Veolia Environnement

Société anonyme with a share capital of €2,836,332,695

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OPERATING AND FINANCIAL REVIEW

Consolidated Financial Statements for the half-year ended June 30, 2020

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1 Major events of the period

1.1 GENERAL CONTEXT AND THE COVID-19 HEALTH CRISIS

In response to the public health crisis facing the world in recent months, Veolia is fully mobilized to ensure continuity of service while protecting the health of its employees, the Group's two overriding priorities:

- implementation of business continuity plans, tailored to each country, that primarily aim to maintain the production and delivery of drinking water and the 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.

Thanks to the commitment, courage and exemplary dedication of our teams working on the ground, the Group is able to provide communities with essential services on a daily basis.

Until mid-March, the Group's activities outside Asia were not affected by the crisis.

Since then, the introduction of lockdown measures by countries, as a result of the spread of the epidemic have affected Veolia's activities to varying degrees: following a low point at the start of the second quarter, the gradually recovery of activity has been confirmed in June with a strong rebound in the majority of regions and activities where the Group operates.

In this context, 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 results:

- The reinforcing of the cost savings plan (Recover and Adapt) of €200 million increased to €250 million for the publication of the half year results 2020, with several lines of action focusing on reducing our non-committed discretionary expenses such as (i) the reduction of our general expenses, (ii) purchases including subcontracting (iii) maintenance costs through optimization and delaying expenditure where possible (iv) efforts on personnel costs, for example, through the use of furloughing and a reduction in temporary work. This new cost savings plan is in addition to the annual efficiency program of €250 million;
- the 2020 investment program will be reduced by €500 million, with increased selectivity, while preparing the Group for a post-crisis rebound; the investment program will therefore decrease from €2.5 billion to €2.0 billion representing a reduction of 20%: delay or cancellation of maintenance investments while giving priority as far as possible to maintaining our discretionary investments;
- Finally the development of new commercial offers such as disinfection, the treatment of medical waste, digital offers or air quality.

In addition to this plan, the Group also participates in recovery plans and is preparing for all eventualities (including a second wave localized in certain geographies if this scenario materializes). Since mid-May, two additional priorities have been fixed: the first being to accommodate as many employees as possible at their workplace in a manner compatible with health regulations and the second being to return to a normal level of activity for employees for the sectors that have been shut down or that have operated in a reduced way such as works, industrial and tertiary maintenance or sanitation maintenance.

Almost all of the Group's facilities or activities remained open at the height of the health crisis, although the impact on volumes varies between business lines:

- Essential municipal services such as drinking water, wastewater, collection and treatment of municipal waste and district heating as well as energy services in hospitals were impacted little with a drop in their usual volumes;

- Hazardous waste activities were moderately impacted with, notably a high rate of utilization of our incinerators in Europe;
- Conversely, the industrial and commercial waste activity declined sharply in April following the compulsory closure of a large number of companies and tertiary activity centers such as shopping centers, but recovered strongly from the end of the various lockdowns decided by the different governments. Services on industrial sites and for buildings were also affected when those sites were closed.
- Lastly, construction activities in France were at a standstill in March and April and slowed elsewhere to varying degrees depending on the region. Activity levels have since gradually increased and were back to normal in June.

As such during the second quarter, the Group's revenue was reduced overall by -11% compared to the second quarter of 2019 with an important reduction in France (-16.1%) and in global businesses (-20.8%) and with better resistance in Europe excluding France (-6.7%) and the rest of the world (-5.7%), our activities in industrial and commercial waste as well as in construction were strongly impacted.

The activity in June saw a strong rebound with revenues representing approximately 97% of revenue for June 2019.

Overall in the first-half, the activity was marked by the impacts of the health crisis on the Group's operations, notably in China from January, then in Europe and in the other regions such as Latin America from the second-half of March, gradually and in line with the local developments of the pandemic. The performance over the first half confirms the resilient nature of our activities with a more pronounced impact on the industrial waste and works business and a strong recovery since late May / early June.

In this context, the first-half of 2020 was marked by:

- Revenue of €12,412 million, down -6.1% at constant exchange rates and -5.6% at constant scope and exchange rates. Revenue fell -11% in the second quarter versus -1.3% in the first quarter at constant exchange rates.
- EBITDA of €1,599 million down -19.2% at constant exchange rates and -17.3% at constant scope and exchange rates. EBITDA fell -33.9% in the second quarter and -5.3% in the first quarter at constant exchange rates. Measures to adapt to the health crisis (Recover and Adapt) for €120 million of costs savings at the end of June 2020.
- Current EBIT of €438 million, down -48.0% at current exchange rates and -43.1% at constant scope and exchange rates. Current EBIT fell -86.9% in the second quarter versus -18.0% in the first quarter at constant exchange rates.
- Current net income attributable to owners of the Company of €7 million, down -97.7% at current exchange rates; adjusted for changes in capital gains, current net income fell -98.3% at current exchange rates and -91.1% at constant scope and exchange rates. The second quarter fall was -178.2% at constant exchange rates compared with -36.3% in the first quarter.
- A resilient net Free Cash Flow of -€515 million (versus -€473 million at June 30, 2019). The reduction in the EBITDA being compensated for by net industrial investments down €96 million (€500 million reduction expected in industrial investments for the period 2020 vs. 2019) and a more favorable variation in working capital at -€683 million versus -€908 million for the first-half of 2019.
- A net financial debt of €11,850 million versus €12,478 million as of 30 June, 2019.

Update on the Group's liquidity

Faced with an unprecedented crisis, Veolia immediately prioritized the monitoring of its liquidity. This involved the daily monitoring of changes in its cash position and weekly forecasts by Business Unit covering a five week time frame, monitoring of Finance Back Office operations (invoicing, collection, payments, suppliers) and a daily financial market update at the Group level.

The Group's financing policy is therefore prudent and resilient. Pooled cash is mainly invested in liquid monetary assets, cash UCITS and liquid bank deposits.

The Group's liquidity position at June 30, 2020 is solid at €12.1 billion and mainly consists of the following:

(1) €6.7 billion of pooled cash (including commercial paper with an average residual maturity of 4.1 months totaling €4.6 billion, currently being refinanced);

(2) €1.2 billion of cash available in the subsidiaries;

(3) Undrawn and available bilateral credit lines totaling €4.2 billion

1.2 CHANGES IN GROUP STRUCTURE

MAJOR ACQUISITIONS

The Group's maintains its policy of development in order to support a return to a strong growth post-crisis.

- Alcoa (United States)

Announced on December 20, 2019, the Group acquired, via its subsidiary Veolia North America, the hazardous waste processing site of Alcoa USA Corporation for €231 million in Q1 2020 [(1)].

