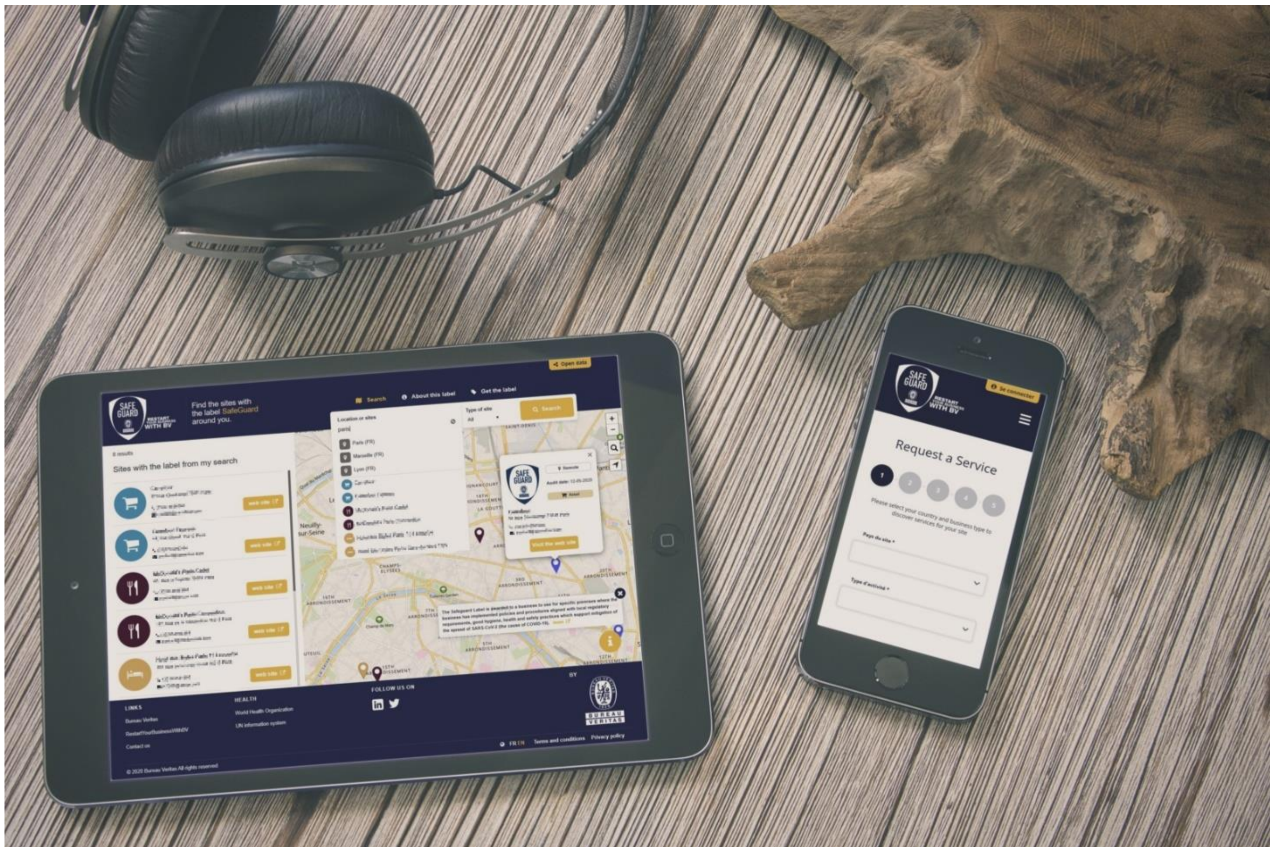
2020

HALF-YEAR FINANCIAL REPORT

This Half-Year Financial Report was prepared in accordance with Article L.451-1-2 (III) of the French Monetary and Financial Code (*Code monétaire et financier*). It includes an activity report for the six months ended June 30, 2020, the condensed half-year consolidated financial statements of the Bureau Veritas Group for the six months ended June 30, 2020, the Statutory Auditors' report and the statement by the person responsible for the Half-Year Financial Report.



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1. HALF-YEAR ACTIVITY REPORT AT JUNE 30, 2020

1.1. PRELIMINARY NOTE

Readers are invited to refer to the information set out herein on the Group's financial position and results together with the Group's 2020 condensed half-year consolidated financial statements and the notes thereto set out in Chapter 2 of this 2020 Half-Year Financial Report, as well as the Group's 2019 consolidated financial statements and the notes thereto set out in Chapter 6 – Consolidated financial statements of the 2019 Universal Registration Document.

Pursuant to Regulation (EC) 1606/2002 of July 19, 2002 on the application of international financial reporting standards, the condensed consolidated financial statements of Bureau Veritas for the first half of 2020 and the first half of 2019 were prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union.

The information presented and discussed in this chapter is financial data resulting from the application of IFRS 16 to the 2020 and 2019 half-year consolidated financial statements.

The alternative performance indicators presented in this chapter are defined and reconciled with IFRS in section 1.9 – Definition of alternative performance indicators and reconciliation with IFRS of this Half-Year Financial Report.

1.2. FIRST-HALF 2020 HIGHLIGHTS

1.2.1. BUREAU VERITAS ACTING PROACTIVELY AGAINST COVID-19

Firstly, Bureau Veritas continues to take every necessary action to protect the health of its employees and, where possible, of its clients, suppliers, and subcontractors. The Group's businesses around the world have activated their business continuity plans and have implemented remote working wherever possible, in strict compliance with decisions taken by local governments and World Health Organization recommendations.

In many sectors, Bureau Veritas' services, both in the field and via remote technological channels, contribute to maintaining operational activities that are critical to ensuring people's health and safety. Bureau Veritas has set up a portfolio of dedicated services aimed at helping its clients to face the crisis, including e-learning solutions to enable training to continue during lockdown and for employees working from home, and health & safety rule compliance assessment put in place by health authorities.

The Group has also been involved in many Covid-19-related projects around the world: emergency hospital construction in Shenzhen, China; emergency field hospital in Mulhouse, France; US retail staff safety by installing sneeze guards in retail spaces; and community actions in the different parts of the world where it operates, notably through the donation of Personal Protective Equipment (masks, gloves) to several hospitals.

1.2.2. “RESTART YOUR BUSINESS WITH BV” DELIVERS STRONG MOMENTUM

Since April, Bureau Veritas has been on hand to support business resumption with appropriate health, safety and hygiene conditions across all sectors of the economy. The “Restart Your Business with BV” suite of solutions is enhanced with a comprehensive digital ecosystem providing for traceability and transparency.

Bureau Veritas’ geographical presence in 140 countries, unparalleled network of inspectors and auditors, and unrivalled experience in certification processes are considerable assets. They enable the Group to provide companies, public authorities and society as a whole with services and in-depth knowledge of local specificities and regulations.

“Restart Your Business with BV” provides a suite of solutions to the Group’s local, national and international clients across all sectors of the economy. Bureau Veritas has supported for example: L’Oréal (cosmetics), Accor (hospitality and restaurants), Meliá Hotels International (hospitality), Preferred Hotels & Resorts (hospitality), Jumeirah Al Naseem (hospitality), Shangri-La Singapore (hospitality), Sodexo (food and facility management services), Grupo Sura (public buildings), Balearia (transport), PONANT (cruises), CroisiEurope (cruises), Europcar Mobility Group (vehicle rental), Unibail-Rodamco-Westfield (shopping centers), Volotea (airlines), Wells Fargo (banks), Turkish Ministry of Tourism (public), Oman airport (transport), Australian Attorney General’s Department (public), and many more.

Leveraging Bureau Veritas’ expertise in certification processes and management of health, safety and hygiene risks to support economic recovery

“Restart Your Business with BV” has been developed in collaboration with a range of experts and stakeholders. Bureau Veritas’ objectives are to:

- Ensure that health, safety and hygiene procedures put in place for the resumption of operations meet local and international regulations, as well as recognized best practices;
- Confirm that the procedures defined are relevant to the specific needs of the company’s area of business, and that they are effectively implemented;
- Deliver a certification or a conformity label thanks to its role of trustworthy independent third party.

“Restart Your Business with BV” is designed to address the risks specific to all places where people live and work, from construction sites and factories to offices, hotels, restaurants, shops and public facilities.

A unique digital ecosystem enabling a fully digital process

“Restart Your Business with BV” is delivered through a digital platform and enhanced by a set of applications. The platform includes operational assistance tools for companies that want to reassure stakeholders on their compliance with regulations and recommended protective measures and benefit from a label with online information for end-users and consumers.

Bureau Veritas’ digital ecosystem meets two requirements of companies and public authorities:

- Traceability: it provides dashboards that house all the information and KPIs collected in the field as well as an overall view of compliance, at a global level, and at specific location or site level;
- Transparency: it allows members of the general public to check that a facility has a valid label and to locate other sites with valid labels on a map. All information provided can be reused by clients on their own websites and applications, and by third parties according to the open data principles.

In a context where time is of the essence for business resumption, Bureau Veritas also offers companies the ability to register online in order to get their label application process started quickly.

1.2.3. ORGANIC REVENUE PROVED TO BE RESILIENT OVERALL DESPITE THE COVID-19 PANDEMIC

On an organic basis, the Group’s revenue declined by 9.0% in the first half of 2020 with a mixed situation by business:

- Marine & Offshore (up 3.4% organically led by New Construction) felt only a limited impact from the Covid-19 crisis, with the Group continuing to deliver essential services to its clients across the globe;
- Around three quarters of the portfolio (including Agri-Food & Commodities, Buildings & Infrastructure (B&I) and Industry) showed a good level of resistance overall, down 6.6% organically on average. In Industry, the energy-related activities were resilient as business continuity is critical for a country to function (inspection of electricity systems, electrical grid, nuclear power plants). B&I was affected by the various lockdown measures, although the decline (-5.4%) was cushioned by the benefit of geographical diversification with solid growth in most geographies apart from China in Q1, while the trends reversed in Q2. Agri-Food & Commodities also limited its decline (-7.7% organically) as the main supply chains (Agri-Food, Metal & Minerals, Oil & Petrochemicals) have continued operating with food Safety Services remaining critical to food supply. However, in Q2, the Oil & Petrochemical business suffered from the lower demand for oil. Government services were impacted by the lockdown measures introduced in some African countries;
- A fifth of the portfolio (Consumer Products and Certification) declined sharply due to the impact of the Covid-19 shutdowns, down 21.2% organically on average. Consumer Products was severely affected by the lockdown situation (which started in China in Q1 and expanded to most of the other geographies in Q2) and by low activity levels from US and European clients (with orders cancelled and new product launches put on hold). Certification, perceived as a non-critical business in the short term, was affected by the postponement of audits initially planned during the first half, despite the increased recourse to remote audits during the lockdown period.

In the second quarter, the Group’s organic revenue declined 15.6% year on year across the board. All business lines saw their revenue declining double-digit organically apart from Marine & Offshore, which was only slightly down. The various lockdown situations triggered a severe decline in activity. After a low point in April, the activity levels showed gradual improvement towards the end of the quarter.

1.2.4. M&A TRANSACTIONS PUT ON HOLD

In the first half of 2020, Bureau Veritas put its M&A activity on hold to protect its cash position and reassess potential targets in light of the pandemic.

The pipeline of opportunities remains healthy, and the Group will continue to deploy a very selective bolt-on acquisitions strategy, in targeted areas (Agri-Food and Buildings & Infrastructure notably) and geographies (North America and Asia including China notably).

1.2.5. AUSTERITY PLAN PUT IN PLACE TO REDUCE COSTS AND MEASURES TAKEN TO PROTECT THE CASH POSITION

Bureau Veritas has put measures in place aimed at maintaining a tight rein on costs and cash, with indicators monitored on a daily basis. These include suspending all non-essential investments and putting in place an austerity plan for its worldwide operations, which includes a freeze in recruitment and salary increases, and minimizing discretionary spending.

The Group has also adjusted its cost base in targeted geographies and focused on some structurally under-performing units, notably in Consumer Products and commodities-related activities. This resulted in a restructuring charge of €21.7 million in H1 2020, compared to €12.1 million in H1 2019. The restructuring charge is expected to be in the range of €25-30 million in the full year 2020.

1.2.6. CANCELLATION OF THE DIVIDEND FOR THE 2019 FINANCIAL YEAR

In early April, Bureau Veritas' Board of Directors took the exceptional decision to cancel the dividend (€0.56 per share) due to be proposed to the June 26, 2020[1] Annual General Meeting called to approve the financial statements for the year ended December 31, 2019. As per the latest health recommendations, the Group held its AGM behind closed doors.

This decision maintained cash of around €250 million in the Group, and complies with the French regulatory requirement for the suspension of dividend payments in return for government support (temporary layoffs in France, and the deferral of certain employment contributions and tax payments). It also reiterates the Group's responsibility to all its stakeholders who are making considerable efforts or facing major challenges during this unparalleled crisis.

[1] In order to ensure the health and safety of its employees, service providers and shareholders, and also to preserve shareholders' rights to participate in the Annual General Meeting (AGM), Bureau Veritas announced on March 13, 2020, its decision to postpone the date of the AGM initially set on Thursday, May 14, 2020 to Friday, June 26, 2020.

1.2.7. REDUCTION IN MANAGEMENT COMPENSATION

As announced during the first quarter of 2020, in order to join with Bureau Veritas' spirit of solidarity and responsibility towards all its stakeholders, both the Chairman of the Board of Directors and the Chief Executive Officer decided to waive 25% of their fixed remuneration during the furlough period for Bureau Veritas employees in France. These sums were donated to the charity "La Fondation Hôpitaux de Paris-Hôpitaux de France".

1.2.8. SOLID FINANCIAL POSITION

Bureau Veritas' financing activity over the first half of 2020 demonstrates the strong support and confidence of the Group's banks and credit investor base in the context of the Covid-19 pandemic.

By April 15, 2020, Bureau Veritas had fully drawn down its €600 million syndicated credit facility. On April 30, 2020, the Group signed an additional liquidity credit line of €500 million, with a one-year maturity and a six-month extension option at Bureau Veritas' discretion. This new credit line strengthens the Group's liquidity position, added to the €600 million syndicated credit facility maturing in May 2025.

At June 30, 2020, the adjusted net financial debt/EBITDA ratio was further reduced to 2.00x (from 2.25x last year) and the EBITDA/consolidated net financial expense ratio was 8.71x. As a precaution against a worsening pandemic, Bureau Veritas obtained a waiver from its banks and USPP noteholders to relax its financial covenants at June 30, 2020, December 31, 2020 and June 30, 2021. As a consequence, the adjusted net financial debt/EBITDA ratio stands at 4.5x, 6.25x and 5.5x versus 3.25x previously at the test dates and for USPP only, the EBITDA/consolidated net financial expense ratio stands at 5.5x (unchanged), 2x and 3x versus 5.5x previously at the same dates.

The Group has a solid financial structure with no maturities to refinance until 2023. At June 30, 2020, Bureau Veritas had €2.1 billion in available cash and cash equivalents and €500 million in undrawn committed credit lines.

The average maturity of the Group's financial debt was 5.6 years[2] with a blended average cost of funds over the first half of the year of 3.0% excluding IFRS 16 impact. The blended average cost of funds was 2.5% excluding IFRS 16 impact and excluding early repayment costs over the first half of the year.

1.2.9. EXECUTIVE COMMITTEE APPOINTMENT

Béatrice Place Faget joins Bureau Veritas Group Executive Committee as Executive Vice-President Group Legal Affairs and Internal Audit

Based at the Group's head office in Neuilly-sur-Seine, France, Béatrice Place Faget will report to Didier Michaud-Daniel, Chief Executive Officer of Bureau Veritas, and join the Group Executive Committee. She will replace Pascal Quint, who decided to exercise his retirement rights at the end of July 2020.

