Half-yearly financial report 2021

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MESSAGE FROM ANTOINE FREROT

Antoine Frérot, Chairman and Chief Executive Officer of the Group, said:

“Veolia achieved record results in the first half of 2021. All our operational and financial indicators have registered outstanding growth, both compared to 2020 and to 2019. At the beginning of the year, I had announced that Veolia’s performance in 2021 would be above 2019. With revenue up by +4.6%, EBITDA growth of +6.2% and current net income increasing by +49% compared to the 1st half of 2019, we are very much ahead of this objective and are starting the second semester at full speed, thanks to the adaptation measures put in place early on to overcome the effects of the sanitary crisis as quickly as possible. These absolutely remarkable results and the much better than expected level of activity notably thanks to our innovation capabilities, allow us to raise our 2021 objectives and to now target an EBITDA of more than €4.1 billion for the full year. I am therefore very confident for the second part of the year. I am also very proud of the Group’s collective capacity to bounce back strongly, and I want to warmly thank all Veolia employees for their unfailing commitment. It is this collective strength that has enabled us over the past few years to raise Veolia’s performance ever higher. Just as Veolia is about to acquire Suez, the Group has never been in better shape. On July 29th, a new step forward was taken with the opening of our tender offer for Suez shares. By the end of the year, the operation should be finalized and we will give birth to the undisputed world champion of ecological transformation.”

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OPERATING AND FINANCIAL REVIEW

1.1 Suez combination

1.1.1 SUEZ COMBINATION

The combination agreement signed on **May 14, 2021** between Veolia and SUEZ provided for the long-term investors to submit a binding promise to purchase the new SUEZ. This was done on June 29: the consortium of investors with a French majority, consisting of Meridiam, GIP and CDC/CNP Assurances, submitted its binding final offer to Veolia and SUEZ to purchase the new SUEZ for an enterprise value of €10.4 billion. This valuation includes a potential earn-out of €300 million to be paid at the end of fiscal year 2021(1)). All of the consortium's commitments to maintain all jobs and social benefits have been formally confirmed, as well as those relating to the duration of the holding.

This offer, approved by the Boards of Directors of SUEZ and Veolia on **June 29, 2021**, enabled Veolia to raise the price of its tender offer for the SUEZ shares not yet held by Veolia to €20.5 per share, coupon attached (€19.85 per share after detachment of the €0.65 coupon on July 6, 2021). In accordance with the terms of the combination agreement of May 14, the Board of Directors of SUEZ, having taken note of the fairness opinion of the independent expert (Finexsi), which concludes that the financial terms of the offer are fair and that the sale price of the new SUEZ is consistent with the offer price, recommended that its shareholders tender their shares to the Veolia public offer.

Veolia and SUEZ therefore filed the revised draft offer document and the draft reply document respectively with the AMF. In accordance with prevailing legal provisions, the conclusion of a final agreement with the Consortium concerning the creation of the new SUEZ remains subject to the finalization of the SUEZ employee information-consultation process.

On **July 20, 2021**, the AMF declared the public tender offer for the shares of Suez filed by Veolia on June 30,2021 to be compliant and approved the draft offer document.

Veolia's offer document and Suez's reply as well as the information mentioned in article 231-28 of the general regulation of the AMF are now available on the Veolia, Suez and AMF respective websites. Pursuant to the notice published by the AMF on July 28, the public tender offer is open from **July 29, 2021**[(2)].

The authorization procedures of the relevant competition authorities, which are the last major step to be taken before the acquisition of Suez by Veolia, are proceeding according to the announced schedule.

For the record, and as indicated on April 11, the new SUEZ thus formed would have revenues of nearly €7 billion, including SUEZ's Water and Recycling & Recovery activities in France, international assets in Italy, Central Europe, Africa (including Morocco), Central Asia, India, China and Australia, as well as global digital and environmental activities, enabling it to maintain its growth prospects and innovation capacities in France and internationally.

Veolia will retain nearly €10 billion of SUEZ's revenues, including all of the assets designated since last fall as "strategic" for its plan to create a global champion of ecological transformation, in particular its activities in the United Kingdom, Spain, the United States, Latin America and Australia and SUEZ's Water Technologies Services business.

This new European champion with a French base will be able to draw on combined revenues of nearly €37 billion with enhanced growth potential, thanks to its presence in most regions of the world and an unrivaled range of services to meet environmental challenges in the Water, Waste and Energy sectors, serving both public and private customers.

(1) The earn-out depends on 2021 EBITDA
(2) The Offer remains subject to approval by the European Commission.

Next steps in the calendar

The calendar milestones have been modified according to the latest agreements:

- following the finalization of the information-consultation process with SUEZ employees, conclusion of a final agreement with the Consortium concerning the creation of the new SUEZ
- subject to regulatory and competition approvals, SUEZ and Veolia have set themselves the joint objective of closing the offer at the same time as the sale of the new SUEZ to the Consortium, scheduled for the end of 2021.

1.1.2 FINANCING

Assuming that all the shares concerned are tendered, the maximum cost of the Offer would be approximately €8.97 billion. The Offer will be financed by a bridge loan with a banking syndicate. It is expected that this facility will be refinanced using proceeds from the disposals made in creating the "New Suez", through a share capital increase with preferential subscription rights and, possibly, through the issuance of hybrid bonds. The contemplated share capital increase would be in the range of €2.5 billion and will take place in the autumn of 2021 subject to the usual conditions. The financing plan aims to maintain a solid investment grade credit rating for the enlarged group and to keep the net financial debt/EBITDA ratio below 3.0x in the medium term, in line with the Group's objectives.

Further information on the combination project is provided in Note 3 to the interim consolidated financial statements.

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1.2 Major events of the period

1.2.1 GÉNÉRAL CONTEXT

Very strong growth of H1 2021 results

After a first quarter marked by a very strong growth of revenue and EBITDA, the second quarter confirmed this trend.

In Q2 2021, Group **revenue** therefore increased +19.7% at constant exchange rates year-on-year, after +4.0% in the first quarter. This growth benefited from a low base effect with the first half of 2020 impacted by the sanitary crisis. Revenues were bolstered by an upturn in waste activities (+27.1% at constant exchange rates), with in particular high hazardous waste volumes and ongoing good water and energy activity levels.

In the first half of 2021, Group results therefore increased significantly on the first half of 2020, as well as the first half of 2019, before the health crisis, wiping out the effects of the pandemic.

				∆ at constant exchange rates	
(€ million)	H1 2019	H1 2020	H1 2021	vs H1 2020	vs H1 2019
Revenue	13,324	12,412	13,645	+11.2%	+4.6%
EBITDA	2,002	1,599	2,081	+31.4%	+6.2%
EBITDA Margin	*15.0%*	*12.9%*	*15.3%*		

This growth is driven by the Group's three businesses:

- robust growth in the energy businesses, both in heat production and distribution and energy services for buildings ;
- a strong recovery in waste, benefiting from higher recyclate prices, the impact of favorable tariff reviews and strong growth in Group hazardous waste treatment (revenue up +18.3% on 2020 and +15.7% on 2019 at constant exchange rates) ;
- resilient water businesses.

H1 activity growth was reported in all Group geographies and particularly in France (+14.2% compared to H1 2020), in both waste and water activities, and in Europe excluding France (+14.2% at constant exchange rates on 2020) with strong growth in energy activities driven by a positive weather effect. In the Rest of the world, revenue growth was underpinned by good activity volume in Latin America and Africa and the Middle East and in our strategic hazardous waste activities in Asia.

This growth was accompanied by higher Group profitability, with H1 2021 EBITDA of €2,081 million, up +31.4% at constant exchange rates on 2020 and an EBITDA margin rate of 15.3%, up 2.4 points year-on-year. Results are also up on 2019, with H1 2021 **EBITDA** exceeding H1 2019 (+6.2% at constant exchange rates), a period untouched by the health crisis. Operating profitability is up (+0.3 points) and continues to benefit from the strengthening of efficiency programs, which generated gains of €204 million in the first six months. The Group therefore reports activity growth and robust profitability for H1 2021.

Group **Current EBIT** amounted to €901 million for the period, up +108.1% at constant exchange rates compared with the first half of 2020. Record **Current net income - Group Share of €516 million,** up significantly on H1 2020 (Current net income - Group Share of €7 million) and benefits fully from higher profitability and a marked decrease in the Group's cost of net financial debt.

This improvement in Group profitability ratios is accompanied by further optimization of **Free Cash Flow** before financial investments and dividends to **€270 million** for the first half of the year, up significantly compared with the same periods in the two previous years (+€785 million compared with H1 2020 and +€743 million compared with H1 2019). The Group considerably improved its operational working capital requirements, significantly decreasing the impact of seasonal business trends on **Net Financial Debt**. First-half net industrial investments totaled €834 million and are also under control, down -4.5% year-on-year.

At the end of June 2021, net financial debt is **€13.8 billion** (compared with €13.2 billion at end-December 2020), impacted by the payment of dividends of €504 million and negative foreign exchange impacts of -€145 million.

1.2.2 CHANGES IN GROUP STRUCTURE – STRATEGIC PROGRAM

1.2.2.1 Commercial innovations and developments

In line with the Impact 2023 program, the Group's commercial innovations and developments in the first half-year confirmed the Group's ability to renew its offers and services.

Resource management for industrial customers

The Group continues to innovate in resource management for its industrial customers. Using an innovative collaborative approach, Veolia, through its Finish subsidiary, STEP, joined forces with the German chemicals giant, BASF, to finance, build and operate a trigeneration plant (steam, water and compressed air) to deliver industrial utilities to the Harjavalta industrial park, where BASF has established a cluster to produce raw materials for electric vehicle batteries. This twenty-year contract is worth almost €240 million and represents an important milestone in Veolia's Impact 2023 strategic plan.

On April 13, Veolia Peru signed an agreement with Petroperu to operate and maintain the sulfuric acid production facility at its new refinery in Talara, a port city in the north-west of the country. This 10-year agreement aims to process 560 metric tons/day of 98%-grade sulfuric acid produced by acid gas processing activities at the refinery and represents close to €96 million. It is expected to commence before the end of 2021.

Pursuant to the commercial agreements between Veolia and Danone Nutricia, the Group recently commissioned an innovative water recovery system at the Danone Nutricia plant in New Zealand's South Island. This installation closes the plant's water cycle, eliminating the need for Danone to drawn fresh water and discharge effluents.

Development of material transformation activities

To meet the battery life cycle challenge, the Group partnered in March 2021 with Renault and Solvay to recycle the metals in electric vehicle batteries in a closed loop. This alliance, which is based on low carbon footprint processes, material efficiency and preserving resources, will produce high-purity secondary materials.

On June 17, the Group and the founding members of ARCA (Nespresso France, Nestlé France and Jacobs Douwe Egberts France) joined forces to relocate the recovery of aluminum capsules to France, for recycling into new objects and compost for local agriculture.

Finally, the Group partnered with Total Energies to accelerate the development of microalgae production using carbon dioxide. Mature algae can be transformed into low-carbon biofuels.

Water treatment and municipal water developments in France and Japan

In the municipal market, the Group achieved several major commercial successes in the first half of the year. In Japan, a consortium led by the Group and including METAWATER Co LTD and eight other local partners signed a framework agreement for the management, operation and modernization of drinking water installations in the Miyagi Prefecture. This 20-year concession agreement comprises the maintenance and modernization of eight treatment plants in Miyagi, aimed at reaching a total treatment capacity of over 900,000 m3 per day. The agreement represents total revenue for the Group of close to €800 million.

In France, in water distribution and treatment activities, the Group will start operating from this year public sector concessions for the Choletais agglomeration (11-year contract worth an estimated €74 million), and for the Colmar agglomeration (11-year contract worth an estimated €14 million). Furthermore, the Group renewed its contracts for the Lens Liévin agglomeration (7-year contract worth an estimated €83 million) and the Grand Montauban agglomeration (15-year contract worth an estimated €135 million).

Development of energy services

In Italy, the Group entered into several energy services contracts, including a contract with Parma University (15-year agreement worth €145 million), a 7-year extension to the agreement with Milan (worth €163 million) and a contract with Parma hospital (7-year agreement worth €37 million).

Continuation of the Group's asset rotation strategy

During the first six months, the Group fully benefited from asset rotation transactions in the local energy loop and urban heating segment launched at the end of 2019, with the sale of heating assets in the United States, and completed in the final months of 2020 with reinvestments in municipal energy businesses in Central Europe (Prague Right Bank urban heating network and BERT group in Hungary, specializing in heat production and distribution for the Budapest urban heating networks).

1.2.2.2 Changes in Group structure

In the first half of 2021, the Group continued its asset rotation policy in line with the objectives set in the Impact 2023 strategic plan. The main transactions during the half year therefore concerned Global businesses, Asia and Nordic countries.

Significant acquisitions

OSIS (Global businesses)

On May 18, 2021, through its subsidiary SARP, the Group acquired SUEZ RV OSIS, a specialist in the maintenance of sanitation networks and structures, and in industrial maintenance and cleaning services, for an enterprise value of €262 million excluding IFRS 16 debt. The merger of SARP and OSIS will enable the Veolia Group to position itself as a major player in this area, and due to the complementary nature of the two entities, will enable them to offer new, high added value services to their public, tertiary and industrial customers, covering the whole of France.

Significant Divestitures

Shenzhen Water Concession (China)

On May 18, 2021, through its subsidiaries VE CGE and CGE-BC, the Group sold its investment in the Shenzhen water concession in China. This divestiture is part of the asset rotation policy of the Impact 2023 strategic plan. The transaction was completed for €403 million.

Divestiture of the Utilities Services business in Northern Europe

On June 30, 2021, the Group sold its Utilities Services business in Scandinavia. This transaction comprised the sale of industrial assets in Sweden and companies in Norway for €70 million.

1.2.3 GROUP FINANCING

1.2.3.1 Bond issues

On January 11, 2021, Veolia successfully issued a €700 million bond maturing in January 2027 (6 years) with a negative yield of -0.021%. The proceeds of this issuance will be used for corporate financing purposes. The high subscription rate, the quality of the investor base, their diversification and the good conditions which were achieved are signals that Veolia's signature is viewed very favorably and of its financial strength.

1.2.3.2 Confirmation of the credit outlook

On July 19, 2021, Standard and Poor's confirmed Veolia Environnement's credit rating at A-2/ BBB with a stable outlook. Moody's confirmed its rating at P-2/Baa1 with a stable outlook on July 9, 2021.

1.2.3.3 Dividend payment

The Combined General Meeting of April 22, 2021 approved payment of a dividend of €0.70 per share for fiscal year 2020. The dividend therefore amounted to €397 million and was paid from May 12, 2021.

1.2.4 PERFORMANCE SHARE PLAN

1.2.4.1 Performance shares

Amendments to the Performance Share Plan

At the recommendation of the Compensation Committee, the Board of Directors decided on March 9, 2021 to adjust the financial objective of the internal economic performance criteria (Current net income, Group share) in the 2018, 2019 and 2020 performance share plans. It is recalled that a communication was issued on the adjustment to the financial objective in the 2018 plan on April 1, 2020. Other than the change to the financial objectives in these plans, the other performance criteria in the 2019 and 2020 plans are unchanged.

In the exceptional context tied to the Covid-19 epidemic, the results for fiscal year 2020 are not representative of the Group's overall performance during the reference period of the plans.

Accordingly, at the recommendation of the Compensation Committee, the Board of Directors decided to propose the neutralization of fiscal year 2020 in calculating the attainment of this sole Company financial performance indicator and a reduction in the same proportion for this criteria, i.e. one-third, of the number of rights to shares currently vesting under the 2018, 2019 and 2020 performance share plans. This adjustment seeks to align the interests of shareholders with those of plan beneficiaries who are strongly committed to performance recovery after the health crisis. The Board of Directors considered its decision to adjust these plans, made at the recommendation of the Compensation Committee, to be balanced in consideration for the attainment in 2021 of ambitious financial objectives and results aimed at returning to or exceeding the Company's 2019 pre-crisis performance level.

In addition, in accordance with the Group's compensation policy and the authorization granted by the Combined General Meeting, the Board of Directors decided on May 4, 2021, at the recommendation of its Compensation Committee, to grant performance shares to approximately 450 beneficiaries, including top executives, high potential employees and key contributors of the Group, including the Chairman and Chief Executive Officer (representing up to 0.5% of the share capital). The vesting of these shares is subject to presence and performance conditions. The detailed features of the Performance Plans can be found in Chapter 3, Section 3.4.3 of the 2020 Universal Registration Document.

1.2.5 CHANGES IN GOUVERNANCE

The Combined General Meeting of Veolia Environnement on April 22, 2021 renewed the terms of office as director of Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse and Mrs. Marion Guillou and appointed Mr. Pierre-André de Chalendar as a director 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, 2024.

