VEOLIA

# Universal Registration document (URD) 2018

## Half-yearly financial report 2019

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document was filed with the Autorité des Marchés Financiers (AMF, the French Financial Markets Authority) on August 2, 2019, in accordance with Regulation (EU) no. 2017/1129, without prior approval in accordance with Article 9 of this Regulation.

This Universal Registration Document may be used when securities are offered to the public or admitted to trading on a regulated market, if supplemented by a securities note and, where applicable, a summary and all amendments made to the Universal Registration Document. These documents are approved as a whole by the AMF in accordance with Regulation (EU) no. 2017/1129.

The Universal Registration Document incorporates the Veolia Environnement 2018 Registration Document filed with the AMF on March 13, 2019 under number D.19-0140, and updates the required sections in accordance with regulations.

Registration Document 2018 – Veolia Environnement

A cross-reference table is presented in the Universal Registration Document [pages 83 to 85 / Section 6.6.1], to facilitate the identification of information incorporated by reference and information updated or amended.

# 1

# KEY FIGURES – SELECTED FINANCIAL INFORMATION

| *(en millions d'euros)* | 06/30/2019 | 12/31/2018 re-presented[5] | 06/30/2019 re-presented[5] | 12/31/2017 published[6] |
|---|---|---|---|---|
| Revenue | 13,323.9 | 25,951.3 | 12,587.9 | 24,818.4 |
| EBITDA | 2,001.9 | 3,842.9 | 1,899.5 | 3,217.1 |
| Current EBIT | 857.3 | 1,643.7 | 813.1 | 1,497.3 |
| Current net income - Group share | 352.4 | 672.0 | 327.6 | 613.6 |
| | | | | |
| Operating Cash flow before changes in working capital | 1,660.2 | 3,122.9 | 1,554.3 | 2,615.1 |
| Operating income [1] | 796.4 | 1,459.3 | 750.3 | 1,262.6 |
| Net income - Group share | 331.4 | 440.6 | 226.1 | 397.7 |
| | | | | |
| Dividends paid [2] | (509.1) | (462.6) | (462.6) | (439.7) |
| dividend per share paid during the fiscal year (in euros) | 0.92 | 0.92 | 0.84 | 0.84 |
| | | | | |
| Total Assets | 38,928.6 | 39,232.5 | 37,489.5 | 38,278.7 |
| Net financial debt | (12,478) | (11,487) | (12,398) | (7,833) |
| | | | | |
| Industrial investments (including new operating financial assets) [3] | (1,005) | (2,191) | (928) | (1,738) |
| Net Free Cash Flow [4] | (473) | 613 | (322) | 619 |

*(1) Operating income after share of net income (loss) of equity-accounted entities does not include capital gains or losses on financial divestitures, booked in other financial income and expenses.*

*(2) Dividends paid by the parent company.*

*(3) Industrial investments excluding discontinued operations.*

*(4) Net free cash flow corresponds to free cash flow from continuing operations, and is calculated by: the sum of EBITDA, dividends received from joint ventures, operating cash flow from financing activities, and changes in working capital for operations, less net industrial investments, current cash financial expense, cash taxes paid, cash restructuring charges, acquisition and disposal costs, and renewal expenses.*

*(5) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

*(6) 2018 Registration document published.*

# 2

# SHARE CAPITAL AND OWNERSHIP

**(CHAPTER 2 OF THE 2018 REGISTRATION DOCUMENT)**

## 2.1 Information on the share capital and stock market data

### 2.1.1 SHARE CAPITAL

As of June 30, 2019, Veolia Environnement's[1] share capital was €2,829,128,105, divided into 565,825,621 fully paid-up shares of the same class, with a par value of €5 each.

As of the date of filing of this Universal Registration Document, the Company's share capital is unchanged.

*(1) In this Universal Registration Document, unless otherwise indicated, the term Company refers to the public limited company Veolia Environnement, and the terms Group and Veolia refer to Veolia Environnement and its direct and indirect consolidated subsidiaries.*

## 2.1.2 MARKET FOR THE COMPANY'S SHARES

The Company's shares have been admitted to trading on the Euronext Paris regulated market (Compartment A) since July 20, 2000, under ISIN code FR 0000124141-VIE, Reuters code VIE. PA and Bloomberg code VIE. FP. Veolia Environnement securities are eligible for deferred settlement (Service de Règlement Différé or "SRD").

The Company's shares have been included in the CAC 40, the main share index published by NYSE Euronext Paris, since August 8, 2001.

The table below presents high and low share prices and trading volumes in Veolia Environnement shares on the Euronext Paris regulated market over the past eighteen months.

### Euronext Paris

| | Share price (in euros) | | |
|---|---|---|---|
| Year (month) | High | Low | Trading volume |
| **2019** | | | |
| June | 21.780 | 20.560 | 33,726,521 |
| May | 21.630 | 19.745 | 41,271,947 |
| April | 21.350 | 19.910 | 34,214,733 |
| March | 20.350 | 19.200 | 32,500,981 |
| February | 20.080 | 18.225 | 40,168,917 |
| January | 18.440 | 17.500 | 34,217,888 |
| **2018** | | | |
| December | 19.170 | 17.400 | 40,598,668 |
| November | 19.120 | 17.540 | 42,842,215 |
| October | 17.920 | 16.420 | 49,365,842 |
| September | 18.235 | 17.025 | 44,090,725 |
| August | 19.380 | 17.895 | 38,752,720 |
| July | 19.710 | 18.140 | 43,198,621 |
| June | 19.875 | 18.035 | 41,559,639 |
| May | 20.780 | 19.330 | 51,415,183 |
| April | 19.760 | 18.750 | 31,246,058 |
| March | 20.210 | 18.570 | 45,689,036 |
| February | 20.490 | 18.835 | 44,725,189 |
| January | 22.290 | 20.000 | 50,960,635 |

*Source : Bloomberg.*

Following the delisting by Veolia Environnement of its American Depositary Receipts (ADRs) from the New York Stock Exchange (NYSE), the final listing of the ADRs on the NYSE occurred on December 22, 2014. Since this date, the ADRs are traded on the US over-the-counter market under the code VEOEY. The ADR program is managed by Deutsche Bank as a sponsored level 1 facility.

## 2.1.3 NON-EQUITY SECURITIES

### EMTN program

In June 2001, a Euro Medium Term Note (EMTN) program was set-up for a maximum amount of €4 billion.

This maximum amount was raised to €16 billion on July 13, 2009.

The main outstanding bond issues performed under the EMTN program as of June 30, 2019 are as follows:

| Issue date | Currency | Nominal issue amount *(in millions of currency units)* | Additional drawdowns/partial repurchases | Nominal amount outstanding as of June 30, 2019 *(in millions of currency units)* | Interest rate | Maturity |
|---|---|---|---|---|---|---|
| November 25, 2003 | EUR | 700 | | 700 | 6.125% | November 25, 2033 |
| December 12, 2005 | EUR | 600 | | | | |
| June 2013 | EUR | | -109 | | | |
| December 2013 | EUR | | -60 | 431 | 4.375% | December 11, 2020 |
| May 24, 2007 | EUR | 1,000 | | | | |
| December 2013 | EUR | | -150 | | | |
| April 2015 | EUR | | -205 | 645 | 5.125% | May 24, 2022 |
| October 29, 2007 | GBP | 500 | | | | |
| January 7, 2008 | GBP | | 150 | 650 | 6.125% | October 29, 2037 |
| July 6, 2010 | EUR | 834 | | | | |
| April 2015 | EUR | | -196 | 638 | 4.247% | January 6, 2021 |
| March 30, 2012 | EUR | 750 | | 750 | 4.625% | March 30, 2027 |
| April 9, 2015 | EUR | 500 | | 500 | 1.59% | January 10, 2028 |
| October 4, 2016 | EUR | 600 | | 600 | 0.314% | October 4, 2023 |
| October 4, 2016 | EUR | 500 | | 500 | 0.927% | January 4, 2029 |
| March 30, 2017 | EUR | 650 | | 650 | 0.672% | March 30, 2022 |
| March 30, 2017 | EUR | 650 | | 650 | 1.496% | November 30, 2026 |
| November 21, 2017 | EUR | 500 | | 500 | 0% | November 23, 2020 |
| December 5, 2018 | EUR | 750 | | 750 | 1.94% | January 7, 2030 |
| January 14, 2019 | EUR | 750 | | 750 | 0.892% | January 14, 2024 |

As of June 30, 2019, the total nominal outstanding amount of the EMTN program was €8,789 million and will mature in more than one year.

## Offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)

On March 8, 2016, Veolia Environnement completed an offering of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANEs") maturing March 15, 2021 by way of a private placement without shareholders' preferential subscription rights, of a nominal amount of approximately €700 million. The bonds will not bear interest and the issue price was set at 102.75% of par, corresponding to an annual gross yield to maturity of -0.54%. The bonds have a nominal unit value of €29.99 representing a premium of 47.5% above the Company's reference share price on the issue date.

As of June 30, 2019, the total nominal outstanding amount was €700 million and will mature in more than one year.

## Public issue on the US market

On May 28, 2008, Veolia Environnement performed a triple-tranche bond issue registered with the US Securities and Exchange Commission for an amount of US$ 1.8 billion, paying fixed-rate interest. The first tranche of the issue paid interest of 5.25% and matured on June 3, 2013. On December 19, 2014, Veolia Environnement redeemed early the outstanding balance of the second tranche, paying interest of 6.00% and maturing in June 2018. Only the third tranche (US$ 400 million) which pays interest of 6.75% and matures in June 2038 remains outstanding.

As of June 30, 2019, the total nominal outstanding amount was US$ 400 million (€352 million euro-equivalent) and will mature in more than one year.

## Bond issue program on the Chinese domestic market (Panda Bonds)

On August 16, 2016, Veolia Environnement filed with the National Association of Financial Market Institutional Investors, a bond issue program on the Chinese domestic market for a period of two years and a maximum nominal amount of 15 billion renminbi.

Under this program, Veolia Environnement performed a one billion renminbi bond issue on September 1, 2016, through a private placement with Chinese and institutional investors. The bond issue matures on September 2, 2019 and pays a coupon of 3.5%.

On August 9, 2018, Veolia Environnement continued its bond issue program with a second one billion renminbi bond issue, maturing on August 10, 2019 and paying a coupon of 4%.

As of June 30, 2019, the total nominal outstanding amount of these bonds issues was two billion renminbi (€256 million euro-equivalent), maturing in less than one year.

## Commercial paper

Veolia Environnement has a short-term financing program comprising commercial paper, capped at €4 billion.

As of June 30, 2019, the total outstanding amount of commercial paper issued by the Company was €3,459 million.

# 2.2 Veolia Environnement shareholders

## 2.2.1 SHAREHOLDERS AS OF JUNE 30, 2019

The table below presents the number of shares and the corresponding percentage of share capital and voting rights held as of June 30, 2019 by Veolia Environnement's principal known shareholders.

A double voting right was introduced on April 3, 2016 for shares held in registered form by the same shareholder for at least two years, in accordance with the Florange Law of March 29, 2014.

To the best of the Company's knowledge, as of the date of filing of this Universal Registration Document, no shareholder other than those listed in the table below directly or indirectly held 4% or more of the Company's share capital or voting rights.

| Shareholders as of June 30, 2019 | Number of shares | % of share capital | Theoretical number of voting rights | Number of voting rights that may be exercised | % of voting rights that may be exercised(*) |
|---|---|---|---|---|---|
| Franklin Resources(1) | 53,903,062 | 9.53 | 53,903,062 | 53,903,062 | 9.19 |
| Blackrock(2) | 28,578,029 | 5.05 | 28,578,029 | 28,578,029 | 4.87 |
| Caisse des dépôts(3) | 26,036,119(4) | 4.60 | 52,072,238 | 52,072,238 | 8.88 |
| Veolia Environnement(5) | 12,518,389** | 2.21 | 12,518,389(**) | 0(*) | 0(*) |
| Public and other investors | 444,790,022 | 78.61 | 451,882,130 | 451,882,130 | 77.06 |
| **Total** | **565,825,621** | **100.00** | **598,953,848** | **586,435,459** | **100.00** |

*(*) Percentage of voting rights as a proportion of effective voting rights (Veolia Environnement treasury shares do not exercise voting rights).*

*(**) As of June 30, 2019, Veolia Environnement held 12,518,389 treasury shares.*

*(1) According to the declaration to the Company by Franklin Resources on June 26, 2019 that it had a crossed a bylaws reporting threshold. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Franklin Resources was filed on February 13, 2018 (AMF Decision and Information no. 218C0439 dated February 16, 2018).*

*(2) According to the most recent declaration of threshold crossing by Blackrock filed on July 26, 2019 (AMF Decision and Information no. 219C1285 dated July 29, 2019). Between January 4, 2019 and July 23, 2019, Blackrock filed several declarations that it had crossed, upwards or downwards, the legal 5% share capital and/or voting rights threshold (see AMF Decisions and Information n°219C0032, n°219C0072, n°219C0085, n°219C0132, n°219C0236, n°219C0286, n°219C0292, n°219C0309, n°219C0340, n°219C0360, n°219C0372, n°219C0386, n°219C0391, n°219C0465, n°219C0495, n°219C0510, n°219C0522, n°219C0530, n°219C1050, n°219C1061, n°219C1076, n°219C1133, n°219C1201, n°219C1218, n°219C1229, n°219C1255).*

*(3) According to the statement of registered shareholders as of June 30, 2019 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of June 30, 2019. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Caisse des Dépôts et Consignations was filed on September 23, 2016 (AMF Decision and Information no. 216C2179 of September 26, 2016).*

*(4) Shares held in registered form for more than two years.*

*(5) Treasury shares without voting rights. This information is included in the monthly report of transactions carried out by Veolia Environnement in its own shares that was filed with the French Financial Markets Authority (AMF) on July 8, 2019.*

To the best of the Company's knowledge, there are no agreements between one or more of the Company's shareholders and no shareholders' agreements or agreements to which the Company is a party, that could have a material impact on the Company's share price, and there are no shareholders' agreements or other agreements of such nature to which any significant non-listed subsidiary of the Company is a party, other than the call options entered into with EDF, described in Chapter 4, Section 4.1 (Note 3.3.1 to the consolidated financial statements) and Chapter 8, Section 8.3 of the 2018 Registration Document and Chapter 4, Section 4.1 below (Note 3.3.1 to the consolidated financial statements) of this Universal Registration Document. The 5-year call option expires on July 25, 2019.

No third party controls Veolia Environnement and, to the Company's knowledge, there are no agreements that, if implemented, could result in a change of control or takeover of the Company.

# 2.3 Dividend policy

## 2.3.1 DIVIDENDS PAID DURING THE LAST FIVE FISCAL YEARS

| *(in euros)* | **2014 Dividend** | **2015 Dividend** | **2016 Dividend** | **2017 Dividend** | **2018 Dividend** |
|---|---|---|---|---|---|
| Gross dividend per share | 0.70 | 0.73 | 0.80 | 0.84 | 0.92 |
| Net dividend per share | 0.70(*) | 0.73(*) | 0.80(*) | 0.84(*) | 0.92(*) |
| **TOTAL DIVIDEND DISTRIBUTION (**)** | **383,952,678** | **401,183,799** | **439,772,185** | **462,685,249** | **509,096,391** |

*(*) The dividend is eligible for the 40% tax rebate.*

*(**) Amount paid by the Company.*

# 3

# OPERATING AND FINANCIAL REVIEW

**(CHAPTER 3 OF THE 2018 REGISTRATION DOCUMENT)**

## 3.1 Major events of the period

### 3.1.1 GENERAL CONTEXT

The Group's performance in the first six months of 2019 was marked by constant revenue and EBITDA growth.

Revenue, up +5.5% at constant exchange rates as of June 30, 2019, therefore increased by 6.3% in Q2 at constant exchange rate, after growing +4.8% in Q1.

Similarly EBITDA, up 5.4% at constant exchange rates, grew 7.3% at constant exchange rates in Q2, after +3.8% in Q1.

**Higher revenue growth in the second quarter** was fueled by ongoing sustained commercial activity, continued strong momentum in waste and water volumes, further increases in service prices and tariff indexation and improved weather conditions for heating activities in Central Europe.

- Continued strong volume and price growth rates in waste: volumes up +1.9% at the end of June 2019 and prices up +2.5% on average;
- Confirmation of improved tariff indexation (including +1.4% in France Water);
- Growth in Construction activities, particularly in Waste in France tied to the renewal of incinerators and in Sade;
- Favorable weather impact in Central Europe in Q2 (revenue impact of +€39 million);
- Finally, higher growth in the Rest of the World, notably in Asia.

**The acceleration in Q2 EBITDA growth** was driven by higher revenue and increased efficiency gains, ahead of annual objectives: €61 million in Q2, after €60 million in Q1.

These items produced solid growth in **results for the first six months of 2019**:

- **Revenue up +5.5% at constant exchange rates and +4.2% at constant scope and exchange rates to €13,324 million:**
  - Continued growth in France, with revenue up +3.9% (+5% in Q2, after +2.8% in Q1): +6.7% in Waste and +1.5% in Water,
  - Sustained growth in Europe: +5.9% at constant exchange rates (+7.2% in Q2, after +4.7% in Q1),
  - Further strong growth in the Rest of the world of +7.8% at constant exchange rates (+9.0% in Q2),
  - Growth of +3.6% at constant exchange rates in Global businesses, including +6.4% for Hazardous Waste;
- **Strong EBITDA growth to €2,002 million, up +5.4% (+5.4% at constant exchange rates), due to:**
  - Continued growth in Group activities,
  - Cost savings plan impacts (€121 million) ahead of schedule

Partially offset by:

- A slightly negative weather impact (-€6 million), but which improved significantly in Q2,
- A price squeeze that remains negative but is reducing thanks to improved tariff indexation (-€57 million compared to -€63 million in H1 2018),
- And an energy and recyclate price impact of -€14 million reflecting the gradual impact of the rise in fuel and CO2 costs on the price of energy sold;

- **Current EBIT up +5.4%** (+5.7% at constant exchange rates) to €857 million;
- **Current net income attributable to owners of the Company up +7.5%** (+7.2% at constant exchange rates) to €352 million;
- **Net industrial investments of €969 million** (including €159 million of discretionary capex versus €121 million in H1 2018);
- **Net financial debt of €12,478 million,** including lease liabilities of €1,731 million following the application of IFRS16.

**2019 objectives are confirmed in full.**

## 3.1.2 CHANGES IN GROUP STRUCTURE

### Commercial developments and acquisitions

The Group's strong 2018 commercial momentum continued in the first-half of 2019, with a good start for commercial developments:

- In municipal water, the Group won the drinking water contract for the city of Nimes, France (€185 million contract over 8 years) and launched desalination activities in Sydney, Australia (estimated annual revenue of €23 million). The Group also renewed its contract to operate the Wellington wastewater treatment plant and for the installation of several plants around the New Zealand capital (NZ$170 million contract);
- In Technologies and Networks, Veolia Water Technologies won contracts for two desalination plants in the Middle East, Rabigh 3 and Al Dur (contracts worth €283 million);
- In heating, cold and energy production (local loops of energy), the Group acquired two cogeneration plants in Slovakia at the end of 2018, representing estimated 2019 revenue of €52 million, and a gas-fired cogeneration heating power plant in Levice (Slovakia) for an amount of €71 million[(1)], representing an estimated 2019 revenue of €32 million.

The Group also developed its activities in the following sectors in Q1:

- Industrial waste: four Hazardous waste incineration plants under construction in China;
- Waste recycling:
  - The Group and Nestle signed a global collaboration agreement and concluded a partnership agreement to build and operate a recycling unit for the industrial company Danone Nutricia in the Netherlands.
  - On January 28, 2019, Veolia China Holding Limited acquired 66% of the share capital of Huafei, a specialist in plastic recycling running four production sites in China, for a consideration of €22 million[(1)].
  - In Q1, the Group acquired Renascimento, a waste processing and recycling company in Portugal, for a consideration of €38 million[(1)].
- Industrial services: signature for a Lithium recycling facility in Japan (€66 million backlog), signature of an energy efficiency contract with Coca Cola Femsa in Colombia (€29 million backlog), and signature of an operating and maintenance contact for mine wastewater treatment plants in Ghana with AngloGold Ashanti.

*(1) Including shares and net financial debt of newly consolidated companie.*

### Divestitures

#### Transdev Group

On January 9, 2019, Veolia Environnement closed the sale to the German Group, Rethmann, of its residual 30% stake in Transdev Group, for a consideration net of disposal costs of €334 million and a capital gain of €33 million. This marked the end of its withdrawal from the Transport business.

#### Foshan (China)

As part of its asset rotation policy, the Group sold its entire stake in Foshan (landfill facility) through its subsidiary, Veolia Environmental Services China Ltd, for a consideration of €49 million generating a capital gain of €37 million.

### Change in bonds

On April 24, 2019, Veolia Environnement repaid a euro-denominated bond line with a nominal value of €462 million.

On January 14, 2019, Veolia successfully performed at par a €750 million bond issue maturing on January 14, 2024 (i.e. 5 years) and bearing a coupon of 0.892%. The bonds were placed with a large investor base covering both Europe and Asia. The proceeds of this issue will be used for general corporate purposes, and to partially refinance upcoming debt maturities.

### Confirmation of the credit outlook

On June 21, 2019, Moody's confirmed Veolia Environnement's credit rating at P-2/Baa1 with a stable outlook.

At the end of January 2019, S&P confirmed its rating at A-2 / BBB with a stable outlook.

### Dividend payment

The Combined General Meeting of April 18, 2019 set the dividend at €0.92 per share in respect of fiscal year 2018, an increase of +10% on 2017. The dividend was paid from May 16, 2019 for a total amount of €509 million.

### Performance share plan and employee share ownership plan

At the Veolia Environnement Combined General Meeting of April 18, 2019, Veolia confirmed its desire to give employees a vested interest in the Group's development and performance by launching a new employee share ownership plan in 30 countries (the subscription price for new shares will be set on August 30, 2019).

In addition, in accordance with the Group's compensation policy and the authorization granted by the Veolia Environnement Combined General Meeting, the Board of Directors decided on April 30, 2019, at the recommendation of its Compensation Committee, to grant performance shares to approximately 450 beneficiaries, including top executives and high potential employees of the Group (representing up to 0.04% of the share capital). The vesting of these shares will be subject to presence and performance conditions, as set out in Section 7.4.2, page 414, of the 2018 Registration Document.

### Implementation of a new liquidity contract

Veolia Environnement and Rotschild & Cie Banque terminated the liquidity contact signed on September 26, 2014. On May 28, 2019, Veolia Environnement entered into a new liquidity contract with Kepler Chevreux, effective June 1, 2019. This contact complies with the prevailing legal framework.

## 3.1.4 CHANGES IN GOVERNANCE

### Veolia Environnement combined general meeting of April 18, 2019

As part of the annual renewal of the Board of Directors, the Board of Directors' meeting of March 5, 2019 formally noted the expiry of the terms of office of five Directors (Mr. Louis Schweitzer, Mrs. Homeira Akbari, Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Baudouin Prot) at the end of the Shareholders' Meeting on April 18, 2019 and that Mrs. Homeira Akbari and Mr. Baudoin Prot did not seek the renewal of their terms of office at the end of this Shareholders' Meeting.

At the recommendation of the Nominations Committee, the Board of Directors' meeting of March 5, 2019 decided to recommend the renewal by the Combined General Meeting of April 18, 2019 of the terms of office as Director of Mr. Louis Schweitzer, Mrs. Maryse Aulagnon and Mrs. Clara Gaymard, for a period of four years expiring at the end of the 2023 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2022.

The Veolia Environnement Combined General Meeting took place at the Maison de la Mutualité on Thursday, April 18, 2019, chaired by Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company. At the Meeting, shareholders approved all the resolutions on the agenda.

In particular, shareholders renewed the terms of office as director of Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Louis Schweitzer for a four-year period expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2022.

Furthermore, shareholders:

- approved the Company and consolidated financial statements for fiscal year 2018;
- set the cash dividend for fiscal year 2018 at €0.92 per share. This dividend will go ex-dividend on May 14, 2019 and will be paid from May 16, 2019;
- renewed the term of office of KPMG SA as principal statutory auditor for a period of six fiscal years, expiring in 2025 at the end of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2024;
- approved the fixed and variable items of total compensation and benefits of all kind paid or due to Mr. Antoine Frérot by virtue of his mandate as Chairman and Chief Executive Officer, with respect to fiscal year 2018;
- approved the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2019;
- renewed all financial authorizations granted to the Board of Directors;
- authorized the Board of Directors to grant free and performance shares to employees of the Group and corporate officers of the Company.

After this Combined General Meeting, Veolia Environnement's Board of Directors consists of thirteen directors, including two directors representing employees and five women (45.45%)(1);

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;
- Mr. Louis Schweitzer, Vice-Chairman;
- Mrs. Maryse Aulagnon, Senior Independent Director;
- Mr. Jacques Aschenbroich;
- Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse;
- Mrs. Isabelle Courville;
- Mrs. Clara Gaymard;
- Mrs. Marion Guillou;
- Mrs. Nathalie Rachou;
- Mr. Paolo Scaroni;
- Mr. Guillaume Texier;
- Mr. Pavel Páša, Director representing employees;
- Mr. Franck Le Roux, Director representing employees.

The four Board Committees are now comprised as follows:

- Accounts and Audit Committee: Mrs. Nathalie Rachou (Chairman), Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mr. Franck Le Roux (Director representing employees), and Mr. Guillaume Texier;
- Nominations Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon and Mr. Paolo Scaroni;
- Compensation Committee: Mrs. Maryse Aulagnon (Chairman), Mrs. Marion Guillou, Mr. Franck Le Roux (Director representing employees) and Mr. Louis Schweitzer;
- Research, Innovation and Sustainable Development Committee: Mr. Jacques Aschenbroich (Chairman), Mrs. Isabelle Courville, Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

*(1) Excluding Directors representing employees in accordance with Article L. 225-27-1 of the French Commercial Code (Code de commerce) and the AFEP-MEDEF Code*

# 3.2 Accounting and financial information

## 3.2.1 PREFACE

### Change in lease standard

The Group applies the new lease standard, IFRS 16, with effect from January 1, 2019. The standard is applied using the full retrospective method (recalculation of the asset and the debt as if the standard had been applied from inception of the lease).