- Nagpur (India)

In the second-half of 2020, the Group acquired Orange City Water and Orange City Hydraulic Works in Nagpur, India (population of 2 million people) through Veolia India, for a consideration of €113 million [(1)], thereby expanding its water distribution activity in the Indian sub-continent.

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

SIGNIFICANT DIVESTITURES

The Group did not carry out any significant disposals in the first half of 2020.

1.3 GROUP FINANCING

In the first-half of 2020, the Group actively managed its debt by benefiting from satisfactory market conditions, the refinancing transactions carried out have permitted the stability of the maturity of gross debt.

CHANGE IN BONDS

On January 8, 2020, Veolia issued a €500 million bond, with a January 2031 maturity. This bond bears a coupon of 0.664% and was issued at par. The over-subscription ratio was close to 5, enabling Veolia to materially improve the issuing rate and achieve a final pricing which was better than the secondary market.

On April 8, 2020 and June 8, 2020, in a context of highly volatile financial markets, and especially credit markets, Veolia took advantage of a constructive market window to issue, respectively, a €700 million bond at par, maturing April 2028 and bearing a coupon of 1.25% and a €500 million bond at par, maturing January 2032 and bearing a coupon of 0.80%.

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

Lastly, on June 22, 2020, Veolia Environnement successfully issued two bonds for a total nominal amount of 1.5 billion renminbi (€188 million euro-equivalent) on the Chinese domestic market (Panda Bonds). These bonds were issued via a private placement and bear a coupon of 3.85%, for a 3 year maturity. They were issued to Chinese and international investors. The proceeds of these bonds will be used to finance various Group projects in continental China. The conditions obtained show that Veolia’s signature is viewed very favorably and demonstrated investor confidence in the Group’s development in China.

CONFIRMATION OF THE CREDIT OUTLOOK

On May 18, 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.

DIVIDEND PAYMENT

The Combined General Meeting of April 22, 2020 agreed to pay a dividend of €0.50 per share for fiscal year 2019. The Board of Directors - given the exceptional circumstances related to COVID-19 and to protect the interests of all the Group’s stakeholders in a spirit of solidarity – decided on April 1, 2020 to half the dividend for fiscal year 2019 initially proposed at €1.00. The dividend therefore amounted to €277 million and was paid from May 14, 2020.

1.4 PERFORMANCE SHARE PLAN

Given the exceptional circumstances, the Board of Directors - at the recommendation of the Compensation Committee - decided with regard to the 2021 compensation policy to review the grant conditions for all beneficiaries of the 2018 performance share plan set-up on May 2, 2018 (expiring in 2021), concerning fiscal years 2018, 2019 and 2020.

This plan includes a performance condition based on average growth in Current net income attributable to owners of the Company per share of 10% annually (for the vesting of all performance shares granted), as recorded at the end of the plan period in 2021, based on results for the 2018, 2019 and 2020 fiscal years compared with the 2017 base year. If this average growth is less than 5%, no performance shares will vest. Between 5% and 10%, shares will vest on a proportional basis.

The Board of Directors decided to amend this performance objective, retaining it unchanged for fiscal years 2018 and 2019 of the reference period and reducing the initial number of performance shares granted by one third to take account of the "neutralization" of fiscal year 2020. The Plan maturity date is unchanged (May 2, 2021).

In addition, in the context of the Group's remuneration policy and the authorization of the Combined General Meeting, the Board of directors decided on March 10, 2020 on the proposal of its compensation committee to attribute to around 450 beneficiaries including its senior executives, employees with a high potential and key contributors of the Group, performance shares (up to 0.5% of the capital). The definitive acquisition of these shares is subject to a condition of presence and performance, detailed in the section 7.4.3 page 446 of the 2019 Universal Registration document.

Lastly, during the Combined General Meeting, the company reaffirmed its wish to associate the employees with the Group's development and performance by launching a new employee share purchase program for 2020.

1.5 CHANGES IN GOVERNANCE

As part of the annual renewal of the Board of Directors, the Board of Directors' meeting of March 10, 2020 formally noted the expiration of the terms of office of four Directors (Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier) at the end of the Shareholders' Meeting of April 22, 2020.

On the recommendation of the Nominations Committee, the Board of Directors decided on March 10, 2020 to propose at the Combined General Meeting of April 22, 2020, the renewal of the terms of office as Director of Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier for a period of four years expiring at the end of the 2024 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2023.

The Combined General Meeting of Veolia Environnement was held on April 22, 2020 at the Company's administrative headquarters under the chairmanship of Company Chairman and Chief Executive Officer, Mr. Antoine Frérot, without the physical presence of shareholders due to the COVID-19 epidemic health measures and pursuant to the emergency measures adopted by the French government. It approved all the resolutions on the agenda.

In particular, shareholders renewed the terms of office as Director of Mrs. Isabelle Courville and Mrs. Nathalie Rachou and Messrs. Jacques Aschenbroich and Guillaume Texier for a four-year period expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2023.

Furthermore, shareholders:

- approved the Company and consolidated financial statements for fiscal year 2019;

- set the cash dividend for fiscal year 2019 at €0.50 per share and decided that the shares will be ex-dividend on May 12, 2020 and the dividend will be paid from May 14, 2020;

- approved the fixed and variable components of total compensation and benefits of all kind paid or awarded to Mr. Antoine Frérot by virtue of his duties as Chairman and Chief Executive Officer, with respect to fiscal year 2019;

- approved the information relating to the 2019 compensation of the Directors (excluding the Chairman and Chief Executive Officer);

- approved the Chairman and Chief Executive Officer's compensation policy in respect of fiscal year 2020;

- approved the Directors' compensation policy (excluding the Chairman and Chief Executive Officer) in respect of fiscal year 2020;

- renewed all financial authorizations granted to the Board of Directors;

- authorized the Board of Directors to grant performance shares to corporate officers and employees of the Group and the Company;

- approved the harmonization of the Articles of Association of the Company with new legal and regulatory provisions in force.

After this Combined General Meeting, the Veolia Environnement Board of Directors remains unchanged and comprises thirteen directors, including two directors representing employees and five women (45.45%)(1):

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;

- Mr. Louis Schweitzer, Vice-Chairman;

- Mrs. Maryse Aulagnon, Senior Independent Director;

- Mr. Jacques Aschenbroich;

- Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse;

- Mrs. Isabelle Courville;

- Mrs. Clara Gaymard;

- Mrs. Marion Guillou;

- Mrs. Nathalie Rachou;

- Mr. Paolo Scaroni;

- Mr. Guillaume Texier;

- Mr. Pavel Páša, Director representing employees;

- Mr. Franck Le Roux, Director representing employees.

