Condensed interim financial statements

For the half-year ended June 30, 2020

Contents

Consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position - Assets

(in € million)		As of December 31, 2019	As of June 30, 2020
Goodwill	Note 7.1	5,128.0	5,257.0
Concession intangible assets	Note 7.2.1	3,517.4	3,546.2
Other intangible assets	Note 7.2.2	1,372.6	1,319.7
Property, plant and equipment	Note 7.3	7,679.8	7,416.3
Right of use (net)	Note 7.4	1,664.6	1,578.5
Investments in joint ventures	Note 6.2	1,497.7	1,460.2
Investments in associates		382.5	351.3
Non-consolidated investments		52.4	52.1
Non-current operating financial assets	Note 6.4	1,431.2	1,332.9
Non-current derivative instruments - Assets		39.0	56.4
Other non-current financial assets	Note 8.1.4	374.6	459.2
Deferred tax assets	Note 11.2	952.9	968.3
Non-current assets		**24,092.7**	**23,798.1**
Inventories and work-in-progress	Note 6.3	792.0	800.0
Operating receivables	Note 6.3	9,341.7	9,112.4
Current operating financial assets	Note 6.4	86.0	86.3
Other current financial assets	Note 8.1.4	738.5	1,098.2
Current derivative instruments - Assets		91.5	133.2
Cash and cash equivalents	Note 8.1.5	5,843.3	7,028.9
Assets classified as held for sale	Note 4.2.2	33.3	105.3
Current assets		**16,926.3**	**18,364.3**
TOTAL ASSETS		**41,019.0**	**42,162.4**

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

Consolidated Statement of Financial Position – Equity and Liabilities

(in € million)		As of December 31, 2019	As of June 30, 2020
Share capital	Note 9.1.1	2,836.3	2,836.3
Additional paid-in capital		7,197.9	7,197.9
Reserves and retained earnings attributable to owners of the Company		(4,100.5)	(4,741.4)
Total equity attributable to owners of the Company	Note 9.1	**5,933.7**	**5,297.8**
Total equity attributable to non-controlling interests	Note 9.2	1,144.7	1,108.9
Shareholders' equity		**7,078.4**	**6,401.6**
Non-current provisions	Note 10	1,848.7	1,837.9
Non-current borrowings	Note 8.1.1	9,366.8	10,640.7
Non-current lease debt (IFRS 16)	Note 8.1.1.4	1,417.9	1,354.4
Non-current derivative instruments - Liabilities		52.4	61.9
Concession liabilities - non-current	Note 6.5	1,421.7	1,478.5
Deferred tax liabilities	Note 11.2	984.4	961.5
Non-current liabilities		**15,091.9**	**16,335.0**
Operating payables	Note 6.3	11,753.6	10,774.8
Concession liabilities - current	Note 6.5	128.3	137.6
Current provisions	Note 10	539.1	568.2
Current borrowings	Note 8.1.1	5,443.7	7,167.9
Current lease debt (IFRS 16)	Note 8.1.1.4	465.7	412.1
Current derivative instruments - Liabilities		197.8	113.7
Bank overdrafts and other cash position items	Note 8.1.5	302.2	187.5
Liabilities directly associated with assets classified as held for sale	Note 4.2	18.3	64.1
Current liabilities		**18,848.7**	**19,425.8**
TOTAL EQUITY AND LIABILITIES		**41,019.0**	**42,162.4**

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

CONSOLIDATED INCOME STATEMENT

(in € million)		Half-year ended June 30, 2019	Half-year ended June 30, 2020
Revenue	**Note 6.1**	**13,323.9**	**12,412.0**
Cost of sales	Note 6.2	(11,134.5)	(10,717.8)
Selling costs	Note 6.2	(305.6)	(279.3)
General and administrative expenses	Note 6.2	(1,089.6)	(1,059.0)
Other operating revenue and expenses	Note 6.2	(54.1)	(103.5)
Operating income before share of net income (loss) of equity-accounted entities	**Note 6.2**	**740.1**	**252.3**
Share of net income (loss) of equity-accounted entities		**56.3**	**40.1**
o/w share of net income (loss) of joint ventures	Note 6.2.1	37.8	27.9
o/w share of net income (loss) of associates	Note 6.2.1	18.5	12.2
Operating income after share of net income (loss) of equity-accounted entities		**796.4**	**292.5**
Cost of net financial debt	Note 8.3.1	(222.5)	(215.6)
Other financial income and expenses	Note 8.3.2	(39.6)	(84.0)
Pre-tax net income (loss)		**534.3**	**(7.1)**
Income tax expense	Note 11.1	(98.9)	(55.2)
Share of net income (loss) of other equity-accounted entities		-	-
Net income (loss) from continuing operations		**435.4**	**(62.3)**
Net income (loss) from discontinued operations	Note 4.2.1	(15.9)	(9.0)
Net income (loss) for the period		**419.5**	**(71.3)**
Attributable to owners of the Company		**331.4**	**(137.6)**
Attributable to non-controlling interests	Note 9.2	88.1	66.3
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 9.3		
Basic		0.60	(0.25)
Diluted		0.57	(0.25)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 9.3		
Basic		0.63	(0.23)
Diluted		0.60	(0.23)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 9.3		
Basic		(0.03)	(0.02)
Diluted		(0.03)	(0.02)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Half-year ended June 30, 2019	Half-year ended June 30, 2020
Net income (loss) for the period	**419.5**	**(71.3)**
Actuarial gains or losses on pension obligations	(33.6)	6.3
Income tax expense	(1.8)	(1.0)
Amount net of tax	*(35.4)*	*5.3*
Other items of comprehensive income not subsequently released to net income	**(35.4)**	**5.3**
o/w attributable to joint ventures	**-**	**-**
o/w attributable to associates	**-**	**-**
Fair value adjustments on financial instruments at fair value through equity subsequently released to net income	4.7	(2.8)
Income tax expense	(1.4)	0.8
Amount net of tax	*3.3*	*(2.0)*
Fair value adjustments on hedging derivatives	(3.9)	(0.1)
Income tax expense	0.6	1.9
Amount net of tax	*(3.3)*	*1.8*
Foreign exchange gains and losses:		
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	34.5	(246.1)
Amount net of tax	34.5	(246.1)
• on the net financing of foreign operations	(7.3)	6.3
• income tax expense	(0.1)	-
Amount net of tax	(7.4)	6.3
Other items of comprehensive income subsequently released to net income	**27.1**	**(240.0)**
o/w attributable to joint ventures (1)	**12.2**	***(34.4)***
o/w attributable to associates	***2.9***	***(10.0)***
Total Other comprehensive income	**(2.2)**	**(234.7)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**411.2**	**(306.0)**
Attributable to owners of the Company	317.3	(348.4)
Attributable to non-controlling interests	93.9	42.4

(1) The share attributable to joint ventures mainly concerns the change in foreign exchange translation reserves of the Chinese concessions (-€26.1 million in the half-year ended June 30, 2020 and +€11.8 million in the half-year ended June 30, 2019).

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

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Notes	Half-year ended June 30, 2019	Half-year ended June 30, 2020
Net income (loss) for the period		**419.5**	**(71.3)**
Net income (loss) from continuing operations		***435.4***	***(62.3)***
Net income (loss) from discontinued operations		***(15.9)***	***(9.0)***
Operating depreciation, amortization, provisions and impairment losses		943.3	1,078.3
Financial amortization and impairment losses		(0.3)	13.1
Gains (losses) on disposal of operating assets		(0.8)	3.0
Gains (losses) on disposal of financial assets		(59.1)	(16.0)
Share of net income (loss) of joint ventures	Note 6.2.1	(37.8)	(27.9)
Share of net income (loss) of associates	Note 6.2.1	(18.5)	(12.2)
Dividends received		(1.0)	(0.9)
Cost of net financial debt	Note 8.3.1	222.5	215.6
Income tax expense	Note 11	98.8	55.2
Other items		77.6	80.5
Operating cash flow before changes in working capital		**1,660.2**	**1,326.4**
Change in operating working capital requirements		(907.5)	(683.3)
Change in concession working capital requirements		(51.8)	(63.2)
Income taxes paid		(142.4)	(139.9)
Net cash from operating activities of continuing operations		**558.4**	**440.0**
Net cash from operating activities of discontinued operations		***(24.4)***	***(24.7)***
Net cash from operating activities		**534.1**	**415.3**
Industrial investments, net of grants		(672.6)	(604.1)
Proceeds on disposal of industrial assets		36.7	89.5
Purchases of investments	Note 4.1	(194.6)	(323.2)
Proceeds on disposal of financial assets	Note 4.1	377.7	(5.7)
Operating financial assets		-	-
New operating financial assets		(70.5)	(59.8)
Principal payments on operating financial assets		102.2	65.7
Dividends received (including dividends received from joint ventures and associates)		61.0	53.4
New non-current loans granted		(78.6)	(136.5)
Principal payments on non-current loans		55.5	80.3
Net decrease/increase in current loans		(21.9)	(11.9)
Net cash used in investing activities of continuing operations		**(405.1)**	**(852.3)**
Net cash used in investing activities of discontinued operations		**-**	***(0.6)***
Net cash used in investing activities		**(405.1)**	***(852.9)***
Net increase (decrease) in current borrowings	Note 8.1.1	(291.5)	1,097.8

