VEOLIA ENVIRONNEMENT
Société anonyme with a share capital of €2,836,332,695
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Operating and Financial Review

Consolidated Financial Statements for the year ended December 31, 2019

(Version under review by the statutory auditors)

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1 Major events of the year

1.1 GENERAL CONTEXT

2019 was the final year of the 2016 -2019 plan, marked by improved profitable growth founded mainly on organic growth and targeted scope transactions, as well as a rigorous cost savings policy generating over €1 billion in savings, it was also the preparation year for the definition of the new 2020 – 2023 strategic plan.

During the year, the Group's financial performance saw a steady rise in revenue and EBITDA fueled by the **two key drivers** of our strategy: **organic growth** and **above-target costs savings**.

These elements led to solid growth in results **for the year**:

- **Revenue up +4.3% at constant exchange rates at €27,189 million, and +3.2% at constant scope and exchange rates:**
  - Higher organic growth of 3.2% despite the negative impact of the weather (-€68 million), recyclate prices (-€76 million) and a reorientation of construction activities (VWT -7.6%);
  - Strong commercial momentum, with higher waste volumes of +1.5% and tariff indexation that remains favorable in water and waste.

- **Sustained growth outside France and in new businesses:**
  - France +2%, Europe excluding France +4.1% (1), Rest of the world +8.7%(1);
  - Double-digit growth in hazardous waste (+14%), which represents €2.5 billion of revenue in 2019;
  - Increase in plastic recycling (+26%) to a revenue of €319 million.

- **Strong EBITDA growth to €4,022 million**, ahead of targets, up +4.7% and +4.5% at constant exchange rates, tied to:
  - Continued growth in Group activities;
  - The impact of cost savings plans (€248 million);

    These positive impacts were partially offset by:
  - A negative weather impact (-€17 million);
  - A price squeeze that remains negative but is reducing thanks to improved tariff indexation (-€85 million compared with -€130 million in December 31, 2018);
  - An energy price impact of -€23 million reflecting the gradual pass through of the rise in fuel and CO_2 costs to the price of energy sold;
  - And a recyclate price impact of -€30 million, driven by a sharp drop in recycled paper prices which accelerated in the last quarter.

(1) At constant exchange rates

Other financial items are also in growth:

- **Current EBIT up +5.3%** (+5.0% at constant exchange rates) **to €1,730 million;**
- **Current net income, Group share,** up +13.1% (+13.5% at constant exchange rates) **to €760 million**;
- **Net income excluding capital gains,** up +8.8% at constant exchange rates **to €734 million;**
- **Net income, Group share,** up +41.8% **to €625 million;**
- **Net industrial investments of €2,201 million** (including €362 million of discretionary capex versus €309 million in 2018);
- **Strong increase in Free Cash flow to €868 million** thanks to strict industrial investment discipline and tight control over working capital requirements, retaining the investment of €362 million in discretionary capex (+17.1% higher than 2018) for future growth;
- **Decrease in financial debt to €10,680 million** (including lease debt of €1,731 million following the application of IFRS 16) with a leverage ratio (Net Debt/EBITDA) of 2.66 (versus 3.01 as of December 31, 2018 re-presented).

1.2 CHANGES IN GROUP STRUCTURE

COMMERCIAL DEVELOPMENTS AND ACQUISITIONS

The strong commercial momentum enjoyed by the Group in 2018 continued, with Veolia signing several major contracts in 2019:

- In the municipal water sector, the Group won the water contract for the city of Nimes in France (8-year contract worth €185 million) and restarted desalination activities in Sydney, Australia (estimated annual revenue of €23 million). In addition, the Group renewed its operating contract for the Wellington wastewater treatment plant, adding several further plants around the New Zealand capital (NZ$170 million contract);

- In the technologies and network sector, Veolia Water Technologies won construction contracts for the Umm Al Quwain, Rabigh 3 and Al Dur desalination plants in the Middle East, while continuing to refocus its business;

- As part of its heat, cold and electricity production activities (local energy loops), the Group acquired two cogeneration plants in Slovakia at the end of 2018, representing revenue of €52 million in 2019. This was followed in 2019 by the acquisition of a company specialized in the production of heat from gas and co-generation in Levice (Slovakia) for €71 million [(1)], representing 2019 revenue of €32 million, of Southa in Hong Kong for €29 million [(1)], representing full-year revenue of €80 million and of Actility in Belgium for €21 million. In addition, on October 17, 2019. In addition, the Group has renewed the concessions for the electricity and gas grids for the city of Braunschweig, Germany, through its subsidiary BS Energy (20-year contract worth €2.6 billion).

Veolia Group also developed its activities in the following sectors in 2019:

- Hazardous waste: construction in progress of four incineration furnaces in China and creation in the Global businesses segment of a joint entity with EDF in response to the challenges of decommissioning nuclear reactors that incorporate graphite technology**.** In addition, on December 20, 2019, the Group announced it had signed an agreement to take over Alcoa USA Corporation's hazardous waste treatment site in Gum Springs, Arkansas (United States), through its subsidiary, Veolia North America, adding to the Group's hazardous waste treatment activities in the region. The transaction has been finalized on January 31, 2020 for a consideration of US$250 million.

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

- 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;
  - The Group signed a partnership with Reckitt Benckiser to drive the shift to a circular plastics economy;
  - On January 28, 2019, through its subsidiary, Veolia China Holding Ltd, the Group acquired a 66% stake in Huafei in China, for a consideration of €22 million(1), a specialist in plastic recycling with four production sites;
  - In France, the city of Bordeaux awarded the Group a public service delegation contract for household waste recovery and processing and similar services in the metropolitan area for a period of 7 years and 10 months, commencing February 20, 2020. Cumulative revenue for this contract is estimated at €405 million. Veolia will operate a fully integrated business comprising three recovery and recycling facilities in order to meet the major challenges facing the Bordeaux Metropolitan area;
  - In the first quarter 2019, the Group acquired Renascimento, a waste processing and recycling company in Portugal, for €39 million(1), followed in the third quarter by the acquisition of Gadere in Ecuador, for €15 million (1).

- Industrial services: signature of a Lithium refining contract in Japan (€66 million contract); signature of energy performance contracts in Colombia (including Coca-Cola Femsa, €29 million contract); signature of an operation and maintenance contract covering all water treatment plants at a mine in Ghana (AngloGold Ashanti contract). In addition, on July 24, 2019, Koweït Integrated Petroleum Industries Company (KIPIC) entrusted the operation and maintenance of the Al Zour refinery wastewater treatment plant to the Group (7-year contract worth US$63 million), with a zero liquid discharge objective.

DIVESTITURES

- Energy assets in the United States (TNAI)

As part of the regular review of its asset portfolio and in light of the announcement of its strategic program for 2020-2023, the Group, through its subsidiary Veolia Energy North America Holdings Inc., completed the sale of its heating and cooling networks to Antin Infrastructures Partners on December 30, 2019 for a gross consideration of €1.1 billion, generating a capital gain net of tax and disposal costs of €170 million. The portfolio is composed of steam, hot and chilled water and electricity production plants, including cogeneration, and 13 networks in 10 cities in the US.

- Transdev Group

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

Therefore, the Group performed total financial investments of €619 million and total financial divestitures of €1,490 million through its subsidiaries in 2019.

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

POSITIVE OUTCOME OF THE U.S. TAX LITIGATION

As a result of 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 USD 4.5 billion (tax base) as of December 31, 2006. Following a long tax audit, the U.S. 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 informed Veolia that it will not pursue a challenge of the Worthless Stock Deduction, and provided a revised revenue agent's report reflecting that decision on April 30 2019. At the end of 2019, the Group has a $2.0 billion deficit not recognized (in base) in the US to be used before the end of 2026.

1.3 GROUP FINANCING

In 2019, the Group actively managed its debt benefiting from market conditions, including refinancing transactions leading to a reduction in the financing rate.

CHANGE IN BONDS

On January 14, 2019, Veolia Environnement issued at par a €750 million bond 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 from this issue have been used for general corporate purposes, and notably to refinance debt maturities.

On April 24, 2019, Veolia Environnement repaid, at maturity, a euro bond line, in the nominal amount of €462 million.

In relation to the divestitures of heating and cooling networks in the United States, on December 23, 2019, Veolia Environnement redeemed early its U.S. dollar bond line bearing interest at 6.75% and maturing in 2038, in the nominal amount of US$100 million.

OFFERING OF A PANDA BOND

On December 17, 2019, Veolia Environnement successfully issued a bond for a nominal amount of 1.5 billion renminbi (€192 million) on the Chinese domestic market “Panda Bond”. This bond issue was performed via a private placement, and bears interest of 3.70% for a 1 year maturity. It was issued to Chinese and international investors. The proceeds of this bond will be used to finance various Group projects in continental China. The conditions obtained and the over-subscription rate of 1.7x show that Veolia’s signature is viewed very favorably and demonstrated investor confidence in the Group’s development in China.

OCEANE BOND ISSUE

On September 12, 2019, Veolia Environnement placed approximately 700 million of bonds for new and/or existing shares (“OCEANE”) and simultaneously redeemed existing bonds maturing on March 15, 2021, by way of a reverse bookbuilding process.

These bonds will not bear interest and were issued at 103.25% of their principal amount, corresponding to an annual gross yield at maturity of -0.60%. The nominal unit value of the bonds is €30.41, corresponding to a premium of 35% above the Company's reference share price on the issue day on the Euronext Paris regulated market.

CONFIRMATION OF THE CREDIT OUTLOOK

In February, 2020, 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 Veolia Environnement's credit rating at A-2 / BBB with a stable outlook.