The adjustments resulting from the application of this standard in the income statement are significant, with an increase in EBITDA due to the cancellation of the lease expense, offset by an increase in depreciation in current EBIT and in interest (see Appendix, H1 2018 pro forma impact).

Please refer to Note 1.1.2 to the Universal Registration Document

| *(en millions d'euros)* | **H1 2018 re-presented excl. IFRS 16** | IFRS 16Impact | **H1 2018 re-presented incl. IFRS 16** | **H1 2019 excl. IFRS 16** | IFRS 16Impact | **H1 2019 incl. IFRS 16** |
|---|---|---|---|---|---|---|
| **Revenue** | **12,588** | **0** | **12,588** | **13,324** | **0** | **13,324** |
| EBITDA | 1,676 | 224 | 1 900 | 1,772 | 230 | 2,002 |
| Current EBIT | 790 | 23 | 813 | 833 | 25 | 857 |
| **Current net income - Group share** | **225** | **1** | **226** | **330** | **2** | **331** |
| | | | | | | |
| Gross CAPEX | (712) | (216) | (928) | (800) | (206) | (1,005) |
| Divestistures | 20 | 9 | 29 | (1) | 38 | 37 |
| Net CAPEX[(1)] | (692) | (208) | (899) | (801) | (168) | (969) |
| Inteterests on IFRS 16 lease liabilities[(2)] | 0 | (23) | (23) | 0 | (22) | (22) |
| Free Cash Flow | (318) | (4) | (322) | (515) | 42 | (473) |
| **Net financial debt** | **10,609** | **1,789** | **12,398** | **10,747** | **1,731** | **12,478** |

*(1) CAPEX in IFRS 16 represents future lease payments (discounted) of new contracts signed during the period.*

*(2) Equal to interest paid on IFRS 16 lease liabilitie.*

### GABON

On February 18, 2019, Gabon and Veolia Africa signed a settlement agreement providing for the transfer of 51% of SEEG shares held by Veolia Africa to the Société de Patrimoine du Service public de l'eau potable, de l'énergie électrique et de l'assainissement, a company owned by Gabon, for a price of €45 million. Subject to the fulfillment of conditions precedent and the signature of the protocol by the SEEG, Gabon and the Group shall request the discontinuance of the pending proceeding before the ICSID and shall mutually and definitively release all claims and actions arising from the concession agreement terminated by Gabon.

On March 29, 2019, the ICSID noted in its award that the arbitration procedure between the Group and the Gabonese State had ended, thus enabling the settlement protocol to be implemented.

A down payment of 4.5 million euros was made to Veolia Africa upon the signing of the settlement agreement. The outstanding balance has been divided into 6 monthly installments and the last shall be due in October 2019. .

As of June 30, 2019, the Group recognized the first 3 payments received at the issuing date of the present document (payments will be recognized in the income statement as they are settled).

### LITHUANIA

Activities in Lithuania were recorded in discontinued operations (Vilnius contract) and activities held for sale (Litesko contract) as of December 31, 2018. Recent discussions during Q1 2019 were unable to agree a process committing to the divestiture of these Group activities. Accordingly, the Litesko assets and liabilities and the Vilnius and Litesko income statements were transferred to continuing operations. The financial statements for the half-year ended June 30, 2018 were re-presented as a result of this reclassification to ensure comparability.

## ENERGY ASSETS IN THE UNITED STATES

As part of the regular review of its asset portfolio, the Group has decided to sell its heating network activities in the United States. Following discussions in the first half of the year, these assets were transferred to assets and liabilities classified as held for sale in the Group financial statements in the amount of €578 million.

## DISCONTINUATION OF ENGINEERING PROCUREMENT AND CONSTRUCTION INTERNATIONAL BUSINESS(1)

On January the 1st, the Group has decided to stop its Engineering, Procurement and Construction (EPC) international activities. Results of this activity are from now on classified in discontinued operations pursuant to IFRS 5.

# 3.2.2 KEY FIGURES

| *(en millions d'euros)* | Half-year ended June 30, 2018 published | Half-year ended June 30, 2018 re-presented (1) | Half-year ended June 30, 2019 | Change 2018 / 2019: ∆ current | Change 2018 / 2019: ∆ at constant exchange rates |
|---|---|---|---|---|---|
| **Revenue** | **12,565** | **12,588** | **13,324** | **5.8%** | **5.5%** |
| **EBITDA** | **1,673** | **1,900** | **2,002** | **5.4%** | **5.4%** |
| EBITDA margin | 13.3% | 15.1% | 15.0% | | |
| **Current EBIT (2)** | **792** | **813** | **857** | **5.4%** | **5.7%** |
| **Current net income - Group share** | **329** | **328** | **352** | **7.5%** | **7.2%** |
| **Net income – Group share** | **225** | **226** | **331** | **46.5%** | **46.0%** |
| Industrial investments | (712) | (928) | (1,005) | | |
| Net free cash flow (3) | (321) | (322) | (473) | | |
| **Net financial debt (incl. hybrid debt and IFRS 16 lease liabilities)** | **(10,609)** | **(12,398)** | **(12,478)** | | |

*(1) The restatements at 30 June 2018 relate to the application of IFRS 16 and the reinstatement of the accounts of Lithuania presented as 'Income from discontinued operations' in 2018.*

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

*(3) Net free cash flow corresponds to the free cash flow from continuing operations, i.e. the sum of EBITDA, dividends received, change in operating working capital, cash flow from operations, less net financial expenses, net industrial investments, taxes paid, renewal expenses, restructuring expenses and other non-current expenses.*

The main foreign exchange impacts were as follows:

| **FX impacts for the half-year ended June 30, 2019(vs June 30, 2018 re-presented)** | **%** | **(in € million)** |
|---|---|---|
| Revenue | 0.3% | 38 |
| EBITDA | -0.1% | (1) |
| Current EBIT | -0.2% | (2) |
| Current net income | 0.4% | 1 |
| Net financial debt | -0.2% | (20) |

*(1) See also the Subsequent Events section.*

## GROUP CONSOLIDATED REVENUE

Group consolidated revenue for the half-year ended June 30, 2019 **increased 5.5% at constant exchange rates** to €13,323.9 million, compared to re-presented €12,587.9 million for the half-year ended June 30, 2018.

As in the first quarter, revenue growth was marked by favorable momentum in the second quarter of 2019:

| ∆ at constant exchange rates | Q1 2019 | Q2 2019 | H1 2019 |
|---|---|---|---|
| France | 2.8% | 5.0% | 3.9% |
| Europe, excluding France | 4.7% | 7.2% | 5.9% |
| Rest of the world | 6.6% | 9.0% | 7.8% |
| Global businesses | 4.7% | 2.6% | 3.6% |
| Group | 4.8% | 6.3% | 5.5% |

The acceleration in France and internationally reflects continued commercial momentum and higher volumes, an increase in construction as well as improved weather conditions in Europe in the second quarter.

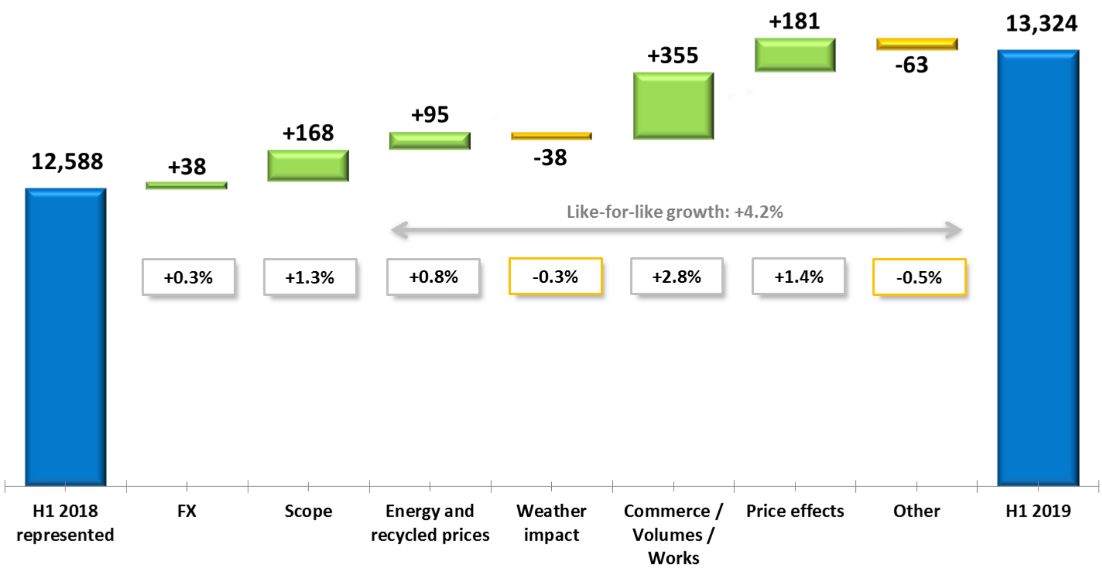
**By segment**, the change in revenue compared to re-presented figures for the half-year ended June 30, 2018 breaks down as follows:

| | | | Change 2018 / 2019 | | |
|---|---|---|---|---|---|
| *(in € million)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 | ∆ current | ∆ at constant exchange rates | ∆ at constant scope and exchange rates |
| France | 2,655.9 | 2,759.2 | 3.9% | 3.9% | 3.4% |
| Europe, excluding France | 4,540.0 | 4,789.3 | 5.5% | 5.9% | 4.5% |
| Rest of the world | 3,191.8 | 3,484.3 | 9.2% | 7.8% | 5.1% |
| Global businesses | 2,185.2 | 2,275.7 | 4.1% | 3.6% | 3.3% |
| Other | 15.0 | 15.3 | 1.7% | - | - |
| Group | 12,587.9 | 13,323.9 | 5.8% | 5.5% | 4.2% |

- Revenue increased +3.9% in **France** compared to re-presented figures for the half-year ended June 30, 2018: Water revenue increased +1.5% and Waste revenue +6.7%:
  - Water revenue rose by +1.5% compared to re-presented figures for the first-half of 2018, with improved tariff indexation of +1.4% (+0.6% in H1 2018) and volumes up +1.1%, with notably good volumes distributed in the South of France.
  - Waste revenue improved +6.7% on re-presented figures for the first-half of 2018, including +2.5% attributable to increased Construction activities for incinerators. Excluding Construction activities, the +4.2% increase at constant exchange rate is due to higher tariffs (+2.2%) and higher volumes (+0.7%) notably in the Commercial and Industrial segments, partially offset by the non-renewal of contracts for municipal collection, with a limited impact on revenue from the continued decline in paper prices, offset by sales of other recycled materials.
- **Europe excluding France** grew 5.9% at constant exchange rates compared to re-presented figures for the half-year ended June 30, 2018, with solid momentum in the majority of regions:
  - in Central and Eastern Europe, revenue increased +7.8% at constant exchange rates compared to re-presented figures for the half-year ended June 30, 2018 to €1,709.9 million. Growth was driven by:
    - in Energy (+14.1% at constant exchange rates), higher prices and tariffs for energy sold, with a slightly negative weather impact of -€8 million that greatly improved in Q2,
    - in Water, the revenue impact of changes to the ScvK water contract in the Czech Republic (-€63 million) was partially offset by higher tariffs and volume growth of +2.5%;
  - in Northern Europe, revenue increased +2.7% at constant exchange rates compared to the re-presented prior-year period, to €1,372.5 million. Germany, the main contributor (€932.6 million), benefited from strong growth in Waste volumes offset by lower energy sales notably due to a mild winter. Tuck-in activities (industrial services in Belgium and plastic recycling in the Netherlands) also contributed to activity growth in Northern Europe.
  - In the United Kingdom/Ireland, revenue increased +4.3% at constant exchange rates to €1,138.7 million, thanks to good waste volumes (+2%), an excellent incinerator utilization rate (93%) and higher electricity selling prices. Recyclate prices had only a limited impact, with lower paper prices offset by higher plastic prices.

- Strong growth in the **Rest of the world** of 7.8% at constant exchange rates compared to re-presented figures for the half-year ended June 30, 2018:
  - Strong revenue growth in Latin America (+23.9% at constant exchange rates), driven by tariff increases in Argentina tied to inflation and the acquisition of Grupo Sala in Colombia, consolidated since May 1, 2018 (impact of €42 million);
  - Revenue increased +1.1% at constant exchange rates to €1,056.3 million in North America, mainly due to favorable commercial impacts in Water and Waste and continued growth in hazardous waste volumes processed, partially offset by the sale of the Industrial Services division in Q1 2018 (-€11 million) and a fall in Energy revenue (weather impact of -€18 million);
  - Revenue in Asia increased by +10.6% at constant exchange rates. This increase benefits from revenue growth of +16.9% at constant exchange rate in China to €539 million, mainly generated by the Waste business (incineration of hazardous waste, plastic recycling), higher heating sales (Harbin) and the increase in industrial water activity. Japan contributed to the strong development of this region with organic growth of +4.9%, driven by contractual developments in municipal water;
  - The Pacific zone recorded +7.0% growth at constant exchange rates for the half-year ended June 30, 2019, due to higher waste volumes processed and the restart of the Sydney desalination plant in Water;
  - In Africa/Middle East, revenue increased +4.1% at constant exchange rates, thanks to commercial developments in energy services in the Middle East and good water and electricity volumes in Morocco.
- **Global businesses**: revenue increased +3.6% at constant exchange rates versus the re-presented prior-year period:
  - Hazardous Waste activities increased by +6.4% at constant exchange rates, with strong commercial momentum and increases in volumes processed and processing prices;
  - Construction activities are up by 2.0% at constant exchange rates. Veolia Water Technologies recorded orders of €1,005 million in the half-year, increasing the backlog as of June 30, 2019 to €2,005 million, up +4.6% compared to December 31, 2018. This increase was achieved thanks to the signing of two desalination plant contracts in the Middle East, representing cumulative revenue of €283 million, and strong municipal activity in France. With revenue growth of 10.3% in the half-year ended June 30, 2019, SADE enjoys sustained activity in France and notably in Telecoms.

The increase in revenue between 2018 and 2019 breaks down **by main impact** as follows:




The **foreign exchange impact** totaled +€38.1 million (0.3% of revenue) and includes fluctuations in the US dollar (+€78.2 million), the pound sterling (+€7.6 million), the Japanese yen (+€14.1 million), the Argentine peso (-€62.5 million) and the Polish zloty (-€9.9 million).

The **consolidation scope impact** of +€168.1 million mainly relates to:

- developments in 2018: integration of Grupo Sala in Colombia (+€42 million), PPC industrial assets in Slovakia (+€27 million) and HCI in Belgium (+€28 million) and the divestiture of the Industrial Services division in the United States in February 2018 (-€11 million), the divestiture of ScVK in the Czech Republic and the consolidation of SCS in the context of the new water contract (-€63 million);
- 2019 transactions, including the acquisitions of Levice in Slovakia (+€18 million), Renascimento in Portugal (+€12 million) and Huafei in China (+€19 million).

**Energy and recyclate prices** (+€95 million) are linked to higher energy tariffs (+€96 million), notably in Europe for +€122 million (sales of heat and electricity in Central Europe and Germany), offset by an unfavorable price effect in North America of -€26 million (lower electricity and natural gas prices). Recyclate prices in France, the United Kingdom and Germany had a limited impact (-€1 million, compared to -€46 million in the half-year ended June 30, 2018).

The **weather impact** is -€38 million (vs -€22 million in H1 2018), an improvement on the first quarter (-€77 million in Q1 2019), thanks to winter extending into the beginning of the second quarter in Central and Eastern Europe.

Commercial momentum remains strong (**Commerce/Volumes impact**) contributing +€355 million (compared to +€329 million in the first-half of 2018):

- volume increase of +€187 million, in line with sustained volumes in Waste (+1.9%) and in Water in France (+1.1%) and Central Europe (+2.5%), as well as in the Rest of the world (Morocco, Australia, with the start-up of the Sydney desalination plant).
- a commercial impact of +€68 million, thanks to industrial and municipal contract wins in Water and hazardous waste in Asia and in energy services and industrial utilities in Southern Europe, Asia and the Middle East;
- construction activities contributed €100 million (compared to +€48 million in the first-half of 2018), including +€47 million in Europe (notably in Waste in France) and +€50 million in Global businesses thanks to SADE's growth in France, in telecoms, and thanks to the recovery of its international activities.

Favorable **price effects** (+€181 million) are tied to tariff increases in Waste (+2.5%), notably in France, the United Kingdom, and Latin America and in hazardous waste activities, and better tariff indexation in Water (in France, Central Europe and Latin America).

## EBITDA

Changes in EBITDA **by segment** were as follows:

| *(in € million)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 | Change 2018 / 2019 ∆ current | Change 2018 / 2019 ∆ at constant exchange rates |
|---|---|---|---|---|
| France | 421.6 | 435.5 | 3.3% | 3.3% |
| *EBITDA margin* | *15.9%* | *15.8%* | | |
| Europe, excluding France | 807.4 | 802.8 | -0.6% | -0.1% |
| *EBITDA margin* | *17.8%* | *16.8%* | | |
| Rest of the world | 500.0 | 545.6 | 9.1% | 8.5% |
| *EBITDA margin* | *15.7%* | *15.7%* | | |
| Global businesses | 149.5 | 172.2 | 15.2% | 15.7% |
| *EBITDA margin* | *6.8%* | *7.6%* | | |
| Other | 21.0 | 45.8 | | |
| **Group** | **1,899.5** | **2,001.9** | **5.4%** | **5.4%** |
| **EBITDA margin** | **15.1%** | **15.0%** | | |

Group consolidated EBITDA for the half-year ended June 30, 2019 was €2,001.9 million, up 5.4% at constant exchange rates and including IFRS 16 impacts, compared to re-presented figures for H1 2018. The IFRS 16 impact is €230 million in H1 2019 compared to €224 million in H1 2018 re-presented.

The margin rate is stable at 15.0%.

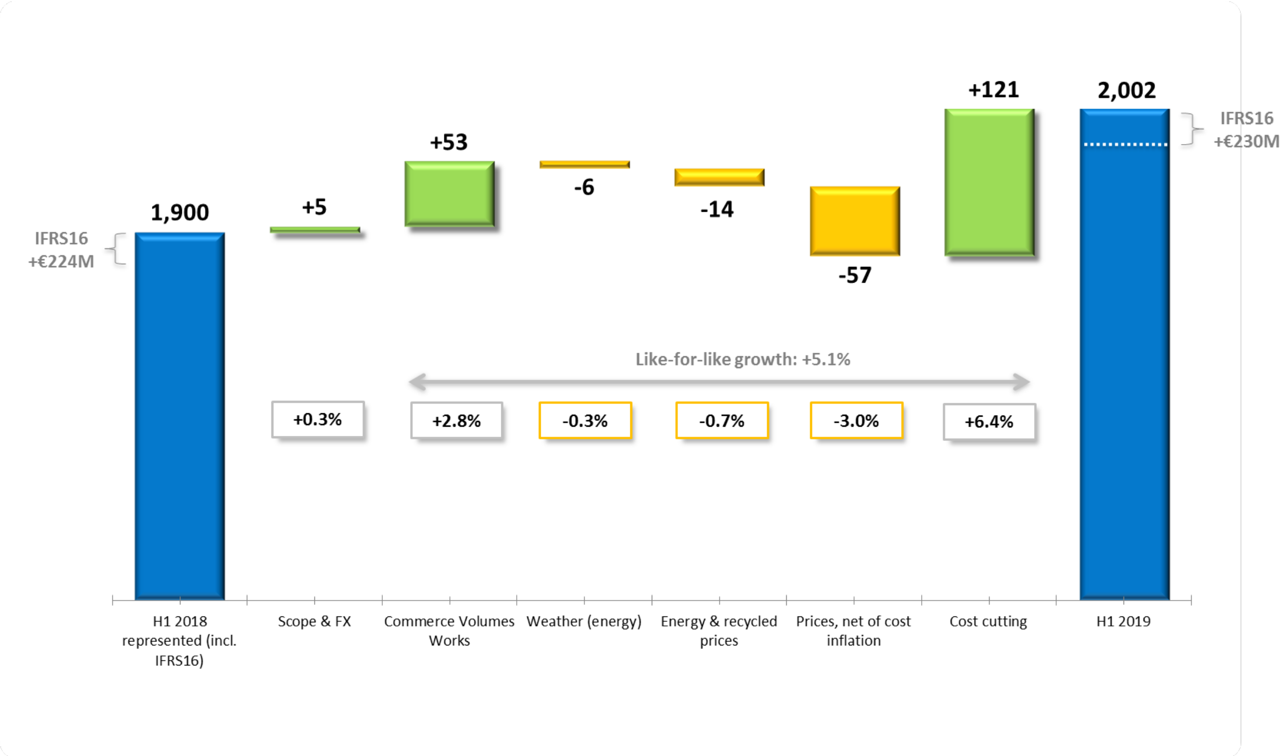
- In **France**, EBITDA growth was strong at +3.3%:
  - In Water, EBITDA grew 5.5% out-pacing revenue growth (+1.5%), thanks to increased efficiency gains and, particularly, the full year impact of the voluntary departure plan launched last year. This offset the price squeeze which was also more moderate than last year,
  - In Waste, EBITDA fell slightly following a further decrease in recycled paper prices (-13% fall in the average selling price of recycled paper and cardboard compared to June 2018, representing an impact of -€2 million) and additional insurance and maintenance costs;
- Stable EBITDA in **Europe excluding France** (-0.1% at constant exchange rates) as the result of several impacts:
  - In Central and Eastern Europe, in Energy the progressive pass on of higher fuel and CO2 costs to the price of heating and electricity and a slightly unfavorable weather effect (-€3 million) produced a fall in EBITDA. In Water, the sale of our distribution company, SCVK, in Bohemia Moravia and a contractual shift towards a service contract also led to reduced EBITDA.

These impacts were partially offset by operating efficiency gains.

  - Continued good operating performance in the United Kingdom, thanks to the excellent availability of incineration plants and efficiency gains,
  - Increased EBITDA in Northern Europe, tied to further small scope acquisitions in Waste, strong plastic recycling activities in the Netherlands, Germany and Scandinavia and further operating efficiency gains, partially offset by an unfavorable weather impact in Energy in Germany;
- Strong EBITDA growth in the **Rest of the world** of +8.5% at constant exchange rates:
  - Lower EBITDA in the United States, mainly due to unfavorable Q1 impacts in Energy (mild weather and fall in heating and electricity prices),
  - Marked increase in EBITDA in Latin America, mainly thanks to the impact of Grupo Sala in Waste in Colombia (consolidated from May 1, 2018), tariff increases in Waste and efficiency gains,
  - Strong EBITDA growth in Asia driven by robust revenue growth, particularly in China where EBIDTA increased 28.2% in the half-year ended June 30, 2019, fueled by the ramp-up of hazardous waste processing facilities, the development of heating networks and strong growth in industrial contracts,
  - Growth in Australia, with good waste volumes, the start-up of the Sydney desalination plant, and favorable contractual changes in wastewater treatment;

- In the **Global businesses** segment, marked 15.7% upturn in EBITDA at constant exchange rates:
  - Continued excellent hazardous waste performance, with EBITDA up 14%,
  - And a strong improvement in Construction profitability, thanks to efficiency gains resulting from restructuring measures implemented last year and to excellent performances of Sade.

The increase in EBITDA between 2017 and 2018 breaks down **by impact** as follows:




The **foreign exchange impact** on EBITDA was slightly negative at -€1.0 million and mainly reflects fluctuations in the US dollar (+€8.8 million), the pound sterling (+€1.2 million), the Japanese yen (+€1.1 million), the Argentine peso (-€8.4 million) and the Polish zloty (-€2.1 million).

The **consolidation scope impact** of +€6.0 million mainly relates to developments in 2019 and notably the integration of Levice industrial assets and Renascimento assets in Portugal, as well as 2018 acquisitions in Colombia (Grupo Sala) and Slovakia (PPC), the disposal of ScvK and contractual changes to water contracts in North Bohemia.

Favorable **commerce and volume impacts** totaled +€53 million, thanks to good Waste growth and strong commercial momentum across all zones.

The **weather (energy)** impact on EBITDA was slightly unfavorable at -€6 million (-€13 million in the first-half of 2018) of which -€24 million in Q1 2019, with a marked Q2 improvement in Central Europe; the weather impact was -€5 million in Germany and -€5 million in the United States. The weather impact was slightly favorable in China (+€6 million).

Once again, **energy and recyclate prices** had an unfavorable impact on EBITDA, but significantly less than in H1 2018: -€14 million (compared to -€42 million in the half-year ended June 30, 2018), including -€11 million in Energy, with a gradual pass-through of fuel and $CO_2$ costs into the price of energy sold, and -€3 million in Waste, with recycled paper prices still falling in Europe.

The **price squeeze** had an impact of -€57 million, an improvement on H1 2018 (-€63 million), thanks to higher tariff indexations in Water and Waste.

**Cost-savings** plans contributed €121 million, slightly ahead of the €220 million annual objective. These savings mainly concern operating efficiency (57%) and purchasing (29%) and were achieved across all geographical zones: France (28%), Europe excluding France (29%), Rest of the world (31%), Global businesses (6%) and Corporate (7%).

## Cost savings

| EBITDA impact<br>*(in € million)* | 2019 objective | Actual H1 2019 |
|---|---|---|
| **Gross cost savings** | **220** | **121** |

## Current EBIT

Group consolidated current EBIT for the half-year ended June 30, 2019 was €857.3 million, up 5.7% at constant exchange rates on the half-year ended June 30, 2018 re-presented.