In addition, Mr. Jacques Aschenbroich resigned as director from May 28, 2021.

At the date of this report on the results for the half-year ended June 30, 2021, the Veolia Environnement Board of Directors had twelve directors, including eight independent directors and two directors representing employees[(1)] and including five women:

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

(1) Directors representing employees not taken into account in order to establish the percentages of independence in accordance with Article 9 of AFEP-MEDEF code.

The four Board Committees are comprised as follows:

- **Accounts and Audit Committee** : Mrs. Nathalie Rachou (Chairwoman), Mrs. Isabelle Courville, Mr. Franck Le Roux (Director representing employees), Mr. Olivier Mareuse and Mr. Guillaume Texier ;
- **Nominations Committee** : Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon, Mr. Pierre-André de Chalendar and Mrs. Isabelle Courville ;
- **Compensation Committee** : Mrs. Maryse Aulagnon (Chairwoman), Mrs. Marion Guillou, Mr. Franck Le Roux (Director representing employees) and Mr. Louis Schweitzer ;
- **Research, Innovation and Sustainable Development Committee** : Mrs. Isabelle Courville (Chairwoman), Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

1.3 Accounting and financial information

1.3.1 KEY FIGURES

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021	Change 2020 / 2021 Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Revenue	12,412	13,645	9.9%	11.2%	10.4%
EBITDA [(1)]	1,599	2,081	30.1%	31.4%	27.3%
EBITDA margin	12.9%	15.3%			
Current EBIT [(1)]	438	901	105.9%	108.1%	105.3%
Current net income - Group Share	7	516			
Current net income - Group Share excluding capital gains and losses on financial divestitures net of tax	6	520			
Net income - Group share	(138)	301			
Net industrial investments	(873)	(834)			
Net free cash flow [(2)]	(515)	270			
Opening net financial debt	(10,680)	(13,217)			
Closing net financial debt	(11,850)	(13,767)			

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

(2) (2) The indicators are defined in Chapter 5, Section 5.5.8 of the 2020 Universal Registration document.

The main foreign exchange impacts on key figures were as follows:

FX impacts vs June 30, 2020	*%*	*(€ million)*
Revenue	-1,3%	(160)
EBITDA	-1,3%	(20)
Current EBIT	-2,2%	(10)
Current net income	-	(4)
Net financial debt	1,1%	145

1.3.2 GROUPE REVENUE

1.3.2.1 Revenue by operating segment

The Group consolidated revenues totaled €13,645.1 million for the half-year ended June 30, 2021, compared with €12,412.0 million for the half-year ended June 30, 2020, **up +11.2% at constant exchange rates and +10.4% organically**.

Quarterly revenue trends at constant exchange rates by **operating segment** for H1 2021 are as follows:

Change at constant exchange rates vs. 2020	Q1 2021	Q2 2021	H1 2021
France	5.7%	23.5%	14.2%
Europe excluding France	9.0%	20.9%	14.2%
Rest of the world	0.6%	7.7%	4.0%
Global businesses	-5.0%	32.5%	12.4%
GROUP	4.0%	19.7%	11.2%

At the end of June 2021, year-on-year trends observed in the first quarter were confirmed with revenue growth accelerating in Q2 (+19.7% at constant exchange rates vs. +4% in Q1 2021). The first half of 2021 therefore confirmed:

- the return to profitable growth, reflected by an upturn in waste activities which benefited from the positive impact of recyclate prices,
- excellent performance in energy activities boosted by favorable weather effects in the first quarter,
- and resilient water activities.

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021	Change 2020 / 2021		
			Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
France	2,490.6	2,843.7	14.2%	14.2%	14.2%
Europe excluding France	4,623.7	5,278.3	14.2%	14.2%	9.9%
Rest of the world	3,308.0	3,310.0	0.1%	4.0%	3.8%
Global businesses	1,988.5	2,211.0	11.2%	12.4%	17.5%
Other	1.2	2.1	-	-	-
GROUP	**12,412.0**	**13,645.1**	**9.9%**	**11.2%**	**10.4%**

Revenue increased +14.2% in **France** compared with H1 2020:

- Water revenue is up +6.5 compared with H1 2020, with a +0.6% rise in water volumes distributed year-on-year and positive tariff indexation (+0.7%). The second quarter was also marked by strong commercial momentum with numerous municipal water contracts renewed and increased construction activity (return to 2019 levels), offsetting the loss of the Toulouse contract.
- Waste revenue grew +23.5% on H1 2020, benefiting notably from a recovery in industrial waste collection with higher volumes (+12.7% vs. June 2020), good recycled material trends (+€98 million) and an increase in treatment activity with higher landfill volumes (+4.6%).

Europe excluding France revenue grew 14.2% at constant exchange rates compared with H1 2020, benefiting from higher recyclate prices and a positive weather effect in energy, due to a particularly severe winter. These items combined with the integration of new entities in Central Europe and the end of the health crisis in the United Kingdom in the second quarter, offset water and waste volumes which remained below pre-health crisis levels:

- In **Central and Eastern Europe**, revenue increased +25.6% at constant exchange rates year-on-year to €2,087.1 million. This growth was mainly driven by:
  - An organic growth in all activities (+10.1% at constant scope and exchange rates) mainly driven by volume growth, higher tariff indexations in energy notably in Poland and Hungary, and a positive weather effect of €58 million (Czech Republic and Poland)
  - A scope impact of €260 million, with the integration of new activities acquired at the end of 2020 in cogeneration in Hungary (BERT), heat distribution in the Czech Republic (Prague Right Bank) and waste in Russia (MAG);
- In the **United Kingdom/Ireland**, revenue increased +6.6% at constant exchange rates to €1,150.2 million. After a strict lockdown in the first quarter, industrial waste and landfill volumes recovered significantly from April, returning to pre-health crisis levels from the middle of the second quarter. In addition, revenue benefited from higher recyclate prices and robust incineration levels (higher volumes processed).
- In **Northern Europe**, revenue grew +7.0% at constant exchange rates year-on-year to €1,403.5 million. The increase is mainly driven in the Netherlands and in the Nordic countries by commercial developments and recycling activities benefitting from higher recyclate prices. In Germany, revenue grew +11.9% at constant scope, impacted by the surge in recyclate prices (€66 million, including €57 million for paper) and a positive weather impact in the energy sector (+€24 million).

Revenue increased +4.0% in the **Rest of the World** at constant exchange rates year-on-year, with contrasted trends across the regions:

- Revenue in **Latin America** increased +16.3% at constant exchange rates, this progression was driven notably by favorable tariff indexation in

Argentina (local inflation) and Ecuador, growth in hazardous waste activities in Chile and commercial wins in waste (Peru and Colombia) and water (Peru).

- In **Africa/Middle East,** revenue grew +9.2% at constant exchange rates following new contract wins and positive tariff indexation in the Middle East, increased volumes in Morocco and business growth in Western Africa (Ivory Coast).
- In **North America**, revenue increased +2.2% at constant exchange rates year-on-year to €832 million, thanks to higher volumes and favorable price effects in hazardous waste activities. The activity benefited from a favorable change in the price/volume mix, partially offset by the impacts of a weather event in the first quarter (shutdown of certain sites). The energy activity was penalized by lower volumes and the end of certain contracts (Lumberton).
- Revenue increased +2.1% at constant exchange rates in **Asia** due to delayed startup of new installations. Growth was mainly driven by an increase in hazardous waste activities, construction activity in Hong Kong and scope impacts in China and India.
- In the **Pacific** zone, revenue fell -3.0% at constant exchange rates. Measures taken as a result of the health crisis impacted waste activities (lower volumes), while energy activities were affected by a divestiture of industrial asset (impact -€16 million).

Global businesses revenue increased 12.4% at constant exchange rates compared with the half-year ended June 30, 2020, despite the sale of the Sade Telecom business at the end of 2020. At constant scope and exchange rates, segment revenue increased 17.5%:

- **Hazardous waste activities in Europe** increased significantly by +25.9% at constant exchange rates in the half-year, with good volume and price levels and a recovery in sanitation activities.
- **Veolia Water Technologies** revenue increased +14.1% at constant exchange rates, with a strong recovery in activity and notably higher technology activities in the United Kingdom, the ramp-up of Mobile Unit activities, the development of municipal projects in France and desalination projects in the Middle East. VWT bookings totaled €733 million in H1 2021, compared with €640 million in H1 2020.
- **SADE** which sold its Telecom activity at the end of 2020 (scope impact of -€148 million) reported a fall of -6.1% at constant exchange rates and an increase of +21.7% at constant scope and exchange rates, driven by dynamic commercial activity in France and internationally (Belgium and Ivory Coast).

1.3.2.2 Revenue by business

In the context of a third pandemic wave in certain geographies, the Group's activity by business is marked by resilient **Water** activities, with Q2 growth (+11.7% at constant exchange rates year-on-year vs. -3.4% in Q1) driven notably by a recovery in construction activity, a strong upturn, higher than Q1, in **Waste** (+27.1% at constant exchange rates in Q2 vs. 3.4% in Q1) due to a recyclate price/volume effect and continued good activity levels in **Energy** (+21.9% at constant exchange rates excluding the weather impact after +13.8% in Q1).

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021	Change 2020 / 2021 Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Water	5,095.8	5,214.6	2.3%	3.9%	7.3%
of which Water Operations	3,896.4	3,974.3	2.0%	3.5%	3.5%
of which Technology and Construction	1,199.4	1,240.3	3.4%	5.1%	17.5%
Waste	4,667.8	5,304.1	13.6%	14.6%	13.7%
Energy	2,648.4	3,126.4	18.0%	19.5%	10.3%
GROUP	12,412.0	13,645.1	9.9%	11.2%	10.4%

Water revenue

Water Operations revenue increased +3.5% at constant scope and exchange rates year-on-year, confirming this activity's resilience and driven at the end of the half-year by an upturn in construction activity.

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	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	Q1 2021	Q2 2021
Water France volumes	**+0.7%**	-0.1%	+0.3%	+0.8%	+0.8%	**+0.8%**	+1.2%	+0.1%
Water France tarifs	**+1.4%**	+1.5%	+1.5%	+1.5%	+1.5%	**+1.5%**	+0.7%	+0.7%

Technology and Construction revenue is up +5.1% at constant exchange rates compared with June 30, 2020. This increase is mainly driven by VWT, with growth reported by Westgarth (a subsidiary specializing in the Oil & Gas sector), increased construction activity for municipalities in France and the United States and growth in desalination (mainly Um Al Qwain project).

Waste revenue

Revenue increased +14.6% in the **Waste** business at constant exchange rates, compared with the half-year ended June 30, 2020, benefiting from strong volume growth (+6,3%), ongoing high recyclate prices (+4.4%) and positive tariff increases (+2.6%).

	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	Q1 2021	Q2 2021
Waste volumes	**+1.5%**	-1.8%	-14.7%	-2.6%	-1.8%	**-5.2%**	-0.9%	+14.5%
Waste tarifs	**+2.4%**	+2.4%	+1.9%	+1.6%	+2.3%	**+2.0%**	+1.7%	+3.7%

The second quarter reported a marked upturn in waste volumes, particularly for commercial and industrial waste and accelerated growth in Hazardous Waste treatment, with high volumes in Europe and Asia. These good trends enabled a return to pre-health crisis waste volumes, except for commercial and industrial waste which remain down in certain geographies.

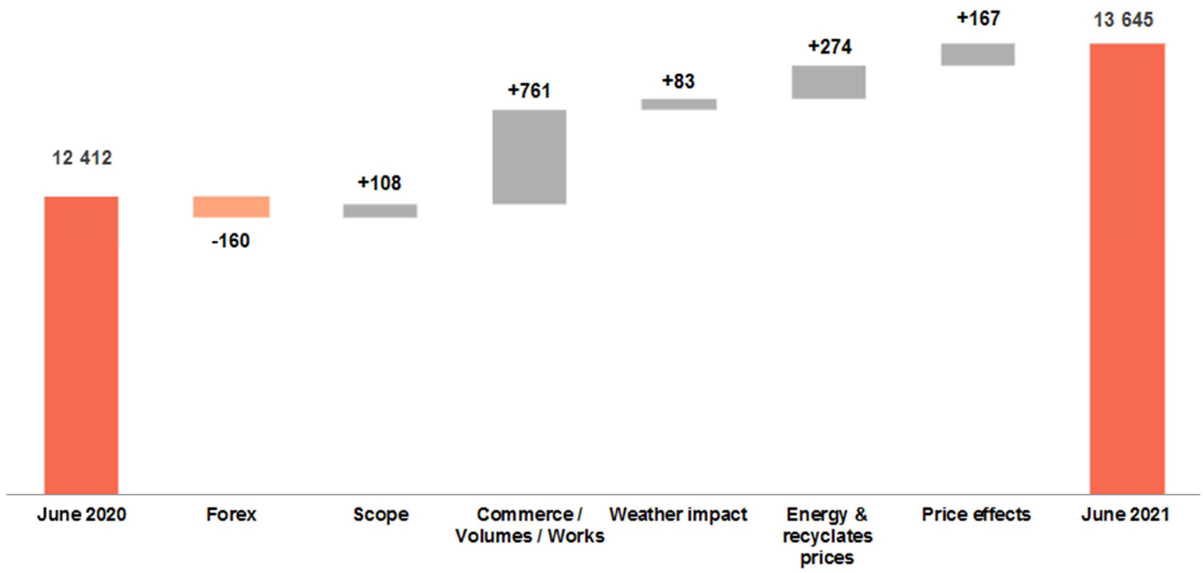
Energy revenue

Energy revenue grew +19.5% at constant exchange rates compared with the half-year ended June 30, 2020 and +10.3% organically, restated for the scope effects of integrating Prague Right Bank heating network activities and cogeneration installations in Budapest (+€237 million in revenue).

The business' strong growth is supported by a highly favorable weather impact during the half year (+2.4%) notably in Central and Eastern Europe, an increased price effect (+2.7%) driven by price rises in Poland and higher volumes (+3.2%) notably in Italy and Central Europe.

1.3.2.3 Analysis of the change in Group revenue

The increase in revenue breaks down **by main impact** as follows:



The **foreign exchange impact** of -€160 million (-1.3% of revenue) mainly reflects fluctuations in American (-€116 million) and Asian (-€31 million) currencies, partially offset by an improvement in the Australian and UK currencies[(1)].

The **consolidation scope impact** of €108 million mainly concerns the impact of integrating the Prague Right Bank urban heating network (€126 million), the Budapest cogeneration installations (€111 million) and waste processing activities in Russia (€25 million) in Central Europe, as well as the sale of SADE's Telecom network activities in the Global businesses segment (-€148 million) and the integration in 2021 of OSIS.

Energy and recyclate prices had an impact of +€274 million, driven by a strong increase in recyclate prices (+€206 million, including €144 million for paper) and energy prices in Europe (Central Europe benefited from heating tariff increases in Poland and Germany, with favorable impacts on electricity tariffs).

The **Commerce / Volumes / Works impact** is +€761 million, driven by activity growth in the three Group businesses.

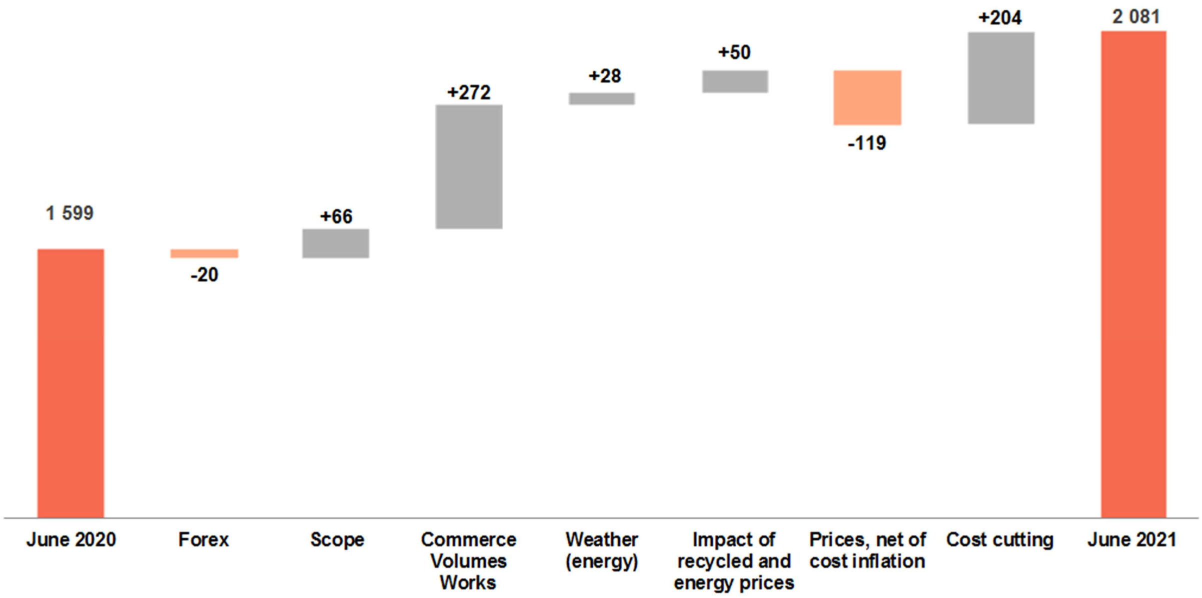
Favorable **price effects** (+€167 million) are mainly tied to higher tariff indexation of +2.6% in waste and +0.9% in water.

