CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2019

Contents

Consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position - assets

(€ million)		As of December 31, 2018	As of December 31, 2018 represented (*)	As of June 30, 2019
Goodwill	Note 6.1	5,107.7	5,107.7	5,069.8
Concession intangible assets	Note 6.2.1	3,467.3	3,467.3	3,357.0
Other intangible assets	Note 6.2.2	1,116.3	1,116.3	1,163.5
Property, plant and equipment	Note 6.3	7,856.8	7,856.8	7,290.5
Rights of use (net)	Note 6.4	-	1,621.9	1,638.5
Investments in joint-ventures	Note 5.2	1,517.1	1,511.1	1,522.4
Investments in associates	Note 5.2	370.2	370.2	369.5
Non-consolidated investments		44.3	44.3	46.6
Non-current operating financial assets	Note 5.4	1,387.1	1,387.1	1,349.3
Non-current derivative instruments - Assets	Note 7.2	31.6	31.6	45.8
Other non-current financial assets	Note 7.1.3	332.8	332.8	362.1
Deferred tax assets		1,028.3	1,058.4	1,077.7
Non-current assets		**22,259.5**	**23,905.5**	**23,292.7**
Inventories and work-in-progress	Note 5.3	818.0	818.0	841.6
Operating receivables	Note 5.3	9,016.3	9,010.0	9,216.8
Current operating financial assets	Note 5.4	99.3	99.3	94.9
Other current financial assets	Note 7.1.3	432.2	432.2	748.1
Current derivative instruments - Assets	Note 7.2	69.2	69.2	45.7
Cash and cash equivalents	Note 7.1.4	4,556.5	4,556.5	3,835.5
Assets classified as held for sale	Note 3.2	341.8	341.8,	853.3
Current assets		**15,333.3**	**15,327.0**	**15,635.9**
TOTAL ASSETS		**37,592.8**	**39,232.5**	**38,928.6**

( ) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

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

Consolidated statement of financial position - equity and liabilities

(€ million)		As of December 31, 2018	As of December 31, 2018 represented (*)	As of June 30, 2019
Share capital	Note 8.1.1	2,828.0	2,828.0,	2,829.1,
Additional paid-in capital		7,182.5	7,182.5	7,181.3,
Reserves and retained earnings attributable to owners of the Company		-4,025.1	-4,126.4	-4,387.5
Total equity attributable to owners of the Company	Note 8.1	**5,985.4**	**5,884.1**	**5,622.8**
Total equity attributable to non-controlling interests	Note 8.2	1,158.9	1,152.1	1,172.8
Equity		**7,144.3**	**7,036.2**	**6,795.6**
Non-current provisions	Note 9	1,790.3	1,800.6	1,817.7
Non-current borrowings	Note 7.1.1	9,655.5	9,517.6	10,295.1
Non-current lease debt (IFRS 16)	Note 7.1.2	-	1,479.4	1,426.9
Non-current derivative instruments - Liabilities	Note 7.2	55.8	55.8	44.0
Concession liabilities - non current	Note 5.5	1,350.4	1,350.4	1,286.4
Deferred tax liabilities		1,042.6	1,042.6	995.2
Non-current liabilities		**13,894.6**	**15,246.4**	**15,865.3**
Operating payables	Note 5.3	10,964.9	10,964.9	10,180.7
Current lease debt (IFRS 16)	Note.7.1.2	-	425.2	426.7
Concession liabilities - current	Note 5.5	117.9	118.0	106.3
Current provisions	Note 9	530.1	529.7	513.0
Current borrowings	Note 7.1.1	4,622.5	4,593.6	4,328.1
Current derivative instruments - Liabilities	Note 7.2	83.7	83.7	104.3
Bank overdrafts and other cash position items	Note 7.1.4	215.7	215.7	333.2
Liabilities directly associated with assets classified as held for sale	Note 3.2	19.1	19.1	275.4
Current liabilities		**16,553.9**	**16,949.9**	**16,267.7**
TOTAL EQUITY AND LIABILITIES		**37,592.8**	**39,232.5**	**38,928.6,**

( ) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

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

CONSOLIDATED INCOME STATEMENT

(€ million)		Half-year ended June 30, 2018 represented (*)	Half-year ended June 30, 2019
Revenue	**Note 5.1**	**12,587.9**	**13,323.9**
Cost of sales	Note 5.2	-10,439.8	-11,134.5
Selling costs	Note 5.2	-297.9	-305.5
General and administrative expenses	Note 5.2	-1,090.1	-1,089.6
Other operating revenue and expenses	Note 5.2	-67.8	-54.1
Operating income before share of net income (loss) of equity-accounted entities	**Note 5.2**	**692.2**	**740.1**
Share of net income (loss) of equity-accounted entities		**58.1**	**56.3**
o/w share of net income (loss) of joint ventures	Note 5.2	29.9	37.8
o/w share of net income (loss) of associates	Note 5.2	28.2	18.5
Operating income after share of net income (loss) of equity-accounted entities		**750.3**	**796.4**
Net finance costs	Note 7.3.1	-199.6	-222.5
Other financial income and expenses	Note 7.3.2	-69.3	-39.6
Pre-tax net income (loss)		**481.4**	**534.3**
Income tax expense	Note 10.1	-123.7	-98.9
Share of net income (loss) of other equity-accounted entities	Note 5.2	-	-
Net income (loss) from continuing operations (1)		**357.8**	**435.4**
Net income (loss) from discontinued operations (1)	Note 3.2.1	-44.6	-15.9
Net income (loss) for the period		**313.1**	**419.5**
Attributable to owners of the Company		**226.1**	**331.4**
Attributable to non-controlling interests	Note 8.2	87.0	88.1
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 8.4	**-**	**-**
Diluted		0.29	0.60
Basic		0.28	0.57
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 8.4	-	-
Diluted		0.37	0.63
Basic		0.36	0.60
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 8.4	-	-
Diluted		-0.08	-0.03
Basic		-0.08	-0.03

( ) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Half-year ended June 30, 2018 represented (1)	Half-year ended June 30, 2019
Net income (loss) for the period	**313.1**	**419.5**
Actuarial gains or losses on pension obligations	15.3	-33.6
Income tax expense	-6.0	-1.8
Amount net of tax	9.3	-35.4
Other items of comprehensive income not subsequently released to net income	**9.3**	**-35.4**
o/w attributable to joint-ventures	**-**	**-**
o/w attributable to associates	***-0.2***	**-**
Fair value adjustments on available-for-sale assets	-2.7	4.6
Income tax expense	0.6	-1.4
Amount net of tax	-2.1	3.3
Fair value adjustments on cash flow hedge derivatives	3.9	-3.9
Income tax expense	-1.2	0.6
Amount net of tax	2.7	-3.3
Foreign exchange gains and losses:	-	-
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	-35.4	34.5
Amount net of tax	-35.4	34.5
• on the net financing of foreign operations	-17.5	-7.3
• income tax expense	-0.3	-0.1
Amount net of tax	-17.8	-7.4
Other items of comprehensive income subsequently released to net income	**-52.6**	**37.6**
o/w attributable to joint-ventures (2)	***22.8***	***12.2***
o/w attributable to associates	***-4.6***	***2.9***
Total Other comprehensive income	**-43.3**	**2.2**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**269.8**	**411.2**
Attributable to owners of the Company	188.8	317.3
Attributable to non-controlling interests	81.0	93.9

(1) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.

(2) The share attributable to joint ventures mainly concerns the change in foreign exchange translation reserves of the Chinese concessions (+€11.8 million in the half-year ended June 30,2019 and +€16.4 million in the haf-year ended June 30,2018 represented).

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

CONSOLIDATED CASH-FLOW STATEMENT

(€ million)	Notes	Half-year ended June 30, 2018 represented	Half-year ended June 30, 2019
Net income (loss) for the period		**313.2**	**419.5**
Net income (loss) from continuing operations		***357.8***	***435.4***
Net income (loss) from discontinued operations		***-44.6***	***-15.9***
Operating depreciation, amortization, provisions and impairment losses		884.5	943.3
Financial amortization and impairment losses		1.2	-0.3
Gains (losses) on disposal of operating assets		-3.9	-0.8
Gains (losses) on disposal of financial assets		-25.3	-59.1
Share of net income (loss) of joint ventures	Note 5.2	-29.9	-37.8
Share of net income (loss) of associates		-28.2	-18.5
Dividends received		-1.6	-1.0
Net finance costs	Note 7.3.1	199.6	222.5
Income tax expense	Note 10	123.7	98.8
Other items		76.5	77.6
Operating cash flow before changes in operating working capital		**1,554.3**	**1,660.2**
Change in operating working capital requirements		-786.9	-907.5
Change in concession working capital requirements		-72.9	-51.8
Income taxes paid		-104.1	-142.4
Net cash from operating activities of continuing operations		**590.4**	**558.4**
Net cash from operating activities of discontinued operations		***-1.0***	***-24.4***
Net cash from operating activities		**589.3**	**534.1**
Industrial investments, net of grants		-576.0	-672.6
Proceeds on disposal of industrial assets		29.1	36.7
Purchases of investments	Note 3.1	-259.3	-194.6
Proceeds on disposal of financial assets	Note 3.1	132.4	377.7
Operating financial assets		-	-
New operating financial assets	Note 5.4	-55.4	-70.5
Principal payments on operating financial assets	Note 5.4	71.6	102.2
Dividends received (including dividends received from joint ventures and associates)		94.9	61.0
New non-current loans granted		-66.7	-78.6
Principal payments on non-current loans		58.9	55.5
Net decrease/increase in current loans		-40.5	-21.9
Net cash used in investing activities of continuing operations		**-610.9**	**-405.1**
Net cash used in investing activities of discontinued operations		-	-
Net cash used in investing activities		**-610.9**	**-405.1**
Net increase (decrease) in current borrowings	Note 7.1.1	-550.4	-291.5

