Société anonyme with a capital of €2,811,509,005
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Operating and Financial Review

Condensed Interim Consolidated Financial Statements
for the half-year ended June 30, 2015

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Results of operations for the half-year ended June 30, 2015

1. Major events of the period

General context

The Group's performance during the first half of 2015 was marked mainly by:

- excellent first half results, largely in line with annual objectives;
- accelerated sales momentum in the Group's traditional businesses and its new strategic growth markets;
- initial encouraging signs in the Waste business;
- the 2011-2015 cost reduction target of €750 million should be surpassed, with €700 million in savings already achieved as of June 30, 2015.

Changes in Group structure

Divestiture of activities in Israel

On March 30, 2015, Veolia closed the sale of water, waste and energy activities in Israel in association with the agreement signed on July 9, 2014 with funds managed by Oaktree Capital Management L.P, a leader among global investment managers.

Closing of the transaction was subject to the approval of the Israeli Antitrust Authority and change in control authorizations standard for such transactions.

The transaction resulted in a reduction in the Group's net financial debt by around €226 million, of which €29 million was already recorded at December 31, 2014 due to the classification within "assets and liabilities associated directly with assets classified as held for sale", in accordance with the IFRS 5 accounting standard.

Accordingly, the financial statements for the half-year ended June 30, 2015 include a post-tax gain on disposal of €41 million.

Purchase of the EBRD's stake in Veolia Central & Eastern Europe (formerly Veolia Voda)

On April 7, 2015, Veolia Eau - Compagnie Générale des Eaux purchased the stake held by the European Bank for Reconstruction and Development (EBRD) in Veolia Central & Eastern Europe (i.e. 8.36% of the share capital of Veolia Central & Eastern Europe, combining the Group's Water activities in Central and Eastern Europe) for €85.9 million. As a result of this transaction, the Group now fully owns Veolia Central & Eastern Europe.

Acquisition of Altergis

Following the announcement on May 6, 2015, that Veolia had signed a memorandum of understanding to acquire Altergis, a French Group specializing in energy efficiency, the acquisition was completed on June 26, 2015 for €21 million.

Specializing in the implementation of energy and fluids, Altergis reported revenue in 2014 of nearly €70 million and employs 400 people in France.

Group financing

Changes in Bonds Outstanding

On June 17, 2015, Veolia Environnement repaid the euro-denominated inflation indexed bond with nominal value of €1,032 million following its arrival at maturity.

Bond swap

In early April 2015, Veolia Environnement proceeded with a bond exchange of a portion of the bonds maturing in 2019, 2021 and 2022 in the amount of €515 million, while concurrently issuing a new bond maturing in January 2028 for €500 million with a 1.59% coupon. This transaction has enabled the Group to smooth out its debt profile and increase the average maturity of its gross debt (from 6.7 years to 7.0 years), while reducing the associated financing costs.

Improved credit outlook

In early May, S&P confirmed Veolia's A-2 / BBB credit rating, while raising the Group's outlook from negative to stable. This decision illustrates the recognition of Veolia's restructuring efforts, improved results and the benefits arising from active debt management, as well as the rating agencies' confidence in the Group's strategic outlook.

As a reminder Moody's rating on the company is P-2 / Baa1, with a stable outlook.

Dividend payment

The Combined Shareholders' Meeting of April 22, 2015 set the dividend for fiscal 2014 at €0.70 per share. This dividend was paid in cash beginning May 7, 2015 in the total amount of €384 million.

SNCM / Transdev Group

Main events in the first half of 2015

The first 2015 half-year was marked in particular by the proposal made in April 2015 by Transdev and CGMF to the receivers to contribute €85 million (€62 million for Transdev) to finance the SNCM redundancy plan subject to the conclusion of a settlement agreement approved by the commercial court, under whose terms the parties to the proceeding would waive any possible action against Transdev, CGMF, their executives and their shareholders.

The signature of the first part of the settlement agreement has been authorized by the bankruptcy judge in a ruling in May 2015.

The settlement process has been interrupted by the decision of the commercial court in June 2015 to reject the three offers. In the same time, the commercial court asked the receivers to proceed with a new call for tenders, scheduling a hearing for September 25, 2015 in order to review them.

Furthermore, in April 2015, the Bastia administrative court decided that the public service delegation agreement would be terminated as of October 1, 2016.

See Note 3.2.2 and Note 25 of the interim consolidated financial statements at June 30, 2015 for details on matters related to SNCM.

Investor Day

The Group will give a detailed presentation of its strategic plan for the next three years at an Investor Day scheduled for December 14, 2015.

Changes in governance

Combined Shareholders' Meeting of April 22, 2015

The Combined Shareholders' Meeting of Veolia Environnement took place at the Maison de la Mutualité in Paris, on Wednesday, April 22, 2015, under the chairmanship of Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company. At the Meeting, shareholders approved all the resolutions 1 to 17 of the agenda.

