VEOLIA ENVIRONNEMENT
Société anonyme with a share capital of €2,829,128,105
Registered office: 21 rue La Boétie – 75008 Paris
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OPERATING AND FINANCIAL REVIEW

Condensed Interim Consolidated Financial Statements

for the half-year ended June 30, 2019

Contents

1 Major events of the period

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.

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.
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Veolia 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 companies

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.

1.3 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.

2 Accounting and financial information

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

(in € millions)	*H1 2018 re-presented excl. IFRS 16*	*IFRS 16 impact*	*H1 2018 re-presented incl. IFRS 16*	*H1 2019 excl. IFRS 16*	*Impact IFRS 16*	*H1 2019 incl. IFRS 16*
Revenue	12,588	-	12,588	13,324	-	13,324
EBITDA	1,676	224	1,900	1,772	230	2,002
Current EBIT (1)	790	23	813	833	25	857
Net income - Group share	225	1	226	330	2	331
Gross CAPEX	(712)	(216)	(928)	(800)	(206)	(1,005)
Divestitures	20	9	29	(1)	38	37
Net CAPEX (1)	(692)	(208)	(899)	(801)	(168)	(969)
Interests on IFRS 16 lease liabilities	-	(23)	(23)	-	(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.

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.

(1) See also the Subsequent Events section

2.2 KEY FIGURES

(in € million)	*Half-year ended June 30, 2018 published*	*Half-year ended June 30, 2018 re-presented* [1]	***Half-year ended June 30, 2019***	*Δ*	*Δ 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 [1])	%	(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)

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:

Δ 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 [(1)]*	***Half-year ended June 30, 2019***	*Δ*	*Δ at constant exchange rates*	*Δ 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;

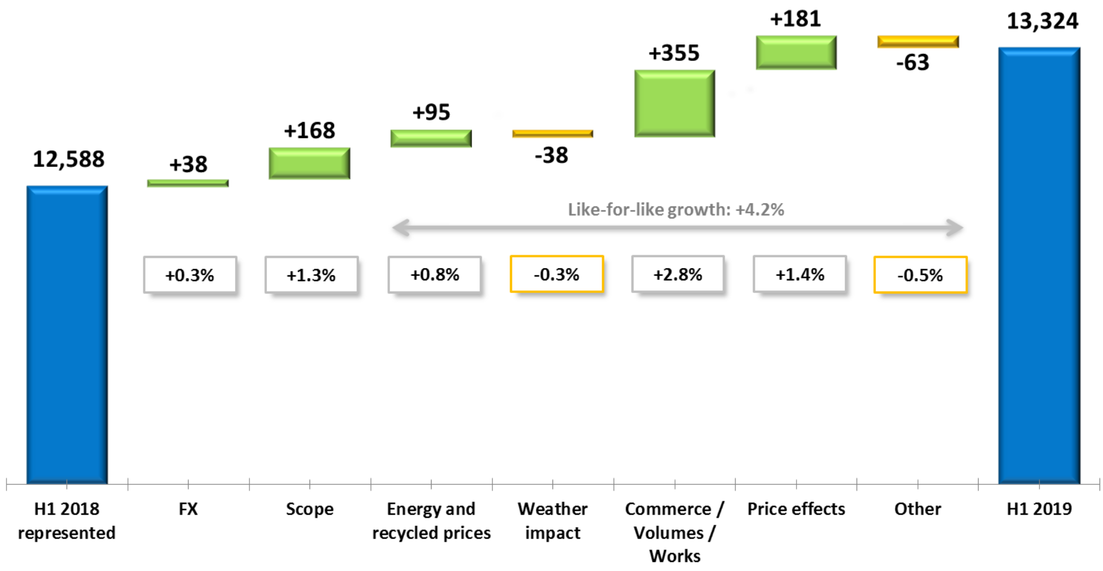
- In Africa/Middle East, revenue increased +4.1% at constant exchange rates, thanks to commercial developments in energy services in the Middle East and good water and electricity volumes in Morocco.

– **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 June 2018 and June 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 [(1)]*	*Half-year ended June 30, 2019*	*Change 2018 / 2019* Δ	*Δ 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%.