(€ million)	Notes	Half-year ended June 30, 2018 represented (*)	Half-year ended June 30, 2019
Fluctuation of current lease debt (IFRS 16)	7.1.2	-214.5	-226.2
Repayment of hybrid debt	-	-1,452.1	-
Repayment of new non-current lease debt (IFRS 16)	7.1.2	-14.2	-39.3
New non-current borrowings and other debts	Note 7.1.1	133.9	830.5
Principal payments on non-current borrowings and other debts	Note 7.1.1	-71.6	-30.0
Change in liquid assets and financing financial assets	Note 7.1.3	-185.8	-273.8
Proceeds on issue of shares	Note 8.1	2.1	2.1
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases		-86.3	-2.5
Transactions with non-controlling interests: partial sales		1.3	8.4
Proceeds on issue of deeply subordinated securities		-	-
Coupons on deeply subordinated securities	Note 8.3	-66.4	-
Purchases of/proceeds from treasury shares		-13.4	-0.1
Dividends paid		-550.9	-620.4
Interest paid	Note 7.3.1	-218.0	-229.8
Interest on operating assets - IFRIC 12	Note7.3.2	-45.5	-40.3
Interest on lease debt (IFRS 16)	Note 7.3.2	-23.4	-22.8
Net cash from (used in) financing activities of continuing operations		***-3,355.4***	***-974.4***
Net cash from financing activities of discontinued operations		**-**	**-**
Net cash from (used in) financing activities		**-3,355.4**	***-974.4***
Effect of foreign exchange rate changes and other		-10.3	5.9
Increase (decrease) in external net cash of discontinued operations		-	1.0
Net cash at the beginning of the year		**6,056.1**	**4,340.8**
Net cash at the end of the year		**2,668.8**	**3,502.3**
Cash and cash equivalents	Note 7.1.4	2,929.4	3,835.5
Bank overdrafts and other cash position items	Note 7.1.4	261.4	333.2
Net cash at the end of the year		**2,668.8**	**3,502.3**

( ) 2018 adjustments concern the application of IFRS 16 (see Note 1.1.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations*

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

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 January 1, 2018	**563,364,823.0**	**2,816.8**	**7,161.2**	**1,195.1**	**-434.1**	**-3,231.2**	**28.7**	**-56.3**	**7,480.2**	**1,153.7**	**8,633.9**
IFRS 16 impact	-	-	-	-	-	-104.1	-	-	-104.1	-5.8	-109.9
Amount as of January 1, 2018 represented	**563,364,823**	**2,816.8**	**7,161.2**	**1,195.1**	**-434.1**	**-3,335.3**	**28.7**	**-56.3**	**7,376.1**	**1,147.9**	**8,524.0**
Issues of share capital of the parent company	-	-	-	-	-	-	-	-	-	-	-
Proceeds on issue of deeply subordinated securities	-	-	-	**-1,470.2**	-	**18.1**	-	-	**-1,452.1**	-	**-1,452.1**
OCEANE equity component	-	-	-	-	-	-	-	-	-	-	-
Reclassification Hybrid / Coupon on deeply subordinated securities				359.1	**359.1**						
Coupon on deeply subordinated securities	-	-	-	-66.4	-	-	-	-	-66.4	-	-66.4
Parent company dividend distribution	-	-	-	-	-	-462.6	-	-	-462.6	-	-462.6
Elimination of treasury shares	-	-	-	-	-13.4	-	-	-	-13.4	-	-13.4
Share-based payments	-	-	-	-	-	6.2	-	-	6.2	-	6.2
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	2.1	2.1
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	-88.3	-88.3
Transactions with non-controlling interests	-	-	-	-	-	-60.1	-	-	-60.1	-25.6	-85.7
Total transactions with non-controlling interests	**-**	**-**	**-**	**-1,177.5**	**-13.4**	**-857.5**	**-**	**-**	**-2,048.4**	**-111.8**	**-2,160.2**
Other comprehensive income	-	-	-	-	-	9.2	-46.5	-	-37.3	-5.9	-43.2
Net income for the period	-	-	-	-	-	226.1	-	-	226.1	87.0	313.1
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**235.3**	**-46.5**	**-**	**188.8**	**81.1**	**269.9**
Other movements	-	-	-	-	-	-6.8	-	-	-6.8	-21.9	-28.7
Amount As of June 30, 2018	**563,364,823**	**2,816.8**	**7,161.2**	**17.6**	**-447.5**	**-3,964.3**	**-17.8**	**-56.3**	**5,509.7**	**1,095.3**	**6,605.0**

(€ 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, 2018	**565,593,341**	**2,828.0**	**7,182.5**	**17.6**	**-444.1**	**-3,433.0**	**-103.1**	**-62.5**	**5,985.4**	**1,158.9,**	**7,144.3**
IFRS 9 impact	0	-	-	-	-	-102.1	0.9	-	-101.2	-6.8	-108.0
Amount As of December 31, 2018 represented	**565,593,341**	**2,828.0**	**7,182.5**	**17.6**	**-444.1**	**-3,535.1**	**-102.2**	**-62.5**	**5,884.2**	**1,152.1,**	**7,036.3**
Issues of share capital of the parent company	232,280	1.2	-1.2	-	-	-	-	-	-	-	-
Proceeds on issue of deeply subordinated securities	-	-	-	-	-	-	-	-		-	-
OCEANE Equity component	-	-	-	-	-	-	-	-	-	-	-
Reclassification of hybrid debt / deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities	-			-	-	-	-	-	-	-	-
Parent company dividend distribution	-	-	-	-	-	-509.1	-	-	-509.1	-	-509.1
Elimination of treasury shares	-	-	-	-	-0.1	-	-	-	-0.1	-	-0.1
Share-based payments	-	-	-	-	-	8.8	-	-	8.8	-	8.8
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	2.2	2.2
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	-111.3	-111.3
Transactions with non-controlling interests	-	-	-	-	-	11.7	-	-	11.7	-3.7	8.0
Total transactions with non-controlling interests	**232280**	**1.2**	**-1.2**	**-**	**-0.1**	**-488.6**	**-**	**-**	**-488.7**	**-112.8**	**-601.5**
Other comprehensive income	-	-	-	-	-	-35.4	20.0	1.3	-14.1	5.8	-8.3
Net income for the period	-	-	-	-	-	331.4	-	-	331.4	88.1	419.5
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**296.0**	**20.0**	**1.3,**	**317.3**	**93.9**	**411.2**
Other movements	-	-	-	-	-	-90.0	-	-	-90.0	39.6	-50.4
Amount As of June 30, 2019	**565,825,621**	**2,829.2**	**7,181.3**	**17.6**	**-444.2**	**-3,817.7**	**-82.2**	**-61.2**	**5,622.8**	**1,172.8,**	**6,795.6**

The dividend distribution per share was €0.92 in fiscal year 2019 and €0.84 in fiscal year 2018.

The total dividend paid recorded in the Consolidated Cash Flow Statement of -€550.9 million and -€620.4 million for the half-years ended June 30, 2018 and June 30, 2019, respectively, breaks down as follows:

(€ million)	**Half-year ended June 30, 2018**	**Half-year ended June 30, 2019**
Parent company dividend distribution	-462.6	-509.1
Third party share in dividend distributions of subsidiaries	-88.3	-111.3
Scrip dividend	-	-
TOTAL DIVIDEND PAID	**-550.9**	**-620.4**

Notes to the consolidated financial statements

Contents

NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

The Group's condensed interim consolidated financial statements for the half-year ended June 30, 2019 were prepared under the responsibility of the Board of Directors, which met on July 31, 2019.

1.1 Accounting standards framework

1.1.1 Basis underlying the preparation of the financial information

Pursuant to European Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation 297/2008 of March 11, 2008, the condensed interim consolidated financial statements of Veolia Group (the "Group") for the half-year ended June 30, 2019 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, 2018.

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

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

These half-year financial statements have been drawn up in accordance with the principles used for the preparation of the 2018 consolidated financial statements, except for the items presented below and the specific requirements of IAS 34.

1.1.2 New standards and interpretations

The accounting policies and methods are presented in detail in the consolidated financial statements for the year ended December 31, 2018.

