City, not VWNAOS, would be conducting lead testing.

On March 12, 2015, VWNAOS delivered its final report to Flint, which was then made available to the public. In its final report, VWNAOS included a broad set of recommendations to address TTHM compliance and improve water quality related to odor and discoloration. It would appear that many of these recommendations were ignored by the local authorities.

On June 24, 2015, the U.S. Environmental Protection Agency issued a memorandum summarizing the available information regarding activities conducted by the City and several governmental agencies in response to high lead levels in City drinking water reported by a Flint resident.

On October 21, 2015, the office of the Governor of the State of Michigan commissioned the Flint Water Advisory Task Force (Task Force), a consulting group made up of experts in a variety of disciplines, to conduct an independent review of the Flint water crisis, including lead contamination.

On March 21, 2016, the Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task Force reported in its conclusion that responsibility for the Flint water crisis rested largely with several governmental agencies and the City. Notably, the report highlighted that the Michigan Department of Environmental Quality and the City did not require and implement corrosion control at the time of the change of water supply source, contrary to what was required under the U.S. Environmental Protection Agency’s Lead & Copper Rule to avoid contamination of drinking water with those metals. A total of 15 current or former state and local officials and employees have been charged with criminal conduct for their parts in causing or exacerbating the Flint water crisis.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued) *(In Thousands, Unless Otherwise Indicated)*

10. Commitments and Contingencies (continued)

Since February 2016, numerous individual complaints and putative class actions have been filed in state and federal courts in Michigan by Flint residents and companies against a number of defendants, including the State of Michigan; the Michigan Department of Environmental Quality; VWNAOS; Veolia North America, Inc. (VNA Inc.); and Veolia North America, LLC (VNA LLC). Flint residents allege injury and damages by exposure to toxins, including lead, contained in the Flint municipal water supply and have levied accusations of professional negligence and fraud against VWNAOS, VNA Inc., and VNA LLC. One or more of VWNAOS, VNA Inc., and VNA LLC have been named in about a dozen putative class actions and in many hundreds of individual cases. To date, none of the courts in which putative class actions have been filed has ruled on whether the case may properly proceed as a class action.

On June 22, 2016, the State of Michigan's Attorney General filed a civil action against several defendants, including VWNAOS, VNA Inc., and VNA LLC, for their alleged role in the Flint water crisis. The Attorney General subsequently dismissed that initial action and filed a new civil action on August 16, 2016. On May 1, 2019, the Attorney General filed an amended civil action. On November 8, 2019, the court ruled on the motion, dismissing all claims against the Company's U.S. subsidiaries, except for an unjust enrichment claim. On December 2, 2019, the State, the Company's U.S. subsidiaries, and the LAN defendants filed motions to reconsider this decision, and those motions are still pending. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleges that the acts and omissions of VWNAOS, VNA Inc., and VNA LLC constituted negligence, professional negligence, public nuisance, unjust enrichment, and fraud. VWNAOS, VNA Inc., and VNA LLC will be moving to dismiss all of these claims.

VWNAOS, VNA Inc., and VNA LLC strongly contest the merits of all these legal proceedings. No amounts have been recorded relating to these matters based on current information available and management's evaluation that a contingent loss is neither probable, nor more likely than not, and estimable.

These lawsuits have been reported to the insurers, who have reserved their rights.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

10. Commitments and Contingencies (continued)

Off-Balance Sheet Commitments

Commitments given by the Company total approximately \$107.0 million and \$107.3 million as of December 31, 2019 and 2018, respectively, consisting of performance or financial guarantees given on behalf of its subsidiaries as follows:

- a) Standby letter of credit provided as collateral for its general liability, workers' compensation, and other insurance programs for its subsidiaries in the U.S.
- b) Company performance guarantees provided on behalf of one of its owned subsidiaries for the operations and maintenance services on contracts
- c) Other standby letters of credit on behalf of its owned subsidiaries

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

11. Financial Liabilities

The tables below summarize the maturity profile of the Company's financial liabilities at December 31 based on contractual undiscounted payments (including future interest payments).

	On Demand or Less Than 1 Year	1 to 5 Years	Over 5 Years	Total
2019				
Long-term debt due to affiliates	\$ -	\$ -	\$ 739,221	\$ 739,221
Current amounts due to affiliates	464,932	-	-	464,932
Accrued liabilities	11,314	-	-	11,314
	<u>\$ 476,246</u>	<u>\$ -</u>	<u>\$ 739,221</u>	<u>\$ 1,215,467</u>

	On Demand or Less Than 1 Year	1 to 5 Years	Over 5 Years	Total
2018				
Long-term debt due to affiliates	\$ -	\$ -	\$ 739,221	\$ 739,221
Current amounts due to affiliates	418,522	-	-	418,522
Accrued liabilities	4,261	-	-	4,261
	<u>\$ 422,783</u>	<u>\$ -</u>	<u>\$ 739,221</u>	<u>\$ 1,162,004</u>

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

12. Transactions With Related Parties

Transactions between related parties may not be effected on the same terms, conditions, and amounts as transactions between unrelated parties.