In particular, shareholders:

- approved the company accounts and consolidated financial statements for fiscal year 2014;
- set the dividend in cash for fiscal year 2014 at €0.70 per share. This dividend was paid out beginning May 7, 2015;
- renewed the terms of office of Mrs. Maryse Aulagnon, Mr. Baudouin Prot and Mr. Louis Schweitzer and appointed Mrs. Homaira Akbari and Mrs. Clara Gaymard, as directors for a four-year term expiring at the end of the 2019 shareholders' meeting convened to approve the financial statements for the period ended December 31, 2018;
- ratified the co-optation of Mr. Georges Ralli as director for the remaining term of office of the company (Groupama SA) which he represented (2016 Shareholders' Meeting);
- issued a favorable opinion on the remuneration due or attributed for fiscal year 2014 and the 2015 remuneration policy with reference to Mr. Antoine Frérot, the Company's Chairman and Chief Executive Officer.

Resolution A (not approved by the Board of Directors), the purpose of which was to remove the automatic vesting of double voting rights provided by the "Florange Act" to shares held in a registered form for at least two years, was rejected.

At the close of this Combined Shareholders' Meeting, Veolia Environnement's Board of Directors consisted of seventeen voting directors, including two directors representing the employees, five women directors (33.3%), and two non-voting members:

- Mr. Antoine Frerot, Chairman and Chief Executive Officer;
- Mr. Louis Schweitzer, Vice-Chairman and Senior Independent Director;
- Mrs. Homaira Akbari;
- Mr. Jacques Aschenbroich;
- Mrs. Maryse Aulagnon;
- Mr. Daniel Bouton;
- Caisse des Dépôts et Consignations, represented by Mr. Olivier Mareuse;
- Mrs. Clara Gaymard;
- Mrs. Marion Guillou;
- Mr. Serge Michel;
- Mr. Pavel Páša, director representing the employees;
- Mr. Baudouin Prot;
- Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Al Sayed;
- Mrs. Nathalie Rachou;
- Mr. Georges Ralli;
- Mr. Paolo Scaroni;
- Mr. Pierre Victoria, director representing employees;
- Mrs. Isabelle Courville, non-voting director;
- Mr. Paul-Louis Girardot, non-voting director.

Events subsequent to June 30, 2015

See Note 27 to the condensed interim consolidated financial statements for the half-year ended June 30, 2015.

2. Accounting and financial information

2.1 Preface

The publication of financial information for the first half of 2015 was marked by:

- The first-time application of the IFRIC 21 standard *Duties or taxes*, relating to the recognition of a liability for a duty or levy due as of January 1, 2015.

  For the half-year ended June 30, 2015, the impact was material at Group level, negatively impacting EBITDA and current EBIT by -€29.0 million, while current net income was impacted by -€26.8 million. However, the retrospective application to the first half of 2014 did not have any impact on the assessment of the Group's performance.

- First-time half-yearly publication of new financial indicators.

  To enhance the presentation of its operating performance and improve comparability with other sector companies, and as stated at the time of the Group's 2014 annual results communication, the Group decided to introduce new financial indicators starting fiscal year 2015 that will be used to communicate the Group's financial results. These financial indicators are defined in Note 5.3.

  These new indicators are:
  – EBITDA,
  – Current EBIT, and
  – Current Net Income.

  Refer to Note 5.2 for the reconciliation between these new financial indicators and the previous financial indicators used by the Group.

- Reclassification of Moroccan activities to continuing operations (as was the case for the 2014 year-end). As a reminder, Moroccan Water activities were originally classified in discontinued operations in the results for the half-year ended June 30, 2014 published on August 26, 2014.

- Presentation of two comparative scopes relating to the unwinding of the Dalkia joint venture. At June 30, 2014, Dalkia France was still fully consolidated and Dalkia International equity-accounted. Two comparative scopes are presented throughout this document: one referred to as "GAAP", with Dalkia France fully consolidated and Dalkia International equity-accounted, and the other referred to as "pro forma", with Dalkia International fully consolidated as of January 1, 2014 and excluding Dalkia France.

2.2 Key figures

The Group's commendable results are in line with the 2015 objectives and show a net improvement in EBITDA margin as described below.

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 re-presented (1)	Δ	Δ at constant scope & exchange rates
Revenue	12,317.6	11,482.4	+7.3%	+3.3% (2)
Pro forma revenue	12,317.6	12,009.6	+2.6%	-1.3%
EBITDA	1,531.1	1,314.3	+16.5%	+12.3% (2)
Pro forma EBITDA	1,531.1	1,384.3	+10.6%	+6.0%
Pro forma EBITDA margin	*12.4%*	*11.5%*	*+90 bps*	
Current EBIT (3)	712.1	520.8	+36.7%	+30.4% (2)
Pro forma current EBIT (3)	712.1	526.6	+35.2%	+24.6%
Current net income – Group share	321.2	178.0		
Pro forma current net income – Group share	321.2	153.2		
Net income – Group share	352.7	131.1		
Pro forma net income – Group share	352.7	126.9		
Pro forma industrial capex	565	592		
Net free cash flow (4)	(76)	(199)		
Pro forma net free cash flow (4)	(76)	(169)		
Net financial debt	9,223	8,936		