(in € million)	**Notes**	**Half-year ended June 30, 2019**	**Half-year ended June 30, 2020**
Repayment of current lease debt (IFRS 16)		(226.2)	(243.7)
Other changes in non-current lease debt (IFRS 16)		(39.3)	(61.1)
New non-current borrowings and other debts	Note 8.1.1	830.5	1,996.8
Principal payments on non-current borrowings and other debts	Note 8.1.1	(30.0)	(29.2)
Change in liquid assets and financing financial assets		(273.8)	(359.1)
Proceeds on issue of shares	Note 9.1	2.1	1.0
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases		(2.5)	(3.8)
Transactions with non-controlling interests: partial sales		8.4	0.2
Proceeds on issue of deeply subordinated securities		-	-
Coupons on deeply subordinated securities		-	-
Purchases of/proceeds from treasury shares		(0.1)	(6.4)
Dividends paid		(620.4)	(346.4)
Interest paid		(229.8)	(218.0)
Interest on operating assets (IFRIC 12)		(40.3)	(39.8)
Interest on lease debt (IFRS 16)*		(22.8)	(17.8)
Net cash from (used in) financing activities of continuing operations		***(974.4)***	***1,770.5***
Net cash from (used in) financing activities of discontinued operations		***-***	***(2.0)***
Net cash from (used in) financing activities		**(974.4)**	**1,768.5**
Effect of foreign exchange rate changes and other		5.9	(27.0)
Increase (decrease) in external net cash of discontinued operations		1.0	(3.6)
NET CASH AT THE BEGINNING OF THE PERIOD		**4,340.8**	**5,541.1**
NET CASH AT THE END OF THE PERIOD		**3,502.3**	**6,841.4**
Cash and cash equivalents	Note 8.1.5	3,835.5	7,110.6
Bank overdrafts and other cash position items	Note 8.1.5	333.2	269.2
NET CASH AT THE END OF THE PERIOD		**3,502.3**	**6,841.4**

(*) Interest on IFRS 16 lease debt is not included in the Cost of net financial debt, but in Other financial income and expenses (see Note 8.3.2).

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

STATEMENT OF CHANGES IN EQUITY

(in € million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities and OCEANE	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Amount as of January 1, 2019 published	**565,593,341**	**2,828.0**	**7,182.5**	**17.6**	**(444.1)**	**(3,433.0)**	**(103.1)**	**(62.5)**	**5,985.4**	**1,158.9**	**7,144.3**
IFRS 16 impacts	0	-	-	-	-	(102.1)	0.9	-	**(101.2)**	**(6.8)**	**(108.0)**
Amount as of January 1, 2019 re-presented	**565,593,341**	**2,828.0**	**7,182.5**	**17.6**	**(444.1)**	**(3,535.1)**	**(102.2)**	**(62.5)**	**5,884.2**	**1,152.1**	**7,036.3**
Issues of share capital of the parent company	232,280	1.2	(1.2)	-	-	-	-	-	-	-	-
Parent company dividend distribution		-	-	-	-	(509.1)	-	-	(509.1)	-	(509.1)
Elimination of treasury shares		-	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Share-based payments		-	-	-	-	8.8	-	-	8.8	-	8.8
Third party share in share capital increases of subsidiaries		-	-	-	-	-	-	-	-	2.2	2.2
Third party share in dividend distributions of subsidiaries		-	-	-	-	-	-	-	-	(111.3)	(111.3)
Transactions with non-controlling interests		-	-	-	-	11.7	-	-	11.7	(3.7)	8.0
Total transactions with non-controlling interests	**232,280**	**1.2**	**(1.2)**	**-**	**(0.1)**	**(488.6)**	**-**	**-**	**(488.7)**	**(112.8)**	**(601.5)**
Other comprehensive income		-	-	-	-	(35.4)	20.0	1.3	(14.1)	5.8	(8.3)
Net income for the period		-	-	-	-	331.4	-	-	331.4	88.1	419.5
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**296.0**	**20.0**	**1.3**	**317.3**	**93.9**	**411.2**
Other movements		-	-	-	-	(90.0)	-	-	(90.0)	39.6	(50.4)
Amount as of June 30, 2019	**565,825,621**	**2,829.2**	**7,181.3**	**17.6**	**(444.2)**	**(3,817.7)**	**(82.2)**	**(61.2)**	**5,622.8**	**1,172.8**	**6,795.6**

(in € million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities and OCEANE	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Amount as of December 31, 2019	**567,266,539**	**2,836.3**	**7,197.9**	**-**	**(442.4)**	**(3,508.4)**	**(92.6)**	**(57.1)**	**5,933.7**	**1,144.7**	**7,078.4**
Issues of share capital of the parent company	-	-	-	-	-	-	-	-	-	-	-
Redemption of OCEANE bonds	-	-	-	-	-	-	-	-	-	-	-
OCEANE equity component	-	-	-	-	-	-	-	-	-	-	-
Reclassification of coupons paid on hybrid debt / deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities	-			-	-	-	-	-	-		-
Parent company dividend distribution	-	-	-	-	-	(277.1)	-	-	(277.1)	-	(277.1)
Elimination of treasury shares	-	-	-	-	(6.4)	-	-	-	(6.4)	-	(6.4)
Share-based payments	-	-	-	-	-	2.2	-	-	2.2	-	2.2
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	1.5	1.5
Third party share in dividend distributions of subsidiaries	-	-	-	-	-		-	-	-	(69.3)	(69.3)
Transactions with non-controlling interests	-	-	-	-	-	(0.2)	-	-	(0.2)	0.2	-
Total transactions with non-controlling interests	**-**	**0**	**0**	**-**	**(6.4)**	**(275.1)**	**0**	**0**	**(281.5)**	**(67.6)**	**(349.1)**
Other comprehensive income	-	-	-	-	-	**5.4**	**(214.9)**	**(1.3)**	(210.8)	(23.9)	(234.7)
Net income for the period	-	-	-	-	-	**(137.6)**	-	-	(137.6)	66.3	(71.3)
Total comprehensive income for the period	**-**	-	-	-	-	**(132.2)**	**(214.9)**	**(1.3)**	**(348.4)**	**42.4**	**(306.0)**
Other movements	-	-	-	-	-	(10.9)	-	-	(10.9)	(10.6)	(21.6)
Amount as of June 30, 2020	**567,266,539**	**2,836.3**	**7,197.9**	**-**	**(448.8)**	**(3,926.6)**	**(307.5)**	**(58.4)**	**5,292.7**	**1,108.9**	**.6,401.6**

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

The total dividend paid recorded in the Consolidated Cash Flow Statement of €346.4 million and €620.4 million for the half-years ended June 30, 2020 and 2019, respectively, breaks down as follows:

(in € million)	**Half-year ended June 30, 2019**	**Half-year ended June 30, 2020**
Parent company dividend distribution	(509.1)	(277.1)
Third-party share in dividend distributions of subsidiaries	(111.3)	(69.3)
Scrip dividend	-	-
TOTAL DIVIDEND PAID	**(620.4)**	**(346.4)**

Notes to the consolidated financial statements

Contents

NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

The Group's condensed interim consolidated financial statements for the half-year ended June 30, 2020 were prepared under the responsibility of the Board of Directors, which met on July 29, 2020.

1.1 Accounting standards framework

1.1.1 Basis underlying the preparation of the financial information

Pursuant to European Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation 297/2008 of March 11, 2008, the condensed interim consolidated financial statements of Veolia Group (the "Group") for the half-year ended June 30, 2020 were prepared in accordance with IAS 34, Interim Financial Reporting.

As they are condensed financial statements, they do not include all the disclosures required under IFRS for annual financial statements and must be read in conjunction with the Group financial statements for the year ended December 31, 2019.

The accounting principles used for the preparation of the condensed interim consolidated financial statements are in accordance with the IFRS standards and interpretations as adopted by the European Union. These standards and interpretations may be consulted at the following European Union website:

http://ec.europa.eu/finance/company-reporting/standardsinterpretations/index_en.htm

These half-year financial statements have been drawn up in accordance with the principles used for the preparation of the 2019 consolidated financial statements, except for the items presented below and the specific requirements of IAS 34.

1.1.2 New standards and interpretations

The accounting policies and methods are presented in detail in the consolidated financial statements for the year ended December 31, 2019.

TEXTS OF MANDATORY EFFECT FOR THE FIRST TIME WITHIN THE GROUP AS OF JANUARY 1, 2020:

- **amendments to IAS 1 and IAS 8** regarding the definition of relative importance
- **amendment to IFRS 3,** regarding the definition of a business
- **amendments to references to the conceptual framework in IFRS**
- **amendments to IFRS 7 and IFRS 9,** relating to the interest rate benchmark reform. The Group considers that:
    - the index reform does not modify the benchmark rates to which contractual cash flows of hedged items and hedging instruments are indexed and does not call into question the prospective efficiency of hedging relationships with regard to the amount of cash flows from hedged items or hedging instruments, or the timing of these cash flows,

- uncertainties will remain regarding the timing and amount of future cash flows from hedged items and hedging instruments, as long as the alternative benchmark rates and the replacement date are not known.

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

TEXTS WHICH ENTER INTO MANDATORY EFFECT AFTER JUNE 30, 2020 AND NOT ADOPTED EARLY BY THE GROUP:

- **IFRS 17, Insurance contracts;**
- **IFRS annual improvement process (2018-2020 cycle);**
- **amendment to IFRS 16** regarding COVID-19-related rent concessions;
- **other amendments regarding the following standards:**
  - **IAS 1**: classification of liabilities as current or non-current;
  - **IAS 16**: property, plant and equipment - proceeds before intended use;
  - **IFRS 3**: update of the reference to the Conceptual Framework;
  - **IAS 37**: costs to be considered when determining if a contract is onerous.