DIVIDEND PAYMENT

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

IMPLEMENTATION OF A NEW LIQUIDITY CONTRACT

Veolia Environnement and Rothschild & Cie Banque terminated the liquidity contract taking effect on September 30, 2014. On May 28, 2019, Veolia Environnement entered into a new liquidity contract with Kepler Chevreux, effective June 1, 2019 and for an initial period expiring on December 31, 2019 tacitly renewable thereafter for periods of one year. This contract complies with the prevailing legal framework.

1.4 EMPLOYEE CONTRIBUTION TO GROUP PERFORMANCE

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, open to approximately one hundred and fourteen thousand Group employees. The overall subscription rate exceeded 32%, resulting in a €7 million share capital increase (i.e. 1,440,918 new shares issued).

In addition, in accordance with the Group's compensation policy and the authorization granted by the 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 is subject to presence and performance conditions, as set out in Section 6.2.2, of the 2019 Universal Registration Document.

1.5 VEOLIA'S PURPOSE

At the Veolia Environnement Combined General Meeting of April 18, 2019, the Group announced it had given itself a Purpose. The result of 160 years of history, Veolia's Purpose is in line with its "Resourcing the World" mission statement and contributes to human progress by firmly committing to the Sustainable Development Goals set by the UN to achieve a better and more sustainable future for all. It states the fundamental way in which Veolia will act and is both the direction in which the Group is heading and a means to give its actions a firmer long-term foundation. 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 (employees, customers, suppliers, shareholders, partners or the regions where it operates).

The Group will report annually on its multi-dimensional performance through a dashboard that aggregates relevant indicators on the sustainability of its model. These indicators are used to assess economic and financial performance, environmental performance, social performance and performance in terms of customer satisfaction, ethics and compliance.

2 Accounting and financial information

2.1 PREAMBLE

CHANGE IN LEASE STANDARD

The Group applies the new lease standard, IFRS 16, 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 in the income statement resulting from the application of this standard 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.

The application of IFRS 16 lease standard carries a dilutive effect on the after tax ROCE as well as the EFN/ EBITDA ratio (infra.)

(in € millions)	*Dec 2018 re-presented excl. IFRS 16*	*IFRS 16 impact*	*Dec 2018 re-presented incl. IFRS 16*	*Dec 2019 excl. IFRS 16*	*Impact IFRS 16*	*Dec 2019 incl. IFRS 16*
Revenue	25,951	-	25,951	27,189	-	27,189
EBITDA	3,395	448	3,843	3,537	485	4,022
Current EBIT	1,600	44	1,644	1,685	45	1,730
Net income - Group share	439	1	441	616	9	625
Gross CAPEX	(1,812)	(456)	(2,268)	(1,966)	(398)	(2,364)
Divestitures	60	19	79	99	64	163
Net CAPEX (1)	(1,753)	(437)	(2,189)	(1,868)	(334)	(2,201)
Interests on IFRS 16 lease liabilities		(45)	(45)		(41)	(41)
Free Cash Flow	569	(33)	536	755	113	868
Net financial debt	**9,748**	**1,816**	**11,564**	**8,949**	**1,731**	**10,680**
EFN ratio	**2.87**		**3.01**	**2.53**		**2.66**
After tax ROCE	**8.8%**		**8.2%**	**9.0%**		**8.4%**

(1) IFRS 16 net capex 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 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 the end of the arbitration proceeding between the Group and Gabon, enabling the implementation of the settlement agreement.

As of December 31, 2019, the Group recognized all compensation received in 2019 in net income from discontinued operations.

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 the first quarter of 2019 were unable to agree to a process for the divestiture of these Group activities. Accordingly, the Litesko assets and liabilities and the Vilnius and Litesko income statements were transferred to continuing operations as of December 31, 2019. The financial statements for the year ended December 31, 2018 were re-presented as a result of this reclassification to ensure comparability.

DISCONTINUATION OF EPC ACTIVITIES

Faced with the erosion of margins and the slowdown in its EPC (Engineering, Procurement and Construction) business, Veolia Water Technologies (VWT) had been reflecting on its activities for several years, leading it to reorient its development strategy in the areas of Technologies and Services and thus reduce its exposure to the "historic" construction business.

At the beginning of 2019, VWT has decided to accelerate its transformation by discontinuing the EPC activity in all geographies in aid of so-called EP contracts (Engineering/Design and Procurement excluding civil engineering or electrical and mechanical assembly).

In practice, the discontinuation of this EPC activity required a long process of detailed review of the terms and conditions of the exit from each of the existing contracts (including the assessment of completion guarantees) in order to best manage the end of the activities and minimize the Group's financial exposure. To this end, a specific Business Unit was created with its own management and resources. The contract review process was finalized in the last quarter of 2019.

Given the characteristics of this EPC exit plan, the Group considered the specific BU as meeting the criteria of IFRS 5 on discontinued operations and recognized a result of -€145.2 million presented on the line "income from discontinued operations". EPC 2018 results being non-significant with respect to continuing activities, the income statement has not been represented to ensure comparability.

2.2 KEY FIGURES

				Change 2018 / 2019		
(in € million)	*Year ended December 31, 2018 published*	*Year ended December 31, 2018 re-presented* [(1)]	***Year ended December 31, 2019***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Revenue	25,911.1	25,951.1	27,188.7	4.8%	4.3%	3.2%
EBITDA	3,392.0	3,842.9	4,021.8	4.7%	4.5%	4.8%
EBITDA margin	13.1%	14.8%	14.8%			
Current EBIT [(2)]	1,604.0	1,643.7	1,730.4	5.3%	5.0%	8.9%
Current net income – Group share	674.9	672.0	759.8	13.1%	13.5%	
Net income (loss) – Group share	439.3	440.6	624.9	41.8%		
Current net income – Group share, per share (Basic) [(2)]	1.22	1.22	1.37			
Current net income – Group share, per share (Diluted)[(2)]	1.17	1.17	1.31			
Industrial investments	(1,811)	(2,268)	(2,364)			
Net free cash flow [(3)]	568	536	868			
Net financial debt (incl. Hybrid debt and IFRS 16 lease debt)	(9,749)	(11,564)	(10,680)			
Debt ratio	2.87x	3.01x	2.66x			

(1) The restatements at December 31, 2018 relate to the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.

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

(3) The indicators are defined in Section 10.3.

The main foreign exchange impacts were as follows:

FX impacts for the year ended December 31, 2019 (vs December 31, 2018 re-presented)	%	(in € million)
Revenue	0.5%	122
EBITDA	0.2%	6
Current EBIT	0.3%	5
Current net income	(0.3)%	(3)
Net financial debt	(0.6)%	(64)

GROUP CONSOLIDATED REVENUE

By segment, the change in revenue compared with re-presented figures for the year ended December 31, 2018 breaks down as follows:

			Change 2018 / 2019		
(in € million)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France	5,499.3	5,611.5	2.0%	2.0%	1.8%
Europe excluding France	9,136.1	9,501.1	4.0%	4.1%	3.4%
Rest of the world	6,619.7	7,303.5	10.3%	8.7%	5.8%
Global businesses	4,665.5	4,733.8	1.5%	0.9%	0.8%
Other	30.7	38.8	26.4%	26.4%	26.1%
Group	**25,951.3**	**27,188.7**	**4.8%**	**4.3%**	**3.2%**

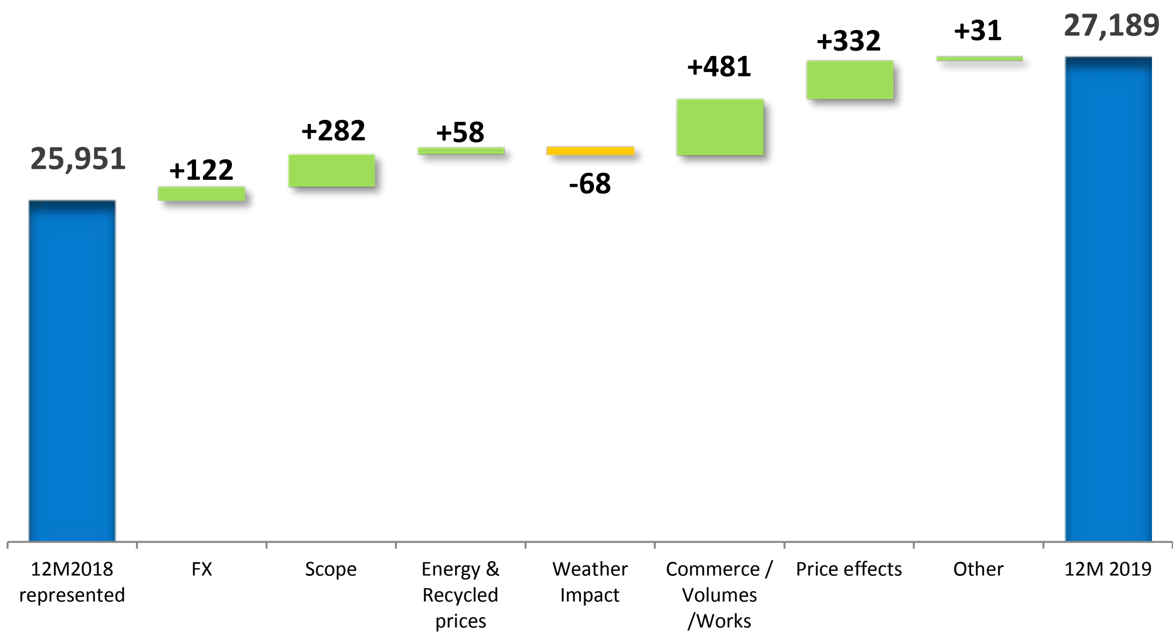
- Revenue increased +2.0% in **France** at constant exchange rates compared with re-presented figures for the year ended December 31, 2018: Water revenue improved +2.1%, while Waste revenue increased +2.0% at constant exchange rates.
  - Water revenue increased +2.1% versus 2018 re-presented, driven by a +0.7% increase in volumes (-0.7% in 2018), higher tariff indexation (+1.4% in 2019 compared with +0.7% in 2018) and a rise in construction activity;
  - Waste revenue increased +2.0% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018: lower recycled paper prices (-€32 million) were offset by increased construction activities and commercial momentum.
- **Europe excluding France** grew +4.1% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018, with solid momentum in the majority of regions:
  - In the United Kingdom / Ireland, revenue increased +4.0% at constant exchange rates to €2,297.7 million, thanks to increased waste volumes (+1.6%) and continued good commercial momentum. A good PFI availability rate (93.8% in 2019 compared to 94.6% in 2018), as well as a good performance of the toxic waste, plastics recycling and storage activity can be observed in the region.