TEXTS OF MANDATORY EFFECT FOR THE FIRST TIME WITHIN THE GROUP AS OF JANUARY 1, 2019:

- **IFRS 16, *Leases*:**

Since the 1st of January, 2019 Veolia applies a new norm on lease contracts (IFRS16) instead of the norm IAS 14, the interpretation implied by IFRIC 4 (concerning the agreements contained in lease contracts) and SIC15/SIC27 (interpretations concerning simple renting and substantial lease contracts).

Application of this new standard requires the recognition in the balance sheet of all lease commitments as defined in the new standard and does not distinguish between operating leases, currently disclosed until now in off-balance sheet commitments, and finance leases.

The implementation of this new standard implies in the balance sheet recognition of

- A new asset called Right of use which represents the right of using the rent asset during the length of the rental contract

- A debt called IFRS16 lease liability, which represents rental fees commitments

At consolidated income statement, it implies the recognition of

- A Right of use amortization
- A Financial interests on lease debt

The Group has implemented a dedicated IT solution to calculate the impacts of leases and enable their operational monitoring. This is used to:

- input leases (around 45,000 leases were in effect at the transition date);
- periodically update information (new contracts, amendments to existing contracts);
- generate accounting journals and monitoring reports.

Accounting policies and methods adopted

The Group has elected to apply IFRS 16 as of January 1, 2019 using the full retrospective method, leading to the recognition of impacts in the opening balance sheet as of January 1, 2018.

In accordance with IFRS 16 transition provisions, the Group did not re-assess contracts identified as containing or not containing a lease under IAS 17/IFRIC 4.

The accounting exemptions allowed under the standard for short-term leases (12 months or less) and leases of assets with a low value, were applied. The Group adopted a threshold of US$5,000 or €5,000 for low value assets. The rents of the contracts not included in the perimeter defined by the norm IFRS16, as well as variable payments, remain accounted as an operational expense.

Of the structuring points contained in this new standard, the Group focused particularly on lease terms, options contained in contractual agreements and discount rates to be applied.

- The Group analyzes each lease individually to determine its term and, in the absence of renewal and/or early termination options that are reasonably certain to be exercised or not exercised, the enforceable period is adopted;
- As authorized by the standard, the Group has elected not to use the rate implicit in the lease as the discount rate, and has developed a calculation method to determine the incremental borrowing rate that would apply to the financing of our leased assets.

The discount rate is calculated by currency and maturity based on the following parameters: reference rate of the relevant currency and the Veolia credit spread, the Group satisfying, through access to the bond market, the majority of the financing requirements of its subsidiaries.

The group has recognized differed taxes on the net position of the temporal gap linked to the assets and liabilities issued by application of the norm IFRS 16.

The new norm on lease contracts is impacting the main aggregates of the consolidated income statement and financial statement as followed:

(in €M)	Dec 2018 adjusted excluding IFRS16	Impact IFRS 16	Dec 2018 including IFRS16
Net non-current assets	22,259	1,646	23,906
Including Right of Use (net)	*0*	*1,622*	*1,622*
Current assets	15,333	-6	15,327
Total Assets	**37,592**	**1,640**	**39,232**
	,	,	,
Shareholders equity	7,144	-108	7,036
Non-current liabilities	13,895	1,352	15,246
Including non-current lease debt	*0*	*1,342*	*1,342*
Current liabilities	16,554	396	16,950
Including current lease debt	*0*	*396*	396
Total Liabilities	**37,593**	**1,640**	**39,232**

(in €M)	June 2018 adjusted excluding IFRS 16	Impact IFRS 16	June 2018 including IFRS 16	June 2019 adjusted excluding IFRS 16	Impact IFRS 16	June 2019 including IFRS 16
Revenue	12,588	0	12,588	13,324	0	13,324
Operating result	727	23	750	771	25	796
Net income	313	1	313	418	2	419
Net income group share	225	1	226	330	2	331

The Group is closely monitoring ongoing lease discussions within the IFRIC Interpretations Committee, and will adjust the accounting methods adopted where necessary.

- **IFRIC 23, *Uncertainty over Income Tax Treatments*:**

As from January 1, 2019, the Group applies the text on uncertain tax positions (IFRIC 23) clarifying the application of IAS 12, Income Taxes, provisions on measurement and recognition when uncertainty exists over the income tax treatment.
Procedures carried out by the Group did not identify any material impact of the first-time application of this text. The Group is closely monitoring ongoing discussions within the IFRIC Interpretations Committee, and will adjust the accounting methods adopted where necessary.

- **Amendment to IFRS 9, Financial Instruments,** regarding prepayment features with negative compensation;
- **Amendment to IAS 28**, regarding long-term interests in associates and joint ventures;
- **Amendments resulting from the IFRS annual improvement process (2015-2017 cycle);**
- **Amendment to IAS 19** regarding plan amendments, curtailments and settlements.

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

TEXTS WHICH ENTER INTO MANDATORY EFFECT AFTER JUNE 30, 2019 AND NOT ADOPTED EARLY BY THE GROUP:

- **IFRS 17, Insurance contracts;**
- **Amendment to IFRS 3,** regarding the definition of a business;
- **Amendments to IAS 1 and IAS 8**, regarding the definition of material.

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

1.1.3 Seasonality of 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, 2019 and certain key performance indicators such as working capital reflect the impact of these combined factors and therefore may not be extrapolated over the whole year.

1.2 Translation of foreign subsidiaries' financial statements

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

Period-end exchange rate (one foreign currency unit = €xx)	**As of June 30, 2018**	**As of June 30, 2019**	**Year ended December 31, 2018**
U.S. Dollar	0.8578	0.8787	0.8734
Pound sterling	1.1286	1.1154	1.1179
Chinese renminbi	0.1295	0.1280	0.1268
Australian dollar	0.6334	0.6156	0.6165
Polish zloty	0.2287	0.2353	0.2325
Argentinian Peso	0.0305	0.0207	0.0232
Mexican Peso	0.0437	0.0458	0.0445
Brazilian Real	0.2228	0.2298	0.2250
Czech crown	0.0384	0.0393	0.0389

Average exchange rate (one foreign currency unit = €xx)	**Average half-year 2018**	**Average half-year 2019**	**Average annual rate 2018**
U.S. Dollar	0.8258	0.8852	0.8465
Pound sterling	1.1367	1.1444	1.1304
Chinese renminbi	0.1298	0.1303	0.1281
Australian dollar	0.6371	0.6250	0.6328
Polish zloty	0.2370	0.2330	0.2347
Argentinian Peso	0.0384	0.0213	0.0304
Mexican Peso	0.0434	0.0462	0.0440
Brazilian Real	0.2415	0.2302	0.2322
Czech crown	0.0392	0.0389	0.0390

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

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.

All these estimates are based on organized procedures for the collection of forecast information on future flows, validated by operating management, and on expected market data based on external indicators and used in accordance with consistent and documented methodologies.

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.

With regard to Brexit, uncertainties remain as to the terms of the United Kingdom’s exit from the European Union and its long-term consequences for Waste activities. The Group's exposure to foreign exchange transaction risk is limited, as the Group’s activities are performed by subsidiaries operating in their own countries and their own currency. With regard to foreign exchange risk on assets, as it is Group policy to back net foreign investments with foreign-currency financing or foreign currency derivatives, the Group does not have a material foreign exchange position that could generate significant volatility in foreign exchange gains and losses.

In this context, the consolidated financial statements for the period were prepared based on the current environment, particularly with respect to the estimates presented below.

Pursuant to the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the Group must exercise judgment in determining whether the criteria for recognizing an asset or group of assets as held for sale are met and when valuing these assets. Furthermore, discontinued operations are identified with respect to criteria also defined in IFRS 5. These assessments are reviewed at each period end taking account of any changes in facts or circumstances.

The following notes are set-out in detail in the consolidated financial statements for the year ended December 31, 2018.

Notes 6 on goodwill, intangible assets and property plant and equipment.

Note 7 on the policies applied to determine financial instrument fair values.

Note 10 on the Group's income tax expense. The income tax expense for the period is calculated by applying the estimated effective annual tax rate to the pre-tax income of the period, adjusted for any one-off items.

Notes 9 and 11 on provisions and employee benefit obligation on one hand and contingent assets and liabilities on the other hand, detail the provisions recognized by Veolia Environnement. Veolia determined these provisions based on best estimates of these obligations.

When considering impairment tests, rates were reviewed at the June 30, 2019 period-end and had not materially changed since December 31, 2018. In accordance with Group practice, discount rates used pursuant to IAS 36, Impairment of Assets, correspond to the weighted-average cost of capital calculated annually in each of the relevant geographic areas. A specific risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro area and the following euro area countries: Spain, Italy, Portugal and Slovenia.

NOTE 3 CONSOLIDATION SCOPE

3.1 Main changes in Group structure

ACQUISITIONS

- Levice (Slovakia)

On February 22, 2019, Veolia Slovenska acquired the entire share capital of Levice, a specialist in the production of heat from gas and cogeneration in Slovakia, for a consideration of €71 million, equal to the value of the shares plus acquired debt.

- Renascimento (Portugal)

On January 30, 2019, the Group acquired Renascimento, a waste processing and recycling company in Portugal, for a consideration of €38 million, equal to the value of the shares plus acquired debt.