[2] At June 30, 2020, on the basis of the gross debt adjusted for 2020 and 2021 maturities refinanced during 2019, for a total amount of €679 million.

1.3. CHANGE IN ACTIVITY AND RESULTS

(€ millions)	First-half 2020	First-half 2019	Change
Revenue	**2,200.5**	**2,476.6**	**(11.1)%**
Purchases and external charges	(663.3)	(690.6)	
Personnel costs	(1,182.2)	(1,294.6)	
Other income and expenses	(295.4)	(160.2)	
Operating profit	**59.6**	**331.2**	**(82.0)%**
Share of profit of equity-accounted companies	-	0.5	
Operating profit after share of profit of equity-accounted companies	**59.6**	**331.7**	**(82.0)%**
Net financial expense	(66.1)	(57.4)	
Profit (loss) before income tax	**(6.5)**	**274.3**	**(102.4)%**
Income tax expense	(24.3)	(89.3)	
Net profit (loss)	**(30.8)**	**185.0**	**(116.6)%**
Non-controlling interests	(3.3)	(13.9)	
Net profit (loss) from discontinued operations	-	-	
ATTRIBUTABLE NET PROFIT (LOSS)	**(34.1)**	**171.1**	**(119.9)%**

1.3.1. REVENUE

Revenue in the first half of 2020 amounted to €2,200.5 million, a 11.1% decrease compared with H1 2019.

- Organic decline was 9.0%, including an organic decline of 15.6% in the second quarter.

  Marine & Offshore delivered organic growth of 3.4%. Agri-Food & Commodities, Buildings & Infrastructure and Industry showed a good level of resistance overall, down 6.6% organically on average. Conversely, Consumer Products and Certification declined sharply due to the impact of the Covid-19 shutdowns, down 21.2% organically on average.

  By geography, activities in Europe outperformed the rest of the Group (37% of revenue; down 5.3% organically), with notably solid performances in Eastern countries (up 2.0% organically) and near stability achieved in France over the first half. Asia Pacific (30% of revenue; down 13.0% organically) was primarily affected by the lockdown measures in China in Q1 across most businesses, while Australia grew.

  Activities in the Americas (24% of revenue) decreased by 9.3% organically, mostly dragged down by North America (the US and Canada), while Latin America showed a good level of resistance (down 3.8% organically), as it continued to benefit from the successful diversification strategy towards Opex, in Power & Utilities notably. Finally, in Africa and the Middle East (9% of revenue), the business declined by 8.1%, driven down by the energy sector.

- External growth was a negative 0.5%, reflecting the impact from prior-year disposals (HSE consulting business in the US, in particular), the contribution of acquisitions made in 2019, and the absence of transactions year-to-date.

- Currency fluctuations had a negative impact of 1.6%, mainly due to the depreciation of some emerging countries' currencies against the euro partly offset by the appreciation of the USD and pegged currencies.

The bases for calculating components of revenue growth are presented in section 1.9 – Definition of alternative performance indicators and reconciliation with IFRS of this Half-Year Financial Report.

1.3.2. OPERATING PROFIT

Operating profit totaled €59.6 million, down 82.0% from €331.2 million in first-half 2019 (down 80.9% on a constant currency basis).

1.3.3. ADJUSTED OPERATING PROFIT

Adjusted operating profit is defined as operating profit before the adjustment items described in section 1.9 – Definitions of alternative performance indicators and reconciliation with IFRS, and in Note 4 to the condensed half-year consolidated financial statements – Alternative performance indicators, included in section 2.2 of this Half-Year Financial Report.

The table below shows a breakdown of adjusted operating profit in the first half of 2020 and the first half of 2019:

(€ millions)	**First-half 2020**	**First-half 2019**	Change
Operating profit	**59.6**	**331.2**	**(82.0)%**
Amortization of intangible assets resulting from acquisitions	104.4	38.5	
Impairment and retirement of non-current assets	22.0	-	
Gains and losses on disposals of businesses and other income and expenses relating to acquisitions	8.1	(1.3)	
Restructuring costs	21.7	12.1	
ADJUSTED OPERATING PROFIT	**215.8**	**380.5**	**(43.3)%**

Adjustment items totaled €156.2 million in first-half 2020, compared with €49.3 million in first-half 2019, and comprised:

- €104.4 million in amortization of intangible assets, up from €38.5 million in first-half 2019 due to the depreciation of intangible assets;
- €22.0 million in impairment and write-off of non-current assets related to laboratory consolidations and business downsizing in Consumer Products (China, Europe and the US essentially) and Agri-Food & Commodities (Australia, Latin America and the US notably);
- €21.7 million in restructuring costs, relating chiefly to Consumer Products and commodities-related businesses (€12.1 million in first-half 2019);
- €8.1 million in net losses on disposals and acquisitions (net gains of €1.3 million in first-half 2019).

Adjusted operating profit was €215.8 million, down 43.3% compared with first-half 2019 and down 41.4% at constant exchange rates.

Change in adjusted operating profit

(€ millions)	
Adjusted operating profit in first-half 2019	**380.5**
Organic change	(155.9)
Organic adjusted operating profit	**224.6**
Scope	(1.8)
Adjusted operating profit at constant currency	**222.8**
Currency	(7.0)
ADJUSTED OPERATING PROFIT IN FIRST-HALF 2020	**215.8**

The adjusted operating margin at constant currency was 9.9% in first-half 2020, down 543 basis points on first-half 2019, of which 545 basis points were attributable to an organic decrease and 2 basis points to a positive scope effect. On a reported basis, the adjusted operating margin declined 555 basis points to 9.8% compared with 15.4% in first-half 2019.

Change in adjusted operating margin

(in percentage and basis points)	
Adjusted operating margin in first-half 2019	**15.4%**
Organic change	(545)bps
Organic adjusted operating margin	**9.9%**
Scope	+2bps
Adjusted operating margin at constant currency	**9.9%**
Currency	(12)bps
ADJUSTED OPERATING MARGIN IN FIRST-HALF 2020	**9.8%**

All business activities apart from Marine & Offshore experienced lower margins due to the impact of the Covid-19 shutdowns on activity. This was cushioned by strong cost containment measures (salary & recruitment freeze, reduction of travel costs and non-discretionary spend notably), government aids in some countries (especially the furlough scheme in France) and restructuring.

The most affected divisional margins were those of Certification and Consumer Products, due to a sharp revenue shortfall associated with negative mix effects. Together, they represented around half of the organic decline in the Group's margin in the first half of 2020.

1.3.4. NET FINANCIAL EXPENSE

Consolidated net financial expense essentially includes interest and amortization of debt issuance costs, income received in connection with loans, debt securities or equity instruments, or other financial instruments held by the Group, and unrealized gains and losses on marketable securities, as well as gains or losses on foreign currency transactions and adjustments to the fair value of financial derivatives. It also includes the interest cost on pension plans, the expected income or return on funded pension plan assets and the impact of discounting long-term provisions.

Change in net financial expense

(€ millions)	**First-half 2020**	**First-half 2019**
Finance costs, gross	(64.9)	(51.1)
Income from cash and cash equivalents	4.6	0.9
Finance costs, net	**(60.3)**	**(50.2)**
Foreign exchange gains (losses)	(3.2)	(4.8)
Interest cost on pension plans	(0.9)	(1.4)
Other	(1.7)	(1.0)
NET FINANCIAL EXPENSE	**(66.1)**	**(57.4)**

Net financial expense amounted to €66.1 million in first-half 2020, compared with €57.4 million in the same period one year earlier.

The rise in net finance costs to €60.3 million from €50.2 million in first-half 2019 reflects (i) the increase in average debt owing mainly to the drawdown of €600 million under the syndicated credit facility and (ii) fees arising on the early repayment in the period of the bilateral US Private Placements and of the fixed-rate *Schuldschein* tranches.

The Group's net foreign exchange losses resulted from the impact of currency fluctuations on the assets and liabilities of the Group's subsidiaries denominated in a currency other than their functional currency. In first-half 2020, the Group posted foreign exchange losses of €3.2 million, reflecting the appreciation of the US dollar and euro against most emerging country currencies (foreign exchange losses of €4.8 million in first-half 2019).

1.3.5. INCOME TAX EXPENSE

Consolidated income tax expense stood at €24.3 million for first-half 2020, compared with €89.3 million for first-half 2019. The effective tax rate (ETR), corresponding to income tax expense divided by the amount of pre-tax profit, was a negative 373.8% in first-half 2020 versus 32.5% in first-half 2019. The adjusted effective tax rate increased 6.8 percentage points compared to the first six months of 2019, at 37.9%, and corresponds to the effective tax rate corrected for adjustment items. The increase is mainly due to the weight of taxes that are not directly calculated by reference to taxable income, such as withholding taxes and value-added contributions (France and Italy).

Change in the effective tax rate

(€ millions and as a %)	First-half 2020	First-half 2019
Profit (loss) before income tax	(6.5)	274.3
Income tax expense	(24.3)	(89.3)
Effective tax rate	(373.8)%	32.5%
ADJUSTED EFFECTIVE TAX RATE	**37.9%**	**31.1%**

1.3.6. ATTRIBUTABLE NET PROFIT

Bureau Veritas reported an attributable net loss of €34.1 million in first-half 2020.
Earnings per share was a negative €0.08, down 120.5% on earnings per share of €0.39 in first-half 2019 and down 118.8% on a constant currency basis.

1.3.7. ADJUSTED ATTRIBUTABLE NET PROFIT

Adjusted attributable net profit is defined as attributable net profit adjusted for the adjustment items net of tax described in section 1.9 – Definitions of alternative performance indicators and reconciliation with IFRS, and in Note 4 – Alternative performance indicators of section 2.2 – Notes to the condensed half-year consolidated financial statements of this Half-Year Financial Report.

The table below shows a breakdown of adjusted attributable net profit in the first half of 2020 and the first half of 2019:

(€ millions)	First-half 2020	First-half 2019
Attributable net profit (loss)	**(34.1)**	**171.1**
EPS[a] (in euros per share)	*(0.08)*	*0.39*
Adjustment items	156.2	49.3
Net profit (loss) from discontinued operations	-	-
Tax impact on adjustment items	(32.4)	(11.5)
Non-controlling interests	(2.3)	(2.3)
ADJUSTED ATTRIBUTABLE NET PROFIT	**87.4**	**206.6**
ADJUSTED EPS[a] *(in euros per share)*	**0.19**	**0.47**

(a) Calculated using the weighted average number of shares: 448,056,073 shares in first-half 2020 and 437,222,344 shares in first-half 2019.

Adjusted attributable net profit amounted to €87.4 million in first-half 2020, down on the first-half 2019 figure. Adjusted earnings per share came out at €0.19, a decrease of 59.6% on first-half 2019 and of 56.6% based on constant currencies.

Change in adjusted attributable net profit

(€ millions)	
Adjusted attributable net profit in first-half 2019	**206.6**
Organic change and scope	(115.2)
Adjusted attributable net profit at constant currency	**91.4**
Currency	(4.0)
ADJUSTED ATTRIBUTABLE NET PROFIT IN FIRST-HALF 2020	**87.4**

1.3.8. RESULTS BY BUSINESS

Change in revenue by business

(€ millions and as a %)	First-half 2020	First-half 2019	Growth			
			Total	Organic	Scope	Currency
Marine & Offshore	185.0	180.9	+2.3%	+3.4%	-	(1.1)%
Agri-Food & Commodities	517.1	574.3	(10.0)%	(7.7)%	+0.3%	(2.6)%
Industry	473.6	534.4	(11.4)%	(6.8)%	(0.1)%	(4.5)%
Buildings & Infrastructure	611.4	664.7	(8.0)%	(5.4)%	(2.2)%	(0.4)%
Certification	142.0	182.6	(22.2)%	(21.9)%	+0.5%	(0.8)%
Consumer Products	271.4	339.7	(20.1)%	(20.8)%	+0.1%	+0.6%
TOTAL	**2,200.5**	**2,476.6**	**(11.1)%**	**(9.0)%**	**(0.5)%**	**(1.6)%**

Change in adjusted operating profit by business

(€ millions and as a %)	Adjusted operating profit			Adjusted operating margin					
	First-half 2020	First-half 2019	Change	First-half 2020	First-half 2019	Total change (bps)	Organic	Scope	Currency
Marine & Offshore	42.7	38.4	+11.2%	23.1%	21.2%	+185	+225	-	(40)
Agri-Food & Commodities	60.9	79.6	(23.5)%	11.8%	13.9%	(209)	(161)	(30)	(18)
Industry	35.1	59.3	(40.8)%	7.4%	11.1%	(368)	(349)	+2	(21)
Buildings & Infrastructure	42.1	88.6	(52.5)%	6.9%	13.3%	(644)	(667)	+27	(4)
Certification	10.9	30.9	(64.7)%	7.7%	16.9%	(922)	(908)	+3	(17)
Consumer Products	24.1	83.7	(71.2)%	8.9%	24.6%	(1,576)	(1,593)	+3	+14
TOTAL	**215.8**	**380.5**	**(43.3)%**	**9.8%**	**15.4%**	**(555)**	**(545)**	**+2**	**(12)**

MARINE & OFFSHORE

(€ millions)	First-half 2020	First-half 2019	% change	Organic	Scope	Currency
Revenue	185.0	180.9	+2.3%	+3.4%	-	(1.1)%
Adjusted operating profit	42.7	38.4	+11.2%			
Adjusted operating margin	23.1%	21.2%	+185bps	+225bps	-	(40)bps

The Marine & Offshore business posted solid 3.4% organic revenue growth in the first half of 2020 as it suffered little impact from the Covid-19 crisis, with the Group continuing to deliver “essential services” which ensure business continuity to its clients across the globe. The 1.5% organic revenue decline in Q2 2020 stems from more challenging comparables compared to the prior year. The half-year organic performance results mainly from:

- Low double-digit growth in New Construction (42% of divisional revenue), notably driven by North East Asia (China and South Korea in particular), benefiting from a healthy backlog;
- Low single-digit growth in the Core In-service activity (42% of divisional revenue), a reflection of the fleet’s modest growth and stable level of laid up ships. After a strong Q1 benefiting from favorable timing of inspections, Q2 saw a reversal of this trend. At June 30, 2020, the fleet classified by Bureau Veritas comprised 11,393 ships, representing 129.0 million of Gross Register Tonnage (GRT), up 0.6% on a yearly basis (based on the number of ships);
- Mid-single-digit decline for Services (16% of divisional revenue, including Offshore) as they rely more on discretionary spend and as the Offshore business was penalized by lower oil prices. Besides the cyclical Offshore part (8% of divisional revenue), the Group continued to extend its portfolio of resilient services.

New orders continued to show resilience and totaled 3.2 million gross tons at the end of June 2020 (from 3.5 million gross tons in the prior-year period), reflecting the Group’s continued significant outperformance in a market that is being sharply down. This demonstrates Bureau Veritas’ leading position in the LNG-propelled and LNG bunkering vessels segment. The order book stood at 15.0 million gross tons at the end of the quarter, up 5.9% compared to December 31, 2019 (14.2 million gross tons). The book remains well diversified with tankers, bulks, LNG vessels and specialized ships (such as dredging, naval, fishing) representing a significant share of the orders.

During the Covid-19 crisis, Marine & Offshore continued to focus on efficiency levers through digitalization and high added value services. It launched new digital tools, such as e-learning modules. A rising number of occasional surveys were led remotely. In addition, electronic certificates continued to be deployed during the half-year for numerous ship owners, with more than 15,000 electronic certificates issued.