(1) Main foreign exchange impacts by currency: US dollar (-€89 million), Argentine peso (-€27 million), Japanese yen (-€23 million), Polish zloty (-€16 million), Brazilian real (-€10 million), Hong Kong dollar (-€8 million), Australian dollar (+€35 million), Czech koruna (+€10 million), pound sterling (+€8 million).

1.3.3 GROUP EBITDA

Group consolidated **EBITDA** for the half-year ended June 30, 2021 was €2,080.7 million, up 31.4% at constant exchange rates year-on-year. The margin rate is 15.3% for H1 2021, compared with 12.9% for H1 2020.

The increase in EBITDA between 2020 and 2021 breaks down by impact as follows :



The **foreign exchange impact** on EBITDA was -€20 million and mainly reflects unfavorable fluctuations in American (-€15 million), and Central European (-€4 million) currencies[1(1)].

The **consolidation scope impact** of +€66 million mainly reflects the impact of the acquisition of the Prague Right Bank urban heating network and the Budapest cogeneration installations in 2020.

Commerce and volume impacts are +€272 million. This increase was driven by higher waste volumes (mainly in France and Europe), a recovery in construction activity in Water in France and in Global businesses and improved commercial margins in Water and Waste activities in France.

The **energy weather impact** is +€28 million and primarily concerned Northern Europe and Central and Eastern Europe.

Energy and recyclate prices had a favorable impact on EBITDA of +€50 million (vs. +€25 million at June 30, 2020), including +€14 million in energy and +€36 million in recyclates, with the price squeeze on fuel costs reducing the effect of recyclate and energy prices on the margin.

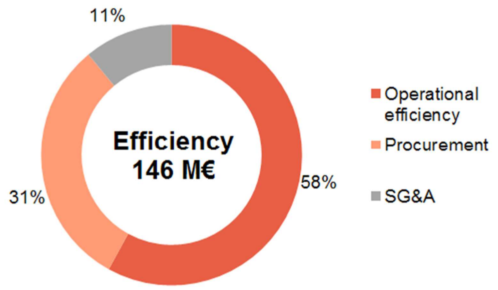
The impact of **prices net of cost inflation** is -€119 million.

Cost-savings plans contributed +€204 million at the end of June, ahead of the €350 million annual objective and include:

- post-health crisis additional savings efforts under the Recover & Adapt plan for €58 million;
- the efficiency plan for €146 million and mainly concerning operating efficiency (58%) and purchasing (31%) across all geographic zones: France (23%), Europe excluding France (35%), Rest of the world (25%), Global businesses (10%) and Corporate (7%).

(1) Foreign exchange impacts by currency: US dollar (-€9 million), Argentine peso (-€5 million),Polish zloty (-€5 million), United Arab Emirates dirham (-€2 million), Hungarian forint (-€2 million), Brazilian real (-€1 million), Australian dollar (+€4 million), Czech koruna (+€3 million).

Breakdown of the Efficiency Plan:



(€ million)	Cost Savings Plans (incl. R&A)	
EBITDA Impact	**Objective 2021**	**Actual June 2021**
Gross cost savings	**350**	**204**

1.3.4 OTHER INCOME STATEMENTS

1.3.4.1 Current EBIT

Group consolidated current EBIT for the half-year ended June 30, 2021 was €900.7 million, up significantly by 108.1% at constant exchange rates on the half-year ended June 30, 2020.

EBITDA reconciles with Current EBIT for the half-year ended June 30, 2021 compared with June 30, 2020 as follows:

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021
EBITDA	**1,599.0**	**2,080.7**
Renewal expenses	(132.3)	(142.7)
Depreciation and amortization[1]	(1,053.7)	(1,095.8)
Provisions, fair value adjustments & other	(15.6)	10.1
Share of current net income of joint ventures and associates	40.1	48.4
Current EBIT	**437.5**	**900.7**

(1) Including principal payments on operating financial assets

The significant +€473 million increase in Current EBIT year-on-year (+108.1% at constant exchange rate) is mainly due to:

- a marked improvement in EBITDA (+€502 million at constant exchange rates) ;
- an increase in depreciation and amortization[1] impacted by 2020 scope entries;
- a favorable difference in provisions and other, including higher capital gains on industrial divestitures (+€40 million at constant exchange rates) mainly relating to asset rotation transactions in Sweden and Norway;
- the share of current net income of joint ventures and associates.

The foreign exchange impact on Current EBIT was -€10 million and mainly reflects fluctuations in American currencies (-€6 million)[2].

(1) Including principal payments on operating financial assets.
(2) Foreign exchange impacts by currency: US dollar (-€3 million), Argentine peso (-€3 million), Polish zloty (-€2 million), United Arab Emirates dirham (-€2 million), Hungarian forint (-€1 million), Czech koruna (+€2 million), Swedish crown (+€1 million).

1.3.4.2 Net financial expense

The net financial expense for the half-year ended June 30, 2021 is -€121.2 million, compared with -€299.6 million for the half-year ended June 30, 2020. The marked decrease is mainly due to the inclusion of dividends received on the Group's investment in Suez in respect of 2020 of +€122 million and to an improvement in the net finance cost.

Cost of net financial debt

The cost of net financial debt totaled -€152.4 million for the half-year ended June 30, 2021, compared with
-€215.6 million for the half-year ended June 30, 2020. This significant decrease in the Group's cost of net financial debt is due to favorable bond issue refinancing conditions in 2020, historically low foreign currency interest rates, increased commercial paper which contributes to the performance of the cost of non-euro denominated debt and the positive impact of the cancellation of the interest rate hedging portfolio (pre-hedge swaps) set-up in 2020.

The Group's financing rate (excluding IFRS 16 impacts) was therefore 2.51% at June 30, 2021, compared with 4.36% at June 30, 2020 (2.43% vs. 3.96% including IFRS 16 impacts).

Other financial income and expenses

Other financial income and expenses totaled +€31.2 million for the half-year ended June 30, 2021, compared with -€84.0 million for the half-year ended June 30, 2020.

They include interest on concession liabilities (IFRIC 12) of -€37.8 million, the unwinding of discounts on provisions of -€5.9 million and Suez dividends for 2020 (€122 million) for the Group's shareholding (29.9%) – dividends received on July 8, 2021.

Losses on financial divestitures recognized in the first half of 2021 totaled -€4.6 million and mainly consist of the gain on disposal of Utilities Services activities in Nordic countries (+€13 million), offset by the loss on the divestiture of Aqua Utilities activities in Veolia Water Technology (-€7 million) and disposal costs in North America (-€3 million).

In H1 2020, gains on current financial divestitures totaled +€0.2 million.

1.3.4.3 Current income tax expense

The current income tax expense for the half-year ended June 30, 2021 amounted to -€188.4 million, compared with -€63.4 million for the half-year ended June 30, 2020.

The current income tax rate for the half-year ended June 30, 2021 is 25.0%, versus 64.9% for the half-year ended June 30, 2020.

1.3.4.4 Current net income

Current net income attributable to owners of the Company was €516 million for the half-year ended June 30, 2021, compared with €7 million for the half-year ended June 30, 2020. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company is €520 million, compared with €6 million for the half-year ended June 30, 2020.

1.3.4.5 Net income (loss) for the year

Net income attributable to owners of the Company was +€301 million for the half-year ended June 30, 2021, compared with -€138 million for the half-year ended June 30, 2020.

Net income attributable to owners of the Company per share was €0.53 (basic) and €0.51 (diluted) for the half-year ended June 30, 2021, compared with -€0.25 (basic) and -€0.25 (diluted) for the half-year ended June 30, 2020.

1.3.4.6 Current net income (loss) / net income (loss) attributable to owners of the company

The share of net income attributable to non-controlling interests totaled €95.4 million for the half-year ended June 30, 2021, compared with €66.3 million for the half-year ended June 30, 2020.

Net income attributable to owners of the Company was €301 million for the half-year ended June 30, 2021, compared with -€138 million for the half-year ended June 30, 2020.

Current net income attributable to owners of the Company was €516 million for the half-year ended June 30, 2021, compared with €7 million for the half-year ended June 30, 2020.

Net income attributable to owners of the Company per share for the half-year ended June 30, 2021 was €0.53 (basic) and €0.51 (diluted) compared with -€0.25 (basic) and -€0.25 (diluted), for the half-year ended June 30, 2020. Current net income attributable to owners of the Company per share was €0.91 (basic) and €0.87 (diluted) for the half-year ended June 30, 2021, compared with €0.01 (basic) and €0.01 (diluted) for the half-year ended June 30, 2020.

The weighted average number of outstanding shares in the half-year ended **June 30, 2021** was 566,541,904[(1)].

(1) As of June 30, 2020, the instruments (mainly related to the OCEANE convertible bonds issued on September 12, 2019) were 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, 2021** breaks down as follows:

(€ million)	Current	Non-current	Total
EBIT	**900.7**	**(160.9)**	**739.8**
Cost of net financial debt	(152.4)	-	(152.4)
Other financial income and expenses	53.9	(22.7)	31.2
Pre-tax net income (loss)	**802.2**	**(183.6)**	**618.6**
Income tax expense	(188.4)	(29.6)	(218.0)
Net income (loss) of other equity-accounted entities	-	-	-
Net income (loss) from discontinued operations	-	(4.6)	(4.6)
Net (income) loss attributable to non-controlling interests	(98.3)	2.8	(95.4)
Net income (loss) attributable to owners of the Company	**515.5**	**(215.0)**	**300.5**

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

(€ 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)**

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

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021
Current EBIT	**437.5**	**900.7**
Impairment losses on goodwill and negative goodwill	(44.2)	(1.6)
Net charges to non-current provisions	21.4	5.0
Restructuring costs	(23.4)	(35.5)
Personnel costs - share-based payments	(2.2)	-
Non-current provisions and impairment of property, plant and equipment, intangible assets, operating financial assets and other	(92.7)	(63.0)
Share acquisition costs, with or without acquisition of control	(4.0)	(65.8)
Total non-current items	**(145.1)**	**(160.9)**
Operating income after share of net income of equity-accounted entities	**292.5**	**739.8**

Restructuring costs for the half-year ended June 30, 2021 mainly concern Waste activities in France for -€19 million and the Nordic countries for -€5 million.

Provisions for impairment and other non-current expenses mainly concern costs relating to health crisis adaptation measures and costs incurred in respect of a litigation in North America.

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

Income from discontinued operations consists of the residual impacts in 2020 of the income from discontinued operations of the EPC international business. See Note 4.2.1 to the consolidated financial statements.

1.4 Financing

1.4.1 CHANGES IN NET FREE CASH FLOW AND NET FINANCIAL DEBT

Net free cash flow is +€270 million for the half-year ended June 30, 2021, up significantly year-on-year (+€785 million).

The change in net free cash flow compared with the half-year ended June 30, 2020 reflects:

- the increase in EBITDA in the half-year driven by the accelerated recovery in the second quarter and the intensification of commercial and operating efficiency efforts
- net industrial investments of €834 million, down 4.5% at current exchange rates (-2.8% at constant exchange rates) thanks to ongoing strict control over investments and an increase in industrial divestitures.
  - maintenance investments of €504 million (4% of revenue);
  - growth investments in the current portfolio of €346 million (€336 million in the half-year ended June 30, 2020);
  - discretionary investments of €122 million, down -€6 million compared with 2020;
  - industrial divestitures of €138 million;
- a marked improvement in the change in operating working capital requirements to -€381 million, compared with -€683 million for the half-year ended June 30, 2020 thanks to ongoing debt recovery efforts and a reversal of the impact of the health crisis.

Overall**, net financial debt** amounted to €13,767 million, compared with €13,217 million as of December 31, 2020.

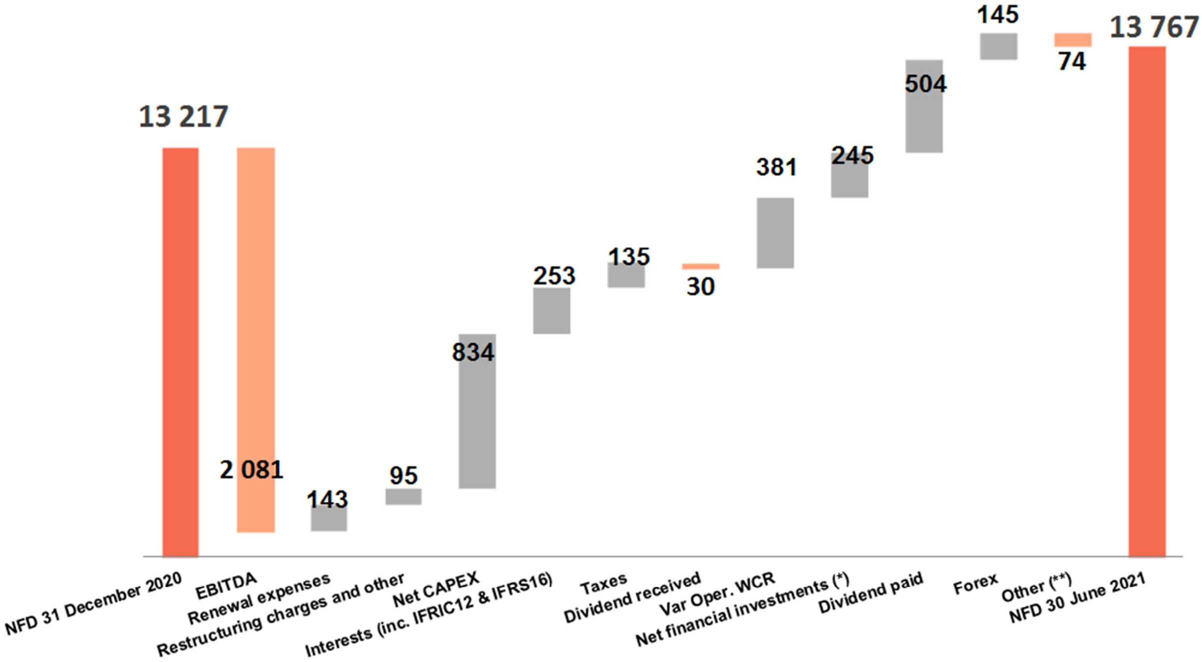
The following table summarizes the change in net financial debt and net free cash flow:

(€ million)	**Half-year ended June 30, 2020**	**Half-year ended June 30, 2021**
EBITDA	**1,599**	**2,081**
Net industrial investments	(873)	(834)
Change in operating WCR	(683)	(381)
Dividends received from equity-accounted entities and joint ventures	53	30
Renewal expenses	(103)	(143)
Other non-current expenses and restructuring charges	(97)	(95)
Interest on concession liabilities (IFRIC 12)	(40)	(38)
Interest on IFRS 16 lease liabilities	(18)	(14)
Financial items (current interest paid and operating cash flow from financing activities)	(213)	(201)
Taxes paid	(140)	(135)
Net free cash flow before dividend payment, financial investments and financial divestitures	**(515)**	**270**
Dividends paid	(347)	(504)
Net financial investments	(370)	(245)
Change in receivables and other financial assets	(68)	(9)
Issue / repayment of deeply subordinated securities	0	1
Proceeds on issue of shares	(6)	10
Free cash flow	**(1,306)**	**(477)**
Effect of foreign exchange rate movements and other	136	(74)
Redemption of hybrid debt	0	0
Change	**(1,170)**	**(550)**
Opening net financial debt	(10,680)	(13,217)
Closing net financial debt	**(11,850)**	**(13,767)**

Compared with December 31, 2020, the change in net financial debt is mainly due to:

- net free cash flow generation of +€270 million for the period;
- the payment of the dividends voted by the Combined Shareholders' Meeting of April 22, 2021 (€397 million);
- net financial investments of €245 million (including acquisition costs and net financial debt of new entities) and mainly comprising the impact of the acquisition of OSIS and an organic fertilizer plant in France and the divestment of Utilities Services activities in Sweden and Norway and of the Shenzhen water concession in China;

Net financial debt was also impacted by negative foreign exchange effects of -€145 million as of June 30, 2021 compared with December 31, 2020[1(1)].