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

1.1.3 Seasonality of the Group's activities

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

Accordingly, the interim results of the Group for the half-year ended June 30, 2020 and certain key performance indicators such as working capital reflect the impact of these combined factors and therefore may not be extrapolated over the whole year.

1.2 Translation of foreign subsidiaries' financial statements

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

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

Period-end exchange rate (one foreign currency unit = €xx)	**As of June 30, 2019**	**As of June 30, 2019**	**As of December 31, 2019**
U.S. dollar	0.8787	0.8930	0.8902
Pound Sterling	1.1154	1.0960	1.1754
Chinese renminbi	0.1280	0.1259	0.1283
Australian dollar	0.6156	0.6118	0.6252
Polish zloty	0.2353	0.2244	0.2349
Argentinian peso	0.0207	0.0127	0.0149
Mexican peso	0.0458	0.0385	0.0471
Brazilian real	0.2298	0.1636	0.2214
Czech crown	0.0393	0.0374	0.0394

Average exchange rate (one foreign currency unit = €xx)	**Average half-year 2019**	**Average half-year 2020**	**Average full year 2019**
U.S. dollar	0.8852	0.9077	0.8932
Pound Sterling	1.1444	1.1442	1.1398
Chinese renminbi	0.1303	0.1289	0.1292
Australian dollar	0.6250	0.5961	0.6210
Polish zloty	0.2330	0.2266	0.2327
Argentinian peso	0.0213	0.0141	0.0185
Mexican peso	0.0462	0.0419	0.0464
Brazilian real	0.2302	0.1849	0.2266
Czech crown	0.0389	0.0380	0.0390

NOTE 2 USE OF MANAGEMENT ESTIMATES IN THE APPLICATION OF GROUP ACCOUNTING STANDARDS

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

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

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

Brexit

The United Kingdom's exit from the European Union at the end of January 2020 opened a transition period of negotiation, thereby generating macro-economic uncertainty. However, the local presence of the Group's activities limits its exposure to foreign exchange transactional risk. With regard to foreign exchange risk on assets, as it is Group policy to back net foreign investments with foreign-currency financing or foreign currency derivatives, the Group does not have a material foreign exchange position that could generate significant volatility in foreign exchange gains and losses.

Coronavirus

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

This is notably the case for impairment testing of assets with an indefinite useful life (goodwill). The methodology and main assumptions used in preparing the financial statements for the half-year ended June 30, 2020 are presented in Note 7.

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

- classification and measurement of assets and liabilities covered by IFRS 5: assessments leading to the application of the standard are reviewed at each reporting date with regard to changes in facts and circumstances (Note 4);

- measurement of intangible assets and property, plant and equipment (Note 7);

- fair value measurement of financial instruments (Note 8);

- provision amounts (including provisions for pensions and employee benefits) (Note 10);

- Group income tax expense: pursuant to IAS 34, the income tax expense is calculated by applying the estimated effective annual tax rate to the pre-tax income of the period, adjusted for any one-off items (Note 11).

Definitive amounts may differ from these estimates.

NOTE 3 IMPACT OF THE COVID-19 PANDEMIC

In response to the public health crisis facing the world in recent months, Veolia is fully mobilized to ensure continuity of service, by implementing business continuity plans, tailored to each country, while protecting the health of its employees:

- continuation of the production and delivery of drinking water and treatment of wastewater;
- continuation of waste processing activities and particularly waste collection and the operation of waste processing facilities;
- continuation of energy management businesses, both in its heating networks and at industrial and tertiary sites that continue to operate.

On April 1, 2020, the Group announced the suspension of its 2020 objectives while launching a plan to reduce as far as possible the negative impact of the public health crisis on the Group's 2020 financial results, as well as an industrial investment reduction program.

In preparing the interim consolidated financial statements for the half-year ended June 30, 2020, the main items directly impacted by the crisis were as follows:

Asset impairment tests (including goodwill)

Due to the deterioration in the environment and the uncertainties surrounding the economic outlook, the Group extended impairment testing of assets as of June 30, 2020 and particularly goodwill.

The Goodwill and other intangible assets with an indefinite useful life are generally tested annually systematically and whenever there are indications that the Cash Generating Unit (CGU) might be impaired (based on long-term plans prepared at the year-end by the entities). A specific methodology was therefore adopted for the half-year end (see Note 7.1).

The work carried out as of June 30, 2020 has led to the recognition of total impairment of -€96.5 million, including -€44.2 million on goodwill (see Note 7.1.2) and -€52.3 million on other assets.

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

The Group has limited exposure to the risk of default by its counterparties due to the diversity and large number of its customers.

Nonetheless, a review on the impacts of the COVID-19 pandemic on the recovery of trade receivables was carried out. The Group has observed one-off deteriorations of bad debts, but without any significant increase in credit defaults, that would require a comprehensive review of provisioning matrices as of June 30, 2020.

The Group continues to closely monitor developments in the economic environment and will adjust its trade receivables provisions, where necessary, at the next reporting dates.

The customer portfolio and impairment of trade receivables is presented in Note 6.3.

Recoverability of deferred tax assets on tax losses

The Group conducted an in-depth review of the recoverable amount of deferred tax assets arising from material tax losses. See Note 11.

Cash and net liquidity

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

The Group also continued its debt management policy, completing three bond issues in 2020 for a total amount of €1.7 billion, under the financial conditions detailed in Note 8.1.

These three bond issues, intended for general corporate purposes, enabled Veolia to bring forward the refinancing of all bond payments scheduled for 2020 and 2021 totaling €1.6 billion.

In addition, two bond issues were completed in June 2020 for a total of 1.5 billion renminbi (€189 million euro-equivalent) on the Chinese domestic market (Panda Bonds), with a 3-year maturity and a coupon of 3.85%

The Group therefore has liquidity, net of current debt and bank overdrafts and other cash position items of €4,279.5 billion as of June 30, 2020. The Group's liquidity is presented in Note 8.1.

Credit outlook

On May 20, 2020, Moody's confirmed Veolia Environnement's credit rating at P-2/Baa1 with a stable outlook. On June 10, 2020, S&P confirmed its rating at A-2 / BBB with a stable outlook.

Covenants

As detailed in Note 8.1.1.2, the Group was not in breach of any of its financial covenants in the first-half of 2020; the majority of financing is not subject to covenants.

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

NOTE 4 CONSOLIDATION SCOPE

4.1 Main changes in Group structure

ACQUISITIONS

- Elemental Environmental Solutions - Hazardous waste in North America

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

- Nagpur– India

In the first-half of 2020, the Group acquired the companies Orange City Water and Orange City Hydraulic Works and the attached contracts in Nagpur, India through its subsidiary, Veolia India, for a consideration of €113 million (*), thereby expanding its water distribution activity in the Indian sub-continent.

(*) enterprise value

DIVESTITURES

There were no major divestitures in the first-half of 2020.

4.2 Assets classified as held for sale, discontinued operations and divestitures

4.2.1 Discontinued operations

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

In the first-half of 2020, discontinued operations concern VWT's EPC (Engineering, Procurement, Construction) business, discontinued in all regions, in the amount of -€9.0 million.

In the first-half of 2019, they concern the EPC business and the Group's activities in Gabon.

4.2.2 Assets/liabilities classified as held for sale

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

(in € million)	**As of December 31, 2019**	**As of June 30, 2020**
Assets classified as held for sale	33.3	105.3
Liabilities directly associated with assets classified as held for sale	18.3	64.1

As of June 30, 2020, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

(in € million)	**France**	**Europe excluding France**	**Rest of the world**	**Global businesses**	**Other**	**Total**
Assets						
Non-current assets	-	86.7	-	-	-	86.7
Current assets	-	12.9	-	-	-	12.9
Cash and cash equivalents	-	5.7	-	-	-	5.7
ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**105.3**	**-**	**-**	**-**	**105.3**
Liabilities						
Non-current liabilities	-	42.3	-	-	-	42.3
Current liabilities	-	21.8	-	-	-	21.8
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**64.1**	**-**	**-**	**-**	**64.1**

These balances concern certain assets and liabilities of the Waste business in Germany and an Energy subsidiary in Italy.

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

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

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

4.3 Off-balance sheet commitments relating to the consolidation scope

4.3.1 Commitments given

Off-balance sheet commitments given break down as follows:

			Maturing in		
(in € million)	**As of December 31, 2019**	**As of June 30, 2020**	Less than 1 year	1 to 5 years	More than 5 years
Vendor warranties	599.3	597.3	49.5	53.8	494.0
Securities purchase commitments	296.0	24.5	6.1	18.4	-
Sale commitments	0.3	0.3	0.3	-	-
Other commitments relating to the consolidated scope	0.5	0.5	0.1	-	0.4
TOTAL COMMITMENTS RELATING TO THE CONSOLIDATED SCOPE	**896.1**	**622.6**	**56.0**	**72.2**	**494.4**

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

Purchase commitments: The decrease in purchase obligations in the first-half of 2020 mainly reflects the finalization of the investment in Elemental Environmental Solutions (takeover of Alcoa USA's hazardous waste treatment site) in January 2020 (see Note 4.1 above).

4.3.2 Commitments received

Commitments received relating to the consolidated scope total €257.9 million as of June 30, 2020, compared with €293.9 million as of December 31, 2019.