The four Board Committees also remain unchanged and are comprised as follows:

- Accounts and Audit Committee: Mrs. Nathalie Rachou (Chairman), Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mr. Franck Le Roux (Director representing employees) and Mr. Guillaume Texier;

-Nominations Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon and Mrs. Isabelle Courville;

-Compensation Committee: Mrs. Maryse Aulagnon (Chairman), Mrs. Marion Guillou, Mr. Franck Le Roux (Director representing employees) and Mr. Louis Schweitzer;

- Research, Innovation and Sustainable Development Committee: Mr. Jacques Aschenbroich (Chairman), Mrs. Isabelle Courville, Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

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

2 Accounting and financial information

2.1 KEY FIGURES

(in € million)	*Half-year ended June 30, 2019 published*	***Half-year ended June 30, 2020***	*Change 2019 / 2020* *Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Revenue	13,324	12,412	-6.8%	-6.1%	-5.6%
EBITDA	2,002	1,599	-20.1%	-19.2%	-17.3%
EBITDA margin	15.0%	12.9%			
Current EBIT [(1)]	857	438	-49.0%	-48.0%	-43.1%
Current net income – Group share	352	7	-97.9%	-97.7%	-91.1%
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	334	6	-98.3%	-98.0%	-85.9%
Net income (loss) – Group share	331	(138)	-141.5%		
Net industrial investments	(969)	(873)			
Net free cash flow [(2)]	(473)	(515)			
Net financial debt	12,478	11,850			

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

(2) The indicators are defined in Section 3.10.3 of the 2019 Universal Registration document.

The main foreign exchange impacts were as follows:

FX impacts for the half-year ended June 30, 2020 (vs. June 30, 2019 published)	%	(in € million)
Revenue	-0.8%	(106)
EBITDA	-0.9%	(19)
Current EBIT	-0.9%	(8)
Current net income - Group share	-0.2%	(1)
Net financial debt	1.5%	157

GROUP CONSOLIDATED REVENUE

Group consolidated revenue for the half-year ended June 30, 2020 was €12,412.0 million, compared with €13,323.9 million for the same period in 2019, **down -6.1% at constant exchange rates and -5.6% organically.**

The change in revue by quarter is the following by segment for the second quarter of 2020:

(in € million)	*1st Quarter 2020*	*2nd Quarter 2020*	***Half-year ended June 30, 2020***
France	-3.1%	-16.1%	-9.7%
Europe excluding France	1.1%	-6.7%	-2.5%
Rest of the world	-1.8%	-5.7%	-3.7%
Global businesses	-3.6%	-20.8%	-12.5%
Group	**-1.3%**	**-11.0%**	**-6.1%**

The second quarter of 2020 is marked by:

- In France by a resilience in the water activity with a limited impact of the crisis on volumes which remain stable over the first-half of 2020, prices increased by +1.5%, compensated by the drop in works activity; in the waste activity the volumes collected were down strongly in March and April and recovering since May to be close to the levels of June 2019 due to the treatment of waste stocked during the lockdown period;

- In Europe excluding France, by a reduction in the volumes of industrial waste in Germany, the Netherlands and the United Kingdom. An energy activity down in Southern Europe, Scandinavia and Belgium. Central and Eastern Europe are particularly resistant to the crisis (volumes down slightly in municipal water and energy);

- In the rest of the world by a moderate impact of the health crisis: North America revenue down -3.9% at constant scope and exchange rate, that if Latin America down -0.5% at constant exchange rates, that of the Pacific zone -2.6% at constant exchange rates, whilst Asia saw its revenue increase +2.4% at constant exchange rates;

- In Global businesses by a decrease due to the stoppage of works in France and the reduction in the volumes of hazardous waste. After having reached a low point of its activity at the end of April the hazardous waste activities recorded at the end of June an almost normal recovery (90%);

Overall, the change in revenue compared with the half-year ended June 30, 2019 breaks down as follows:

			Change 2019 / 2020		
(in € million)	*Half-year ended June 30, 2019 published*	***Half-year ended June 30, 2020***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France	2,759.2	2,490.6	-9.7%	-9.7%	-9.7%
Europe excluding France	4,789.3	4,623.7	-3.5%	-2.5%	-2.8%
Rest of the world	3,495.9	3,308.0	-5.4%	-3.7%	-1.1%
Global businesses	2,275.7	1,988.5	-12.6%	-12.5%	-13.1%
Other	3.7	1.2	-68.0%	-	-
Group	**13,323.9**	**12,412.0**	**-6.8%**	**-6.1%**	**-5.6%**

- Revenue decreased -9.7% in **France** at constant scope compared with the half-year ended June 30, 2019; Water revenue fell -6.4%, while Waste revenue dropped -13.4% at constant scope.
  - Water revenue is down -6.4% year-on-year, with a significant slowdown in construction activity (-3.7%, virtual stoppage during the lockdown period up until the recovery in June), with the activity slump generated by the health crisis partially offset by higher tariff indexation (+1.5% in 2020).
  - Waste revenue declined -13.4% at constant scope year-on-year, with a fall in the price of recycled materials (price effect of -€19 million and volume effect of -€16 million for paper and cardboard) and a drop in volumes linked to the health crisis in industrial waste collection (-18%), municipal collection (-6%) and landfill activity (-16%), partially offset by higher incineration volumes (+4%) and tariff rises in the first quarter.
- **Europe excluding France** declined -2.5% at constant exchange rates compared with the half-year ended June 30, 2019, with varying trends across the regions:
  - In the United Kingdom/Ireland, revenue fell -5.8% at constant exchange rates to €1,072.2 million following a drop in landfill volumes (-8%) compensated by a high rate of availability of the incinerators (95.7%), a downturn in municipal collection contracts (end of multiple contracts) and a slowdown in commercial activity in the second quarter.
  - In Central and Eastern Europe, revenue totaled €1,677.3 million, up +0.7% at constant exchange rates year-on-year and +1% excluding the unfavorable weather impact of -€5.8 million. This growth was mainly driven by:
    - higher tariffs in Energy;
    - increased construction activity (+0.7%) in Romania (favorable weather conditions) and the Czech Republic (maintenance work on the Prague wastewater treatment plant);
    - in Water: higher tariffs in the Czech Republic (annual indexation) and Bulgaria, partially absorbed by lower volumes, particularly in the Czech Republic following a slowdown in tourism in Prague;
  - In Northern Europe, revenue fell -4.9% at constant exchange rates compared with the half-year ended June 30, 2019 to €1,303.8 million, mainly due to:
    - a drop in industrial activity in Sweden (closure of Volvo sites due to the COVID-19 health crisis) and the Netherlands (lower plastic volumes), as well as reduced recycling activity across the region.
    - a -1.9% decline in revenue in Germany (main revenue contributor: €915 million for the half-year). In the Waste business, after a reduction at the end of the first quarter due to the lockdown a recovery in the volumes is observed at the end of the second quarter as well as an increase in prices which are unable to compensate for the strong decline in the sale price of paper.