(1) The 2014 figures are restated for IFRS 5 and IFRIC 21 (see Note 5.1)
(2) Variation at constant exchange rates
(3) Including the share of current net income of joint ventures and associates of entities viewed as core Company activities (excluding Transdev, which is not viewed as a core Company activity)
(4) Net FCF corresponds to free cash flow from continuing operations, and is calculated by: the sum of EBITDA, dividends received from joint ventures, operating cash flow from financing activities, and changes in working capital for operations, less net industrial investments, current cash financial expense, cash taxes paid, cash restructuring charges, acquisition and disposal costs, and renewal expenses.

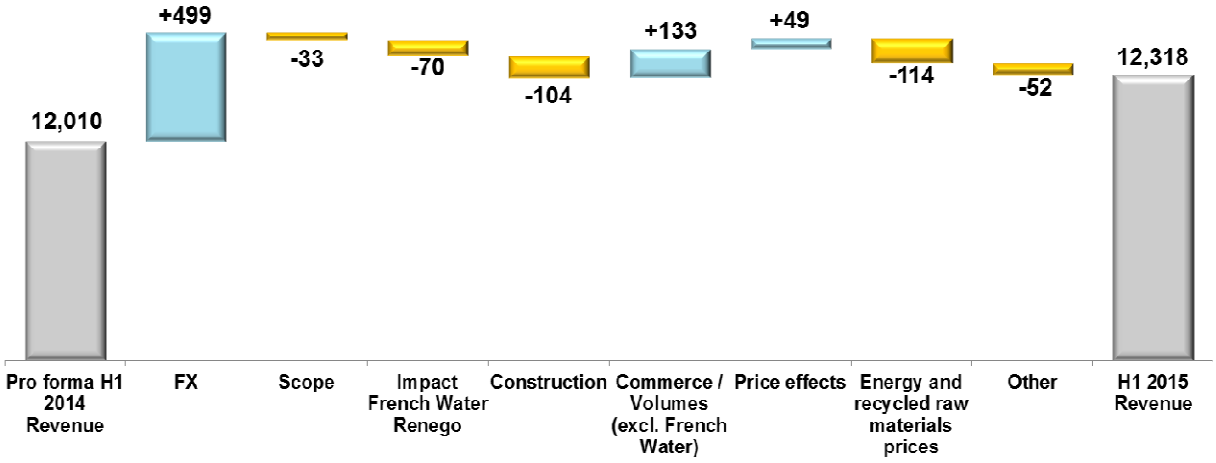
❖ Group consolidated revenue

For the first half of 2015, the Group's consolidated revenue increased 2.6% (-1.3% at constant consolidation scope and exchange rates) to €12,317.6 million, compared with pro forma €12,009.6 million for the first half of 2014.

The Y-Y trend in the second quarter of 2015 was marked by more favorable momentum, in all segments, with the exception of the Global Businesses segment due to the impact of delayed projects in the VWT business and the impact of the decline in oil prices.

Revenue for the half-year ended June 30, 2015 increased 7.3% (+3.3% at constant exchange rates), compared with GAAP figures for the half-year ended June 30, 2014.

The change in revenue between pro forma first half 2014 and first half 2015 breaks down by main impact as follows:



The foreign exchange impact on revenue amounted to €499.0 million (+4.2% of revenue) and mainly reflects the fluctuation in the value of the euro against the U.S. dollar (€217.5 million) and the U.K. pound sterling (€129.7 million).

The favorable contribution from commercial efforts (impact Commerce/Volumes), excluding the negative impact of contractual erosion in the French Water business (-€70 million) was due to:

- Good volumes in Water and Energy outside of France, particularly in China and the United States, and more marginally in Central and Eastern Europe with a positive weather impact of +€21 million;
- Contract wins in the Waste business in France and the U.K., as well as good growth in Asia Pacific;

The decline in revenue from Construction activity was driven mainly by projects delays in VWT, and lower construction revenue from PFI contracts in the United Kingdom.

Finally, Group revenue was hindered by the decrease in energy prices in the United States and Germany, as well as the unfavorable variation in recycled raw material prices.

Positive price effects continue to be observed given tariff indexation that remains favorable, in particular in Water in France, in Central and Eastern Europe and Latin America.