Adjusted operating margin in the first half improved to 23.1%, up 185 basis points compared to H1 2019, of which 225 basis points on an organic basis, benefiting from the operating leverage, positive business and geographical mix as well as operational excellence.

AGRI-FOOD & COMMODITIES

(€ millions)	First-half 2020	First-half 2019	% change	Organic	Scope	Currency
Revenue	517.1	574.3	(10.0)%	(7.7)%	+0.3%	(2.6)%
Adjusted operating profit	60.9	79.6	(23.5)%			
Adjusted operating margin	11.8%	13.9%	(209)bps	(161)bps	(30)bps	(18)bps

The Agri-Food & Commodities business held up well with organic revenue decline of 7.7% in the first half of 2020, as the main supply chains (Agri Food, Metal & Minerals and Oil & Petrochemicals) have continued to operate despite the disruption related to the Covid-19 crisis. Q2 recorded a 15.0% decline.

The **Oil & Petrochemicals** (O&P) segment (36% of divisional revenue) recorded a high single-digit organic decline, with better performance in Trade than Upstream activities. Low oil prices have driven much of the crude oil into storage, which, combined with lower fuel consumption, led to a slowdown of demand for TIC services, notably in the second quarter. Competition in the O&P Trade market remained strong. By region, slight growth was achieved in Asia and in Latin America while negative in the other geographies, reflecting the closure of some locations due to Covid-19.

The **Metals & Minerals** segment (27% of divisional revenue) reported a mid-single-digit organic decline overall, dragged down by the Trade activities while the Upstream-related businesses delivered a broadly stable performance. Upstream continued to record solid growth in Africa led by contract wins (including Mozambique) while being slightly down in both Americas and Australia. New mine site outsourcing contract wins (Australia, Americas and West Africa) contributed to growth. Gold continued to perform well while other metals were generally affected by lower metal prices. The exploration drilling activity reached its lowest level in several years during the first half as Capex spend was slashed and key exploration regions implemented restricted access to prevent the spread of Covid-19. Trade activities declined double-digit organically, primarily dragged down by all geographies apart from Australia (which benefited from Chinese stimulus supporting demand for steel and aluminum and driving iron ore/bauxite exports to China). Mine closures and Covid-19 operating restrictions in Africa reduced tonnages available for shipment.

Agri-Food (23% of divisional revenue) recorded a resilient organic performance in the first half, with food activities and Agricultural testing and inspection services remaining critical to the food supply in the current context of Covid-19. High single-digit organic growth was achieved in Asia, while Africa delivered mid-single-digit growth. The Agri Upstream business declined as result of the pandemic with reduced volumes for harvest monitoring services (in Latin America notably), while the Agricultural inspection activities remained strong in Brazil with exports (especially to China) being kept at a high level. The Food business maintained strong trends across most geographies, thanks to the development of several initiatives, the ramp-up of recent lab openings, and the benefits of past acquisitions. Growth was particularly solid in China. Food Safety Services are more than ever considered as critical to the food supply chain in the context of the pandemic.

Government services (14% of divisional revenue) recorded a double-digit organic decline in the first half as a result of the general lockdown in some African countries (South Africa, Senegal and DRC notably), the impact of contract termination (Chad), and due to unfavorable comparables in the prior-year period.

The adjusted operating margin for the Agri-Food & Commodities business declined to 11.8%, down 161 basis points organically compared to last year. This reflects the impact from the revenue decline and a negative mix cushioned by strong cost containment measures.

INDUSTRY

(€ millions)	First-half 2020	First-half 2019	% change	Organic	Scope	Currency
Revenue	473.6	534.4	(11.4)%	(6.8)%	(0.1)%	(4.5)%
Adjusted operating profit	35.1	59.3	(40.8)%			
Adjusted operating margin	7.4%	11.1%	(368)bps	(349)bps	+2bps	(21)bps

Industry revenue declined by 6.8% organically in the first half of 2020. This resilience notably reflects the benefits of the strategy of diversification towards Opex and non-Oil & Gas markets. In Q2, the decline reached 15.8% due to the disruption related to the Covid-19 shutdowns across many of the Group's operations.

By geography, performance was very mixed with growth maintained in most Latin American countries thanks to strong commercial development (P&U activities and O&G Opex), and in certain European countries, including Spain. Conversely revenue declined double-digit in the Middle East and Africa (despite the contract ramp-up in Qatar) and in North America, as these regions were strongly affected by the current context in the Oil & Gas industry. In the meantime, revenue was down high single-digit in Asia Pacific (China was down double-digit in H1 despite growth in Q2, and South Korea was down double-digit due to a contract termination).

Part of the Group's strategic plan Growth Initiatives, Opex-related activities delivered a resilient performance in H1 2020. Overall, the inspection of energy assets (inspection of electricity systems, electrical grid, nuclear power plants) has seen limited disruption as ensuring the service is business critical in the current circumstances.

The Power & Utilities segment (13% of divisional revenue) was down mid-single-digit in H1 2020, whereas P&U Opex-related activities were broadly stable, primarily led by Latin America thanks to the ramp-up of large contract wins with various Power distribution clients (notably in Argentina and Chile). The successful expansion of the Opex Grid platform across Latin America continued. At the end of June 2020, the Group signed a large P&U contract in Brazil with a new client to deliver electrical integral services in three regions over five years. Elsewhere, a solid revenue stream was achieved in Europe (nuclear power plants).

Oil & Gas markets declined slightly, reflecting various situations geographically. A double-digit organic decline was recorded for Capex-related activities (15% of divisional revenue), resulting from the steep decline in Asia (with China severely being impacted by Covid-19 shutdowns and South Korea by a large contract completion), despite solid performances achieved in Africa, Latin America (apart from Brazil) and Europe, notably on gas-related projects. The pipeline of O&G Capex opportunities is muted, and reflects the low oil prices environment. Opex-related activities (18% of divisional revenue) grew low single-digit organically compared to last year (including in Q2), with strong developments in Africa, being cushioned by the other geographies. Business opportunities in Opex services remain good overall.

Elsewhere, business has been impacted in varying degrees. Critical infrastructure projects have continued to progress. "Non-essential" operational monitoring projects were put on hold during the lockdown period and have gradually restarted since restrictions have been lifted. Growth was achieved in Manufacturing sectors (11% of divisional revenue), while Transportation was slightly down.

During the first half of 2020, the Group continued to deliver progress on its digital transformation. Digital tools have been extensively used during the Covid-19 crisis (e.g. digital twins, assets monitoring through sensors) and new ones are under development (e.g. Training). Drone inspections or via smartphones have been multiplied in many sectors and countries, leading to improved efficiency and safety for inspectors.

Adjusted operating margin for the half-year was 7.4%, down 368 basis points from 11.1% in H1 2019 due to the revenue decline (Q2-centric), the continuing negative mix effect with the strong ramp-up of large Opex contracts and mobilization costs, although mitigated by cost actions.

BUILDINGS & INFRASTRUCTURE

(€ millions)	First-half 2020	First-half 2019	% change	Organic	Scope	Currency
Revenue	611.4	664.7	(8.0)%	(5.4)%	(2.2)%	(0.4)%
Adjusted operating profit	42.1	88.6	(52.5)%			
Adjusted operating margin	6.9%	13.3%	(644)bps	(667)bps	+27bps	(4)bps

The Buildings & Infrastructure business (B&I) posted a revenue decline of 8.0% in the first half of 2020 with a 2.2% negative impact from external growth notably due to the disposal of the US HSE consulting business in June 2019.

Organically, despite the Covid-19 related shutdowns across many of the Group's operations, the business proved to be resilient, and posted an organic revenue decline of 5.4% in H1 2020. In Q2, organic revenue declined 10.5% as the recovery of the Chinese operations mitigated the effect of the lockdowns elsewhere (Europe, the US and Latin America essentially).

While double-digit organic revenue decline was recorded in the Construction-related activities (41% of divisional revenue) as a consequence of the lockdown situations, the performance was materially better for the Buildings In-service activities (59% of divisional revenue), which were slightly up.

In its largest European market (58% of divisional revenue), the Group recorded slight organic revenue growth led by France (45% of divisional revenue) despite the Covid-19 lockdown which started to impact the activity mid-March. In the first quarter, the Group strongly benefited from new services launched (related to energy efficiency programs following the acquisition of Capital Energy) and the execution of its healthy backlog for Opex-related activities (around three-quarters of the French business). In the second quarter, the lockdown triggered reduced activity with closures of client sites and postponement of works, notably for the regulatory driven business. Capex-related works have been under pressure with a large part of the projects being stopped during Q2. Other countries' performances were weak due to the general lockdowns.

The Group recorded a major organic decline in Asia Pacific (22% of divisional revenue) due to the Q1 lockdown in China (decline of 17.4% in Q1 alone). In Q2, the business restarted and led the country to deliver 8.6% organic revenue growth supported by positive prospects in energy and transport infrastructure project management assistance (with increasing public opportunities). During Q1, Bureau Veritas engineers provided essential engineering, consulting and safety management services for the Shenzhen emergency hospital which was built in only 20 days. As far as Japan is concerned, it performed above the divisional average thanks to robust development in Capex-related services.

In the Americas (18% of divisional revenue), a double-digit organic decline was recorded primarily dragged down by Latin America (down 22.3% led by Colombia, Brazil and Mexico), while the United States (negative 7.3% organic growth) showed good resilience as it continued to benefit from strong dynamics in data center commissioning services offsetting some weaker end markets. In H1, the Group's clients accelerated data center commissioning requirements to support the increase in remote workforces.

Adjusted operating margin for the half-year declined by 644 basis points to 6.9%, due to revenue decline, in China in Q1 and elsewhere in Q2 (related to the lockdown measures), and significant negative mix effects which were business- and geography-led. Given the healthy backlog, limited resources adjustments were made during H1.

CERTIFICATION

(€ millions)	First-half 2020	First-half 2019	% change	Organic	Scope	Currency
Revenue	142.0	182.6	(22.2)%	(21.9)%	+0.5%	(0.8)%
Adjusted operating profit	10.9	30.9	(64.7)%			
Adjusted operating margin	7.7%	16.9%	(922)bps	(908)bps	+3bps	(17)bps

Certification was the most affected business within the Group's portfolio as the result of the Covid-19 crisis and the associated general lockdowns observed in multiple countries, starting from March. It recorded an organic decline of 21.9% in the first half of 2020, including -33.5% in the second quarter as many audits were postponed.

All geographies experienced high double-digit negative organic trends with the exception of a few countries that were less affected by lockdown measures (UAE, Vietnam). The most impacted countries were the US, Canada, the UK, Germany (impacted by the automotive industry) and Brazil. France performed in line with the divisional average. China, which was strongly impacted in Q1 due to extreme restrictions on mobility (down high double-digit), did stabilize in Q2.

Within the Group's portfolio, Social and Customized audits and Automotive (IATF) were the most hit due to postponements from clients as remote audits were not authorized and certificates validity was delayed. Training services were also impacted with the cancellation of face-to-face training sessions, replaced in some cases by digital training.

The decline was cushioned in countries or segments where the Group was authorized to deliver the service remotely through digital solutions. In many countries, the national accreditation bodies have allowed remote audits for some ISO standards and activities apart in some segments (Food, Automotive or social audits). Some of the QHSE and Information Security Management System audits were delivered remotely during the second quarter with mixed situations by country (good take-up rate in Spain, Italy, India, Brazil, Thailand and Denmark, while weak in others). While remote solutions are developed and promoted to each client, they are not becoming the norm as they are difficult to implement at the client's end. In early July, Sedex (Supplier Ethical Data Exchange), one of the world's leading ethical trade service providers, working to improve working conditions in global supply chains, opened for virtual assessments. Selected for a pilot program, Bureau Veritas was authorized, amongst the six Affiliate Audit Companies (AACs) approved by Sedex, to deliver Sedex Virtual Assessments (SDA).

Growth was achieved in Certification of Organic Food products while Sustainability & CSR services, Wood management systems certification, Client Operations audits and Personnel Certification showed strong resilience. The Group's portfolio diversification continued with new products development being down by only 6.1% in the first half of 2020 compared to the prior year. As an example, new training-related products were developed in Chile.

In the context of Covid-19, the Group has worked on business continuity solutions by promoting remote audits and virtual classrooms. It prepared the crisis exit with initiatives related to restarting the business at the end of the lockdown ("Restart Your Business with BV") and from which it is currently seeing strong momentum. Many contracts were signed with clients across very different sectors, including hospitality and restaurants, airlines, banks, shopping centers or the public sector. This suite of solutions is expected to contribute to the gradual improvement of the business from Q3 onwards.

Adjusted operating margin for the half-year strongly declined to 7.7%. This reflects a 908-basis-point organic decrease led by a sharp decline in revenue, notably in Q2, partly cushioned by a flexible cost base.

CONSUMER PRODUCTS

(€ millions)	First-half 2020	First-half 2019	% change	Organic	Scope	Currency
Revenue	271.4	339.7	(20.1)%	(20.8)%	+0.1%	+0.6%
Adjusted operating profit	24.1	83.7	(71.2)%			
Adjusted operating margin	8.9%	24.6%	(1,576)bps	(1,593)bps	+3bps	+14bps

The Consumer Products business recorded organic revenue down by 20.8% in the first half of 2020, strongly impacted by the Covid-19 shutdowns across most geographies and product categories. In Q2, as anticipated, revenue further deteriorated (down 22.8%), mainly due to the multiplication of lockdown measures across the Group's operations and due to persistent low activity levels from US and European clients (canceled orders and product launches on hold). Testing activities were severely hit (down 26.7%) while the Inspection and Audit services proved to resist better (down 4.5%) during the first half.

By geography, while activity levels in Greater China improved sequentially throughout the first half (after a very weak Q1), they deteriorated in most other geographies and in South Asia and South East Asia notably.

Softlines (33% of divisional revenue) performed below the divisional average, heavily impacted by the disruption caused by the lockdown measures in China in Q1 and elsewhere in Q2, notably in South Asia and South East Asia (India and Bangladesh were highly impacted). The activity also strongly suffered from difficult trading conditions with large US retailers and the effects of continuing bankruptcies.

In the long run, the Group expects to continue to benefit from an accelerated sourcing shift out of China as well as solid momentum in South and South East Asia and from new geographies (Eastern Europe and Africa in particular).

Hardlines (31% of divisional revenue) performed in line with the divisional average, dragged down by most geographies, China and the US in particular. Toys was under pressure and Cosmetics experienced a double-digit decline despite a good performance in South Korea. Inspection and Audit services (12% of divisional revenue) showed a good level of resilience during the first half, notably fueled by high single-digit organic growth in China. This includes social and CSR audits for which the momentum is gathering. This is illustrated by the contract signed with UK clothing brand Boohoo to lead an independent review of its supply chain (following allegations of poor working conditions at its suppliers' factories in the UK).

Lastly, **Electrical & Electronics** (36% of divisional revenue) performed better than the divisional average, reflecting a contrasted situation by sub-segment: more resilient performance in Mobile testing while very challenging in Electrical Automotive (reliability testing and homologation services), led by China. The activity suffered from difficult trading conditions with large US retailers and the effects of the Covid-19 shutdowns. Growth was achieved in South Korea and Latin America while it was significantly negative in the US and in Europe as well. In Asia, 5G-related products/infrastructures continue to show good momentum with the Group's Asian test platforms (South Korea and Taiwan in particular) now being fully operational.

Throughout 2020 the uncertainty relating to the economic conditions from Covid-19 and continuing discussions on trade tariffs is expected to continue triggering a “wait & see attitude” in some clients with delays or cancellations of new product launches. The Group sees no change in trends as of today and remains very cautious as regards the second half of the year.