- Decline of -3.7% year-on-year in the **Rest of the world** at constant exchange rates and of -1.1% at constant scope and exchange rates:
  - Revenue in Asia increased by +4.7% at constant exchange rates, mainly due to continued strong growth in China, Hong-Kong and Taiwan, where revenue increased to €568 million, driven:
    - in Hong-Kong (+51% at constant exchange rates), by the integration of Southa's activities (energy services for buildings, +€30.4 million) and the construction of an extension at the Green Valley landfill site;
    - in China (-1.6% at constant exchange rates year-on-year), by an increase in energy (impact of the 2019 acquisitions of Yibin and Kedong Heating, network extensions and higher heating tariffs for the Harbin network) and waste (Huafei plastic business) activities and a fall in industrial service activities;

- in Japan (+8.8% at constant exchange rates), by an increase in Municipal Water revenue due to organic growth in O&M activities and a good performance in industrial EPC activity generated by the Lithium (+€13 million) and Hiroshima EPC projects.

▪ Revenue fell -1.6% in North America at constant scope and exchange rates to €882 million (scope impact tied to the divestiture of heating networks in the United States of €184 million as of June 30, 2019), marked by lower waste volumes in Canada and a drop in industrial water activity, which offset the progression in the hazardous waste business.

▪ The Pacific zone reported a -0.5% decline in revenue for the half-year ended June 30, 2020 at constant exchange rates, despite improved industrial services and hazardous waste activities and contract wins in New Zealand, that were unable to offset the decrease of the works activity in Australia in the water business.

▪ Revenue growth in Latin America (+5.8% at constant exchange rates), driven mainly by tariff increases in Argentina (tied to inflation), the start-up of new contracts in Peru and scope impacts (Stericycle in Chile, Gadere in Ecuador and Entorno in Colombia - impact of +€3 million).

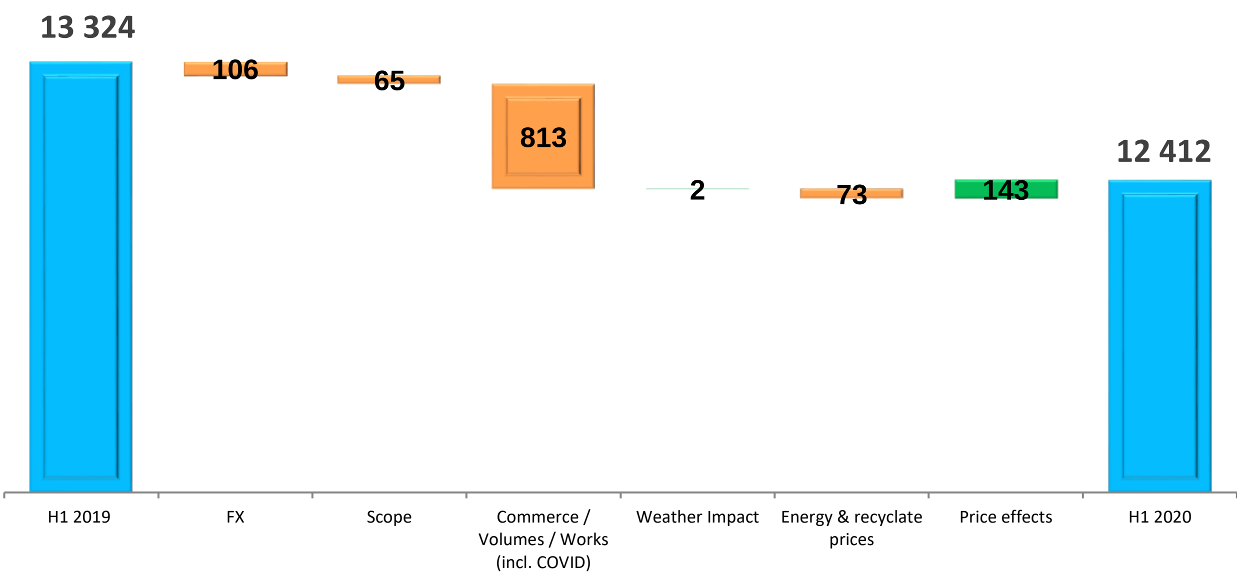
▪ Africa/Middle East declined -1% at constant exchange rates: the decrease in volumes and construction work in Morocco (-7.1% at constant exchange rates) is offset by the impact of the South African activities acquired in 2019.

o **Global businesses:** revenue fell -12.5% at constant exchange rates compared to June 30, 2019:

▪ Hazardous waste activities in Europe have been relatively resilient since the end of lockdown but report a drop of -12.8% at constant exchange rates at the end of June. Incineration activities were strong with volumes varying between sectors (the pharmaceutical, food and chemical sectors being less impacted by the health crisis), while positive commercial impacts which compensate a decrease in landfill volumes and decontamination, heavily impacted by the shutdown of construction and public works sites;

▪ Veolia Water Technologies revenue declined -1.2% at constant exchange rates year-on-year following a slowdown in activity tied to the health crisis, offset by the ramp-up of desalination plant construction contracts won in 2019 (All Dur II, Um Al Quwain and Rabigh 3). The revenue of the Sade fell by -18.3% at constant exchange rates due to the near total stoppage of construction sites in France between March 17 and May 11. Over the month of June the activity rate of the Sade was recovered to 100%.

The increase in revenue between 2019 and 2020 breaks down **by main impact** as follows:



The **foreign exchange impact** on revenue was -€106 million (-0.8% of revenue) and mainly reflects fluctuations in the U.S. dollar (+€24.5 million), the Argentine peso (-€38.1 million), the Australian dollar (-€23.7 million), the Polish zloty (-€16.6 million), the Czech crown (-€13.3 million), the Hungarian forint (-€12.4 million) and the Brazilian real (-€15.5 million).

The **consolidation scope impact** of -€65 million mainly reflects:

- operations in 2019: sale of heating networks in the United States (-€184.3 million) and the acquisition of Southa in Hong Kong (+€30.4 million), sludge treatment assets in Germany (+€10.7 million), and Stericycle hazardous waste activities in Chile (+€10.9 million);
- operations in 2020, including the acquisition of Torrepet in Spain for €11.6 million and Alcoa assets (hazardous waste) in the United States for +€6.4 million.

Energy and recyclate prices had an impact of -€73 million, with notably a decrease in the price of recycled materials (-0.7%, or -€98 million of which -€63 million due to decrease in paper and cardboard prices) and an increase in energy process (principally in Central and Eastern Europe).

The Commerce effect (Volume/works) was -€813 million including notably the effect of Covid for all of the first-half of the year.