(*) Financial investments of -€413 million net of financial divestitures of €168 million.
(**) Primarily repayment of a loan to joint ventures offset by a receivable for the Suez dividend payable on July 8, 2021.

(1) Mainly driven by negative impacts on the pound sterling (-€44 million), US dollar (-€39 million), Czech koruna (-€25 million) and Polish zloty (-€14 million).

1.4.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

1.4.2.1 Industrial investissements

Total Group gross industrial investments, including new operating financial assets, amounted to -€972 million for the half-year ended June 30, 2021, compared with -€962 million for the half-year ended June 30, 2020.

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

Half-year ended June 30, 2021 *(€ million)*	**Maintenance and contractual requirements**[1]	**Discretionary growth**	**Total gross industrial investments**[2]	**Industrial divestitures**	**Total net industrial investments**
France	210	8	218	(23)	24
Europe excluding France	316	51	367	(55)	312
Rest of the world	217	44	261	(23)	238
Global businesses	81	19	100	(37)	63
Other	26	0	26	0	26
Group	**850**	**122**	**972**	**(138)**	**834**

(1) Including maintenance investments of €504 million (including IFRS16 leases) and contractual investments of €346 million.
(2) Including new OFA in the amount of -€53 million.

Half-year ended June 30, 2020 *(€ 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	382	(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 and contractual investments of €336 million.
(2) Including new OFA in the amount of -€60 million.

1.4.2.2 Financial investments and divestitures

Net financial investments totaled -€245 million as of June 30, 2021, compared with -€370 million as of June 30, 2020.

Financial investments totaled €413 million in the half-year ended June 30, 2021 (including acquisition costs and net financial debt of new entities) and mainly included the impacts of the acquisition of Osis in France (€262 million, excluding IFRS 16 debt and €336 million including IFRS 16 debt) and of an organic fertilizer facility in France (€22 million). In June 2020, financial investments amounted to -€368 million (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 shareholders in India (€113 million), as well as the acquisition of shares in Torrepet which specializes in plastic recycling in Spain.

Financial divestitures totaled €168 million for the half-year ended June 30, 2021 (including disposal costs) and mainly included the sale of the 5% stake in the Shenzhen concession in China by VE CGE (€80 million, excluding the repayment of the shareholder loan of €105 million), as well as the sale of Utilities Services activities in Sweden and Norway in the amount of €32 million (total transaction of €70 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.

1.4.3 OPERATING WORKING CAPITAL

The change in operating working capital requirements (excluding discontinued operations) was -€381 million for the half-year ended June 30, 2021, compared with -€683 million for the half-year ended June 30, 2020.

This marked improvement reflects major debt recovery efforts and strict working capital management across the whole Group.

See Note 6.3 to the consolidated financial statements for the half-year ended June 30, 2021.

1.4.4 EXTERNAL FINANCING

Structure of net financial debt

As of June 30, 2021, net financial debt after hedging is borrowed 97% at fixed rates (compared with 98% as of December 31, 2020).

The average maturity of net financial debt was 5.9 years as of June 30, 2021 compared with 7.5 years as of June 30, 2020.

(€ million)	Notes	As of June 30, 2020	As of June 30, 2021
Non-current financial debt	8.1.1	11,995	11,618
Current financial debt	8.1.1	7,580	8,341
Bank overdrafts and other cash position items	8.1.4	188	225
Sub-total financial debt		**19,763**	**20,184**
Cash and cash equivalents	8.1.4	(7,029)	(5,454)
Allocation of the fair value of hedging instruments	8.3.1	(59)	8
Liquid assets and financing financial assets	8.1.3	(825)	(971)
Net financial debt		**11,850**	**13,767**

Group liquidity position

Liquid assets of the Group as of June 30, 2021 break down as follows:

(€ million)	As of December 31, 2020	As of June 30, 2021
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		-
Letters of credit facility	21.6	22.3
Cash and cash equivalents[(1)]	5,542.2	5,259.1
Subsidiaries:		
Cash and cash equivalents[(1)]	1,132.9	1,165.8
Total liquid assets	**10,696.7**	**10,447.2**
Current debt and bank overdrafts and other cash position items		
Current debt	7,599.6	8,340.1
Bank overdrafts and other cash position items	217.6	224.5
Total current debt and bank overdrafts and other cash position items	**7,817.2**	**8,564.6**
Total liquid assets net of current debt and bank overdrafts and other cash position items	**2,879.5**	**1,882.6**

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

Bank covenants

See Note 8.4 to the consolidated financial statements for the half-year ended June 30, 2021.

1.5 Other items

1.5.1 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 13 to the consolidated financial statements for the half year-ended June 30, 2021).

1.5.2 SUBSEQUENT EVENTS

With the exception of the items presented in Chapter 1 relating to :

- -the notice of compliance on the proposed public tender offer received from the AMF on July 20, 2021;
- -the notice published by the AMF on July 28 specifying that the public tender offer will open from July 29, 2021.

No significant event occurred between the closing date and the date on which the consolidated accounts are closed by the board of directors.

1.5.3 RISK FACTORS

The main risk factors the Group could face are set out in Chapter 2 of the 2020 Universal Registration Document.

The section “Risks relating to the selection and integration of acquisitions” has been supplemented.

Please refer to Section 3.5 “Other information” of the document published in the context of the tender offer for Suez shares and available on the Company’s website.

1.5.4 OUTLOOK

2021 Prospects[1] raised (before Suez integration)

Following the excellent H1 performance, EBITDA objective for 2021 was raised. New 2021 prospects are the following

- Revenue above 2019 ;
- More than €350M of efficiency gains : €250M recurring efficiencies and €100M of complementary savings from the Recover & Adapt plan;
- EBITDA target raised from more than €4bn to more than €4.1bn, a growth >12% vs. 2020 ;
- Net financial debt below €12bn at the end of 2021 and a leverage ratio below 3 times ;
- Objective to recover the pre-crisis dividend policy in 2021.

(1) At constant forex

1.6 Appendices

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

The reconciliation of Current EBIT with operating income, as shown in the income statement, is presented in Section 2.4.3. Likewise, the reconciliation of current net income with net income attributable to owners of the Company, as shown in the income statement, is presented in Section 2.4.3.

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

(€ million)	Notes	Half-year ended June 30, 2020	Half-year ended June 30, 2021
Net cash from operating activities of continuing operations		***440.0***	***1,058.1***
Plus:			
Industrial investments, net of grants		(604.1)	(620.8)
Proceeds on disposal of industrial assets		89.5	138.5
New operating financial assets		(59.8)	(53.0)
Principal payments on operating financial assets		65.7	83.4
New finance lease debt		(234.4)	(225.8)
Dividends received	Note 8.3.2	53.4	30.1
Net financial interest		(275.5)	(246.2)
Less:			
Share acquisition and disposal costs, and other		10.3	105.8
Net free cash flow		**(514.9)**	**270.1**

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

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021
Industrial investments, net of grants	**(604.1)**	**(620.8)**
New finance lease debt	(234.4)	(225.8)
Change in concession working capital requirements	(63.2)	(72.7)
New operating financial assets	(59.8)	(53.0)
Industrial investments	**(961.5)**	**(972.3)**

1.6.2 DÉFINITIONS

The definition of one of the non-GAAP financial indicators used by the Group has been modified.

From fiscal year 2021 and with a view to improving comparability with other issuers, the impacts of applying IFRS 2, “Share-based payments”, are now included in Current EBIT.

NON GAAP INDICATORS

To calculate Current EBIT (which includes the share of current net income of joint ventures viewed as core Company activities and associates), the following items are deducted from operating income

- goodwill impairments of fully controlled subsidiaries and equity-accounted entities;
- restructuring charges;
- non-current provisions and impairment;
- non-current and/or significant impairment of non-current assets (property, plant and equipment, intangible assets and operating financial assets);
- share acquisition costs.

For the other indicators, please refer to Section 5.5.8 of the 2020 Universal Registration Document.

2

FINANCIAL STATEMENTS

2.1 Condensed interim financial statements for the half year ended June 30,2021

2.1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position-Assets

(€ million)	Notes	As of December 31, 2020	As of June 30, 2021
Goodwill	Note 7.1	5,888.9	6,054.7
Concession intangible assets	Note 7.2.1	3,544.9	3,571.5
Other intangible assets	Note 7.2.2	1,371.3	1,309.6
Property, plant and equipment	Note 7.3	8,216.6	8,342.0
Right of use (net)	Note 7.4	1,529.5	1,541.0
Investments in joint ventures	Note 6.2.1	1,020.8	1,370.9
Investments in associates	Note 6.2.1	353.9	346.9
Non-consolidated investments (*)		3,102.2	3,816.0
Non-current operating financial assets	Note 6.4	1,198.1	1,133.9
Non-current derivative instruments - Assets	Note 8.2	53.5	58.3
Other non-current financial assets	Note 8.1.3	427.3	364.1
Deferred tax assets	Note 11.1	1,036.5	1,045.9
Non-current assets		**27,743.5**	**28,954.8**
Inventories and work-in-progress	Note 6.3	797.7	784.0
Operating receivables	Note 6.3	9,106.2	9,523.7
Current operating financial assets	Note 6.4	172.8	181.9
Other current financial assets	Note 8.1.3	1,073.2	1,314.1
Current derivative instruments - Assets	Note 8.2	174.8	147.2
Cash and cash equivalents	Note 8.1.4	5,840.0	5,453.9
Assets classified as held for sale	Note 4.2	455.7	283.8
Current assets		**17,620.4**	**17,688.6**
TOTAL ASSETS		**45,363.9**	**46,643.4**

(*) Non-consolidated investments consist of Suez shares for €3,765.0 million as of June 30, 2021, compared with €3,046.0 million as of December 31, 2020 (see Note 3) and other securities for €51.0 million as of June 30, 2021 compared with €56.2 million as of December 31, 2020.

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

Consolidated Statement of Financial Position – Equity and Liabilities

(€ million)	Notes	As of December 31, 2020	As of June 30, 2021
Share capital	Note 9.1.1	2,893.1	2,898.0
Additional paid-in capital		7,291.8	7,286.9
Deeply-subordinated perpetual securities		1,987.1	1,964.0
Reserves and retained earnings attributable to owners of the Company	Note 9.1	(4,955.8)	(4,198.6)
Total equity attributable to owners of the Company	Note 9.1	**7,216.2**	**7,950.3**
Total equity attributable to non-controlling interests	Note 9.2	1,098.5	1,157.3
Shareholders' equity		**8,314.7**	**9,107.6**
Non-current provisions	Note 10	1,846.8	1,911.9
Non-current financial liabilities	Note 8.1.1	10,836.4	10,331.4
Non-current IFRS 16 lease debt	Note 8.1.2	1,296.8	1,286.8
Non-current derivative instruments - Liabilities	Note 8.2	65.3	70.7
Concession liabilities - non-current	Note 6.5	1,459.9	1,439.2
Deferred tax liabilities	Note 11.1	1,094.4	1,114.7
Non-current liabilities		**16,599.6**	**16,154.7**
Operating payables	Note 6.3	11,850.4	11,853.9
Concession liabilities - current	Note 6.5	145.6	154.3
Current provisions	Note 10	510.7	584.4
Current financial liabilities	Note 8.1.1	7,196.7	7,931.2
Current IFRS 16 lease debt	Note 8.1.2	402.9	408.9
Current derivative instruments - Liabilities	Note 8.2	117.9	140.3
Bank overdrafts and other cash position items	Note 8.1.3	217.6	224.5
Liabilities directly associated with assets classified as held for sale	Note 4.2	7.8	83.6
Current liabilities		**20,449.6**	**21,381.1**
TOTAL EQUITY AND LIABILITIES		**45,363.9**	**46,643.4**

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

2.1.2 CONSOLIDATED INCOME STATEMENT

(€ million)	Notes	Half-year ended June 30, 2020	Half-year ended June 30, 2021
Revenue	**Notes 6.1**	**12,412.0**	**13,645.1**
Cost of sales	Note 6.2	(10,717.8)	(11,374.3)
Selling costs	Note 6.2	(279.3)	(279.0)
General and administrative expenses	Note 6.2	(1,059.0)	(1,136.4)
Other operating revenue and expenses	Note 6.2	(103.5)	(164.0)
Operating income before share of net income (loss) of equity-accounted entities	Note 6.2	**252.4**	**691.4**
Share of net income (loss) of equity-accounted entities		**40.1**	**48.4**
o/w share of net income (loss) of joint ventures	Note 6.2.1	27.9	33.0
o/w share of net income (loss) of associates	Note 6.2.1	12.2	15.4
Operating income after share of net income (loss) of equity-accounted entities		**292.5**	**739.8**
Cost of net financial debt	Note 8.3.1	(215.6)	(152.4)
Other financial income and expenses	Note 8.3.2	(84.0)	31.2
Pre-tax net income (loss)		**(7.1)**	**618.6**
Income tax expense	Note 11.1	(55.2)	(218.0)
Net income (loss) from continuing operations		**(62.3)**	**400.6**
Net income (loss) from discontinued operations	Note 4.2.1	(9.0)	(4.6)
Net income (loss) for the period		**(71.3)**	**396.0**
Attributable to owners of the Company		**(137.6)**	**300.5**
Attributable to non-controlling interests	Note 9.2	66.3	95.5
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 9.5		
Basic		(0.25)	0.53
Diluted (*)		(0.25)	0.51
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 9.5		
Basic		(0,23)	0.54
Diluted (*)		(0.23)	0.52
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 9.5		
Basic		(0.02)	(0.01)
Diluted (*)		(0.02)	(0.01)

(*) Performance shares and OCEANE bonds convertible into new shares are excluded from diluted net income in the first half of 2020 as they are not dilutive.

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

2.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	**Half-year ended June 30, 2020**	**Half-year ended June 30, 2021**
Net income (loss) for the period	**(71.3)**	**396.0**
Actuarial gains or losses on pension obligations	6.3	22.2
Income tax expense	(1.0)	(1.8)
Amount net of tax	*5.3*	*20.4*
Fair value adjustments on financial instruments at fair value through equity not subsequently released to net income		704.0 (*)
Income tax expense		3.2
Amount net of tax	-	*707.2*
Other items of comprehensive income not subsequently released to net income	**5.3**	**727.6**
o/w attributable to joint ventures		***(10.3)***
o/w attributable to associates		**-**
Fair value adjustments on hedging costs	(2.8)	11.9
Income tax expense	0.8	-
Amount net of tax	*(2.0)*	*11.9*
Fair value adjustments on financial instruments at fair value through equity subsequently released to net income	*(0.1)*	-
Income tax expense	*1.9*	-
Amount net of tax	*1.8*	-
Fair value adjustments on cash flow hedge derivatives		39.4
Income tax expense		(3.6)
Amount net of tax	-	*35.8*
Foreign exchange gains and losses:		
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	(246.1)	68.3
Amount net of tax	(246.1)	*68.3*
• on the net financing of foreign operations	6.3	(16.0)
• income tax expense	-	-
Amount net of tax	*6.3*	*(16.0)*
Other items of comprehensive income subsequently released to net income	**(240.0)**	**100.0**
o/w attributable to joint venture (1)	***(34.4)***	***(36.3)***
o/w attributable to associates	***(10.0)***	***6.9***
Total Other comprehensive income	**(234.7)**	**827.6**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(306.0)**	**1,223.6**
Attributable to owners of the Company	(348.4)	1,097.0
Attributable to non-controlling interests	42.4	126.6

(1) The share attributable to joint ventures mainly concerns the change in foreign exchange translation reserves of the Chinese concessions (-€43.9 million for the half-year ended June 30, 2021 and -€26.1 million for the half-year ended June 30, 2020.
(*) Including fair value adjustment to the stake in Suez of €716.9 million (see note 9.1.5).