EBITDA reconciles with current EBIT for the half-years ended June 30, 2019 and June 30, 2018 as follows:

| *(in € million)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 |
|---|---|---|
| **EBITDA** | **1,899.5** | **2,001.9** |
| Renewal expenses | (135.0) | (138.9) |
| Depreciation and amortization (*) | (1,031.1) | (1,073.3) |
| Provisions, fair value adjustments & other: | 21.5 | 11.3 |
| Share of current net income of joint ventures and associates | 58.1 | 56.3 |
| **Current EBIT** | **813.1** | **857.3** |

*(*)Including principal payments on operating financial assets (OFA).*

The improvement in current EBIT at constant exchange rates reflects:

- EBITDA growth;
- the favorable change in net reversals of operating provisions and net asset impairments (compared to H1 2018, which was marked by one-off charges in the United Kingdom, Korea and Australia);

Offset by:

- the increase in principal payments on operating financial assets in 2019;
- a slight decrease in the contribution of equity-accounted entities, following the recognition in 2018 of a gain on disposal in the United States (capital gain of +€15.9 million), partially offset by an increased contribution from the Chinese concessions.

The foreign exchange impact on Current EBIT was -€1.9 million and mainly reflects fluctuations in the Argentine peso (-€5.8 million) and the Polish zloty (-€1.4 million), partially offset by positive fluctuations in the US dollar (+€4.0 million) and the Chinese renminbi (+€0.4 million).

Changes in current EBIT **by segment** were as follows:

| | | | Change 2018 / 2019 | |
|---|---|---|---|---|
| *(in € million)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 | ∆current | ∆ at constant exchange rates |
| France | 53.3 | 68.0 | 27.6% | 27.6% |
| Europe, excluding France | 435.5 | 426.9 | -2.0% | -1.5% |
| Rest of the world | 278.7 | 290.0 | 4.1% | 3.5% |
| Global businesses | 54.2 | 67.4 | 24.4% | 26.6% |
| Other | (8.6) | 5.0 | n/a | n/a |
| **Group** | **813.1** | **857.3** | **5.4%** | **5.7%** |

## Net financial expense

| *(in € million)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 |
|---|---|---|
| **Cost of net financial debt (1)** | **(199.6)** | **(222.5)** |
| Net gains / losses on loans and receivables | 5.7 | 6.7 |
| Net income (loss) on available-for-sale assets | 1.6 | 1.0 |
| Assets and liabilities at fair value through the Consolidated Income Statement | (0.1) | 0.2 |
| Foreign exchange gains (losses) | (3.0) | 0.5 |
| Unwinding of the discount on provisions | (12.1) | (15.9) |
| Interest on concession liabilities | (45.5) | (40.3) |
| Interest on IFRS 16 lease liabilities | (23.4) | (22.8) |
| Other | (11.3) | (20.0) |
| **Other current financial income and expenses (2)** | **(88.1)** | **(90.6)** |
| Gains (losses) on disposals of financial assets(*) | 18.8 | 18.3 |
| **Current net financial expense (1)+(2)** | **(268.9)** | **(294.8)** |
| Other non-current financial income and expenses(**) | - | 32.7 |
| **Net financial expense** | **(268.9)** | **(262.1)** |

*(*) Iincluding financial asset disposal costs*

*(**) Essentially related to the impact of the divestiture of the Groups residual stake of 30% of Transdev Group.*

The **cost of net financial debt** totaled €222.5 million for the half-year ended June 30, 2019, compared to €199.6 million for the half-year ended June 30, 2018 re-presented. This unfavorable change is mainly due to higher volumes and rates for non-euro denominated debt (widening difference between euro/non-euro rates), as well as the €6.5 million temporary impact of carrying the €750 million bond issue performed at the beginning of January 2019 in anticipation of the bond redemption at the end of April.

The financing rate, excluding IFRS 16, is 4.31% as of June 30, 2019, compared to 4.40% as of June 30, 2018 re-presented, mainly due to improved investment performance tied to more favorable UCITS remuneration conditions.

**Other financial income and expenses** totaled -€90.6 million for the half-year ended June 30, 2019, compared to -€88.1 million for the half-year ended June 30, 2018 re-presented.

This heading includes interest on concession liabilities (IFRIC 12) of -€40.3 million, interest on the IFRS 16 lease liabilities of -€22.8 million and the unwinding of discounts on provisions of -€15.9 million. It also includes capital gains or losses on financial divestitures of €18.3 million for the half-year ended June 30, 2019, compared to €18.8 million for the half-year ended June 30, 2018 re-presented . In 2019, capital gains on financial divestitures notably include the capital gain on the sale of the Foshan landfill in China (€36.7 million), partially offset by the negative earn-out regarding the sale of a North American contract in energy (-€16.4 million).

## Income tax expense

The current income tax expense for the half-year ended June 30, 2019 is -€121.0 million, compared to -€129.2 million for the half-year ended June 30, 2018 re-presented.

The current tax rate for the half-year ended June 30, 2019 is lower at 23.9% (versus 26.6% for the half-year ended June 30, 2018 re-presented) after adjustment for the impact of financial divestitures, non-recurring items within net income of fully-controlled entities and the share of net income of equity-accounted companies.

| *(in € million)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 |
|---|---|---|
| **Current income before tax (a)** | **544.0** | **562.5** |
| Of which share of net income of joint ventures & associates (b) | 58.1 | 56.3 |
| **Re-presented current income before tax: (d)=(a)-(b)-(c)** | **485.9** | **506.2** |
| **Re-presented tax expense (e)** | **(129.2)** | **(121.0)** |
| **Re-presented tax rate on current income (e)/(d)** | **26.6%** | **23.9%** |

The total income tax expense for the half-year ended June 30, 2019 is -€98.8 million, compared to -€123.7 million for the half-year ended June 30, 2018 re-presented (see Section 3.2.4.3)

## Current net income

**Current net income attributable to owners of the Company** rose 7.2% at constant exchange rates to €352.4 million for the half-year ended June 30, 2019, compared to €327.6 million for the half-year ended June 30, 2018 re-presented.

## Net income

**Net income attributable to owners of the Company was** €331.4 million for the half-year ended June 30, 2019, compared to €226.1 million for the half-year ended June 30, 2018 represented.

**Net income attributable to owners of the Company per share** was €0.60 (basic) and €0.57 (diluted) for the half-year ended June 30, 2019, compared to €0.29 (basic) and €0.28 (diluted) for the half-year ended June 30, 2018 re-presented.

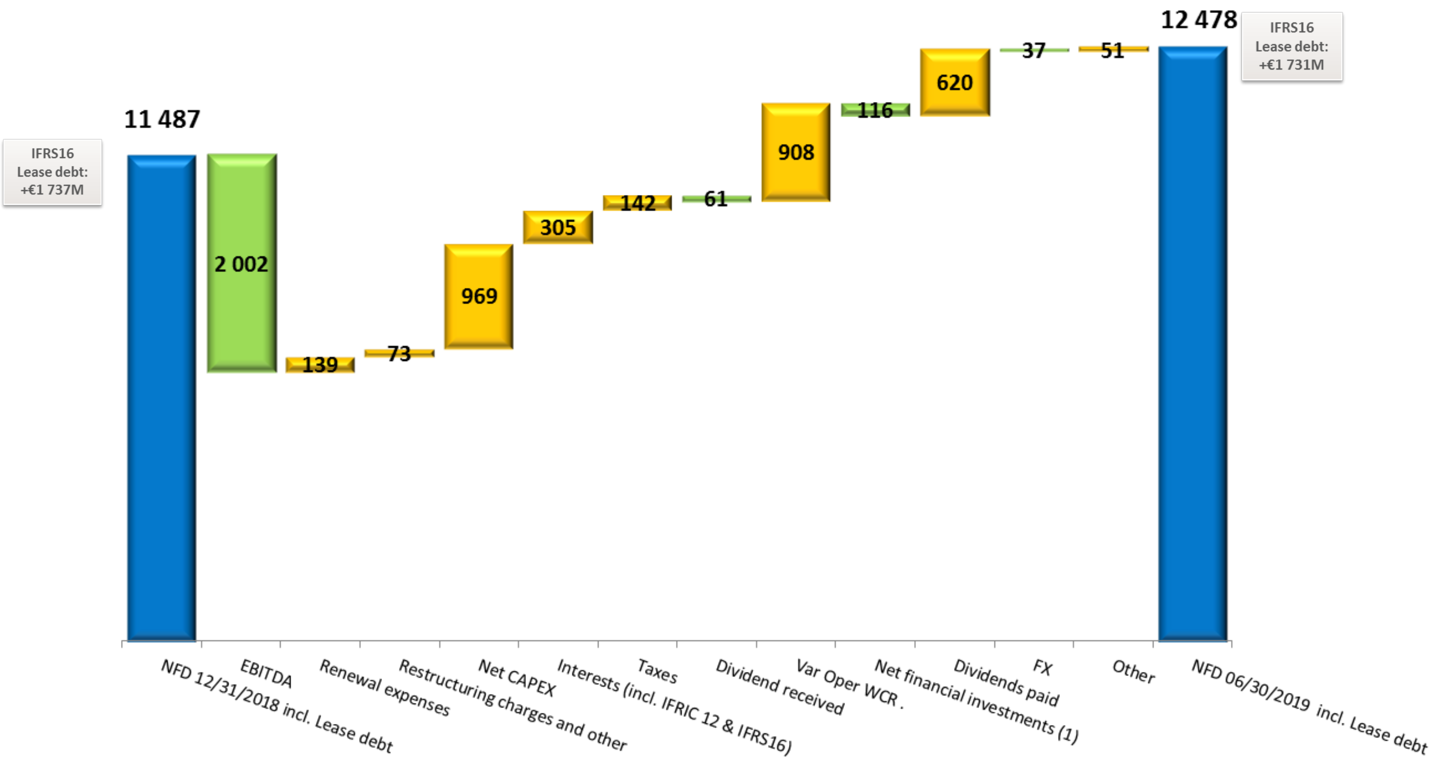
## Financing

**Net free cash flow** is -€473 million for the half-year ended June 30, 2019, compared to -€322 million for the half-year ended June 30, 2018 re-presented.

The change in net free cash flow compared to the half-year ended June 30, 2018 re-presented mainly reflects higher net industrial investments compared to 2018 (-€969 million) and the change in operating WCR of -€908 million (in line with the development of Group activities).

Overall, **Net financial debt** is -€12,478 million, compared to -€12,398 million as of June 30, 2018 re-presented (including the redemption of the hybrid debt in April 2018 in the amount of €1,452 million).

In addition to the change in net free cash flow, net financial debt was also impacted by negative exchange rate fluctuations of -€20 million in H1 2019.




*(1) Financial investments of -€264 million net of financial divestitures of +€381 million.*

## 3.2.3 REVENUE BY BUSINESS

| *(in € million)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 | Change 2018 / 2019 | | |
|---|---|---|---|---|---|
| | | | ∆ Current | ∆ at constant exchange rates | ∆ at constant scope and exchange rates |
| Water | 5,187.6 | 5,357.2 | 3.3% | 2.2% | 3.0% |
| Waste | 4,687.9 | 5,010.5 | 6.9% | 7.2% | 4.6% |
| Energy | 2,712.4 | 2,956.2 | 9.0% | 9.1% | 5.9% |
| **Group** | **12,587.9** | **13,323.9** | **5.8%** | **5.5%** | **4.2%** |

### Water

Water revenue increased by +2.2% at constant exchange rates and +3.0% at constant scope and exchange rates compared to re-presented figures for the half-year ended June 30, 2018. This improvement can be explained by:

- A positive **commerce / volume impact** of +1.2%, due to commercial momentum in the Rest of the World (primarily Asia) and higher volumes in France (1.1%) and Central Europe (+2.5%);
- A positive **price impact** of +1.1% with higher tariffs notably in Central Europe and Latin America, as well as better tarif indexation in France (+1.4% compared to +0.6% for H1 2018);
- Increased **construction** activity (+1.1%), with strong performance by SADE in France.

### Waste

Waste revenue rose +7.2% at constant exchange rates compared to re-presented figures for the half-year-ended June 30, 2018 (+4.6% at constant consolidation scope and exchange rates), due to:

- A **scope impact** of +2.6% due to acquisitions in Northern Europe and Colombia (Grupo Sala);
- A **commerce / volume impact** of +1.9%, with higher volumes processed, notably in France and Germany and strong growth in hazardous waste volumes processed (+4.4%), as well as a high contract renewal rate;
- A positive **price effect** of +2.5% (mainly in France, the United Kingdom and Latin America and in hazardous waste);
- The limited **impact of recycled paper prices** (mainly due to a fall in paper prices in Europe, partially offset by higher prices for other recyclates, including plastic).

### Energy

Energy revenue rose +9.1% at constant exchange rates compared to re-presented figures for the half-year ended June 30, 2018 (+5.9% at constant consolidation scope and exchange rates). This improvement can be explained by:

- A positive **price effect** (+2.3%) with a strong increase in heating and electricity prices, mainly in Central Europe;
- growth in **energy volumes** sold and contract wins, notably energy efficiency contracts in Italy and Africa and the Middle East;
- a slightly negative **weather impact** (i.e. -0.9%), mainly in the United States.

## 3.2.4 OTHER INCOME STATEMENT ITEMS

### 3.2.4.1 Selling, general and administrative expenses

Selling, general and administrative expenses impacting Current EBIT are stable from €1,387.5 million for the half-year ended June 30, 2018 re-presented to €1,392.6 million for the half-year ended June 30, 2019 the ratio of selling, general and administrative expenses to revenue strongly improved from re-presented 11% for the half-year ended June 30, 2018 to 10.5% for the half-year ended June 30, 2019. This decline reflects the continuation of the cost savings plan.

### 3.2.4.2 Share of net income (loss) of other equity-accounted entities and discontinued operations

Income from discontinued operations consists of the residual impacts in 2019 of the sale of the Group's activities in Gabon in 2018 and of the income from discontinued operations of EPC international business.

### 3.2.4.3 Current net income (loss) / Net income (loss) attributable to owners of the Company

**The share of net income attributable to non-controlling interests** totaled €88.1 million for the half-year ended June 30, 2019, compared to €87.0 million for the half-year ended June 30, 2018 re-presented.

**Net income attributable to owners of the Company** was €331.4 million for the half-year ended June 30, 2019, compared to €226.1 million for the half-year ended June 30, 2018 re-presented.

**Current net income attributable to owners of the Company** was €352.4 million for the half-year ended June 30, 2019, compared to €327.6 million for the half-year ended June 30, 2018 re-presented.

Based on a weighted average number of outstanding shares of 553,150 thousand (basic), and 577,741 thousand (diluted), for the half-year ended June 30, 2019, compared to 550,687 thousand (basic) and 574,478 thousand (diluted) for the half-year ended June 30, 2018, net income attributable to owners of the Company per share for the half-year ended June 30, 2019 was €0.60 (basic) and €0.57 (diluted) compared to €0.29 (basic) and €0.28 (diluted), for the half-year ended June 30, 2018 re-presented. Current net income attributable to owners of the Company per share was €0.64 (basic) and €0.61 (diluted) for the half-year ended June 30, 2019, compared to €0.60 (basic) and €0.57 (diluted) for the half-year ended June 30, 2018 re-presented.

The dilutive effect taken into account in the above earnings per share calculation concerns the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued in March 2016 and the performance share plan implemented from July 1st, 2018 to May 2021

Net income (loss) attributable to owners of the Company for the half-year ended **June 30, 2019** breaks down as follows:

| *(In € million)* | **Current** | **Non-current** | **Total** |
|---|---|---|---|
| EBIT | 857.3 | (60.9) | 796.4 |
| Cost of net financial debt | (222.5) | | (222.5) |
| Other financial income and expenses | (72.3) | 32.7 | (39.6) |
| **Pre-tax net income (loss)** | **562.5** | **(28.2)** | **534.3** |
| Income tax expense | (121.0) | 22.2 | (98.8) |
| Net income (loss) of other equity-accounted entities | 0.0 | 0.0 | 0.0 |
| Net income (loss) from discontinued operations | 0.0 | (15.9) | (15.9) |
| Attributable to non-controlling interests | (89.0) | 0.9 | (88.1) |
| **Net income (loss) attributable to owners of the Company** | **352.4** | **(21.0)** | **331.4** |

For the re-presented half-year ended **June 30, 2018**, net income (loss) attributable to owners of the Company breaks down as follows:

| *(In € million)* | Current | Non-current | Total |
|---|---|---|---|
| EBIT | 813.1 | (62.7) | 750.3 |
| Cost of net financial debt | (199.6) | | (199.6) |
| Other financial income and expenses | (69.3) | 0 | (69.3) |
| **Pre-tax net income (loss)** | **544.1** | **(62.7)** | **481.4** |
| Income tax expense | (129.2) | 5.5 | (123.7) |
| Net income (loss) of other equity-accounted entities | 0 | - | - |
| Net income (loss) from discontinued operations | 0 | (44.6) | (44.6) |
| Attributable to non-controlling interests | (87.3) | 0.3 | (87.0) |
| **Net income (loss) attributable to owners of the Company** | **327.6** | **(101.5)** | **226.1** |

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

| *(In € million)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 |
|---|---|---|
| **Current EBIT** | **813.1** | **857.3** |
| Impairment losses on goodwill and negative goodwill | (0.1) | - |
| Net charges to non-current provisions | 8 | 15.3 |
| Restructuring costs | (41.8) | (20.9) |
| Non-current impairment losses on WCR | 0.7 | (0.2) |
| Personnel costs - share-based payments | (6.2) | (8.8) |
| Non-current provisions and impairment of property, plant and equipment, intangible assets, operating financial assets and other | (20.7) | (44.8) |
| Share acquisition costs, with or without acquisition of control | (2.5) | (1.6) |
| **Total non-current items** | **(62.7)** | **(60.9)** |
| **Operating income after share of net income of equity-accounted entities** | **750.3** | **796.4** |

Restructuring charges for the half-year ended June 30, 2019 are mainly due to Veolia Water Technologies business for –€11 million. The impact of restructuring in Water France is non-significant on operating income, as incurred costs are offset by equivalent provisions reversals.

Non-current provisions and impairment of property, plant and equipment, intangible assets, operating financial assets and other notably cover the fair value adjustment of the Swordfish ship sold on July 9, 2019.

# 3.3 Financing

## 3.3.1 CHANGES IN NET FREE CASH FLOW AND NET FINANCIAL DEBT

The following table summarizes the change in net financial debt and net free cash flow:

| *(in millions of euro)* | **Half-year ended June 30, 2018 re-presented** | **Half-year ended June 30, 2019** |
|---|---|---|
| **EBITDA** | **1,900** | **2,002** |
| Net industrial investments | (899) | (969) |
| Change in operating WCR | (787) | (908) |
| Dividends received from equity-accounted entities and joint ventures | 95 | 61 |
| Renewal expenses | (135) | (139) |
| Other non-current expenses and restructuring charges | (119) | (73) |
| Interest on concession liabilities (I12) | (46) | (40) |
| Interest on right-of-use (IFRS 16) | (23) | (23) |
| Financial items (current interest paid and operating cash flow from financing activities) | (203) | (242) |
| Taxes paid | (104) | (142) |
| **Net free cash flow before dividend payment, financial investments and financial divestitures** | **(322)** | **(473)** |
| Dividends paid | (618) | (620) |
| Net financial investments | (303) | 116 |
| Change in receivables and other financial assets | (48) | (45) |
| Issue / redemption of deeply subordinated securities | 0 | 0 |
| Proceeds on issue of shares | (13) | 0 |
| **Free cash flow** | **(1,304)** | **(1,022)** |
| Effect of foreign exchange rate movements and other (*) | (1,470) | 31 |
| **Change** | **(2,773)** | **(991)** |
| Net financial debt at the beginning of the period | (9,626) | (11,487) |
| **Net financial debt at the end of the period** | **(12,398)** | **(12,478)** |

*(*)The effect of foreign exchange rate and other movements as of June 30, 2018 includes the redemption of the hybrid debt in the amount of €1,452 million and the favorable impact of the Polish zloty and the Brazilian real, offset by the unfavorable impact of the Hong Kong dollar, the US dollar and the Chinese renminbi.*

Net free cash flow before dividend payments and net financial investments was -€473 million for the half-year ended June 30, 2019 (versus -€322 million for the half-year ended June 30, 2018 re-presented).

The change in net free cash flow compared to the re-presented figure for the half-year ended June 30, 2019 primarily reflects improved EBITDA, offset by a less favorable change in operating working capital requirements, and greater net industrial investments driven by an increase in growth projects finalized compared to the first-half of 2018.

## 3.3.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

### 3.3.2.1 Industrial investments

Total Group gross industrial investments, including new operating financial assets, amounted to €1,005 million for the half-year ended June 30, 2019, compared to €928 million for the half-year ended June 30, 2018 re-presented.

Industrial investments, excluding discontinued operations, break down by **segment** as follows:

| **Half-year ended June 30, 2019** *(in € million)* | **Maintenance and contractual requirements** (1) | **Discretionary growth** | **Total gross industrial investments** (2)(3) |
|---|---|---|---|
| France | 225 | 4 | 229 |
| Europe, excluding France | 279 | 51 | 330 |
| Rest of the world | 233 | 97 | 330 |
| Global businesses | 95 | 7 | 102 |
| Other | 14 | 0 | 14 |
| **Group** | **846** | **159** | **1,005** |

*(1) Including maintenance investments of €530 million(IFRS16 included) and contractual investments of €316 million.*

*(2) Including new OFA in the amount of €70.5 million.*

*(3) The amount of industrial disposal is €37 million and includes receivables on the sale of operating assets, bringing the total amount of net industrial investments to €969 million for the half-year ended June 30, 2019*

| **Half-year ended June 30, 2018 re-presented** *(in € million)* | **Maintenance and contractual requirements** (1) | **Discretionary growth** | **Total gross industrial investments** (2)(3) |
|---|---|---|---|
| France | 212 | 9 | 221 |
| Europe, excluding France | 286 | 26 | 312 |
| Rest of the world | 217 | 79 | 296 |
| Global businesses | 80 | 7 | 87 |
| Other | 12 | 0 | 12 |
| **Group** | **807** | **121** | **928** |

*(1) Including maintenance investments of €504 million and contractual investments of €303 million.*

*(2) Including new OFA in the amount of €55.5 million.*

*(3) The amount of industrial disposal is €29 million and includes receivables on the sale of operating assets, bringing the total amount of net industrial investments to €899 million for the half-year ended June 30, 2018*

At constant exchange rates, gross industrial investments increased 8% on the first-half of 2019, due to the +31% increase in discretionary growth industrial investments compared to the half-year ended June 30, 2018 re-presented. These investments concern, among others, biomass development projects in Asia, the incineration of hazardous waste and energy services to industrial companies, as well as the development of connections to heating networks and the extension of drinking and wastewater network in Central Europe The ratio of maintenance investments (€530 million) to revenue remains steady (4%).

### 3.2.2.2 Financial investments and divestitures

Financial investments amounted to €264 million for the half-year ended June 30, 2019 (including acquisition costs and net financial debt of new entities) and notably include the impacts arising from the acquisition of Levice in Slovakia (€71 million), Renascimento in Portugak (€38 million) as well as the acquisition of 66% of shares in Huafei which specializes in plastic recycling in China for a consideration of €22 million.

Financial divestitures totaled €381 million for the half-year ended June 30, 2019 (including disposal costs) and mainly include the disposal of Transdev Group for a consideration of €334 million and the sale of the Group's participation in Foshan landfill in China for €26 million. Financial divestitures in the half-year ended June 30, 2018 (€129 million) include the sale of the Industrial Services division in the United States (€94 million) and the payment of the receivable relating to the sale of the Group's activities in Israel in 2015 (€25 million).

## 3.3.3 OPERATING WORKING CAPITAL REQUIREMENTS

The change in operating working capital requirements (excluding discontinued operations) was -€908 million for the half-year ended June 30, 2019, compared to -€787 million for the half-year ended June 30, 2018 re-presented.

The change in operating working capital requirements compared to December 31, 2018, is mainly due to seasonal effects.

See Note 5.3 to the consolidated financial statements for the half-year ended June 30, 2019.

## 3.3.4 EXTERNAL FINANCING

### 3.3.4.1 Structure of net financial debt

| *(in millions of euro)* | Note to the consolidated financial statements | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 |
|---|---|---|---|
| Non-current borrowings | 8.1.1 | 10,392 | 11,722 |
| Current borrowings | 8.1.1 | 5,032 | 4,753 |
| Bank overdrafts and other cash position items | 8.1.3 | 261 | 333 |
| **Sub-total borrowings** | | **15,686** | **16,808** |
| Cash and cash equivalents | 8.1.3 | (2,929) | (3,836) |
| Fair value gains (losses) on hedge derivatives | 8.3.1 | 3 | (29) |
| Liquid assets and financing-related assets | 8.1.2 | (361) | (467) |
| **Net financial debt** | | **12,398** | **12,478** |

As of June 30, 2019, net financial debt after hedging is borrowed 94% at fixed rates and 6% at floating rates.

The average bond issue maturity was 7.2 years as of June 30, 2019 compared to 8 years as of June 30, 2018.

### 3.3.4.2 Group liquidity position

Liquid assets of the Group as of June 30, 2019 break down as follows:

| *(in millions of euro)* | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 |
|---|---|---|
| **Veolia Environnement:** | | |
| Undrawn syndicated loan facility | 3,000.0 | 3,000.0 |
| Undrawn MT bilateral credit lines | 925.0 | 925.0 |
| Undrawn ST bilateral credit lines | - | - |
| Letters of credit facility | 66.6 | 87.0 |
| Cash and cash equivalents [(1)] | 2,190.9 | 2,767.2 |
| **Subsidiaries:** | | |
| Cash and cash equivalents [(1)] | 1,099.5 | 1,535.0 |
| **Total liquid assets** | **7,282.0** | **8,314.2** |
| **Current debt, bank overdrafts and other cash position items** | | |
| Current debt | 5,032.6 | 4,754.8 |
| Bank overdrafts and other cash position items | 261.4 | 333.2 |
| **Total current debt and bank overdrafts** | **5,294.0** | **5,088.0** |
| **Total liquid assets net of current debt and bank overdrafts and other cash position items** | **1,988.0** | **3,226.2** |

*(1) Including liquid assets and financing-related assets included in net financial debt.*

The increase in net liquid assets mainly reflects two successive bond issues in December 2018 and January 2019 of a total nominal amount of €1.5 billion, and a bond issue on the Chinese domestic market on August 9, 2018 of a nominal amount of 1 billion renminbi (€128 million equivalent), less the redemption in April 2019 of a euro-denominated bond line in the nominal amount of €462 million.