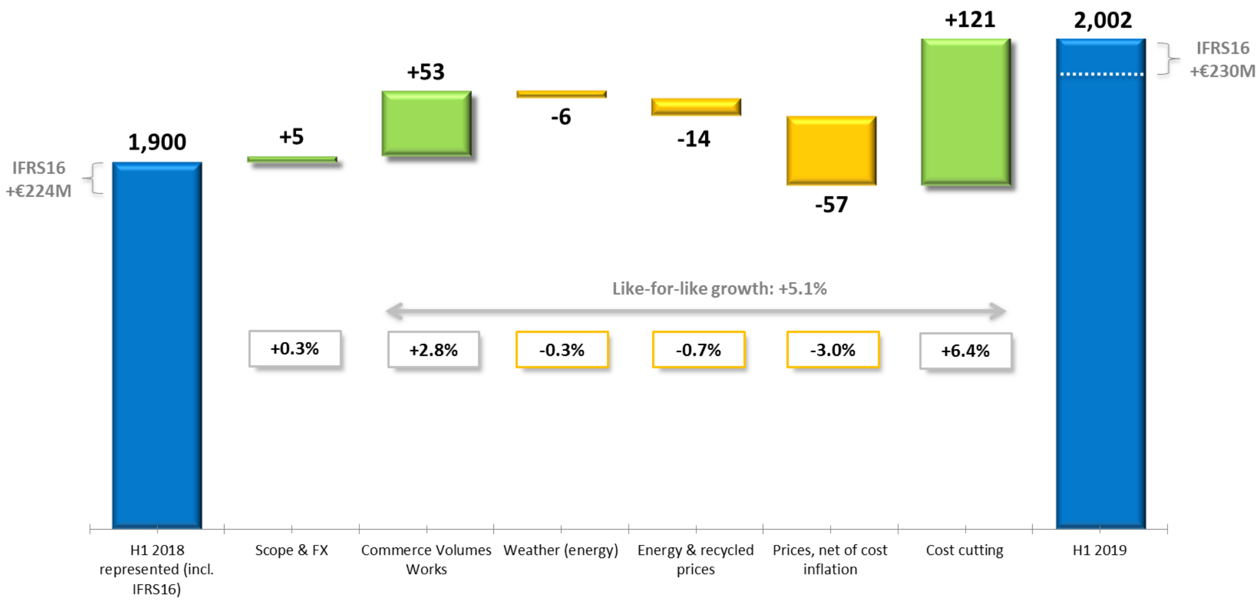
- **In France**, EBITDA growth was strong at +3.3%:
  - In Water, EBITDA grew 5.5% out-pacing revenue growth (+1.5%), thanks to increased efficiency gains and, particularly, the full year impact of the voluntary departure plan launched last year. This offset the price squeeze which was also more moderate 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 2018 and 2019 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 CO2 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 *(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 [1]*	***Half-year ended June 30, 2019***
EBITDA	**1,899.5**	**2,001.9**
Renewal expenses	(135.0)	(138.9)
Depreciation and amortization [1]	(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 [(1)]*	***Half-year ended June 30, 2019***	*Δ*	*Δ at constant exchange rates*
France	53.3	68.0	27.6%	27.6%
Europe, hors 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* [(1)]	***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 (2)	-	32.7
Net financial expense	**(268.9)**	**(262.1)**

(*) including 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* [(1)]	***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 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.