Favorable **price effects** (+€143 million) are tied to positive tariff indexation in water in France (+1.5%) and Central and Eastern Europe and in waste in France, the United Kingdom, Northern Europe and Latin America.

REVENUE BY BUSINESS

(in € million)	*Half-year ended June 30, 2019 published*	***Half-year ended June 30, 2020***	*Change 2019 / 2020* *Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Water	5,342.1	5,095.8	-4.6%	-4.4%	-5.0%
of which Water Operations	*4,009.7*	*3,896.4*	*-2.8%*	*-2.7%*	*-3.3%*
of which Technology and Construction	*1,332.4*	*1,199.4*	*-10.0%*	*-9.6%*	*-10.2%*
Waste	5,036.7	4,667.8	-7.3%	-6.2%	-7.4%
Energy	2,945.1	2,648.4	-10.1%	-8.7%	-3.4%
Group	**13,323.9**	**12,412.0**	**-6.8%**	**-6.1%**	**-5.6%**

WATER

Waste Operations revenue decreased -2.7% at constant exchange rates compared with June 30, 2019, reflecting:

- In France: a -6.4% fall in revenue mainly due to construction site stoppages (-3.7%), stable volumes and increased tariff indexation (+1.5%);
- In Central and Eastern Europe: -2.4% reduction in volumes (Czech Republic due to reduced tourism in Prague) compensated by a favorable price indexation +2.6% (Czech Republic and Bulgaria);

Technology and Construction revenue declined -9.6% at constant exchange rates compared with June 30, 2019, this decrease is explained by:

- VWT revenue of €665 million (-1.2% at constant exchange rates), due to desalination projects won in 2019 and commenced in the first quarter of 2020;
    - a limited COVID-19;
    - a more resilient Technology & Services activity;
- Sade revenues of €534 million, down -18.3% at constant exchange rates, consequences of construction projects in France being at a standstill during the lockdown period.

WASTE

Waste revenue is down -6.2% at constant exchange rates compared with June 30, 2019.

- A commerce and volume effect of -8.4%, strongly impacted by the effects of the health crisis on the second quarter primarily in France, Northern Europe and in Asia (notably on industrial and commercial waste activities);
- A positive price effect of +2.2% mainly in France, the UK, Northern Europe and Latin America, partially offset by the fall in recycled paper and cardboard prices (-1.9%).

ENERGY

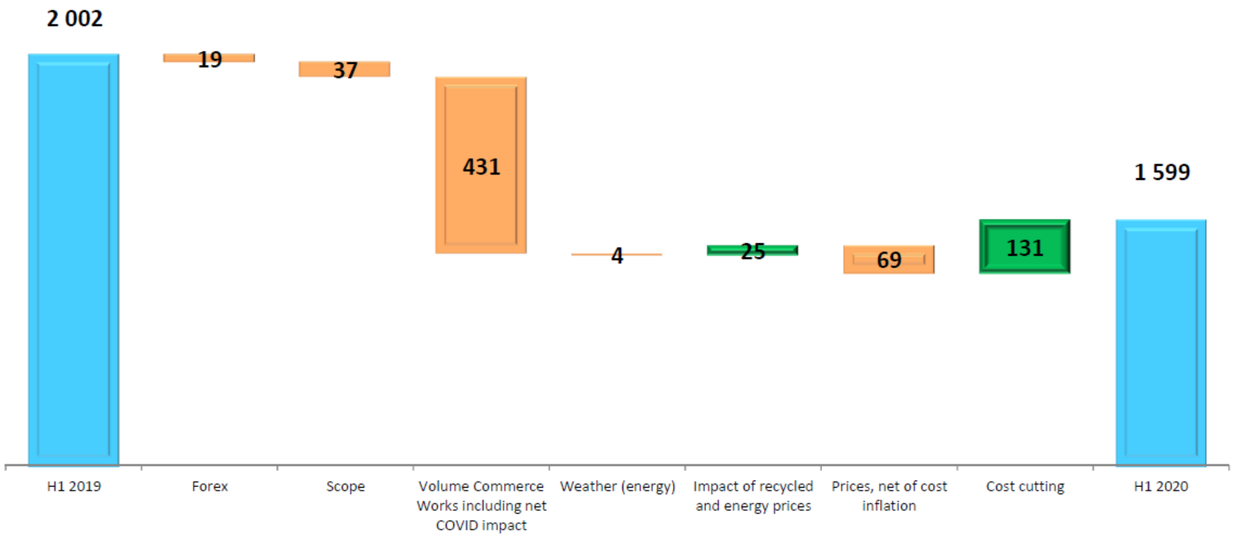
Energy revenue fell -8.7% at constant exchange rates compared with June 30, 2019 (-3.4% at constant scope and exchange rates), mainly due to:

- A scope effect of -€156 million mainly due to the disposal of heating network activities in the United States in 2019;
- A negative weather effect of -€3 million (-0.1%) notably in Central and Eastern Europe;
- A positive price effect of +1.0% with higher heat and electricity prices in Central and Eastern Europe.
- A reduction in volumes (-3.3%) principally in Central Europe, France, Spain and Italy.

EBITDA

Group consolidated EBITDA for the half-year ended June 30, 2020 was €1,599.0 million, down -19.2% at constant exchange rates compared with June 30, 2019. The margin rate was down to 12.9% in June 2020, compared with 15.0% as of June 30, 2019.

The decrease in EBITDA between 2019 and 2020 breaks down **by impact** as follows:



The **foreign exchange impact** on EBITDA was -€19 million and mainly reflects fluctuations in the U.S. Dollar (+€2.1 million), the Argentinian Peso (-€3.4 million), the Australian dollar (-€2.7 million), the Colombian peso (-€2.3 million), the Hungarian forint (-€1.8 million) and the Japanese yen (+€0.9 million).

The consolidation scope impact of -€37 million mainly reflects operations completed in 2019 and particularly the divestiture of heating network activities in the United States (-€45.4 million) and the acquisition of Stericycle activities in Chile (+€2 million), as well as the acquisition of the Yibin (+€1.3 million) and Kedong (+€1 million) heating networks in China, but also some developments in 2020, including the integration of Torrepet assets in Spain (+€2.2 million).

Unfavorable **commerce and volume** impacts totaled -€431 million and include the Covid impacts partially offset by the introduction of a 'recover & adapt plan', the realization of which has made it possible to achieve additional savings to operating costs.

The **weather impact** was -€4 million (-€6 million at June 30, 2019), notably due to unfavorable weather conditions in Central and Eastern Europe and Asia.