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

On November 6, 2015, Veolia Environnement signed a multi-currency syndicated loan facility in the amount of €3 billion, initially maturing in 2020 and extended to 2022 in October 2017, with the possibility for drawdowns in Eastern European currencies and Chinese renminbi. This syndicated loan facility was not drawn as of June 30, 2019.

Furthermore, Veolia Environnement has euro bilateral credit lines for a total undrawn amount of €925 million as of June 30, 2019.

As of June 30, 2019, the US dollar bilateral letters of credit facility was drawn by US$86 million. The portion that may be drawn in cash of US$99 million (€87 million equivalent), is undrawn and recorded in the liquidity table above.

### 3.3.4.3 Bank covenants

See Note 7.1.1.2 to the consolidated financial statements for the half-year ended June 30, 2019.

## 3.4 Related-party transactions

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, *Related Party Disclosures* (see Note 12 to the consolidated financial statements for the half year-ended June 30, 2019).

## 3.5 Subsequent events

In the framework of the frequent review of its asset portfolio, Veolia, through its subsidiary Veolia Energy North America Holdings, Inc, has sold on July 31, 2019 for a consideration of $1.25 billion its district energy assets in the United States to Antin Infrastructure Partners. The portfolio comprises steam, hot and chilled water and electricity production plants, including cogeneration, and 13 networks in 10 US cities.

This transaction is submitted to the approval of the authorities and its closing is expected in the fourth quarter of 2019

## 3.6 Risk factors

The main risk factors the Group could confront are set out in Chapter 5 of the 2018 Registration Document. No significant development has occurred since the date of filing of the aforementioned document.

## 3.7 Outlook

Following the good start to 2019, the Group confirms its outlook(1).

- 2019(2):
  - continuation of revenue growth;
  - more than €220 million in cost savings;
  - EBITDA between €3.9 and €4.0 billion including IFRS 16 impacts.
- Dividend growth in line with that of current net income.

*(1) this outlook rely in particular on:*

- *assumptions of average temperatures in our Water and Energy businesses*
- *commodity price assumptions based on market conditions at the end of December 2018,*
- *the absence of substantial scope operation*
- *the absence of substantial regulatory and economic environment changes,*
- *the implementation of our cost savings programs,*
- *and the absence of any significant change in accounting standards except IFRS 16.*

*(2) at constant exchange rates (based on rates at the end of 2018).*

# 3.8 Appendices

## 3.8.1 RECONCILIATION OF GAAP INDICATORS AND THE INDICATORS USED BY THE GROUP

The reconciliation of Current EBIT with operating income, as shown in the income statement, is presented in Section 3.2.4.3. Likewise, the reconciliation of current net income with net income attributable to owners of the Company, as shown in the income statement, is presented in Section 3.2.4.3.

The reconciliation of **Net cash** from operating activities of continuing operations (included in the Consolidated Cash Flow Statement) with net free cash flow is as follows:

| *(In € million)* | **Note** | **Half-year ended June 30, 2018 re-presented** | **Half-year ended June 30, 2019** |
|---|---|---|---|
| ***Net cash from operating activities of continued operations*** | | ***590.4*** | ***558.4*** |
| Including: | | | |
| Industrial investments, net of grants | | (576.0) | (672.6) |
| Proceeds on disposal of intangible assets and property plant and equipment | | 29.1 | 36.6 |
| New operating financial assets | | (55.5) | (70.5) |
| Principal payments on operating financial assets | | 71.6 | 102.2 |
| New finance lease obligations | | (223.9) | (210.3) |
| Dividends received | Note 5.2.2 | 94.9 | 61.0 |
| Interest paid | | (286.9) | (292.6) |
| Excluding: | | | |
| Share acquisition and disposal costs and other items | | 34.3 | 15.1 |
| **Free cash-flow net** | | **(322.0)** | **(472.7)** |

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

| *In € million* | **Half-year ended June 30, 2018 re-presented** | **Half-year ended June 30, 2019** |
|---|---|---|
| **Industrial investments, net of grants** | **(576.0)** | **(672.6)** |
| New finance lease obligations | (223.9) | (210.3) |
| Change in concession working capital requirements | (72.9) | (51.8) |
| New operating financial assets | (55.5) | (70.5) |
| **Industrial investments** | **(928.3)** | **(1,005.2)** |

## 3.8.2 RECONCILIATION OF 2018 REPORTED DATA WITH 2017 RE-PRESENTED DATA[1]

| *(In € million)* | June 18 published | Retraitement IFRIS 5 [3] | Retraitement IFRS 16 | June 18 re-presented |
|---|---|---|---|---|
| Revenue | 12,564.5 | 23.4 | 0,0 | 12,587.9 |
| EBITDA | 1,672.8 | 3.2 | 223.5 | 1,899.5 |
| Current EBIT[2] | 791.7 | (2,0) | 23.3 | 813.1 |
| Operating income | 729.0 | (2,0) | 23.3 | 750.3 |
| Current net income – Group share | 328.9 | (2,0) | 0.8 | 327.6 |
| Net income – Group share | 225.4 | 0,0 | 0.8 | 226.2 |
| Gross industrial investments | (712) | 0 | (216) | (928) |
| Net free cash-flow | (321) | 4 | (4) | (322) |
| Net financial debt | (10,609) | 0 | (1,789) | (12,398) |

| *(In € million)* | June 18 published | Retraitement IFRIS 5 [3] | Retraitement IFRS 16 | June 18 re-presented |
|---|---|---|---|---|
| France | 2,655.9 | 0.0 | 0.0 | 2,655.9 |
| Europe excluding France | 4,516.6 | 23.4 | 0.0 | 4,540.0 |
| Rest of the world | 3,191.8 | 0.0 | 0.0 | 3,191.8 |
| Global businesses | 2,185.2 | 0.0 | 0.0 | 2,185.2 |
| Other | 15.0 | 0.0 | 0.0 | 15.0 |
| **Revenue** | **12,564.5** | **23.4** | **0.0** | **12,587.9** |

| *(In € million)* | June 18 published | Retraitement IFRIS 5 [3] | Retraitement IFRS 16 | June 18 re-presented |
|---|---|---|---|---|
| France | 373.5 | 0.0 | 48.1 | 421.6 |
| Europe excluding France | 746.1 | 3.2 | 58.1 | 807.4 |
| Rest of the world | 445.0 | 0.0 | 55.0 | 500.0 |
| Global businesses | 105.7 | 0.0 | 43.8 | 149.5 |
| Other | 2.5 | 0.0 | 18.6 | 21.1 |
| **EBITDA** | **1 672.8** | **3.2** | **223.5** | **1,899.5** |

| *(In € million)* | June 18 published | Retraitement IFRIS 5 [3] | Retraitement IFRS 16 | June 18 re-presented |
|---|---|---|---|---|
| France | 49.8 | 0.0 | 3.6 | 53.3 |
| Europe excluding France | 430.3 | -2.0 | 7.1 | 435.5 |
| Rest of the world | 270.9 | 0.0 | 7.8 | 278.7 |
| Global businesses | 51.1 | 0.0 | 3.1 | 54.2 |
| Other | (10.3) | 0.0 | 1.6 | (8.6) |
| **EBIT Courant** | **791.7** | **-2.0** | **23.3** | **813.1** |

## 3.8.3 DEFINITIONS

The definitions of the financial indicators used by the Group are unchanged. These financial indicators are defined in Section 3.10.3 of the 2018 Registration Document.

*(1) Unaudited figures.*
*(2) Including the share of current net income of joint ventures and associates for the half-year ended June 30, 2018 re-presented.*
*(3) Figures for the half-year ended June 31, 2018 were re-presented accordingly to ensure comparability, following the reclassification of the Group's activities in Lithuania in "Net income from discontinued operations" in accordance with IFRS 5.*

# 3.9 Recent events since the filing of the Universal Registration Document

The following information is taken from press releases available on the Veolia website (www.veolia.com/en/veolia-group/finance/regulated-information/our-press-releases).

- On March 18, 2019, Veolia Environnement announced the launch of a partnership with Nestlé for the collection, sorting and recycling of plastic waste, with a particular emphasis on flexible plastic packaging. Projects will focus on eleven priority countries across Asia, Africa, Latin America and Europe.
- On March 21, 2019, Veolia Environnement announced the death of Mr. Serge Michel, a non-voting member of the Board of Directors (*censeur*), on March 15, 2019.
- On March 26, 2019, Veolia announced that after supporting Danone throughout the design and build phases of a state-of-the-art Nutricia production site in the Netherlands, it will provide guaranteed levels of availability and reliability of on-site industrial utilities, over the next 10 years.
- On April 18, 2019, the Veolia Environnement Combined General Meeting met and approved all the resolutions 1 to 16 on the agenda.

  During this meeting, Veolia Group officially adopted a Purpose. Drawn up in consultation with its various stakeholders and approved by the Board of Directors, the Purpose articulates why Veolia exists and what it does and how, for the benefit of all its stakeholders. The result of 160 years of history, Veolia's Purpose is in line with its "Resourcing the World" mission statement.
- On May 2, 2019, Veolia Environnement issued a press release on its results for the period ended March 31, 2019.
- On May 10, 2019, Veolia Environnement announced the launch of a new shareholder transaction for Group employees. This transaction, open to around 140,000 Group employees across 30 countries and expected to close on October 15, 2018, is intended to give employees a vested interest in the development and performance of Veolia Environnement.
- On June 3, 2019, Veolia Environnement issued a press release announcing a new contract with the industrial company, AngloGold Ashanti Ghana Limited, a subsidiary of the South-African headquartered mining company, AngloGold Ashanti, the world's third largest gold producer. Veolia Ghana Limited will be responsible for operating and maintaining all the water treatment plants for the Obuasi mine in Ghana. Under this three-year contract, Veolia will provide all its operational expertise for the mining industry.
- On July 15, 2019, Veolia Environnement announced the appointment of Anne Le Guennec as Director of Veolia's Waste activities in France, replacing Bernard Harambillet, who wished to pursue his career outside the Group. Reporting to Estelle Brachlianoff, Chief Operations Officer, Anne Le Guennec is joining Veolia's Management Committee.
- On July 24, 2019, Veolia Environnement issued a press release announcing a new contract with Koweït Integrated Petroleum Industries Company (KIPIC), through its Veolia Middle East subsidiary. This contract is for the operation and maintenance of the wastewater treatment plant at its Al-Zour refinery in southern Kuwait. The 7-year contract is worth a total of US$63 million.
- On July 31, 2019, Veolia Environnement issued a press release announcing, through its Veolia Energy North America Holdings, Inc subsidiary has sold its district energy assets in the United States to Antin Infrastructure Partners. its asset portfolio in the light of its strategy and development plan. The portfolio comprises steam, hot and chilled water and electricity production plants, including cogeneration, and 13 networks in 10 US cities. This transaction is submitted to the approval of the authorities and its closing is expected in the fourth quarter of 2019
- On August 1, 2019, Veolia Environnement issued a press release presenting its 2019 half-year results.

# 4

# FINANCIAL STATEMENTS

(CHAPTER 4 OF THE 2018 REGISTRATION DOCUMENT)

## 4.1 Condensed intermim financial statements for the half year ended June 30, 2019

### 4.1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**Consolidated statement of financial position - assets**

| *(In € million)* | Notes | As of December 31, 2018 | As of December 31, 2018 represented (*) | As of June 30, 2019 |
|---|---|---|---|---|
| Goodwill | Note 6.1 | 5,107.7 | 5,107.7 | 5,069.8 |
| Concession intangible assets | Note 6.2.1 | 3,467.3 | 3,467.3 | 3,357.0 |
| Other intangible assets | Note 6.2.2 | 1,116.3 | 1,116.3 | 1,163.5 |
| Property, plant and equipment | Note 6.3 | 7,856.8 | 7,856.8 | 7,290.5 |
| Rights of use (net) | Note 6.4 | - | 1,621.9 | 1,638.5 |
| Investments in joint-ventures | Note 5.2 | 1,517.1 | 1,511.1 | 1,522.4 |
| Investments in associates | Note 5.2 | 370.2 | 370.2 | 369.5 |
| Non-consolidated investments | | 44.3 | 44.3 | 46.6 |
| Non-current operating financial assets | Note 5.4 | 1,387.1 | 1,387.1 | 1,349.3 |
| Non-current derivative instruments - Assets | Note 7.2 | 31.6 | 31.6 | 45.8 |
| Other non-current financial assets | Note 7.1.3 | 332.8 | 332.8 | 362.1 |
| Deferred tax assets | | 1,028.3 | 1,058.4 | 1,077.7 |
| **Non-current assets** | | **22,259.5** | **23,905.5** | **23,292.7** |
| Inventories and work-in-progress | Note 5.3 | 818.0 | 818.0 | 841.6 |
| Operating receivables | Note 5.3 | 9,016.3 | 9,010.0 | 9,216.8 |
| Current operating financial assets | Note 5.4 | 99.3 | 99.3 | 94.9 |
| Other current financial assets | Note 7.1.3 | 432.2 | 432.2 | 748.1 |
| Current derivative instruments - Assets | Note 7.2 | 69.2 | 69.2 | 45.7 |
| Cash and cash equivalents | Note 7.1.4 | 4,556.5 | 4,556.5 | 3,835.5 |
| Assets classified as held for sale | Note 3.2 | 341.8 | 341.8 | 853.3 |
| **Current assets** | | **15,333.3** | **15,327.0** | **15,635.9** |
| **TOTAL ASSETS** | | **37,592.8** | **39,232.5** | **38,928.6** |

*(* ) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

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

## Consolidated statement of financial position - equity and liabilities

| *(In € million)* | Notes | As of December 31, 2018 | As of December 31, 2018 re-presented (*) | As of June 30, 2019 |
|---|---|---|---|---|
| Share capital | Note 8.1.1 | 2,828.0 | 2,828.0 | 2,829.1 |
| Additional paid-in capital | | 7,182.5 | 7,182.5 | 7,181.3 |
| Reserves and retained earnings attributable to owners of the Company | | -4,025.1 | -4,126.4 | -4,387.5 |
| **Total equity attributable to owners of the Company** | Note 8.1 | **5,985.4** | **5,884.1** | **5,622.8** |
| Total equity attributable to non-controlling interests | Note 8.2 | 1,158.9 | 1,152.1 | 1,172.8 |
| **Equity** | | **7,144.3** | **7,036.2** | **6,795.6** |
| Non-current provisions | Note 9 | 1,790.3 | 1,800.6 | 1,817.7 |
| Non-current borrowings | Note 7.1.1 | 9,655.5 | 9,517.6 | 10,295.1 |
| Non-current lease debt (IFRS 16) | Note 7.1.2 | - | 1,479.4 | 1,426.9 |
| Non-current derivative instruments - Liabilities | Note 7.2 | 55.8 | 55.8 | 44.0 |
| Concession liabilities - non current | Note 5.5 | 1,350.4 | 1,350.4 | 1,286.4 |
| Deferred tax liabilities | | 1,042.6 | 1,042.6 | 995.2 |
| **Non-current liabilities** | | **13,894.6** | **15,246.4** | **15,865.3** |
| Operating payables | Note 5.3 | 10,964.9 | 10,964.9 | 10,180.7 |
| Current lease debt (IFRS 16) | Note.7.1.2 | - | 425.2 | 426.7 |
| Concession liabilities - current | Note 5.5 | 117.9 | 118.0 | 106.3 |
| Current provisions | Note 9 | 530.1 | 529.7 | 513.0 |
| Current borrowings | Note 7.1.1 | 4,622.5 | 4,593.6 | 4,328.1 |
| Current derivative instruments - Liabilities | Note 7.2 | 83.7 | 83.7 | 104.3 |
| Bank overdrafts and other cash position items | Note 7.1.4 | 215.7 | 215.7 | 333.2 |
| Liabilities directly associated with assets classified as held for sale | Note 3.2 | 19.1 | 19.1 | 275.4 |
| **Current liabilities** | | **16,553.9** | **16,949.9** | **16,267.7** |
| **TOTAL EQUITY AND LIABILITIES** | | **37,592.8** | **39,232.5** | **38,928.6** |

*(* ) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

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

## 4.1.2 CONSOLIDATED INCOME STATEMENT

| *(In € million)* | Notes | Half-year ended June 30, 2018 re-presented (*) | As of June 30, 2019 |
|---|---|---|---|
| **Revenue** | **Note 5.1** | **12,587.9** | **13,323.9** |
| Cost of sales | Note 5.2 | -10,439.8 | -11,134.5 |
| Selling costs | Note 5.2 | -297.9 | -305.5 |
| General and administrative expenses | Note 5.2 | -1,090.1 | -1,089.6 |
| Other operating revenue and expenses | Note 5.2 | -67.8 | -54.1 |
| **Operating income before share of net income (loss) of equity-accounted entities** | **Note 5.2** | **692.2** | **740.1** |
| **Share of net income (loss) of equity-accounted entities** | | **58.1** | **56.3** |
| o/w share of net income (loss) of joint ventures | Note 5.2 | 29.9 | 37.8 |
| o/w share of net income (loss) of associates | Note 5.2 | 28.2 | 18.5 |
| **Operating income after share of net income (loss) of equity-accounted entities** | | **750.3** | **796.4** |
| Net finance costs | Note 7.3.1 | -199.6 | -222.5 |
| Other financial income and expenses | Note 7.3.2 | -69.3 | -39.6 |
| **Pre-tax net income (loss)** | | **481.4** | **534.3** |
| Income tax expense | Note 10.1 | -123.7 | -98.9 |
| Share of net income (loss) of other equity-accounted entities | Note 5.2 | - | - |
| **Net income (loss) from continuing operations (1)** | | **357.8** | **435.4** |
| Net income (loss) from discontinued operations (1) | Note 3.2.1 | -44.6 | -15.9 |
| **Net income (loss) for the period** | | **313.1** | **419.5** |
| **Attributable to owners of the Company** | | **226.1** | **331.4** |
| Attributable to non-controlling interests | Note 8.2 | 87.0 | 88.1 |
| **NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE** | Note 8.4 | **-** | **-** |
| Diluted | | 0.29 | 0.60 |
| Basic | | 0.28 | 0.57 |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE** | Note 8.4 | - | - |
| Diluted | | 0.37 | 0.63 |
| Basic | | 0.36 | 0.60 |
| **NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE** | Note 8.4 | - | - |
| Diluted | | -0.08 | -0.03 |
| Basic | | -0.08 | -0.03 |

*(* ) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

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

## 4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(In € million)* | **Half-year ended June 30, 2018 re-presented (*)** | **As of June 30, 2019** |
|---|---|---|
| **Net income (loss) for the period** | **313.1** | **419.5** |
| Actuarial gains or losses on pension obligations | 15.3 | -33.6 |
| Income tax expense | -6.0 | -1.8 |
| *Amount net of tax* | 9.3 | -35.4 |
| **Other items of comprehensive income not subsequently released to net income** | **9.3** | **-35.4** |
| ***o/w attributable to joint-ventures*** | **-** | **-** |
| ***o/w attributable to associates*** | ***-0.2*** | **-** |
| Fair value adjustments on available-for-sale assets | -2.7 | 4.6 |
| Income tax expense | 0.6 | -1.4 |
| *Amount net of tax* | -2.1 | 3.3 |
| Fair value adjustments on cash flow hedge derivatives | 3.9 | -3.9 |
| Income tax expense | -1.2 | 0.6 |
| *Amount net of tax* | 2.7 | -3.3 |
| Foreign exchange gains and losses: | - | - |
| • on the translation of the financial statements of subsidiaries drawn up in a foreign | -35.4 | 34.5 |
| *Amount net of tax* | -35.4 | 34.5 |
| • on the net financing of foreign operations | -17.5 | -7.3 |
| • income tax expense | -0.3 | -0.1 |
| *Amount net of tax* | -17.8 | -7.4 |
| **Other items of comprehensive income subsequently released to net income** | **-52.6** | **27.1** |
| ***o/w attributable to joint-ventures (1)*** | ***22.8*** | ***12.2*** |
| ***o/w attributable to associates*** | ***-4.6*** | ***2.9*** |
| **Total Other comprehensive income** | **-43.3** | **2.2** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **269.8** | **411.2** |
| Attributable to owners of the Company | 188.8 | 317.3 |
| Attributable to non-controlling interests | 81.0 | 93.9 |

*(*) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

*(1) The share attributable to joint ventures mainly concerns the change in foreign exchange translation reserves of the Chinese concessions (+€16.5 million in the half-year ended June 30,2018 and -€94.7 million in the haf-year ended June 30,2017).*

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

## 4.1.4 CONSOLIDATED CASH-FLOW STATEMENT

| *(In € million)* | Notes | Half-year ended June 30, 2018 re-presented (*) | As of June 30, 2019 |
|---|---|---|---|
| **Net income (loss) for the period** | | **313.2** | **419.5** |
| ***Net income (loss) from continuing operations*** | | ***357.8*** | ***435.4*** |
| ***Net income (loss) from discontinued operations*** | | ***-44.6*** | ***-15.9*** |
| Operating depreciation, amortization, provisions and impairment losses | | 884.5 | 943.3 |
| Financial amortization and impairment losses | | 1.2 | -0.3 |
| Gains (losses) on disposal of operating assets | | -3.9 | -0.8 |
| Gains (losses) on disposal of financial assets | | -25.3 | -59.1 |
| Share of net income (loss) of joint ventures | Note 5.2 | -29.9 | -37.8 |
| Share of net income (loss) of associates | | -28.2 | -18.5 |
| Dividends received | | -1.6 | -1.0 |
| Net finance costs | Note 7.3.1 | 199.6 | 222.5 |
| Income tax expense | Note 10 | 123.7 | 98.8 |
| Other items | | 76.5 | 77.6 |
| **Operating cash flow before changes in operating working capital** | | **1,554.3** | **1,660.2** |
| Change in operating working capital requirements | | -786.9 | -907.5 |
| Change in concession working capital requirements | | -72.9 | -51.8 |
| Income taxes paid | | -104.1 | -142.4 |
| ***Net cash from operating activities of continuing operations*** | | ***590.4*** | ***558.4*** |
| ***Net cash from operating activities of discontinued operations*** | | ***-1.0*** | ***-24.4*** |
| **Net cash from operating activities** | | **589.3** | **534.1** |
| Industrial investments, net of grants | | -576.0 | -672.6 |
| Proceeds on disposal of industrial assets | | 29.1 | 36.7 |
| Purchases of investments | Note 3.1 | -259.3 | -194.6 |
| Proceeds on disposal of financial assets | Note 3.1 | 132.4 | 377.7 |
| Operating financial assets | | | |
| New operating financial assets | Note 5.4 | -55.4 | -70.5 |
| Principal payments on operating financial assets | Note 5.4 | 71.6 | 102.2 |
| Dividends received (including dividends received from joint ventures and associates) | | 94.9 | 61.0 |
| New non-current loans granted | | -66.7 | -78.6 |
| Principal payments on non-current loans | | 58.9 | 55.5 |
| Net decrease/increase in current loans | | -40.5 | -21.9 |
| ***Net cash used in investing activities of continuing operations*** | | ***-610.9*** | ***-405.1*** |
| ***Net cash used in investing activities of discontinued operations*** | | ***-*** | ***-*** |
| **Net cash used in investing activities** | | **-610.9** | **-405.1** |
| Net increase (decrease) in current borrowings | Note 7.1.1 | -550.4 | -291.5 |

| *(In € million)* | Notes | Half-year ended June 30, 2018 re-presented [*] | As of June 30, 2019 |
|---|---|---|---|
| Fluctuation of current lease debt (IFRS 16) | Note 7.1.2 | -214.5 | -226.2 |
| Repayment of hybrid debt | - | -1,452.1 | - |
| Repayment of new non-current lease debt (IFRS 16) | Note 7.1.2 | -14.2 | -39.3 |
| New non-current borrowings and other debts | Note 7.1.1 | 133.9 | 830.5 |
| Principal payments on non-current borrowings and other debts | Note 7.1.1 | -71.6 | -30.0 |
| Change in liquid assets and financing financial assets | Note 7.1.3 | -185.8 | -273.8 |
| Proceeds on issue of shares | Note 8.1 | 2.1 | 2.1 |
| Share capital reduction | | | |
| Transactions with non-controlling interests: partial purchases | | -86.3 | -2.5 |
| Transactions with non-controlling interests: partial sales | | 1.3 | 8.4 |
| Proceeds on issue of deeply subordinated securities | | - | - |
| Coupons on deeply subordinated securities | Note 8.3 | -66.4 | - |
| Purchases of/proceeds from treasury shares | | -13.4 | -0.1 |
| Dividends paid | | -550.9 | -620.4 |
| Interest paid | Note 7.3.1 | -218.0 | -229.8 |
| Interest on operating assets - IFRIC 12 | Note7.3.2 | -45.5 | -40.3 |
| Interest on lease debt (IFRS 16) | Note 7.3.2 | -23.4 | -22.8 |
| ***Net cash from (used in) financing activities of continuing*** | | ***-3,355.4*** | ***-974.4*** |
| ***Net cash from financing activities of discontinued operations*** | | ***-*** | ***-*** |
| **Net cash from (used in) financing activities** | | **-3,355.4** | ***-974.4*** |
| Effect of foreign exchange rate changes and other | | -10.3 | 5.9 |
| **Increase (decrease) in external net cash of discontinued operations** | | - | 1.0 |
| **Net cash at the beginning of the year** | | **6,056.1** | **4,340.8** |
| Cash and cash equivalents | Note 7.1.4 | 2,929.4 | 3,835.5 |
| Bank overdrafts and other cash position items | Note 7.1.4 | 261.4 | 333.2 |
| **Net cash at the end of the year** | | **2,668.8** | **3,502.3** |