❖ EBITDA

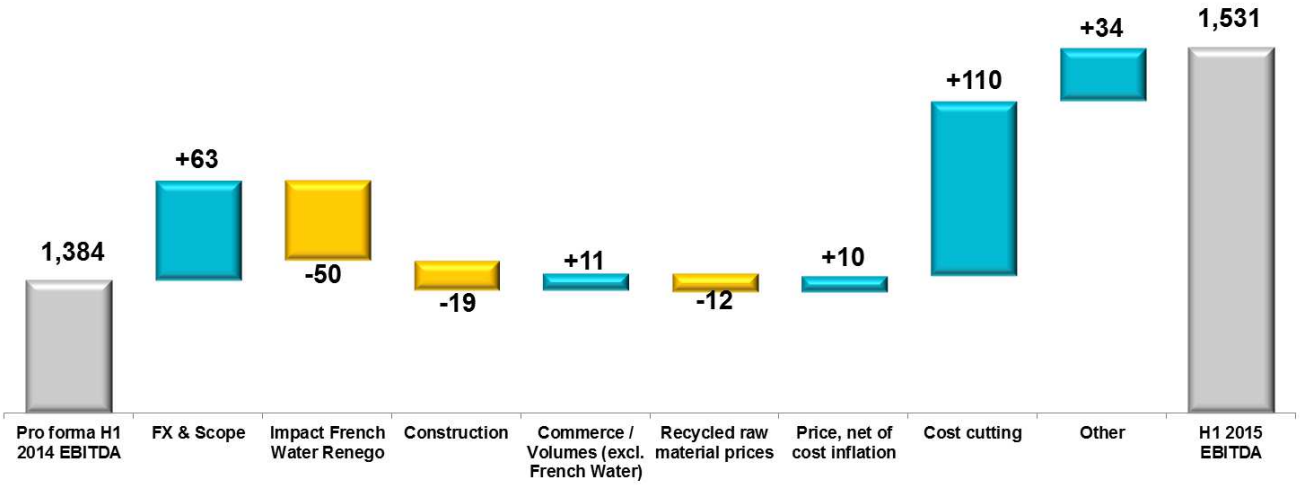
For the first half of 2015, the Group's consolidated EBITDA increased 10.6% (+6.0% at constant consolidation scope and exchange rates) to €1,531.1 million, compared with pro forma figures for the half-year ended June 30, 2014. EBITDA for the half-year ended June 30, 2015 increased 16.5% (+12.3% at constant exchange rates), compared with GAAP figures for the half-year ended June 30, 2014.

By segment, this strong increase in EBITDA was driven by:

- Continued good momentum in the Group's activities in Europe excluding France, particularly in Central and Eastern Europe (due to a significant decrease in costs);
- Strong growth in the Rest of the World segment, particularly in the United States (impact of volumes and more favorable weather, and cost reductions), as well as in Latin America, China and Africa Middle East;
- Stability in France: EBITDA in the Water business was quasi stable despite contractual erosion given cost reductions; while EBITDA increased in the Waste business, in line with cost management efforts and lower fuel costs, and despite the decline in landfill volumes.

EBITDA in the Global Businesses segment was lower, penalized by the impact of the decline in oil prices, and lower demand for construction activity in the public market in France.

By effect, the change in EBITDA between pro forma 2014 and 2015 breaks down as follows:



The foreign exchange impact on EBITDA amounted to +€64 million, and mainly reflects the fluctuation in the value of the euro against the U.S. dollar (+€22.2 million) and the U.K. pound sterling (+€15.3 million).

The favorable volume impact, excluding the negative impact of French Water contract renegotiations (-€50 million), was driven by favorable commercial momentum.

The negative impact of Construction activity was mainly related to a contract in Peru in the SADE business.

The impact of price, net of cost inflation was positive: less favorable tariff indexation was offset by operational efficiency.

The contribution of the cost savings plans amounted to €110 million, driven mainly by organizational efficiency and purchasing. Cumulative savings of nearly €700 million were generated by the half-year ended June 30, 2015.

❖ **Current EBIT**

For the first half of 2015, the Group's consolidated current EBIT increased 35.2% (+24.6% at constant consolidation scope and exchange rates) to €712.1 million, compared with pro forma figures for the half-year ended June 30, 2014. Current EBIT for the half-year ended June 30, 2015 increased 36.7% (+30.4% at constant exchange rates), compared with GAAP figures for the half-year ended June 30, 2014.

The significant increase in current EBIT was driven primarily by:

- -the significant improvement in EBITDA;
- -the reduction in depreciation and amortization by nearly 4% at constant exchange rates to €686.4 million for the half-year ended June 30, 2015;
- -the favorable variation in net charges for provisions and other items, related to provision reversals in France in 2015 for contractual risks related to Water contracts where the "Olivet" principle applies, and write downs recorded in the Waste business in 2014, particularly in Poland.

The foreign exchange impact on current EBIT amounted to +€39 million, and mainly reflects the fluctuation in the value of the euro against the U.S. dollar (+€13 million), the Chinese renminbi yuan (+€10.8 million) and the U.K. pound sterling (+€8.5 million).

❖ **Net finance costs**

Net finance costs

Net finance costs totaled €230.8 million for the half-year ended June 30, 2015, versus GAAP €234.8 million and pro forma €240.7 million for the half-year ended June 30, 2014. Net finance costs were down €10 million despite the negative foreign exchange impact of €8 million. The reduction in net finance costs reflects the Group's efforts to manage debt.