Adjusted operating margin for the half-year strongly decreased to 8.9% (down 1,576 basis points) attributed to the effect of high revenue decline and limited cost adjustment in Q1. Restructuring measures were implemented in Q2 2020.

1.4. CASH FLOWS AND SOURCES OF FINANCING

1.4.1. CASH FLOWS

(€ millions)	First-half 2020	First-half 2019
Profit (loss) before income tax	(6.5)	274.3
Elimination of cash flows from financing and investing activities	46.6	67.2
Provisions and other non-cash items	60.4	(6.5)
Depreciation, amortization and impairment	212.4	142.2
Movements in working capital attributable to operations	113.7	(161.6)
Income tax paid	(62.3)	(83.3)
Net cash generated from operating activities	**364.3**	**232.3**
Acquisitions of subsidiaries	(17.1)	(55.9)
Proceeds from sales of subsidiaries and businesses	-	16.6
Purchases of property, plant and equipment and intangible assets	(44.9)	(56.4)
Proceeds from sales of property, plant and equipment and intangible assets	3.8	5.1
Purchases of non-current financial assets	(11.0)	(8.4)
Proceeds from sales of non-current financial assets	11.8	8.4
Change in loans and advances granted	(2.5)	(11.4)
Dividends received from equity-accounted companies	0.1	1.4
Net cash used in investing activities	**(59.7)**	**(100.6)**
Capital increase	2.2	0.7
Purchases/sales of treasury shares	3.0	2.8
Dividends paid	(12.7)	(69.3)
Increase in borrowings and other financial debt	782.7	204.9
Repayment of borrowings and other financial debt	(321.2)	(424.7)
Repayment of amounts owed to shareholders	-	(3.2)
Repayment of lease liabilities and interest	(52.0)	(43.3)
Interest paid	(53.6)	(40.1)
Net cash generated from (used in) financing activities	**348.6**	**(372.2)**
Impact of currency translation differences	(12.2)	(0.2)
Impact of changes in accounting policy	-	-
Net increase (decrease) in cash and cash equivalents	**640.9**	**(240.7)**
Net cash and cash equivalents at beginning of period	1,465.7	1,034.6
Net cash and cash equivalents at end of period	**2,106.6**	**793.9**
o/w cash and cash equivalents	2,120.5	804.8
o/w bank overdrafts	(13.9)	(10.9)

Net cash generated from operating activities

Cash generated from operating activities (operating cash flow) rose 56.8% to €364.3 million in first-half 2020, buoyed by a sharp improvement in working capital requirement (positive €275.3 million impact compared to first-half 2019) due to the deferral of payments (especially tax payments and payroll charges) and a significant reduction in trade receivables. The Move for Cash program continued to have a positive impact on operating working capital and is still ongoing, with initiatives in place throughout the organization.

At June 30, 2020, working capital requirement was €320.1 million, or 7.1% of annualized revenue, compared with €581.4 million or 11.7% of revenue at June 30, 2019. This improvement reflects the strong mobilization across the organization on cash metrics, with initiatives under the Move for Cash program continuing to be deployed in the first half of the year (optimizing the "invoice to cash" process, accelerating billing and cash collection processes throughout the Group reinforced by a central task force, and monitoring cash inflows on a daily basis).

Change in cash generated from operating activities

(€ millions)

Cash generated from operating activities in first-half 2019	**232.3**
Organic change and scope	+141.7
Cash generated from operating activities at constant currency	**374.0**
Currency	(9.7)
CASH GENERATED FROM OPERATING ACTIVITIES IN FIRST-HALF 2020	**364.3**

The table below shows a breakdown of free cash flow in the first half of 2020 and the first half of 2019:

(€ millions)	First-half 2020	First-half 2019
Net cash generated from operating activities	**364.3**	**232.3**
Net purchases of property, plant and equipment and intangible assets	(41.0)	(51.3)
Interest paid	(53.6)	(40.1)
FREE CASH FLOW	**269.6**	**140.9**

Free cash flow (net cash flow generated from operating activities after tax, interest expense and purchases of property, plant and equipment and intangible assets) was €269.6 million in first-half 2020, up 91.4% on the first-half 2019 figure of €140.9 million (up 98.5% at constant currencies). On an organic basis, free cash flow improved by 96.8% during first-half 2020.

Change in free cash flow

(€ millions)

Free cash flow at June 30, 2019	**140.9**
Organic change	+136.4
Organic free cash flow	**277.3**
Scope	+2.4
Free cash flow at constant currency	**279.7**
Currency	(10.1)
FREE CASH FLOW AT JUNE 30, 2020	**269.6**

Purchases of property, plant and equipment and intangible assets

The Group's Inspection and Certification activities are fairly non capital-intensive, whereas its laboratory testing and analysis activities require investment in equipment. These investments concern the Consumer Products and Agri-Food & Commodities businesses in particular.

The Group's total capital expenditure (net of disposals) in property, plant and equipment and intangible assets was €41.0 million in first-half 2020, down from €51.3 million in first-half 2019. The Group recognized €3.8 million in disposal gains during the period, versus €5.1 million in disposal gains in first-half 2019.

The Capex-to-revenue ratio came out at approximately 1.9%, lower than the first-half 2019 figure of 2.1%.

Interest paid

Interest paid rose to €53.6 million from €40.1 million in first-half 2019, primarily reflecting fees arising on the early repayment of the bilateral US Private Placements and the fixed-rate *Schuldschein* tranches in first-half 2020.
The amount shown as interest paid for first-half 2019 includes the January 2019 payment of a first short coupon on bonds issued in October 2018, whereas the amount for first-half 2020 includes the annual coupon paid in January 2020.

Net cash generated from operating activities

Acquisitions and disposals of companies

The Group did not carry out any major acquisitions in first-half 2020.

(€ millions)	First-half 2020	First-half 2019
Purchase price of acquisitions	(1.7)	(52.5)
Remeasurement of securities at fair value (step acquisition)	-	4.1
Cash and cash equivalents of acquired companies	0.1	14.2
Purchase price outstanding at June 30 in respect of acquisitions in the period	-	2.2
Equity-settled payments	-	-
Purchase price in relation to acquisitions in prior periods	(15.3)	(22.0)
Impact of acquisitions on cash and cash equivalents	**(16.9)**	**(54.0)**
Acquisition fees	(0.2)	(1.9)
ACQUISITIONS OF SUBSIDIARIES	**(17.1)**	**(55.9)**

Net cash generated from (used in) financing activities

Capital transactions (capital increases/reductions and share buybacks)

In first-half 2020, purchases and sales of the Company's own shares, notably used to cover stock option and performance share plans, led to net cash inflows of €3.0 million, plus €2.2 million in capital increases.

Dividends

In first-half 2020, the "Dividends paid" item totaling €12.7 million mainly comprised dividends paid to non-controlling shareholders and withholding tax on intra-group dividends.

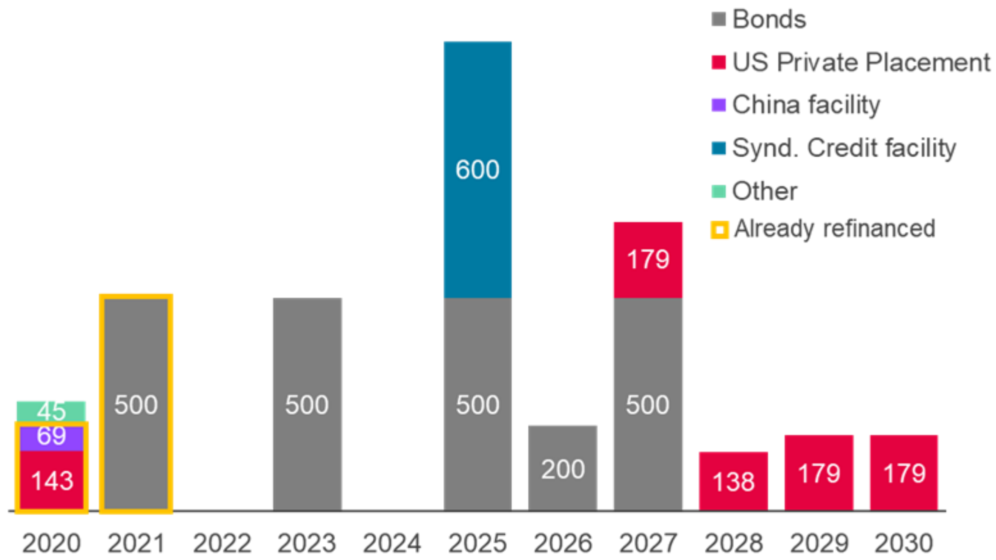
As described in section 1.2 – First-half 2020 highlights, owing to the context created by the Covid-19 pandemic, the Group took an exceptional decision to cancel the dividend due to be recommended in respect of the 2019 financial year.

Financial debt

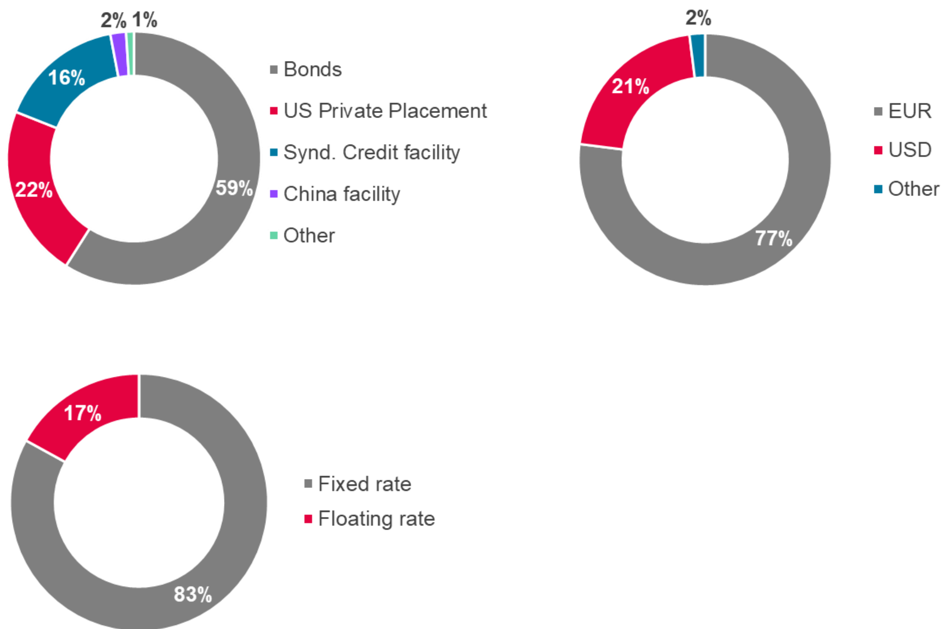
Gross financial debt on the statement of financial position increased by €44.3 million compared with December 31, 2019.

1.4.2. FINANCING

Debt maturity profile at June 30, 2020



Breakdown of debt



Sources of Group financing

Main sources of financing

At June 30, 2020, the Group's gross debt totaled €3,731.0 million, comprising:

- Non-bank financing:
  - 2008 US Private Placement (€143.0 million);
  - 2017 US Private Placement (€317 million) carried on the books of Bureau Veritas Holdings, Inc.;
  - 2018 US Private Placement (€178.6 million) carried on the books of Bureau Veritas Holdings, Inc.;
  - 2019 US Private Placement (€178.6 million);
  - 2014, 2016, 2018 and 2019 bond issues (€2.2 billion).
- Bank financing:
  - 2018 syndicated credit facility (drawn);
  - 2020 revolving credit facility (undrawn);
  - bank financing (€68.8 million) carried on the books of Bureau Veritas Investment Shanghai Co., Ltd.;
  - other bank debt (€6.3 million); and
  - bank overdrafts (€13.8 million).
- Other bank debt and accrued interest (€24.9 million).

The change in the Group's gross debt is shown below:

(€ millions)	**June 30, 2020**	**Dec. 31, 2019**
Bank borrowings due after one year	2,967.8	2,918.5
Bank borrowings due within one year	749.4	356.9
Bank overdrafts	13.8	12.1
GROSS DEBT	**3,731.0**	**3,287.5**

The table below shows the change in cash and cash equivalents and net debt:

(€ millions)	**June 30, 2020**	**Dec. 31, 2019**
Marketable securities	797.3	431.3
Cash at bank and on hand	1,323.2	1,046.5
Cash and cash equivalents	**2,120.5**	**1,477.8**
Gross debt	3,731.0	3,287.5
NET DEBT	**1,610.5**	**1,809.7**
Currency hedging instruments	6.4	3.6
ADJUSTED NET FINANCIAL DEBT	**1,616.9**	**1,813.3**

Adjusted net financial debt (net financial debt after currency hedging instruments as defined in the banking covenants) amounted to €1,616.9 million at June 30, 2020, compared with €1,813.3 million at December 31, 2019.

Bank covenants[3]

Some of the Group's financing requires compliance with certain bank covenants and ratios.

In June 2020, in the context of the Covid-19 pandemic, the Group's banking partners and the investors for its US Private Placement (USPP) granted a covenant waiver for the June 30, 2020, December 31, 2020 and June 30, 2021 test dates.

The waiver from the banks participating in the 2018 syndicated credit facility and 2020 revolving credit facility was granted on June 26, 2020, while the amendment to the USPP was signed with the investors on June 30, 2020.

The Group complied with all such commitments at June 30, 2020. The commitments can be summarized as follows:

- The first covenant is defined as the ratio of adjusted net financial debt divided by consolidated EBITDA (earnings before interest, tax, depreciation and amortization and provisions) adjusted for any entity acquired over the last 12 months. This ratio should be less than 4.5x at June 30, 2020, 6.25x at December 31, 2020, 5.5x at June 30, 2021 and 3.5x as from December 31, 2021. At June 30, 2020, it stood at 2.00x.
- The second covenant represents consolidated EBITDA (earnings before interest, tax, depreciation, amortization and provisions), adjusted for any acquisitions over the last 12 months, divided by consolidated net financial expense. This ratio should be higher than 5.5x at June 30, 2020, 2.0x at December 31, 2020, 3.0x at June 30, 2021 and 5.5x as from December 31, 2021. At June 30, 2020, it stood at 8.71x.

Main terms and conditions of financing

2008 US Private Placement

On July 16, 2008, the Group put in place a private placement in the United States (2008 USPP) for USD 266 million and GBP 63 million.

The issue was carried out in the form of four senior notes redeemable at maturity. In July 2018, two of these notes were redeemed for USD 155 million and GBP 23 million.

The terms and conditions of this financing are as follows:

Maturity	Amounts *(€ millions)*	Currency	Repayment	Interest
July 2020	143.0	GBP & USD	*At maturity*	Fixed

2011 & 2014 US Private Placement

In 2011, the Group set up a US Private Placement (2011 USPP) with an investor for USD 200 million.

The floating-rate tranche, due in May 2022, was repaid early in January 2019 in an amount of USD 100 million.

The fixed-rate tranche, due in October 2022, was repaid early in February 2020 in an amount of USD 100 million.

[3] Bank covenant calculation methods are defined by contract based on data prior to the application of IFRS 16.

2013 & 2014 US Private Placement

In October 2013, the Group set up a US Private Placement (2013 USPP) with an investor for USD 150 million.

The floating-rate tranche, due in September 2020 (USD 75 million) and in July 2022 (USD 25 million) was repaid early in January 2019.

The fixed-rate tranche, due in July 2020 in an amount of USD 50 million, was repaid early in February 2020.