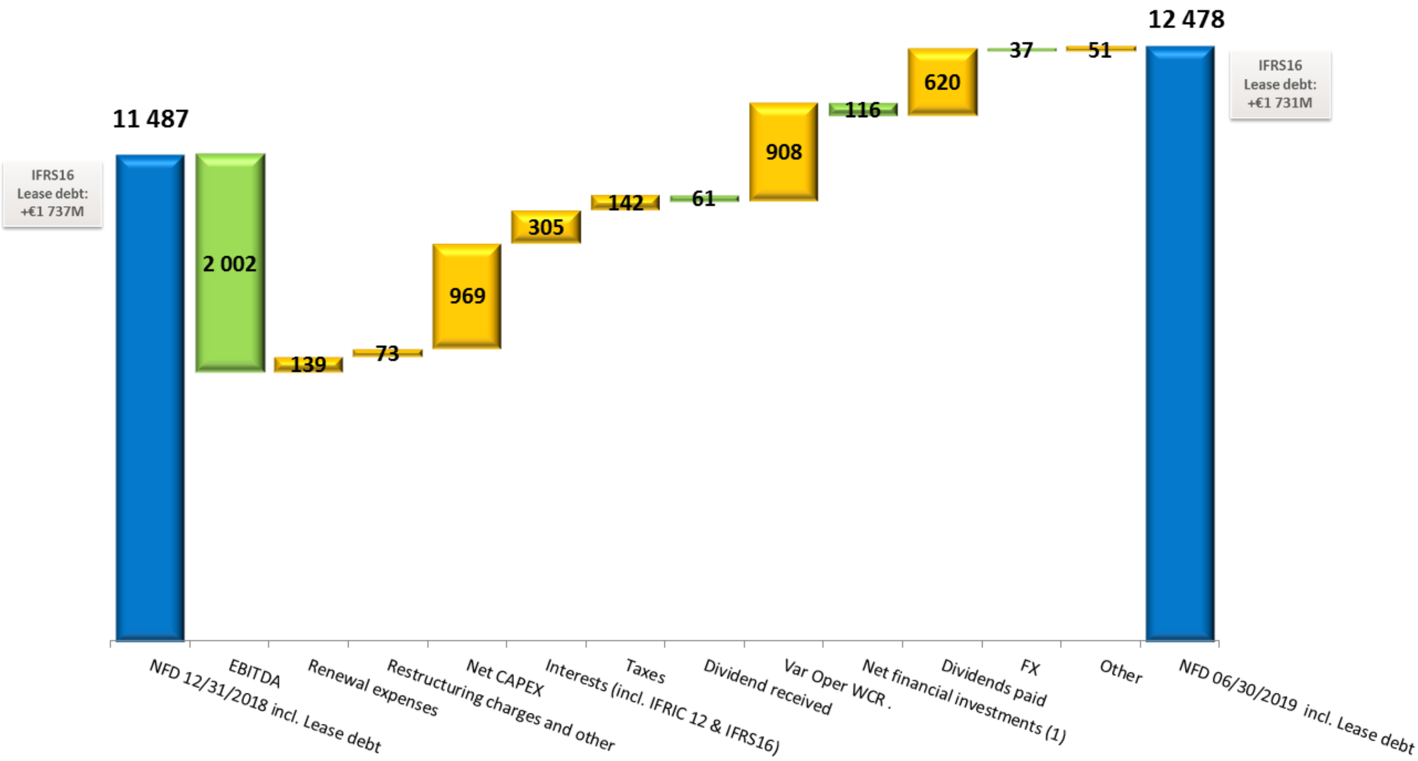
FINANCING

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.

2.3 REVENUE BY BUSINESS

(in € million)	*Half-year ended June 30, 2018 re-presented (1)*	***Half-year ended June 30, 2019***	*Change 2018 / 2019* *Δ*	*Δ at constant exchange rates*	*Δ 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 tariff 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.

2.4 OTHER INCOME STATEMENT ITEMS

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.

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.

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

<u>The share of net income attributable to non-controlling interests</u> 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.

<u>Net income attributable to owners of the Company</u> 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.

<u>Current net income attributable to owners of the Company</u> 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 [1]*	***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 Financing

3.1 CHANGE 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 € million)	*Half-year ended June 30, 2018 re-presented* [(1)]	***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.

3.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

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 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 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.

3.4 EXTERNAL FINANCING

3.4.1 Structure of net financial debt

(in € million)	*Note to the consolidated financial statements*	*As of June 30, 2018 re-presented (1)*	***As of 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 financial 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.

3.4.2 Group liquidity position

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

(in € million)	*As of June 30, 2018 re-presented [(1)]*	***As of 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 financial 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.

3.4.3 Bank covenants

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

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).

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

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.

7 Outlook

Following the good start to2019, the Group confirms its outlook*.

- 2019**:
  - 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.

** 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.

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

8 Appendices

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 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 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)	**Notes**	*Half-year ended June 30, 2018 re-presented* [(1)]	***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* [(1)]	***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)**

8.2 RECONCILIATION OF 2018 PUBLISHED DATA WITH 2018 RE-PRESENTED DATA[1]

In €m	June 2018 published	IFRS 5 Adjustment[3]	IFRS 16 Adjustment	June 2018 represented
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	-711.8	0.0	-216	-928
Net free cash flow	-321	4	-4	-322
Net financial debt	-10,609	0	-1,789	-12,398

(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.*

In €m	June 2018 published	IFRS 5 Adjustment	IFRS 16 Adjustment	June 2018 represented
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 €m	June 2018 published	IFRS 5 Adjustment	IFRS 16 Adjustment	June 2018 represented
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 €m	June 2018 published	IFRS 5 Adjustment	IFRS 16 Adjustment	June 2018 represented
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
Current EBIT	791.7	-2.0	23.3	813.1

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.