NOTE 5 REPORTING BY OPERATING SEGMENT

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

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

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

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

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

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

The main financial indicators by operating segment are as follows:

Half-year ended June 30, 2020

(in € million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint ventures Data in Group share Chinese concessions
Revenue	2,490.6	4,623.7	3,308.0	1,988.5	1.2	**12,412.0**	320.1
EBITDA	337.4	695.9	385.1	79.8	100.8	**1,599.0**	71.3
Operating income after share of net income (loss) of equity-accounted entities	(28.6)	315.9	34.9	(39.5)	9.8	**292.5**	37.6
Industrial investments net of subsidies	(97.2)	(236.4)	(217.3)	(46.5)	(6.7)	**(604.1)**	(22.0)

Half-year ended June 30, 2019

(in € million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint ventures Data in Group share Chinese concessions
Revenue	2,759.2	4,789.3	3,484.3	2,275.7	15.4	**13,323.9**	365.0
EBITDA	435.5	802.8	545.6	172.2	45.8	**2,001.9**	84.1
Operating income after share of net income (loss) of equity-accounted entities	66.2	423.4	260.5	51.3	(5.0)	**796.4**	48.5
Industrial investments net of subsidies	(124.0)	(217.4)	(269.5)	(48.8)	(12.9)	**(672.6)**	(39.2)

The EBITDA indicator reconciles with operating cash flow before changes in working capital for the half-years ended June 30, 2020 and 2019, as follows:

(in € million)		Half-year ended June 30, 2019	Half-year ended June 30, 2020
Operating cash flow before changes in working capital	**(A)**	**1,660.2**	**1,326.4**
o/w Operating cash flow from financing activities	**(B)**	(17.2)	0.1
o/w Adjusted operating cash flow	**(C)= (A)-(B)**	**1,677.4**	**1,326.3**
Less:	**(D)**	-	-
Renewal expenses		138.9	102.5
Restructuring costs*		32.5	40.0
Share acquisition and disposal costs		10.1	7.4
Other items		40.8	57.1

Plus:	**(E)**		
Principal payments on operating financial assets		102.2	65.7
EBITDA	**(C)+(D)+(E)**	**2,001.9**	**1,599.0**

(*) Restructuring costs in the first-half of 2020 mainly concern the VWT transformation plan in the amount of -€10.8 million compared with -€11.1 million in the first-half of 2019.

NOTE 6 OPERATING ACTIVITIES

6.1 Revenue

Revenue breaks down as follows:

(in € million)	**Half-year ended June 30, 2019**	**Half-year ended June 30, 2020**
Water	5,357.2	5,095.9
Waste	5,010.5	4,667.8
Energy	2,956.2	2,648.3
Group	**13,323.9**	**12,412.0**

A breakdown of revenue by operating segment is presented in Note 5.

The Group ensured that in the case of activities subject to variable compensation, the potential impacts of the health crisis were taken into account.

6.2 Operating income

Operating income breaks down as follows:

(in € million)	**Half-year ended June 30, 2019**	**Half-year ended June 30, 2020**
Revenue	**13,323.9**	**12,412.0**
Cost of sales	**(11,134.5)**	**(10,717.9)**
o/w:	-	-
• Renewal expenses	(138.9)	(102.5)
Selling costs	**(305.5)**	**(279.3)**
General and administrative expenses	**(1,089.6)**	**(1,059.0)**
Other operating revenue and expenses	**(54.1)**	**(103.5)**
o/w:	-	-
• Restructuring costs	(20.9)	(23.4)
• Employee costs – share-based payments	(8.8)	(2.2)
• Other non-current charges, impairment losses and net provisions	(29.7)	(29.7)
• Share acquisition costs	(1.6)	(4.0)
Operating income before share of net income (loss) of equity-accounted entities	**740.1**	**252.3**
Share of net income (loss) of equity-accounted entities	**56.3**	**40.2**
Operating income after share of net income (loss) of equity-accounted entities	**796.4**	**292.5**

6.2.1 Joint ventures and associates

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

JOINT VENTURES

(in € million)	**Half-year ended June 30, 2019**	**Half-year ended June 30, 2020**
Share of net income (loss) of joint ventures	37.8	28.0
Share of net income (loss) of associates	18.5	12.2
Share of net income (loss) of equity-accounted entities	**56.3**	**40.2**

The joint ventures described below represent all joint ventures.

(in € million)	Share of equity		Share of net income(loss)	
	As of December 31, 2019 re-presented	As of June 30, 2020	Half-year ended June 30, 2019	Half-year ended June 30, 2020
Chinese concessions	1,335.2	1,301.6	26.3	18.2
Other joint ventures	162.5	161.1	11.5	9.8
TOTAL	**1,497.7**	**1,462.7**	**37.8**	**28.0**
Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b)				
Share of net income (loss) of joint ventures (a)			**37.8**	**28.0**
Impairment losses recognized in other operating revenue and expenses (b)			-	-

6.3 Working capital

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

Movements in net working capital during the first-half of 2020 are as follows:

(in € million)	As of December 31, 2019	As of June 30, 2020
Inventories and work-in-progress, net	792.0	800.0
Operating receivables, net	9,341.7	9,112.4
Operating payables	(11,753.6)	(10,774.8)
Net working capital	**(1,619.9)**	**(862.4)**

The change in net working capital includes an effect tied to the seasonality of the Group's businesses (see note 1.3).

The +€757.5 million change in Net working capital presented above includes the change in "operating" working capital of +€659.2 million, the change in "tax" working capital included in Income taxes paid in the Consolidated Cash Flow Statement of +€30.1 million, and the change in "investment" working capital included under Industrial investments in the Consolidated Cash Flow Statement of +€68.2 million.

FACTORING

Despite the crisis due to the COVID-19 pandemic, the Group did not encounter any difficulties continuing the factoring program. The criteria defined in the standard enabling the derecognition of receivables covered by these factoring programs are still met.

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

Accordingly, receivables totaling €2,074.5 million were assigned under these programs in the first half of 2020, compared with €1,881.9 million in the first half of 2019. Receivables derecognized as of June 30, 2020 total €611.1 million, compared with €795.0 million as of December 31, 2019.

6.4 Non-current and current operating financial assets

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

(in € million)	**As of December 31, 2019**	**As of June 30, 2020**
Gross	1,507.4	1,405.9
Impairment losses	(76.2)	(73.0)
Non-current operating financial assets	**1,431.2**	**1,332.9**
Gross	90.2	86.3
Impairment losses	(4.2)	-
Current operating financial assets	**86.0**	**86.3**
Non-current and current operating financial assets	**1,517.2**	**1,419.2**

6.5 Non-current and current concession liabilities

Concession financial liabilities result from the application of IFRIC 12 on the accounting treatment of concessions and did not significantly change during the first half of 2020.

Movements in non-current and current concession liabilities in the first-half of **2020** break down as follows:

(in € million)	Non-current		Current		Total	
	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020
France	61.8	**139.6**	14.8	**24.0**	76.6	**163.6**
Europe excluding France	1,344.2	**1,324.7**	110.1	**110.5**	1,454.3	**1,435.2**
Rest of the world	15.7	**14.2**	3.2	**3.0**	18.9	**17.2**
Global businesses	-	**-**	0.2	**0.1**	0.2	**0.1**
Other	-	**-**	-	**-**	-	**-**
Concession liabilities	**1,421.7**	**1,478.5**	**128.3**	**137.6**	**1,550.0**	**1,616.1**

6.6 Contracts assets and liabilities

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

Movements in the net carrying amount of contract assets and liabilities during the first six months of 2020 are as follows:

(in € million)	Contract assets		Contract liabilities	
	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020
France	29.3	**28.9**	100.9	**59.4**
Europe excluding France	92.1	**107.5**	372.9	**303.2**
Rest of the world	110.5	**82.7**	348.1	**235.8**
Global businesses	405.8	**374.0**	230.3	**292.7**
Other	-	**-**	-	**-**
Total	**637.7**	**593.1**	**1,052.2**	**891.1**

6.7 Commitments relating to operating activities

6.7.1 Commitments given relating to operating activities

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

(in € million)	**As of December 31, 2019**	**As of June 30, 2020**	Maturing in: Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	8,272.0	8,128.8	4,088.5	2,163.9	1,876.4
Purchase commitments	205.4	235.3	148.5	75.0	11.8
Total commitments relating to operating activities	**8,477.4**	**8,364.1**	**4,237.0**	**2,238.9**	**1,888.2**

The decrease in commitments given relating to operating activities in the first-half of 2020 (-€113.3 million) is mainly due to the release of the warranty covering the design, manufacture and maintenance of a brine concentration plant at the Jabiru uranium extraction mine by VWT for ERA (Energy Resources of Australia) of -€40 million, and the UAQ (Umm Al Qwain) project also performed by VWT in the United Arab Emirates, for the construction of a desalination plant (-€58 million).

In addition to the commitments given quantified above, Veolia has also granted commitments of an unlimited amount in respect of completion or performance bonds and a waste construction and treatment contract in Hong Kong, in the Waste and Water businesses. This commitment, of an unlimited amount, is tied to the contract duration (37 months of construction and 15 years of operation) and has a residual duration of 8.5 years as of June 30, 2020.

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

Total commitments given in respect of Veolia Water Technologies' activities amount to €2,010.3 million as of June 30, 2020 compared with €2,185.5 million as of December 31, 2019.

Operating commitments given in respect of joint ventures (at 100%) total €616.1 million as of June 30, 2020 compared with €619.7 million as of December 31, 2019 and mainly consist of performance bonds given to Al Wathba VB in the amount of €423.6 million and to Glen Water Holding in the amount of €71.9 million.

6.7.2 Commitments received relating to operating activities

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

They total €712.8 million as of June 30, 2020, compared with €683.6 million as of December 31, 2019.

Total commitments received in respect of Veolia Water Technologies activities amount to €108.4 million as of June 30, 2020, compared with €110.5 million as of December 31, 2019.