Other financial income and expenses

Other financial income and expenses amounted to €46.8 million for the half-year ended June 30, 2015, versus GAAP €59.6 million and pro forma €23.2 million for the half-year ended June 30, 2014. For the half-year ended June 30, 2014, on a GAAP basis, other financial income and expenses included €35.6 million in income from loans to Dalkia International, which is now fully consolidated.

For the half-year ended June 30, 2015, other financial income and expenses included capital gains or losses on financial divestitures in the amount of €63 million, and in particular, the capital gain on the disposal of the Group's Israel activities. For the half-year ended June 30, 2014, other financial income and expenses included the capital gain on the divestiture of the Group's stake in Marius Pedersen for €48.9 million.

❖ **Income tax expense**

The tax rate declined from a year ago, and amounted to 30% after adjustment for the impact of financial divestitures, non-recurring items within net income of entities fully controlled by the Group and the share of income of equity-accounted entities. This decline is due mainly to the increase in net income in Central Eastern European countries, as well as by the increase in results in the French tax group, which is still loss-making (and therefore with no impact on tax expense taking into account that losses are not recognized within the French tax group).

❖ **Net income attributable to owners of the Company**

Current net income attributable to owners of the Company increased significantly from GAAP €178.0 million for the half-year ended June 30, 2014 to €321.2 million for the half-year ended June 30, 2015, due to:

- current EBIT growth,
- the reduction in net finance costs, as well as
- the improvement in tax rate.

Current net income per share totaled €0.59 for the half-year ended June 30, 2015, versus GAAP €0.33 for the half-year ended June 30, 2014.

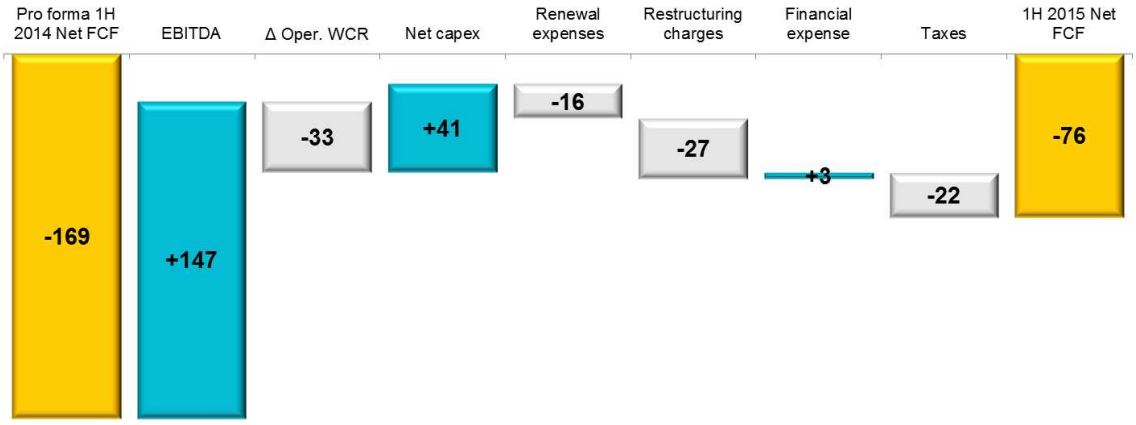
Net income attributable to owners of the Company amounted to €352.7 million for the half-year ended June 30, 2015, versus GAAP €131.1 million for the half-year ended June 30, 2014.

Other than factors already mentioned, the significant growth in net income attributable to owners of the Company was also driven by improved results at the Transdev Group, recorded in share of net income of other equity-accounted entities.

Net income attributable to owners of the Company per share (diluted and basic) amounted to €0.51 for the half-year ended June 30, 2015, versus GAAP €0.12 for the half-year ended June 30, 2014.