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

2.1.4 CONSOLIDATED CASH FLOW STATEMENT

(€ million)	**Notes**	**Half-year ended June 30, 2020**	**Half-year ended June 30, 2021**
Net income (loss) for the period		**(71.3)**	**396.0**
Net income (loss) from continuing operations		***(62.3)***	***400.6***
Net income (loss) from discontinued operations		***(9.0)***	***(4.6)***
Operating depreciation, amortization, provisions and impairment losses		1,078.3	1,059.3
Financial amortization and impairment losses		13.1	(8.5)
Gains (losses) on disposal of operating assets		3.0	(39.0)
Gains (losses) on disposal of financial assets		(16.0)	0.3
Share of net income (loss) of joint ventures	Note 6.2.1	(27.9)	(33.0)
Share of net income (loss) of associates	Note 6.2.1	(12.2)	(15.4)
Dividends received	Note 8.3.2	(0.9)	(123.0)
Cost of net financial debt	Note 8.3.1	215.6	152.4
Income tax expense	Note 11	55.2	218.0
Other items		80.5	35.0
Operating cash flow before changes in working capital	**Note 5**	**1,326.4**	**1,646.7**
Change in operating working capital requirements		(683.3)	(380.9)
Change in concession working capital requirements		(63.2)	(72.7)
Income taxes paid		(139.9)	(135.0)
Net cash from operating activities of continuing operations		**440.0**	**1,058.1**
Net cash from operating activities of discontinued operations		***(24.7)***	***(13.2)***
Net cash from operating activities		**415.3**	**1,044.9**
Industrial investments, net of grants		(604.1)	(620.8)
Proceeds on disposal of industrial assets		89.5	100.0
Purchases of investments	Note 4.1	(323.2)	(310.5)
Proceeds on disposal of financial assets	Note 4.1	(5.7)	176.5
Operating financial assets		-	-
New operating financial assets	Note 6.4	(59.8)	(53.0)
Principal payments on operating financial assets	Note 6.4	65.7	83.4
Dividends received (including dividends received from joint ventures and associates)		53.4	30.7
New non-current loans granted		(136.5)	(64.5)
Principal payments on non-current loans		80.3	161.4
Net decrease/increase in current loans		(11.9)	16.2
Net cash used in investing activities of continuing operations		**(852.3)**	**(480.6)**
Net cash used in investing activities of discontinued operations		***(0.6)***	***-***
Net cash used in investing activities		**(852.9)**	**(480.6)**

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

(€ million)	Notes	Half-year ended June 30, 2020	Half-year ended June 30, 2021
Net increase (decrease) in current financial liabilities	Note 8.1.1	1,097.8	(596.5)
Repayment of current IFRS 16 lease debt	Note 8.1.2	(243.7)	(229.1)
Other changes in non-current IFRS 16 lease debt	Note 8.1.2	(61.1)	(64.8)
New non-current borrowings and other debt	Note 8.1.1	1,996.8	791.4
Principal payments on non-current borrowings and other debt	Note 8.1.1	(29.2)	(15.6)
Change in liquid assets and financing financial assets	Note 8.1.3	(359.1)	(135.5)
Proceeds on issue of shares	Note 9.1.1	1.0	17.4
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases		(3.8)	(1.9)
Transactions with non-controlling interests: partial sales		0.2	0.3
Proceeds on issue of deeply subordinated securities		-	0.8
Coupons on deeply subordinated securities		-	(23.9)
Purchases of/proceeds from treasury shares		(6.4)	10.1
Dividends paid		(346.4)	(480.2)
Interest paid	Note 8.3.2	(218.0)	(194.3)
Interest on IFRIC 12 operating assets		(39.8)	(37.8)
Interest on IFRS 16 lease debt (*)	Note 8.3.2	(17.8)	(14.0)
Net cash from (used in) financing activities of continuing operations		***1,770.5***	***(973.6)***
Net cash from (used in) financing activities of discontinued operations		***(2.0)***	***(0.1)***
Net cash from (used in) financing activities		**1,768.5**	***(973.7)***
Effect of foreign exchange rate changes and other		(27.0)	17.2
Increase (decrease) in external net cash of discontinued operations		(3.6)	-
NET CASH AT THE BEGINNING OF THE YEAR		**5,541.1**	**5,622.4**
NET CASH AT THE END OF THE PERIOD		**6,841.4**	**5,229.4**
Cash and cash equivalents	Note 8.1.4	7,110.6	5,453.9
Bank overdrafts and other cash position items	Note 8.1.4	-269.2	-224.5
NET CASH AT THE END OF THE PERIOD		**6,841.4**	**5,229.4**

(*) 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.

2.1.5 STATEMENT OF CHANGES IN EQUITY

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities and OCEANE	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Amount as of December 31, 2020	**578,611,362**	**2,893.1**	**7,291.8**	**1,987.1**	**(450.7)**	**(3,681.5)**	**(405.6)**	**(418.0)**	**7,216.2**	**1,098.5**	**8,314.7**
Issues of share capital of the parent company	971,827	4.9	(4.9)	-	-	-	-	-	-	-	-
Proceeds on issue of deeply subordinated securities		-	-	0.8	-	-	-	-	0.8	-	0.8
Coupons on deeply subordinated securities		-	-	(23.9)					(23.9)	-	(23.9)
Parent company dividend distribution		-	-	-	-	(397.0)	-	-	(397.0)	-	(397.0)
Movements in treasury shares		-	-	-	10.8	(0.6)	-	-	10.2	-	10.2
Share-based payments		-	-	-	-	7.5	-	-	7.5	-	7.5
Third party share in share capital increases of subsidiaries		-	-	-	-	-	-	-	-	17.5	17.5
Third party share in dividend distributions of subsidiaries		-	-	-	-	-	-	-	-	(83.2)	(83.2)
Transactions with non-controlling interests		-	-	-	-	0.8	-	-	0.8	(0.7)	0.1
Total transactions with non-controlling interests	971,827	**4.9**	**(4.9)**	**(23.1)**	**10.8**	**(389.3)**	**-**	**-**	**(401.6)**	**(66.4)**	**(468.0)**
Other comprehensive income		-	-	-	-	20.4	34.8	741.3	796.5	31.1	827.6
Net income for the period		-	-	-	-	300.5	-	-	300.5	95.5	396.0
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**320.9**	**34.8**	**741.3**	**1,097.0**	**126.6**	**1,223.6**
Other movements		-	-	-	-	38.7	-	-	38.7	(1.4)	37.3
Amount as of June 30, 2021	**579,583,189**	**2,898.0**	**7,286.9**	**1,964.0**	**(439.9)**	**(3,711.2)**	**(370.8)**	**323.3**	**7,950.3**	**1,157.3**	**9,107.6**

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	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				-	-		-	-	-	-	-
Proceeds on issue of deeply subordinated securities	-	-	-		-	-	-	-	-	-	-
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)
Movements in 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**

A dividend per share of €0.70 was distributed in 2021, compared with €0.50 in 2020.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €346.4 million and €480.2 million for the periods ended June 30, 2020 and 2021, respectively, breaks down as follows:

(€ million)	**Half-year ended June 30, 2020**	**Half-year ended June 30, 2021**
Parent company dividend distribution	(277.1)	(397.0)
Third-party share in dividend distributions of subsidiaries	(69.3)	(83.2)
Scrip dividend	-	-
TOTAL DIVIDEND PAID	**(346.4)**	**(480.2)**

2.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

The Group's condensed interim consolidated financial statements for the half-year ended June 30, 2021 were prepared under the responsibility of the Board of Directors, which met on July 28, 2021.

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 no. 297/2008 of March 11, 2008, the condensed interim consolidated financial statements of Veolia Group (the "Group") for the half-year ended June 30, 2021 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, 2020.

The accounting principles used for the preparation of the condensed interim consolidated financial statements are in accordance with the IFRS standards and interpretations adopted by the European Union as of June 30, 2021.

The accounting policies and methods are presented in detail in the consolidated financial statements for the year ended December 31, 2020.

The half-year financial statements have been drawn up in accordance with the principles used for the preparation of the 2020 consolidated financial statements, except for the items presented below and the specific requirements of IAS 34

.

Texts applicable as of January 1, 2021

Amendments to IFRS 9 and IFRS 7 (phase 2), relating to the interest rate benchmark reform:

Veolia is currently in discussions with its banking counterparties regarding the interest rate benchmark reform that will lead to the replacement of Eonia and IBOR rates from January 1, 2022, to replace the IBOR indices in our contracts with the new indices. In addition to contractual aspects, the Group is also adapting its information systems.

The IFRS 9 amendments that enable hedging relationships to be maintained after these rates changes are of mandatory application since January 1, 2021. Veolia nonetheless applied them in advance in the 2020 consolidated financial statements.

As of June 30, 2021, the Group's exposure to financial instruments indexed to floating rates and maturing after 2022 concerns interest rate swaps and cross currency swaps with a nominal amount of €1,500 million.

The application of these texts did not have a material impact for the Group.

Texts applicable after January 1, 2021

IFRS 17, Insurance contracts;

IFRS annual improvement process (2018- 2020 cycle);

Other amendments to 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;
- **IAS 1**: disclosure of accounting policies;
- **IAS 8**: accounting estimates;
- **IAS 12**: restriction of the application scope of the deferred tax initial recognition exemption;
- **IAS 8** : estimations comptables ;

The Group is currently assessing the potential impact of the first time application of these texts

During the first half of 2021, the IFRS Interpretations Committee published several decisions, including the following two decisions that are currently being analyzed by the Group:

- IAS 38: recognition of configuring or customizing costs for software made available in the Cloud in a Software as a Service (SaaS) arrangement; and
- IAS 19: attributing employee benefits to period of service.

1.2 Translation of foreign subsidiaries' financial statements

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

Period-end exchange rate (one foreign currency unit = €xx)	As of June 30, 2020	As of December 31, 2020	As of June 30, 2021
US dollar	0.8930	0.8149	0.8415
Pound sterling	1.0960	1.1123	1.1654
Chinese renminbi	0.1259	0.1259	0.1303
Australian dollar	0.6118	0.6291	0.6308
Polish zloty	0.2244	0.2193	0.2212
Hungarian forint	0.0028	0.0027	0.0028
Argentinian peso	0.0127	0.0097	0.0088
Mexican peso	0.0385	0.0410	0.0424
Brazilian real	0.1636	0.1569	0.1693
Czech koruna	0.0374	0.0381	0.0392

Average exchange rate (one foreign currency unit = €xx)	Average half-year 2020	Average full-year 2020	Average half-year 2021
US dollar	0.9077	0.8762	0.8299
Pound sterling	1.1442	1.1247	1.1519
Chinese renminbi	0.1289	0.1270	0.1282
Australian dollar	0.5961	0.6041	0.6399
Polish zloty	0.2266	0.2250	0.2203
Hungarian forint	0.0029	0.0028	0.0028
Argentinian peso	0.0141	0.0097	0.0091
Mexican peso	0.0419	0.0408	0.0411
Brazilian real	0.1849	0.1699	0.1541
Czech koruna	0.0380	0.0378	0.0387

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.

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. Future values could differ from these estimates.

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.

As described in note 3 of consolidated financial statements as of December 31, 2020 and in connection of the resurgence of pandemia, the Group continued to pay particular attention to certain items :

- Asset impairment tests including goodwill;
- Recoverable amount of operating assets (trade receivables, contract assets);
- Recoverability of deferred tax assets on tax losses;
- Cash and net liquidity;
- Credit outlook;
- Covenants.

Beyond specific problems created by the health crisis, judgments and estimates 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 (See Note 4);
- measurement of intangible assets and property, plant and equipment (see Note 7);
- fair value measurement of financial instruments (see Note 8);
- provision amounts (including provisions for pensions and employee benefits) (see 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 (see Note 11).

Definitive amounts may differ from these estimates.

NOTE 3 SUEZ COMBINATION

Following the announcement by Engie on July 31, 2020 of the launch of its strategic review encompassing its investment in Suez, Veolia submitted a firm offer to Engie, on August 30, 2020, to immediately acquire the Suez share block held by Engie representing approximately 29.9% of the Suez share capital and voting rights.

On October 5, 2020, Veolia and Engie entered into a share purchase agreement under which Veolia acquired from Engie, on October 6, 2020, 187,800,000 Suez shares, representing approximately 29.9% of the Suez share capital and voting rights, at a price of €18 (cum dividend) (the "Share block acquisition"). Veolia confirmed its intention to file a tender offer for Suez shares ("the Offer") at a price of €18 per share (cum dividend), as a result of which the AMF noted the start of the pre-offer period.1

The Offer, at a price of €18 per share (cum dividend) and the corresponding draft offer document were filed with the AMF on February 8, 2021.2

On April 12, 2021, Veolia and Suez announced they had reached an agreement in principle on the key terms and conditions of the combination of the two groups.

This agreement set the draft Offer price at €20.50 per Suez share (cum dividend) and would enable:

- the implementation of Veolia's plan to create a global champion of ecological transformation, with revenues of approximately €37 billion, retaining all strategic assets identified by Veolia;
- the formation of a New Suez made up of assets forming a coherent and sustainable group from an industrial and social standpoint, with real growth potential and revenues of around €7 billion.

The agreement in principle notably provides for:

- the reiteration of Veolia's social commitments for a period of four years after the Offer closing,
- the suspension of ongoing legal proceedings between the two Groups (the parties withdrawing on the signature of the final combination agreements) and the deactivation of the Dutch foundation in the context of Suez's announcements.
- full cooperation by Suez, Veolia and the shareholders of the New Suez entity in obtaining all necessary authorizations as quickly as possible and under the best possible conditions,
- the termination of agreements with Cleanaway for the divestiture of assets in Australia (with the exception of the sales of assets in Sydney) and the suspension of all other divestitures.
- the signature of definitive combination agreements by May 14, 2021 at the latest.

On May 14, 2021, Veolia and Suez entered into a combination agreement (the "Combination Agreement") and a Memorandum of Understanding (the "Memorandum of Understanding") with Meridiam, Caisse des dépôts et consignations, CNP Assurances and Global Infrastructure Partners (the "Consortium").

The Combination Agreement sets out the terms and conditions for the implementation of the Offer and establishes the general principles for the creation of New Suez through the sale by Suez to the Consortium of its Water and Waste businesses (excluding hazardous waste) in France and certain international assets (the "Scope Divestment").

On June 27, 2021, in accordance with the provisions of the Memorandum of Understanding, the consortium presented a firm and final offer to Suez and Veolia under which the Scope Divestment would be completed in favor of a newly created company held 40% each by Meridiam and Global Infrastructure Partners, 12% by Caisse des dépôts et consignations and 8% by CNP Assurances.

The Scope Divestment would include:

i. Suez's Water and Waste operations (excluding hazardous waste) in France,

ii. Suez's global "Smart & Environmental Solutions" business unit (excluding "SES Spain", "SES Aguas Andinas" and part of "SES Colombia"),

iii. Suez's Municipal Water operations in Italy, as well as its stake in ACEA,

iv. Suez's Municipal Water operations in the Czech Republic,

v. Suez's Municipal Water and Waste (except hazardous waste) activities in Africa, as well as its stake in Lydec,

vi. Suez's Municipal Water activities in India, Bangladesh and Sri Lanka,

vii. Suez's Municipal Water, Industrial Water and Infrastructure Design and Construction activities in China as well as all of the activities of the Suyu group and two industrial incinerators in Shanghai and Suzhou,

viii. Suez's Municipal Water activities in Australia,

ix. Suez's activities in Uzbekistan, Azerbaijan, Turkmenistan and Kazakhstan

1 AMF's notice n°220C4093 of October 6, 2020 available on AMF website (https://www.amf-france.org/fr)

2 AMF's notice n°221C0312 of February 8, 2020 available on AMF website (https://www.amf-france.org/fr)

The Consortium's offer values the Scope Divestment at an enterprise value of €10.4 billion (including IFRS 16 liabilities). This valuation includes a potential earn-out of €300 million payable at the end of fiscal year 2021 and determined according to the level of EBITDA achieved by the divested scope at the end of fiscal year 2021. This offers values the Scope Divestment at an equity value of €9.1 billion.

The completion of the Scope Divestment would nevertheless be subject to

i. certain reorganizations relating to the divested scope,

ii. the transfer to the Consortium of at least 90% of the revenues of the divested scope, and

iii. the settlement of the Offer.

Following the submission of the Consortium's firm and final offer, the Consortium Acquisition vehicle (new company created by the Consortium members), Suez and Veolia signed a **Put Option Agreement** (the "Put Option Agreement"), pursuant to which the Consortium Acquisition Vehicle granted a purchase commitment covering the Scope Divestment, which may be exercised by Suez as soon as the information and consultation procedures with the relevant Suez group employee representative bodies have been completed

A draft Share and Asset Purchase Agreement is appended to the Put Option Agreement. This agreement, which will be entered into between Suez, Veolia and the Consortium Acquisition Vehicle, sets out the terms and conditions for the transfer of shares, assets and liabilities held by certain Suez group entities to the Consortium Acquisition Vehicle, with a view to creating the New Suez.

On **June 29, 2021**, in accordance with Article 231-19 of the AMF General Regulations, and having taken note of the Suez Group Committee's opinion on the Offer of June 21, 2021 and the June 29, 2021 report of the independent expert, Finexsi, on the Offer's financial conditions, the Suez Board of Directors considered the Offer to be in the interests of Suez, its shareholders and its employees and recommended shareholders tender their Suez shares to the Offer.

In accordance with the terms of the Combination Agreement, Veolia therefore decided to increase the Offer price from €18 per share (cum dividend) to **€20.50 per share (cum dividend)** and instructed the Presenting Banks to inform the AMF of the said price increase and to file the corresponding draft amendment to the Offer Document.