- In Central and Eastern Europe, revenue increased +4.5% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018 to €3,296.4 million and 8.6% at constant exchange rates adjusted for contractual changes in water in the Czech Republic (SCVK). Despite an unfavorable weather impact (-€29 million), it was offset by:
  - in Energy: higher tariffs (+€107 million);
  - in Water: an increase in invoiced water volumes (+3.6%), higher tariffs in most countries of the zone and increasing Construction activities in Hungary and Romania.
- in Northern Europe, revenue increased +1.1% at constant exchange rates compared with the re-presented prior-year period to €2,737.8 million. In Benelux, growth is primarily fueled by the contribution of new acquisitions in industrial services and plastic recycling. Germany, the main contributor (€1,879 million), reported revenue growth of +1.1%: higher tariffs offsetting the slump in the price of paper but energy revenue nonetheless slipped, penalized by the weather impact (-€19.5 million).

- Strong growth in the **Rest of the world** of 8.7% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018:
  - Revenue in Asia increased by +16.2% at constant exchange rates, mainly due to continued strong growth in China, Hong-Kong and Taiwan, where revenue increased +25.5% at constant exchange rates to €1,215 million, driven:
    - in Hong-Kong, by the integration of Southa's activities (energy services for buildings, +€53 million) and the construction of an extension at the Greenvalley site (+€43 million);
    - in China, by good Waste performances (hazardous waste incineration, plastic recycling with the integration of Huafei's industrial facilities), offsetting the impact of landfill divestitures; in Energy, by higher heating sales tied to the extension of the Harbin network and acquisitions in 2018 and 2019 (notably Das Linkin, Binzhou and Kedong Heating), as well as good performances in industrial water;
    - in Taiwan, by the acquisition of Apollo (soil remediation, +€16 million).
  - Japan (+9%) reported strong organic growth in municipal water activities (+€24 million) and numerous industrial developments (start-up of the Lithium project, +€15 million);
  - Revenue increased +1.2% at constant exchange rates to €2,168 million in North America. Robust hazardous waste performance linked to good processing tool availability (90%, compared with 87% in 2018), increased volumes and higher prices offset lower energy revenue, which was penalized by very mild weather early and late in the year;
  - The Pacific zone recorded +7.9% growth at constant exchange rates for the year ended December 31, 2019, boosted by higher waste collection volumes and the restart of the Sydney water treatment plant;
  - Strong growth in Latin America (+16.0% at constant exchange rates), primarily driven by price increases in Argentina (tied to inflation) and the acquisition of Grupo Sala in Colombia, consolidated from May 1, 2018 (impact of €42 million); the fall in revenue tied to the end of certain Water contracts in Argentina and Colombia and Waste contracts in Mexico, was offset by favorable volume impacts in Brazil (Waste) and Ecuador (Water) and contract wins in Chile and Peru;
  - In Africa /Middle East, revenue increased +5.5% at constant exchange rates, thanks to commercial development in the Middle East in energy services and higher sales volumes in Morocco, with price increases offsetting the fall in construction activity.
- **Global businesses:** revenue increased +0.9% at constant exchange rates versus the re-presented prior-year period:
  - Hazardous waste reported strong revenue growth in Europe of +4.6% at constant exchange rates, thanks to higher incinerator prices (+5%) and increased volumes processed (+2.8%);
  - Veolia Water Technologies revenue slumped -7.6% at constant exchange rates on 2018, following the restructuring of its activities. Veolia Water Technologies bookings increased +25% in 2019 (€2,149 million) compared with December 31, 2018 (€1,721 million), thanks to desalination facility

projects in the Middle East (Umm Al Quwain, Rabig and Al Durr). Sade reported a +7.1% increase at constant exchange rates, with good performance in Construction in France and in Telecoms (roll-out of fiber optics by the main operators) and ongoing measures to refocus its international activities.

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



The **foreign exchange impact** on revenue was +€122 million (0.5% of revenue) and mainly reflects fluctuations in the U.S. dollar (+€127 million), the Japanese yen (+€35 million), the Moroccan dirham (+€20 million), the pound sterling (+€19 million), the Argentine peso (-€78 million) and the Australian dollar (-€20 million).

The **consolidation scope impact** of €282 million mainly reflects:

- operations in 2018: integration of Grupo Sala in Colombia (+€42 million), HCI in Belgium (+€37 million), PPC industrial assets in Slovakia (+€31 million) and three cogeneration plants in Hungary (+€22 million) and the divestiture of the Industrial Services division in the United States in February 2018 (-€11 million) and the divestiture of ScVK in the Czech Republic and consolidation of SCS in the context of this new water contract (-€130 million, net);
- 2019 transactions, including the acquisition of Southa in Hong Kong (+€53 million), Huafei in China (+€50 million), Levice in Slovakia (+€35 million), Renascimento in Portugal (+€23 million) and Apollo in Taiwan (+€16 million).

Energy and recyclate prices had an impact of +€58 million, following an increase in energy prices +€134 million (mainly in Northern Europe and Central and Eastern Europe) offset by a fall in recyclate prices (total recycled material impact of -€76 million; impact of -€67 million for paper, -€13 million for metals and +€21 million for plastic).

Commercial momentum improved significantly **(Commerce/Volumes impact)** to +€481 million, with in particular:

- Higher volumes (+€269 million) in line with growth in waste volumes (France, United Kingdom, North America, Pacific) and energy volumes in Asia (heating network extension). In Water, higher volumes (+0.6%), particularly in the Pacific region (restart of the Sydney plant) and Morocco (2.5%), were offset by reduced volumes in Northern Europe (-4.8%);

- A commercial effect of +€111 million, with numerous contract wins in water in Asia (including China in industrial water and industrial energy and Japan in municipal water), in waste in North America (hazardous waste) and in energy in Italy, the Iberian peninsula and the Middle East;
- A contribution from construction activities of +€101 million, with increased construction work on treatment facilities in France (water and waste), Central and Eastern Europe and Asia, offsetting reduced construction activities in VWT;
- A negative weather impact of -€68 million in Northern Europe, Central Europe and North America.

Favorable **price effects** (+€332 million) are tied to positive tariff indexation in water in France and Central and Eastern Europe and in waste in France, the United Kingdom, Northern Europe and Latin America.

Group consolidated revenue for the year ended December 31, 2019 was €27,188.7 million, compared with re-presented €25,951.3 million for the same period in 2018, **up +4.3% at constant exchange rates and organic growth of +3.2%**. Excluding Construction revenue [(1)] and energy price effects, revenue improved by +3.4% (+2.1% in the fourth quarter, +3.7% in the third quarter, +4.4% in the second quarter and +3.6% in the first quarter).

By trimester, the change in revenue breaks down as follows:

Change at constant exchange rates	*Q1 2019*	*Q2 2019*	*Q3 2019*	*Q4 2019*
France	2.8%	5.0%	0.5%	0.1%
Europe excluding France	4.7%	7.2%	4.1%	1.1%
Rest of the world	6.6%	9.0%	9.0%	10.1%
Global businesses	4.7%	2.6%	-0.2%	-2.6%
Group	**4.8%**	**6.3%**	**3.8%**	**2.6%**

Revenue is growing in the fourth quarter at +2.6% at constant exchange rates, with organic growth of +1.7%. A good fourth quarter for Water France especially with a 0.7% increase in volumes and a 1.4% increase in prices, the slowdown in growth in France was therefore due to the Waste business with a continued decline in the price of recycled materials. In Europe excluding France, the United Kingdom and Southern Europe maintained good dynamism, while Central and Eastern Europe experienced more moderate growth due to an unfavorable climate effect in the Energy business. In Northern Europe, we note the negative effect of the mild climate and the fall in paper prices. It remained robust in the Rest of the world segment (+10% notably in Asia and the Pacific, with growth rates of +24.9% and +14.5% at constant exchange rate, respectively). The slowdown in the Global businesses segment was due to the fall in Construction activities, despite continued strong growth in hazardous waste.

EBITDA

Group consolidated EBITDA for the year ended December 31, 2019 was €4,021.8 million, up +4.5% at constant exchange rates compared with re-presented figures for the prior year. The margin rate is stable at 14.8% in December 2019.

[(1)] Construction revenue encompasses the Group's engineering and construction activities (mainly through Veolia Water Technologies and SADE), as well as construction completed as part of operating contracts.