*(* ) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

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

# 4.1.5 STATEMENT OF CHANGES IN EQUITY

| *(€ million)* | Number of shares outstanding | Share capital | Additional paid-in capital | Deeply subordinated securities and OCEANE | Treasury shares | Consolidated reserves and retained earnings | Foreign exchange translation reserves | Fair value reserves | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Amount as of January 1, 2018** | **563,364,823.0** | **2,816.8** | **7,161.2** | **1,195.1** | **-434.1** | **-3,231.2** | **28.7** | **-56.3** | **7,480.2** | **1,153.7** | **8,633.9** |
| IFRS 16 impact | - | - | - | - | - | -104.1 | - | - | -104.1 | -5.8 | -109.9 |
| **Amount as of January 1, 2018 re-presented** | **563,364,823** | **2,816.8** | **7,161.2** | **1,195.1** | **-434.1** | **-3,335.3** | **28.7** | **-56.3** | **7,376.1** | **1,147.9** | **8,524.0** |
| Issues of share capital of the parent company | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds on issue of deeply subordinated securities | - | - | - | -1,470.2 | - | 18.1 | - | - | -1,452.1 | - | -1,452.1 |
| OCEANE equity component | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification Hybrid / Coupon on deeply subordinated securities | | | | 359.1 | - | **-359.1** | | | | | |
| Coupon on deeply subordinated securities | - | - | - | -66.4 | - | - | - | - | -66.4 | - | -66.4 |
| Parent company dividend distribution | - | - | - | - | - | -462.6 | - | - | -462.6 | - | -462.6 |
| Elimination of treasury shares | - | - | - | - | -13.4 | - | - | - | -13.4 | - | -13.4 |
| Share-based payments | - | - | - | - | - | 6.2 | - | - | 6.2 | - | 6.2 |
| Third party share in share capital increases of subsidiaries | - | - | - | - | - | - | - | - | - | 2.1 | 2.1 |
| Third party share in dividend distributions of subsidiaries | - | - | - | - | - | - | - | - | - | -88.3 | -88.3 |
| Transactions with non-controlling interests | - | - | - | - | - | -60.1 | - | - | -60.1 | -25.6 | -85.7 |
| **Total transactions with non-controlling interests** | **-** | **-** | **-** | **-1,177.5** | **-13.4** | **-857.5** | **-** | **-** | **-2,048.4** | **-111.8** | **-2,160.2** |
| Other comprehensive income | - | - | - | - | - | 9.2 | -46.5 | - | -37.3 | -5.9 | -43.2 |
| Net income for the period | - | - | - | - | - | 226.1 | - | - | 226.1 | 87.0 | 313.1 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **235.3** | **-46.5** | **-** | **188.8** | **81.1** | **269.9** |
| Other movements | - | - | - | - | - | -6.8 | - | - | -6.8 | -21.9 | -28.7 |
| **Amount As of June 30, 2018** | **563,364,823** | **2,816.8** | **7,161.2** | **17.6** | **-447.5** | **-3,964.3** | **-17.8** | **-56.3** | **5,509.7** | **1,095.3** | **6,605.0** |

| *(€ million)* | **Number of shares outstanding** | **Share capital** | **Additional paid-in capital** | **Deeply subordinated securities and OCEANE** | **Treasury shares** | **Consolidated reserves and retained earnings** | **Foreign exchange translation reserves** | **Fair value reserves** | **Equity attributable to owners of the Company** | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Amount As of December 31, 2018** | **565,593,341** | **2,828.0** | **7,182.5** | **17.6** | **-444.1** | **-3,433.0** | **-103.1** | **-62.5** | **5,985.4** | **1,158.9,** | **7,144.3** |
| IFRS 9 impact | 0 | - | - | - | - | -102.1 | 0.9 | - | -101.2 | -6.8 | -108.0 |
| **Amount As of December 31, 2018 re-presented** | **565,593,341** | **2,828.0** | **7,182.5** | **17.6** | **-444.1** | **-3,535.1** | **-102.2** | **-62.5** | **5,884.2** | **1,152.1** | **7,036.3** |
| Issues of share capital of the parent company | 232,280 | 1.2 | -1.2 | - | - | - | - | - | - | - | - |
| Proceeds on issue of deeply subordinated securities | - | - | - | - | - | - | - | - | | - | - |
| OCEANE Equity component | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of hybrid debt / deeply subordinated securities | - | - | - | - | - | - | - | - | - | - | - |
| Coupon on deeply subordinated securities | - | | | - | - | - | - | - | - | - | - |
| Parent company dividend distribution | - | - | - | - | - | -509.1 | - | - | -509.1 | - | -509.1 |
| Elimination of treasury shares | - | - | - | - | -0.1 | - | - | - | -0.1 | - | -0.1 |
| Share-based payments | - | - | - | - | - | 8.8 | - | - | 8.8 | - | 8.8 |
| Third party share in share capital increases of subsidiaries | - | - | - | - | - | - | - | - | - | 2.2 | 2.2 |
| Third party share in dividend distributions of subsidiaries | - | - | - | - | - | - | - | - | - | -111.3 | -111.3 |
| Transactions with non-controlling interests | - | - | - | - | - | 11.7 | - | - | 11.7 | -3.7 | 8.0 |
| **Total transactions with non-controlling interests** | **232280** | **1.2** | **-1.2** | **-** | **-0.1** | **-488.6** | **-** | **-** | **-488.7** | **-112.8** | **-601.5** |
| Other comprehensive income | - | - | - | - | - | -35.4 | 20.0 | 1.3 | -14.1 | 5.8 | -8.3 |
| Net income for the period | - | - | - | - | - | 331.4 | - | - | 331.4 | 88.1 | 419.5 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **296.0** | **20.0** | **1.3,** | **317.3** | **93.9** | **411.2** |
| Other movements | - | - | - | - | - | -90.0 | - | - | -90.0 | 39.6 | -50.4 |
| **Amount As of June 30, 2019** | **565,825,621** | **2,829.2** | **7,181.3** | **17.6** | **-444.2** | **-3,817.7** | **-82.2** | **-61.2** | **5,622.8** | **1,172.8,** | **6,795.6** |

The dividend distribution per share was €0.92 in fiscal year 2019 and €0.84 in fiscal year 2018.

The total dividend paid recorded in the Consolidated Cash Flow Statement of -€550.9 million and -€620.4 million for the half-years ended June 30, 2018 and June 30, 2019, respectively, breaks down as follows:

| *(€ million)* | **Half-year ended June 30, 2018** | **Half-year ended June 30, 2019** |
|---|---|---|
| Parent company dividend distribution | -462.6 | -509.1 |
| Third party share in dividend distributions of subsidiaries | -88.3 | -111.3 |
| Scrip dividend | - | - |
| **TOTAL DIVIDEND PAID** | **-550.9** | **-620.4** |

## 4.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

The Group's condensed interim consolidated financial statements for the half-year ended June 30, 2019 were prepared under the responsibility of the Board of Directors, which met on July 31, 2019.

## 1.1 ACCOUNTING STANDARDS FRAMEWORK

### 1.1.1 Basis underlying the preparation of the financial information

Pursuant to European Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation 297/2008 of March 11, 2008, the condensed interim consolidated financial statements of Veolia Group (the "Group") for the half-year ended June 30, 2019 were prepared in accordance with IAS 34, Interim Financial Reporting.

As they are condensed financial statements, they do not include all the disclosures required under IFRS for annual financial statements and must be read in conjunction with the Group financial statements for the year ended December 31, 2018.

The accounting principles used for the preparation of the condensed interim consolidated financial statements are in accordance with the IFRS standards and interpretations as adopted by the European Union. These standards and interpretations may be consulted at the following European Union website: http://ec.europa.eu/finance/company-reporting/standardsinterpretations/index_fr.htm

These half-year financial statements have been drawn up in accordance with the principles used for the preparation of the 2018 consolidated financial statements, except for the items presented below and the specific requirements of IAS 34.

### 1.1.2 New standards and interpretations

The accounting policies and methods are presented in detail in the consolidated financial statements for the year ended December 31, 2018.

***Texts of mandatory effect for the first time within the Group as of January 1, 2019:***

- **IFRS 16, Leases:**

Since the 1st of January, 2019 Veolia applies a new norm on lease contracts (IFRS16) instead of the norm IAS 17, the interpretation implied by IFRIC 4 (concerning the agreements contained in lease contracts) and SIC15/SIC27 (interpretations concerning simple renting and substantial lease contracts).

Application of this new standard requires the recognition in the balance sheet of all lease commitments as defined in the new standard and does not distinguish between operating leases, currently disclosed until now in off-balance sheet commitments, and finance leases.

The implementation of this new standard implies in the balance sheet recognition of:

- A new asset called Right of use which represents the right of using the rent asset during the length of the rental contract
- A debt called IFRS16 lease liability, which represents rental fees commitments

At consolidated income statement, it implies the recognition of

- A Right of use amortization
- A Financial interests on lease debt IFRS 16

The Group has implemented a dedicated IT solution to calculate the impacts of leases and enable their operational monitoring. This is used to:

- input leases (around 45,000 leases were in effect at the transition date);
- periodically update information (new contracts, amendments to existing contracts);
- generate accounting journals and monitoring reports.

**Accounting policies and methods adopted**

The Group has elected to apply IFRS 16 as of January 1, 2019 using the full retrospective method, leading to the recognition of impacts in the opening balance sheet as of January 1, 2018.

In accordance with IFRS 16 transition provisions, the Group did not re-assess contracts identified as containing or not containing a lease under IAS 17/IFRIC 4.

The accounting exemptions allowed under the standard for short-term leases (12 months or less) and leases of assets with a low value, were applied. The Group adopted a threshold of US$5,000 or €5,000 for low value assets. The rents of the contracts not included in the perimeter defined by the norm IFRS16, as well as variable payments, remain accounted as an operational expense.

Of the structuring points contained in this new standard, the Group focused particularly on lease terms, options contained in contractual agreements and discount rates to be applied.

- The Group analyzes each lease individually to determine its term and, in the absence of renewal and/or early termination options that are reasonably certain to be exercised or not exercised, the enforceable period is adopted;

- As authorized by the standard, the Group has elected not to use the rate implicit in the lease as the discount rate, and has developed a calculation method to determine the incremental borrowing rate that would apply to the financing of our leased assets.

The discount rate is calculated by currency and maturity based on the following parameters: reference rate of the relevant currency and the Veolia credit spread, the Group satisfying, through access to the bond market, the majority of the financing requirements of its subsidiaries.

The group has recognized differed taxes on the net position of the temporal gap linked to the assets and liabilities issued by application of the norm IFRS 16.

The new norm on lease contracts is impacting the main aggregates of the consolidated income statement and financial statement as followed:

| *(in €M)* | Dec 2018 adjusted excluding IFRS16 | IFRS 16 Impact | Dec 2018 including IFRS16 |
|---|---|---|---|
| **Net non-current assets** | **22,259** | **1,646** | **23,906** |
| *Including Right of Use (net)* | *0* | *1,622* | *1,622* |
| **Current assets** | **15,333** | **-6** | **15,327** |
| **Total Assets** | **37,592** | **1,640** | **39,232** |
| | | | |
| **Shareholders equity** | **7,144** | **-108** | **7,036** |
| **Non-current liabilities** | **13,895** | **1,352** | **15,246** |
| *Including non-current lease debt* | *0* | *1,342* | *1,342* |
| **Current liabilities** | **16,554** | **396** | **16,950** |
| *Including current lease debt* | *0* | *396* | 396 |
| **Total Liabilities** | **37,593** | **1,640** | **39,232** |

| *(in €M)* | June 2018 adjusted excluding IFRS 16 | IFRS 16 Impact | June 2018 including IFRS 16 | June 2019 adjusted excluding IFRS 16 | IFRS 16 Impact | June 2019 including IFRS 16 |
|---|---|---|---|---|---|---|
| Revenue | 12,588 | 0 | 12,588 | 13,324 | 0 | 13,324 |
| Operating result | 727 | 23 | 750 | 771 | 25 | 796 |
| Net income | 313 | 1 | 313 | 418 | 2 | 419 |
| Net income group share | 225 | 1 | 226 | 330 | 2 | 331 |

The Group is closely monitoring ongoing lease discussions within the IFRIC Interpretations Committee, and will adjust the accounting methods adopted where necessary.

- **IFRIC 23, Uncertainty over Income Tax Treatments:**

As from January 1, 2019, the Group applies the text on uncertain tax positions (IFRIC 23) clarifying the application of IAS 12, Income Taxes, provisions on measurement and recognition when uncertainty exists over the income tax treatment.

Procedures carried out by the Group did not identify any material impact of the first-time application of this text.

The Group is closely monitoring ongoing discussions within the IFRIC Interpretations Committee, and will adjust the accounting methods adopted where necessary.

- **Amendment to IFRS 9, Financial Instruments,** regarding prepayment features with negative compensation;
- **Amendment to IAS 28,** regarding long-term interests in associates and joint ventures;
- **Amendments resulting from the IFRS annual improvement process (2015-2017 cycle);**
- **Amendment to IAS 19** regarding plan amendments, curtailments and settlements.

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

***Texts which enter into mandatory effect after June 30, 2019 and not adopted early by the Group:***

- **IFRS 17, Insurance contracts;**
- **Amendment to IFRS 3**, regarding the definition of a business;
- **Amendments to IAS 1 and IAS 8**, regarding the definition of material.

Subject to their definitive adoption by the European Union, these standards and standard amendments are of mandatory application for fiscal years beginning on or after January 1, 2020 or later. The Group is currently assessing the potential impact of the first-time application of these texts.

### 1.1.3 Seasonality of Group's activities

The Group's activities are, by nature, subject to seasonal changes and climatic conditions. As such, in the Energy Services business, the majority of operating income is realized in the first and fourth quarters corresponding to heating periods in Europe. In the Water business, water consumption for domestic use and wastewater treatment are higher between May and September in the Northern hemisphere, where the Group conducts most of its activity.

Accordingly, the interim results of the Group for the half-year ended June 30, 2019 and certain key performance indicators such as working capital reflect the impact of these combined factors and therefore may not be extrapolated over the whole year.

## 1.2 TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

| **Period-end exchange rate** (one foreign currency unit = €xx) | **As of June 30, 2018** | **As of June 30, 2019** | **Year ended December 31, 2018** |
|---|---|---|---|
| U.S. Dollar | 0.8578 | 0.8787 | 0.8734 |
| Pound sterling | 1.1286 | 1.1154 | 1.1179 |
| Chinese renminbi | 0.1295 | 0.1280 | 0.1268 |
| Australian dollar | 0.6334 | 0.6156 | 0.6165 |
| Polish zloty | 0.2287 | 0.2353 | 0.2325 |
| Argentinian Peso | 0.0305 | 0.0207 | 0.0232 |
| Mexican Peso | 0.0437 | 0.0458 | 0.0445 |
| Brazilian Real | 0.2228 | 0.2298 | 0.2250 |
| Czech crown | 0.0384 | 0.0393 | 0.0389 |

| **Average exchange rate** (one foreign currency unit = €xx) | **Average half-year 2018** | **Average half-year 2019** | **Average annual rate 2018** |
|---|---|---|---|
| U.S. Dollar | 0.8258 | 0.8852 | 0.8465 |
| Pound sterling | 1.1367 | 1.1444 | 1.1304 |
| Chinese renminbi | 0.1298 | 0.1303 | 0.1281 |
| Australian dollar | 0.6371 | 0.6250 | 0.6328 |
| Polish zloty | 0.2370 | 0.2330 | 0.2347 |
| Argentinian Peso | 0.0384 | 0.0213 | 0.0304 |
| Mexican Peso | 0.0434 | 0.0462 | 0.0440 |
| Brazilian Real | 0.2415 | 0.2302 | 0.2322 |
| Czech crown | 0.0392 | 0.0389 | 0.0390 |

# NOTE 2 USE OF MANAGEMENT ESTIMATES IN THE APPLICATION OF GROUP ACCOUNTING STANDARD

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

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

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

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change.

With regard to Brexit, uncertainties remain as to the terms of the United Kingdom's exit from the European Union and its long-term consequences for Waste activities. The Group's exposure to foreign exchange transaction risk is limited, as the Group's activities are performed by subsidiaries operating in their own countries and their own currency. With regard to foreign exchange risk on assets, as it is Group policy to back net foreign investments with foreign-currency financing or foreign currency derivatives, the Group does not have a material foreign exchange position that could generate significant volatility in foreign exchange gains and losses.

In this context, the consolidated financial statements for the period were prepared based on the current environment, particularly with respect to the estimates presented below.

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

The following notes are set-out in detail in the consolidated financial statements for the year ended December 31, 2018.

Notes 6 on goodwill, intangible assets and property plant and equipment.

Note 7 on the policies applied to determine financial instrument fair values.

Note 10 on the Group's income tax expense. The income tax expense for the period is calculated by applying the estimated effective annual tax rate to the pre-tax income of the period, adjusted for any one-off items.

Notes 9 and 11 on provisions and employee benefit obligation on one hand and contingent assets and liabilities on the other hand, detail the provisions recognized by Veolia Environnement. Veolia determined these provisions based on best estimates of these obligations.

When considering impairment tests, rates were reviewed at the June 30, 2019 period-end and had not materially changed since December 31, 2018. In accordance with Group practice, discount rates used pursuant to IAS 36, Impairment of Assets, correspond to the weighted-average cost of capital calculated annually in each of the relevant geographic areas. A specific risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro area and the following euro area countries: Spain, Italy, Portugal and Slovenia.

# NOTE 3 CONSOLIDATION SCOPE

## 3.1 Main changes in Group structure

### 3.1.1 Acquisitions

***Levice (Slovakia)***

On February 22, 2019, Veolia Slovenska acquired the entire share capital of Levice, a specialist in the production of heat from gas and cogeneration in Slovakia, for a consideration of €71 million, equal to the value of the shares plus acquired debt.

***Renascimento (Portugal)***

On January 30, 2019, the Group acquired Renascimento, a waste processing and recycling company in Portugal, for a consideration of €38 million, equal to the value of the shares plus acquired debt.

***Huafei (China)***

On January 28, 2019, Veolia China Holding Limited acquired 66% of the share capital of Huafei, a specialist in plastic recycling in China, for a consideration of €22 million.

### 3.1.2 Divestitures

***Transdev Group***

On January 9, 2019, Veolia Environnement closed the sale to the German Group, Rethmann, of its residual 30% stake in Transdev Group, for a consideration net of disposal costs of €334 million and a capital gain of €33 million. This marked the end of its withdrawal from the Transport business.

***Foshan (China)***

As part of its asset rotation policy, the Group sold its entire stake in Foshan (a landfill facility) through its subsidiary Veolia Environmental Services China Ltd during the first quarter for a consideration net disposal costs of €49 million with a capital gain of €37 million.

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

### 3.2.1 Main changes

***Lithuania***

Follow-up of procedures on Vilnius and Litesko contracts are detailed in Note 11 - Contingent assets and liabilities.

Discussions during the first-half of 2019 were unable to agree a process committing to the divestiture of Litesko. Accordingly, the Lithuanian assets and liabilities were reclassified in continuing operations as of June 30, 2019.

***Gabon***

As a reminder, Veolia Africa, through its 51% subsidiary, Société d'Eau et d'Energie du Gabon (SEEG), has managed the distribution of drinking water and electricity throughout all Gabon under the terms of a concession agreement signed in 1997 and extended for five years in March 2017.

On February 16, 2018, the Gabonese Republic unilaterally terminated the concession agreement signed with Veolia Africa's subsidiary, SEEG – Société d'énergie et d'eau du Gabon, (Gabon Energy and Water Company), alleging several reasons including that of general interest. At the end of the conciliation process, SEEG and Veolia Africa launched arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID).

As of December 31, 2018, the cessation of activities in Gabon led the Group to classify SEEG in net income from discontinued operations in accordance with IFRS 5. Capital employed in Gabon and outstanding receivables between SEEG (debtor) and other Group subsidiaries, were impaired in full.

March 1, 2019 following negotiations between the parties Gabon and Veolia Africa signed a settlement agreement providing for the transfer of 51% of SEEG shares held by Veolia Africa to the Société de Patrimoine du Service public de l'eau potable, de l'énergie électrique et de l'assainissement, a company owned by Gabon, for a price of 45 million euros.By signing this agreement and transferring SEEG shares Gabon and the Group mutually and definitively released all claims and actions arising from the concession agreement terminated by Gabon.ICSID took note of the discontinuance of the proceeding and incorporated the settlement agreement in an award dated March 29, 2019.

A down payment of 4.5 million euros was made to Veolia Africa upon the signing of the settlement agreement. The outstanding balance has been divided into 6 monthly installments and the last shall be due in October 2019.

As of June 30, 2019, the Group recognized the first 3 payments received at the issuing date of the present document (payments will be recognized in the income statement as they are settled).

***Heating and cooling network business - United States (see Note 13 Post closing events)***

The Group has launched a divestiture process for its heating and cooling network business in the United States.

In this context , the Group classified the assets and liabilities of the scope being sold in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale as of June 30, 2019.

***Discontinuation of Engineering, Procurement and Construction (EPC) international activities***

On January the 1st 2019, the Group has decided to stop its EPC (Engineering, Procurement and Construction) international activities. Results of this activity are from now on classified in discontinued operations pursuant to IFRS 5.

## 3.2.2 Assets/liabilities classified as held for sale

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

| *(€ million)* | As of June 30, 2019 | As of December 31, 2018 re-presented[1] |
|---|---|---|
| Assets classified as held for sale | 853.3 | 341.8 |
| Liabilities directly associated with assets classified as held for sale | 275.4 | 19.1 |

*(*) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

**As of June 30, 2019**, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

| *(€ million)* | France | Europe excluding France | Rest of the World | Global businesses | Other | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Non-current assets | - | - | 781.8 | - | - | 781.8 |
| Current assets | - | - | 69.4 | - | - | 69.4 |
| Cash and cash equivalents | - | - | 2.1 | - | - | 2.1 |
| **ASSETS CLASSIFIED AS HELD FOR SALE** | **-** | **-** | **853.3** | **-** | **-** | **853.3** |
| **Liabilities** | | | | | | |
| Non-current liabilities | - | - | 224.2 | - | - | 224.2 |
| Current liabilities | - | - | 51.2 | - | - | 51.2 |
| **LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE** | **-** | **-** | **275.4** | **-** | **-** | **275.4** |

As of June 2019, liabilities directly associated with assets classified as held for sales encompasses debt tied to the purchase of minority stake in the asset of Heating and cooling network business in the United States ($ 128 million), to be divested.

**As of December 31, 2018,** the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

| *(€ million)* | France | Europe excluding France | Rest of the World | Global businesses | Other | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Non-current assets | - | 20.9 | - | - | 304.0 | 324.9 |
| Current assets | - | 15.1 | - | - | - | 15.1 |
| Cash and cash equivalents | - | 1.8 | - | - | - | 1.8 |
| **ASSETS CLASSIFIED AS HELD FOR SALE** | **-** | **37.8** | **-** | **-** | **304.0** | **341.8** |
| **Liabilities** | | | | | | |
| Non-current liabilities | - | 5.1 | - | - | - | 5.1 |
| Current liabilities | - | 14.0 | - | - | - | 14.0 |
| **LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE** | **-** | **19.1** | **-** | **-** | **-** | **19.1** |

## 3.3 Off-balance sheet commitments related to consolidation scope

### 3.3.1 Commitments given

Off-balance sheet commitments given break down as follows:

| *(€ million)* | As of December 31, 2018 | As of June 30, 2019 | Maturing in: Less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Vendor warranties | 590.7 | 593.8 | 47.6 | 51.8 | 494.4 |
| Securities purchase commitments | 186.7 | 69.0 | 22.6 | 46.3 | 0.1 |
| Sale commitments | 0.3 | 0.3 | 0.3 | - | - |
| Other commitments relating to the consolidated scope | 23.0 | 16.2 | 15.7 | - | 0.5 |
| **TOTAL COMMITMENTS RELATING TO THE CONSOLIDATED SCOPE** | **800.7** | **679.3** | **86.2** | **98.1** | **495.0** |

**Vendor warranties** primarily comprise: warranties given on the divestiture of the investment in Berlin Water in the amount of €484.0 million.

**Purchase commitments**: The decrease in purchase commitments during the half-year is mainly due to the completion of investments undertaken in 2018, and primarily the acquisition of Renascimiento in Portugal and the Levice Group in Slovakia.

**Agreements with EDF**: Further to the completion of the redistribution transaction on July 25, 2014, Veolia Environnement granted EDF a call option covering its Dalkia International, renamed Veolia Energie International, shares exercisable should an EDF competitor take control of this company. Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia France shares, exercisable should a Veolia Environnement competitor take control. This call option is not included in the above table. The 5-year call option expires on July 25, 2019.

### 3.3.2 Commitments received

Commitments received relating to the consolidated scope total €276.9 million as of June 30, 2019, compared with €248.4 million as of December 31, 2018.