On July 20, 2021, the AMF declared the public tender offer for the shares of Suez files by Veolia on June 30, 2021 to be compliant and approved the draft offer document.

Veolia's offer document and Suez's reply as well as the information mentioned in article 231-28 of the general regulation of the AMF are now available on the Veolia and Suez respective websites. Pursuant to the notice published by the AMF on July 28, the public tender offer is opened from **July 29, 2021**.

It is recalled that after the ex-dividend date for the €0.65 dividend per share approved by the Suez General Shareholders' Meeting, of June 30, 2021, the price of €20.50 per share (cum dividend) was automatically reduced by €0.65 to **€19.85 per share** (distribution rights attached).

Combination control clearance

In accordance with Article 231-11 of the AMF General Regulations, the Offer is subject to the condition precedent of obtaining combination control clearance from the European Commission, in accordance with Article 6.1.b) of EC Regulation no. 139/2004 of January 20, 2004, it being specified that the Offeror reserves the right to waive this condition, after prior consultation (without right of veto) with Suez, notably with a view to accelerating the Offer timetable after discussion with the European Commission.

The AMF will set the closing date of the Offer immediately on receipt of the above mentioned authorization by the European Commission or confirmation that there is no objection to such authorization has been received or, as the case may be, as soon as the Offeror has exercised its rights to waive this condition precedent.

In accordance with Article 231-11 of the AMF General Regulations, the Offer will automatically lapse if the combination is the subject of the European Commission procedure provided in Article 6.1.c) of EC Regulation no. 139/2004 of January 20, 2004, unless the Offeror has previously exercised its right to waive the aforementioned condition precedent.

The transaction has already received combination control clearance in the United States, Canada, Colombia, Ecuador, South Korea, and Saudi Arabia.

Transaction financing

Acquisition of a Share Block (29.9% of Suez share capital from Engie)

The acquisition of the Share Block was financed from the Group's own resources and then refinanced on October 14, 2020 by the issue of deeply subordinated perpetual hybrid notes in euros (€850 million bearing a coupon of 2.25% until the first reset date in April 2026 and €1,150 million bearing a coupon of 2.50% until the first reset date in April 2029). Thus transaction reinforced the Group's financial structure while strengthening its credit ratios.

Tender offer

Assuming that all the shares concerned are tendered, the maximum cost of the Offer would be approximately €8.97 billion. The Offer will be financed by a bridge loan with a banking syndicate. It is expected that this facility will be refinanced using proceeds from the disposals made in creating the "New Suez", through a share capital increase with preferential subscription rights and, possibly, through the issuance of hybrid bonds. The contemplated share capital increase would be approximately €2.5 billion and would be performed in fall 2021 subject to standard conditions. The financing plan aims to maintain a investment grade credit rating for the enlarged group and to keep the net financial debt/EBITDA ratio below 3.0x in the medium term, in line with the Group's objectives.

A commitment received from the banking syndicate on the launch of the Tender Offer for Suez in the amount of €9,300 million has been registered (see note 8.4.2.).

Impact in the consolidated financial statements for the half-year ended June 30, 2021 of the investment in Suez

Recognition of the Share Block (acquisition of 29.9% of Suez shares from Engie)

In the absence of any change since December 31, 2020 in the rights attached to the Suez shares acquired on October 6, 2020:

- Veolia does not have a representative on the Suez Board of Directors;
- Veolia cannot freely use its voting rights to influence Suez policies due to the restrictions imposed by the combination control clearance process in Europe and the United Kingdom (excluding specific situations and derogations granted by the competent authorities).

As of June 30, 2021, Veolia management considers it cannot participate in Suez's financial and operating policy decisions within the meaning of IAS 28.

In the absence of significant influence, the 29.9% stake in Suez is recognized in the Consolidated Statement of Financial Position in "non-consolidated investments".

In accordance with IFRS 9, the shares are valued at fair value. In practice, the closing share price is used. In accordance with the Group accounting policy, all fair value gains and losses are recognized directly in other comprehensive income.

Accordingly, the Suez shares are valued at €3,765.0 million as of June 30, 2021. +€341 million has been recognized in other comprehensive income since October 6, 2020.

Top-up right in favor of Engie

Under the terms of the share purchase agreement, Engie benefits from a top-up clause in the event the market receives an improved offer from Veolia, thus allowing Engie to benefit from the increase in the Offer price to €20.50 euros (cum dividend). This top-up right would be equal – according to the scheduled combination planning - for each share sold in the context of the Share Block Acquisition, to the difference between the price per share paid under the Offer and the price per share paid in the context of the Share Block Acquisition. The payment would take place, subject to the successful completion of the Offer, within five (5) business days following the settlement-delivery of the Offer.

Veolia reviewed the mechanisms for activating this clause. It would enter into effect (payment of the top-up) if, and only if, the Tender Offer is effectively launched and successful, that is if Veolia obtains control of Suez.

The Group considers that the clause meets the criteria of a liability that is part of the “Business Combination” in accordance with IFRS 3R. It represents consideration for the takeover, a component of the exchange for the acquisition and will therefore be an integral component of the consideration paid on the allocation of assets acquired and liabilities assumed.

As of June 30, 2021, the financial commitment relating to this clause does not constitute a liability, as this would require the realization of two conditions not satisfied at the reporting date: the launch and success of the tender offer.

Accordingly, in the 2021 half-year financial statements, this clause represents an off-balance sheet commitment of €347.4 million.

NOTE 4 CONSOLIDATION SCOPE

4.1 Main change in Group structure

Acquisitions

OSIS (Global businesses)

On May 18, 2021, through its subsidiary SARP, the Group acquired SUEZ RV OSIS, a specialist in the maintenance of sanitation networks and structures and in industrial maintenance and cleaning services, for an enterprise value of €262 million, excluding IFRS 16. The combination of SARP and OSIS will enable the Veolia Group to position itself as a major player in this area, and due to the complementary nature of the two entities, will enable them to offer new, high added value services to their public, tertiary and industrial customers, covering the whole of France.

Divestitures

Shenzhen Water Concession (China)

On May 18, 2021, through its subsidiaries VE CGE and CGE-BC, the Group sold its investment in the Shenzhen water concession in China. This divestiture is part of the Impact 2023 strategic plan asset rotation policy. The transaction was completed for €403 million.

Divestiture of the Utilities Services business in Northern Europe

On June 30, 2021, the Group sold its Utilities Services business in Scandinavia. This transaction comprised the sale of industrial assets in Sweden and companies in Norway for €70 million.

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 2021 and 2020, discontinued operations concern VWT’s EPC (Engineering, Procurement, Construction) business, discontinued in all regions, in the amount of -€4.6 million and -€9.0 million respectively.

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::

(€ million)	As of December 31, 2020	As of June 30, 2021
Assets classified as held for sale	455.7	283.8
Liabilities directly associated with assets classified as held for sale	7.8	83.6

Movements in assets classified as held for sale between June 30, 2021 and December 31, 2020 is mainly due to the disposal of Shenzhen and Baoji during the 2021 first half-year (see also Note 4.1 and 6.2.1).

As of **June 30, 2021**, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

(€ million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total
Assets						
Non-current assets	-	165.9	14.4	32.7	-	213.0
Current assets	-	47.6	14.8	-	-	62.4
Cash and cash equivalents	-	8.4	-	-	-	8.4
ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**221.9**	**29.2**	**32.7**	**-**	**283.8**
Liabilities						
Non-current liabilities	-	22.6	-	12.1	-	34.7
Current liabilities	-	39.5	7.9	1.5	-	48.9
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**62.1**	**7.9**	**13.6**	**-**	**83.6**

They mainly comprise:

- in Europe excluding France, industrial maintenance activities in Sweden;
- in the Rest of the world, industrial services in Canada;
- iIn Global businesses, Ile de France branches that the SARP Group has committed to divesting in the context of the acquisition of OSIS, in accordance with the initial plan and competition authority demands.

As of December 31, 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:

(€ million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total
Assets						
Non-current assets	-	3.5	441.9	-		445.4
Current assets	-	10.3	-	-	-	10.3
Cash and cash equivalents	-			-	-	-
ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**13.8**	**441.9**	**-**	**-**	**455.7**
Liabilities						-
Non-current liabilities	-	0.8		-	-	0.8
Current liabilities	-	7.0		-	-	7.0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**7.8**	**-**	**-**	**-**	**7.8**

As of December 31, 2020, these balances concerned waste assets in Eastern Europe and the entire investment in two Chinese concessions, Shenzhen and Baoji, sold in the first half of 2021.

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:

(€ million)	As of December 31, 2020	As of June 30, 2021	Maturing in: Less than 1 year	1 to 5 years	More than 5 years
Vendor warranties	143.1	159.8	37.1	112.4	10.3
Securities purchase commitments	216.7	16.0	3.9	12.1	-
Sale commitments	-	-	-	-	-
Other commitments relating to the consolidation scope	3.2	3.2	1.3	1.5	0.4
TOTAL COMMITMENTS GIVEN RELATING TO THE CONSOLIDATION SCOPE	**363.0**	**179.0**	**42.3**	**126.0**	**10.7**

The decrease in commitments given relating to the consolidation scope mainly concerns the decrease in purchase commitments following the release of the guarantee covering the purchase of OSIS shares by SARP from Suez for €182.5 million

4.3.2 Commitments received

Commitments received relating to the consolidation scope total €522.8 million as of June 30, 2021, compared with €591.6 million as of December 31, 2020.

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:

							Joint ventures Data in Group share
Half-year ended June 30, 2021 *(€ million)*	**France**	**Europe excluding France**	**Rest of the world**	**Global businesses**	**Other**	**Total consolidated financial statements**	**Chinese concessions**
Revenue	2,843.7	5,278.3	3,310.0	2,211.0	2.1	**13,645.1**	176.7
EBITDA	489.9	941.8	439.8	183.4	25.8	**2,080.7**	36.1
Operating income after share of net income (loss) of equity-accounted entities	86.2	493.5	186.2	84.7	(110.8)	**739.8**	11.7
Industrial investments net of subsidies	(128.0)	(234.1)	(198.7)	(50.6)	(9.4)	**(620.8)**	(16.3)

The decrease in the share of financial indicators attributable to Chinese concessions between the first half of 2020 and the first half of 2021 is mainly due to the sale of the Shenzhen water concession (see Note 4.1).

							Joint ventures Data in Group share
Half-year ended June 30, 2020 *(€ million)*	**France**	**Europe excluding France**	**Rest of the world**	**Global businesses**	**Other**	**Total consolidated financial statements**	**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)

The EBITDA indicator reconciles with operating cash flow before changes in working capital for the half-years ended June 30, 2021 and 2020, as follows:

(€ million)		Half-year ended June 30, 2020	Half-year ended June 30, 2021
Operating cash flow before changes in working capital	**(A)**	**1,326.4**	**1,646.7**
Of which operating cash flow from financing activities	**(B)**	0.1	(42.8)
Of which adjusted operating cash flow	**(C)= (A)-(B)**	**1,326.3**	**1,689.5**
Less:	**(D)**	-	-
Renewal expenses		102.5	142.7
Restructuring costs		40.0	35.4
Share acquisition and disposal costs		7.4	70.1
Other items		57.1	59.6
Plus:	**(E)**		
Principal payments on operating financial assets		65.7	83.4
EBITDA	**(C)+(D)+(E)**	**1,599.0**	**2,080.7**

NOTE 6 OPERATING ACTIVITIES

6.1 Revenue

Revenue breaks down as follows:

	Hal year ended June 30	
(€ million)	2020	2021
Water	5,095.9	5,214.6
Waste	4,667.8	5,304.0
Energy	2,648.3	3,126.5
Group	**12,412.0**	**13,645.1**

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

6.2 Operating income

Operating income breaks down as follows :

	Hal year ended June 30	
(€ million)	2020	2021
Revenue	**12,412.0**	**13,645.1**
Cost of sales	**(10,717.8)**	**(11,374.3)**
o/w:	-	-
• Renewal expenses	(102.5)	(142.7)
Selling costs	**(279.3)**	**(279.0)**
General and administrative expenses	**(1,059.0)**	**(1,136.4)**
Other operating revenue and expenses	**(103.5)**	**(164.0)**
o/w:	-	-
• Restructuring costs	(23.4)	(35.5)
• Impairment of goodwill	-	-
• Employee costs – share-based payments	(2.2)	-
• Other non-current charges, impairment losses and net provisions	(29.7)	(61.2)
• Share acquisition costs	(4.0)	(65.8)
Operating income before share of net income (loss) of equity-accounted entities	**252.4**	**691.4**
Share of net income (loss) of equity-accounted entities	**40.1**	**48.4**
Operating income after share of net income (loss) of equity-accounted entities	**292.5**	**739.8**

Acquisition costs mainly comprise costs incurred in respect of the Suez combination of €63.0 million.

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.

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021
Share of net income (loss) of joint ventures	27.9	33.0
Share of net income (loss) of associates	12.2	15.4
Share of net income (loss) of equity-accounted entities	**40.1**	**48.4**

Joint-ventures

The joint ventures described below represent all joint ventures.

	Share of equity		Share of net income(loss)	
			Half-year ended June 30,	
(€ million)	As of December 31, 2020	As of June 30, 2021	2020	2021
Chinese concessions	857.4 (*)	1,194.3	18.2	21.5
Other joint ventures	163.4	176.6	9.7	11.5
TOTAL	1,020.8	1,370.9	27.9	33.0
Share of net income (loss) of joint ventures			**27.9**	**33.0**

(*) Including the impact of the transfer to assets classified as held for sale of Shenzhen and Baoji for €441.9 million as of December 31, 2020, disposed of during the first half-year 2021.

Movements in share of equity of Chinese concessions between December 31, 2020 and June 30, 2021 is due to the disposal of Shenzhen and Baoji, held by an equity-method holding, during the first half-year 2021.

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 2021 are as follows:

(€ million)	As of December 31, 2020	As of June 30, 2021
Inventories and work-in-progress, net	797.7	784.0
Operating receivables, net	9,106.2	9,523.7
Operating payables	(11,850.4)	(11,853.9)
Net working capital	(1,946.5)	(1,546.2)

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

The +€400.3 million change in Net working capital presented above includes the change in "operating" working capital of +€387.5 million, the change in "tax" working capital included in Income taxes paid in the Consolidated Cash Flow Statement of -€31.8 million, and the change in "investment" working capital included under Industrial investments in the Consolidated Cash Flow Statement of +€44.6 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 nearly all receivables assigned under these factoring programs. In addition, the transferor subsidiaries remain, in certain cases, responsible for invoicing and debt recovery, for which they receive remuneration but do not retain control.

Accordingly, receivables totaling €1,871.6 million were assigned under these programs in the first half of 2021, compared with €2,074.5 million in the first half of 2020. Receivables derecognized as of June 30, 2021 total €549.8 million compared with €611.1 million as of December 31, 2020..

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 2021 are as follows:

(€ million)	As of December 31, 2020	As of June 30, 2021
Gross	1,265.3	1,203.2
Impairment losses	(67.2)	(69.3)
Non-current operating financial assets	**1,198.1**	**1,133.9**
Gross	172.8	181.9
Impairment losses	-	-
Current operating financial assets	**172.8**	**181.9**
Non-current and current operating financial assets	**1,370.9**	**1,315.8**

The -€55.1 million decrease in operating financial assets in the first half of 2021 is mainly attributable to new assets of +€53.0 million, net of acquisition debt and repayments / disposals of -€83.4 million.

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 2021.

Movements in non-current and current concession liabilities in the first half of **2021** break down as follows:

	Non-current		Current		Total	
(€ million)	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021
France	133.6	**126.1**	25.5	**28.0**	159.1	**154.1**
Europe excluding France	1,313.6	**1,296.3**	117.5	**123.4**	1,431.1	**1,419.7**
Rest of the world	12.7	**16.8**	2.5	**2.8**	15.2	**19.6**
Global businesses	-	**-**	0.1	**0.1**	0.1	**0.1**
Other	-	**-**	-	**-**	-	**-**
Concession liabilities	**1,459.9**	**1,439.2**	**145.6**	**154.3**	**1,605.5**	**1,593.5**

6.6 Contracts assets and liabilities

Non-current and current contract assets represent services rendered by the Group but not yet billed, where the right to remuneration is conditional. These assets are mainly receivables recognized on a percentage completion basis in respect of construction activities, concession contracts including construction services or public or private service contracts including a construction component (concession or industrial BOT contract).

Contract assets do not include estimated water consumptions, which are accounted for as operating receivables.

Non-current and current contract liabilities mainly reflect amounts already settled by customers for which the Group has not yet performed the service (deferred income, down payments received from customers). These liabilities are recognized in revenue when the Group performs the service.