EBITDA breaks down by segment as follows:

(in € million)	*As of December 31, 2018 re-presented*	**As of December 31, 2019**	Change 2018 / 2019 *Δ*	*Δ at constant exchange rates*
France	899.5	899.7	0.0%	0.0%
EBITDA margin	*16.4%*	*16.0%*		
Europe excluding France	1,471.8	1,501.2	2.0%	2.1%
EBITDA margin	*16.1%*	*15.8%*		
Rest of the world	1,062.4	1,160.5	9.2%	8.2%
EBITDA margin	*16.0%*	*15.9%*		
Global businesses	360.9	396.2	9.8%	10.6%
EBITDA margin	*7.7%*	*8.4%*		
Other	48.3	64.2		
Group	**3,842.9**	**4,021.8**	**4.7%**	**4.5%**
EBITDA margin	**14.8%**	**14.8%**		

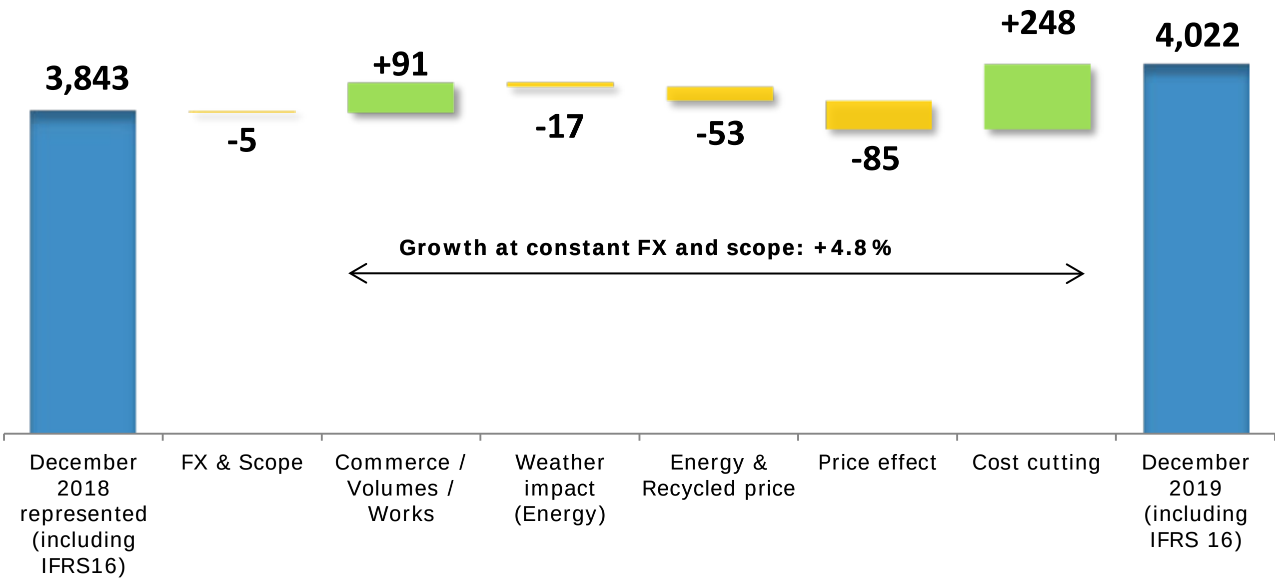
- **In France**, EBITDA is stable:
  - In Water, a good increase in EBITDA out-pacing revenue growth, thanks to favorable volume effects and increased efficiency gains and in particular the full year impact of the departure plan launched last year, which offset the price squeeze;
  - In Waste, EBITDA declined following a further decrease in recycled paper prices (-19% fall in the average selling price of recycled paper and cardboard), and due to additional insurance and maintenance costs, only partially offset by higher prices in industrial waste collection.
- EBITDA growth in **Europe excluding France** as the result of several impacts:
  - In Central and Eastern Europe, higher EBITDA (excluding the impact of ScvK contractual changes) driven by price rises and performance measures;
  - Excellent operational performance and commercial won in the United Kingdom;
  - Increased EBITDA in Northern Europe tied to further small scope transactions in Waste, strong waste activities in Germany and additional operating efficiency gains, partially offset by operating difficulties in the Netherlands (fire in a recycling plant).
- Strong EBITDA growth in the **Rest of the world**:
  - Lower EBITDA in North America, mainly due to a reduction in Energy prices compared with an unusually cold winter in 2018 partially offset by an increase in toxic activities (in volume and prices);
  - Increased EBITDA in Latin America, mainly thanks to the addition in Waste of Grupo Sala in Colombia (consolidated from May 1, 2018) and Gadere in Ecuador and tariff increases in Argentina and Colombia;

- Strong EBITDA growth in Asia driven by robust revenue growth, particularly in China, fueled by the ramp-up of hazardous waste processing facilities, the good performance of Energy and industrial water activities and the acquisition of hazardous waste activities in India;
- Growth in Australia, which benefited from the restart of the sewage treatment plant in Sydney.

– In the **Global businesses** segment, good improvement in EBITDA:

- Continued excellent hazardous waste performance in Europe;
- Improved Sade profitability, due to operating efficiency gains and an improved margin in construction in France and in Telecoms and the recovery of international activities.

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



The foreign exchange impact on EBITDA was +€6 million and mainly reflects fluctuations in the U.S. dollar (+€14 million), the pound sterling (+€3 million), the Moroccan dirham (+€2 million), the Argentine peso (-€11 million) and the Australian dollar (-€3 million).

The **consolidation scope impact** of -€12 million mainly relates to developments in 2019 and notably the integration of Levice industrial assets, Renascimento in Portugal, Southa in Hong Kong and Apollo industrial assets in Taiwan, as well as 2018 acquisitions in Colombia (Grupo Sala), Belgium (HCI), Slovakia (PPC) and Hungary (cogeneration plants) and the disposal of ScvK (-€71 million) in Czech Republic offset by integration of SCS in the field of the new water contract.

Favorable **commerce and volume** impacts totaled +€91 million, thanks to strong commercial momentum across all activities.

The **weather (energy)** impact on EBITDA of -€17 million (-€29 million in 2018) deteriorated in the fourth quarter of the year, notably due to an extremely negative impact in Central and Eastern Europe.

Energy and recyclate prices had an unfavorable impact on EBITDA: -€53 million (compared to -€69 million in 2018), including -€23 million in Energy, with a gradual pass through of fuel and CO_2 costs into the price of energy sold, and -€30 million in Waste (against -€16 million in 2018), with recycled paper prices still falling in Europe.

The **price squeeze** had an impact of -€85 million, an improvement on 2018 (-€130 million), thanks to higher tariff indexation in Water and Waste.

Cost-savings plans contributed +€248 million, ahead of the €220 million annual objective. These savings mainly concern operating efficiency (57%) and purchasing (29%) and were achieved across all geographic zones: France (28%), Europe excluding France (30%), Rest of the world (29%), Global businesses (11%) and Corporate (2%).

COST SAVINGS

EBITDA impact *(in € million)*	2019 objective	Actual Dec. 2019
Gross cost savings	**Over 220**	**248**

CURRENT EBIT

Group consolidated Current EBIT for the year ended December 31, 2019 was €1,730.4 million, up 5.0% at constant exchange rates on the prior-year period (re-presented).

EBITDA reconciles with Current EBIT for the years ended December 31, 2019 and December 31, 2018 as follows:

(in € million)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***
EBITDA	**3,842.9**	**4,021.8**
Renewal expenses	(279.8)	(280.3)
Depreciation and amortization (*)	(2,116.9)	(2,192.7)
Provisions, fair value adjustments & other	81.9	51.8
Share of current net income of joint ventures and associates	115.6	129.8
Current EBIT	**1,643.7**	**1,730.4**

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

The improvement in Current EBIT at constant exchange rates reflects:

- EBITDA growth;
- depreciation and amortization of €2,057 million, up +3.5% at constant exchange rates, mainly due to small acquisitions performed;
- increased contribution of equity-accounted entities, particularly in Asia (China +21% at constant exchange rates) and Northern Europe (start-up of the Kilpilahti plant in Finland).

The foreign exchange impact on Current EBIT was +€5 million and mainly reflects fluctuations in the U.S. dollar (+€8 million), the Chinese renminbi (+€2 million), and the pound sterling (+€2 million), partially offset by unfavorable fluctuations in the Argentine peso (-€7 million).

Current EBIT breaks down by segment as follows:

(in € million)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***	*Change 2018 / 2019* Δ	*Δ at constant exchange rates*
France	121.4	164.9	35.8%	35.8%
Europe excluding France	736.0	694.2	-5.7%	-5.5%
Rest of the world	638.0	695.8	9.1%	7.7%
Global businesses	151.6	193.5	27.6%	29.4%
Other	(3.3)	(18.0)	N/A	N/A
Group	**1,643.7**	**1,730.4**	**5.3%**	**5.0%**

CURRENT NET FINANCIAL EXPENSE

(in € million)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***
Cost of net financial debt (1)	**(413.9)**	**(440.5)**
Net gains / losses on loans and receivables	14.0	13.1
Net income (loss) on available-for-sale assets	4.6	3.4
Assets and liabilities at fair value through profit or loss	(0.1)	0.3
Foreign exchange gains and losses	(10.6)	(4.4)
Unwinding of the discount on provisions	(30.4)	(31.3)
Interest on concession liabilities	(94.2)	(81.3)
Interest on lease debt (IFRS 16)	(45.5)	(40.8)
Other	(33.5)	(38.0)
Other current financial income and expenses (2)	**(195.7)**	**(179.0)**
Gains (losses) on financial divestitures (*)	3.6	23.9
Current net financial expense (1)+(2)	**(606.0)**	**(595.8)**

(*) Including financial divestiture costs

Cost of net financial debt

The cost of net financial debt excluding IFRS 16 interests totaled -€440.5 million for the year ended December 31, 2019, compared with re-presented -€413.9 million for the year ended December 31, 2018. This increase is mainly attributable to the higher cost of non-euro denominated debt due to the widening difference between euro/non-euro rates (-€19 million) and higher debt volumes (-€8 million), as well as the management of the euro bond debt (-€6 million), partially offset by the active management of the investment portfolio (+€7 million).

The financing rate excluding IFRS 16 impact is therefore 4.19% as of December 31, 2019, compared with 4.18% as of December 31, 2018 re-presented, despite a fall in the financing rate for euro bond lines to 2.49% from 2.65% as of December 31, 2018.