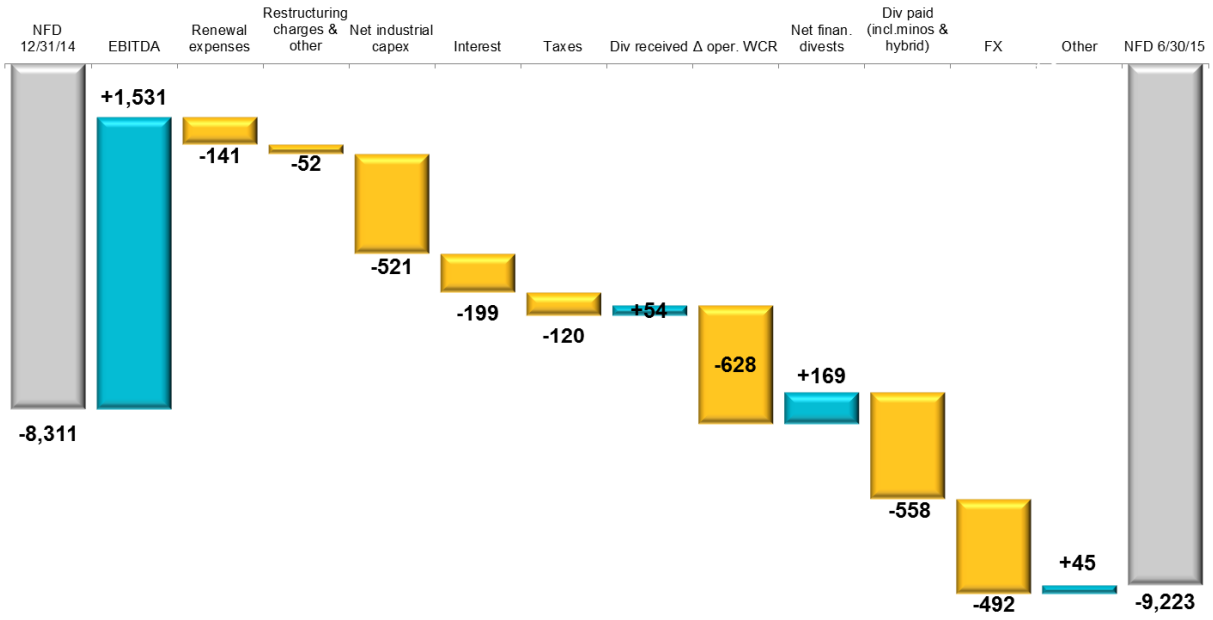
❖ **Net free cash flow and Net financial debt**

Net free cash flow amounted to -€76 million for the half-year ended June 30, 2015, versus pro forma -€169 million for the half-year ended June 30, 2014. This improvement was attributable to the improvement in EBITDA, solid industrial capex discipline, and despite an increase in the seasonal variation in working capital requirements for operations, and an increase in renewal expenses and restructuring charges.



For the half-year ended June 30, 2015, net financial debt amounted to €9,223 million, compared with €8,936 million in GAAP figures for the half-year ended June 30, 2014. This increase was attributable to the negative foreign exchange impact of €764 million and the payment of the dividend for fiscal 2014 entirely in cash in May 2015.

Net financial debt increased from €8,311 million at December 31, 2014 to €9,223 million at June 30, 2015 due to the following factors:



- the negative foreign exchange impact of -€492 million compared to December 31, 2014 resulted from the depreciation of the euro in the 2015 first half relative to the U.K. pound sterling, the U.S. dollar and the Hong Kong dollar;
- dividends paid in cash by VE SA for -€384 million, dividends paid to minorities for -€103 million and the coupon payment to hybrid holders of -€71 million.

2.3 Revenue

2.3.1. Revenue by segment

Revenue (€ million)						
	Half-year ended June 30, 2015	Half-year ended June 30, 2014 pro forma	2015/2014 variation	Internal growth	External growth	Foreign exchange impact
France	2,694.6	2,760.2	-2.4%	-2.6%	+0.2%	-
Europe excluding France	4,305.5	4,278.0	+0.6%	-2.3%	+0.1%	+2.8%
Rest of the world	2,956.6	2,587.6	+14.3%	+3.4%	-0.5%	+11.4%
Global Businesses	2,296.2	2,288.0	+0.4%	-3.3%	-	+3.7%
Other	64.7	95.8	-32.5%	-1.6%	-31.1%	+0.2%
Group	**12,317.6**	**12,009.6**	**+2.6%**	**-1.3%**	**-0.3%**	**+4.2%**

The Y-Y trend in the second quarter of 2015 was marked by more favorable momentum, in all segments, with the exception of the Global Businesses segment due to the impact of delayed projects in the VWT business and the impact of the decline in oil prices:

	1st quarter	2nd quarter
Pro forma variations	**Δ at constant scope & FX**	**Δ at constant scope & FX**
France	-3.6%	-1.6%
Europe excluding France	-3.5%	-0.7%
Rest of the World	+2.4%	+4.5%
Global businesses	+2.1%	-7.9%
Group	**-1.4%**	**-1.2%**

❖ **France**

Revenue in the France segment for the half-year ended June 30, 2015 decreased 2.4% (-2.6% at constant consolidation scope) to €2,694.6 million compared with pro forma figures for the half-year ended June 30, 2014. At constant consolidation scope, second quarter revenue decreased 1.6% vs -3.6% in the first quarter of 2015.

- Revenue in the Water business declined 5.8% at both current and constant consolidation scopes compared with pro forma figures for the half-year ended June 30, 2014. The tariff indexation increases (around +0.4% versus +1.2% last year) combined with the rise in volumes sold (+0.4%) was not sufficient to offset the impacts of contractual erosion and the reduced construction activity due to shrinkage in the public works market.
- Revenue in the Waste business improved slightly by 1.2% at constant consolidation scope (1.7% at current consolidation scope). Waste revenue increased in the second quarter of 2015 (+3.8% compared with a decline of 1.4% in the first quarter of 2015) due to contract wins, a better mix effect and a lower unfavorable impact of recycled raw material prices.