NOTE 7 GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1 Goodwill

7.1.1 Movements in goodwill

Goodwill breaks down as follows:

(in € million)	As of December 31, 2019	As of June 30, 2020
Gross	6,042.3	**6,199.3**
Accumulated impairment losses	(914.3)	**(942.3)**
Net	**5,128.0**	**5,257.0**

The net carrying amount of goodwill as of June 30, 2020 breaks down by operating segment as follows:

(in € million)	As of December 31, 2019	As of June 30, 2020
France	1,233.5	**1,240.7**
Europe excluding France	2,333.6	**2,272.8**
Rest of the world	799.9	**988.8**
Global businesses	757.7	**752.2**
Other	2.5	**2.5**
Total Goodwill	**5,128.0**	**5,257.0**

The main movements in Group goodwill during the first-half of 2020 primarily concern the provisional goodwill recognized on the acquisition of Elemental Environmental Solutions LLC in the United States (takeover of Alcoa's hazardous waste treatment site) in the amount of €184.9 million, foreign exchange translation gains and losses of -€129.7 million and impairment losses recognized in the first-half of the year (see Note 7.1.2).

Main goodwill balances by cash-generating unit as of June 30, 2020

There has been no material change in the net carrying amount of the main goodwill balances by cash-generating unit or country group of cash-generating units (amounts in excess of €200 million) since December 31, 2019.

7.1.2 Impairment tests

The COVID-19 pandemic health crisis and its impacts on the economy led the Group to extend impairment testing of its assets and particularly goodwill as of June 30, 2020.

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

The standard Group process to determine the value in use of its CGUs is based on the Long Term Plans prepared by the entities at the year end. Accordingly, Group Management decided to review all CGUs as of June 30, 2020 to identify CGUs at risk.

The following criteria were applied to identify these CGUs:

- CGUs already considered at risk at the end of 2019 due to the sensitivity of their recoverable amount: sensitivity was measured as the difference between the recoverable amount and the net carrying amount of the CGU, taking into account macro-economic and operational factors;

- CGUs whose performance was materially impacted by the crisis during the first-half of 2020.

An in-depth review of cash flow projections was therefore performed for the CGUs identified, taking into account:

- the local health, economic, political and social context (including government support or stimulus packages, etc.);

- changes in country risk (rating, public debt, currency fluctuations where applicable, etc.);

- Group expectations for a return to normal activity levels, modeled by region (and also by activity);

in order to best assess the risks and uncertainties weighing on the future cash flows of the CGUs.

The discount rates applied were unchanged on December 31, 2019: the euro WACC did not change during the period and country risk was assessed as well as possible based on available data, as part of the review of annual cash flow projections.

Following these tests, the Group impaired the Mexico goodwill in full (CGU already identified as sensitive during the December 2019 closing) , in the amount of €44.2 million in the first-half of 2020.

7.2 Intangible assets

7.2.1 Concession intangible assets

Concession intangible assets break down by operating segment as follows:

(in € million)	Net carrying amount as of December 31, 2019	As of June 30, 2020		
		Gross carrying amount	Amortization and impairment losses	Net carrying amount
France	611.1	1,559.9	(869.1)	**690.8**
Europe excluding France	2,124.2	4,513.3	(2,411.5)	**2,101.8**
Rest of the world	780.6	1,564.9	(812.3)	**752.6**
Global businesses	1.5	10.9	(9.9)	**1.0**
Other	-	-	-	**-**
Concession intangible assets	**3,517.4**	**7,649.0**	**(4,102.8)**	**3,546.2**

The +€28.8 million increase in the net carrying amount of concession intangible assets is mainly attributable to:

- additions of +€277.9 million (including €130.7 million in the France segment, €119.3 million in the Europe, excluding France segment and €27.3 million in the Rest of the World segment);
- amortization charges and impairment losses of -€212.7 million including a provision of -€17.3 million for a concession contract in Africa Middle-East;
- foreign exchange translation gains and losses of -€94.9 million, mainly due to the appreciation of the Czech crown and the pound sterling against the euro.

7.2.2 Other intangible assets

There has been no material change in other intangible assets since December 31, 2019, other than the impairment loss recognized on a concession contract in South America of €35.0 million as a result of the difficult economic situation due to the health crisis.

7.3 Property, plant and equipment

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

(in € million)	As of December 31, 2019	As of June 30, 2020
Property, plant and equipment, gross	19,575.5	**19,220.8**
Depreciation and impairment losses	(11,895.7)	**(11,804.5)**
Property, plant and equipment, net	**7,679.8**	**7,416.3**

Additions mainly concern:

- France (€51.3 million);
- Europe excluding France (€169.9 million). Additions mainly comprise the purchase of travelling systems and containers in the United Kingdom for €24.6 million; maintenance investments, environmental standard compliance costs and the development of new connections in the Energy sector in Poland and the Czech Republic for €24.4 million and €16.6 million, respectively; and investments relating to the renewal of the Braunschweiger concession in Germany of €26.5 million;
- the Rest of the world (€152.7 million). Additions mainly comprise the construction of new hazardous waste treatment plants in Asia for €27.2 million (China and Singapore) and maintenance investments in the hazardous waste treatment sector in the United States of €19.1 million.

Depreciation of –€458.9 million mainly concerns France (-€94.6 million), Europe excluding France (-€187.8 million) and the Rest of the World (-€118.8 million).

Changes in consolidation scope of +€52.9 million mainly concern Europe excluding France (€45.9 million), including €39.5 million in Spain.

Foreign exchange translation gains and losses total -€211.8 million and are primarily due to the appreciation of the Czech crown (-€25.7 million), the pound sterling (-€33.4 million) and the Polish zloty (-€61.4 million) and the depreciation of the Brazilian real (-€15.4 million) against the euro.

Property, plant and equipment break down by operating segment as follows:

		As of June 30, 2020		
(in € million)	**Net carrying amount as of December 31, 2019**	**Gross carrying amount**	**Depreciation and impairment losses**	**Net carrying amount**
France	983.2	3,885.4	(2,943.8)	**941.6**
Europe excluding France	3,751.8	8,624.3	(5,013.1)	**3,611.2**
Rest of the world	2,280.6	4,238.4	(2,001.8)	**2,236.6**
Global businesses	606.3	2,281.5	(1,708.5)	**573.0**
Other	57.9	191.2	(137.3)	**53.9**
Property, plant and equipment	**7,679.8**	**19,220.8**	**(11,804.5)**	**7,416.3**

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

(in € million)	Net carrying amount as of December 31, 2019	As of June 30, 2020 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Land	651.6	1,424.1	(779.2)	**644.9**
Buildings	1,377.3	3,189.5	(1,845.2)	**1,344.2**
Technical installations, plant and equipment	3,785.9	9,819.9	(6,187.1)	**3,632.8**
Travelling systems and other vehicles	660.9	2,178.2	(1,575.1)	**603.1**
Other property, plant and equipment	319.2	1,692.0	(1,392.8)	**299.2**
Property, plant and equipment in progress	884.9	917.1	(25.1)	**892.0**
Property, plant and equipment	**7,679.8**	**19,220.8**	**(11,804.5)**	**7,416.3**

7.4 Right of use

In accordance with the Lease standard (IFRS 16), the Group applies a single recognition method for all leases, excluding short-term leases (duration of 12 months or less) and leases of assets with a low value (less than $5,000 USD).

Right-of-use assets break down by operating segment as follows:

(in € million)	Net carrying amount as of December 31, 2019	As of June 30, 2020 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
France	290.5	601.5	(304.4)	**297.1**
Europe excluding France	495.9	877.0	(437.5)	**439.5**
Rest of the world	365.2	697.7	(336.2)	**361.5**
Global businesses	366.1	727.2	(380.8)	**346.4**
Other	146.9	299.7	(165.7)	**134.0**
RIGHT OF USE	**1,664.6**	**3,203.1**	**(1,624.6)**	**1,578.5**

Movements in the net carrying amount of right-of-use assets during the first-half of **2020** are as follows:

(in € million)	As of December 31, 2019	As of June 30, 2020
Right of use	3,273.6	**3,203.1**
Depreciation and impairment losses	(1,609.0)	**(1,624.6)**
Right of use, net	**1,664.6**	**1,578.5**

New contracts total €226.1 million and mainly concern France (€65.4 million), Europe excluding France (€60.1 million), the Rest of the world (€52.4 million) and Global businesses (€43.2 million).

Depreciation totals -€217.9 million and mainly concerns France (-€45.7 million), Europe excluding France (-€54.5 million), the Rest of the world (-€52.5 million) and Global businesses (-€47.9 million).

Sublease revenue associated with right-of-use assets is not material.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial assets and liabilities

Financial assets and liabilities mainly consist of:

- Borrowings and other financial liabilities, presented in Note 8.1.1;
- Non-current and current financial assets, presented in Note 8.1.2;

- Cash and cash equivalents and bank overdrafts and other cash position items, presented in Note 8.1.3.

8.1.1 Financial liabilities

Movements in non-current and current borrowings are as follows:

(in € million)	Notes	Non-current		Current		Total	
		As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020
Bond issues	8.1.1.1	8,830.4	10,035.9	1,145.4	1,771.6	**9,975.8**	**11,807.5**
Other financial liabilities	8.1.1.3	536.4	604.8	4,298.4	5,396.3	**4,834.8**	**6,001.1**
Lease debt (IFRS 16)	8.1.1.4	1,417.9	1,354.4	465.7	412.1	**1,883.6**	**1,766.5**
Total non-current and current borrowings		**10,784.7**	**11,995.1**	**5,909.5**	**7,580.0**	**16,694.2**	**19,575.1**

8.1.1.1 NON-CURRENT AND CURRENT BOND ISSUES

(in € million)	Non-current		Current		Total	
	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020
Bond issues	**8,830.4**	**10,035.9**	**1,145.4**	**1,771.6**	**9,975.8**	**11,807.5**
• maturing in < 1 year	-	-	1,145.4	1,771.6	1,145.4	1,771.6
• maturing in 2-3 years	1,969.0	1,524.4	-	-	1,969.0	1,524.4
• maturing in 4-5 years	1,367.3	2,078.5	-	-	1,367.3	2,078.5
• maturing in > 5 years	5,494.1	6,433.0	-	-	5,494.1	6,433.0

Breakdown of bonds

Non-current bond issues break down as follows as of June 30, 2020.