Other financial income and expenses

Other financial income and expenses totaled -€179.0 million for the year ended December 31, 2019, compared with re-presented -€195.7 million for the year ended December 31, 2018.

These expenses include interest on concession liabilities (IFRIC 12) of -€81.3 million, the unwinding of discounts on provisions of -€31.3 million and interests on lease debts (IFRS16) of -€40.8 million.

CURRENT INCOME TAX EXPENSE

The current income tax expense is -€227.6 million in 2019, compared with -€203.6 million in 2018 re-presented.

The current tax rate is 22.6% (versus 22.1% in 2018 re-presented*) after adjustment for non-recurring items within net income of fully-controlled entities.

(*) Published 2018 income tax rate of 22.1%.

(in € million)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***
Current income before tax (a)	**1,037.7**	**1,134.7**
Of which share of net income of joint ventures & associates (b)	115.6	129.8
Re-presented current income before tax: (c)= (a)-(b)	**922.1**	**1,004.9**
Re-presented tax expense (d)	**(203.6)**	**(227.6)**
Re-presented tax rate on current income (d) / (c)	**22.1%**	**22.6%**

CURRENT NET INCOME

Current net income attributable to owners of the Company was €760 million for the year ended December 31, 2019, compared with re-presented €672 million for the year ended December 31, 2018. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company rose +8.8% at constant exchange rates to €734.2 million, from €676.5 million for the year ended December 31, 2018 re-presented.

FINANCING

Net free cash flow is €868.4 million for the year ended December 31, 2019, compared with €536.4 million for the year ended December 31, 2018 re-presented.

The change in net free cash flow compared with the re-presented figure for the year ended December 31, 2018 reflects:

- improved EBITDA;

- higher net industrial investments, up +0.5% to €2,201 million and including:

  • maintenance investments of €1,273 million (5% of revenue), these investments include €400 million as a right of use under IFRS16;

  • growth investments in the current portfolio of €729 million (€706 million in 2018 re-presented);

  • an increase in discretionary investments to €362 million, up +€53 million on 2018 in line with strong growth in development projects in Asia.

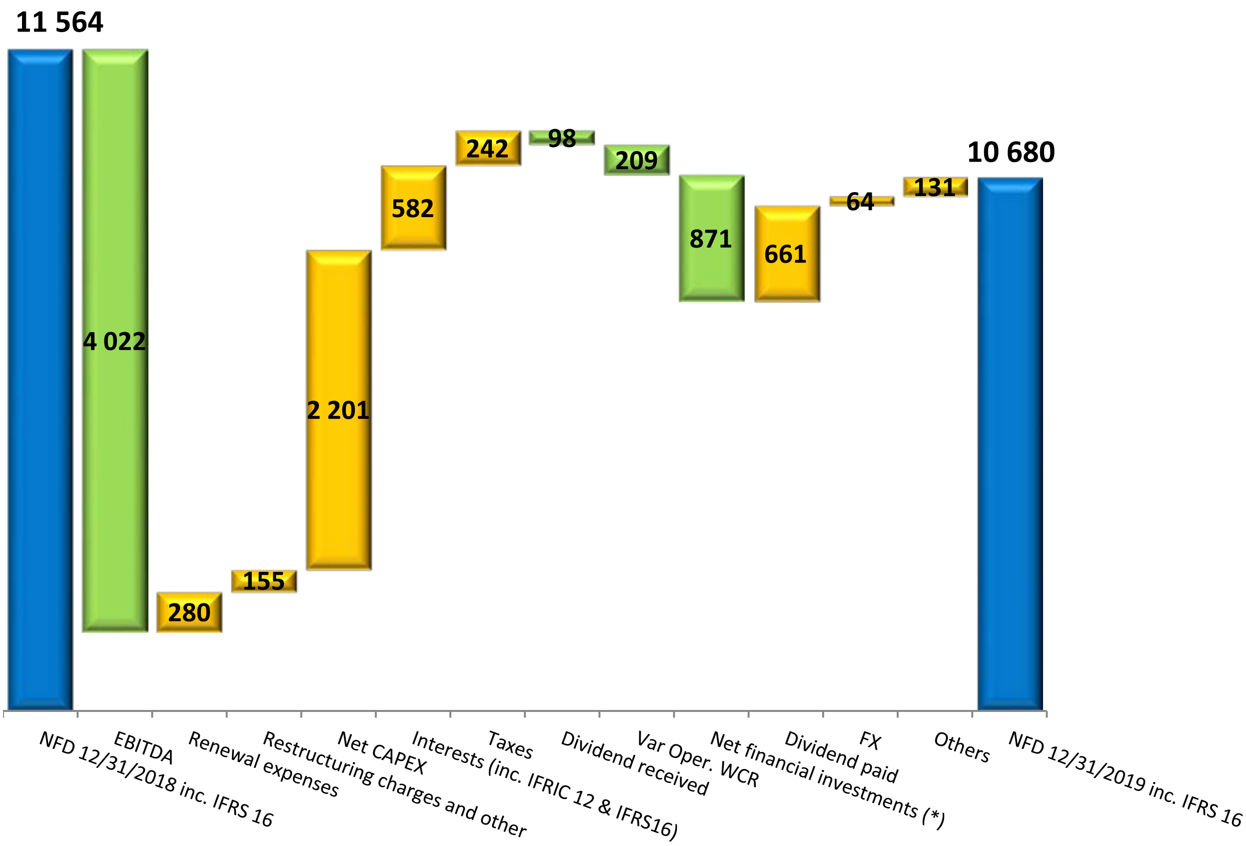
- a further reduction in operating WCR of -€209 million (despite higher revenue), following a decrease of -€60 million in 2018;

- a -€155 million decrease in other restructuring and non-current expenses, mainly tied to redundancy costs in France Water in 2018.

Overall, **Net financial debt** is €10,680 million, compared with €11,564 million as of December 31, 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 includes financial investments of €619 million (including acquisition costs and the net financial debt of new entities) and mainly the impact of the acquisition of Levice in Slovakia (€71 million), Renascimento in Portugal (€39 million), Huafei in China (€28 million), Southa in Hong-Kong, R&E in Korea (€29 million each) and Stericycle in Chile (€30 million) and the financial divestiture of energy assets in the United States for US$1.25 billion.

Net financial debt was also impacted by negative exchange rate fluctuations of -€64 million as of December 31, 2019 compared with December 31, 2018.



(1) Net amount: €871 million (Financial investments: -€619 million; Financial divestitures: +€1,490 million).

2.3 REVENUE BY BUSINESS

			Change 2018 / 2019		
(in € million)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Water	10,894.1	11,142.1	2.3%	1.3%	2.2%
Of which Water operations	*8,053.3*	*8,319.7*	*3.3%*	*2.2%*	*3.4%*
Of which Technology and Construction	*2,840.8*	*2,822.4*	*-0.6%*	*-1.2%*	*-1.2%*
Waste	9,598.6	10,166.7	5.9%	5.9%	3.7%
Energy	5,458.6	5,879.9	7.7%	7.5%	4.3%
Group	**25,951.3**	**27,188.7**	**4.8%**	**4.3%**	**3.2%**

WATER

Water operations revenue increased by +2.2% at constant exchange rates and +3.4% at constant scope and exchange rates compared with re-presented figures for the year ended December 31, 2018. This change reflects:

- A positive commerce / volume impact of +0.7%, due to commercial momentum in the Rest of the World (primarily in Asia) and higher volumes in France (+0.7%), the Pacific region (Sydney plant) and Africa/Middle East (Morocco);

- A positive price impact of +0.9% with higher tariffs notably in Central Europe, Latin America and Africa/Middle East (Morocco), as well as better tariff indexation in France (+1.4% compared with +0.7% in 2018);

Construction and technology revenue decreased by -1.2% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018. This decrease is explained by:

- VWT : Revenue amounts to €1,501M, -7.6% at constant FX;
- SADE : Revenue amounts to €1,322M, +7.1% at constant FX, explained by a good level of activity in France in works and in telecom services.

WASTE

Waste revenue rose +5.9% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018 (+3.7% at constant consolidation scope and exchange rates) due to:

- a scope impact of +2.2%, due to acquisitions in Northern Europe, Asia (China) and Latin America (Colombia and Ecuador);
- a commerce / volume impact of +1.5%, with higher volumes processed, notably in the United Kingdom, Germany, North America and Australia, and strong growth in hazardous waste volumes processed (+4.9%), as well as a high contract renewal rate;
- a positive price effect of +2.4% (mainly in France, the United Kingdom, Germany, North America and Latin America and in hazardous waste);
- the negative impact (-€76 million) of recyclate prices, with the fall in paper prices in Europe partially offset by higher plastic prices.

ENERGY

Energy revenue rose +7.5% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018 (+4.3% at constant consolidation scope and exchange rates). This improvement is explained by:

- a positive price effect (+1.6%), with a strong increase in heating and electricity prices, mainly in Central Europe;
- higher energy volumes and in particular new energy efficiency contracts in Southern Europe, the United States and China;
- a slightly negative weather impact (-0.9%), in Central and Eastern Europe and 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 increased from €2,759 million for the year ended December 31, 2018 re-presented to €2,769 million for the year ended December 31, 2019, representing a rise of +0.4% at current consolidation scope and exchange rates (-0.3% at constant exchange rates). The ratio of selling, general and administrative expenses to revenue dropped from re-presented 10.6% for the year ended December 31, 2018 to 10.2% for the year ended December 31, 2019. This decline reflects the continuation of the cost savings plan and its consequences on the cost structure of the Group.

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

The share of net income attributable to non-controlling interests totaled €135.7 million for the year ended December 31, 2019 compared with re-presented €167.3 million for the year ended December 31, 2018.