Contract assets and liabilities break down as follows:

	Contract assets		Contract liabilities	
(€ million)	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021
France	27.9	**20.7**	149.3	**85.1**
Europe excluding France	88.9	**101.9**	375.2	**373.2**
Rest of the world	121.4	**111.9**	294.4	**223.0**
Global businesses	307.3	**287.1**	234.4	**266.1**
Other	-	**-**	-	**-**
Total	**545.6**	**521.6**	**1,053.3**	**947.4**

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

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:

			Maturing in		
(€ million)	As of December 31, 2020	As of June 30, 2021	Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	7,826.6	7,876.4	4,132.8	1,719.4	2,024.2
Purchase commitments	189.6	196.2	143.1	40.8	12.3
Total commitments relating to operating activities	**8,016.2**	**8,072.6**	**4,275.9**	**1,760.2**	**2,036.5**

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 7.5 years as of June 30, 2021.

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 €1,867.4 million as of June 30, 2021, compared with €1,808.0 million as of December 31, 2020.

Operating commitments given in respect of joint ventures (at 100%) total €598.4 million as of June 30, 2021 compared with €578.8 million as of December 31, 2020 and mainly consist of performance bonds given to Al Wathba VB in the amount of €402.2 million and to Glen Water Holding in the amount of €76.8 million.

6.7.2Commitments received relating to operating activities

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

They total €690.2 million as of June 30, 2021, compared with €723.4 million as of December 31, 2020.

Total commitments received in respect of Veolia Water Technologies activities amount to €89.1 million as of June 30, 2021, compared with €111.3 million as of December 31, 2020.

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

7.1 Goodwill

7.1.1 Movements in goodwill

Goodwill breaks down as follows:

(€ million)	As of December 31, 2020	As of June 30, 2021
Gross	6,831.6	7,004.5
Accumulated impairment losses	(942.7)	(949.8)
Net	**5,888.9**	**6,054.7**

The net carrying amount of goodwill as of June 30, 2021 breaks down by operating segment as follows :

(€ million)	As of December 31, 2020	As of June 30, 2021
France	1,236.6	**1,236.6**
Europe excluding France	2,954.7	**2,890.9**
Rest of the world	975.4	**996.3**
Global businesses	719.7	**925.9**
Other	2.5	**5.0**
Total Goodwill	**5,888.9**	**6,054.7**

The main movements in Group goodwill during the first half of 2021 primarily concern the provisional goodwill recognized on the acquisition of OSIS in the amount of €180.1 million (see Note 4.1).

7.1.2 Impairment tests

Veolia performs annual impairment tests on goodwill and other intangible assets with an indefinite useful life in accordance with the Group timetable.

No indications of loss in value were identified as of June 30, 2021, including for the Cash Generating Units considered sensitive as of December 31, 2020 (see also Note 9.1.2.2. to the financial statements for the year ended December 31, 2020).

Accordingly, no additional impairment was recognized as of June 30, 2021.

7.2 Intangible assets

7.2.1 Concession intangible assets

Concession intangible assets break down by operating segment as follows:

(€ million)	Net carrying amount as of December 31, 2020	As of June 30, 2021		
		Gross carrying amount	Amortization and impairment losses	Net carrying amount
France	655.4	1,589.0	(936.5)	652.5
Europe excluding France	2,176.7	4,875.4	(2,683.1)	2,192.3
Rest of the world	711.5	1,504.2	(778.6)	725.6
Global businesses	1.3	11.1	(10.0)	1.1
Other	-	-	-	-
Concession intangible assets	**3,544.9**	**7,979.7**	**(4,408.2)**	**3,571.5**

The +€26.6 million increase in the net carrying amount of concession intangible assets is mainly attributable to:

- additions of +€116.6 million (including €60.9 million in the France segment, €26.1 million in the Europe excluding France segment and €29.5 million in the Rest of the world segment);
- amortization and impairment losses of -€209.6 million;
- foreign exchange translation gains and losses of €72.0 million.

7.2.2 Other intangible assets

Other intangible assets break down as follows:

(€ million)	**As of December 31, 2020**	**As of June 30, 2021**
Intangible assets with an indefinite useful life, net	**46.6**	**45.7**
Intangible assets with a definite useful life, gross	3,824.7	3,818.1
Amortization and impairment losses	(2,500.0)	(2,554.2)
Intangible assets with a definite useful life, net	**1,324.7**	**1,263.9**
Other intangible assets, net	**1,371.3**	**1,309.6**

Other intangible assets have not materially changed since December 31, 2020.

7.3 Property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during the first six months of 2021 are as follows:

(€ million)	**As of December 31, 2020**	**As of June 30, 2021**
Property, plant and equipment, gross	20,386.1	**21,092.8**
Depreciation and impairment losses	(12,169.5)	**(12,750.8)**
Property, plant and equipment, net	**8,216.6**	**8,342.0**

The +€125.4 million increase in property, plant and equipment mainly comprises:

- net additions of €385.1 million (including €163.5 million in Europe excluding France and €142.0 million in the Rest of the world). In Northern Europe, additions mainly concern the purchase of rolling stock in the United Kingdom and the Czech Republic for €22 million and €20 million respectively and additions relating to a new generation power plant in Germany for €19.4 million. In the Rest of the world, additions concern maintenance expenditure for sulfuric acid processing and regeneration activities in the United States (€18 million), the construction of a granule plant in China (€11 million) and the construction of a hazardous waste incinerator in the Middle East (€8 million) ;
- depreciation and impairment losses of -€492.2 million ;
- changes in consolidation scope in the amount of €161.2 million including :
  - €77.6 million in Europe excluding France, mainly concerning the provisional allocation of the acquisition price for Central and Eastern Europe entities acquired in the second half of 2020 ;
  - €82.4 million in Global businesses, mainly concerning the entry of OSIS assets on acquisition (€72.0 million); the purchase price allocation process is still ongoing ;
- foreign exchange translation gains and losses of +€133.4 million (including +€75.5 million in Europe excluding France and +€55.7 million in the Rest of the world) ;
- reclassification to assets classified as held for sale of -€97.0 million, mainly in Norway and Sweden (see Note 4.2.2.).

Property, plant and equipment break down by asset class as follows:

(€ million)	Net carrying amount as of December 31, 2020	As of June 30, 2021 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Land	682.9	1,510.5	(839.8)	670.7
Buildings	1,726.5	3,818.7	(1,997.8)	1,820.9
Technical installations, plant and equipment	3,848.6	10,542.1	(6,731.7)	3,810.4
Rolling stock and other vehicles	643.0	2,375.0	(1,702.8)	672.2
Other property, plant and equipment	357.6	1,795.1	(1,441.9)	353.2
Property, plant and equipment in progress	958.0	1,051.4	(36.8)	1,014.6
Property, plant and equipment	**8,216.6**	**21,092.8**	**(12,750.8)**	**8,342.0**

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 US$5,000).

Right of use breaks down by operating segment as follows:

(€ million)	Net carrying amount as of December 31, 2020	As of June 30, 2021 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
France	286.1	608.0	(323.0)	285.0
Europe excluding France	453.1	824.9	(397.9)	427.0
Rest of the world	353.8	692.3	(342.4)	349.9
Global businesses	318.7	762.8	(398.7)	364.1
Other	117.8	303.3	(188.3)	115.0
Right of use	**1,529.5**	**3,191.3**	**(1,650.3)**	**1,541.0**

Movements in the net carrying amount of right-of-use assets during the first half of **2021** are as follows:

(€ million)	As of December 31, 2020	As of June 30, 2021
Right of use	3,183.3	**3,191.3**
Depreciation and impairment losses	(1,653.8)	**(1,650.3)**
Right of use, net	**1,529.5**	**1,541.0**

New contracts total €226.3 million and mainly concern France (€58.4 million), Europe excluding France (€50.1 million), the Rest of the world (€49.4 million) and Global businesses (€51.4 million).

Depreciation totals -€212.1 million and mainly concerns France (-€45.8 million), Europe excluding France (-€54.6 million), the Rest of the world (-€50.3 million) and Global businesses (-€44.1 million).

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial assets and liabilities

Financial assets and liabilities mainly consist of:

- Financial liabilities, presented in Note 8.1.1;
- IFRS 16 lease debt, presented in Note 8.1.2;
- Non-current and current financial assets, presented in Note 8.1.3;
- Cash and cash equivalents and bank overdrafts and other cash position items, presented in Note 8.1.4;
- Derivative instruments, presented in Note 8.2.2.

8.1.1 Financial liabilities

Movements in non-current and current financial liabilities are as follows :

		Non Current		Current		Total	
(€ million)	Notes	**As of December 31, 2020**	**As of June 30, 2021**	**As of December 31, 2020**	**As of June 30, 2021**	**As of December 31, 2020**	**As of June 30, 2021**
Bond issues	8.1.1.1	10,205.2	9,651.8	648.1	1,313.4	**10,853.3**	**10,965.2**
• maturing in < 1 year		-	-	648.1	1,313.4	648.1	1,313.4
• maturing in 2-3 years		2,304.6	1,760.8	-	-	2,304.6	1,760.8
• maturing in 4-5 years		1,477.8	728.7	-	-	1,477.8	728.7
• maturing in > 5 years		6,422.8	7,162.3	-	-	6,422.8	7,162.3
Other financial liabilities		631.2	679.6	6,548.6	6,617.8	**7,179.8**	**7,297.4**
• maturing in < 1 year				6,548.6	6,617.8	6,548.6	6,617.8
• maturing in 2-3 years		171.1	208.8	-	-	171.1	208.8
• maturing in 4- 5 years		109.1	125.6	-	-	109.1	125.6
• maturing in > 5 years		351.0	345.2	-	-	351.0	345.2
IFRS 16 lease debt	8.1.2.	1,296.8	1,286.8	402.9	408.9	**1,699.7**	**1,695.7**
Total non-current and current financial liabilities		**12,133.2**	**11,618.2**	**7,599.6**	**8,340.1**	**19,732.8**	**19,958.3**

8.1.1.1 Non current and current cond issues

Breakdown of bonds

Non-current bond issues mainly comprise publicly offered or traded issuances for €8,488.9 million as of June 30, 2021, including €273.4 million (euro-equivalent) on the US market, and bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE") for €711.7 million.

(€ million)	As of December 31, 2020	As of June 30, 2021	Maturing in 2 to 3 years	Maturing in 4 to 5 years	Maturing in > 5 years
Publicly offered or traded issuances [a]	9,052.7	8,488.9	1,348.5	-	7,140.4
European market [i]	*8,789.0*	*8,215.5*	*1,348.5*	*-*	*6,867.0*
American market [ii]	*263.7*	*273.4*	*-*	*-*	*273.4*
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	713.4	711.7	-	711.7	-
Panda	376.3	389.3	389.3	-	-
Stirling Water Seafield Finance bond issue [b]	39.1	37.4	15.8	16.9	4.7
Other amounts < €50 million in 2020 and 2021	23.7	24.5	7.2	-	17.3
Non-current bond issues	**10,205.2**	**9,651.8**	**1,760.8**	**728.6**	**7,162.4**

(a) Publicly offered or traded issuances :

(i) European market: as of June 30, 2021, an amount of €9,518.6 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €8,215.5 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €30 million at the year-end (non-current portion) ;

(ii) American market: as of June 30, 2021, 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, 2021 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water activities), is GBP 37.4 million (non-current and current portion). This bond issue is recognized at amortized cost for a euro equivalent of €37.4 million as of June 30, 2021 (non-current portion). This bond matures on September 26, 2026.

Change in bonds

On January 11, 2021, Veolia Environnement issued at par a €700 million bond maturing in January 2027 (i.e. 6 years) and bearing a coupon of -0.021%.

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, 2021.

8.1.2 IFRS 16 lease debt

Lease debt recognition and measurement principles are disclosed in Note 7.4.

(€ million)	As of December 31, 2020	As of June 30, 2021
Non-current IFRS 16 lease debt	1,296.8	1,286.8
Current IFRS 16 lease debt	402.9	408.9
IFRS 16 lease debt	**1,699.7**	**1,695.7**

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

(€ million)	IFRS 16 lease debt as of December 31, 2020	As of June 30, 2021		
		Non-current IFRS 16 lease debt	Current IFRS 16 lease debt	IFRS 16 lease debt
France	336.5	232.1	96.6	328.7
Europe excluding France	510.5	379.7	99.1	478.8
Rest of the world	389.6	292.2	91.1	383.3
Global businesses	339.1	297.9	86.6	384.5
Other	124.0	84.9	35.5	120.4
IFRS 16 lease debt	**1,699.7**	**1,286.8**	**408.9**	**1,695.7**

IFRS 16 lease debt by type of assets breaks down as follows:

(€ million)	As of December 31, 2020	As of June 30, 2021
Real estate	70.4%	69.1%
Technical installations, plant and equipment	9.9%	11.4%
Rolling stock and other vehicles	19.7%	19.5%

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

	Non-current		Current		Total	
(€ million)	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021
IFRS 16 lease debt	**1,296.8**	**1,286.8**	**402.9**	**408.9**	**1,699.7**	**1,695.7**
• 1 year	-	-	402.9	408.9	402.9	408.9
• 2 years	328.5	330.9	-	-	328.5	330.9
• 3 years	249.6	260.3	-	-	249.6	260.3
• 4 years	184.5	179.1	-	-	184.5	179.1
• 5 years	127.6	108.4	-	-	127.6	108.4
• > 5 years	406.6	408.1	-	-	406.6	408.1

8.1.3 Non-current and current financial assets

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

(€ million)	Non-current		Current		Total	
	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021
Gross	472.4	405.4	282.7	391.1	755.1	796.5
Impairment losses	(68.8)	(66.6)	(37.4)	(37.2)	(106.2)	(103.8)
Financial assets relating to loans and receivables, net	**403.6**	**338.8**	**245.3**	**353.9**	**648.9**	**692.7**
Other financial assets	**13.0**	**13.1**	**3.5**	**1.4**	**16.5**	**14.5**
Liquid assets and financing financial assets (*)	**10.7**	**12.2**	**824.4**	**958.8**	**835.1**	**971.0**
Total other financial assets, net	**427.3**	**364.1**	**1,073.2**	**1,314.1**	**1,500.5**	**1,678.2**

(*) 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, 2021, the main non-current and current financial assets in loans and receivables primarily comprise loans granted to equity-accounted joint ventures totaling €52.9 million, compared with €156.8 million as of December 31, 2020.

These loans mainly concerned the Chinese concessions for €105.9 million as of December 31, 2020, repaid almost in full following the divestiture of the Shenzhen concessions in the first half of 2021.

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

Movements in cash and cash equivalents, bank overdrafts and other cash position items during the first half of 2021 are as follows:

(€ million)	As of December 31, 2020	As of June 30, 2021
Cash	1,416.7	1,494.6
Cash equivalents	4,423.3	3,959.3
Cash and cash equivalents	**5,840.0**	**5,453.9**
Bank overdrafts and other cash position items	**217.6**	**224.5**
Net cash	**5,622.4**	**5,229.4**

Cash and cash equivalents total €5,453.9 million, including €192.0 million “subject to restrictions” as of June 30, 2021.

Restricted cash comprises €106 million subject to contractual legal restrictions (particularly for the Group’s reinsurance activities), €56 million backing the servicing of local financial liabilities and €30 million in respect of subsidiaries located in countries with currency restrictions.

The decrease in cash and cash equivalents during the period mainly reflects the payment of dividends for €480 million, including €397.0 million paid by the parent company.

As of June 30, 2021, the France segment held cash of €40.1 million, the Europe excluding France segment held cash of €319.0 million, the Rest of the world segment held cash of €424.5 million, the Global businesses segment held cash of €159.3 million and the Other segment held cash of €551.8 million (including €446.2 million held by Veolia Environnement).

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

As of June 30, 2021, cash equivalents were primarily held by Veolia Environnement in the amount of €3,639.2 million, including monetary UCITS of €2,302.3 million and term deposit accounts of €1,336.9 million.

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

8.2.1 Fair value of financial assets and liabilities

Differences between the fair value and net carrying amount of these main financial asset and liability categories have not materially changed since December 31, 2020.

8.2.2 Offsetting of financial assets and financial liabilities

As of June 30, 2021, derivatives managed under ISDA or EFET agreements are the only financial assets and/or liabilities covered by a legally enforceable master netting agreement. These instruments may only be offset in the event of default by one of the parties to the agreement. They are not therefore offset in the accounts.

Such derivatives are recognized in assets in the amount of €205.5 million and in liabilities in the amount of €211.0 million in the Consolidated Statement of Financial Position as of June 30, 2021.