2017 US Private Placement

In July 2017, the Group set up two US Private Placements (2017 USPP) for an aggregate amount of USD 355 million. The terms and conditions of these facilities are as follows:

Maturity	**Amounts** *(€ millions)*	**Currency**	**Repayment**	**Interest**
September 2027	178.6	USD	*At maturity*	Fixed
July 2028	138.4	USD	*At maturity*	Fixed

At June 30, 2020, the USD 200 million and USD 155 million financing facilities carried on the books of Bureau Veritas Holdings, Inc. had been fully drawn down in USD.

2018 US Private Placement

In December 2018, the Group set up a US Private Placement (2018 USPP) with an investor for USD 200 million. The terms and conditions of this financing are as follows:

Maturity	**Amounts** *(€ millions)*	**Currency**	**Repayment**	**Interest**
January 2029	178.6	USD	*At maturity*	Fixed

At June 30, 2020, the USD 200 million financing facility carried on the books of Bureau Veritas Holdings, Inc. had been fully drawn down in USD.

2019 US Private Placement

In November 2019, the Group set up a US Private Placement (2019 USPP) for USD 200 million. The terms and conditions of this financing are as follows:

Maturity	**Amounts** *(€ millions)*	**Currency**	**Repayment**	**Interest**
January 2030	178.6	USD	*At maturity*	Fixed

At June 30, 2020, the USD 200 million financing facility had been fully drawn down in USD.

Schuldschein notes (SSD)

In July 2015, the Group set up a *Schuldschein*-type private placement for €200 million, maturing at five and seven years.

The *Schuldschein* debt was repaid early, in January 2020 (€109 million floating-rate tranche) and in June 2020 (fixed-rate tranche of €91 million).

2014, 2016, 2018 and 2019 bond issues

The Group carried out five unrated bond issues totaling €2.2 billion in 2014, 2016, 2018 and 2019. The bonds have the following terms and conditions:

Maturity	**Amounts** *(€ millions)*	**Currency**	**Repayment**	**Interest**
January 2021	500	EUR	*At maturity*	3.125%
September 2023	500	EUR	*At maturity*	1.250%
January 2025	500	EUR	*At maturity*	1.875%
September 2026	200	EUR	*At maturity*	2.000%
January 2027	500	EUR	*At maturity*	1.125%

Negotiable European Commercial Paper ("NEU CP")

The Group put in place a NEU CP program with the Banque de France to optimize its short-term cash management. The maturity of the commercial paper is less than one year. The ceiling for this program is €600 million.

The Group did not issue any negotiable European commercial paper at June 30, 2020.

Negotiable European Medium-Term Notes ("NEU MTN")

The Group set up a NEU MTN program with the Banque de France in order to establish a legal framework for its private placement issues. The ceiling for this program is €300 million.

At June 30, 2020, the NEU MTN program had not been used.

2018 syndicated credit facility

The Group has a confirmed revolving syndicated credit facility for €600 million. This facility was set up in May 2018 for a five-year term and includes two one-year extension options that can be exercised at the end of the first and second years, respectively.

Both extension options were exercised, in May 2019 and May 2020, respectively, extending the maturity of the 2018 syndicated facility to May 2025.

At June 30, 2020, the 2018 syndicated credit facility had been drawn down in full.

2020 revolving credit facility

The Group has a confirmed revolving credit facility for €500 million. This facility was set up in April 2020 for a 12-month term and includes a six-month extension option that may be exercised at the Group's discretion.

At June 30, 2020, the 2020 revolving credit facility had not been drawn down.

CNY bank financing ("China facility")

In September 2018, the Group set up a two-year bank facility for CNY 750 million carried on the books of Bureau Veritas Investment Shanghai Co., Ltd.

At June 30, 2020, an amount of CNY 545 million had been drawn on this facility.

Sources of financing anticipated for future investments

The Group estimates that its operations will be able to be fully funded by the cash generated from its operating activities. In order to finance its external growth, at June 30, 2020 the Group had sources of funds provided by:

- free cash flow after tax, interest and dividends;
- available cash and cash equivalents.

1.5. MAIN RISKS AND UNCERTAINTIES FOR THE REMAINING SIX MONTHS OF THE FINANCIAL YEAR

Readers are invited to refer to the 2019 Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 26, 2020 under number D.18-0191 (Chapter 4 – Risk management). This paragraph includes information concerning the risk factors, insurance and coverage of the risks, as well as the method used for provisioning risks and legal disputes.

A detailed description of the financial and market risks for this six-month period is provided in Note 19 to the condensed half-year consolidated financial statements, presented in Chapter 2 of this 2020 Half-Year Financial Report.

With the exception of these points, the Group is not aware of any other material risks or uncertainties than those presented in this document.

Legal, administrative, government and arbitration procedures or investigations

In the normal course of business, the Group is involved in a large number of legal proceedings seeking to establish its professional liability. Although the Group pays careful attention to managing risks and the quality of the services it provides, some services may result in adverse financial penalties.

Provisions may be set aside to cover expenses resulting from such proceedings. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The costs the Group ultimately incurs may exceed the amounts set aside to such provisions due to a variety of factors such as the uncertain nature of the outcome of the disputes.

At the date of this Report, the Group is involved in the main proceedings described below.

Dispute concerning the construction of a hotel and commercial complex in Turkey

Bureau Veritas Gozetim Hizmetleri Ltd Sirketi (“BVG”) and the Turkish company Aymet are parties to a dispute before the Commercial Court of Ankara relating to the construction of a hotel and business complex in respect of which the parties entered into a contract in 2003. In 2004, construction on the project was halted following the withdrawal of funding for the project by the Aareal Bank. Aymet filed an action against BVG in 2008, claiming damages for alleged failures in the performance of its project inspection and supervision duties and BVG’s responsibility in the withdrawal of the project’s financing.

Regarding the merits of the case, the documents presented to the court by BVG and Aareal Bank, which provided a loan for the project and which was also summoned to the proceedings by Aymet, along with legal opinions provided by several distinguished professors of Turkish law, support the Company’s position according to which Aymet’s claims are without firm legal or contractual foundation.

In November 2017, a decision was handed down in the case between Aareal Bank and Aymet via its legal representative, within the scope of the same affair. The Court considered that Aareal Bank had legitimately terminated its financing on account of a breach of contract by the lender, Aymet. This decision was upheld at the appellate stage but Aymet has appealed to Turkey’s Supreme Court.

Under local law, Aymet’s claim is capped at 87.4 million Turkish lira, plus interest charged at the statutory rate and court costs.

On December 5, 2018, the Court upheld Aymet’s application in its entirety and ordered BVG to pay the amounts claimed. As BVG contests both the principle of its liability and the loss assessment, it has appealed this decision, filing a bank guarantee in order to oppose any attempt at enforcing it. The appeal is pending.

At the current stage of proceedings, the outcome of this dispute is uncertain, even though BVG's counsel are optimistic regarding the appeal decision. Based on the provisions set aside by the Group, and on the information currently available, and after considering the opinion of its legal counsel, the Company considers that this claim will not have a material adverse impact on the Group's consolidated financial statements.

Tax contingencies and positions

Bureau Veritas SA and certain Group subsidiaries are currently being audited or have received proposed tax adjustments that have led to discussions with the competent local authorities. Talks are currently at the litigation or pre-litigation stage.

Given the current status of the pending matters and based on the information available to date, the Group believes that the tax contingencies and positions reported in its consolidated financial statements in respect of these risks, audits and adjustments are appropriate.

There are no other legal, administrative, government and arbitration procedures or investigations (including any proceedings of which the Company is aware that are pending or with which the Group is threatened) that could have, or have had over the last six months, a material impact on the Group's financial position or profitability. Provisions for claims and disputes booked by the Group are presented in section 2.2 – Notes to the condensed half-year consolidated financial statements, Note 15 of this Half-Year Financial Report, with regard to disputes relating to taxes other than income taxes (IAS 12).

1.6. RELATED-PARTY TRANSACTIONS

Readers are invited to refer to Note 20 – Related-party transactions presented in Chapter 2 – Condensed half-year consolidated financial statements at June 30, 2020 of this Half-Year Financial Report.

1.7. OUTLOOK

2020 outlook

Given the uncertainty surrounding the Covid-19 pandemic still affecting many of the countries in which the Group operates, Bureau Veritas is considering different scenarios for the full year 2020:

“Slow & gradual recovery” scenario

Organic revenue	Adjusted operating margin	Net cash generated from operating activities
• Mid to high single-digit decline in 2020 • Improvement form H1 onwards	• Low double-digit margin	• Focus on cash generation • Capex of c. 2% of revenue • Working Capital Requirement (WCR) / revenue ratio of c. 9%

“Muted recovery scenario”

Organic revenue	Adjusted operating margin	Net cash generated from operating activities
• High single-digit decline in 2020 • H2 in negative territory	• Low double-digit margin	• Focus on cash generation • Capex of c. 2% of revenue • WCR / revenue ratio of c. 9%

“Worsening pandemic throughout H2” scenario

Organic revenue	Adjusted operating margin	Net cash generated from operating activities
• Double-digit decline in 2020 • H2 worse than H1	• Low double-digit margin	• Focus on cash generation • Capex below 2% of revenue • WCR / revenue ratio above 9%

1.8. EVENTS AFTER THE END OF THE REPORTING PERIOD

Launch of "Supply-R", a new solution to improve supply chain resilience

On July 15, 2020, Bureau Veritas launched "Supply-R", a solution designed to meet companies' new challenges relating to supplier network reliability and ensuring business continuity in all circumstances.

"Supply-R" is a unique solution that brings together a customized risk assessment of the supply chain, based on field data collected from independent on-site verification of critical suppliers.

All information is collected and consolidated using a digital platform, enabling full visibility, at the level of granularity required to support better business decisions and minimize the risk of shortage.

The solution is flexible and agile, enabling it to efficiently meet the specific needs of different clients and business sectors. It offers a customizable modular structure that addresses critical elements for a resilient supply chain, such as business continuity, technical capabilities, HSE, data integrity & information security, and logistics & inventory practices.

"Supply-R" addresses all industry and services sectors, to help companies to ensure business continuity and better manage risks associated with their portfolios of suppliers spread across different geographies.

1.9. DEFINITION OF ALTERNATIVE PERFORMANCE INDICATORS AND RECONCILIATION WITH IFRS

The management process used by Bureau Veritas is based on a series of alternative performance indicators, as presented below. These indicators were defined for the purposes of preparing the Group's budgets and internal and external reporting. Bureau Veritas considers that these indicators provide additional useful information to financial statement users, enabling them to better understand the Group's performance, especially its operating performance. Some of these indicators represent benchmarks in the testing, inspection and certification ("TIC") business and are commonly used and tracked by the financial community. These alternative performance indicators should be seen as a complement to IFRS-compliant indicators and the resulting changes.

1.9.1. GROWTH

Total revenue growth

The total revenue growth percentage measures changes in consolidated revenue between the previous year and the current year. Total revenue growth has three components:

- Organic growth;
- Impact of changes in the scope of consolidation (scope effect);
- Impact of changes in exchange rates (currency effect).

These components are presented in section 1.3.1 – Revenue of this Half-Year Financial Report. Details of changes in revenue, at Group level and for each business, are provided in section 1.3.8 – Results by business of this document.

Organic growth

The Group internally monitors and publishes "organic" revenue growth, which it considers to be more representative of the Group's operating performance in each of its business sectors.

The main measure used to manage and track consolidated revenue growth is like-for-like, or organic growth. Determining organic growth enables the Group to monitor trends in its business excluding the impact of currency fluctuations, which are outside of Bureau Veritas' control as well as scope effects, which concern new businesses or businesses that no longer form part of the Group's existing activities. Organic growth is used to monitor the Group's performance internally.

Bureau Veritas considers that organic growth provides management and investors with a more comprehensive understanding of its underlying operating performance and current business trends, excluding the impact of acquisitions, divestments (outright divestments as well as the unplanned suspension of operations – in the event of international sanctions, for example) and changes in exchange rates for businesses exposed to foreign exchange volatility, which can mask underlying trends.

The Group also considers that separately presenting organic revenue generated by its businesses provides management and investors with useful information on trends in its industrial businesses, and enables a more direct comparison with other companies in its industry.

Organic revenue growth represents the percentage of revenue growth, presented at Group level and for each business, based on constant scope of consolidation and exchange rates over comparable periods:

- Constant scope of consolidation: data are restated for the impact of changes in the scope of consolidation over a 12-month period;
- Constant exchange rates: data for the current year are restated using exchange rates for the previous year.

Scope effect

To establish a meaningful comparison between reporting periods, the impact of changes in the scope of consolidation is determined:

- For acquisitions carried out in the current year: by deducting from revenue for the current year revenue generated by the acquired businesses in the current year;
- For acquisitions carried out in the previous year: by deducting from revenue for the current year revenue generated by the acquired businesses in the months in the previous year in which they were not consolidated;
- For disposals and divestments carried out in the current year: by deducting from revenue for the previous year revenue generated by the disposed and divested businesses in the previous year in the months of the current year in which they were not part of the Group;
- For disposals and divestments carried out in the previous year, by deducting from revenue for the previous year revenue generated by the disposed and divested businesses in the previous year prior to their disposal/divestment.

Currency effect

The currency effect is calculated by translating revenue for the current year at the exchange rates for the previous year.

1.9.2. ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING MARGIN

Adjusted operating profit and adjusted operating margin are key indicators used to measure the recurring performance of the business, excluding material items that cannot be considered inherent to the Group's underlying intrinsic performance owing to their unusual nature. Bureau Veritas considers that these indicators, presented at Group level and for each business, are more representative of the operating performance in its industry. Details of changes in adjusted operating profit and adjusted operating margin, at Group level and for each business, are presented in section 1.3.8 – Results by business of this Half-Year Financial Report.

Adjusted operating profit

Adjusted operating profit represents operating profit prior to adjustments for the following:

- Amortization of intangible assets resulting from acquisitions;
- Impairment and retirement of non-current assets;
- Impairment of goodwill;
- Fees and costs on acquisitions of businesses;
- Contingent consideration on acquisitions of businesses;
- Gains and losses on disposals of businesses;
- Restructuring costs.

When an acquisition is carried out during the financial year, the amortization of the related intangible assets is calculated on a time proportion basis.

Since a measurement period of 12 months is allowed for determining the fair value of acquired assets and liabilities, amortization of intangible assets in the year of acquisition may, in some cases, be based on a temporary measurement and be subject to minor adjustments in the subsequent reporting period, once the definitive value of the intangible assets is known.

Organic adjusted operating profit represents operating profit adjusted for scope and currency effects over comparable periods:

- At constant scope of consolidation: data are restated based on a 12-month period;
- At constant exchange rates: data for the current year are restated using exchange rates for the previous year.

The scope and currency effects are calculated using a similar approach to that used for revenue (see above in section 1.9.1 – Growth) for each component of operating profit and adjusted operating profit.

The definition of adjusted operating profit along with a reconciliation table are provided in Note 4 to the condensed half-year consolidated financial statements – Alternative performance indicators, included in Chapter 2 – Condensed half-year consolidated financial statements at June 30, 2020 of this Half-Year Financial Report.

Adjusted operating margin

Adjusted operating margin expressed as a percentage represents adjusted operating profit divided by revenue. Adjusted operating margin can be presented on an organic basis or at constant exchange rates, thereby, in the latter case, providing a view of the Group's performance excluding the impact of currency fluctuations, which are outside of Bureau Veritas' control.

1.9.3. ADJUSTED EFFECTIVE TAX RATE

The effective tax rate (ETR) represents income tax expense divided by the amount of pre-tax profit.

The adjusted effective tax rate (adjusted ETR) represents income tax expense adjusted for the tax effect on adjustment items divided by pre-tax profit before taking into account the adjustment items defined in section 1.9.2 – Adjusted operating profit and adjusted operating margin of this Half-Year Financial Report.