## NOTE 4 REPORTING BY OPERATING SEGMENT

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

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

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

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

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

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

The main financial indicators by operating segment are as follows:

**Half-year ended June 30, 2019**

| | | | | | | | Joint-ventures Data in Group share |
|---|---|---|---|---|---|---|---|
| *(€ million)* | France | Europe excluding France | Rest of the World | Global Businesses | Other | Total consolidated financial statements | Chinese Water concessions |
| Revenue | 2,759.2 | 4,789.3 | 3,484.3 | 2,275.7 | 15.4 | **13,323.9** | 365.0 |
| EBITDA | 435.5 | 802.8 | 545.6 | 172.2 | 45.8 | **2,001.9** | 84.1 |
| Operating income after share of net income (loss) of equity-accounted entities | 66.2 | 423.4 | 260.4 | 51.3 | -5.0 | **796.4** | 48.5 |
| Industrial investments net of subsidies | -124.0 | -217.4 | -269.5 | -48.8 | -12.9 | **-672.6** | -39.2 |

**Half-year ended June 30, 2018 re-presented (*)**

| | | | | | | | Joint-ventures Data in Group share |
|---|---|---|---|---|---|---|---|
| *(€ million)* | France | Europe excluding France | Rest of the World | Global Businesses | Other | Total consolidated financial statements | Chinese Water concessions |
| Revenue | 2,655.9 | 4,540.0 | 3,191.8 | 2,185.2 | 15.0 | **12,587.9** | 336.9 |
| EBITDA | 421.6 | 807.4 | 500.0 | 149.5 | 21.0 | **1,899.5** | 74.4 |
| Operating income after share of net income (loss) of equity-accounted entities | 35.8 | 431.2 | 264.4 | 25.3 | -6.4 | **750.3** | 40.7 |
| Industrial investments net of subsidies | -150.7 | -162.7 | -205.5 | -46.6 | -10.5 | **-576.0** | -41.3 |

*(*) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018*

The EBITDA indicator reconciles with the former indicator, operating cash flow before changes in working capital, for the first half-years 2019 and 2018 as follows:

| *(€ million)* | | **Half-year ended June 30, 2018 re-presented (1)** | **Half-year ended June 30, 2019** |
|---|---|---|---|
| **Operating cash flow before changes in working capital** | **(A)** | **1,554.3** | **1,660.2** |
| o/w Operating cash flow from financing activities | **(B)** | -10.6 | -17.2 |
| **o/w Adjusted operating cash flow** | **(C)= (A)-(B)** | **1,564.9** | **1,677.4** |
| Less : | **(D)** | | |
| Renewal expenses | | 135 | 138.9 |
| Restructuring costs(*) | | 99.5 | 32.5 |
| Share acquisition and disposal costs | | 9.1 | 10.1 |
| Other | | 19.4 | 40.8 |
| Plus : | **(E)** | | |
| Principal payments on operating financial assets | | 71.6 | 102.2 |
| **EBITDA** | **(C)+(D)+(E)** | **1,899.5** | **2,001.9** |

*(*) 2019 first-half restructuring costs mainly concern the VWT transformation plan. 2018 first-half restructuring costs mainly concerned France Water.*

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

# NOTE 5 OPERATING ACTIVITIES

## 5.1 Revenue

Revenue breaks down as follows:

| *(€ million)* | Half-year ended June 30, 2018 re-presented(1) | Half-year ended June 30, 2019 |
|---|---|---|
| Water | 5,187.6 | 5,357.2 |
| Waste | 4,687.9 | 5,010.5 |
| Energy | 2,712.4 | 2,956.2 |
| Group | 12,587.9 | 13,323.9 |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018*

A breakdown of revenue by operating segment is presented in note 4.

## 5.2 Operating income

Operating income is calculated as follows:

| *(€ million)* | Half-year ended June 30, 2018 re-presented(1) | Half-year ended June 30, 2019 |
|---|---|---|
| **Revenue** | **12,587.9** | **13,323.9** |
| **Cost of sales** | **-10,439.8** | **-11,134.5** |
| o/w : | | |
| • Renewal expenses | -135.0 | -138.9 |
| **Selling costs** | **-297.9** | **-305.5** |
| **General and administrative expenses** | **-1,090.1** | **-1,089.6** |
| **Other operating revenue and expenses** | **-62.8** | **-54.1** |
| o/w : | | |
| • Restructuring costs | -41.8 | -20.9 |
| • Employee costs - share based payments | -6.2 | -8.8 |
| • Other charges, impairment losses and net provisions non-current | -12.0 | -29.7 |
| • Share acquisition costs | -2.5 | -1.6 |
| **Operating income before share of net income (loss) of equity-accounted entities** | **692.2** | **740.1** |
| **Share of net income (loss) of equity-accounted entities** | **58.1** | **56.3** |
| **Operating income after share of net income (loss) of equity-accounted entities** | **750.3** | **796.4** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018*

### 5.2.1 Joint ventures and associates

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

***Joint Ventures***

| *(€ million)* | Half-year ended June 30, 2018 re-presented(1) | Half-year ended June 30, 2019 |
|---|---|---|
| Share of net income (loss) of joint ventures | 29.9 | 37.8 |
| Share of net income (loss) of associates | 28.2 | 18.5 |
| **Share of net income (loss) of equity-accounted entities** | **58.1** | **56.3** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018*

The joint ventures described below represent all joint ventures.

| | Share of Equity | | Share of net income (loss) | |
|---|---|---|---|---|
| *(€ million)* | As of December 31, 2018 re-presented[1] | As of June 30, 2019 | Half-year ended June 30, 2018 re-presented | Half-year ended June 30, 2019 |
| Chinese Water concessions | 1,346.3 | 1,362.6 | 21,5 | 26,3 |
| Other joint ventures | 164.8 | 159.8 | 8.4 | 11,5 |
| **TOTAL** | **1,511.1** | **1,522.4** | **29,9** | **37,8** |
| Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b) | | | 29.9 | 37.8 |
| **Share of net income (loss) of joint ventures (a)** | | | **29.9** | **37.8** |
| **Impairment losses recognized in other operating revenue and expenses (b)** | | | **-** | **-** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

## 5.3 Working capital

Net working capital includes “operating” working capital (inventories, trade receivables, trade payables and other operating receivables and payables, tax receivables and payables other than current tax), “tax” working capital (current tax receivables and payables) and “investment” working capital (receivables and payables in respect of industrial investments/disposals).

Movements in net working capital during the first-half of 2019 are as follows:

| *(€ million)* | As of December 31, 2018 re-presented[1] | As of June 30, 2019 |
|---|---|---|
| Inventories and work-in-progress, net | 818.0 | 841.6 |
| Operating receivables, net | 9,010.0 | 9,216.8 |
| Operating payables | -10,964.9 | -10,180.7 |
| **NET WORKING CAPITAL** | **-1,136.9** | **-122.3** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

The change in net working capital includes an effect tied to the seasonality of the Group’s businesses (see note 1.1.3).

The +€1,014.6 million change in Net working capital presented above includes the change in “operating” working capital of +€927.8 million, the change in “tax” working capital included in Income taxes paid in the Consolidated Cash Flow Statement of -€25.3 million, and the change in “investment” working capital included under Industrial investments in the Consolidated Cash Flow Statement of +€112.1 million.

### Factoring

The Group has regular recourse to factoring.

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

Accordingly, receivables totaling €1,881.9 million were assigned under these programs in the first half of 2019, compared with €1,295.4 million for the first half of 2018. Receivables totaling €547.7 million are derecognized as of June 30, 2019, compared with €640.2 million as of December 31, 2018.

## 5.4 Non-current and current operating financial assets

Movements in the net carrying amount of non-current and current operating financial assets during the first-half of 2019 are as follows:

| *(€ million)* | As of December 31, 2018 re-presented[(1)] | As of June 30, 2019 |
|---|---|---|
| Gross | 1,463.5 | 1,426.4 |
| Impairment losses | -76.4 | -77.1 |
| **NON-CURRENT OPERATING FINANCIAL ASSETS** | **1,387.1** | **1,349.3** |
| Gross | 102.0 | 97.6 |
| Impairment losses | -2.7 | -2.7 |
| **CURRENT OPERATING FINANCIAL ASSETS** | **99.3** | **94.9** |
| **NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS** | **1,486.4** | **1,444.2** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

Movements in operating financial assets in the half-year ended June 30, 2019 total -€42.2 million and mainly concern new assets of +€63.4 million and disposals of -€102.2 million.

## 5.5 Non-current and current concession liabilities

Concession financial liabilities result from the application of IFRIC12 on the accounting treatment of concessions and did not significantly change during the first half of 2019.

Movements in non-current and current concession liabilities in the first-half of **2019** break down as follows:

| | Non current | | Current | | Total | |
|---|---|---|---|---|---|---|
| *(en millions d'euros)* | As of December 31, 2018 re-presented | As of June 30, 2019 | As of December 31, 2018 re-presented | As of June 30, 2019 | As of December 31, 2018 re-presented | As of June 30, 2019 |
| France | 56.2 | **50.9** | 15.4 | **14.6** | 71.6 | **65.5** |
| Europe excluding France | 1,288.9 | **1,218.7** | 86.4 | **88.5** | 1,375.3 | **1,307.2** |
| Rest of the world | 5.2 | **16.8** | 16.1 | **3.1** | 21.3 | **19.9** |
| Global businesses | 0.1 | **-** | 0.1 | **0.1** | 0.2 | **0.1** |
| Other | - | **-** | - | **-** | - | **-** |
| **Concession liabilities** | **1,350.4** | **1,286.4** | **118.0** | **106.3** | **1,468.4** | **1,392.7** |

## 5.6 Commitments relating to operating activities

### 5.6.1 Commitments given

Off-balance sheet commitments given relating to operating activities break down as follows:

| | | | Maturing in | | |
|---|---|---|---|---|---|
| *(€ million)* | As of December 31, 2018 | As of June 30, 2019 | Less than 1 year | 1 to 5 years | More than 5 years |
| Operational guarantees including performance bonds | 7,982.3 | 8,165.8 | 4,364.1 | 2,010.0 | 1,791.7 |
| Purchase commitments | 204.4 | 221.4 | 164.5 | 53.5 | 3.4 |
| **TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES** | **8,186.7** | **8,387.2** | **4,528.7** | **2,063.5** | **1,795.1** |

The increase in commitments given relating to operating activities in the first-half of 2019 (+€200.5 million) is mainly due to guarantees given on purchase of furnitures linked to the first construction step of an heating installation powered by a biomass gas turbine (€62.1 million) and the Al Dur project carried out by VWT in Bahrain (€61 million).

In addition to the commitments given quantified above, Veolia has also granted commitments of an unlimited amount in respect of completion or performance bonds and a waste construction and treatment contract in Hong Kong, in the Waste and Water businesses.

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

Total commitments given in respect of Veolia Water Technologies construction activities amount to €2,136.8 million as of June 30, 2019, compared with €2,037.5 million as of December 31, 2018.

Operational commitments given in respect of joint ventures (at 100%) total €610.0 million as of June 30, 2019 compared with €600.2 million as of December 31, 2018 and mainly consist of performance bonds given to Al Wathba VB in the amount of €417.0 million and to Glen Water Holding in the amount of €72.8 million.

### 5.6.2 Commitments received relating to operating activities

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

They total €1,080.2 million as of June 30, 2019, compared with €1,054.6 million as of December 31, 2018.

Total commitments received in respect of Veolia Water Technologies activities amount to €509.4 million as of June 30, 2019, compared with €511.0 million as of December 31, 2018.

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# NOTE 6 GOODWILL, INTANGIBLE ASSETS AND PROPERTY PLANT AND EQUIPMENT

## 6.1 Goodwills

### 6.1.1 Changes in goodwill

Goodwill breaks down as follows:

| *(€ million)* | **As of December 31, 2018 re-presented(1)** | As of June 30, 2019 |
|---|---|---|
| Gross | 6,210.1 | 5,981.3 |
| accumulated impairment losses | -1,102.4 | -911.5 |
| NET | 5,107.7 | 5,069.8 |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

The net carrying amount of goodwill as of June 30, 2018 breaks down by operating segment as follows:

| *(€ million)* | **As of December 31, 2018 re-presented(1)** | As of June 30, 2019 |
|---|---|---|
| France | 1,241.7 | **1,240.0** |
| Europe excluding France | 2,240.2 | **2,321.5** |
| Rest of the World | 875.5 | **756.7** |
| Global Businesses | 747.3 | **748.7** |
| Other | 3.0 | **2.9** |
| TOTAL GOODWILL | 5,107.7 | 5,069.8 |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

The main movements in Group goodwill during the first-half of 2019 are primarily due allocation of a portion of north American goodwill to the disposal of heating and cooling network in in the United States for -€93.6 million and changes in consolidation scope for €30.4 million, mainly concerning several acquisitions in Europe and the finalization of the purchase price allocation process for Grupo Sala in Columbia.

### 6.1.2 Impairment tests

Goodwill and other intangible assets with indefinite useful life are subject to annual impairment tests, in accordance with the Group's timetable.

No indication of loss in value was identified as of June 30, 2019, including for CGUs considered sensitive as of December 31, 2018 (see note 7.1.2.2 Financial statements as of December 31, 2018).

Consequently, no additional impairment has been recognized as of June 30, 2019.

## 6.2 Intangible assets

### 6.2.1 Concession intangible assets

Concession intangible assets break down by operating segment as follows:

| (€ million) | Net carrying amount as of december 31, 2018 re-presented[1] | As of June 30, 2019 | | |
|---|---|---|---|---|
| | | Gross carrying amount | Amortization and impairment losses | Net carrying amount |
| France | 632.9 | 1,479.4 | -849.7 | 629.7 |
| Europe excluding France | 2,080.9 | 4,206.8 | -2,226.7 | 1,980.1 |
| Rest of the World | 752.1 | 1,481.2 | -735.3 | 745.9 |
| Global Businesses | 1.4 | 12.6 | -11.2 | 1.4 |
| Other | - | - | - | - |
| **CONCESSION INTANGIBLE ASSETS** | **3,467.3** | **7,180.0** | **-3,823.0** | **3,357.0** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

The -€110.3 million decrease in the net carrying amount of concession intangible assets is mainly attributable to:

- additions of +€96.5 million (including €45.9 million in France, €17.8 million in Europe excluding France and €32.8 million in the Rest of the world);
- amortization charges and impairment losses of -€183.8 million.

### 6.2.2 Other intangible assets

Other intangible assets break down as follows:

| (€ million) | As of December 31, 2018 re-presented[1] | As of June 30, 2019 |
|---|---|---|
| **Intangible assets with an indefinite useful life, net** | **41.0** | **41.0** |
| Intangible assets with a definite useful life, gross | 3,445.9 | 3,579.3 |
| Amortization and impairment losses | -2,370.6 | -2,456.8 |
| **Intangible assets with a definite useful life, net** | **1,075.3** | **1,122.5** |
| **OTHER INTANGIBLE ASSETS, NET** | **1,116.3** | **1,163.5** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

There has been no material change in other intangible assets since December 31, 2018.

## 6.3 Property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during the first six months of **2019** are as follows:

| (€ million) | As of December 31, 2018 re-presented[1] | As of June 30, 2019 |
|---|---|---|
| Property, plant and equipment, gross | 19,398.4 | **19,011.0** |
| Depreciation and impairment losses | -11,541.6 | **-11,720.5** |
| **Property, plant and equipment, net** | **7,856.8** | **7,290.5** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

The -€566.3 million decrease in property, plant and equipment is mainly attributable to:

- additions of €479.8 million (including €169.3 million in the Europe excluding France segment and €213.7 million in the Rest of the World segment); In Northern Europe, they are mainly represented by purchase of vehicles in United Kingdom and Czech Republic for respectively €47 million and €11 million and capital expenditures bound to a new electric power station (new generation) in Germany for €10 million. In Rest of the World, they are mainly made out of maintenance capital expenditures on treatment and sulfur acid regeneration in the United States (€34 million), construction works on the hazardous waste plant in Singapore (€ 14 million), biomass plant construction and hazardous waste incineration plant in China (€16 million) and purchase of assets in Korea (€ 17 million).

- depreciation charges and impairment losses of €496.0 million;
- changes in consolidation scope of €103.9 million (including €94.4 million in the Europe excluding France segment), which mainly encompass industrial assets (co-generation heating plan) by Levice in Slovakia for €50 million, industrial assets of Renascimento in Portugal (€24 million) and plastic recycling plant of Huafei in China (€17.5 million).
- foreign exchange losses of +€36.1 million (including +€16.4 million in the Europe excluding France segment and €18.5 million in the Rest of the World segment).
- Tangible assets as of June 30, 2019 encompass reclassification of industrial assets of heating and cooling network in Assets to be sold for a net book value of €648.7 million (including €36 million net value for grounds and buildings, and €612.7 million of technical installation and material).

The breakdown of property, plant and equipment by class of assets is as follows:

| *(€ million)* | Net carrying amount As of December 31, 2018 re-presented(1) | As of June 30, 2019 | | |
|---|---|---|---|---|
| | | Gross carrying | Depreciation and impairment losses | Net carrying amount |
| Land | 667.1 | 1,396.7 | -751.4 | 645.3 |
| Buildings | 1,264.1 | 3,133.4 | -1,842.9 | 1,290.5 |
| Technical installations, plant and equipment | 4,154.3 | 9,729.3 | -6,121.4 | 3,607.9 |
| Travelling systems and other vehicles | 630.5 | 2,231.7 | -1,601.1 | 630.6 |
| Other property, plant and equipment | 338.0 | 1,687.9 | -1,372.0 | 315.9 |
| Property, plant and equipment in progress | 802.8 | 832.0 | -31.7 | 800.3 |
| **PROPERTY, PLANT AND EQUIPMENT** | **7,856.8** | **19,011.0** | **-11,720.5** | **7,290.5** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

## 6.3 Rights-of-use assets

As stated in Note 1.1.2, Rights of use represent rights of using rented assets, now clearly mentioned in the balance sheet pursuant to IFRS 16 standards.

Their initial valuation is based on the actual value of future rents paid in exchange of the right to use the asset and on the maturity of the lease contract (after analyze of eventual possibility of renewal). The concerned rents are fixed or are considered fixe in substance and can include rents depending on the fluctuation of an index or a rate.

Initial assessment is based on fix rental fees to be paid on the length of the contract.  These rights are to be amortized linear along the period of the contract.

Principles of recognition and evaluation of those rights of use are detailed in Note 1.1.2 (length of rental and option, discount rates of rents).

Rights of use breakdown is as follows:

- Housing : 57%
- Vehicles : 29%
- Equipment : 14%

Amounts of rights of use is spread around over all geographies. No Business Unit concentrates more than 10% of the amount of total IFRS 16 lease debt.

# NOTE 7 FINANCING AND FINANCIAL INSTRUMENTS

## 7.1 Financial assets and liabilities

Financial assets and liabilities mainly consist of:

- Borrowings and other financial liabilities, presented in Note 7.1.1;
- IFRS 16 lease liabilities presented in note 7.1.2;
- Current and non-current financial assets, presented in Note 7.1.3;
- Cash and cash equivalents, bank overdrafts as well as other cash position items, presented in Note 7.1.4;
- Derivative instruments, presented in Note 7.2.2.

### 7.1.1 Financial liabilities

Movements in non-current and current borrowings during the first semester of 2019 are as follows:

| | Non-current | | Current | | Total | |
|---|---|---|---|---|---|---|
| *(€ million)* | As of December 31, 2018 re-presented[1] | As of June 30, 2019 | As of December 31, 2018 re-presented[1] | As of June 30, 2019 | As of December 31, 2018 re-presented[1] | As of June 30, 2019 |
| **Bond issues** | **8,893.3** | **8,425.4** | **489.5** | **478.4** | **9,382.8** | **8,903.8** |
| • maturing < 1 year | - | - | 489.5 | 478.4 | 489.5 | 478.4 |
| • maturing 2-3 years | 1,591.0 | 2,432.8 | - | - | 1,591.0 | 2,432.8 |
| • maturing 4-5 years | 2,673.1 | 1,348.8 | - | - | 2,673.1 | 1,348.8 |
| • maturing > 5 years | 4,629.2 | 4,643.8 | - | - | 4,629.2 | 4,643.8 |
| **Other borrowings** | **564.1** | **579.9** | **4,117.5** | **4,151.7** | **4,681.6** | **4,731.6** |
| • maturing < 1 year | - | - | 4,117.5 | 4,151.7 | 4,117.5 | 4,151.7 |
| • maturing 2-3 years | 257.1 | 245.4 | - | - | 257.1 | 245.4 |
| • maturing 4-5 years | 121.0 | 158.6 | - | - | 121.0 | 158.6 |
| • maturing > 5 years | 186.0 | 175.9 | - | - | 186.0 | 175.9 |
| **TOTAL CURRENT AND NON-CURRENT BORROWINGS** | **9,457.4** | **9,005.3** | **4,607.0** | **4,630.1** | **14,064.4** | **13,635.4** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

#### *7.1.1.1 Non-current and current bond issues*

**Breakdown of bonds**

Publicly offered or traded issuances included in non-current bond issues total €9,033.2 million as of June 30, 2019, including €380.5 million (euro-equivalent) issued on the U.S. market, €699.1 million of bonds convertible and/or exchangeable for new and/or existing shares (OCEANE).

**Change in bonds**

On January 7, 2019, Veolia successfully performed at par a €750 million bond issue maturing in January 2024 (i.e. 5 years) and bearing a coupon of 0.892%.

On April 24, 2019, Veolia Environnement repaid a euro-denominated bond line with a nominal value of €462 million.

The increase in bonds in the first-half of 2019 is mainly due to new issues totaling €751.4 million and repayments of -€476.3 million.

*7.1.1.2 Information on early debt repayment clauses*

**Veolia Environnement debt**

The legal documentation for bank financing and bond issues contracted by the Company does not contain any financial covenants, i.e. obligations to comply with a debt coverage ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing.

**Subsidiary debt**

Some project financing or financing granted by multilateral development banks to the Group's subsidiaries contain financial covenants (as defined above).

Based on due diligence performed within the subsidiaries, the Group considers that the covenants included in the Group's material financing agreements were satisfied (or had been waived by lenders) as of June 30, 2019.

## 7.1.2 IFRS 16 lease liabilities

Lease liabilities result from the first-time application of IFRS 16 (see note 1.1.2).

## 7.1.3 Non-current and current financial assets

Other non-current and current financial assets break down as follows:

| *(In € million)* | Non-current | | Current | | Total | |
|---|---|---|---|---|---|---|
| | As of December 31, 2018 re-presented(1) | As of June 30, 2019 | As of December 31, 2018 re-presented(1) | As of June 30, 2019 | As of December 31, 2018 re-presented(1) | As of June 30, 2019 |
| Gross | 385.6 | 413.2 | 279.4 | 323.1 | 665.0 | 736.3 |
| Impairment losses | -71.1 | -71.7 | -37.4 | -37.6 | -108.5 | -109.3 |
| **Financial assets in loans and receivables, net** | **314.5** | **341.5** | **242.0** | **285.5** | **556.5** | **627.0** |
| **Other financial assets** | **13.6** | **14.5** | **2.2** | **2.0** | **15.8** | **16.5** |
| **Liquid assets and financing financial assets** | **4.7** | **6.1** | **188.0** | **460.6** | **192.7** | **466.7** |
| **Total other financial assets, net** | **332.8** | **362.1** | **432.2** | **748.1** | **765.0** | **1,110.2** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

As of June 30, 2019, the main non-current and current financial assets include particularly loans granted to equity-accounted joint ventures totaling €163.6 million, compared with €132.0 million as of December 31, 2018.

These loans mainly concern the Chinese Water Concessions in the amount of €111.2 million, as of June 30, 2019, compared with €77.1 million as of December 31, 2018.

As of June 30, 2019, liquid assets and financing financial assets are made of investments with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.

## 7.1.4 Cash and cash equivalents, bank overdrafts and other cash position items

Movements in cash and cash equivalents, bank overdrafts and other cash position items during the first half of 2019 are as follows:

| *(€ million)* | As of December 31, 2018 re-presented[1] | As of June 30, 2019 |
|---|---|---|
| Cash | 1,030.2 | 1,383.8 |
| Cash equivalents | 3,526.3 | 2,451.7 |
| CASH AND CASH EQUIVALENTS | 4,556.5 | 3,835.5 |
| **Bank overdrafts and other cash position items** | **215.7** | **333.2** |
| **Net cash** | **4,340.8** | **3,502.3** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

Cash and cash equivalents total €3,835.5 million, including €430.0 million "subject to restrictions" as of June 30, 2019.

The decrease in net cash during the half-year mainly reflects the repayment on April 24, 2019, on maturity, of the euro bond line in the nominal amount of €462 million, the €750 million bond issue performed on January 14, 2019, the change in operating WCR for -€908 million, proceeds from the sale of Transdev of €343 million and the dividend payment of €509 million.

As of June 30, 2019, the France segment held cash of €30.1 million, the Europe excluding France segment held cash of €233.1 million, the Rest of the world held cash of €377.7, Global businesses segment held cash of €146.9 million and the Other segment held cash of €596 million (including €448.8 million held by Veolia Environnement).

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement level, are invested in accordance with procedures defined by the Group.

As of June 30, 2018, cash equivalents were primarily held by Veolia Environnement in the amount of €2,318.3 million, including monetary UCITS of €1,202.3 million and term deposit accounts of €1,116.0 million.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

## 7.2 Fair value of financial assets and liabilities

### 7.2.1 Disclosures on the fair value of financial assets and liabilities

Differences between fair value and net carrying amount of these main financial asset and liability categories have not materially changed since December 31, 2018.

### 7.2.2 Offsetting of financial assets and liabilities

As of June 30, 2019, derivatives managed under ISDA ("International Swaps and Derivatives Association") or EFET ("European Federation of Energy Traders") agreements are the only financial assets and/or liabilities covered by a legally enforceable master netting agreement. These instruments may only be offset in the event of default by one of the parties to the agreement. They are not therefore offset in the accounts.

Such derivatives are recognized in assets in the amount of €91.5 million and in liabilities in the amount of €148.3 million in the Consolidated Statement of Financial Position as of June 30, 2019.

## 7.3 Financial income and expenses

### 7.3.1 Costs of net financial debt

Cost of net financial debt consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

Interest costs included in payments under lease finance contracts are recorded using the effective interest rate method.

Finance income consists of gains on interest rate derivatives, both qualifying and not qualifying as hedges and income from cash investments and equivalents.

Interest income is recognized in profit or loss when earned, using the effective interest method.

Finance costs and finance income represent the cost of borrowings net of income from cash and cash equivalents. In addition, net finance costs include net gains and losses on derivatives allocated to borrowings, irrespective of whether they qualify for hedge accounting.

Finance income totals €35.7 million, while finance costs total -€258.3 million for the first half of 2019.