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 financial liabilities net of income from cash and cash equivalents. In addition, the cost of net financial debt includes net gains and losses on derivatives allocated to debt, irrespective of whether they qualify for hedge accounting.

The cost of net financial debt is -€152.4 million for the half-year ended June 30, 2021 compared with -€215.6 million for the half-year ended June 30, 2020. This €63.2 million improvement is mainly due to management of the euro-denominated bond debt, the fall in euro/currency rate spreads and exceptional income of €20.0 million following the cancellation of the interest rate hedging portfolio (pre-hedge) subscribed in 2020.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the cost of net financial debt of continuing and discontinued operations in the first half of 2021, adjusted for accrued interest and fair value adjustments to hedging derivatives.

(€ million)	**Half-year ended June 30, 2020**	**Half-year ended June 30, 2021**
Expenses on gross debt	(172.8)	(141.1)
Assets at fair value through the Consolidated Income Statement (fair value option)*	11.6	(1.4)
Net gains and losses on derivative instruments, hedging relationships and other	(54.4)	(9.8)
Cost of net financial debt	**(215.6)**	**(152.4)**

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

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for the first half of 2021:

- net interest income on hedging relationships (fair value hedges and cash flow hedges) of €22.4 million ;
- net losses on derivatives not qualifying for hedge accounting of -€32.2 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 liabilities and interest on IFRS 16 lease debt.

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021
Net gains and losses on loans and receivables	6.3	15.1
Capital gains and losses on disposals of financial assets, net of disposal costs	0.2	(4.6)
Dividends received	1.0	123.0
Assets and liabilities at fair value through profit or loss	(0.2)	0.4
Unwinding of the discount on provisions	(11.1)	(5.8)
Foreign exchange gains and losses	(7.5)	(0.1)
Interest on concession liabilities	(39.8)	(37.8)
Interest on IFRS 16 lease debt	(17.8)	(14.0)
Other	(15.1)	(45.0)
Other financial income and expenses	**(84.0)**	**31.2**

Dividends received in the first half of 2021 mainly comprise Suez dividends of €122 million received on July 8, 2021.

8.4 Financing commitments

8.4.1 Financing commitments given

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

			Maturing in		
(€ million)	As of December 31, 2020	As of June 30, 2021	Less than 1 year	1 to 5 years	More than 5 years
Letters of credit	50.5	54.4	33.5	14.3	6.6
Debt guarantees	47.7	58.1	5.4	3.3	49.4
Other financing commitments given	42.2	41.8	27.7	1.4	12.7
Total financing commitments given	**140.4**	**154.3**	**66.6**	**19.0**	**68.7**

8.4.2 Financing commitments received

Financing commitments received total €9,442.4 million as of June 30, 2021, compared with €144.9 million as of December 31, 2020.

This increase is mainly due to commitments received from banks on the launch of the Tender Offer for Suez in the amount of €9,300 million. The Offer is financed by a bridge loan with a banking syndicate (see note 3).

8.4.3 Collateral guaranteeing financial liabilities

As of June 30, 2021, the Group has given €5.5 million of collateral guarantees in support of financial liabilities, compared with €47 million as of December 31, 2020. This decrease is mainly due to the cancellation of the pledge relating to the sale of the Shenzhen securities.

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

In the first half of 2021, Veolia Environment performed a share capital increase of €4.9 million by deducting from premiums, in order to grant performance shares to employees as decided by the Board of Directors on May 2, 2018.

9.1.1.2 Number of shares outstanding and par value

The number of shares outstanding was 579,583,189 as of June 30, 2021 and 578,611,362 as of December 31, 2020. 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 12,380,872 of its own shares, representing 2.14% of the Company's share capital, as of June 30, 2021. It held 12,839,673 shares, representing 2.21% of the Company's share capital, as of December 31, 2020.

9.1.3 Appropriation of net income and dividend distribution

The General Shareholders' Meeting of April 22, 2021 set the cash dividend for 2020 at €0.70 per share. The shares went ex-dividend on May 10, 2021 and the dividend was paid from May 12, 2021 for a total amount of €397.0 million.

A dividend of €277.1 million was distributed by Veolia Environnement in 2020 and deducted from 2019 net income.

9.1.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total -€405.6 million as of December 31, 2020 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€47.4 million), the US dollar (-€108.0 million), the pound sterling (-€39.4 million) and the Hong Kong dollar (+€69.4 million).

Accumulated foreign exchange translation reserves total -€370.8 million as of June 30, 2021 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€26.0 million), the US dollar (+€35.1 million), the pound sterling (+€35.6 million) and the Hong Kong dollar (-€32.0 million).

9.1.5 Fair value reserves

Fair value reserves attributable to owners of the Company total +€323.3 million as of June 30, 2021 and -€418.0 million as of December 31, 2020. This increase is mainly attributable to the fair value adjustment to the stake in Suez of €716.9 million, net of acquisition costs. The fair value reserve of Suez shares amounts to +€341.0 million as of June 30, 2021.

9.2 Equity attributable to 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 2021 is mainly due to net income for the period offset by changes in consolidation scope, dividend distributions by subsidiaries, foreign exchange impacts and hedging derivatives.

Net income attributable to non-controlling interests is €95.5 million for the half-year ended June 30, 2021, compared with €66.3 million for the half-year ended June 30, 2020 re-presented.

In the first six months of 2021, this item primarily concerns minority interests in subsidiaries of the Europe excluding France (€60.4 million) and Rest of the world (€30.4 million) operating segments.

9.3 OCEANE convertible bonds

Veolia Environnement issued on September 12, 2019, as part of a private placement without preferential subscription rights, bonds convertible and/or exchangeable for new and/or existing shares ("OCEANEs") maturing on January 1, 2025, for a nominal value of €700 million (see also note 10.1.1.1 to the financial statements for the year ended December 31, 2020).

9.4 Deeply subordinated securities

As disclosed in Note 3, Veolia Environnement performed a €2 billion bond issue on October 14, 2020 to refinance the acquisition of the 29.9% Suez share block from Engie.

This issue comprised two tranches of deeply subordinated perpetual hybrid notes in euros:

- €850 million bearing a coupon of 2.25% until the first reset date in April 2026 ;
- €1,150 million bearing a coupon of 2.50% until the first reset date in April 2029.

Costs relating to this transaction totaled -€23.9 million.

Pursuant to IAS 32.11 and given its intrinsic characteristics (no mandatory repayment, no obligation to pay a coupon except in the event of a dividend distribution to shareholders or the buyback of its own instruments), this instrument is recognized in equity.

9.5 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.

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

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

The weighted average number of outstanding shares in the half year ended June 30, 2021 was 590,765,738 (diluted) and 566,541,904 (basic). The main dilutive instruments taken into account in the calculation of earnings per share for the first half of 2021 are the OCEANE convertible bonds issued on September 12, 2019.

9.6 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.

On May 28, 2019, Veolia Environnement entered into a liquidity contract with Kepler Chevreux, effective June 1, 2019, for an initial period expiring on December 31, 2019, tacitly renewable thereafter for periods of one year. This contract complies with the prevailing legal framework.

NOTE 10 PROVISIONS

Movements in non-current and current provisions in the first six months of **2021** are as follows:

(€ million)	As of December 31, 2020	As of June 30, 2021
Provisions excluding pensions and other employee benefits	**1,584.6**	**1,690.9**
Provisions for pensions and other employee benefits	**772.9**	**805.4**
TOTAL PROVISIONS	**2,357.5**	**2,496.3**
NON-CURRENT PROVISIONS	**1,846.8**	**1,911.9**
CURRENT PROVISIONS	**510.7**	**584.4**

(1) Provisions other than for income tax.

As of June 30, 2021, provisions excluding pensions and other employee benefits primarily comprise provisions for closure costs and post-closure costs (site rehabilitation, dismantling) of €710.7 million, principally accounted for in France in waste recovery and recycling activities for €268.2 million and in United Kingdom for €188.7 million

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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:

(€ million)	Half-year ended June 30, 2020	Half-year ended June 30, 2021
Current income tax (expense) income	**(105.3)**	**(168.2)**
France	(4.5)	(21.4)
Other countries	(100.8)	(146.8)
Deferred tax (expense) income	**50.1**	**(49.8)**
France	(4.1)	(9.4)
Other countries	54.2	(40.4)
Total income tax expense	**(55.2)**	**(218.0)**

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, 2020	Half-year ended June 30, 2021
Net income (loss) from continuing operations (a)	(62.3)	400.6
Share of net income (loss) of associates (b)	12.2	15.4
Share of net income (loss) of joint ventures (c)	28.0	33.0
Share of net income (loss) of other equity-accounted entities (d)	-	-
Income tax expense (e)	(55.2)	(218.0)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	(47.3)	570.2
Effective tax rate	**NA**	**38.23%**

In the half-year ended June 30, 2021, the application of the effective tax rate notably takes account of the expected improvement in the position of the French tax group (in accordance with IAS 34).

11.2 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, 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.

In estimating the risk as of June 30, 2021, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

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, 2021, 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 Flint water plant to switch water sources. In April 2014, the Flint 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 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, 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, discoloration and taste and odor issues. This one-time review (invoiced at USD $40,000), was completed by VWNAOS in approximately four weeks. Throughout that time, and subsequently, Flint continued to retain LAN as its primary water engineering consultant. In December 2014 and during 2015, LAN developed a treatment plan for the Flint River water and submitted reports to Flint that addressed compliance with the Safe Drinking Water Act. In its plan and reports, LAN did not raise or address any concerns that 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, among other things, on tests performed exclusively by Flint, which showed that the city was in compliance with the Lead & Copper rule. This report 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, VWNAOS employees communicated to the public the results of VWNAOS' interim report.

In parallel, Flint conducted lead tests at the home of a Flint resident which revealed high levels of lead in the water but did not share these results with VWNAOS. Michigan government officials maintained that it was an isolated incident, not a system-wide problem.

On March 12, 2015, VWNAOS delivered its final report to Flint, which was 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 taste, odor and discoloration. The report also recommended that Flint work with the State regulators and Flint's engineering firm (LAN) to establish a corrosion control plan. Most of these recommendations were ignored by Flint.

On June 24, 2015, an employee of the U.S. Environmental Protection Agency issued a memorandum summarizing the available information regarding measures taken by Flint and several governmental agencies in response to high lead levels in Flint's drinking water reported by a Flint resident in February 2015.

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 its 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 group of experts from 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 report concluded that the responsibility for the Flint water crisis rested largely with several governmental agencies and 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, Flint, LAN and three of the US subsidiaries of the Company, Veolia North America Inc., VWNAOS and Veolia North America LLC (collectively "VNA"). Flint residents allege that they were injured by exposure to toxins, including lead, contained in Flint River water, and brought several claims against VNA, including for professional negligence and fraud. The federal court dismissed the fraud claims.

Although the Company has been named in several putative class actions and individual actions, it has not been served and is not a party to any of these actions. Only the three U.S. subsidiaries of the Company are active parties in these actions.

In January 2018, a mediation process was ordered by the federal court. The mediators required the participation of all parties to the federal litigation, which includes the three U.S. subsidiaries of the Company, but not the Company itself.

In mid-July 2020, the plaintiffs in the federal putative class action filed their motion for Class Certification. This procedure is ongoing.

In November 2020, the plaintiffs in the putative class actions and individual actions (both state and federal) reached a settlement with some defendants in these actions, including the State of Michigan and Flint, but not VNA, for USD $641.25 million. This settlement agreement remains subject to the final approval of the federal judge. The proceedings will continue with regard to those who are not parties to the settlement, including VNA.

The first trial for the individual federal actions is scheduled to begin in January 2022.

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 filed a new civil action on August 17, 2016. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleged 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 6, 2018, the State of Michigan elected a new Governor and a new Attorney General. The new Attorney General subsequently filed, on April 12, 2019, a new amended complaint against, among others, the Company and its three U.S. 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 U.S. subsidiaries are.

In early November 2019, the state court dismissed all claims against the Company's U.S. subsidiaries and LAN except for a claim for unjust enrichment. In early December 2019, the Attorney General, the Company's U.S. subsidiaries, and the LAN defendants, filed motions to reconsider this decision. Following these motions, the state court maintained the unjust enrichment and professional negligence counts against VNA.

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

Criminal actions

Criminal proceedings were initiated by the former 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. In mid-January 2021, the Michigan Attorney General's Office announced that a Grand Jury had issued criminal indictments against eight former Flint and state officials and one current State official for their alleged roles in the Flint water crisis. The investigation remains open and is ongoing.

Insurance

These lawsuits have been reported to the insurers. Some of the insurers, relying on an exclusion clause contained in their policies, have made it known that they do not intend on covering the financial consequences of VNA's liability, if this were to 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.

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. The treaty was ratified by France on June 12, 2021 and by Lithuania on July 15, 2021. These developments may have an impact on the ICSID arbitration and, as the case may be, on the enforcement of the future award as well as on the proceedings described hereafter.

In July 2020, Lithuania initiated a legal action against the Companies and other respondents before the Vilnius regional court, by which it seeks compensation for damages worth over € 240 million. Lithuania has indicated that this action is a transfer of the counterclaims it previously withdrew from the ICSID arbitration, following the Achmea decision. To date, only VEI, UVE and Litesko have been served with Lithuania's writ of summons. These latter vigorously contest Lithuania's claims. In August 2020, the Vilnius regional court declared Lithuania's claim inadmissible. Lithuania appealed that decision. In March 2021, the court of appeal annulled the decision and remanded the case back to the tribunal. At the end of March 2021, the supreme court accepted the cassation appeal filed by one of the Lithuanian respondents against the decision of the court of appeal. VEI, UVE and Litesko also filed cassation appeals. The proceedings on the merits are currently suspended until the supreme court rules on the cassation appeals.

(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.
Southern Europe

Southern Europe

Veolia Propreté vs. Republic of Italy

In October 2007, Veolia Propreté made very significant investments in Italy through long-term concession contracts for the construction and management of waste recovery and power generation facilities in the regions of Calabria and Tuscany. The Italian subsidiaries of Veolia Propreté were unable to execute the concession contracts due to the serious failures of the Italian authorities. In 2014, these actions caused subsidiaries' bankruptcy and the destruction of Veolia Propreté's investment.

In June 2018, Veolia Propreté commenced an against the Republic of Italy arbitration before the International Center for Settlement of Investment Disputes alleging breaches of the Energy Charter Treaty.

The tribunal was constituted in January 2019. To date, Veolia Propreté claims amounts to circa €300M plus interests.

The arbitration is underway.

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.

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.

KSPC obtained payment of the first and second letter of guarantee in November 2020 and 2019, respectively.

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

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

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 the District Court, City and County of Denver, Colorado, in the United States, 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 $800 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. The consolidated proceedings were suspended for a few months due to COVID 19. The proceedings are now ongoing.

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 2020 Consolidated financial statements (see Note 8.4 and Note 7.2.4) there have been no material developments in relations with other related parties as of June 30, 2021.

NOTE 14 SUBSEQUENT EVENTS

With the exception of the items presented in Note 3 relating to:

- the notice of compliance on the proposed public tender offer received from the AMF on July 20, 2021;
- the notice published by the AMF on July 28 specifying that the public tender offer is opened from July 29, 2021;

No significant event occurred between the closing date and the date on which the consolidated accounts are closed by the board of directors.

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NOTE 15 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2021, Veolia Environnement Group accounted for a total of 1,571 companies, compared with 1,662 companies as of December 31, 2020.

The decrease in the number of consolidated companies is mainly due to the divestiture of 89 Shenzhen water concession companies.

The list of main subsidiaries, excluding the Shenzhen concessions, has not materially changed since December 31, 2020.

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2.1.7 STATUTORY AUDITOR'S REVIEW REPORT ON THE CONDENSED INTERMIM CONSOLIDATED FINANCIAL STATEMENT

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

To the Shareholders,

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

- -the review of the accompanying condensed interim consolidated financial statements of Veolia Environnement, for the period from January 1 to June 30, 2021;
- -the verification of the information contained in the half-year management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors on July 28, 2021, on the basis of the information available at that date.

Due to the global crisis related to the Covid-19 pandemic, the condensed interim consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

Our role is to express a conclusion on these financial statements based on our review.

Conclusion on the financial statements

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

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

Specific verifications

We have also verified the information presented in the half-year management report on the condensed interim consolidated financial statements subject to our review prepared on July 28, 2021.

We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

The Statutory Auditors

Paris-La Défense, July 29, 2021

KPMG Audit	ERNST & YOUNG et Autres
A Division of KPMG S.A.	
Baudouin Griton Eric Jacquet	Jean-Yves Jégourel Quentin Séné

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DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT

3.1 Declaration by the person responsible for the half-yearly financial report

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

Aubervilliers,

July 2021, 29

Chairman and Chief Executive Officer

Antoine Frérot

Veolia Environnement
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