1.9.4. ADJUSTED NET PROFIT

Adjusted attributable net profit

Adjusted attributable net profit is defined as attributable net profit adjusted for adjustment items and for the tax effect on adjustment items. Adjusted attributable net profit excludes non-controlling interests in adjustment items and only concerns continuing operations.

Adjusted attributable net profit can be presented at constant exchange rates, thereby providing a view of the Group's performance excluding the impact of currency fluctuations, which are outside of Bureau Veritas' control. The currency effect is calculated by translating the various income statement items for the current year at the exchange rates for the previous year.

Adjustment items are presented in section 1.9.2 – Adjusted operating profit and adjusted operating margin of this Half-Year Financial Report.

Adjusted attributable net profit per share

Adjusted attributable net profit per share (adjusted EPS or earnings per share) is defined as adjusted attributable net profit divided by the weighted average number of shares in the period.

1.9.5. FREE CASH FLOW

Free cash flow represents net cash generated from operating activities (operating cash flow), adjusted for the following items:

- Purchases of property, plant and equipment and intangible assets;
- Proceeds from disposals of property, plant and equipment and intangible assets;
- Interest paid.

Net cash generated from operating activities is shown after income tax paid.

Organic free cash flow represents free cash flow at constant scope and exchange rates over comparable periods:

- At constant scope of consolidation: data are restated based on a 12-month period;
- At constant exchange rates: data for the current year are restated using exchange rates for the previous year.

The scope and currency effects are calculated using a similar approach to that used for revenue (see above in section 1.9.1 – Growth) for each component of net cash generated from operating activities and free cash flow.

The definition of free cash flow along with a reconciliation table are provided in Note 4 to the condensed half-year consolidated financial statements – Alternative performance indicators, included in Chapter 2 – Condensed half-year consolidated financial statements at June 30, 2020 of this Half-Year Financial Report. Details of changes in net cash generated from operating activities and free cash flow are presented in section 1.4.1 – Cash flows of this document.

1.9.6. FINANCIAL DEBT

Gross debt

Gross debt (or gross finance costs/financial debt) represents bank loans and borrowings plus bank overdrafts.

Net debt

Net debt (or net finance costs/financial debt) as defined and used by the Group represents gross debt less cash and cash equivalents. Cash and cash equivalents comprise marketable securities and similar receivables as well as cash at bank and on hand.

Adjusted net debt

Adjusted net debt (or adjusted net finance costs/financial debt) as defined and used by the Group represents net debt taking into account currency hedging instruments.

Definitions of finance costs/financial debt along with a reconciliation table are provided in Note 13 to the condensed half-year consolidated financial statements – Borrowings and financial debt, included in Chapter 2 – Condensed half-year consolidated financial statements at June 30, 2020 of this Half-Year Financial Report.

1.9.7. CONSOLIDATED EBITDA

Consolidated EBITDA represents net profit before interest, tax, depreciation, amortization and provisions, adjusted for any entities acquired over the last 12 months. Consolidated EBITDA is used by the Group to track its bank covenants.

2. CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2020

2.1. CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Half-year consolidated income statement

(€ millions, except per share data)	Notes	First-half 2020	First-half 2019
Revenue	6	**2,200.5**	**2,476.6**
Purchases and external charges	7	(663.3)	(690.6)
Personnel costs		(1,182.2)	(1,294.6)
Taxes other than on income		(22.0)	(24.0)
Net (additions to) reversals of provisions		(44.4)	(1.3)
Depreciation and amortization		(212.4)	(142.2)
Other operating income and expense, net	7	(16.6)	7.3
Operating profit	**6**	**59.6**	**331.2**
Share of profit of equity-accounted companies		-	0.5
Operating profit after share of profit of equity-accounted companies		**59.6**	**331.7**
Income from cash and cash equivalents		4.6	0.9
Finance costs, gross		(64.9)	(51.1)
Finance costs, net		**(60.3)**	**(50.2)**
Other financial income and expense, net		(5.8)	(7.2)
Net financial expense		**(66.1)**	**(57.4)**
Profit (loss) before income tax		**(6.5)**	**274.3**
Income tax expense		(24.3)	(89.3)
Net profit (loss) from continuing operations		**(30.8)**	**185.0**
Non-controlling interests		(3.3)	(13.9)
NET PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(34.1)**	**171.1**
Earnings per share (in €):			
Basic earnings per share	17	(0.08)	0.39
Diluted earnings per share	17	(0.08)	0.39

The notes on pages 43 to 59 are an integral part of the condensed consolidated financial statements.

Half-year consolidated statement of comprehensive income

(€ millions)	First-half 2020	First-half 2019
Net profit (loss)	**(30.8)**	**185.0**
Other comprehensive income		
Items to be reclassified to profit		
Currency translation differences[1]	(123.9)	32.7
Cash flow hedges[2]	(0.2)	0.1
Tax effect on items to be reclassified to profit	-	(0.1)
Total items to be reclassified to profit	**(124.1)**	**32.7**
Items not to be reclassified to profit		
Actuarial gains (losses)[3]	(2.1)	(14.6)
Tax effect on items not to be reclassified to profit	0.5	3.7
Total items not to be reclassified to profit	**(1.6)**	**(10.9)**
Total other comprehensive income (expense), after tax	**(125.7)**	**21.8**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**(156.5)**	**206.8**
Attributable to:		
owners of the Company	(156.4)	193.1
non-controlling interests	(0.1)	13.7

(1) Currency translation differences: this item includes exchange differences arising on the conversion of the financial statements of foreign subsidiaries into euros.

The differences result mainly from fluctuations during the period in the Brazilian real (negative €35.1 million), Canadian dollar (negative €19.1 million) and Singapore dollar (negative €16.2 million).

(2) The change in cash flow hedges results from changes in the fair value of derivative financial instruments eligible for hedge accounting.

(3) Actuarial gains and losses: the Group recognizes actuarial gains and losses arising on the measurement of pension plans and other long-term employee benefits in equity. These actuarial differences reflect the impact of experience adjustments and changes in valuation assumptions (discount rate, salary inflation rate and rate of increase in pensions) regarding the Group's obligations in respect of defined benefit plans.

The notes on pages 43 to 59 are an integral part of the condensed consolidated financial statements.

Half-year consolidated statement of financial position

(€ millions)	Notes	June 30, 2020	Dec. 31, 2019
Goodwill	9	2,009.1	2,075.1
Intangible assets		479.3	611.1
Property, plant and equipment		390.6	444.9
Right-of-use assets		356.4	369.0
Non-current financial assets		112.0	118.3
Deferred income tax assets		156.6	132.1
Total non-current assets		**3,504.0**	**3,750.5**
Trade and other receivables		1,340.3	1,520.0
Contract assets		242.4	226.0
Current income tax assets		45.4	47.0
Derivative financial instruments		3.0	4.4
Other current financial assets		18.0	23.4
Cash and cash equivalents		2,120.5	1,477.8
Total current assets		**3,769.6**	**3,298.6**
TOTAL ASSETS		**7,273.6**	**7,049.1**
Share capital		54.2	54.2
Retained earnings and other reserves		1,070.2	1,209.6
Equity attributable to owners of the Company		**1,124.4**	**1,263.8**
Non-controlling interests		51.1	58.3
Total equity		**1,175.5**	**1,322.1**
Non-current borrowings and financial debt	13	2,967.8	2,918.5
Non-current lease liabilities		310.8	326.0
Other non-current financial liabilities		104.4	115.7
Deferred income tax liabilities		96.7	122.9
Pension plans and other long-term employee benefits		196.0	192.8
Provisions for liabilities and charges	15	90.8	72.2
Total non-current liabilities		**3,766.5**	**3,748.1**
Trade and other payables		1,058.3	1,098.6
Contract liabilities		204.3	197.2
Current income tax liabilities		136.9	137.4
Current borrowings and financial debt	13	763.2	369.0
Current lease liabilities		94.0	92.6
Derivative financial instruments		14.6	4.9
Other current financial liabilities		60.3	79.2
Total current liabilities		**2,331.6**	**1,978.9**
TOTAL EQUITY AND LIABILITIES		**7,273.6**	**7,049.1**

The notes on pages 43 to 59 are an integral part of the condensed consolidated financial statements.

Half-year consolidated statement of changes in equity

(€ millions)	Share capital	Share premium	Currency translation reserves	Other reserves	Total equity	Attributable to owners of the Company	Attributable to non-controlling interests
At December 31, 2018	**53.0**	**41.6**	**(296.2)**	**1,209.2**	**1,007.6**	**959.3**	**48.3**
First-time application of IFRS 16 and IFRIC 23	-	-	-	(83.2)	(83.2)	(83.5)	0.3
Capital increase	1.2	189.7	-	-	190.9	190.9	-
Capital reduction	-	(4.1)	-	-	(4.1)	(4.1)	-
Fair value of stock options	-	-	-	11.0	11.0	11.0	-
Dividends paid	-	-	-	(246.9)	(246.9)	(244.3)	(2.6)
Treasury share transactions	-	-	-	11.1	11.1	11.1	-
Additions to the scope of consolidation	-	-	-	10.3	10.3	-	10.3
Other movements[1]	-	-	-	(4.0)	(4.0)	2.5	(6.5)
Total transactions with owners	**1.2**	**185.6**	**-**	**(301.7)**	**(114.9)**	**(116.4)**	**1.5**
Net profit	-	-	-	185.0	185.0	171.1	13.9
Other comprehensive income	-	-	32.7	(10.9)	21.8	22.0	(0.2)
Total comprehensive income	**-**	**-**	**32.7**	**174.1**	**206.8**	**193.1**	**13.7**
At June 30, 2019	**54.2**	**227.2**	**(263.5)**	**1,081.6**	**1,099.5**	**1,036.0**	**63.5**
At December 31, 2019	**54.2**	**229.6**	**(248.1)**	**1,286.4**	**1,322.1**	**1,263.8**	**58.3**
Capital increase	-	2.2	-	-	2.2	2.2	-
Fair value of stock options	-	-	-	12.0	12.0	12.0	-
Dividends paid	-	-	-	(8.2)	(8.2)	-	(8.2)
Treasury share transactions	-	-	-	3.0	3.0	3.0	-
Additions to the scope of consolidation	-	-	-	(0.1)	(0.1)	-	(0.1)
Other movements[1]	-	-	-	1.0	1.0	(0.2)	1.2
Total transactions with owners	**54.2**	**231.8**	**(248.1)**	**1,294.1**	**1,332.0**	**1,280.8**	**51.2**
Net profit (loss)	-	-	-	(30.8)	(30.8)	(34.1)	3.3
Other comprehensive income (expense)	-	-	(123.9)	(1.8)	(125.7)	(122.3)	(3.4)
Total comprehensive income (expense)	**-**	**-**	**(123.9)**	**(32.6)**	**(156.5)**	**(156.4)**	**(0.1)**
At June 30, 2020	**54.2**	**231.8**	**(372.0)**	**1,261.5**	**1,175.5**	**1,124.4**	**51.1**

(1) The "Other movements" line mainly relates to:

- Transfers of reserves between the portion attributable to owners of the Company and the portion attributable to non-controlling interests;
- Changes in the fair value of put options on non-controlling interests.

The notes on pages 43 to 59 are an integral part of the condensed consolidated financial statements.

Half-year consolidated statement of cash flows

(€ millions)	Notes	First-half 2020	First-half 2019
Profit (loss) before income tax		(6.5)	274.3
Elimination of cash flows from financing and investing activities		46.6	67.2
Provisions and other non-cash items		60.4	(6.5)
Depreciation, amortization and impairment		212.4	142.2
Movements in working capital attributable to operations	16	113.7	(161.6)
Income tax paid		(62.3)	(83.3)
Net cash generated from operating activities		**364.3**	**232.3**
Acquisitions of subsidiaries	10	(17.1)	(55.9)
Proceeds from sales of subsidiaries and businesses		-	16.6
Purchases of property, plant and equipment and intangible assets		(44.9)	(56.4)
Proceeds from sales of property, plant and equipment and intangible assets		3.8	5.1
Purchases of non-current financial assets		(11.0)	(8.4)
Proceeds from sales of non-current financial assets		11.8	8.4
Change in loans and advances granted		(2.5)	(11.4)
Dividends received from equity-accounted companies		0.1	1.4
Net cash used in investing activities		**(59.7)**	**(100.6)**
Capital increase	11	2.2	0.7
Purchases/sales of treasury shares		3.0	2.8
Dividends paid		(12.7)	(69.3)
Increase in borrowings and other financial debt		782.7	204.9
Repayment of borrowings and other financial debt		(321.2)	(424.7)
Repayment of amounts owed to shareholders		-	(3.2)
Repayment of lease liabilities and interest		(52.0)	(43.3)
Interest paid		(53.6)	(40.1)
Net cash generated from (used in) financing activities		**348.6**	**(372.2)**
Impact of currency translation differences		(12.2)	(0.2)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**640.9**	**(240.7)**
Net cash and cash equivalents at beginning of period		1,465.7	1,034.6
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2,106.6**	**793.9**
Of which cash and cash equivalents		2,120.5	804.8
Of which bank overdrafts	13	(13.9)	(10.9)

The notes on pages 43 to 59 are an integral part of the condensed consolidated financial statements.

2.2. NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Note 1: General information

Since it was formed in 1828, Bureau Veritas has developed recognized expertise for helping its clients to comply with standards and/or regulations on quality, health and safety, security, the environment and social responsibility. The Group specializes in inspecting, testing, auditing and certifying the products, assets and management systems of its clients in relation to regulatory or self-imposed standards, and subsequently issues compliance reports.

Bureau Veritas SA (the "Company") and all of its subsidiaries make up the Bureau Veritas Group ("Bureau Veritas" or the "Group").

Bureau Veritas SA is a joint stock company (*société anonyme*) incorporated and domiciled in France. The address of its registered office is Immeuble Newtime, 40/52 Boulevard du Parc, 92200 Neuilly-sur-Seine, France.

At June 30, 2020, Wendel held 35.57% of the capital of Bureau Veritas and 51.64% of its voting rights.

These condensed half-year consolidated financial statements were adopted on July 28, 2020 by the Board of Directors.

Note 2: First-half 2020 highlights

Cash preservation and covenant waiver in the context of the economic crisis caused by the Covid-19 pandemic

Bureau Veritas' financing activity over the first half of 2020 demonstrates the strong support and confidence of the Group's banks and credit investor base in the context of the Covid-19 pandemic.

By April 15, 2020, Bureau Veritas had fully drawn down its €600 million syndicated credit facility. On April 30, 2020, the Group signed an additional liquidity credit line of €500 million, with a one-year maturity and a six-month extension option. This new line strengthens the Group's liquidity position, added to the €600 million credit facility maturing in May 2025.

At June 30, 2020, the adjusted net financial debt/EBITDA ratio was 2.00x and the EBITDA/consolidated net financial expense ratio was 8.71x. As a precaution against a worsening pandemic, the Group obtained a waiver from its banking partners and USPP investors to relax its financial covenants at end-June 2020, end-December 2020 and end-June 2021 (adjusted net financial debt/EBITDA ratio of 4.5x, 6.25x and 5.5x versus 3.25x previously, and for USPP only, EBITDA/consolidated net financial expense ratio of 5.5x (unchanged), 2x and 3x versus 5.5x previously).

The Group has a solid financial structure with no maturities to refinance until 2023. At June 30, 2020, Bureau Veritas had €2.1 billion in available cash and cash equivalents and €500 million in undrawn committed credit lines.

At the end of June 2020, the average maturity of the Group's financial debt exceeded 5.6 years[4], with a blended average cost of funds over the first half of the year of 3.0% excluding IFRS 16 impact. The blended average cost of funds was 2.5% excluding IFRS 16 impact and excluding early repayment costs over the first half of the year.