- Huafei (China)

On January 28, 2019, Veolia China Holding Limited acquired 66% of the share capital of Huafei, a specialist in plastic recycling in China, for a consideration of €22 million.

DIVESTITURES

- Transdev Group

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

- Foshan (China)

As part of its asset rotation policy, the Group sold its entire stake in Foshan (a landfill facility) through its subsidiary Veolia Environmental Services China Ltd during the first quarter for a consideration net disposal costs of €49 million with a capital gain of €37 million.

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

3.2.1 Main changes

- Lithuania

Follow-up of procedures on Vilnius and Litesko contracts are detailed in Note 11 - Contingent assets and liabilities.

Discussions during the first-half of 2019 were unable to agree a process committing to the divestiture of Litesko. Accordingly, the Lithuanian assets and liabilities were reclassified in continuing operations as of June 30, 2019.

- Gabon

As a reminder, Veolia Africa, through its 51% subsidiary, Société d'Eau et d'Energie du Gabon (SEEG), has managed the distribution of drinking water and electricity throughout all Gabon under the terms of a concession agreement signed in 1997 and extended for five years in March 2017.

On February 16, 2018, the Gabonese Republic unilaterally terminated the concession agreement signed with Veolia Africa's subsidiary, SEEG – Société d'énergie et d'eau du Gabon, (Gabon Energy and Water Company), alleging several reasons including that of general interest. At the end of the conciliation process, SEEG and Veolia Africa launched arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID).

As of December 31, 2018, the cessation of activities in Gabon led the Group to classify SEEG in net income from discontinued operations in accordance with IFRS 5. Capital employed in Gabon and outstanding receivables between SEEG (debtor) and other Group subsidiaries, were impaired in full.

March 1, 2019 following negotiations between the parties Gabon and Veolia Africa signed a settlement agreement providing for the transfer of 51% of SEEG shares held by Veolia Africa to the Société de Patrimoine du Service public de l'eau potable, de l'énergie électrique et de l'assainissement, a company owned by Gabon, for a price of 45 million euros.By signing this agreement and transferring SEEG shares Gabon and the Group mutually and definitively released all claims and actions arising from the concession agreement terminated by Gabon.ICSID took note of the discontinuance of the proceeding and incorporated the settlement agreement in an award dated March 29, 2019.

A down payment of 4.5 million euros was made to Veolia Africa upon the signing of the settlement agreement. The outstanding balance has been divided into 6 monthly installments and the last shall be due in October 2019.   .

As of June 30, 2019, the Group recognized the first 3 payments received at the issuing date of the present document (payments will be recognized in the income statement as they are settled).

- Heating and cooling network business - United States (see Note 13 Post closing events)

The Group has launched a divestiture process for its heating and cooling network business in the United States.

In this context , the Group classified the assets and liabilities of the scope being sold in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale as of June 30, 2019.

- Discontinuation of Engineering, Procurement and Construction (EPC) international activities

On January the 1st 2019, the Group has decided to stop its EPC (Engineering, Procurement and Construction) international activities. Results of this activity are from now on classified in discontinued operations pursuant to IFRS 5.

3.2.2 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 June 30, 2019	As of December 31, 2018 represented
Assets classified as held for sale	853.3	341.8
Liabilities directly associated with assets classified as held for sale	275.4	19.1

As of June 30, 2019, the main asset and liability categories recorded in 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	-	-	781.8	-	-	781.8
Current assets	-	-	69.4	-	-	69.4
Cash and cash equivalents	-	-	2.1	-	-	2.1
ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**-**	**853.3**	**-**	**-**	**853.3**
Liabilities	-	-	-	-	-	-
Non-current liabilities	-	-	224.2	-	-	224.2
Current liabilities	-	-	51.2	-	-	51.2
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**-**	**275.4**	**-**	**-**	**275.4**

As of June 2019, liabilities directly associated with assets classified as held for sales encompasses debt tied to the purchase of minority stake in the asset of Heating and cooling network business in the United States ($ 128 million), to be divested.

As of December 31, 2018, the main asset and liability categories recorded in 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	-	20.9	-	-	304.0	324.9
Current assets	-	15.1	-	-	-	15.1
Cash and cash equivalents	-	1.8	-	-	-	1.8

ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**37.8**	**-**	**-**	**304.0**	**341.8**
Liabilities	-	-	-	-	-	-
Non-current liabilities	-	5.1	-	-	-	5.1
Current liabilities	-	14.0	-	-	-	14.0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD	**-**	**19.1**	**-**	**-**	**-**	**19.1**

3.3 Off-balance sheet commitments related to consolidation scope

3.3.1 Commitments given

Off-balance sheet commitments given break down as follows:

(€ million)	As of December 31, 2018	As of June 30, 2019	Maturing in: Less than 1 year	Maturing in: 1 to 5 years	Maturing in: More than 5 years
Vendor warranties	590.7	593.8	47.6	51.8	494.4
Securities purchase commitments	186.7	69.0	22.6	46.3	0.1
Sale commitments	0.3	0.3	0.3	-	-
Other commitments relating to the consolidated scope	23.0	16.2	15.7	-	0.5
TOTAL COMMITMENTS RELATING TO THE CONSOLIDATED SCOPE	**800.7**	**679.3**	**86.2**	**98.1**	**495.0**

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

Purchase commitments: The decrease in purchase commitments during the half-year is mainly due to the completion of investments undertaken in 2018, and primarily the acquisition of Renascimiento in Portugal and the Levice Group in Slovakia.

Agreements with EDF: Further to the completion of the redistribution transaction on July 25, 2014, Veolia Environnement granted EDF a call option covering its Dalkia International, renamed Veolia Energie International, shares exercisable should an EDF competitor take control of this company. Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia France shares, exercisable should a Veolia Environnement competitor take control. This call option is not included in the above table. The 5-year call option expires on July 25, 2019.

3.3.2 Commitments received

Commitments received relating to the consolidated scope total €276.9 million as of June 30, 2019, compared with €248.4 million as of December 31, 2018.

NOTE 4 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.

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 reimbursements of OFAS.

The main financial indicators by operating segment are as follows:

Half-year ended June 30, 2019							**Joint-ventures Data in Group share**
(€ million)	**France**	**Europe excluding France**	**Rest of the World**	**Global Businesses**	**Other**	**Total consolidated financial statements**	**Chinese Water concessions**
Revenue	2,759.2	4,789.3	3,484.3	2,275.7	15.4	**13,323.9**	365.0
EBITDA	435.5	802.8	545.6	172.2	45.8	**2,001.9**	84.1
Operating income after share of net income (loss) of equity-accounted entities	66.2	423.4	260.4	51.3	-5.0	**796.4**	48.5
Industrial investments net of subsidies	-124.0	-217.4	-269.5	-48.8	-12.9	**-672.6**	-39.2

Half-year ended June 30, 2018 represented (1)							**Joint-ventures Data in Group share**
(€ million)	**France**	**Europe excluding France**	**Rest of the World**	**Global Businesses**	**Other**	**Total consolidated financial statements**	**Chinese Water concessions**
Revenue	2,655.9	4,540.0	3,191.8	2,185.2	15.0	**12,587.9**	336.9

EBITDA	421.6	807.4	500.0	149.5	21.0	**1,899.5**	74.4
Operating income after share of net income (loss) of equity-accounted entities	35.8	431.2	264.4	25.3	-6.4	**750.3**	40.7
Industrial investments net of subsidies	-150.7	-162.7	-205.5	-46.6	-10.5	**-576.0**	-41.3

(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018

The EBITDA indicator reconciles with the former indicator, operating cash flow before changes in working capital, for the first half-years 2019 and 2018 as follows:

(€ million)		**Half-year ended June 30, 2018 represented (1)**	**Half-year ended June 30, 2019**
Operating cash flow before changes in working capital	**(A)**	**1,554.3**	**1,660.2**
o/w Operating cash flow from financing activities	**(B)**	-10.6	-17.2
o/w Adjusted operating cash flow	**(C)= (A)-(B)**	**1,564.9**	**1,677.4**
Less :	**(D)**	-	-
Renewal expenses		135	138.9
Restructuring costs*		99.5	32.5
Share acquisition and disposal costs		9.1	10.1
Other		19.4	40.8
Plus :	**(E)**	-	-
Principal payments on operating financial assets		71.6	102.2
EBITDA	**(C)+(D)+(E)**	**1,899.5**	**2,001.9**

(*) 2019 first-half restructuring costs mainly concern the VWT transformation plan. 2018 first-half restructuring costs mainly concerned France Water.

(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018

NOTE 5 OPERATING ACTIVITIES

5.1 Revenue

Revenue breaks down as follows:

(€ million)	**Half-year ended June 30, 2018 represented**	**Half-year ended June 30, 2019**
Water	5,187.6	5,357.2
Waste	4,687.9	5,010.5
Energy	2,712.4	2,956.2
Group	**12,587.9**	**13,323.9**

A breakdown of revenue by operating segment is presented in note 4.