Net income attributable to owners of the Company was €625 million for the year ended December 31, 2019, compared with re-presented €441 million for the year ended December 31, 2018.

Current net income attributable to owners of the Company was €760 million for the year ended December 31, 2019, compared with re-presented €672 million for the year ended December 31, 2018.

Based on a weighted average number of outstanding shares of 553.4 million (basic), and 578.5 million (diluted) for the year ended December 31, 2019, compared with 551.1 million (basic) and 575.9 million (diluted) for the year ended December 31, 2018 re-presented, net income attributable to owners of the Company per share for the year ended December 31, 2019 was €1.12 (basic) and €1.07 (diluted) compared with re-presented €0.68 (basic) and €0.65 (diluted) for the year ended December 31, 2018. Current net income attributable to owners of the Company per share was €1.37 (basic) and €1.31 (diluted) for the year ended December 31, 2019, compared with re-presented €1.22 (basic) and €1.17 (diluted) for the year ended December 31, 2018.

The dilutive effect taken into account in the above earnings per share calculations concerns the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued in September 2019 and maturing on January 1, 2025 and the free share and performance share grant plans set-up on July 1, 2019 and July 24, 2019 and maturing in May 2021 and April 2022, respectively.

Net income (loss) attributable to owners of the Company for the year ended **December 31, 2019** breaks down as follows:

(in € million)	*Current*	*Non-Current*	*Total*
EBIT	1,730.4	(265.6)	1,464.8
Cost of net financial debt	(440.5)	-	(440.5)
Other financial income and expenses	(155.2)	301.9	146.8
Pre-tax net income (loss)	**1,134.7**	**36.3**	**1,171.0**
Income tax expense	(227.6)	(70.9)	(298.5)
Net income (loss) of other equity-accounted entities	-	-	-
Net income (loss) from discontinued operations	-	(111.9)	(111.9)
Net income (loss) attributable to non-controlling interests	(147.3)	11.6	(135.7)
Net income (loss) attributable to owners of the Company	**759.8**	**(134.9)**	**624.9**

At the end of December 2019, other non-current financial income and expenses include capital gains net of disposal costs before tax related to the sale of the residual 30% share in Transdev Group and the Group's heating and cooling networks in the United States.

The non-current corporate income tax expense includes taxes related to non-current financial expenses and capital gains.

Net income (loss) from discontinued operations to the end of December 2019 includes the impact of the exit from Gabon for €33.4 million and the discontinuation of Veolia Water Technologies' EPC activities for -€145.2 million

Net income (loss) attributable to owners of the Company for the year ended **December 31, 2018 re-presented**, breaks down as follows:

(in € million)	*Current*	*Non-Current*	*Total*
EBIT	1,643.7	(184.5)	1,459.2
Cost of net financial debt	(413.9)	-	(413.9)
Other financial income and expenses	(192.1)	-	(192.1)
Pre-tax net income (loss)	**1,037.7**	**(184.5)**	**853.2**
Income tax expense	(203.6)	4.7	(198.9)
Net income (loss) of other equity-accounted entities	-	-	-
Net income (loss) from discontinued operations	-	(46.4)	(46.4)
Net income (loss) attributable to non-controlling interests	(162.1)	(5.2)	(167.3)
Net income (loss) attributable to owners of the Company	**672.0**	**(231.4)**	**440.6**

The reconciliation of Current EBIT with operating income, as shown in the income statement, is as follows:

(in € million)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***
Current EBIT	**1643.7**	**1,730.4**
Restructuring costs	(120.5)	(126.9)
Non-current impairments, costs and other provisions	(35.8)	(105.2)
Personnel costs -share-based payments	(17.4)	(21.4)
Share acquisition costs, with or without acquisition of control	(10.8)	(12.1)
Total non-current items	**(184.5)**	**(265.6)**
Operating income after share of net income of equity-accounted entities	**1459.2**	**1,464.8**

Restructuring charges for the year ended December 31, 2019 mainly concern the Global Businesses segment (-€62.5 million). In addition, application of IFRS 2 led to the recognition of an expense of -€21.4 million in respect of the costs generated by the Group’s policy to give employees a vested interest in its performance.

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)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***
EBITDA	**3,842.9**	**4,021.8**
Net industrial investments	(2,189.5)	(2,201.4)
Change in operating WCR	60.1	208.9
Dividends received from equity-accounted entities and joint ventures	115.0	97.9
Renewal expenses	(279.8)	(280.3)
Other non-current expenses and restructuring charges	(262.6)	(154.8)
Interest on concession liabilities (IFRIC 12)	(94.2)	(81.3)
Interest on right of use (IFRS 16)	(45.5)	(40.8)
Financial items (current interest paid and operating cash flow from financing activities)	(417.3)	(459.8)
Taxes paid	(192.7)	(241.8)
Net free cash flow before dividend payment, financial investments and financial divestitures	**536.4**	**868.4**
Dividends paid	(659.7)	(661.1)
Net financial investments	(286.4)	871.0
Change in receivables and other financial assets	(20.2)	(27.1)
Issue / redemption of deeply subordinated securities	0.0	(5.5)
Proceeds on issue of shares	11.3	17.8
Free cash flow	**(418.7)**	**1,063.7**
Effect of foreign exchange rate movements and other	(67.8)	(180.1)
Redemption of hybrid debt	(1,452.0)	0.0
Change	**(1,938.5)**	**883.6**
Opening net financial debt	(9,625.5)	(11,564.0)
Closing net financial debt	**(11,564.0)**	**(10,680.4)**

Net free cash flow before dividend payments and net financial investments was €868.4 million for the year ended December 31, 2019 (versus re-presented €536.4 million for the year ended December 31, 2018).

The change in net free cash flow compared with the re-presented figure for the year ended December 31, 2018 primarily reflects improved EBITDA with a favorable change in operating working capital requirements, lower net investments (sale of energy assets in the United States) and a decrease in restructuring costs.

3.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

3.2.1 Industrial investments

Total Group gross industrial investments, including new operating financial assets, amounted to -€2,364 million for the year ended December 31, 2019, compared with re-presented -€2,268 million for the year ended December 31, 2018.

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

Year ended December 31, 2019 (in € million)	*Maintenance and contractual requirements (1)*	*Discretionary growth*	***Total gross industrial investments (2)***	*Industrial divestitures*	***Total net industrial investments***
France	468	15	**483**	(46)	**437**
Europe excluding France	708	102	**810**	(60)	**749**
Rest of the world	532	231	**763**	(35)	**727**
Global businesses	268	15	**283**	(21)	**262**
Other	26	0	**26**	0	**26**
Group	**2,002**	**362**	**2,364**	**(163)**	**2,201**

(1) Including maintenance investments of €1,273 million (including IFRS16 location of €400 million), and contractual investments of €729 million.

(2) Including new OFA in the amount of -€178 million.

Year ended December 31, 2018 re-presented (in € million)	*Maintenance and contractual requirements (1)*	*Discretionary growth*	***Total gross industrial investments (2)***	*Industrial divestitures*	***Total net industrial investments***
France	434	34	**468**	(31)	**437**
Europe excluding France	788	58	**846**	(19)	**828**
Rest of the world	492	207	**699**	(10)	**689**
Global businesses	221	10	**231**	(19)	**211**
Other	24	0	**24**	(0)	**24**
Group	**1,959**	**309**	**2,268**	**(79)**	**2,189**

(1) Including maintenance investments of €1,253 million, and contractual investments of €706 million.

(2) including new OFA in the amount of -€159 million.

At constant exchange rates, gross industrial investments are stable on 2018 re-presented, despite an acceleration in discretionary growth industrial investments compared with 2018 re-presented (+17%). These investments mainly include:

- In France, discretionary investments of €15 million in Waste (modernization of a sorting center and processing facilities);
- New connections to water and heating networks and expansion of water networks in Central Europe for €68 million;
- Investments of €30 million in Northern Europe and particularly in Waste in Germany;
- In the Rest of the world, investments of €206 million encompassing the construction of eight hazardous waste processing centers in China and Singapore, the extension of heating networks in Energy in China, improvements to the Ankleswar plant in India and investments under an industrial contract in Korea.

3.2.2 Financial investments and divestitures

Financial investments totaled €619 million in 2019 (including acquisition costs and net financial debt of new entities) and mainly included the acquisition of Levice in Slovakia (€71 million), Renascimento in Portugal (€39 million) and Huafei in China (€28 million). These investments also include the buyout of minority interests in energy assets in the United States (€114 million), subsequently sold at the year-end (see below). In the year ended December 31, 2018 re-presented, financial investments totaled €786 million (including the net financial debt of new entities) and notably concerned the acquisition of Grupo Sala in Colombia (€168 million), PPC group in Slovakia (€135 million), minority interests in Veolia Energie Ceska Republika a.s. in the Czech Republic (€85 million) and HCI in Belgium (€43 million).

Financial divestitures totaled €1,490 million in 2019 (including disposal costs) and mainly include the sale of energy assets in the United States (€1.1 billion), the sale of Transdev Group (€334 million) and the sale of the investment in Foshan (landfill site in China) (€49 million). Financial divestitures totaled €479 million in 2018, with the sale of the Industrial Services division in the United States (€96 million), the sale of 25% of the investment in BVAG (€146 million) and the partial or total sale of PVK (€69 million) and ScVK (€75 million) in the Czech Republic.

3.3 LOANS TO JOINT VENTURES

Loans to joint ventures, recorded under “Change in receivables and other financial assets” totaled €159.5 million as of December 31, 2019 (versus €132 million as of December 31, 2018 re-presented) and include loans to the Chinese concessions of €99.5 million, up €22.4 million compared with €77.1 million as of December 31, 2018 re-presented. Other receivables mainly include the €29.8 million loan granted by Veolia Energie to the joint venture Kilpilahti.