[4] At June 30, 2020, on the basis of the core debt adjusted for 2020 and 2021 maturities refinanced during 2019, for a total amount of €679 million.

Key assumptions used to measure certain assets in the context of the economic crisis caused by the Covid-19 pandemic

Measurement of goodwill

Methodology and assumptions

As the economic crisis caused by the Covid-19 pandemic could itself be an indication of impairment, the Group conducted impairment tests on goodwill allocated to each of its cash-generating units (CGUs) or groups of CGUs based on a "reverse sensitivity" approach.

The reverse sensitivity approach compares the carrying amount of each CGU or group of CGUs at June 30, 2020 with its adjusted value in use at December 31, 2019. Value in use adjustments reflect worst-case projected cash flow scenarios, i.e., zero operating profit in 2020 and 2021, and a gradual recovery of operating profit in 2023 up to its 2019 level. The occurrence of these scenarios is not considered reasonably possible by Group management.

These cash flow forecasts were discounted at the weighted average cost of capital as of June 30, 2020, as determined by an independent expert. No specific market risk premium for Bureau Veritas was included in the calculation. A discount rate of 6.8% was used at June 30, 2020 (June 30, 2019: 6.1%).

Outcome

No impairment loss was recognized against goodwill at June 30, 2020, since the values in use of items of goodwill remain significantly higher than their carrying amount, despite the use of worst-case scenarios. The occurrence of these scenarios is not considered reasonably possible by Group management.

Goodwill therefore totaled €2,009.1 million at June 30, 2020 (December 31, 2019: €2,075.1 million).

Sensitivity analysis

Although the Group applied worst-case scenarios – the occurrence of which is not considered reasonably possible by Group management – when calculating value in use, a sensitivity analysis shows that the value in use of all CGUs would continue to be higher than their carrying amounts based on a weighted average cost of capital of 8.9%.

Measurement of intangible assets arising from acquisitions

Methodology and assumptions

The criteria triggering an impairment test for acquisition intangibles and the methodology used to carry out the test are described in Note 3.9, Chapter 6 of the 2019 Universal Registration Document.

Each acquisition intangible in respect of which the Group identified an indication of impairment was tested by comparing its carrying amount at June 30, 2020 with its value in use. The values in use of acquisition intangibles at June 30, 2020 are based on an assumption whereby the Group progressively regains its pre-Covid-19 business levels by 2023. The discount rate applied is based on the rate used in the goodwill impairment tests, adjusted where appropriate to take into account country-specific risks.

Outcome

At June 30, 2020, the Group recognized value adjustments totaling €71.0 million against a limited number of acquisition intangibles. The corresponding amortization schedules were adjusted accordingly.

The main intangible assets concerned relate to the businesses described below:

Business	Operating segment	Value adjustment
Assessment of damage incurred by offshore facilities, Worldwide	Marine & Offshore	Full amortization
Commodities inspection and testing, US	Agri-Food & Commodities	Full amortization
Miscellaneous	Miscellaneous	Additional amortization

Provisioning for expected risks on trade receivables

The provisioning approach for expected risks on trade receivables is described in Note 3.17, Chapter 6 of the 2019 Universal Registration Document.

The provision reflects known risks such as significant financial difficulties encountered by the debtor, along with risks estimated according to a default rate matrix based on default behavior over the three financial periods preceding the current period.

Recoverability of deferred income tax assets

Deferred tax assets on tax loss carryforwards are calculated based on the estimated future taxable earnings of the loss-making subsidiaries. The time frame used for these estimates was shorter than or equal to the period allowed by each country for the carry-forward of tax losses (pursuant to IAS 12.34).

At June 30, 2020, deferred tax assets on tax loss carryforwards represented €68.0 million.

Other highlights from the first half of 2020

Subsidies, tax assistance and deferred payment dates

The Group benefited from the support mechanisms introduced by governments in various countries – mainly in Europe (notably France, the UK, Germany, the Netherlands, Italy and Spain), Asia (notably China, Hong Kong and Singapore) and the Americas (notably the US, Canada and Brazil). These mainly consisted of deferrals of tax payments and/or employment contributions, mainly to the second half of the year but also in some countries until 2021 or 2022. The Group also benefited from employment assistance measures in certain countries involving payouts to employees having been temporarily laid off. These payouts are essentially reported as a deduction from personnel costs.

Downsizing measures at certain laboratories

During the first six months of 2020, the Group continued to implement the capacity downsizing measures initially launched in 2019 at certain laboratories in the Agri-Food & Commodities segment (mainly in the US, Australia and Indonesia), and launched similar measures for some of its laboratories in the Consumer Products business (mainly in China, the US, Thailand and Germany). These downsizing measures led to the retirement of certain property, plant and equipment and intangible assets and to revised depreciation/amortization schedules, which together represented a total amount of €22.0 million.

Note 3: Summary of significant accounting policies

Basis of preparation

The 2020 condensed half-year consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. They should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

IFRS developments

The Group applies the standards effective for accounting periods beginning on or after January 1, 2020. These are as follows:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8, Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform;
- Amendment to IFRS 3, Definition of a Business.

These amendments had no impact on the consolidated financial statements at June 30, 2020.

Note 4: Alternative performance indicators

In its external reporting, the Group uses several financial indicators that are not defined by IFRS.

These are defined below:

Adjusted operating profit represents the Group's operating profit prior to adjustments for the following:

- Amortization of acquisition intangibles;
- Impairment and retirement of non-current assets;
- Impairment of goodwill;
- Fees and costs on acquisitions of businesses;
- Contingent consideration on acquisitions of businesses;
- Gains and losses on disposals of businesses;
- Restructuring costs.

When an acquisition is carried out during the financial year, the amortization of the related intangible assets is calculated on a time proportion basis.

Since a measurement period of 12 months is allowed for determining the fair value of acquired assets and liabilities, amortization of intangible assets in the year of acquisition may, in some cases, be based on a temporary measurement and be subject to minor adjustments in the subsequent reporting period, once the definitive value of the intangible assets is known.

Like revenue, adjusted operating profit is a key indicator monitored internally and is considered by management to be representative of the Group's operating performance in its business sector.

(€ millions)	First-half 2020	First-half 2019
Operating profit	**59.6**	**331.2**
Amortization of intangible assets resulting from acquisitions	104.4	38.5
Impairment and retirement of non-current assets	22.0	-
Restructuring costs	21.7	12.1
Gains and losses on disposals of businesses and other income and expenses relating to acquisitions	8.1	(1.3)
ADJUSTED OPERATING PROFIT	**215.8**	**380.5**

The "Amortization of intangible assets resulting from acquisitions" line includes a value adjustment representing €71.0 million in respect of certain identified assets (see Note 2 – First-half 2020 highlights).

Impairment and retirements of non-current assets have no impact on consolidated cash and are presented separately from other restructuring costs in first-half 2020. Impairment and retirements of non-current assets in first-half 2019 were not material.

Adjusted attributable net profit is defined as attributable net profit adjusted for other items after tax, and concerns continuing operations only.

(€ millions)	First-half 2020	First-half 2019
Net profit (loss) attributable to owners of the company	**(34.1)**	**171.1**
Income and expenses relating to acquisitions and other adjustments	156.2	49.3
Tax impact	(32.4)	(11.5)
Non-controlling interests	(2.3)	(2.3)
ADJUSTED ATTRIBUTABLE NET PROFIT	**87.4**	**206.6**

Free cash flow relates to net cash generated from operations adjusted for net purchases of property, plant and equipment, intangible assets and interest paid.

(€ millions)	First-half 2020	First-half 2019
Net cash generated from operating activities	**364.3**	**232.3**
Purchases of property, plant and equipment and intangible assets	(44.9)	(56.4)
Proceeds from sales of property, plant and equipment and intangible assets	3.8	5.1
Interest paid	(53.6)	(40.1)
FREE CASH FLOW	**269.6**	**140.9**

The **adjusted effective tax rate** is defined in Note 8 – Income tax expense. **Adjusted net financial debt** is defined in Note 13 – Borrowings and financial debt.

Note 5: Seasonal fluctuations

The impacts of the Covid-19 pandemic on business in first-half 2020 exceeded the seasonal fluctuations the Group usually sees in its business.

In normal circumstances, revenue, operating profit and cash flows are sensitive to seasonal fluctuations, with the Group typically recording a stronger performance in the second half of the year.

Note 6: Segment information

A description of revenue-generating services in the Group's different businesses is provided in Note 7 – Segment information of section 6.6 – Notes to the consolidated financial statements of the 2019 Universal Registration Document.

A segment analysis of revenue and operating profit is presented as monitored by Group management.

	Revenue		Operating profit	
(€ millions)	First-half 2020	First-half 2019	First-half 2020	First-half 2019
Marine & Offshore	185.0	180.9	5.0	35.5
Agri-Food & Commodities	517.1	574.3	5.9	59.5
Industry	473.6	534.4	21.4	46.7
Buildings & Infrastructure	611.4	664.7	15.7	82.4
Certification	142.0	182.6	10.5	30.1
Consumer Products	271.4	339.7	1.1	77.0
TOTAL	**2,200.5**	**2,476.6**	**59.6**	**331.2**

The following analysis of revenue by region is based on the country in which the legal entity is established, with the exception of certain global contracts that may be performed by an entity other than the billing entity, with the related revenue allocated to the country in which the contract is performed.

This analysis of revenue by region breaks down as follows:

	Revenue	
(€ millions)	First-half 2020	First-half 2019
Europe	36.6%	34.6%
Asia Pacific	30.1%	30.7%
Americas	24.3%	25.8%
Africa, Middle East	9.0%	8.9%
TOTAL	**100.0%**	**100.0%**

Note 7: Operating income and expense

(€ millions)	First-half 2020	First-half 2019
Supplies	(104.8)	(62.4)
Operational subcontracting	(220.8)	(221.5)
Lease payments	(31.7)	(36.6)
Transportation and travel costs	(150.0)	(192.7)
Service costs rebilled to clients	51.0	51.4
Other external services	(207.0)	(228.8)
Total purchases and external charges	**(663.3)**	**(690.6)**
Gains (losses) on disposals of property, plant and equipment and intangible assets	(14.3)	0.3
Gains (losses) on disposals of businesses	(7.9)	8.0
Other operating income and expense, net	5.6	(1.0)
TOTAL OTHER OPERATING INCOME AND EXPENSE, NET	**(16.6)**	**7.3**

Note 8: Income tax expense

Consolidated income tax expense stood at €24.3 million for first-half 2020, compared with €89.3 million for first-half 2019.

The effective tax rate (ETR), corresponding to the income tax expense divided by the amount of pre-tax profit, was a negative 373.8% in first-half 2020, compared with 32.5% in first-half 2019.

The adjusted effective tax rate increased 6.8 percentage points compared to the first six months of 2019, at 37.9%. It corresponds to the effective tax rate corrected for adjustment items. The increase is mainly due to the weight of taxes that are not directly calculated by reference to taxable income, such as withholding taxes and value-added contributions (France and Italy).

Note 9: Goodwill

Changes in goodwill in first-half 2020

(€ millions)	First-half 2020	First-half 2019
Gross value	2,217.6	2,152.9
Accumulated impairment	(142.5)	(141.3)
Net goodwill at January 1	**2,075.1**	**2,011.6**
Acquisitions of consolidated businesses during the period	1.1	24.6
Proceeds from sales of subsidiaries and businesses	-	(2.4)
Currency translation differences and other movements	(67.1)	22.8
Net goodwill at June 30	**2,009.1**	**2,056.6**
Gross value	2,149.8	2,197.8
Accumulated impairment	(140.7)	(141.2)
NET GOODWILL AT JUNE 30	**2,009.1**	**2,056.6**

Methodology

The net carrying amount of goodwill is assessed at least yearly as part of the annual accounts closing process and tested for impairment. For the purposes of impairment testing, goodwill is allocated to CGUs.

As the economic crisis caused by the Covid-19 pandemic may itself be an indication of impairment at June 30, 2020, the Group carried out impairment tests on goodwill allocated to each of its cash-generating units (CGUs) or groups of CGUs based on an “reverse sensitivity” approach (see Note 2 – First-half 2020 highlights). This approach can demonstrate the absence of any indications that goodwill is impaired.

Results of impairment tests

All analyses performed at June 30, 2020 confirm the value of goodwill carried on the Group’s statement of financial position.

Note 10: Acquisitions and disposals

Acquisitions during the period

The Group did not carry out any major acquisitions in first-half 2020.

The table below was drawn up prior to completing the final purchase price accounting for companies acquired in the first six months of 2020:

(€ millions)	June 30, 2020		June 30, 2019	
PURCHASE PRICE OF ACQUISITIONS		**1.7**		**52.5**
Cost of assets and liabilities acquired/assumed		**1.7**		**52.5**
Assets and liabilities acquired/assumed	***Carrying amount***	***Fair value***	***Carrying amount***	***Fair value***
Total assets and liabilities acquired/assumed	**(1.8)**	**0.6**	**3.2**	**27.9**
GOODWILL		**1.1**		**24.6**

The residual unallocated goodwill is chiefly attributable to the human capital of the companies acquired and the significant synergies expected to result from these acquisitions.

The impact of these acquisitions on cash and cash equivalents for the period was as follows:

(€ millions)	June 30, 2020	June 30, 2019
Purchase price of acquisitions	**(1.7)**	**(52.5)**
Remeasurement of securities at fair value[(1)]	-	4.1
Cash and cash equivalents of acquired companies	0.1	14.2
Purchase price outstanding at June 30 in respect of acquisitions in the period	-	2.2
Purchase price paid in relation to acquisitions in prior periods	(15.3)	(22.0)
IMPACT OF ACQUISITIONS ON CASH AND CASH EQUIVALENTS	**(16.9)**	**(54.0)**

(1) Business combination achieved in stages (step acquisition).

The negative amount of €17.1 million shown on the "Acquisitions of subsidiaries" line of the consolidated statement of cash flows includes €0.2 million in acquisition-related fees.

Unpaid contingent consideration

The impact of remeasuring contingent consideration for acquisitions carried out prior to July 1, 2019 and not disbursed at June 30, 2020 was not material (€5.6 million expense at June 30, 2019).

Deconsolidation/disposals

On March 10, 2020, the Barcelona commercial court appointed an administrator in the insolvency proceedings opened with respect to the Group's Spanish subsidiary, Activais (Buildings & Infrastructure division). As from the date the administrator was appointed, the Group no longer controls or exercises significant influence over Activais. As a result, the subsidiary was deconsolidated as from March 2020 and no longer reported in the Group's financial statements.

On April 30, the Group sold its Singapore-based subsidiary Atomic Technologies (Industry division).

The deconsolidation and disposal generated a capital loss of €7.9 million, shown in "Other operating income and expense, net" in the income statement.

Note 11: Share capital

Capital increases

Following the exercise of 111,044 stock options, the Group carried out a share capital increase that included a share premium of €2.2 million.

Share capital

The total number of shares comprising the share capital was 452,204,032 at June 30, 2020 and 452,092,988 at December 31, 2019. All shares have a par value of €0.12 and are fully paid up.

Treasury shares

At June 30, 2020, the Group held 3,280,345 of its own shares. The carrying amount of these shares was deducted from equity.

Note 12: Share-based payment

In first-half 2020, the Group recognized a net share-based payment expense of €10.4 million (first-half 2019: €10.2 million).

Stock purchase option plans

Description

Pursuant to a decision of the Board of Directors on June 26, 2020, the Group awarded 1,372,823 stock options to certain employees and to the Executive Corporate Officer. The options granted may be exercised at a fixed price of €19.28.