5.2 Operating income

Operating income is calculated as follows:

(€ million)	Half-year ended June 30, 2018 represented	Half-year ended June 30, 2019
Revenue	**12,587.9**	**13,323.9**
Cost of sales	**-10,439.8**	**-11,134.5**
o/w :		
• Renewal expenses	-135	-138.9
Selling costs	**-297.9**	**-305.5**
General and administrative expenses	**-1,090.1**	**-1,089.6**
Other operating revenue and expenses	**-62.8**	**-54.1**
o/w :		
• Restructuring costs	-41.8	-20.9
• Employee costs - share based payments	-6.2	-8.8
• Other charges, impairment losses and net provisions non-current	-12.0	-29.7
• Share acquisition costs	-2.5	-1.6
Operating income before share of net income (loss) of equity-accounted entities	**692.2**	**740.1**
Share of net income (loss) of equity-accounted entities	**58.1**	**56.3**
Operating income after share of net income (loss) of equity-accounted entities	**750.3**	**796.4**

5.2.1 Joint ventures and associates

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

JOINT VENTURES

(€ million)	Half-year ended June 30, 2018 represented	Half-year ended June 30, 2019
Share of net income (loss) of joint ventures	29.9	37.8
Share of net income (loss) of associates	28.2	18.5
Share of net income (loss) of equity-accounted entities	**58.1**	**56.3**

The following tables include all joint ventures.

(€ million)	Share of Equity As of December 31, 2018 represented	As of June 30, 2019	Share of net income (loss) Half-year ended June 30, 2018 represented	Half-year ended June 30, 2019
Chinese Water concessions	1,346.3	1,362.6	21,5	26,3
Other joint ventures	164.8	159.8	8.4	11,5
TOTAL	**1,511.1**	**1,522.4**	**29,9**	**37,8**
Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b)			29.9	37.8
Share of net income (loss) of joint ventures (a)			**29.9**	**37.8**
Impairment losses recognized in other operating revenue and expenses (b)			-	-

5.3 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 in respect of industrial investments/disposals).

Movements in net working capital during the first-half of 2019 are as follows:

(€ million)	As of December 31, 2018 represented	As of June 30, 2019
Inventories and work-in-progress, net	818.0	841.6
Operating receivables, net	9,010.0	9,216.8
Operating payables	-10,964.9	-10,180.7
NET WORKING CAPITAL	**-1,136.9**	**-122.3**

The change in net working capital includes an effect tied to the seasonality of the Group's businesses (see note 1.1.3).

The +€1,014.6 million change in Net working capital presented above includes the change in "operating" working capital of +€927.8 million, the change in "tax" working capital included in Income taxes paid in the Consolidated Cash Flow Statement of -€25.3 million, and the change in "investment" working capital included under Industrial investments in the Consolidated Cash Flow Statement of +€112.1 million.

FACTORING

The Group has regular recourse to factoring.

Under these programs, certain subsidiaries have agreed to assign, on a renewable basis, trade receivables by contractual subrogation or assignment of receivables ("Dailly" type for 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 almost all the 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 €1,881.9 million were assigned under these programs in the first half of 2019, compared with €1,295.4 million for the first half of 2018. Receivables totaling €547.7 million are derecognized as of June 30, 2019, compared with €640.2 million as of December 31, 2018.

5.4 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 2019 are as follows:

(€ million)	**As of December 31, 2018 represented**	**As of June 30, 2019**
Gross	1,463.5	1,426.4
Impairment losses	-76.4	-77.1
NON-CURRENT OPERATING FINANCIAL ASSETS	**1,387.1**	**1,349.3**
Gross	102.0	97.6
Impairment losses	-2.7	-2.7
CURRENT OPERATING FINANCIAL ASSETS	**99.3**	**94.9**
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	**1,486.4**	**1,444.2**

Movements in operating financial assets in the half-year ended June 30, 2019 total -€42.2 million and mainly concern new assets of +€63.4 million and disposals of -€102.2 million.

5.5 Non-current and current concession liabilities

Concession financial liabilities result from the application of IFRIC12 on the accounting treatment of concessions and did not significantly change during the first half of 2019.

Movements in non-current and current concession liabilities in the first-half of **2019** break down as follows:

	Non current		**Current**		**Total**	
(€ million)	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
France	56.2	**50.9**	15.4	**14.6**	71.6	**65.5**
Europe excluding France	1,288.9	**1,218.7**	86.4	**88.5**	1,375.3	**1,307.2**

Rest of the World	5.2	**16.8**	16.1	**3.1**	21.3	**19.9**
Global businesses	0.1	**-**	0.1	**0.1**	0.2	**0.1**
Other	-	**-**	-	**-**	-	**-**
OPERATING FINANCIAL ASSETS	**1,350.4**	**1,286.4**	**118.0**	**94.9**	**1,468.4**	**1,392.7**

5.6 Commitments relating to operating activities

5.6.1 Commitments given relating to operating activities

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

(€ million)	As of December 31, 2018	As of June 30, 2019	Maturing in: Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	7,982.3	8,165.8	4,364.1	2,010.0	1,791.7
Purchase commitments	204.4	221.4	164.5	53.5	3.4
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	**8,186.7**	**8,387.2**	**4,528.7**	**2,063.5**	**1,795.1**

The increase in commitments given relating to operating activities in the first-half of 2019 (+€200.5 million) is mainly due to guarantees given on purchase of furnitures linked to the first construction step of an heating installation powered by a biomass gas turbine (€62.1 million) and the Al Dur project carried out by VWT in Bahrain (€61 million).

In addition to the commitments given quantified above, Veolia has also granted commitments of an unlimited amount in respect of completion or performance bonds and a waste construction and treatment contract in Hong Kong, in the Waste and Water businesses.

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 construction activities amount to €2,136.8 million as of June 30, 2019, compared with €2,037.5 million as of December 31, 2018.

Operational commitments given in respect of joint ventures (at 100%) total €610.0 million as of June 30, 2019 compared with €600.2 million as of December 31, 2018 and mainly consist of performance bonds given to Al Wathba VB in the amount of €417.0 million and to Glen Water Holding in the amount of €72.8 million.

5.6.2 Commitments received relating to operating activities

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

They total €1,080.2 million as of June 30, 2019, compared with €1,054.6 million as of December 31, 2018.

Total commitments received in respect of Veolia Water Technologies activities amount to €509.4 million as of June 30, 2019, compared with €511.0 million as of December 31, 2018.

NOTE 6 GOODWILL, INTANGIBLE ASSETS AND PROPERTY PLANT AND EQUIPMENT

6.1 Goodwill

6.1.1 Changes in goodwill

Goodwill breaks down as follows:

(€ million)	As of December 31, 2018 represented	As of June 30, 2019
Gross	6,210.1	5,981.3
accumulated impairment losses	-1,102.4	-911.5
NET	**5,107.7**	**5,069.8**

The net carrying amount of goodwill as of June 30, 2019 breaks down by operating segment as follows:

(€ million)	As of December 31, 2018 represented	As of June 30, 2019
France	1,241.7	**1,240.0**
Europe excluding France	2,240.2	**2,321.5**
Rest of the World	875.5	**756.7**
Global Businesses	747.3	**748.7**
Other	3.0	**2.9**
TOTAL GOODWILL	**5,107.7**	**5,069.8**

The main movements in Group goodwill during the first-half of 2019 are primarily due allocation of a portion of north American goodwill to the disposal of heating and cooling network in in the United States for -€93.6 million and changes in consolidation scope for €30.4 million, mainly concerning several acquisitions in Europe and the finalization of the purchase price allocation process for Grupo Sala in Columbia.

6.1.2 Impairment tests

Goodwill and other intangible assets with indefinite useful life are subject to annual impairment tests, in accordance with the Group's timetable.

No indication of loss in value was identified as of June 30, 2019, including for CGUs considered sensitive as of December 31, 2018 (see note 7.1.2.2 Financial statements as of December 31, 2018).

Consequently, no additional impairment has been recognized as of June 30, 2019.

6.2 Intangible assets

6.2.1 Concession intangible assets

Concession intangible assets break down by operating segment as follows:

(€ million)	Net carrying amount as of december 31, 2018 represented	As of June 30, 2019		
		Gross carrying amount	Amortization and impairment losses	Net carrying amount
France	632.9	1,479.4	-849.7	629.7
Europe excluding France	2,080.9	4,206.8	-2,226.7	1,980.1
Rest of the World	752.1	1,481.2	-735.3	745.9
Global Businesses	1.4	12.6	-11.2	1.4
Other	-	-	-	-
CONCESSION INTANGIBLE ASSETS	**3,467.3**	**7,180.0**	**-3,823.0**	**3,357.0**

The -€110.3 million decrease in the net carrying amount of concession intangible assets is mainly attributable to:

- additions of +€96.5 million (including €45.9 million in France, €17.8 million in Europe excluding France and €32.8 million in the Rest of the world);
- amortization charges and impairment losses of -€183.8 million.