Energy and recyclate prices had a positive impact on EBITDA and represent a marked improvement on 2019: +€25 million (versus -€14 million at June 30, 2019) including +€47 million in energy and -€22 million in recyclates, with a significant increase in the price of energy sold in Central and Eastern Europe (+€43 million mainly in Poland with higher heating prices), partially offset by a -€15 million drop in Italy resulting from the fall in the price of gas (-20%) and electricity (-18%) in connection with the health crisis.

The impact of **prices net of inflation** is -€69 million.

Cost savings plans contributed +€131 million, which integrates into an annual cost savings plan of €250 million for the period 2020. These savings mainly concern operating efficiency (56%) and purchasing (33%) and were achieved across all geographic zones: France (26%), Europe excluding France (34%), Rest of the world (27%), Global businesses (11%) and Corporate (2%).

CURRENT EBIT

Group consolidated current EBIT for the half-year ended June 30, 2020 was €437.5 million, down -48.0% at constant exchange rates year-on-year.

EBITDA reconciles with Current EBIT for the half-years ended June 30, 2020 and June 30, 2019 as follows:

(in € million)	*Half-year ended June 30, 2019 published*	***Half-year ended June 30, 2020***
EBITDA	**2,001.9**	**1,599.0**
Renewal expenses(*)	(138.9)	(132.3)
Depreciation and amortization (**)	(1,073.3)	(1,053.7)
Provisions, fair value adjustments & other(*)	11.3	(15.6)
Share of current net income of joint ventures and associates	56.3	40.1
Current EBIT	**857.3**	**437.5**

(*) Including renewal expenses of €102.5 million and €29.8 million for provisions for contractual commitments.

(**) Including principal payments on operating financial assets (OFA) of -€66 million for the half-year ended June 30, 2020 (compared with -€76 million for the half-year ended June 30, 2019.)

The decline in the Current EBIT at constant exchange rates reflects:

- a decrease in EBITDA;
- slightly lower depreciation and amortization charges compared with June 2019;
- an increase in operating provisions;
- a decrease in the contribution of associates, notably the water concessions in China (-€9 million) as a result of the health crisis with an impact on volumes essentially on the first quarter.

The foreign exchange impact on Current EBIT was -€7.9 million and mainly reflects fluctuations in the Argentine peso (-€1.5 million), the Polish zloty (-€2.2 million), the Czech crown (-€1.8 million), the Hungarian forint (-€1.1 million) and the Colombian peso (-€1.1 million).

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses impacting Current EBIT decreased 4% (current basis) from €1,392.6 million for the half-year ended June 30, 2019 to €1,336.7 million for the half-year ended June 30, 2020. The ratio of selling, general and administrative expenses to revenue increased slightly from 10.5% in the half-year ended June 30, 2019 re-presented to 10.8% in the half-year ended June 30, 2020 due to the marked drop in revenue (-6.8%).

NET FINANCIAL EXPENSE

The cost of net financial debt is down and totaled -€215.6 million for the half-year ended June 30, 2020, compared with -€222.5 million for the half-year ended June 30, 2019 due to:

- a decrease in the total cost of debt tied to the more favorable financing conditions of the euro-denominated bond issues performed in 2019 and 2020,
- a decline in investment remuneration combined with higher average commercial paper volumes in Q1 2020 compared with the first-half of 2019.

The financing rate was therefore 4.36% at June 30, 2020, compared with 4.30% at June 30, 2019.

Other financial income and expenses totaled -€84.2 million for the half-year ended June 30, 2020, compared with -€90.6 million for the half-year ended June 30, 2019.

These expenses include mainly the interest on concession liabilities (IFRIC 12) of -€39.8 million, interest on the right of use (IFRS 16) of -€17.7 million and the unwinding of discounts on provisions of -€11.1 million.

Gains on financial divestitures recognized in the first-half of 2020 totaled +€0.2 million, compared with +€18.3 million for the half-year ended June 30, 2019.

CURRENT INCOME TAX EXPENSE

The current income tax expense for the half-year ended June 30, 2020 amounted to -€63.4 million, compared with -€121 million for the half-year ended June 30, 2019.

The current income tax rate for the half-year ended June 30, 2020 increased to 64.9% (versus 23.9% in H1 2019).

(in € million)	*Half-year ended June 30, 2019 published*	***Half-year ended June 30, 2020***
Current income before tax (a)	**562.5**	**138.0**
of which share of net income of joint ventures & associates (b)	56.3	40.1
Re-presented current income before tax: (c)= (a)-(b)	**506.2**	**97.9**
Re-presented tax expense (d)	**(121.0)**	**(63.4)**
Re-presented tax rate on current income (d)/(c)	**23.9%**	**64.9%**

The change to the current tax rate is due to the geographical mix and the negative net income before tax in regions without recognition of deferred tax assets.

CURRENT NET INCOME

Current net income attributable to owners of the Company was €7.4 million for the half-year ended June 30, 2020, compared with €352.4 million for the half-year ended June 30, 2019. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company decreased from €333.7 million in H1 2019 to €5.6 million in H1 2020, due to the negative impact of COVID-19 on the Group's financial statements for the half-year ended June 30, 2020.

NET INCOME

Net income attributable to owners of the Company was -€138 million for the half-year ended June 30, 2020, compared with €331 million for the half-year ended June 30, 2019.

Net income attributable to owners of the Company per share was -€0.25 (basic) and -€0.25 (diluted) for the half-year ended June 30, 2020, compared with €0.60 (basic) and €0.57 (diluted) for the half-year ended June 30, 2019.

CURRENT NET INCOME (LOSS) / NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

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.

Net income attributable to owners of the Company was -€138 million for the half-year ended June 30, 2020, compared with €331 million for the half-year ended June 30, 2019.

Current net income attributable to owners of the Company was €7 million for the half-year ended June 30, 2020, compared with €352 million for the half-year ended June 30, 2019.

Net income attributable to owners of the Company per share for the half-year ended June 30, 2020 was -€0.25 (basic) and -€0.25 (diluted) compared with €0.60 (basic) and €0.57 (diluted), for the half-year ended June 30, 2019. Current net income attributable to owners of the Company per share was €0.01 (basic) and €0.01 (diluted) for the half-year ended June 30, 2020, compared with €0.64 (basic) and €0.61 (diluted) for the half-year ended June 30, 2019.