❖ **Europe, excluding France**

Revenue in the Europe excluding France segment for the half-year ended June 30, 2015 increased 0.6% at current consolidation scope and exchange rates (-2.3% at constant consolidation scope and exchange rates) to €4,305.5 million compared with pro forma figures for the half-year ended June 30, 2014. Revenue was quasi stable in the second quarter of 2015, compared with -3.5% at constant consolidation scope and exchange rates in the first quarter of 2015.

This variation mainly concerns:

- Central European countries, whose revenue increased (1.6% at constant consolidation scope and exchange rates), due to tariff increases in Water (+1.9% on average), particularly in Poland and the Czech Republic, and in the second quarter, more favorable weather, particularly in the Czech Republic and Poland;
- the United Kingdom and Ireland, whose combined revenue declined 2.9% at constant consolidation scope and exchange rates, given the decline in construction revenue from PFI contracts, and despite an increase in landfill volumes.
- Germany, where the decline in revenue (-8.8% at constant consolidation scope and exchange rates) was attributable to:
    - o the decline in gas and electricity volumes sold and falling energy prices in the Energy business;
    - o the continued restructuring of the commercial portfolio in the Waste business.
- In other European countries, revenue at constant consolidation scope and exchange rates increased, driven by business growth particularly in the Netherlands and Iberia. It benefited from sustained growth in Spain (+12.3% at current and constant consolidation scope and exchange rates) following the signature of several energy efficiency contracts, a solid start to the year in terms of sales for Installation and Services activities and growth in Construction activity.

❖ **Rest of the World**

Revenue in the Rest of the World segment for the half-year ended June 30, 2015 increased 14.3% (+3.4% at constant consolidation scope and exchange rates) to €2,956.6 million compared with pro forma figures for the half-year ended June 30, 2014. In the second quarter of 2015, revenue increased 4.5% at constant consolidation scope and exchange rates versus 2.4% growth in the first quarter of 2015.

Revenue in the Rest of the World segment reflects solid growth in the following regions:

- in Latin America, (+15.8% at current consolidation scope and exchange rates, +16.4% at constant consolidation scope and exchange rates), in particular, in Argentina (Buenos Aires contract) and Ecuador;
- Revenue in Asia improved in all geographies, with the exception of Korea due to the end of an industrial contract. In China, revenue increased 45.3% at current consolidation scope and exchange rates (+22.3% at constant consolidation scope and exchange rates), primarily due to an increase in landfill volumes and the construction of hazardous waste incinerators in the Waste business, and the increase in steam volumes sold in the Energy business. The industrial Water market in China benefited from new contract wins;

This substantial growth was mitigated by a decline in revenue in the United States by -7.6% at constant consolidation scope and exchange rates (+14.6% at current consolidation scope and exchange rates), primarily due to the lower price of energy sold in the main facilities, partially offset by the rise in volumes sold in the Energy business.

❖ **Global Businesses**

Revenue in the Global Businesses segment for the first half of 2015 remained stable at €2,296.2 million, up 0.4% at current consolidation scope and exchange rates (-3.3% at constant consolidation scope and exchange rates), compared with pro forma figures for the half-year ended June 30, 2014. In the second quarter of 2015, revenue declined 7.9% at constant consolidation scope and exchange rates versus +2.1% in the first quarter of 2015.

This variation was due to:

- project delays in the VWT business. Backlog amounted to €2.4 billion, stable compared to December 31, 2014;
- the negative impact of the decline in oil prices.

2.3.2. Revenue by business

Revenue (€ million)						
	Half-year ended June 30, 2015	Half-year ended June 30, 2014 pro forma	2015/2014 variation	Internal growth	External growth	Foreign exchange impact
Water	5,462.7	5,382.7	+1.5%	-1.7%	-0.3%	+3.5%
Waste	4,307.7	4,169.4	+3.3%	-0.8%	-1.1%	+5.2%
Energy	2,547.2	2,457.5	+3.7%	-1.2%	+1.1%	+3.8%
Group	**12,317.6**	**12,009.6**	**+2.6%**	**-1.3%**	**-0.3%**	**+4.2%**

The quarterly variation of revenue by business compared to pro forma figures:

	1st quarter	2nd quarter
Pro forma variations	**Δ at constant scope & FX**	**Δ at constant scope & FX**
Water	-0,1%	-3.3%
Waste	-0.8%	-0.7%
Energy	-4.4%	+3.7%
Group	**-1.4%**	**-1.2%**

❖ **Water**

Revenue in the Water business increased by 1.5% (-1.7% at constant consolidation scope and exchange rates) compared with pro forma figures for the half-year ended June 30, 2014.