6.2.2 Other intangible assets

Other intangible assets break down as follows:

(€ million)	As of December 31, 2018 represented	As of June 30, 2019
Intangible assets with an indefinite useful life, net	**41.0**	**41.0**
Intangible assets with a definite useful life, gross	3,445.9	3,579.3
Amortization and impairment losses	-2,370.6	-2,456.8
Intangible assets with a definite useful life, net	**1,075.3**	**1,122.5**
OTHER INTANGIBLE ASSETS, NET	**1,116.3**	**1,163.5**

There has been no material change in other intangible assets since December 31, 2018.

6.3 Property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during the first six months of 2019 are as follows:

(€ million)	As of December 31, 2018 represented	As of June 30, 2019
Property, plant and equipment, gross	19,398.4	**19,011.0**
Depreciation and impairment losses	-11,541.6	**-11,720.5**
Property, plant and equipment, net	**7,856.8**	**7,290.5**

The -€566.3 million decrease in property, plant and equipment is mainly attributable to:

- additions of €479.8 million (including €169.3 million in the Europe excluding France segment and €213.7 million in the Rest of the World segment); In Northern Europe, they are mainly represented by purchase of vehicles in United Kingdom and Czech Republic for respectively €47 million and €11 million and capital expenditures bound to a new electric power station (new generation) in Germany for €10 million. In Rest of the World, they are mainly made out of maintenance capital expenditures on treatment and sulfur acid regeneration in the United States (€34 million), construction works on the hazardous waste plant in Singapore (€ 14 million), biomass plant construction and hazardous waste incineration plant in China (€16 million) and purchase of assets in Korea.

- depreciation charges and impairment losses of €496.0 million;

- changes in consolidation scope of €103.9 million (including €94.4 million in the Europe excluding France segment), which mainly encompass industrial assets (co-generation heating plan) by Levice in Slovakia for €50 million, industrial assets of Renascimento in Portugal (€24 million) and plastic recycling plant of Huafei in China (€17.5 million).

- foreign exchange losses of +€36.1 million (including +€16.4 million in the Europe excluding France segment and €18.5 million in the Rest of the World segment).

- Tangible assets as of June 30, 2019 encompass reclassification of industrial assets of heating and cooling network in Assets to be sold for a net book value of €648.7 million (including €36 million net value for grounds and buildings, and €612.7 million of technical installation and material).

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

(€ million)	Net carrying amount As of December 31, 2018 represented	As of June 30, 2019		
		Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Land	667.1	1,396.7	-751.4	645.3
Buildings	1,264.1	3,133.4	-1,842.9	1,290.5
Technical installations, plant and equipment	4,154.3	9,729.3	-6,121.4	3,607.9
Travelling systems and other vehicles	630.5	2,231.7	-1,601.1	630.6
Other property, plant and equipment	338.0	1,687.9	-1,372.0	315.9
Property, plant and equipment in progress	802.8	832.0	-31.7	800.3
PROPERTY, PLANT AND EQUIPMENT	**7,856.8**	**19,011.0**	**-11,720.5**	**7,290.5**

6.4 Rights-of-use assets

Their initial valuation is based on the actual value of future rents paid in exchange of the right to use the asset and on the maturity of the lease contract (after analyze of eventual possibility of renewal). The concerned rents are fixed or are considered fixe in substance and can include rents depending on the fluctuation of an index or a rate.

As stated in Note 1.1.2, Rights of use represent rights of using rented assets, now clearly mentioned in the balance sheet pursuant to IFRS 16 standards.

Initial assessment is based on fix rental fees to be paid on the length of the contract. These rights are to be amortized linear along the period of the contract.

Principles of recognition and evaluation of those rights of use are detailed in Note 1.1.2 (length of rental and option, discount rates of rents).

Rights of use breakdown is as follows:

- Housing : 57%
- Vehicles : 29%
- Equipment : 14%

Amounts of rights of use is spread around over all geographies. No Business Unit concentrates more than 10% of the amount of total IFRS 16 lease debt.

NOTE 7 FINANCING AND FINANCIAL INSTRUMENTS

7.1 Financial assets and liabilities

Financial assets and liabilities mainly composed of:

- Borrowings and other financial liabilities, presented in Note 7.1.1;
- IFRS 16 lease liabilities presented in note 7.1.2;
- Current and non-current financial assets, presented in Note 7.1.3;
- Cash and cash equivalents, bank overdrafts as well as other cash position items, presented in Note 7.1.4;
- Derivative instruments, presented in Note 7.2.2.

7.1.1 Financial liabilities

Movements in non-current and current borrowings during the first semester of 2019 are as follows:

(€ million)	**Non-current**	**Current**	**Total**

	As of December 31, 2018 represented	As of June 30, 2019	As of December 31, 2018 represented	As of June 30, 2019	As of December 31, 2018 represented	As of June 30, 2019
Bond issues	**9,043.9**	**9,813.0**	**727.1**	**267.5**	**9,771.0**	**10,080.5**
• maturing < 1 year	-	-	727.1	267.5	727.1	267.5
• maturing 2-3 years	2,301.2	3,621.2	-	-	2,301.2	3,621.2
• maturing 4-5 years	1,944.5	1,365.6	-	-	1,944.5	1,365.6
• maturing > 5 years	4,798.2	4,826.2	-	-	4,798.2	4,826.2
Other borrowings	**473.7**	**482.1**	**3,866.5**	**4,060.6**	**4,340.2**	**4,542.7**
• maturing < 1 year	-	-	3,866.5	4,060.6	3,866.5	4,060.6
• maturing 2-3 years	180.0	175.6	-	-	180.0	175.6
• maturing 4-5 years	166.9	138.9	-	-	166.9	138.9
• maturing > 5 years	126.8	167.6	-	-	126.8	167.6
TOTAL CURRENT AND NON-CURRENT BORROWINGS	**9,517.6**	**10,295.1**	**4,593.6**	**4,328.1,**	**14,111.2**	**14,623.2**

7.1.1.1 NON-CURRENT AND CURRENT BOND ISSUES

Breakdown of bonds

Publicly offered or traded issuances included in non-current bond issues total €9,033.2 million as of June 30, 2019, including €380.5 million (euro-equivalent) issued on the U.S. market, €699.1 million of bonds convertible and/or exchangeable for new and/or existing shares (OCEANE).

Change in bonds

On January 7, 2019, Veolia successfully performed at par a €750 million bond issue maturing in January 2024 (i.e. 5 years) and bearing a coupon of 0.892%.

On April 24, 2019, Veolia Environnement repaid a euro-denominated bond line with a nominal value of €462 million.

The increase in bonds in the first-half of 2019 is mainly due to new issues totaling €751.4 million and repayments of -€476.3 million.

7.1.1.2 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

Some 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, 2019.

7.1.2 IFRS 16 lease liabilities

Lease liabilities result from the first-time application of IFRS 16 (see note 1.1.2).

7.1.3 Non-current and current financial assets

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

	Non-current		Current		Total	
(€ million)	As of December 31, 2018 represented	As of June 30, 2019	As of December 31, 2018 represented	As of June 30, 2019	As of December 31, 2018 represented	As of June 30, 2019
Gross	385.6	413.2	279.4	323.1	665.0	736.3
Impairment losses	-71.1	-71.7	-37.4	-37.6	-108.5	-109.3
Financial assets in loans and receivables, net	**314.5**	**341.5**	**242.0**	**285.5**	**556.5**	**627.0**
Other financial assets	**13.6**	**14.5**	**2.2**	**2.0**	**15.8**	**16.5**
Liquid assets and financing financial assets	**4.7**	**6.1**	**188.0**	**460.6**	**192.7**	**466.7**
Total other financial assets, net	**332.8**	**362.1**	**432.2**	**748.1**	**765.0**	**1,110.2**

As of June 30, 2019, the main non-current and current financial assets include particularly loans granted to equity-accounted joint ventures totaling €163.6 million, compared with €132.0 million as of December 31, 2018.

These loans mainly concern the Chinese Water Concessions in the amount of €111.2 million, as of June 30, 2019, compared with €77.1 million as of December 31, 2018.

As of June 30, 2019, liquid assets and financing financial assets are made of investments 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.

7.1.4 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 2019** are as follows:

(€ million)	As of December 31, 2018 represented	As of June 30, 2019
Cash	1,030.2	1,383.8
Cash equivalents	3,526.3	2,451.7
CASH AND CASH EQUIVALENTS	**4,556.5**	**3,835.5**
Bank overdrafts and other cash position items	**215.7**	**333.2**
Net cash	**4,340.8**	**3,502.3**

Cash and cash equivalents total €3,835.5 million, including €430.0 million "subject to restrictions" as of June 30, 2019.

The decrease in net cash during the half-year mainly reflects the repayment on April 24, 2019, on maturity, of the euro bond line in the nominal amount of €462 million, the €750 million bond issue performed on January 14, 2019, the change in operating WCR for -€908 million, proceeds from the sale of Transdev of €343 million and the dividend payment of €509 million.

As of June 30, 2019, the France segment held cash of €30.1 million, the Europe excluding France segment held cash of €233.1 million, the Rest of the world held cash of €377.7, Global businesses segment held cash of €146.9 million and the Other segment held cash of €596 million (including €448.8 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, 2018, cash equivalents were primarily held by Veolia Environnement in the amount of €2,318.3 million, including monetary UCITS of €1,202.3 million and term deposit accounts of €1,116.0 million.