Beneficiaries must have completed three years of service to be eligible for the stock purchase option plans. Eligibility for stock options also depends on meeting a series of internal operating performance targets for 2020, 2021 and 2022. The options are valid for ten years after the grant date.

Measurement

The average fair value of options granted during the period was €2.2 per option. Fair value was determined using the Black-Scholes option pricing model and the following key assumptions:

- Expected share volatility: 23.2%;
- Dividend yield: 3.3%;
- Expected option life: 6 years;
- Risk-free interest rate: negative 0.4%, determined by reference to the yield on government bonds over the estimated life of the option.

The number of shares that will vest under all plans was estimated using an attrition rate of 1% per year (June 30, 2019: 1%). The performance condition attached to the June 21, 2019 stock purchase option plan was based on 2019 adjusted operating profit. The attainment rate for this performance condition was 99.1%. The net share-based payment expense recognized by the Group for first-half 2020 was €1.3 million (first-half 2019: €0.8 million).

Performance share plans

Description

Pursuant to a decision of the Board of Directors on June 26, 2020, the Group awarded 1,167,200 performance shares to certain employees and to the Executive Corporate Officer. Beneficiaries must have completed three years of service to be eligible for the stock purchase option plans. Eligibility for stock options also depends on meeting a series of internal operating performance targets for 2020, 2021 and 2022.

Measurement

The fair value of the shares awarded to select employees and to the Executive Corporate Officer in first-half 2020 was €17.16 per share. Fair value was determined using the Black-Scholes option pricing model and the following key assumptions:

- Share price at the grant date;
- Dividend yield: 3.1%.

The expense recognized by the Group in first-half 2020 in respect of performance share awards was €9.1 million (first-half 2019: €9.4 million). The number of shares that will vest under all plans awarded to select employees and to the Executive Corporate Officer was estimated using an attrition rate of 5% per year, as in first-half 2019. The number of shares that will vest under the plan awarded to the Executive Corporate Officer was estimated using an attrition rate of 0% per year, as in first-half 2019. The performance condition attached to the June 21, 2019 performance share plan was based on adjusted operating profit for 2019. The attainment rate for this performance condition was 99.1%. The 2020 margin objective included in the June 2018 and 2019 plans was canceled by a decision by the Board of Directors on February 26, 2020.

Note 13: Borrowings and financial debt

(€ millions)	Total	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due beyond 5 years
At June 30, 2020					
Bank borrowings and debt (long-term portion)	1,267.8	-	(1.6)	596.7	672.7
Bond issue	1,700.0	-	-	1,000.0	700.0
NON-CURRENT BORROWINGS AND FINANCIAL DEBT	**2,967.8**	-	**(1.6)**	**1,596.7**	**1,372.7**
Current bank borrowings and debt	249.4	249.4	-	-	-
Bond issue	500.0	500.0	-	-	-
Bank overdrafts	13.8	13.8	-	-	-
CURRENT BORROWINGS AND FINANCIAL DEBT	**763.2**	**763.2**	-	-	-
At December 31, 2019					
Bank borrowings and debt (long-term portion)	718.5	-	86.6	139.5	492.4
Bond issue	2,200.0	-	500.0	500.0	1,200.0
NON-CURRENT BORROWINGS AND FINANCIAL DEBT	**2,918.5**	**-**	**586.6**	**639.5**	**1,692.4**
Current bank borrowings and debt	356.9	356.9	-	-	-
Bond issue	-	-	-	-	-
Bank overdrafts	12.1	12.1	-	-	-
CURRENT BORROWINGS AND FINANCIAL DEBT	**369.0**	**369.0**	**-**	**-**	**-**

The main terms and conditions and sources of financing for the Group are described in section 1.4.2 – Financing of the half-year activity report at June 30, 2020.

Leverage ratios

Some of the Group's financing requires it to comply with certain contractually defined covenants. Compliance is tested at December 31 and June 30 each year.

In June 2020, the Group's banking partners and the investors for its US Private Placement (USPP) granted it a waiver for the next three test dates.

The Group complied with all such commitments at June 30, 2020. The commitments can be summarized as follows:

- The first covenant is defined as the ratio of adjusted net financial debt divided by consolidated EBITDA (earnings before interest, tax, depreciation and amortization and provisions) adjusted for any entity acquired over the last 12 months. This ratio should be less than 4.5x at June 30, 2020, 6.25x at December 31, 2020, 5.5x at June 30, 2021 and 3.5x as from December 31, 2021. At June 30, 2020, it stood at 2.00x.
- The second covenant represents consolidated EBITDA (earnings before interest, tax, depreciation, amortization and provisions), adjusted for any acquisitions over the last 12 months, divided by consolidated net financial expense. This ratio should be higher than 5.5x at June 30, 2020, 2.0x at December 31, 2020, 3.0x at June 30, 2021 and 5.5x as from December 31, 2021. At June 30, 2020, it stood at 8.71x.

Breakdown by currency

Gross borrowings and financial debt excluding bank overdrafts can be analyzed as follows by currency:

Currency (€ millions)	June 30, 2020	Dec. 31, 2019
US dollar (USD)	782.0	735.4
Euro (€)	2,861.7	2,469.6
Other currencies	73.5	70.5
TOTAL	**3,717.2**	**3,275.5**

The GBP tranches of the 2008 USPP were converted into euros using a currency swap and are therefore included on the "Euro (€)" line.

Fixed rate/floating rate breakdown

At June 30, 2020, gross borrowings and financial debt excluding bank overdrafts can be analyzed as follows:

(€ millions)	June 30, 2020	Dec. 31, 2019
Fixed rate	3,110.9	3,163.9
Floating rate	606.3	111.6
TOTAL	**3,717.2**	**3,275.5**

The contractual repricing dates for floating rates are six months or less. The reference rate used is Euribor for floating-rate borrowings in euros.

Effective interest rates approximate nominal rates for all financing facilities.

Alternative performance indicator

In its external reporting on borrowings and debt, the Group uses an indicator known as **adjusted net financial debt**. This indicator is not defined by IFRS but is determined by the Group based on the definition set out in its bank covenants:

(€ millions)	June 30, 2020	Dec. 31, 2019
Non-current borrowings and financial debt	2,967.8	2,918.5
Current borrowings and financial debt	763.2	369.0
BORROWINGS AND FINANCIAL DEBT, GROSS	**3,731.0**	**3,287.5**
Cash and cash equivalents	(2,120.5)	(1,477.8)
NET FINANCIAL DEBT	**1,610.5**	**1,809.7**
Currency hedging instruments (as per banking covenants)	6.4	3.6
ADJUSTED NET FINANCIAL DEBT	**1,616.9**	**1,813.3**

Note 14: Guarantees given

There were no significant changes in the guarantees given by the Group at June 30, 2020 compared to those described in Note 33 – Off-balance sheet commitments and pledges of the 2019 Universal Registration Document.

Note 15: Provisions for liabilities and charges

(€ millions)	Dec. 31, 2019	Additions	Utilized provisions reversed	Surplus provisions reversed	Impact of discounting	Changes in scope of consolidation	Currency translation differences and other movements	June 30, 2020
Provisions for contract-related disputes	36.3	7.9	(2.5)	(2.0)	(0.6)	-	(0.2)	38.9
Other provisions for liabilities and charges	35.9	22.9	(3.4)	(2.2)	-	-	(1.3)	51.9
TOTAL	**72.2**	**30.8**	**(5.9)**	**(4.2)**	**(0.6)**	**-**	**(1.5)**	**90.8**

Provisions for contract-related disputes

Provisions for contract-related disputes recognized in the statement of financial position at June 30, 2020 take into account the disputes described in section 1.5 – Main risks and uncertainties for the remaining six months of the financial year, in the activity report.

Based on the available insurance coverage, the provisions booked by the Group and the information currently available, the Group considers that these disputes will not have a material adverse impact on its consolidated financial statements.

Other provisions for liabilities and charges

"Other provisions for liabilities and charges" include provisions for restructuring, provisions for losses on completion and miscellaneous other provisions, the amounts of which are not material taken individually.

There are no other legal, administrative, government and arbitration procedures or investigations (including any proceedings of which the Group is aware, pending, or threatened) likely to have or to have had a material impact on the financial position or profitability of the Group within the last six months.

Note 16: Movements in working capital attributable to operations

This caption represented €113.7 million in first-half 2020 and a negative €161.6 million in first-half 2019, and can be analyzed as follows:

(€ millions)	June 30, 2020	June 30, 2019
Trade and other receivables	123.2	(63.9)
Trade payables	(5.0)	8.2
Other receivables and payables	(4.5)	(105.9)
MOVEMENTS IN WORKING CAPITAL ATTRIBUTABLE TO OPERATIONS	**113.7**	**(161.6)**

Note 17: Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

	First-half 2020	First-half 2019
Net profit (loss) attributable to owners of the Company (€ thousands)	(34,069)	171,100
Weighted average number of ordinary shares outstanding (in thousands)	448,056	437,222
BASIC EARNINGS PER SHARE (€)	**(0.08)**	**0.39**

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of dilutive potential ordinary shares.

The Company has two categories of dilutive potential ordinary shares: stock options and performance shares.

	First-half 2020	First-half 2019
Net profit (loss) attributable to owners of the Company (€ thousands)	(34,069)	171,100
Weighted average number of ordinary shares outstanding (in thousands)	451,553	440,838
DILUTED EARNINGS PER SHARE (€)	**(0.08)**	**0.39**

Note 18: Dividend per share

To retain its ability to bounce back rapidly after the Covid-19 crisis, Bureau Veritas has chosen to take up various government schemes such as temporary layoffs in France, and the deferral of certain tax payments and employment contributions.

In these unprecedented circumstances, Bureau Veritas' Board of Directors took an exceptional decision to cancel the dividend due to be proposed to the Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2019. The Board's decision complies with the French regulatory requirement for the suspension of dividend payments in return for government support.

The decision also strengthens the Group's responsible attitude towards all stakeholders who are making considerable efforts or facing major challenges during this unparalleled crisis.

Note 19: Additional financial instrument disclosures

The table below presents the carrying amount, valuation method and fair value of financial instruments classified in each IFRS 9 category at the end of each reporting period:

(€ millions)	Carrying amount	IFRS 9 basis of measurement in SOFP: Amortized cost	Fair value through equity	Fair value through profit or loss	Fair value
At June 30, 2020					
Financial assets					
Other financial assets	130.0	127.3	-	2.7	130.0
Derivative financial instruments	3.0	-	-	3.0	3.0
Cash and cash equivalents	2,120.5	-	-	2,120.5	2,120.5
Money market funds (SICAV)	*797.2*	-	-	*797.2*	*797.2*
Cash and cash equivalents	*1,323.3*	-	-	*1,323.3*	*1,323.3*
Financial liabilities					
Borrowings and debt	3,731.0	3,731.0	-	-	3,736.1
Other financial liabilities	164.6	59.5	105.1	-	164.6
Financial lease liabilities	404.8	404.8	-	-	404.8
Derivative financial instruments	14.6	-	6.7	7.9	14.6
At December 31, 2019					
Financial assets					
Other financial assets	141.7	138.9	-	2.8	141.7
Derivative financial instruments	4.4	-	0.6	3.8	4.4
Cash and cash equivalents	1,477.8	-	-	1,477.8	1,477.8
Money market funds (SICAV)	*431.3*	-	-	*431.3*	*431.3*
Cash and cash equivalents	*1,046.5*	-	-	*1,046.5*	*1,046.5*
Financial liabilities					
Borrowings and debt	3,287.5	3,287.5	-	-	3,379.8
Other financial liabilities	194.9	87.3	107.6	-	194.9
Financial lease liabilities	418.6	418.6	-	-	418.6
Derivative financial instruments	4.9	-	3.5	1.4	4.9

At June 30, 2020, translation risk, operational currency risk, financial currency risk and interest rate risk are the same as described in Note 34 – Additional financial instrument disclosures of section 6.6 – Notes to the consolidated financial statements of the 2019 Universal Registration Document.

Analysis of sensitivity to operational currency risk

For the Group's businesses present in local markets, income and expenses are mainly expressed in local currencies. For the Group's businesses relating to international markets, a portion of revenue is denominated in US dollars.

A total of 8% of first-half 2020 consolidated US dollar revenue was generated in countries with functional currencies other than the US dollar or currencies linked to the US dollar.

The impact of a 1% rise or fall in the US dollar against all other currencies would have had an impact of 0.08% on consolidated Group revenue.

Interest rate risk

The Group's interest rate risk arises primarily from assets and liabilities bearing interest at floating rates. The Group seeks to limit its exposure to a rise in interest rates and may use interest rate instruments where appropriate. Interest rate exposure is monitored on a monthly basis.

The Group continually analyses the level of hedges put in place and ensures that they are appropriate for the underlying exposure. The Group's policy at all times is to prevent more than 60% of its consolidated net debt being exposed to the risk of a rise in interest rates. The Group may therefore enter into other swaps, collars or similar instruments for this purpose. No financial instruments are contracted for speculative purposes. At June 30, 2020, the Group had no interest rate hedges.

At June 30, 2020, given the net floating-rate position after hedging, the Group considers that a 1% rise in short-term interest rates across all currencies would lead to an increase of around €15 million in interest income.

Debts maturing after five years are at fixed rates and represent a total amount of €1.373 million. At June 30, 2020, 83% of the Group's gross debt was at fixed rates.

Note 20: Related-party transactions

At June 30, 2020, the Group's related parties and related-party transactions are identical to those described in Note 35 – Related-party transactions of section 6.6 – Notes to the consolidated financial statements of the 2019 Universal Registration Document.

Note 21: Events after the end of the reporting period

None.

Note 22: Scope of consolidation

There were no significant changes in the list of fully consolidated companies at June 30, 2020 compared to that set out in Note 38 – Scope of consolidation of section 6.6 – Notes to the consolidated financial statements of the 2019 Universal Registration Document.

At June 30, 2020, equity-accounted companies are the same as those included in Note 38 – Scope of consolidation of section 6.6 – Notes to the consolidated financial statements of the 2019 Universal Registration Document.

2.3. STATUTORY AUDITORS’ REVIEW REPORT ON THE 2020 INTERIM FINANCIAL INFORMATION (SIX MONTHS ENDED JUNE 30, 2020)

This is a translation into English of the Statutory Auditors’ review report issued in French and is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the Group’s half-year management report. It should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders’ Meeting and in accordance with the requirements of Article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- The review of the accompanying condensed half-year consolidated financial statements of Bureau Veritas for the period from January 1 to June 30, 2020;
- The verification of the information presented in the half-year activity report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on July 28, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Information, as adopted by the European Union.

2. Specific verification

We have also verified the information presented in the half-year activity report prepared on July 28, 2020 on the condensed half-year consolidated financial statements subject to our review.

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

Neuilly-sur-Seine and Paris-La-Défense, July 28, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	ERNST & YOUNG Audit
François Guillon	Nour-Eddine Zanouda

3. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, the condensed half-year consolidated financial statements presented in Chapter 2 – Condensed half-year consolidated financial statements at June 30, 2020 have been prepared in accordance with applicable accounting standards and provide a true and fair view of the capital, financial position and results of the Company and all of the businesses included in the consolidation, and that the half-year activity report appearing in Chapter 1 – First-half 2020 activity report, presents a true and fair view of the significant events that occurred in the first six months of the financial year, their impact on the consolidated financial statements as at June 30, 2020, the principal related-party transactions and a description of the main risks and uncertainties for the remaining six months of the 2020 financial year.

Neuilly-sur-Seine, July 29, 2020

Didier Michaud-Daniel
Chief Executive Officer, Bureau Veritas

Shaping a World of Trust

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