3.4 OPERATING WORKING CAPITAL

The change in operating working capital requirements (excluding discontinued operations) was €209 million for the year ended December 31, 2019, compared with re-presented €60.1 million for the year ended December 31, 2018. In 2019, the Group monetized receivables totaling €795 million under its factoring program, compared with €640 million in 2018.

The operating WCR position on the balance sheet as of December 31, 2019 is a resource of €1,179 million (an improvement of €294 million compared to December 31, 2018 re-presented).

See Note 5.3 to the consolidated financial statements for the year ended December 31, 2019.

3.5 EXTERNAL FINANCING

3.5.1 Structure of net financial debt

(€ millions)	*Note*	*Year ended December 30, 2018 re-presented*	*Year ended December 30, 2019*
Non-current borrowings	8.1.1	11,074	10,785
Current borrowings	8.1.1	5,019	5,910
Bank overdraft and other cash position items	8.1.3	216	302
Sub-total borrowings		**16,308**	**16,996**
Cash and cash equivalents	8.1.3	-4,557	-5,843
Fair value gains (losses) on hedge derivatives	8.3.1	6	-4
Liquid assets and financing-related assets	8.1.2	-193	-468
Net financial debt		**11,564**	**10,680**

As of December 31, 2019, net financial debt after hedging is borrowed 96% at fixed rates and 4% at floating rates.

The average maturity of net financial debt was 6.9 years as of December 31, 2019 compared with 7.5 years as of December 31, 2018.

3.5.2 Group liquidity position

Liquid assets of the Group as of December 31, 2019 break down as follows:

(in € million)	*As of December 31, 2018 re-presented*	*As of December 31, 2019*
Veolia Environnement:		
Undrawn syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	925.0	1,000.0
Undrawn ST bilateral credit lines	-	100.0
Letters of credit facility	64.7	86.8
Cash and cash equivalents (1)	3,510.6	4,635.5
Subsidiaries:		
Cash and cash equivalents (1)	1,238.7	1,675.5
Total liquid assets	**8,739.0**	**10,497.8**
Current debt and bank overdrafts and other cash position items		
Current debt	5,018.8	5,909.5

Bank overdrafts and other cash position items	215.7	302.2
Total current debt and bank overdrafts and other cash position items	**5,234.5**	**6,211.7**
Total liquid assets net of current debt and bank overdrafts and other cash position items	**3,504.5**	**4,286.1**

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

The increase in net liquid assets mainly reflects the sale of energy assets in the United States for US$1,245 million (€1,112 million equivalent), partially offset by the arrival at maturity of the 2020 euro bond lines.

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 new 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 December 31, 2019.

Veolia Environnement has bilateral credit lines for a total undrawn amount of €1.1 billion as of December 31, 2019.

As of December 31, 2019, the bilateral letters of credit facility drawable in cash amount to US$97.5 million (€86.8 million equivalent) not used to date.

3.5.3 Bank covenants

See Note 8.3.2.3 to the consolidated financial statements for the year ended December 31, 2019.

4 Return on Capital Employed (ROCE)

POST-TAX ROCE

Current EBIT after tax is calculated as follows:

	Excluding IFRS 16		Including IFRS 16	
(in € million)	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***	*Year ended December 31, 2018 re-presented*	***Year ended December 31, 2019***
Current EBIT (*)	**1,600**	**1,685**	**1,644**	**1,730**
- Current income tax expense	(204)	(231)	(204)	(228)
Current EBIT after tax	**1,396**	**1,454**	**1,440**	**1,502**

**Including the share of net income (loss) of joint ventures and associates.*

The capital employed for the year is calculated as follows:

	Excluding IFRS 16		Including IFRS 16	
(in € million)	*As of December 31, 2018 re-presented*	***As of December 31, 2019***	*As of December 31, 2018 re-presented*	***As of December 31, 2019***
Intangible assets and Property, Plant and equipment, net	12,348	12,560	12,399	12,528
Right of use			1,699	1,665
Goodwill, net of impairment	5,149	5,170	5,149	5,170
Investments in joint ventures and associates	1,887	1,886	1,881	1,880
Operating financial assets	1,479	1,520	1,486	1,517
Operating and non-operating working capital requirements, net	(2,634)	(3,191)	(2,628)	(3,184)
Net derivative and other instruments	0	(104)	0	(104)
Provisions	(2,230)	(2,283)	(2,238)	(2,292)
Capital employed	**15,999**	**15,558**	**17,748**	**17,180**
Impact of discontinued operations and other restatements (1)	189	731	189	731
Adjusted closing capital employed	**16,188**	**16,289**	**17,937**	**17,911**

(1) 2019 restatements include the add-back of the capital employed of TNAI sold on December 30, 2019. 2018 figures were restated for the capital employed of divested companies reclassified in accordance with IFRS 5 in 2017/2018 (including ScVK).

The Group's post-tax return on capital employed (ROCE) is as follows:

(in € million)	Current EBIT after tax	Average capital employed	Post-tax ROCE
2018 (excluding IFRS 16)	1,396	15,830	8.8%
2019 (excluding IFRS 16)	**1,454**	**16,239**	**9.0%**
2018 (including IFRS 16)	1,440	17,546	8.2%
2019 (including IFRS 16)	**1,502**	**17,924**	**8.4%**

5 Related-party transactions

The Group identifies related parties in accordance with paragraph 9 of IAS 24 revised, Related Party Disclosures (see Note 13 to the consolidated financial statements) for the year ended December 31, 2019.

6 Statutory auditors' fees

(In € million)	KPMG SA				Ernst & Young			
	Montants		Pourcentage		Montants		Pourcentage	
	2019	2018	2019	2018	2019	2018	2019	2018
Certification of individual and consolidated accounts and full year limited								
Veolia Environnement	1,5	1,5	11,7%	12,1%	1,7	1,8	11,1%	12,2%
Controlled entities	9,1	9,0	71,1%	72,6%	10,4	10,3	68,0%	69,6%
Sub-total (a)	10,6	10,5	82,8%	84,7%	12,1	12,1	79,1%	81,8%
Other services than certification of accounts required by legal and regulatory texts								
Veolia Environnement	0,1	0,0	0,8%	0,0%	0,1	0,1	0,7%	0,3%
Controlled entities	0,1	0,2	0,8%	1,6%	0,2	0,1	1,3%	0,7%
Sub-total (b)	0,2	0,2	1,6%	1,6%	0,3	0,2	2,0%	1,0%
Other services than the certification of accounts provided at the request of the entity								
Veolia Environnement	0,1	0,2	0,8%	1,6%	0,3	0,1	2,0%	0,3%
Controlled entities	1,9	1,5	14,8%	12,1%	2,6	2,4	17,0%	16,2%
Sub-total (c)	2,0	1,7	15,6%	13,7%	2,9	2,5	19,6%	16,6%
Other Services than certification of accounts (1)								
Sub-total (d) = (b) + (c)	2,2	1,9	17,2%	15,3%	3,2	2,7	20,9%	18,2%
TOTAL (e) = (a) + (d)	12,8	12,4	100,0%	100,0%	15,3	14,8	100,0%	100,0%

(1) Other services than certification of accounts include services provided at the request of the consolidating entity or controlled entities (contractual audits, attestations, agreed procedures, accounting consultations, information system review in place or planned, acquisitions and disposal procedures, report on social, environmental and societal information and tax services that do not affect the independence of the Statutory Auditors)

7 Subsequent events

Bond issue

On January 8, 2020, Veolia Environnement issued a €500 million 11-year bond, with a January 2031 maturity. This bond bears a coupon of 0.664 % and was issued at par. The proceeds of this issuance will be used for general corporate purposes, and in particular in anticipation of bond repayments at the end of 2020. The high over-subscription rate, the quality of the investor base, their good diversification (over 160 orders from Europe and Asia) and the good conditions which were achieved are signals that Veolia's signature is viewed very favorably and of its financial strength.

Capital Market Day

On February 28 2020, the Group presented in Paris during its investor's day all the details of its new strategic program "Impact 2020-2023.

In a nutshell:

- A particular context: the environmental priority has never been higher
- A high ambition: to be the reference company for the ecological transformation
- A priority: maximizing Veolia's positive impact - environmental, societal, financial
- A consequence: clear priorities
    - Strong acceleration of the businesses which have the highest positive impact on the planet

  - 20% portfolio rotation
- Preparing the future:
  - Reinvent the historical businesses
  - Create new solutions to address the global environmental challenges
- A highly rigorous execution:
  - € 1 bn cost savings plan
  - Net financial debt below 3 x EBITDA over the duration of the plan
- Providing the proof of commitments with a set of KPIs:
  - To track our impact on all our stakeholders
  - To base the bonus policy of the managers

Impact of Coronavirus (COVID-19)

As of the filing date of this document, given its service activities, the Group having a local supply and value chain, the impact of Coronavirus (Covid-19) is mainly limited to Chinese territory.

In fact, the Group notes a drop in China in the volumes processed in its waste activities, notably from local industrial customers, and expects delays, which can range from a few weeks to a few months, on the hazardous waste treatment infrastructure sites under construction (seven projects in progress).

Operations in China (including Hong Kong) represent approximately 4% of sales and 6% of Group EBITDA in 2019.

With regard to the other countries currently affected by the pandemic, the impact of Coronavirus on the Group's results is considered to be of little significance at the date of the filing of this document.

In total, and in a context of uncertainty over the duration, extent and location of the health crisis, the Group currently estimates the risk on its 2020 EBITDA at less than 1%, a risk integrated into its 2020 outlook. This risk takes into account an improvement in the health situation in China from the end of April and a corresponding gradual resumption of economic activities.

8 Risk factors

The main risk factors the Group could confront are set out in Chapter 5 of the 2019 Universal Registration Document.