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

Net income (loss) attributable to owners of the Company for the **half-year ended June 30, 2020** breaks down as follows:

(in € million)	*Current*	*Non-current*	***Total***
EBIT	437.5	(145.1)	292.5
Cost of net financial debt	(215.6)	-	(215.6)
Other financial income and expenses	(84.0)	-	(84.0)
Pre-tax net income (loss)	**138.0**	**(145.1)**	**(7.1)**
Income tax expense	(63.4)	8.3	(55.2)
Net income (loss) of other equity-accounted entities	-	-	-
Net income (loss) from discontinued operations	-	(9.0)	(9.0)
Net (income) loss attributable to non-controlling interests	(67.0)	0.8	(66.3)
Net income (loss) attributable to owners of the Company	**7.4**	**(145.0)**	**(137.6)**

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

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

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

(in € million)	*Half-year ended June 30, 2019 published*	***Half-year ended June 30, 2020***
Current EBIT	**857.3**	**437.5**
Impairment losses on goodwill and negative goodwill	-	(44.2)
Net charges to non-current provisions	15.4	21.4
Restructuring costs	(20.9)	(23.4)
Non-current impairment losses on WCR	(0.2)	-
Personnel costs - share-based payments	(8.8)	(2.2)
Non-current provisions and impairment of property, plant and equipment, intangible assets, operating financial assets and other	(44.9)	(92.7)
Share acquisition costs, with or without acquisition of control	(1.6)	(4.0)
Total non-current items	**(60.9)**	**(145.1)**
Operating income after share of net income of equity-accounted entities	**796.4**	**292.5**

The impairment of goodwill principally concerns the non-current depreciation in Latin America for -€44.3 million.

Restructuring charges for the half-year ended June 30, 2020 mainly concern Veolia Water Technologies for -€11 million and France RVD for -€4 million. The impact of restructuring in Water France is €1.1 million at the operating income level, as incurred costs are partially offset by equivalent provision reversals.

The non-current provisions and impairments of property, plant and equipment, intangible assets, operating non-financial assets and other non-current expenses primarily concern:

- specific costs dedicated to the current health crisis beyond the usual costs of equipment and individual protection of our employees, not only by the extent of the consumption but also the unit costs of this equipment including logistical costs during the period of April and May (-€33 million).
- Non-current impairment of intangible assets (notably Africa / Middle-East and Latin America) for a total of -€53 million.

2.2 OTHER INCOME STATEMENT ITEMS

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

Income from discontinued operations mainly consists of the residual impacts in 2020 of the income from discontinued operations of the EPC international business. See note 4.2.1 of the appendices to the consolidated accounts.

2.3 CHANGES IN FREE CASH FLOW AND NET FINANCIAL DEBT

Net free cash flow -€514.9 million for the half-year ended June 30, 2020 (versus -€472.6 million for the half-year ended June 30, 2019).

The change in net free cash flow compared with the half-year ended June 30, 2019 reflects:

- a decline in EBITDA
- lower net industrial investments, down -10% compared with June 30, 2019 and including:
  - net maintenance investments of €408 million (3.3% of revenue)
  - growth investments in the current portfolio of €337 million (€316 million in the first-half of 2019)
  - discretionary investments of €128 million versus €159 million for the first-half of 2019.
- A change in operating working capital of -€683.3 million, an improvement of €225 million versus June 2019.

Overall, **net financial debt** amounted to €11,849.9 million, compared with €12,477.6 million as of June 30, 2019.

In addition to the change in net free cash flow, net financial debt comprises net financial investments (including acquisition costs and the net financial debt of new entities) of €370 million.

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

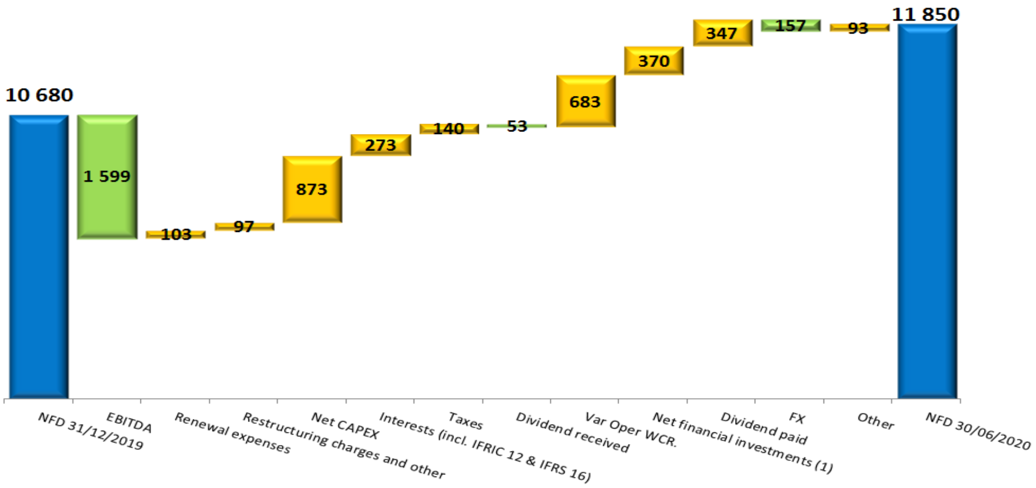
(in € million)	*Year ended June 30, 2019*	***Year ended June 30, 2020***
EBITDA	**2 002**	**1 599**
Net industrial investments	(969)	(873)
Change in operating WCR	(908)	(683)
Dividends received from equity-accounted entities and joint ventures	61	53
Renewal expenses	(139)	(103)
Other non-current expenses and restructuring charges	(73)	(97)
Interest on concession liabilities	(40)	(40)
Interest on IFRS 16 lease liabilities	(23)	(18)

Financial items (current cash financial expense, and operating cash flow from financing activities)	(242)	(213)
Taxes paid	(142)	(140)
Net free cash flow before dividend payment, financial investments and financial divestitures	**(473)**	**(515)**
Dividends paid	(620)	(347)
Net financial investments	(116)	(370)
Change in receivables and other financial assets	(45)	(68)
Issue / repayment of deeply subordinated securities	0	0
Proceeds on issue of shares	0	-6
Free cash-flow	**(1 022)**	**(1 306)**
Effect of foreign exchange rate movements and other	31	136
Change	**(991)**	**(1 170)**
Opening net financial debt	(11 487)	(10 680)
Closing net financial debt	**(12 478)**	**(11 850)**

Net free cash flow before dividend payments and net financial investments was -€514.9 million for the first half of year ended June 30, 2020 (versus -€472.6 million for the half-year ended June 30, 2019).

The evolution of the net free cash flow compared to June 30, 2019 essentially reflects the deterioration of the EBITDA, compensated by a more favorable variation in operating working capital and net investments down by 10% compared to the first half of 2019.

Net financial debt was also impacted by positive exchange rate fluctuations of €157 million as of June 30, 2020 compared with December 31, 2019, primarily in the Polish zloty (€36 million), the pound sterling (€32 million), the Australian dollar (€27 million), the Brazilian real (€22 million), the Chinese renminbi (€16 million) and the Czech crown (€12 million), offsetting the depreciation of the US dollar (-€18 million).



(*) Financial investment of -€368 million net of financial divestitures of -€2 million.