(in € million)	As of December 31, 2019	As of June 30, 2020	Maturing in 2 to 3 years	Maturing in 4 to 5 years	Maturing in More than 5 years
Publicly offered or traded issuances [a]	8,035.7	9,061.4	1,311.8	1,347.8	6,401.8
European market [i]	*7,747.0*	*8,772.1*	*1,311.8*	*1,347.8*	*6,112.5*
American Market [ii]	*288.7*	*289.3*	*-*	*-*	*289.3*
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	717.4	715.3	-	715.3	-
Panda Tranche 4	-	188.3	188.3	-	-
Stirling Water Seafield Finance bond issue [b]	48.0	41.7	13.3	15.4	13.0
Other amounts < €50 million in 2019 and 2020	29.3	29.2	11.0	-	18.2
Non-current bond issues	**8,830.4**	**10,035.9**	**1,524.4**	**2,078.5**	**6,433.0**

(a) Publicly offered or traded issuances

i. European market: as of June 30, 2020, an amount of €10,344.1 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €8,772.1 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €8.4 million at the year-end (non-current portion).

ii. American market: as of June 30, 2020, remaining nominal outstandings on the bond issues performed in the United States on May 27, 2008 total USD 300.0 million, maturing June 1, 2038 and paying fixed-rate interest of 6.75% (Tranche 3).

(b) Stirling Water Seafield Finance bond issue: the outstanding nominal balance as of June 30, 2020 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water activities), is GBP 47.0 million (non-current and current portion). This bond issue is recognized at amortized cost for a euro equivalent of €41.7 million as of June 30, 2020 (non-current portion). This bond matures on September 26, 2026.

Change in bonds

As disclosed in Note 3, the change in bond issues during the half-year is mainly due to three bond issues performed in 2020 under the following financial conditions:

- €500 million bond issue performed on January 8, 2020 and maturing January 2031, bearing a coupon of 0.66%;
- €700 million bond issue performed on April 8, 2020 and maturing April 2028, bearing a coupon of 1.25%;
- €500 million bond issue performed on June 8, 2020 and maturing January 2032, bearing a coupon of 0.80%.

These three bond issues, intended for general corporate purposes, enabled Veolia to bring forward the refinancing of all bond payments scheduled for 2020 and 2021 totaling €1.6 billion.

In addition, the Group performed two bond issues in June 2020 for a total of 1.5 billion renminbi (€189 million euro-equivalent) on the Chinese domestic market (Panda Bonds), with a 3-year maturity and a coupon of 3.85%

New bond issues therefore totaled €1,891.0 million in the first-half of 2020.

8.1.1.2 INFORMATION ON EARLY DEBT REPAYMENT CLAUSES

- **Veolia Environnement debt**

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

- **Subsidiary debt**

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

Based on due diligence performed within the subsidiaries, the Group considers that the covenants included in the Group's material financing agreements were satisfied (or had been waived by lenders) as of June 30, 2020.

8.1.1.3 CHANGE IN OTHER FINANCIAL LIABILITIES

	Non-current		Current		Total	
(in € million)	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020
Other financial liabilities	**536.4**	**604.8**	**4,298.4**	**5,396.3**	**4,834.8**	**6,001.1**
• maturing in < 1 year	-	-	4,298.4	5,396.3	4,298.4	5,396.3
• maturing in 2-3 years	228.6	230.0	-	-	228.6	230.0
• maturing in 4-5 years	60.0	82.7	-	-	60.0	82.7
• maturing in > 5 years	247.8	292.1	-	-	247.8	292.1

As of June 30, 2020, other financial liabilities comprise negotiable commercial paper (less than one year) issued by the Company of €4,592.0 million, compared with €3,493.0 million as of December 31, 2019.

8.1.1.4 LEASE DEBT (IFRS 16)

(in € million)	As of December 31, 2019	As of June 30, 2020

Non-current lease debt (IFRS 16)	1,417.9	1,354.4	Lease debt (IFRS 16) as of June 30, 2020
Current lease debt (IFRS 16)	465.7	412.1	
Lease debt (IFRS 16)	**1,883.6**	**1,766.5**	

breaks down as follows:

Lease debt (IFRS 16) by operating segment breaks down as follows:

	As of December 31, 2019	As of June 30, 2020		
(in € million)	**Lease debt (IFRS 16)**	**Non-current lease debt (IFRS 16)**	**Current lease debt (IFRS 16)**	**Lease debt (IFRS 16)**
France	351.9	261.5	90.2	351.7
Europe excluding France	568.2	400.2	104.7	504.9
Rest of the world	420.0	307.5	94.2	401.7
Global businesses	389.1	280.4	87.0	367.4
Other	154.4	104.8	36.0	140.8
Lease debt (IFRS 16)	**1,883.6**	**1,354.4**	**412.1**	**1,766.5**

Lease debt (IFRS 16) by maturity breaks down as follows:

	As of June 30, 2020		
(in € million)	**Non-current**	**Current**	**Total**
Lease debt (IFRS 16)	**1,354.4**	**412.1**	**1,766.5**
• maturing in 1 year	-	412.1	412.1
• maturing in 2 years	331.2	-	331.2
• maturing in 3 years	261.5	-	261.5
• maturing in 4 years	192.2	-	192.2
• maturing in 5 years	147.4		147.4

• maturing in > 5 years	422.1	-	422.1

8.1.2 Non-current and current financial assets

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

	Non-current		Current		Total	
(in € million)	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020
Gross	427.9	512.5	309.9	314.2	737.8	826.7
Impairment losses	(72.7)	(72.9)	(37.5)	(37.8)	(110.2)	(110.7)
Financial assets in loans and receivables, net	**355.2**	**439.6**	**272.4**	**276.4**	**627.6**	**716.0**
Other financial assets	**14.6**	**14.3**	**3.3**	**2.0**	**17.9**	**16.3**
Liquid assets and financing financial assets (*)	**4.8**	**5.3**	**462.8**	**819.8**	**467.6**	**825.1**
Total other financial assets, net	**374.6**	**459.2**	**738.5**	**1,098.2**	**1,113.1**	**1,557.4**

(*) 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.

As of June 30, 2020, the main non-current and current financial assets in loans and receivables primarily comprise loans granted to equity-accounted joint ventures totaling €181.8 million, compared with €159.5 million as of December 31, 2019.

These loans mainly concern the Chinese Water Concessions in the amount of €127.7 million as of June 30, 2020, compared with €99.7 million as of December 31, 2019.

As of June 30, 2020, liquid assets and financing financial assets are made up 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 increase during the first-half of 2020 is mainly due to the optimization of the Group's cash management and the allocation of a portion of the proceeds from the divestiture of district energy assets in the United States to liquid assets which occurred at the end of 2019.

8.1.3 Cash and cash equivalents, bank overdrafts and other cash position items

Movements in cash and cash equivalents, bank overdrafts and other cash position items during the first-half of 2020 are as follows:

(in € million)	As of December 31, 2019	As of June 30, 2020
Cash at bank and in hand	1,449.8	1,730.9
Cash equivalents	4,393.5	5,298.0
Cash and cash equivalents (*)	**5,843.3**	**7,028.9**
Bank overdrafts and other cash position items	**302.2**	**187.5**
Net cash	**5,541.1**	**6,841.4**

(*) Excluding liquid assets and financing financial assets

(in € million)	As of December 31, 2019	As of June 30, 2020
Veolia Environnement:		
Undrawn MT syndicated loan facility	3,000.0	**3,000.0**
Undrawn MT bilateral credit lines	1,000.0	**1,000.0**
Undrawn ST bilateral credit lines	100.0	**100.0**
Letters of credit facility	86.8	**93.0**
Cash and cash equivalents(1)	5,092.6	**6,664.9**
Subsidiaries:		
Cash and cash equivalents	1,218.4	**1,189.1**
Total liquid assets	**10,497.8**	**12,047.0**
Current debt and bank overdrafts and other cash position items:		
Current debt	5,909.5	**7,580.0**
Bank overdrafts and other cash position items	302.2	**187.5**
Total current debt and bank overdrafts and other cash position items	**6,211.7**	**7,767.5**
Total liquid assets net of current debt and bank overdrafts and other cash position items (1)	**4,286.1**	**4,279.5**

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

Cash and cash equivalents total €7,854.0 million, including €395.0 million "subject to restrictions" as of June 30, 2020.

As of June 30, 2020, the France segment held cash of €32.7 million, the Europe excluding France segment held cash of €320.4 million, the Rest of the world segment held cash of €437.7 million, the Global businesses segment held cash of €150.2 million and the Other segment held cash of €789.7 million (including €637.1million held by Veolia Environnement).

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

As of June 30, 2020, cash equivalents were primarily held by Veolia Environnement in the amount of €6,027.8 million, including monetary UCITS of €2,478.3 million, term deposit accounts of €2,530.2 million and 815.8 million of liquid assets.