The cost of net financial debt presented in the Consolidated Cash Flow Statement reflects the cost of net financial debt of continuing operations presented above and the cost of net financial debt of discontinued operations. Up to €222.5 million on the June 30,2019 against €199.6 million as of June 30,2018, this evolution reflects the rise of volumes and debt rated in currencies as well as the temporary impact of €6.5 million of the bound issuing cost of €750 million issued at the beginning of January 2019, anticipating the reimbursement of a bound completed at the end of April 2019.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the cost of net financial debt continuing and discontinued operations adjusted for accrued interest of -€4.7 million and fair value adjustments to hedging derivatives of +€2.1 million for the first half of 2019.

| *(€ million)* | **As of June 30, 2018 re-presented(1)** | **Half-year ended June 30, 2019** |
|---|---|---|
| Expenses on gross debt | -141.4 | -179.4 |
| Assets at fair value through the Consolidated Income Statement (fair value option) (2) | 5.8 | 10.2 |
| Net gains and losses on derivative instruments, hedging relationships and other | -64.1 | -53.9 |
| **Cost of net financial debt** | **-199.6** | **-222.5** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

*(2) Cash equivalent are valued at fair value through the Consolidated Income Statement.*

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for the first-half of 2019:

- net interest income on hedging relationships (fair value hedges and cash flow hedges) of -€4.5 million;
- net losses on derivatives not qualifying for hedge accounting of -€49.3 million, mainly on foreign currency derivatives.

## 7.3.2 Other financial income and expense

Other financial income and expenses primarily include income on financial receivables, excluding IFRIC 12 and IFRIC16 12 financial receivables, calculated using the effective interest rate method, capital gains and losses on disposals of financial assets, net of disposal costs, dividends, foreign exchange gains and losses, impairment losses on financial assets and the unwinding of discounts on provisions.

| *(€ million)* | **As of June 30, 2018 re-presented(1)** | **Half-year ended June 30, 2019** |
|---|---|---|
| Net gains and losses on loans and receivables | 5.7 | 6.7 |
| Capital gains and losses on disposals of financial assets, net of disposal costs | 18.8 | 51.0 |
| Net gains and losses on available-for-sale assets (2) | 1.6 | 1.0 |
| Assets and liabilities at fair value through the Consolidated Income Statement | -0.1 | 0.2 |
| Unwinding of the discount on provisions | -12.1 | -15.9 |
| Foreign exchange gains and losses | -3.0 | 0.5 |
| Interest on operating asset | -45.5 | -40.3 |
| Interest on lease debt (IFRS 16) | -23.4 | -22.8 |
| Other | -11.3 | -20.0 |
| **OTHER FINANCIAL INCOME AND EXPENSES** | **-69.3** | **-39.6** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

*(2) Including dividends received of €1.0 million as of June 30, 2019, compared with €1.6 million as of June 30,2018*

In the first-half of 2019, capital gains and losses on disposals of financial assets mainly concerned the divestiture of Transdev for €33 million and the divestiture of Foshan (China) for €37 million.

## 7.4 Financing commitments

### 7.4.1 Commitments given

Off-balance sheet commitments given break down as follows:

| *(€ million)* | As of December 31, 2018 | As of June 30, 2019 | Maturing in Less than 1 year | Maturing in 1 to 5 years | Maturing in More than 5 years |
|---|---|---|---|---|---|
| Letters of credit | 32.3 | 40.8 | 37.5 | 2.7 | 0.6 |
| Debt guarantees | 32.3 | 35.4 | 18.2 | 0.8 | 16.4 |
| Other financing commitments given | 77.1 | 59.6 | 26.2 | 25.7 | 7.7 |
| **TOTAL FINANCING COMMITMENTS GIVEN** | **141.7** | **135.8** | **81.9** | **29.2** | **24.7** |

### 7.4.2 Commitments received

Commitments received total €109.8 million as of June 30, 2019 and €117.1 million as of December 31, 2018.

### 7.4.3 Collateral guaranteeing borrowings

As of June 30, 2019, the Group has given €123 million of collateral guarantees in support of borrowings including €98.8 million in support of borrowings of its joint ventures.

# NOTE 8 EQUITY AND EARNINGS PER SHARE

## 8.1 Equity attributable to owners of the Company

### 8.1.1 Share capital

The share capital is fully paid-up.

#### *8.1.1.1 Share capital increase reserved for Group employees*

During fiscal year 2019 Veolia Environment implemented a share capital increase up to +€1.2 million by reserve incorporation in order to grant five free shares to beneficiary employees as decided by the Board of Directors on May 2nd, 2018. New issued capital amounts to €2,829,128,105.

#### *8.1.1.2 Number of shares outstanding and par value*

The number of shares outstanding was 565,825,621 as of June 30, 2019 against 565,593,341 on December 31, 2018. The par value of each share is €5.

### 8.1.2 Offset of treasury shares against equity

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

Veolia held 12,517,889 of its own shares, representing 2.21% of the Company's share capital, as of June 30, 2019. It held 12,510,389 shares, representing 2.21% of the Company's share capital, as of December 31, 2018.

### 8.1.3 Appropriation of net income and dividend distribution

The Combined General Meeting of April 18, 2019 set the cash dividend for 2018 at €0.92 per share. The shares went ex-dividend on May 14, 2019 and the dividend was paid from May 16, 2019 for a total amount of €509.1 million.

A dividend of €462.6 million was distributed by Veolia Environnement in 2018 and deducted from the 2017 net income for an amount of € 314.5 million and €148.1 million from retained earnings.

### 8.1.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total -€82.2 million as of June 30, 2019 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (+€12.4 million), Canadian dollar (+€6.0 million), Argentinian Pesos (-€6.6 million) against the euro.

Accumulated foreign exchange translation reserves total €102.2 million as of December 31, 2018 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€29.3 million), U.S. dollar (+€31.1 million), Hong Kong dollar (-€35.4 million) against the euro.

### 8.1.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€61.2 million as of June 30, 2019 and -€62.5 million as of December 31, 2018.

## 8.2 Non-controlling interests

A breakdown of the movement in non-controlling interests is presented in the Statement of Changes in Equity.

The fluctuation in non-controlling interests in the first six months of 2019 is mainly due to net income for the period offset by changes in consolidation scope, dividend distributions by subsidiaries and foreign exchange impacts.

The share of net income attributable to non-controlling interests totaled €88.1 million for the half-year ended June 30, 2019, compared with €87 million for the half-year ended June 30, 2018 re-presented.

In the first six months of 2019, this item primarily concerns minority interests in subsidiaries of the Europe excluding France (€47.8 million) and Rest of the World (€36.6 million) operating segments.

## 8.3 OCEANE convertible bonds

On March 8, 2016, Veolia Environnement issued convertible « OCEANE » type bonds.

The conversion option of this transaction, described in Note 7.1.1.1, may be settled solely in shares and is recognized in equity in the amount of €17.6 million as of June 30, 2019.

## 8.4 Earning per share

Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year.

Pursuant to IAS 33.9 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

Diluted earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.

The weighted average number of outstanding shares in the half year ended June 30, 2019 was 577,741,064 (diluted) and 553,150,298 (basic). The main dilutive instruments taken into account in the earnings per share calculation for the first-half of 2018 are the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued on March 8, 2016 and the performance share plan implemented from July 1st, 2018 to May 2021.

## 8.5 Settlement of a new liquidity contract

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure access to French and International capital markets, to enable investments in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining an “Investment Grade” credit rating.

Veolia Environnement and the company Rothschild & Cie bank have terminated the liquidity contract entered into September 26, 2014. This termination tooks effect when the Stock Exchange closed on May 31, 2019.

With effect from June 1, 2019 and for an initial period of 12 months 2019 tacitly renewable thereafter for periods of one year, Veolia Environnement has appointed Kepler Chevreux to implement a new liquidity contract relating to its shares. An amount of €20 million has been allocated to the functioning of this liquidity contract.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders’ meeting of April 18, 2019.

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## NOTE 9 PROVISIONS

Movements in non-current and current provisions during the first six months of **2019** are as follows:

| *(€ million)* | As of December 31, 2018 re-presented(1) | As of June 30, 2019 |
|---|---|---|
| **Provisions excluding pensions and other employee benefits** | **1,602.0** | **1,556.7** |
| **Provisions for pensions and employee benefits** | **728.3** | **774.0** |
| **TOTAL PROVISIONS** | **2,330.3** | **2,330.7** |
| **NON-CURRENT PROVISIONS** | **1,800.6** | **1,817.7** |
| **CURRENT PROVISIONS** | **529.7** | **513.0** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

Provisions as a whole remained relatively stable during the first six months of **2019**.

Provisions excluding pensions and other employee benefits as of June 30, 2019, primarily include provisions for closure costs and post-closure costs (site rehabilitation, dismantling) of €653.0 million, principally accounted for in the France segment in waste recovery and recycling activities for €243.6 million and in the Europe excluding France segment for €216.1 million.

# NOTE 10 TAXES

## 10.1 Income tax expense

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

The income tax expense breaks down as follows:

| *(€ million)* | **Half-year ended June 30, 2018 re-presented(1)** | **Half-year ended June 30, 2019** |
|---|---|---|
| **Current income tax (expense) income** | **-121.8** | **-147.7** |
| France | -0.9 | -9.1 |
| Other countries | -120.9 | -138.6 |
| **Deferred tax (expense) income** | **-1.9** | **48.8** |
| France | -2.6 | -13.4 |
| Other countries | 0.7 | 62.2 |
| **TOTAL INCOME TAX EXPENSE** | **-123.7** | **-98.9** |

*(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.*

The income tax expense presented in the Consolidated Cash Flow Statement reflects the income tax expense of continuing operations presented above and the income tax expense of discontinued operations.

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company (five-year agreement, renewed in 2016). Veolia Environnement is liable to the French treasury department for the full income tax charge, calculated based on the group tax return. Any tax savings are recognized at Veolia Environnement level.

The effective tax rate is detailed as follows:

| | **Half-year ended June 30, 2018 re-presented(1)** | **Half-year ended June 30, 2019** |
|---|---|---|
| Net income (loss) from continuing operations (a) | 357.7 | 435.4 |
| Share of net income (loss) of associates (b) | 28.2 | 18.5 |
| Share of net income (loss) of joint ventures (c) | 29.9 | 37.8 |
| Share of net income (loss) of other equity-accounted entities (d) | 0.0 | - |
| Income tax expense (e) | -123.7 | -98.9 |
| Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e) | 423.3 | 478.0 |
| **Effective tax rate -(e)/(f)** | **29.2%** | **20.7%** |

As of June 30, 2019 effective tax rate (pursuant to IAS 34) includes expected improvement of French and North American tax groups.

## 10.2 Tax audits

In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37 criteria.

The tax authorities have carried out various tax audits in respect of both consolidated tax groups and individual entities. To date, none of these reviews have led to liabilities to the tax authorities materially in excess of amounts estimated during the review of tax risks.

There have been no significant developments since the last Annual Report, other than the favorable settlement of the US dispute.

It is recalled that during the reorganization in 2006 of the former US Filter (acquired in 1999), Veolia, through its subsidiary VENAO, sought a tax deduction pursuant to the “Worthless Stock Deduction” (WSD) provisions under US tax law. Related tax losses totaled US$4.5 billion (tax base) as of December 31, 2006. Following a long tax audit, the US Internal Revenue Service (IRS) issued a Revenue Agent’s Report on November 6, 2018, rejecting the worthless stock deduction and seeking penalties. Veolia filed a detailed protest on December 21, 2018, in which it refuted the merits of the IRS’s arguments.

The IRS recently informed Veolia that it no longer contests the Worthless Stock Deduction and issued a revised Revenue Agent's Report reflecting this decision on April 30,2019. The tax of US$764 million already recognized in the accounts is, therefore, no longer contested by the IRS. Furthermore, it may be possible to progressively recognize losses not valued until now, potentially representing US$460 million in tax, based on the Group’s ability to consume these losses up to 2026 inclusive, the date of their expiry.

# NOTE 11 CONTINGENT ASSETS AND LIABILITIES

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income with respect to the following legal, administrative or arbitration proceedings as of June 30, 2019, due to the uncertain nature of their outcome.

The main contingent assets and liabilities relating to legal, administrative or arbitration proceedings are presented below:

## North America

### United States – Water – Flint

In November, 2011, the Governor of Michigan declared the City of Flint, ("Flint") to be in financial difficulties and appointed an emergency manager ("Emergency Manager") for Flint. In an attempt to save money, the Emergency Manager decided to switch the city's water supply source (previously provided by Detroit) to the Flint River on an interim basis as part of a long term plan to switch to water from Lake Huron.

In 2013, Flint hired the engineering firm Lockwood, Andrews & Newman ("LAN") to prepare the city water plant to switch water sources. In April 2014, the city water plant began treating Flint River water for distribution to its residents.

Following the switch to Flint River water, Flint residents began to complain about its odor, taste and appearance. Between August 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 byproducts) maximum contaminant level violations.

In February 2015, to address these water quality issues, Flint hired a US subsidiary of the Company, Veolia Water North America Operating Services, LLC ("VWNAOS") to produce a report which included a discussion of residual effects of the chlorination process (TTHM), discoloration and taste and odor issues. This one-time review (invoiced at $40,000USD), was completed by VWNAOS in approximately four weeks. Throughout that time, and subsequently, Flint continued to retain LAN as its primary water engineering consultant. LAN developed a treatment plan for the Flint River water and issued reports to the city of Flint in December 2014 and August 2015 that addressed compliance with the Safe Drinking Water Act. LAN did not raise or address any concerns that the City's new water supply could create problems with lead levels in the drinking water.

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 that evening's public meeting, which was organized by the Flint City Council Public Works Committee in relation to VWNAOS's interim report, VWNAOS employees communicated to the public the results of said report. The City, not VWNAOS, conducted all of the lead testing.

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

On June 24, 2015, the US Environmental Protection Agency issued a memorandum summarizing the available information regarding activities conducted by the City of Flint 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, 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 of the water.

On March 21, 2016, Flint Water Advisory Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task force report came to the conclusion that the responsibility for the Flint water crisis rested largely with several governmental agencies and the City of Flint. Notably, the report highlighted that the Michigan Department of Environmental Quality and the City of Flint did not require and implement corrosion control at the time of change of water supply source, contrary to what is required under the federal Lead & Copper Rule to avoid contamination of drinking water.

#### *Individual and class actions*

Since February 2016, numerous individual complaints and class actions have been filed before Michigan and Federal courts by Flint residents against a number of defendants, including the State of Michigan, the Michigan Department of Environmental Quality and the US subsidiaries of the Company, Veolia North America ("VNA") and VWNAOS. Flint residents allege injury and damages by exposure to toxins, including lead, contained within Flint River water and have levied accusations of professional negligence and fraud.

The Company was named in a dozen class actions and hundreds of individual actions. To date, however, the Company is not a party to any of these actions; only the US subsidiaries of the Company remain parties to them.

In January 2018 a mediation process started by order of the court presiding over the lawsuits in Federal court. The mediators required the attendance of all parties to the Federal litigation, which includes the US subsidiaries of the Company but not the Company itself.

***Civil action of the State of Michigan's Attorney General***

On June 22, 2016, the State of Michigan's Attorney General filed a civil action against several corporations, including VWNAOS and the Company itself, 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. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleges that the acts and omissions of these companies constitute professional negligence and fraud. Subsequent to filing the new action, the Attorney General agreed to dismiss the Company without prejudice from the case. On September 12, 2016, stipulations of dismissal were filed with the court to that effect.

On November 7, 2018, the State of Michigan elected a new Governor and a new Attorney General. The Attorney General then filed, on April 12, 2019, a new amended complaint against, among other, the Company itself. The Company has not yet been served yet and is not formally a party to the civil action, only its subsidiaries are. At the end of May 2019, the latter filed a motion to dismiss this new complaint.

***Criminal actions***

Criminal proceedings were initiated by the Attorney General against fifteen employees of the State of Michigan and the City of Flint for their mismanagement of the water crisis in Flint. Of these fifteen employees, seven pleaded guilty. On June 13, 2019, the new Attorney General dropped all charges against the remaining eight employees. The Attorney General's investigation is still ongoing and further criminal proceedings will be initiated.

The Group strongly contests the merits of all these legal proceedings.

These lawsuits have been reported to the insurers, who have reserved their rights with respect to the guarantee from which the Company and its US subsidiaries benefit.

## Central and Eastern Europe

### Romania

In 2000, Apa Nova Bucuresti ("ANB"), Veolia Eau's Romanian subsidiary in which it holds a 74% stake, signed a 25-year concession agreement for water distribution and wastewater services with the city of Bucharest.

At the end of July 2015, the National Anticorruption Division of Ploiesti ("NAD") opened an investigation on influence peddling involving several persons and entities, including several Romanian subsidiaries of the Company.

ANB and certain of its former managers are suspected of having purchased, between 2008 and 2015, the influence of three natural persons in order to obtain favorable decisions from Bucharest's public authorities, resulting in significant increases in water prices. In exchange for their influence, ANB allegedly made significant payments to companies controlled by these three persons or related persons, without these payments being proportionate to the services rendered, and without these services necessarily being real.

Since August 2015, ANB, as well as other subsidiaries of the Company with water and energy activities in Romania, have provided the NAD, at its request, with numerous documents.

Throughout October 2015, three former managers of ANB were questioned by the NAD, and then placed under the status of "inculpat" and under judicial supervision.

On October 30, 2015, ANB was placed under this same status, for bribery, buying influence, invasion of privacy, tax evasion and money laundering.

The investigation continues and to date, the file has not been sent to Court.

ANB is cooperating with the NAD. So far, it only has partial access to the criminal case file.

The Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) opened investigations concerning possible violations of US federal laws, relating to the facts which are the subject of NAD's investigation. As part of its investigation, the SEC has asked the Company to voluntarily provide documents and information regarding these facts. At the SEC's behest, as part of international cooperation, the Autorité des marchés financiers (AMF) has made requests of the Company as well, which are also related to the facts which are the subject of NAD's investigation, in connection with its own investigation on the matter.

The Company is fully cooperating with the investigating authorities and, in particular, providing all requested information, in accordance with applicable laws.

In 2017, the Parquet National Financier confirmed that a preliminary investigation has been launched.

At the beginning of 2018, a search took place in the Company's premises in Aubervilliers and some hearing of witnesses were conducted.

At the end of August 2018, one of the Company's subsidiaries was searched in Prague.

By letter July 8, 2019, the SEC informed the Company's US lawyer that it has concluded its investigation and that it does not intend to recommend any enforcement action against the Company.

### Lithuania - Energy

Between 2000 and 2003, the Lithuanian subsidiaries of the Group, UAB Vilniaus Energija ("UVE") and UAB Litesko ("Litesko"), signed a number of contracts with Lithuanian cities, of which the most significant was with the city of Vilnius ("Vilnius") in 2002 to rent, operate and modernize the heating and electricity production and distribution infrastructure. The Group made significant investments over the years for which it expects the cost incurred to be taken into account and a return on its investment.

Since 2009, the government publicly, and on numerous occasions, accused the Group of being responsible for high heating prices by waging a sustained campaign against it. Several steps were thus taken by the public authorities against the Lithuanian subsidiaries of the Group, among others:

- a €19M fine imposed on UVE by the Competition Council;
- the transfer of ownership without compensation of the individual heat exchange sub-stations invested by UVE;
- the unilateral reduction of the heating prices to capture the savings realized with the help of a smoke condenser invested by UVE;
- the retroactive cancellation of the heating prices applied by UVE for the period 2011-2015;
- the cancellation of the amendments extending the duration of the contract concluded between Litesko and the city of Alytus and the transfer to Alytus of the assets invested by Litesko.

All the harmful decisions taken against the Lithuanian subsidiaries of the Group are subject to pending challenges or appeals before the local courts.

In this context, the Company and its subsidiaries also had to initiate the arbitral proceedings described below.

***(i) ICSID arbitration***

In January 2016, the Company, Veolia Energie International (successor in law to Veolia Baltics and Eastern Europe), UVE and Litesko (collectively "the Companies") filed a request for arbitration against Lithuania before the International Center for Settlement of Investment Disputes ("ICSID").

To date, the Companies' claim amounts to circa €80 million (not including interest). For its part, Lithuania withdrew its €150 million counterclaim in its last submission. This procedure is still pending.

In June 2018, Lithuania filed an objection to the arbitral tribunal's jurisdiction, based on a decision rendered by the European Court of Justice on March 6, 2018 in the Achmea case, in which the Court ruled that investor-state arbitration provisions in intra-EU bilateral investment treaties are incompatible with European Union law. In a declaration dated January 15, 2019, the EU Member States indicated their intention to terminate the intra-EU bilateral investment treaties by December 2019. These developments may have an impact on the ICSID arbitration and, as the case may be, on the enforcement of the future award.

***(ii) SCC arbitration***

In November 2016, in the context of the Vilnius agreement which expiration date was nearly reached (March 2017), the Company and UVE filed a request for arbitration before the Stockholm Chamber of Commerce ("SCC") to secure the appointment of an independent expert to evaluate the condition of the assets. That SCC arbitration has since expanded in scope to address claims by the Company, UVE, Vilnius and municipal company VST ("VST") in connection with the Vilnius lease.

In this arbitration, the Company and UVE filed a claim for an indemnity of circa €22M. For their part, Vilnius and VST submitted counterclaims of more than €425 million. This procedure is still ongoing. The Company and UVE vigorously contest Vilnius and VST's counterclaims and seek their dismissal.

## Veolia Tehnologies and Contracting

### VWT v. K+S Potash

On December 1, 2012, Veolia Water Technologies, Inc. ("VWT") signed a $324.5 million contract with K + S Potash Canada GP ("KSPC") for the design, supply and commissioning of a evaporation and crystallization system, which includes 14 large evaporators and crystallizers (the "Tanks"), for a potash mine then under construction by KSPC in the province of Saskatchewan, Canada. In this framework, a letter of guarantee at first request was issued by VWT to the benefit of KSPC in the amount of $14.6 million.

On July 17, 2016, during the process of commissioning the Tanks, one tank collapsed (the "Incident"). A new replacement tank had to be manufactured and installed. The Incident also damaged other Tanks and plant equipment, which had to be removed and replaced. VWT cooperated with KSPC to determine the cause of the incident. The first investigation, conducted by KSPC, identified a defect in the design of the metal structure supporting the Tanks, for which VWT and one of its subcontractors were responsible. A second investigation conducted by VWT, however, found a defect in the production of the concrete bases to which the metal structure supporting the Tanks was affixed. These concrete bases were in turn built by a subcontractor of KSPC. VWT has repaired the damaged Tanks. These repairs resulted in significant contractual changes ("Change Orders") and additional costs. Mid-June, 2017, a second letter of guarantee at first request was issued by VWT to KSPC in the amount of $15 million.

Several procedures are currently in progress.

### *ADRIC Arbitration Procedure (ADR Institute of Canada)*

On August 18, 2017, VWT filed a complaint with the ADRIC seeking KSPC's reimbursement of the costs incurred by the contractual modifications made to carry out repairs linked to the Incident, i.e. $19 million.  January 18, 2019, the arbitral tribunal accepted jurisdiction over only some claims (approximately $13.6 million).  This procedure is stayed due to proceedings initiated by KSCP before the Court of Queen’s Bench for Saskatchewan (see below).

### *Legal Proceedings (the Court of Queen’s Bench for Saskatchewan and Paris Commercial Court)*

On April 11, 2018, KSPC brought claims against VWT before the Court of Queen’s Bench for Saskatchewan in the amount of CAD180 million (approximately €119 million) for consequential damages and additional costs of repair in relation to the Incident. On January 18 2019, VWT made a settlement offer to KSPC who refused the offer.

On May 14, 2018, KSPC sought to draw down the first letter of guarantee.  On May 18, 2018 the President of the commercial court of Paris issued a provisional injunction, precluding the bank from paying.  The parties have recently withdrawn their claims before the Paris Commercial Court due to proceedings pending before the Court of Queen’s Bench for Saskatchewan related to the two letters of guarantee.

On May 23, 2018, VWT filed a request for injunction before the Court of Queen’s Bench for Saskatchewan seeking to prevent KSPC from drawing upon either letter of guarantee.  The Court of Queen’s Bench for Saskatchewan, and then the Court of Appeal, dismissed VWT's application.  The decision rendered by the Court of Appeal is currently suspended and subject to an application for judicial review.

By an Act of May 28, 2018, one of KSPC's subcontractors, AECON, sued KSPC before the Court of Queen’s Bench for various claims for damages.  On June 28, 2018, KSPC joined VWT as a third party to the proceedings in an attempt to require VWT to indemnify KSPC for a minimum of CAD466 million (approximately €318 million) as well as for reimbursement of  sums already paid by KSPC to other subcontractors.

These law suits have been reported to insurance companies, which have already covered part of the expenses incurred.

The Group strongly contests the merits of all these legal proceedings.

# NOTE 12 RELATED PARTY TRANSACTIONS

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures.

Other than compensation and related benefits granted to key management and relations with joint ventures presented in the Notes to the 2018 Consolidated financial statements (see Notes 6.2 and 5.2.4.1), material developments in relations with other related parties as of June 30, 2019 are as follows:

## Relations with Raise Investissement

During the first half of 2019, Veolia Environnement had no new relations or transactions with Raise Investissement and remain as shareholder of the company for € 5 million subscribed in July 2016 and totally paid up in December 31,2018.

## Termination of relations with SM Conseil

Following the death of Mr. Serge Michel on March 15, 2019, the service agreement of March 20, 2017 between Veolia Environnement and SM Conseil SAS terminated early on March 1, 2019.

This service agreement was entered into for a three-year period beginning March 20, 2017. Under the terms of the agreement, Veolia Environnement retained this company to assist it (1) promote Veolia Environment to other stakeholders and potential partners with the aim of developing its business and (2) identify potential decision-makers and managers likely to contribute to the implementation of its strategy.

The co-party “SM Conseil” was chaired by Mr. Serge Michel, a non-voting director (censeur) on the Veolia Environnement Board of Directors.

This agreement provided for payment to “SM Conseil” SAS of fixed remuneration of €400,000 per year, adjusted in line with the SYNTEC index. It did not provide for the payment of success fees.

Remuneration of €68,673 has been paid by Veolia Environnement to SM Conseil under this agreement and in respect of early termination for fiscal year 2019, corresponding to services rendered in January and February 2019.

# NOTE 13 POST-CLOSING EVENTS

In the framework of the frequent review of its asset portfolio, Veolia, through its subsidiary Veolia Energy North America Holdings, Inc, has sold on July 31, 2019 for a consideration of $1.25 billion its district energy assets in the United States to Antin Infrastructure Partners. The portfolio comprises steam, hot and chilled water and electricity production plants, including cogeneration, and 13 networks in 10 US cities.