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

7.2 Fair value of financial assets and liabilities

7.2.1 Disclosures on the fair value of financial assets and liabilities

Differences between fair value and net carrying amount of these main financial asset and liability categories have not materially changed since December 31, 2018.

7.2.2 Offsetting of financial assets and liabilities

As of June 30, 2019, derivatives managed under ISDA ("International Swaps and Derivatives Association") or EFET ("European Federation of Energy Traders") 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 €91.5 million and in liabilities in the amount of €148.3 million in the Consolidated Statement of Financial Position as of June 30, 2019.

7.3 Financial income and expenses

7.3.1 Cost of net financial debt

Cost of net financial debt consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

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

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

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

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

Finance income totals €35.7 million, while finance costs total -€258.3 million for the first half of 2019.

The cost of net financial debt presented in the Consolidated Cash Flow Statement reflects the cost of net financial debt of continuing operations presented above and the cost of net financial debt of discontinued operations. Up to €222.5 million on the June 30,2019 against €199.6 million as of June 30,2018, this evolution reflects the rise of volumes and debt rated in currencies as well as the temporary impact of €6.5 million of the bound issuing cost of €750 million issued at the beginning of January 2019, anticipating the reimbursement of a bound completed at the end of April 2019.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the cost of net financial debt continuing and discontinued operations adjusted for accrued interest of -€4.7 million and fair value adjustments to hedging derivatives of +€2.1 million for the first half of 2019.

(€ million)	**As of June 30, 2018 represented**	**Half-year ended June 30, 2019**
Expenses on gross debt	-141.4	-179.4
Assets at fair value through the Consolidated Income Statement (fair value option) *	5.8	10.2
Net gains and losses on derivative instruments, hedging relationships and other	-64.1	-53.9
Cost of net financial debt	**-199.6**	**-222.5**

** 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 2019:

- net interest income on hedging relationships (fair value hedges and cash flow hedges) of -€4.5 million;
- net losses on derivatives not qualifying for hedge accounting of -€49.3 million, mainly on foreign currency derivatives.

7.3.2 Other financial income and expense

Other financial income and expenses primarily include income on financial receivables, excluding IFRIC 12 and IFRIC16 12 financial receivables, calculated using the effective interest rate method, capital gains and losses on disposals of financial assets, net of disposal costs, dividends, foreign exchange gains and losses, impairment losses on financial assets and the unwinding of discounts on provisions.

(€ million)	**As of June 30, 2018 represented**	**Half-year ended June 30, 2019**
Net gains and losses on loans and receivables	5.7	6.7
Capital gains and losses on disposals of financial assets, net of disposal costs	18.8	51.0
Net gains and losses on available-for-sale assets (1)	1.6	1.0
Assets and liabilities at fair value through the Consolidated Income Statement	-0.1	0.2
Unwinding of the discount on provisions	-12.1	-15.9
Foreign exchange gains and losses	-3.0	0.5
Interest on operating asset	-45.5	-40.3
Interest on lease debt (IFRS 16)	-23.4	-22.8
Other	-11.3	-20.0
OTHER FINANCIAL INCOME AND EXPENSES	**-69.3**	**-39.6**

(1) Including dividends received of €1.0 million as of June 30, 2019, compared with €1.6 million as of June 30, 2018

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

7.4 Financing commitments

7.4.1 Commitments given

Off-balance sheet commitments given break down as follows:

(€ million)	**As of**	**As of June**	Maturing in

	December 31, 2018	30, 2019	Less than 1 year	1 to 5 years	More than 5 years
Letters of credit	32.3	40.8	37.5	2.7	0.6
Debt guarantees	32.3	35.4	18.2	0.8	16.4
Other financing commitments given	77.1	59.6	26.2	25.7	7.7
TOTAL FINANCING COMMITMENTS GIVEN	**141.7**	**135.8**	**81.9**	**29.2**	**24.7**

7.4.2 Commitments received

Commitments received total €109.8 million as of June 30, 2019 and €117.1 million as of December 31, 2018.

7.4.3 Collateral guaranteeing borrowings

As of June 30, 2019, the Group has given €123 million of collateral guarantees in support of borrowings including €98.8 million in support of borrowings of its joint ventures.

NOTE 8 EQUITY AND EARNINGS PER SHARE

8.1 Equity attributable to owners of the Company

8.1.1 Share capital

The share capital is fully paid-up.

8.1.1.1 SHARE CAPITAL INCREASE RESERVED FOR GROUP EMPLOYEES

During fiscal year 2019 Veolia Environment implemented a share capital increase up to +€1.2 million by reserve incorporation in order to grant five free shares to beneficiary employees as decided by the Board of Directors on May 2nd, 2018. New issued capital amounts to €2,829,128,105.

8.1.1.2 NUMBER OF SHARES OUTSTANDING AND PAR VALUE

The number of shares outstanding was 563,826,621 as of June 30, 2019 against 565,593,341 on December 31, 2018. The par value of each share is €5.

8.1.2 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 held 12,517,889 of its own shares, representing 2.21% of the Company’s share capital, as of June 30, 2019. It held 12,510,389 shares, representing 2.21% of the Company's share capital, as of December 31, 2018.

8.1.3 Appropriation of net income and dividend distribution

The Combined General Meeting of April 18, 2019 set the cash dividend for 2018 at €0.92 per share. The shares went ex-dividend on May 14, 2019 and the dividend was paid from May 16, 2019 for a total amount of €509.1 million.

A dividend of €462.6 million was distributed by Veolia Environnement in 2018 and deducted from the 2017 net income for an amount of € 314.5 million and €148.1 million from retained earnings.

8.1.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total -€82.2 million as of June 30, 2019 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (+€12.4 million), Canadian dollar (+€6.0 million), Argentinian Pesos (-€6.6 million) against the euro.

Accumulated foreign exchange translation reserves total €102.2 million as of December 31, 2018 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€29.3 million), U.S. dollar (+€31.1 million), Hong Kong dollar (-€35.4 million) against the euro.

8.1.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€61.2 million as of June 30, 2018 and -€62.5 million as of December 31, 2018.

8.2 Non-controlling interests

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

The fluctuation in non-controlling interests in the first six months of 2019 is mainly due to net income for the period offset by changes in consolidation scope, dividend distributions by subsidiaries and foreign exchange impacts.

The share of net income attributable to non-controlling interests totaled €88.1 million for the half-year ended June 30, 2019, compared with €87 million for the half-year ended June 30, 2018 re-presented.

In the first six months of 2019, this item primarily concerns minority interests in subsidiaries of the Europe excluding France (€47.8 million) and Rest of the World (€36.6 million) operating segments.

8.3 OCEANE convertible bonds

On March 8, 2016, Veolia Environnement issued convertible « OCEANE » type bonds.

The conversion option of this transaction, described in Note 7.1.1.1., may be settled solely in shares and is recognized in equity in the amount of €17.6 million as of June 30, 2018.

8.4 Earning 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, 2019 was 577,741,064 (diluted) and 553,150,298 (basic). The main dilutive instruments taken into account in the earnings per share calculation for the first-half of 2018 are the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued on March 8, 2016 and the performance share plan implemented from July 1st, 2018 to May 2021.

8.5 Settlement of a new liquidity contract

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

Veolia Environnement and the company Rothschild & Cie bank have terminated the liquidity contract entered into September 26, 2014. This termination tooks effect when the Stock Exchange closed on May 31, 2019.

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

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

PROVISIONS

Movements in non-current and current provisions during the first six months of **2019** are as follows:

(€ million)	As of December 31, 2018 represented	As of June 30, 2019
Provisions excluding pensions and other employee benefits	**1,602.0**	**1,556.7**
Provisions for pensions and employee benefits	**728.3**	**774.0**
TOTAL PROVISIONS	2,330.3	2,330.7
NON-CURRENT PROVISIONS	1,800.6	1,817.7
CURRENT PROVISIONS	529.7	513.0

Provisions as a whole remained relatively stable during the first six months of 2019.

Provisions excluding pensions and other employee benefits as of June 30, 2019, primarily include provisions for closure costs and post-closure costs (site rehabilitation, dismantling) of €653.0 million, principally accounted for in the France segment in waste recovery and recycling activities for €243.6 million and in the Europe excluding France segment for €216.1 million.

NOTE 10 TAXES

10.1 Income tax expense

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, 2018 represented	Half-year ended June 30, 2019
Current income tax (expense) income	**-121.8**	**-147.7**
France	-0.9	-9.1
Other countries	-120.9	-138.6
Deferred tax (expense) income	**-1.9**	**48.8**
France	-2.6	-13.4
Other countries	0.7	62.2
TOTAL INCOME TAX EXPENSE	-123.7	-98.9

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 effective tax rate is detailed as follows:

	Half-year ended June 30, 2018 represented	Half-year ended June 30, 2019
Net income (loss) from continuing operations (a)	357.7	435.4
Share of net income (loss) of associates (b)	28.2	18.5
Share of net income (loss) of joint ventures (c)	29.9	37.8
Share of net income (loss) of other equity-accounted entities (d)	-	-
Income tax expense (e)	-123.7	-98.9
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	423.3	478.0
Effective tax rate -(e)/(f)	**29.2%**	**20.7%**

As of June 30, 2019 effective tax rate (pursuant to IAS 34) includes expected improvement of French and North American tax groups.