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

8.2 Fair value of financial assets and liabilities

Differences between fair value and net carrying amount of these main financial asset and liability categories have not materially changed since December 31, 2019.

8.3 Financial income and expenses

8.3.1 Cost of net financial debt

Finance costs consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

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

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

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

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

The cost of net financial debt is -€215.6 million for the half-year ended June 30, 2020 compared with -€222.5 million for the half-year ended June 30, 2019. This improvement of €6.9 million is mainly due to management of the euro-denominated bond debt and the partial repayment of the U.S. dollar loan in the amount of US$100 million as of December 31, 2019.

The heading “Interest paid” in the Consolidated Cash Flow Statement reflects the cost of net financial debt of continuing and discontinued operations adjusted for accrued interest and fair value adjustments to hedging derivatives.

(in € million)	**Half-year ended June 30, 2019**	**Half-year ended June 30, 2020**
Expenses on gross debt	(182.0)	(172.8)
Assets at fair value through profit or loss (fair value option)*	12.7	11.6
Net gains and losses on derivative instruments, hedging relationships and other	(53.9)	(54.4)
Cost of net financial debt	**(222.5)**	**(215.6)**

(*) Cash equivalents are valued at fair value through profit or loss.

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for the first-half of 2020:

- a net interest expense on hedging relationships (fair value hedges and cash flow hedges) of -€7.6 million;
- net losses on derivatives not qualifying for hedge accounting of -€46.8 million, mainly on foreign currency derivatives.

8.3.2 Other financial income and expenses

Other financial income and expenses primarily include capital gains and losses on disposals of financial assets, net of disposal costs, the unwinding of discounts on provisions, interest on concession liabilitiesand the interest on IFRS 16 lease debt.

(in € million)	**Half-year ended June 30, 2019**	**Half-year ended June 30, 2020**
Net gains/losses on loans and receivables	6.7	**6.3**
Capital gains and losses on financial divestitures, net of disposal costs	51.0	**0.2**
Net income (loss) on available-for-sale assets [(1)]	1.0	**1.0**
Assets and liabilities at fair value through profit or loss	0.2	**(0.2)**
Unwinding of the discount on provisions	(15.9)	**(11.1)**
Foreign exchange gains and losses	0.5	**(7.5)**
Interest on concession liabilities	(40.3)	**(39.8)**
Interest on lease debt (IFRS 16)	(22.8)	**(17.8)**
Other	(20.0)	**(15.1)**
Other financial income and expenses	**(39.6)**	**(84.0)**

(1) Including dividends received of €3.4 million in the first-half of 2020, compared with €4.6 million in the first-half of 2019.

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

8.4 Financing commitments

8.4.1 Financing commitments given

Off-balance sheet financing commitments given break down as follows:

(in € million)	As of December 31, 2019	As of June 30, 2020	Maturing in: Less than 1 year	1 to 5 years	More than 5 years
Letters of credit	(39.6)	**(43.0)**	(26.2)	(9.8)	(7.0)
Debt guarantees	(35.1)	**(24.4)**	(11.0)	(1.7)	(11.7)
Other financing commitments given	(43.9)	**(40.2)**	(6.8)	(26.5)	(6.9)
Total financing commitments given	**(118.6)**	**(107.6)**	**(44.0)**	**(38.0)**	**(25.6)**

8.4.2 Financing commitments received

Commitments received total €175.6 million as of June 30, 2020 and €134.8 million as of December 31, 2019.

8.4.3 Collateral guaranteeing borrowings

As of June 30, 2020, the Group has given €139 million of collateral guarantees in support of borrowings including €98.8 million in support of borrowings of its joint ventures.

NOTE 9 EQUITY AND EARNINGS PER SHARE

9.1 Equity attributable to owners of the Company

9.1.1 Share capital

The share capital is fully paid-up.

9.1.1.1 SHARE CAPITAL INCREASE RESERVED FOR GROUP EMPLOYEES

There were no share capital increases in the first-half of 2020.

9.1.1.2 NUMBER OF SHARES OUTSTANDING AND PAR VALUE

There were 567,266,539 shares outstanding as of June 30, 2020 and December 31, 2019. The par value of each share is €5.

9.1.2 Offset of treasury shares against equity

Treasury shares are deducted from equity.

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

Veolia Environnement held 12,725,465 of its own shares, representing 2.24% of the Company’s share capital, as of June 30, 2020. It held 12,450,465 shares, representing 2.19% of the Company's share capital, as of December 31, 2019.

9.1.3 Appropriation of net income and dividend distribution

The Combined General Meeting of April 22, 2020 set the cash dividend for 2019 at €0.50 per share. The shares went ex-dividend on May 12, 2020 and the dividend was paid from May 14, 2020 for a total amount of €277.1 million.

A dividend of €509.1 million was distributed by Veolia Environnement in 2019 and taken from the profit from 2018.

9.1.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total -€92.6 million as of December 31, 2019 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€10.4 million), the pound sterling (+€31.7 million), the Canadian dollar (+€10.1 million), the Hong Kong dollar (-€19.3 million) and the Argentinian peso (-€34.2 million).

Accumulated foreign exchange translation reserves total -€307.5 million as of June 30, 2020 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€40.9 million), pound sterling (-€48.0 million), Polish zloty (-€19.4 million) and Colombian Peso (-€20.3 million) against the euro.

9.1.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€58.4 million as of June 30, 2020 and -€57.1 million as of December 31, 2019 and did not materially change during the half-year.

9.2 Non-controlling interests

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

The fluctuation in non-controlling interests in the first six months of 2020 is mainly due to net income for the period offset by changes in consolidation scope, dividend distributions by subsidiaries and foreign exchange impacts.

The share of net income attributable to non-controlling interests totaled €66.3 million for the half-year ended June 30, 2020, compared with €88.1 million for the half-year ended June 30, 2019.

In the first six months of 2020, this item primarily concerns minority interests in subsidiaries of the Europe excluding France (€44.8 million) and Rest of the World (€21.8 million) operating segments.

9.3 Earnings per share

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

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

The weighted average number of outstanding shares in the half year ended June 30, 2020 was 554,541,074. The instruments (mainly related to the OCEANE convertible bonds issued on September 12, 2019) are excluded from the calculation of the diluted earnings per share as they are anti-dilutive.

9.4 Liquidity contract

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

Veolia Environnement and Rothschild & Cie Banque terminated the liquidity contact signed on September 26, 2014. This termination took effect when the Stock Exchange closed on May 31, 2019.

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

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

NOTE 10 PROVISIONS

Movements in non-current and current provisions in the first six months of **2020** are as follows:

(in € million)	As of December 31, 2019	As of June 30, 2020
Provisions excluding pensions and other employee benefits	**1,601.8**	**1,632.6**
Provisions for pensions and employee benefits	**786.0**	**773.5**
TOTAL PROVISIONS	**2,387.8**	**2,406.1**
NON-CURRENT PROVISIONS	**1,848.7**	**1,837.9**
CURRENT PROVISIONS	**539.1**	**568.2**

(1) Provisions other than for income tax

Provisions as a whole remained relatively stable during the first six months of **2020**.

As of June 30, 2020, provisions excluding pensions and other employee benefits primarily comprise provisions for closure costs and post-closure costs (site rehabilitation, dismantling) of €662.4 million, principally accounted for in France in waste recovery and recycling activities for €249.0 million and in Europe excluding France for €209.1 million.

NOTE 11 INCOME TAX EXPENSE

11.1 Income taxes

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

The income tax expense breaks down as follows:

(in € million)	Half-year ended June 30, 2019	Half-year ended June 30, 2020
Current income tax (expense) income	**(147.7)**	**(105.3)**
France	(9.1)	(4.5)
Other countries	(138.6)	(100.8)
Deferred tax (expense) income	**48.8**	**50.1**
France	(13.4)	(4.1)
Other countries	62.2	54.2
Total income tax expense	**(98.9)**	**(55.2)**

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

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

The Group income tax expense breaks down as follows:

	Half-year ended June 30, 2019	Half-year ended June 30, 2020
Net income (loss) from continuing operations (a)	435.4	(62.3)
Share of net income (loss) of associates (b)	18.5	12.2
Share of net income (loss) of joint ventures (c)	37.8	28.0
Share of net income (loss) of other equity-accounted entities (d)	-	-
Income tax expense (e)	(98.9)	(55.2)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	478.0	(47.3)
Effective tax rate (e)/(f)	**20.7%**	N/A

11.2 Deferred tax assets and liabilities

Due to the impacts of the COVID-19 pandemic, the Group reviewed the recoverable amount of deferred tax assets arising from material tax losses. These procedures did not lead the Group to recognize any additional material impairment as of June 30, 2020.

11.3 Tax audits

In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits.

The Group assesses income tax risks in accordance with IFRIC 23 and IAS 37, notably by considering that the tax authorities will conduct an audit and will have full knowledge of all relevant information.

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

There have been no significant developments since the last Universal Registration Document.

NOTE 12 CONTINGENT ASSETS AND LIABILITIES

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income with respect to the following legal, administrative or arbitration proceedings as of June 30, 2020, due to the uncertain nature of their outcome.

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

North America

United States – Water – Flint

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

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

Following the switch to Flint River water, Flint residents began to complain about its odor, taste and appearance. Between August 2014 and December 2014, Flint experienced a number of water quality issues resulting in violations of National Primary Drinking Water Regulations including "Total Trihalomethanes - TTHM" (which are disinfection byproducts) maximum contaminant level violations.

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

On February 18, 2015, VWNAOS issued an interim report, based on testing results provided by Flint which included a statement that the drinking water was "safe" in that it complied "with state and federal standards and required testing". During that evening's public meeting, which was organized by the Flint City Council Public Works Committee in relation to VWNAOS's interim report, VWNAOS employees communicated to the public the results of said report. The City, not VWNAOS, conducted all of the lead testing.