2.4 INDUSTRIAL AND FINANCIAL INVESTMENTS

2.4.1 Industrial investments

Total Group gross industrial investments, including new operating financial assets, amounted to -€962 million for the half-year ended June 30, 2020, compared with -€997 million for the half-year ended June 30, 2019.

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

Half-year ended June 30, 2020 (in € million)	*Maintenance and contractual requirements (1)*	*Discretionary growth*	***Total gross industrial investments (2)***	*Industrial divestitures*	***Total net industrial investments***
France	194	19	213	(18)	195
Europe excluding France	332	32	364	(32)	332
Rest of the world	211	71	282	(16)	266
Global businesses	84	6	90	(23)	67
Other	13	0	13	0	13
Group	834	128	962	(89)	873

(1) Including maintenance investments of €497 million (including IFRS16 leases) and contractual investments of €336 million.

(2) Including new OFA in the amount of -€60 million.

Half-year ended June 30, 2019 published (in € million)	*Maintenance and contractual requirements (1)*	*Discretionary growth*	***Total gross industrial investments (2)***	*Industrial divestitures*	***Total net industrial investments***
France	225	4	229	(22)	207
Europe excluding France	279	51	330	(23)	307
Rest of the world	233	97	330	20	350
Global businesses	95	7	102	(11)	91
Other	14	0	14	(0)	14
Group	846	159	1,005	(36)	969

(1) Including maintenance investments of €530 million (including IFRS16 leases), and contractual investments of €316 million.

(2) including new OFA in the amount of -€71 million.

2.4.2 Financial investments and divestitures

Financial investments amounted to -€368 million in the half-year ended June 30, 2020 (including acquisition costs and net financial debt of new entities) and mainly included the impacts of the acquisition of Alcoa assets in the United States (€231 million) and Nagpur minority interests in India (€113 million), as well as the acquisition of shares in Torrepet which specializes in plastic recycling in Spain (€26 million). At end-June 2019, financial investments amounted to -€264 million and included the impacts of the acquisition of Levice in Slovakia (€71 million) and Renascimento in Portugal (€38 million) as well as the acquisition of 66% of shares in Huafei which specializes in plastic recycling in China (€22 million).

Financial divestitures totaled -€2 million for the half-year ended June 30, 2020 (including disposal costs) and primarily concerned the sale of Foshan medical activities in China for €14 million. At end-June 2019, financial divestitures (€381 million) concerned the sale of Transdev Group for €334 million and the sale of the investment in Foshan's landfill site in China (€26 million).

2.5 OPERATING WORKING CAPITAL

The change in operating working capital requirements (excluding discontinued operations) was -€683 million for the half-year ended June 30, 2020, compared with re-presented -€908 million for the half-year ended June 30, 2019.

The change in operating working capital requirements compared with December 31, 2019 is mainly due to seasonal effects.

See Note 6.3 to the consolidated financial statements for the half-year ended June 30, 2020.

2.6 EXTERNAL FINANCING

2.6.1 Structure of net financial debt

As of June 30, 2020, net financial debt after hedging is entirely at fixed rates.

The average maturity of net financial debt was 7.5 years as of June 30, 2020, compared with 7.2 years as of June 30, 2019 and 6.9 years as of 31 December, 2019.

(in € million)	*Note to the consolidated financial statements*	*As of June 30, 2019 published*	***As of June 30, 2020***
Non-current borrowings	8.1.1	11,722	11,995
Current borrowings	8.1.1	4,753	7,580
Bank overdrafts and other cash position items	8.1.3	333	188
Sub-total borrowings		**16,808**	**19,763**
Cash and cash equivalents	8.1.3	(3,836)	(7,029)
Fair value gains (losses) on hedge derivatives	8.3.1	(29)	(59)
Liquid assets and financing-related assets	8.1.2	(467)	(825)
Net financial debt		**12,478**	**11,850**

2.6.2 Group liquidity position

Liquid assets of the Group as of June 30, 2020 break down as follows:

(in € million)	*As of December 31, 2019*	***As of June 30, 2020***
Veolia Environnement:		
Undrawn 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)]	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	**4,286.1**	**4,279.6**

[(1)] *Including liquid assets and assets linked to financing included in net financial debt*

2.6.3 Bank covenants

See Note 8.1.1.2 to the consolidated financial statements for the half-year ended June 30, 2020.

3 Related-party transactions

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures (see Note 12 to the consolidated financial statements for the half year-ended June 30, 2020).

4 Subsequent events

None.

5 Risk factors

The main risk factors the Group could face are set out in Chapter 5 of the 2019 Universal Registration Document. However, certain of these risks are exacerbated in the current global situation.

6 Outlook[1]

The initial 2020 objectives have been suspended due to the COVID outbreak.

Taking into consideration the progressive recovery of our activities since the end of the lockdown our objective is to recover 2019 operational performance in Q4 2020 and to begin 2021 having offset all the remaining COVID consequences.

The strategic choices included in Impact 2023 remain relevant. Due to the sanitary crisis, their implementation is delayed and the planning will be adapted.

[1] At constant exchange rates (as of December 2019) and in the absence of a second wave of sanitary crisis in H2 2020

7 Appendices

7.1 RECONCILIATION OF GAAP INDICATORS AND THE INDICATORS USED BY THE GROUP

The reconciliation of Current EBIT with operating income, as shown in the income statement, is presented in Section 2.1. Likewise, the reconciliation of current net income with net income attributable to owners of the Company, as shown in the income statement, is presented in Section 2.1.

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

(in € million)	**Notes**	*Half-year ended June 30, 2019 published*	***Half-year ended June 30, 2020***
Net cash from operating activities of continuing operations		***558.4***	***440.0***
Plus:		0.0	0.0
Industrial investments, net of grants		(672.6)	(604.1)
Proceeds on disposal of industrial assets		36.6	89.5
New operating financial assets		(70.5)	(59.8)
Principal payments on operating financial assets		102.2	65.7
New finance lease debt		(210.3)	(234.4)
Dividends received	Note 5.2.2	61.0	53.4
Net financial interest		(292.6)	(275.5)
Less:			
Acquisition and selling costs on securities, and other		15.1	10.3
Net free cash flow		**(472.7)**	***(514.9)***

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

(in € million)	*Half-year ended June 30, 2019 published*	***Half-year ended June 30, 2020***
Industrial investments, net of grants	**(672.6)**	**(604.1)**
New finance lease debt	(210.3)	(234.4)
Change in concession working capital requirements	(51.8)	(63.2)

New operating financial assets	(70.5)	(59.8)
Industrial investments	**(1,005.2)**	**(961.5)**

7.2 DEFINITIONS

No modification has been made to the definitions of financial indicators used by the Group. See paragraph 3.10.3 of the 2019 Universal Registration Document.