10.2 Tax audits

In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37 criteria.

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

There have been no significant developments since the last Annual Report, other than the favorable settlement of the US dispute.

It is recalled that during the reorganization in 2006 of the former US Filter (acquired in 1999), Veolia, through its subsidiary VENAO, sought a tax deduction pursuant to the "Worthless Stock Deduction" (WSD) provisions under US tax law. Related tax losses totaled US$4.5 billion (tax base) as of December 31, 2006. Following a long tax audit, the US Internal Revenue Service (IRS) issued a Revenue Agent's Report on November 6, 2018, rejecting the worthless stock deduction and seeking penalties. Veolia filed a detailed protest on December 21, 2018, in which it refuted the merits of the IRS's arguments.

The IRS recently informed Veolia that it no longer contests the Worthless Stock Deduction and issued a revised Revenue Agent's Report reflecting this decision on April 30,2019. The tax of US$764 million already recognized in the accounts is, therefore, no longer contested by the IRS. Furthermore, it may be possible to progressively recognize losses not valued until now, potentially representing US$460 million in tax, based on the Group's ability to consume these losses up to 2026 inclusive, the date of their expiry.

NOTE 11 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, 2019, 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 difficulties and appointed an emergency manager ("Emergency Manager") for Flint. In an attempt to save money, the Emergency Manager decided to switch the city's water supply source (previously provided by Detroit) to the Flint River on an interim basis as part of a long term plan to switch to water from Lake Huron.

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

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

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

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

On March 12, 2015, VWNAOS delivered its final report to Flint, partially based on testing results provided by the City, which was then subsequently made available to the public. In its report, VWNAOS issued a broad set of recommendations to address TTHM compliance and improve water quality related to odor and discoloration. It would appear that many of these recommendations were ignored by the local authorities.

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

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

On March 21, 2016, Flint Water Advisory Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task force report came to the conclusion that the responsibility for the Flint water crisis rested largely with several governmental agencies and the City of Flint. Notably, the report highlighted that the Michigan Department of Environmental Quality and the City of Flint did not require and implement corrosion control at the time of change of water supply source, contrary to what is required under the federal Lead & Copper Rule to avoid contamination of drinking water.

Individual and class actions

Since February 2016, numerous individual complaints and class actions have been filed before Michigan and Federal courts by Flint residents against a number of defendants, including the State of Michigan, the Michigan Department of Environmental Quality and the US subsidiaries of the Company, Veolia North America ("VNA") and VWNAOS. Flint residents allege injury and damages by exposure to toxins, including lead, contained within Flint River water and have levied accusations of professional negligence and fraud.

The Company was named in a dozen class actions and hundreds of individual actions. To date, however, the Company is not a party to any of these actions; only the US subsidiaries of the Company remain parties to them.

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

Civil action of the State of Michigan's Attorney General

On June 22, 2016, the State of Michigan's Attorney General filed a civil action against several corporations, including VWNAOS and the Company itself, for their alleged role in the Flint water crisis. The Attorney General subsequently dismissed that initial action, and filed a new civil action on August 16, 2016. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleges that the acts and omissions of these companies constitute 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 court to that effect.

On November 7, 2018, the State of Michigan elected a new Governor and a new Attorney General. The Attorney General then filed, on April 12, 2019, a new amended complaint against, among other, the Company itself. The Company has not yet been served yet and is not formally a party to the civil action, only its subsidiaries are. At the end of May 2019, the latter filed a motion to dismiss this new complaint.

Criminal actions

Criminal proceedings were initiated by the Attorney General against fifteen employees of the State of Michigan and the City of Flint for their mismanagement of the water crisis in Flint. Of these fifteen employees, seven pleaded guilty. On June 13, 2019, the new Attorney General dropped all charges against the remaining eight employees. The Attorney General's investigation is still ongoing and further criminal proceedings will be initiated.

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

These lawsuits have been reported to the insurers, who have reserved their rights with respect to the guarantee from which the Company and its US subsidiaries benefit.

Central and Eastern Europe

Romania

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

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

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

Since August 2015, ANB, as well as other subsidiaries of the Company with water and energy activities in Romania, have provided the NAD, at its request, with numerous documents.

Throughout October 2015, three former managers of ANB were questioned by the NAD, and then placed under the status of "inculpat" and under judicial supervision.

On October 30, 2015, ANB was placed under this same status, for bribery, buying influence, invasion of privacy, tax evasion and money laundering.

The investigation continues and to date, the file has not been sent to Court.

ANB is cooperating with the NAD. So far, it only has partial access to the criminal case file.

The Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) opened investigations concerning possible violations of US federal laws, relating to the facts which are the subject of NAD's investigation. As part of its investigation, the SEC has asked the Company to voluntarily provide documents and information regarding these facts. At the SEC's behest, as part of international cooperation, the Autorité des marchés financiers (AMF) has made requests of the Company as well, which are also related to the facts which are the subject of NAD's investigation, in connection with its own investigation on the matter.

The Company is fully cooperating with the investigating authorities and, in particular, providing all requested information, in accordance with applicable laws.

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

At the beginning of 2018, a search took place in the Company's premises in Aubervilliers and some hearing of witnesses were conducted.

At the end of August 2018, one of the Company's subsidiaries was searched in Prague.

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

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 cancellation of the heating prices applied by UVE for the period 2011-2015;
- the cancellation 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 €80 million (not including interest). For its part, Lithuania withdrew its €150 million 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. These developments may have an impact on the ICSID arbitration and, as the case may be, on the enforcement of the future award.

(ii) SCC arbitration

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

In this arbitration, the Company and UVE filed a claim for an indemnity of circa €22M. For their part, Vilnius and VST submitted counterclaims of more than €425 million. This procedure is still ongoing. The Company and UVE vigorously contest Vilnius and VST's counterclaims and seek their dismissal.

VEOLIA TECHNOLOGIES AND CONTRACTING

VWT v. K+S Potash

On December 1, 2012, Veolia Water Technologies, Inc. ("VWT") signed a $324.5 million 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 $14.6 million.

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 $15 million.

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. $19 million. January 18, 2019, the arbitral tribunal accepted jurisdiction over only some claims (approximately $13.6 million). 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 CAD180 million (approximately €119 million) for consequential damages and additional costs of repair in relation to the Incident. On January 18 2019, VWT made a settlement offer to KSPC who refused the offer.

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

On May 23, 2018, VWT filed a request for injunction before the Court of Queen's Bench for Saskatchewan seeking to prevent KSPC from drawing upon either letter of guarantee. The Court of Queen's Bench for Saskatchewan, and then the Court of Appeal, dismissed VWT's application. The decision rendered by the Court of Appeal is currently suspended and subject to an application for judicial review.

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 CAD466 million (approximately €318 million) as well as for reimbursement of sums already paid by KSPC to other subcontractors.

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

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

NOTE 12 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 2018 Consolidated financial statements (see Notes 6.2 and 5.2.4.1), material developments in relations with other related parties as of June 30, 2019 are as follows:

Relations with Raise Investissement

During the first half of 2019, Veolia Environnement had no new relations or transactions with Raise Investissement and remain as shareholder of the company for € 5 million subscribed in July 2016 and totally paid up in December 31,2018.

Termination of relations with SM Conseil

Following the death of Mr. Serge Michel on March 15, 2019, the service agreement of March 20, 2017 between Veolia Environnement and SM Conseil SAS terminated early on March 1, 2019.

This service agreement was entered into for a three-year period beginning March 20, 2017. Under the terms of the agreement, Veolia Environnement retained this company to assist it (1) promote Veolia Environment to other stakeholders and potential partners with the aim of developing its business and (2) identify potential decision-makers and managers likely to contribute to the implementation of its strategy.

The co-party "SM Conseil" was chaired by Mr. Serge Michel, a non-voting director (censeur) on the Veolia Environnement Board of Directors.

This agreement provided for payment to "SM Conseil" SAS of fixed remuneration of €400,000 per year, adjusted in line with the SYNTEC index. It did not provide for the payment of success fees.

Remuneration of €66,673 has been paid by Veolia Environnement to SM Conseil under this agreement and in respect of early termination for fiscal year 2019, corresponding to services rendered in January and February 2019.

NOTE 13 POST-CLOSING EVENTS

In the framework of the frequent review of its asset portfolio, Veolia, through its subsidiary Veolia Energy North America Holdings, Inc, has sold on July 31, 2019 for a consideration of $1.25 billion its district energy assets in the United States to Antin Infrastructure Partners. The portfolio comprises steam, hot and chilled water and electricity production plants, including cogeneration, and 13 networks in 10 US cities.

This transaction is submitted to the approval of the authorities and its closing is expected in the fourth quarter of 2019.

NOTE 14 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2018, Veolia Environnement Group accounted for a total of 1,678 companies.

The list of main subsidiaries has not significantly changed since December 31, 2018.