This transaction is submitted to the approval of the authorities and its closing is expected in the fourth quarter of 2019.

# NOTE 14 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2019, Veolia Environnement Group accounted for a total of 1,678 companies.

The list of main subsidiaries has not significantly changed since December 31, 2018.

# 4.1.7 STATUTORY AUDITORS' REVIEW REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Period from January 1 to June 30, 2019

*This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Veolia Environnement, for the period from January 1 to June 30, 2019,
- the verification of the information contained in the half-year management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34– standard of the IFRSs as adopted by the European Union applicable to interim financial information.

We would draw attention to Note 1 "Accounting principles and methods" to the condensed interim consolidated financial statements setting out the impacts of first-time application as of January 1, 2019 of IFRS 16, Leases. Our opinion is not modified in respect of this matter.

2 Specific verification

We have also verified the information presented in the half-year management report commenting the condensed interim consolidated financial statements subject to our review.

We have no comments to make on its fair presentation and its consistency with the condensed interim consolidated financial statements.

The Statutory Auditors

Paris-La Défense, August 1 2019

| KPMG Audit<br>Division of KPMG S.A. | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Valérie Besson | Baudouin Griton | Jean-Yves Jégourel | Quentin Séné |

# 5

# CORPORATE GOVERNANCE

**(CHAPTER 7 OF THE 2018 REGISTRATION DOCUMENT)**

## 5.1 Members of the Board of Directors

### 5.1.1 MEMBERS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Combined General Meeting of April 18, 2019 notably renewed the terms of office as director of Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Louis Schweitzer for a four-year period expiring at the end of the General Shareholders' Meeting that will be called to approve the financial statements for the year ending December 31, 2022.

In addition, Mrs. Homaira Akbari and Mr. Baudouin Prot did not seek the renewal of their terms of office.

Mr. Serge Michel, a non-voting member (censeur), passed away on March 15, 2019. It has no non-voting members (censeurs).

The Board of Directors of the Company had thirteen members, including two Directors representing employees and five female directors as of the filing date of this Universal Registration Document.

| | Independent | Date of first appointment | Expiry of current office |
|---|---|---|---|
| Antoine Frérot<br>*Chairman and Chief Executive Officer* | | May 7, 2010 | 2022 GSM |
| Louis Schweitzer<br>*Vice-Chairman* | | April 30, 2003 | 2023 GSM |
| Maryse Aulagnon<br>*Senior Independent Director* | ✦ | May 16, 2012 | 2023 GSM |
| Jacques Aschenbroich | ✦ | May 16, 2012 | 2020 GSM |
| Caisse des dépôts et consignations,<br>represented by Olivier Mareuse | ✦ | March 15, 2012 | 2021 GSM |
| Isabelle Courville | ✦ | April 21, 2016 | 2020 GSM |
| Clara Gaymard | ✦ | April 22, 2015 | 2023 GSM |
| Marion Guillou | ✦ | December 12, 2012 | 2021 GSM |
| Franck Le Roux[(1)]✪ | | October 15, 2018 | October 2022 |
| Pavel Páša[(1)]✪ | | October 15, 2014 | October 2022 |
| Nathalie Rachou | ✦ | May 16, 2012 | 2020 GSM |
| Paolo Scaroni | | December 12, 2006 | 2021 GSM |
| Guillaume Texier | ✦ | April 21, 2016 | 2020 GSM |

*✪ Director representing employees ✦ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors*

*(1) Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code*

The four Board Committees are now comprised as follows:

- Accounts and Audit Committee: Mrs. Nathalie Rachou (Chairman), Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mr. Franck Le Roux (Director representing employees) and Mr. Guillaume Texier;
- Nominations Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon and Mr. Paolo Scaroni;
- Compensation Committee: Mrs. Maryse Aulagnon (Chairman), Mrs. Marion Guillou, Mr. Franck Le Roux (Director representing employees) and Mr. Louis Schweitzer.
- Research, Innovation and Sustainable Development Committee: Mr. Jacques Aschenbroich (Chairman), Mrs. Isabelle Courville, Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

# 6

# ADDITIONAL INFORMATION

**(CHAPTER 8 OF THE 2018 REGISTRATION DOCUMENT)**

## 6.1 Main provisions pursuant to the law and the Articles of Association concerning Veolia Environnement

### 6.1.1 CORPORATE NAME, REGISTERED OFFICE, ADMINISTRATIVE HEADQUARTERS AND WEB SITE

The name of the Company has been Veolia Environnement since April 30, 2003. Its abbreviated corporate name is VE.

The Company's registered office is located at 21, rue La Boétie, 75008 Paris, France.

The Company's administrative headquarters is located at 30, rue Madeleine Vionnet, 93300 Aubervilliers. The telephone number is +33 (0)1 85 57 70 00.

The web site of the Company is www.veolia.com[1].

## 6.2 Litigations and arbitrations

The most significant legal proceedings involving the Company or its subsidiaries are described hereinafter. In addition, tax audits and disputes are described in chapter 4, section 4.1, note 10.2 attached in annex to the interim consolidated financial statements as of June 30, 2019.

The description of the most significant judicial, administrative or arbitral proceedings set forth in chapter 4, section 4.1, note 11 annexed to the interim consolidated financial statements as of June 30, 2019 is incorporated by reference within this chapter 6, section 6.2. The main updates concerning these disputes, which are set forth in note 11 and reflect significant changes that have occurred up to the registration date of this document, are also described in this chapter 6, section 6.2.

The Company is not aware of any other current or threatened judicial, administrative or arbitral proceedings which, during the past twelve months, may have had or have had a material adverse effect on the financial condition or profitability of the Company and/or the Group.

### NORTH AMERICA

#### United States - Flint

See chapter 4, section 4.1, note 11 attached in annex to the interim consolidated financial statements as of June 30, 2019, supra.

*(1) The information on the Website is not part of this Universal Registration Document, unless such information is incorporated by reference into this Universal Registration Document.*

### United States – WASCO and Aqua Alliance

Several current and former indirect subsidiaries of Veolia Eau in the United States[1] are defendants in lawsuits in the United States, in which the plaintiffs seek recovery for personal injuries and other damages allegedly due to exposure to asbestos, silica and other potentially hazardous substances. With respect to the lawsuits against Veolia Eau's former subsidiaries, certain of Veolia Eau's current subsidiaries retain liability and in certain cases manage the defense of the lawsuits. In addition, in certain instances, the acquirers of the former subsidiaries benefit from indemnification obligations provided by Veolia Eau or the Company in respect of these lawsuits. These lawsuits typically allege that the plaintiffs' injuries resulted from the use of products manufactured or sold by Veolia Eau's current or former subsidiaries or their predecessors. There are generally numerous other defendants, in addition to Veolia Eau's current or former subsidiaries, which are accused of having contributed to the injuries alleged. Reserves have been booked for the possible liability of current subsidiaries in these cases, based on the nexus between the injuries claimed and the products manufactured or sold by these subsidiaries or their predecessors, the extent of the injuries allegedly sustained by the plaintiffs, the involvement of other defendants and the settlement history in similar cases. These reserves are booked at the time such liability becomes probable and can be reasonably assessed, and do not include reserves for possible liability in lawsuits that have not been initiated.

As of the date of this registration document, a number of such claims have been resolved either through settlement or dismissal. To date, none of the claims has resulted in a finding of liability.

During the ten-year period ended December 31, 2018, the average annual costs that the Company has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been. $ 616,818 USD after reimbursements by insurance companies.

## CENTRAL AND EASTERN EUROPE

### Romania

See chapter 4, section 4.1, note 11 attached in annex to the interim consolidated financial statements as of June 30, 2019, supra.

### Lithuania

See chapter 4, section 4.1, note 11 attached in annex to the interim consolidated financial statements as of June 30, 2019, supra.

## AFRICA MIDDLE EAST

### Egypt

In September 2000, Veolia Propreté entered into a 15-year contract with the Governorate of Alexandria ("Governorate") for the collection and treatment of waste, as well as urban cleaning of the city of Alexandria ("Contract").

In October 2011, Onyx Alexandria, a subsidiary of Veolia Propreté incorporated to perform the Contract, terminated the Contract for serious breach by the Governorate of its payment obligations, and more generally for misconduct committed by the Arab Republic of Egypt ("Egypt"), causing the total loss of the investment made by Veolia Propreté.

In June 2012, Veolia Propreté initiated arbitration proceeding against Egypt on the basis of the France-Egypt bilateral investment treaty ("BIT") and under the auspices of the ICSID (International Center for Settlement of Investment Disputes).

On November 9, 2016, the Governorate initiated arbitration proceedings against Veolia Propreté and Onyx Alexandria before the Cairo Regional Centre for International Commercial Arbitration (« CRCICA ») and sought compensation for damages resulting from the alleged wrongful termination of the Contract and Onyx Alexandria's breach of its contractual obligations for an amount of 186.2 million Egyptian pounds (which corresponds to an amount of approximately €9,4M). Veolia Propreté and Onyx Alexandria strongly contest the merits of all these claims and.

In an award dated May 25, 2018, the ICSID ruled that the Contract's breaches by the Governorate did not involve sufficiently serious acts of Egypt that could be assimilated to violations of the BIT and consequently rejected all of Veolia Propreté claims for compensation. The arbitral tribunal held in particular that the contractual claims should have been referred to CRCICA according to arbitration clause included in the Contract. In this arbitration, Onyx Alexandria submitted counterclaims for approximately 900 million Egyptian pounds (approximately 45 million euros) and the Governorate requested the arbitral tribunal's authorization to amend its initial claims for compensation of approximately 27 million euros. The procedure is still ongoing.

*(1) Subsidiaries of the Aqua Alliance group or of WASCO (formerly Water Applications & Systems Corporation and United States Filter Corporation), the parent company of the former U.S. Filter group, most of whose businesses were sold to various buyers in 2003 and 2004.*

# ASIA

### Hong Kong Sludge

On September 27, 2010, VW-VES (HK) Limited (VW-VES), an indirect subsidiary of the Company, won a tender launched by the Environmental Protection Department of the Government of Hong Kong SAR (HK Government) for the design, construction and operation of a sludge incinerator facility in Hong-Kong. VW-VES outsourced the project's conception, design and construction to a joint-venture (JV) in which Veolia Water South China Limited, an indirect subsidiary of the Company, holds a majority interest.

During the course of the project, various problems, which VW-VES considers are not attributable to it, caused delay and additional significant costs borne by VW-VES and the JV. As a result, VW-VES has sent several claims to HK Government for a total amount of more than €196M (1.8 Billion HK$). On its part, HK Government considers that it is entitled to liquidated damages of approximately €38M (350 M HK$).

In August 2016, after an unsuccessful mediation attempt, VW-VES served a notice of arbitration against HK Government. This case is still ongoing.

# VEOLIA TECHNOLOGIES AND CONTRACTING

### OTV – World Bank

In 2013, OTV, a wholly-owned French subsidiary of Veolia Water Technologies, formed a consortium with the Brazilian company Odebrecht to respond to a call for tender issued by Corporación Autónoma Regional (CAR) and financed by the World Bank, for the construction of a wastewater treatment plant in El Salitre, Colombia.

In April 2016, the contract was awarded to a competing consortium.

At the end of 2016, the Integrity Vice-Presidency of the World Bank (INT) informed OTV that it was conducting a confidential investigation on the El Salitre market.

At the end of May 2019, an agreement was signed between INT and OTV under which, in particular, OTV would be barred from bidding to projects financed by the World Bank for a 24 month period and VWT Brazil would be barred from bidding to projects financed by the World Bank for a 12 month period.

### VWT v. K+S Potash

See chapter 4, section 4.1, note 11 attached in annex to the interim consolidated financial statements as of June 30, 2019, supra.

# 6.3 Documents available to the public

The Company's press releases, universal registration documents, annual registration documents, including historical financial information relating to the Company filed with the AMF and any related updates, are available on the Company's website at www.veolia.com/en/veolia-group/finance/regulated-information. Copies of these documents may also be obtained from the Company's administrative headquarters at 30, rue Madeleine Vionnet, 93300 Aubervilliers.

All information disclosed to the public by the Company during the preceding twelve months in France or other EU member states, pursuant to any securities regulations applicable to the Company, is available on the Company's website at the address indicated above, as well as on the AMF's website at www.amf-france.org.

All regulated information published by the Company, pursuant to Article 221-1 et seq. of the AMF's general regulations, is available at www.veolia.com/en/veolia-group/finance/regulated-information.

Finally, the Company's Articles of Association, as well as the minutes of General Shareholders' Meetings, the Statutory Auditors' reports and all other corporate documents, may be consulted at the 30, rue Madeleine Vionnet, 93300 Aubervilliers.

# 6.4 Persons responsible for auditing the financial statements

## 6.4.1 STATUTORY AUDITORS

### KPMG SA

Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Versailles Regional Auditors' Association).

Represented by Mrs. Valérie Besson and Mr. Baudouin Griton.

2, avenue Gambetta, Tour Eqho, 92066 Paris-La Défense Cedex.

Company first appointed by the Combined General Meeting of May 10, 2007 and reappointed by the Combined General Meeting of April 18, 2019 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2024.

### Ernst & Young et autres

Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Versailles Regional Auditors' Association).

Represented by Mr. Jean-Yves Jégourel and Mr. Quentin Séné.

1-2, place des Saisons, Paris-La Défense 1, 92400 Courbevoie.

Company first appointed on December 23, 1999 and reappointed by the Combined General Meeting of April 20, 2017 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

## 6.4.2 DEPUTY STATUTORY AUDITORS

The renewal of the term of office of KPMG Audit ID was not presented to the General Shareholders' Meeting of April 18, 2019, in application of Article L823-1- I paragraph 2 of the French Commercial Code.

# 6.5 Persons assuming responsibility for the Universal Registration Document

## 6.5.1 PERSONS ASSUMING RESPONSIBILITY FOR THE UNIVERSAL REGISTRATION DOCUMENT

Mr. Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement.

## 6.5.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE UPDATE TO THE REGISTRATION DOCUMENT

I hereby certify that to the best of my knowledge and having taken all reasonable care to ensure that such is the case, the information contained in this Universal Registration Document is true and fair and does not contain any omission likely to affect its import.

I hereby certify that, to the best of my knowledge, the interim consolidated financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all consolidated companies, and that the interim management report contained in this document provides a fair review of material events during the first six months of the year and their impact on the financial statements, the main transactions with related parties and a description of the principal risks and uncertainties for the remaining six months of the year.

Aubervilliers, August 2, 2019,

**Chairman and Chief Executive Officer**

Antoine Frérot

# 6.6 Cross-reference tables

## 6.6.1 CROSS-REFERENCE TABLE FOR THE UPDATE TO THE REGISTRATION DOCUMENT

The following table identifies the information required by Annexes 1 and 2 of the Delegated Regulation of March 14, 2019 pursuant to the URD format, and cross-references it with the relevant sections of the 2018 Registration Document incorporated in this document.

| Headings in Annexes 1 and 2 of the Delegated Regulation of March 14, 2019 | 2018 Registration Document section | Pages | URD Section | Pages |
|---|---|---|---|---|
| **1 – Persons responsible** | | | | |
| 1.1 Persons responsible for the information | 8.7 | 442 | 6.5.1 | 82 |
| 1.2 Statement by those responsible for the information | 8.7 | 442 | 6.5.2 | 82 |
| 1.3 Expert statement or report | N/A | N/A | N/A | N/A |
| 1.4 Third-party confirmation | N/A | N/A | N/A | N/A |
| 1.5 Statement without prior approval | N/A | N/A | Encart AMF | 2 |
| **2 – Statutory Auditors** | 8.6 | 441 | 6.4 | 81 |
| **3 - Risk factors** | 5, 5.2 | 251, 261-274 | 3.6 | 30 |
| **4 – Information about the issuer** | | | | |
| 4.1 Legal and commercial name | 8.1.1 | 432 | - | - |
| 4.2 Place of registration and registration number of the issuer and legal entity | 8.1.4 | 432 | - | - |
| 4.3 Date of incorporation and company term | 8.1.3 | 432 | - | - |
| 4.4 Registered office and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, the address and telephone number of its registered office and its website | 8.1.1 and 8.1.2 | 432 | 6.1.1 | 78 |
| **5 – Business overview** | | | | |
| 5.1 Principal activities | 1.3.1 and 1.3.2 | 23 and 28 | - | - |
| 5.2 Principal markets | 1.2.1, 1.3.3, 1.3.4 and 1.5 | 13, 29,30 and 35 | - | - |
| 5.3 Important events | 3.1 | 74 | 3.1 | 10 |
| 5.4 Strategy and objectives | 1.2 and 6.1 | 13 and 280 | 3.7 | 30 |
| 5.5 Dependence on patents, licenses, contracts and manufacturing processes | 1.5.3.1 | 47 | - | - |
| 5.6 Basis for any statements made by the issuer regarding its competitive position | 1.3.4 | 30 | - | - |
| 5.7 Investments | | | | |
| 5.7.1 Principal investments completed | 3.3.2 and 4.1.6 note 3.1.2 | 90 and 118 | 3.2.1, 3.2.2, 3.3.2 and 4.1.6 note 6.3 | 14, 15,28 and 58 |
| 5.7.2 Principal investments in progress | 3.3 | 89 | 3.3.2 | 28 |
| 5.7.3 Information relating to joint ventures and associates | 4.1, note 5.2.4 | 130 | 4.1.6, note 5.2.1 | 53 |
| 5.7.4 Environmental issues that may affect the issuer's use of property, plant and equipment | 1.6 and 6.2 | 49 and 282 | - | - |

| Headings in Annexes 1 and 2 of the Delegated Regulation of March 14, 2019 | 2018 Registration Document section | Pages | URD Section | Pages |
|---|---|---|---|---|
| **6 – Organizational structure** | | | | |
| 6.1 Brief description of the Group | 1.5.1 | 35 | - | - |
| 6.2 List of issuer's significant subsidiaries | 4.1.6 note 15 | 195 | - | - |
| **7 – Operating and financial review** | | | | |
| 7.1 Financial condition | 3.2.2 to 3.4 | 78 to 93 | 4.1 | 34 |
| 7.2 Operating results | 3.2.2, 3.2.4 and 4.1.6 note 5.2 | 78, 87 and 128 | 3.2.4 and 4.1.6 note 5 | 25 and 53 |
| **8 – Capital resources** | | | | |
| 8.1 Information on the issuer's capital | 4.1.5 et 4.1.6 note 9 | 110 and 180 | 4.1.5 | 40 |
| 8.2 Sources and amounts of cash flows | 3.3.5.3, 4.1.4 and 4.1.6 notes 8.1 | 92 and 108, 155 | 4.1.4 | 38 |
| 8.3 Borrowing requirements and funding structure | 2.1.7, 4.1.6 note 8.1.1 | 68 and 155 | 4.1.6 note 5.3 and note 7 | 54 and 60 |
| 8.4 Restrictions on the use of capital resources | 4.1.6 note 8.1.3 | 162 | - | - |
| 8.5 Anticipated sources of funds | 3.3 and 4.1.6 note 1.4 | 89 and 116 | - | - |
| **9 - Regulatory environment** | 1.6 | 49 | - | - |
| **10 – Information on trends** | | | | |
| 10.1.a Significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year | 3.7 and 3.11 | 95 and 101 | 3.1 | 10 to 13 |
| 10.1.b Description of any significant change in the financial performance of the group | N/A | N/A | N/A | N/A |
| 10.2 Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects | 1.2, 3.7, 3.9 and 4.1.6 note 14 | 13, 95, 96 and 195 | 3.2 and 4.1.6 note 11 | 13 to 26 and 70 |
| **11 – Profit forecasts or estimates** | | | | |
| 11.1. Profit forecasts or estimates | 1.2, 3.9 | 13, 96 | 3.7 | 30 |
| 11.2 Principal assumptions underlying profit forecasts or estimates | N/A | N/A | 3.3.1 and 3.7 | 10 and 30 |
| 11.3 Statement on the basis on which profit forecasts or estimates have been prepared | N/A | N/A | 3.7 | 30 |
| **12 – Administrative, management and supervisory bodies and senior management** | | | | |
| 12.1 Information concerning members of the Board of Directors and senior management | 7.1.1, 7.1.2 and 7.3 | 364, 380 and 398 | 5.1 | 76 |
| 12.2 Conflicts of interest | 7.1.3 | 380 | - | - |
| **13 – Remuneration and benefits** | | | | |
| 13.1 Remuneration and benefits in kind | 7.4.1, 7.4.3 and 7.4.4 | 400, 413 and 419 | - | - |
| 13.2 Retirement or other similar benefits | 7.4.2 | 411 | - | - |
| **14 – Board practices** | | | | |
| 14.1 Date of expiry of current terms of office | 7.1.1 et 7.1.2 | 364 and 380 | 5.1 | 76 |
| 14.2 Service agreements involving members of administrative, management or supervisory bodies | 4.1.6 note 13, 7.1.3 and 7.6 | 194, 380 and 427 | 4.1.6 note 12 | 74 |
| 14.3 Information on the Audit and Compensation Committees | 7.2.2.1 and 7.2.2.3 | 392 and 395 | 5.1 | 76 |
| 14.4 Statement regarding corporate governance | 7.2.1.1 | 381 | N/A | N/A |

| Headings in Annexes 1 and 2 of the Delegated Regulation of March 14, 2019 | 2018 Registration Document section | Pages | URD Section | Pages |
|---|---|---|---|---|
| 14.5 Potential material impacts on corporate governance | N/A | N/A | N/A | N/A |
| **15 – Employees** | | | | |
| 15.1 Number of employees | Profil/Chiffres clés and 6.4.2 | 7 and 325 | - | - |
| 15.2 Shareholdings and stock options held by corporate officers | 7.1.1.2, 7.4.1.1.2, 7.4.3, 7.4.4.1 and 7.4.4.2 | 365, 402, 413, 419 and 422 | - | - |
| 15.3 Arrangements providing for employee involvement in the share capital | 3.1.4 et 6.4.4.4 | 76 and 335 | - | - |
| **16 – Major shareholders** | | | | |
| 16.1 Identification of major shareholders | 2.2 | 69 | 2.2.1 | 8 |
| 16.2 Existence of different voting rights | 2.2 and 8.1.9 | 69 and 435 | 2.2.1 | 8 |
| 16.3 Control of the issuer | 2.2 | 69 | 2.2.1 | 8 |
| 16.4 Arrangements which could lead to a change in control of the issuer | 8.3 | 439 | - | - |
| **17 – Related party transactions** | 4.1.6 note 13 | 194 | 4.1.6 note 12 | 74 |
| **18 – Financial information concerning the assets and liabilities, financial position and income of the issuer** | | | | |
| 18.1 Historical financial information | Profil/Chiffres clés, 4.1 and 4.2 | 9, 104 and 207 | - | - |
| 18.2 Interim and other financial information | N/A | N/A | N/A | N/A |
| 18.3 Audit of historical annual financial information | 4.1.7 and 4.2.6 | 202 and 244 | 1 | 3 |
| 18.4 Pro forma financial information | N/A | NA | N/A | N/A |
| 18.5 Dividend policy | 2.3 and 8.1.7 | 71 and 433 | 2.3 | 9 |
| 18.6 Legal and arbitration proceedings | 4.1.6 note 12 and 8.2 | 190 and 437 | 4.1.6 note 11 and 6.2 | 70 and 78 |
| 18.7 Significant change in the financial position | 3.1.2 and 4.1.6 note 3.2 | 74 and 119 | N/A | N/A |
| **19 – Additional information** | | | | |
| 19.1 Share capital | | | | |
| 19.1.1 Amount of subscribed share capital and authorized share capital not issued | 2.1.1 and 2.1.4 | 60 and 64 | 2.1.1 | 4 |
| 19.1.2 Shares not representing capital | N/A | N/A | N/A | N/A |
| 19.1.3 Shares held by the issuer or its subsidiaries | 2.1.3 | 61 | 2.2.1 | 8 |
| 19.1.4 Convertible securities, exchangeable securities or securities with subscription warrants | 2.1.5, 2.1.7, 4.1.6 note 8.1.1.1 | 67, 68, 156 | 2.1.3, 3.1 and 4.1.6 note 7 | 6, 11 and 60 |
| 19.1.5 Acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital | 2.1.4 | 64 | N/A | |
| 19.1.6 Options over share capital of Group members | N/A | N/A | N/A | N/A |
| 19.1.7 Share capital history | 2.1.6 | 67 | N/A | N/A |
| 19.2 Memorandum and Articles of Association | | | | |
| 19.2.1 Corporate purpose and Companies registry | 8.1.4 and 8.1.5 | 432 | N/A | N/A |
| 19.2.2 Rights, preferences and restrictions attaching to shares | 8.1.7 and 8.1.9 | 433 and 435 | N/A | N/A |
| 19.2.3 Provisions that could delay, defer or prevent a change in control of the issuer | N/A | N/A | N/A | N/A |
| **22 – Material contracts** | 8.3 | 439 | N/A | N/A |
| **21 – Documents available to the public** | 8.5 | 441 | 6.3 | 81 |

## 6.5.2 HALF-YEARLY FINANCIAL REPORT CROSS-REFERENCE TABLE

Pursuant to Article 212-13 of the AMF's General Regulations, this Update contains the half-yearly financial report information required by Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-4 of the AMF's General Regulations.

**Investor relations**

Mr. Ronald Wasylec

Head of Investor Relations

Tel.: +33 (0)1 85 57 84 76

www.veolia.com/leeds/en/veolia-group/finance-area

## 2019 FINANCIAL REPORTING SCHEDULE

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Key figures at September 30, 2019

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Resourcing the world

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A Public Limited Company (Société Anonyme)
with a share capital of 2,829,128,105 euros
403 210 032 R.C.S. Paris

**Administrative headquarters :**
30, rue Madeleine-Vionnet – 93300 Aubervilliers – France
Tél. : +33 (0)1 85 57 70 00

**Registered office:**
21, rue La Boétie – 75008 Paris– France
**www.veolia.com**