9 Outlook

2020 guidance and 2023 objectives are as follows,

- **2020 Guidance**[1]
  - Revenue: solid organic growth
  - Efficiency : at least €250M in cost savings
  - EBITDA : ~€4.1bn
  - Dividend growth on the trajectory of the 2020-2023 plan
- **2023 Objectives**[2]
  - Revenue: continued solid growth
  - Efficiency : €1bn in cost savings over 4 years
  - EBITDA 2023 between €4.7bn and €4.9bn
  - Current Net income : ~€1bn in 2023
  - Leverage ratio <3 and well below 3 in 2023
  - Dividend growth in line with current net income growth
  - Dividend 2023: €1.30 per share

(1) At constant forex as of year-end 2019.

(2) These outlooks are based in particular on:

- Constant IFRS accounting norms.

- An economic environment without major change,

- Average temperature assumptions in our water and power operations,

- Price and commodity assumptions based on market conditions at the end of December 2019,

10 Appendices

10.1 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 Operating cash flow before change in working capital with EBITDA is as follows:

(In € million)	*As of December 31, 2018 re-presented*	***As of December 31, 2019***
Operating cash flow before change in working capital	**3,123.0**	**3,255.1**
Of which self-financing capacity	(22.8)	(34.1)
Of which operating cash flow	3,145.8	3,289.2
Exclusion :		
Renewal Expenses	279.8	280.3
Non-current WCR impairment losses	(0.7)	1.2
Restructuring charges cash	205.3	109.9
Acquisition costs and selling costs on securities	19.5	90.7
Other non-current expenses	58.0	88.8
Integration :		
Repayment of operating financial assets	135.1	161.8
EBITDA	**3,842.8**	**4,021.8**

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**	*As of December 31, 2018 re-presented*	***As of December 31, 2019***
Net cash from operating activities of continuing operations		***2,843.2***	***3,118.5***
Integration :			
Industrial investment net of grants		(1 491.7)	(1 676.0)
Disposals of industrial assets		78.6	162.8
New operating financial assets		(159.3)	(177.9)
Repayment of operating financial assets		135.1	161.8
New finance lease debt		(469.8)	(406.6)
Dividends received	Note 5.2.2	115.0	97.9
Net financial interest		(546.0)	(549.6)
Exclusion :			
Acquisition and selling costs on securities, and other		31.3	137.5
Net free cash flow		**536.4**	**868.4**

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

In € million	*As of December 31, 2018 re-presented*	***As of December 31, 2019***
Industrial investments net of grants	**(1,491.7)**	**(1,676.0)**
New finance lease debt	(469.8)	(406.6)
Variation in working capital requirements of the concession area	(147.1)	(103.6)
New operating financial assets	(159.3)	(177.9)
Industrial capex	**(2,267.9)**	**(2,364.1)**

10.2 RECONCILIATION OF 2018 REPORTED DATA WITH 2018 RE-PRESENTED DATA

In €m	December 2018 published	IFRS 5 Adjustment(2)	IFRS 16 Adjustment	December 2018 represented
Revenue	25,911.1	40.1	0.0	25,951.3
EBITDA	3,392.0	3.0	447.8	3,842.9
Current EBIT (1)	1,604.0	(3.9)	43.7	1,643.7
Financial Result	(561.6)	(1.1)	(43.3)	(606.0)
Operating income	1,419.6	(3.9)	43.7	1,459.3
Current net income - Group share	674.9	(4.2)	1.3	672.0
Net income - Group share	439.3	0.0	1.3	440.6
Gross industrial investments	(1,811)	(1)	(456)	(2,268)
Net free cash flow	568	1	(33)	537
Net financial debt	(9,750)	2	(1,816)	(11,564)

(1) *Including the share of current net income of joint ventures and associates for the year ended December 31, 2018 re-presented.*
(2) *Figures for the year ended December 31, 2018 were re-presented 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	December 2018 published	IFRS 5 Adjustment	IFRS 16 Adjustment	December 2018 represented
France	5499.3	0.0	0.0	5,499.3
Europe excluding France	9090.6	40.1	0.0	9,136.1
Rest of the world	6,619.7	0.0	0.0	6,619.7
Global businesses	4,665.5	0.0	0.0	4,665.5
Other	30.7	0.0	0.0	30.7
Revenue	25,911.1	40.1	0.0	25,951.3

In €M	December 2018 published	IFRS 5 Adjustment	IFRS 16 Adjustment	December 2018 represented
France	802.0	0.0	97.6	899.5
Europe excluding France	1,354.1	3.0	114.6	1,471.8
Rest of the world	952.6	0.0	109.8	1,062.4
Global businesses	272.6	0.0	88.3	360.9
Other	10.7	0.0	37.6	48.3
EBITDA	3,392.0	3.0	447.8	3,842.9

In €M	December 2018 published	IFRS 5 Adjustment	IFRS 16 Adjustment	December 2018 represented
France	115.1	0.0	6.4	121.4
Europe excluding France	726.9	(3.9)	13.0	736.0
Rest of the world	623.1	0.0	15.0	638.0
Global businesses	145.3	0.0	6.2	151.6
Other	(6.3)	0.0	3.1	(3.3)
Current EBIT	1,604.0	(3.9)	43.7	1,643.7

10.3 DEFINITIONS

GAAP (IFRS) indicators

Cost of net financial debt is equal to the cost of gross debt excluding IFRS16 financial interests presented as other financial expenses and including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

Operating cash flow before changes in working capital, as presented in the Consolidated Cash Flow Statement, is comprised of three components: operating cash flow from operating activities (referred to as "adjusted operating cash flow" and known in French as "capacité d'autofinancement opérationnelle") consisting of operating income and expenses received and paid ("cash"), operating cash flow from financing activities including cash financial items relating to other financial income and expenses and operating cash flow from discontinued operations composed of cash operating and financial income and expense items classified in net income from discontinued operations pursuant to IFRS 5. Adjusted operating cash flow does not include the share of net income attributable to equity-accounted entities.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses divested or in the course of divestiture, in accordance with IFRS 5.

Non-GAAP indicators

The term “**change at constant exchange rates**” represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal.

The municipal sector encompasses services in the Water, Waste and Energy business lines aimed at users, performed under contracts with municipal governments, groups of municipal governments, or regional or national governments.

The industrial sector covers Water, Waste and Energy management services, offered to industrial or service sector customers.

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

The EBITDA margin is defined as the ratio of EBITDA to revenue.

To calculate **current EBIT**, the following items will be deducted from operating income:

- goodwill impairments of fully controlled subsidiaries and equity-accounted entities;
- restructuring charges;
- non-current provisions and impairments;
- non-current and/or significant impairment of non-current assets (tangible, intangible assets and operating financial assets);
- impacts relating to the application of IFRS 2, “Share-based payment”;
- share acquisition costs.

Current net income attributable to owners of the Company is defined as the sum of the following items:

- current EBIT;
- current net finance expenses, that include current cost of net financial debt and other current financial income and expenses, including capital gains or losses on financial divestitures (including gains or losses included in the share of net income of equity-accounted entities);
- current tax items;
- minority interests (excluding the portion of minority interests relative to non-current items in the income statement).

Current net income attributable to owners of the Company earnings per share is defined as the ratio of current net income (not restated for the cost of the coupon attributable to hybrid debt holders) by the weighted average number of outstanding shares during the year.

Net industrial investments, as presented in the statement of changes in net financial debt, include industrial investments (purchases of intangible assets and property, plant and equipment, and operating financial assets), net of industrial asset divestitures.

The Group splits its investments in three categories:

- (i) maintenance investments which reflect the replacement of equipment and installations used by the Group;
- (ii) growth investments which include investments in new equipment and installations to secure or embedded in existing contracts;
- (iii) discretionary growth investments which reflect investments in new equipment and installations linked to new projects, contract wins or significant new developments and extensions to existing projects or contracts.

The last two categories are defined as growth investments.

Net financial investments, as presented in the statement of changes in net financial debt, include financial investments, net of financial divestitures.

Financial investments include purchases of financial assets, including the net financial debt of companies entering the scope of consolidation, and partial purchases resulting from transactions with shareholders where there is no change in control.

Financial divestitures include disposals of financial assets including the net financial debt of companies leaving the scope of consolidation, and partial divestitures resulting from transactions with shareholders where there is no change in control, as well as issues of share capital by non-controlling interests.

Net free cash flow corresponds to free cash flow from continuing operations, and is calculated by: the sum of EBITDA, dividends received, changes in operating working capital and operating cash flow from financing activities, less net interest expenses, net industrial investments, taxes paid, renewal expenses, restructuring charges and other non-current expenses.

Net financial debt (NFD) represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items) which includes IFRS16 lease debt, net of cash and cash equivalents, liquid assets and financing-related assets, including fair value adjustments to derivatives hedging debt. Liquid assets are financial assets composed of funds or securities with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.

The leverage ratio is the ratio of closing net financial debt including IFRS 16 to EBITDA including IFRS 16.

The financing rate is defined as the ratio of the cost of net financial debt (excluding IFRS 16 lease debt and fair value adjustments to instruments not qualifying for hedge accounting) to average monthly net financial debt excluding IFRS 16 lease debt for the period, including the cost of net financial debt of discontinued operations.

The post-tax return on capital employed (ROCE) is defined as the ratio of:

- current EBIT including the share of net income or loss of equity-accounted entities, after tax. It is calculated by subtracting the current tax expense from current EBIT including the share of net income or loss of equity-accounted entities. Current tax expense is the tax expense in the income statement re-presented for tax effects on non-current items;
- average capital employed in the year, including operating financial assets and investments in joint ventures and associates. Capital employed used in the post-tax ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in joint ventures and associates, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities classified within assets and liabilities held for sale, excluding discontinued operations.