On March 12, 2015, VWNAOS delivered its final report to Flint, which was then subsequently made available to the public. In its report, VWNAOS issued a broad set of recommendations to address TTHM compliance and improve water quality related to odor and discoloration. The report also specifically recommended that the City work with the State and City's engineering firm to add a corrosion control plan. It would appear that many of these recommendations were ignored by the City.

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

On September 25, 2015, Flint issued a lead advisory to the residents of Flint regarding the presence of lead in the drinking water.

On October 16, 2015, Flint switched their potable water supply source back to the Detroit water system.

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

On March 21, 2016, the Flint Water Advisory Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task Force report concluded that the responsibility for the Flint water crisis rested largely with several governmental agencies and the City of Flint. The report concluded that the Michigan Department of Environmental Quality and the City of Flint did not require the implementation of corrosion control when the source of the water supply was changed to the Flint River which the Task Force found was contrary to requirements imposed by a federal law, known as the Lead & Copper Rule.

Individual and class actions

Since February 2016, numerous individual complaints and putative class actions have been filed in Michigan State and Federal courts by Flint residents against a number of defendants, including the State of Michigan, the Michigan Department of Environmental Quality and three of the US subsidiaries of the Company, Veolia North America Inc. VWNAOS and Veolia North America LLC. Flint residents allege injury and damages by exposure to toxins, including lead, contained within Flint River water. and have brought several types of claims, including professional negligence and fraud. The court has dismissed the fraud claims.

Although the Company has been named in several putative class actions and individual actions , the Company is not a party to any of these actions; only the three US subsidiaries of the Company are active parties in those actions.

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

Civil action of the State of Michigan's Attorney General

On June 22, 2016, the State of Michigan's Attorney General filed a civil action in State court against several corporations, including VWNAOS and the Company itself, for their alleged roles in the Flint water crisis. The Attorney General subsequently dismissed that action, and he filed a new civil action on August 16, 2016. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleges that the acts and omissions of these corporations constitute, among other things, professional negligence and fraud. Subsequent to filing the new action, the Attorney General agreed to dismiss the Company without prejudice from the case. On September 12, 2016, stipulations of dismissal were filed with the State court to that effect.

On November 7, 2018, the State of Michigan elected a new Governor and a new Attorney General. The Attorney General then filed, on April 12, 2019, a new amended complaint against, among others, the Company and some of its US subsidiaries. The Company has not been served with that complaint and so it is not currently an active party in this civil action (but its three US subsidiaries are parties).

On November 8, 2019, the court ruled on the motion, dismissing all claims against the Company's US subsidiaries, except for an unjust enrichment claim.

On December 2, 2019, the State, the Company's US subsidiaries, and the LAN defendants, filed motions to reconsider this decision.

On June 23, 2020, the court denied LAN's motion; the Company's US subsidiaries' motion is still pending.

Criminal actions

Criminal proceedings were initiated by the Attorney General against fifteen employees of the State of Michigan and the City of Flint for their conduct related to the water crisis in Flint. Of these fifteen employees, seven pleaded guilty. On June 13, 2019, the new Attorney General dropped all charges against the remaining eight employees. The Attorney General has stated that her investigation is ongoing and that further criminal proceedings could be initiated.

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

These lawsuits have been reported to the insurers. Some of the insurers, relying on an exclusion clause contained in the policies of the international insurance program taken out by the Company on its behalf and that of its subsidiaries, have made it known that they do not intend on covering the financial consequences of VNA's liability, should this be established, for damages resulting from lead. The Group strongly contests this position, arguing that this exclusion clause is not applicable in the current situation and that in any case, the clause is void as it is contrary to both the mandatory rule of article L.113-1 of the French Insurance Code requiring that the exclusion shall be "formal and limited" and contrary to its interpretation by the courts.

Central and Eastern Europe

Romania

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

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

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

Throughout October 2015, three former managers of ANB were placed under the status of "inculpat". On October 30, 2015, ANB was placed under this same status, for bribery, buying influence, invasion of privacy, tax evasion and money laundering.

The Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) opened investigations concerning possible violations of US federal laws, relating to the facts which are the subject of NAD's investigation. At the SEC's behest, as part of international cooperation, the Autorité des marchés financiers (AMF) opened its own investigation on the matter.

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

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

By order November 1st, 2019, the NAD decided (i) to dismiss the charges of bribery, buying influence and invasion of privacy against ANB and all the named individuals and (ii) to continue the investigations for tax evasion and money laundering against ANB and two of its former executives.

This order is now final.

Lithuania - Energy

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

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

- a €19M fine imposed on UVE by the Competition Council;

- the transfer of ownership without compensation of the individual heat exchange sub-stations invested by UVE;

- the unilateral reduction of the heating prices to capture the savings realized with the help of a smoke condenser invested by UVE;

- the retroactive annulment of the heating prices applied by UVE for the period 2011-2015;

- the annulment of the amendments extending the duration of the contract concluded between Litesko and the city of Alytus and the transfer to Alytus of the assets invested by Litesko.

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

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

(i) ICSID arbitration

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

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

In June 2018, Lithuania filed an objection to the arbitral tribunal's jurisdiction, based on a decision rendered by the European Court of Justice on March 6, 2018 in the Achmea case, in which the Court ruled that investor-state arbitration provisions in intra-EU bilateral investment treaties are incompatible with European Union law. In a declaration dated January 15, 2019, the EU Member States indicated their intention to terminate the intra-EU bilateral investment treaties by December 2019. On May 5th 2020, a vast majority of Member states – including France and Lithuania – signed a plurilateral treaty organizing the termination of the intra-EU bilateral investment treaties.These developments may have an impact on the ICSID arbitration and, as the case may be, on the enforcement of the future award.

(ii) SCC arbitration

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

In this arbitration, the Company and UVE filed a claim for an indemnity of circa €22M. For their part, Vilnius and VST submitted counterclaims quantified to date at circa €690M. This procedure is still ongoing. The Company and UVE vigorously contest Vilnius and VST's counterclaims and seek their dismissal.

Veolia Technologies and contracting

VWT v. K+S Potash

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

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

Several procedures are currently in progress.

ADRIC Arbitration Procedure (ADR Institute of Canada)

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

Legal Proceedings (the Court of Queen's Bench for Saskatchewan and Paris Commercial Court)

On April 11, 2018, KSPC brought claims against VWT before the Court of Queen's Bench for Saskatchewan in the amount of $180MCAD (approximately €119M) for consequential damages and additional costs of repair in relation to the Incident. On January 18 2019, VWT made a settlement offer to KSPC who refused the offer.

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

On May 23, 2018, VWT filed a request for injunction before the Court of Queen's Bench for Saskatchewan seeking to prevent KSPC from drawing upon either letter of guarantee. The Court of Queen's Bench for Saskatchewan, the Court of Appeal, and then in October 2019 the Supreme Court of Canada dismissed VWT's application. In November 2019, KSPC drew down the second letter of guarantee and requested the Paris Commercial Court to restore the first letter of guarantee case to the trial list. This case is still pending before the Court.

By an Act of May 28, 2018, one of KSPC's subcontractors, AECON, sued KSPC before the Court of Queen's Bench for various claims for damages. On June 28, 2018, KSPC joined VWT as a third party to the proceedings in an attempt to require VWT to indemnify KSPC for a minimum of $466MCAD (approximately €318M) as well as for reimbursement of sums already paid by KSPC to other subcontractors.

On March 25, 2020, KSPC brought claims against VWT before the Court of Queen's Bench for Saskatchewan for an amount quantified to date at $4,6MCAD (approximately €3M). These new claims include an equipment failure occurred in November 2018 and alleged corrosion in specific materials of the plant. In June 2020, VWT filed a statement of defense before this court and contested these new claims.

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

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

VWT v. Antero

In August 2015, Veolia Water Technologies Inc. ("VWT") and Antero Resources Corporation ("Antero") entered into a Design Build Agreement ("DBA") for a revised contract sum of USD $255,8 million for the treatment of water associated with the drilling, production and general development of shale gas at the Clearwater facility located in Pennsboro West Virginia (“Facility”).

VWT achieved the substantial completion of the Facility on March 15, 2019. The Facility was fine-tuned over the following months. The final performance test was scheduled to begin on September 16, 2019 but by letter of 12 September 2019, Antero wrongly terminated the DBA without proper contractual notice.

On March 13, 2020 VWT filed suit against Antero in United States District Court in Colorado alleging breach of contract and seeking damages of USD $120 million. On the same day and in front of the same tribunal, Antero filed suit against VWT and claimed that VWT breached its contractual obligations under the DBA. In this lawsuit, Antero asserts claims for damages of approximately USD $600 million and explains that the largest portion of its claims is based on an alleged VWT gross negligence. VWT vigorously rejected all of these claims, as they are without merit.

VWT’s claims have been consolidated with Antero’s claims ; due to COVID 19, hearing dates have not been set yet.

The Antero lawsuit has been reported to the insurers.

NOTE 13 RELATED-PARTY TRANSACTIONS

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

Other than compensation and related benefits granted to key management and relations with joint ventures presented in the Notes to the 2019 Consolidated financial statements (see Note 6.2.1), there have been no material developments in relations with other related parties as of June 30, 2020.

NOTE 14 SUBSEQUENT EVENTS

None.

NOTE 15 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2020, Veolia Environnement Group accounted for a total of 1,676 companies.

The list of main subsidiaries has not materially changed since December 31, 2019.