The nature of the related-party relationships for those related parties with whom VNA Inc. entered into significant transactions during the years ended December 31, 2019 and 2018, or had significant balances outstanding at December 31, 2019 and 2018, is detailed below. The reduction in current amounts due from its affiliates is primarily a result of the repayment of long-term loans totaling \$759.7 million from its wholly owned Energy affiliates in connection with the sale of their District Energy Assets in 2019 and the partial repayment of a long-term loan to its Veolia Water Technologies, Inc. subsidiary in the amount of \$25.0 million.

At December 31, 2019, the outstanding balances with related parties were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Long-term loans receivable due from affiliates	\$ 872,714	\$ 73,801	\$ 946,515
Current amounts due from affiliates	338,188	912,136	1,250,324
Long-term debt due to affiliate	-	(739,221)	(739,221)
Current amounts due to affiliates	(460,334)	(4,598)	(464,932)

At December 31, 2018, the outstanding balances with related parties were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Long-term loans receivable due from affiliates	\$ 1,682,404	\$ 70,362	\$ 1,752,766
Current amounts due from affiliates	266,031	-	266,031
Long-term debt due to affiliate	-	(739,221)	(739,221)
Current amounts due to affiliates	(360,622)	(57,900)	(418,522)

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

12. Transactions With Related Parties (continued)

For the year ended December 31, 2019, transactions with related parties recognized on the statements of comprehensive income were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Management fee	\$ (69,090)	\$ —	\$ (69,090)
Interest income	109,111	3,822	112,933
Interest expense	(8,357)	(54,795)	(63,152)

For the year ended December 31, 2018, transactions with related parties recognized on the statements of comprehensive income were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Dividend income	\$ 189,500	\$ —	\$ 189,500
Management fee	(83,319)	—	(83,319)
Interest income	98,488	3,666	102,154
Interest expense	(9,248)	(46,179)	(55,427)

For the year ended December 31, 2019, cash receipts from and cash payments to related parties were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Receipts from long-term loans	\$ 784,690	\$ —	\$ 784,690
Tax sharing receipts from subsidiaries	154,847	—	154,847
Cash pooling			
Total cash swept from subsidiaries	52,556	—	52,556
Total cash remitted to VE	—	(964,927)	(964,927)

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

12. Transactions With Related Parties (continued)

For the year ended December 31, 2018, net cash receipts from and cash payments to related parties were as follows:

	<u>Subsidiaries</u>	<u>Other Affiliates</u>	<u>Total</u>
Dividends received	\$ 189,500	\$ —	\$ 189,500
Dividends paid to VE and affiliates	—	(80,900)	(80,900)
Proceeds from long-term loans due to VE	—	23,621	23,621
Issuance of long-term loans	(23,621)	—	(23,621)
Receipts from long-term loans	961	—	961
Tax sharing receipts from subsidiaries	29,416	—	29,416
Cash pooling			
Total cash swept from subsidiaries	(57,911)	—	(57,911)
Total cash remitted to VE	—	(47,512)	(47,512)

13. Events After the Reporting Date

With respect to events after the December 31, 2019, fiscal year, on March 25, 2020, Veolia North America, Inc. repaid the following loans from Veolia Environnement Finance for \$739.2 million in principal balance:

- Long-term loan in the amount of \$325.0 million maturing on July 29, 2026, linked to the acquisition of its Regenerations Services business;
- Long-term loan in the amount of \$363.6 million maturing on December 16, 2026, linked to the acquisition of Kurion, Inc. in its Nuclear Solutions business;
- Long-term loan in the amount of \$27.0 million maturing on January 9, 2027, linked to the acquisition of Enovity, Inc. in its Energy business; and
- Long-term loan in the amount of \$23.6 million maturing on July 12, 2028, linked to the acquisition of certain contracts in its Water business.

Veolia North America, Inc.

Notes to Separate Company Financial Statements (continued)
(In Thousands, Unless Otherwise Indicated)

13. Events After the Reporting Date (continued)

While the COVID-19 outbreak impact cannot reasonably be assessed at the time of this report, VNA and its subsidiaries continue to deliver the essential waste, water, and energy services to their U.S. customers, while protecting their employees in line with the authorities' recommendations. The Company has established a crisis management organization in response to the COVID-19 outbreak and is monitoring the situation and evaluating any potential impacts to its business. Despite potential disruptions in certain sectors of its business, particularly those that serve an industrial client base, VNA does not believe that there are any conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are available to be issued. This is further supported by the financial strength of VNA at December 31, 2019, as indicated above.

There were no other subsequent events required to be recognized or disclosed in these separate company financial statements.