This decline was due to a combination of several factors:

- Stability in the Operations business, marked by contractual erosion in France, which was offset by tariff increases, particularly in certain Central and Eastern European countries; and
- The decline in Construction activity, with delays in industrial projects at VWT, despite an improvement in backlog since April 2015, and good momentum of industrial solutions in Asia and the Middle East.

❖ **Waste**

Revenue in the Waste business increased 3.3% (down slightly by -0.8% at constant consolidation scope and exchange rates) compared with pro forma figures for the half-year ended June 30, 2014. The first half of 2015 was encouraging and the second quarter continued in the same manner as Q1.

This variation reflects:

-Good resilience in France and the United Kingdom;

-Good landfill volumes and the continued construction of hazardous waste incinerators in China;

-An increase in volumes of +0.8% and higher services prices of +0.4%;

-The decline in PFI construction revenue in the United Kingdom;

-The decline in recycled raw material prices (mainly paper).

❖ **Energy**

Revenue in the Energy business decreased by -1.2% at constant consolidation scope and exchange rates compared with pro forma figures for the half-year ended June 30, 2014, of which -3.3% related to lower energy prices and are partially offset by 0.7% favorable weather effect. In the second quarter of 2015, revenue increased 3.7% at constant consolidation scope and exchange rates versus -4.4% in the first quarter of 2015.

The second quarter of 2015 recorded a net improvement in revenue due to a more favorable weather impact and commercial development, reduced by the unfavorable impact of the price of energy sold in North America.

2.4. Other income statement items

As of the second half of 2014, and in connection with the reorganization and takeover of Dalkia International, the Group decided to review and standardize its chargeback policy for centralized corporate costs to subsidiaries in France and outside of France on a retroactive basis as of January 1, 2014. These impacts are neutral across the Group financial indicators presented below. In order to make operational performance comparable, they were neutralized on the comparative period of June 30, 2014 in the analysis by segment of EBITDA and Current EBIT.

2.4.1 EBITDA

Changes in EBITDA by segment were as follows:

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 pro forma	Half-year ended June 30, 2014 GAAP	*Pro forma 2015 / 2014 variation*	*Pro forma 2015 / 2014 variation at constant scope & exchange rates*
France	395.5	395.1	401.7	*+0.1%*	*+0.1%*
Europe, excluding France	610.3	543.9	299.5	*+12.2%*	*+9.1%*
Rest of the world	406.1	333.7	312.3	*+21.7%*	*+7.5%*
Global businesses	84.5	92.7	91.4	*-8.8%*	*-12.9%*
Other (*)	34.7	18.9	209.4	-	-
EBITDA	**1,531.1**	**1,384.3**	**1,314.3**	***+10.6%***	***+6.0%***
EBITDA margin	**12.4%**	**11.5%**	**11.4%**		

* The Other segment in the half-year ended June 30, 2014 GAAP scope essentially comprises the activities of Dalkia in France up to the date of unwinding on July 25, 2014.

2.4.2 Current EBIT

Changes in current EBIT by segment were as follows:

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 pro forma	Half-year ended June 30, 2014 GAAP	*Pro forma 2015 / 2014 variation*	*Pro forma 2015 / 2014 variation at constant scope & exchange rates*
France	107.0	78.2	77.9	*+36.9%*	*+36.6%*
Europe, excluding France	340.0	236.4	114.3	*+43.8%*	*+31.2%*
Rest of the world	216.1	161.9	151.7	*+33.5%*	*+15.6%*
Global businesses	33.1	43.5	43.3	*-23.9%*	*-29.0%*
Other (*)	15.9	6.6	133.6	-	-
Current EBIT	**712.1**	**526.6**	**520.8**	***+35.2%***	***+24.6%***

* The Other segment in the half-year ended June 30, 2014 GAAP scope essentially comprises the activities of Dalkia in France up to the date of unwinding on July 25, 2014.

The reconciling items between EBITDA and Current EBIT for the half-year ended June 30, 2015 and 2014 are as follows:

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 pro forma	Half-year ended June 30, 2014 GAAP
EBITDA	**1,531.1**	**1,384.3**	**1,314.3**
Renewal expenses	(141.1)	(124.9)	(180.3)
Repayment of operating financial assets (OFAs)	(82.3)	(70.4)	(88.5)
Net depreciation and amortization	(686.4)	(690.7)	(571.2)
Share of current net income from joint ventures and associates	52.8	47.2	69.1
Provisions, fair value adjustments & other	38.0	(18.9)	(22.6)
Current impairment of property, plant and equipment, intangible assets and operating financial assets	4.0	(41.2)	(37.6)
Gains or losses on industrial divestitures	9.8	1.7	3.7
Net charges to operating provisions, fair value adjustments and other	24.2	20.6	11.3
Current EBIT	**712.1**	**526.6**	**520.8**

Net depreciation and amortization charges declined nearly 4% at constant exchange rates over the period (versus June 30, 2014 pro forma).

The share of current net income from joint ventures and associates was derived from the Chinese entities in the Water and Waste businesses in the amount of €19 million, versus €14 million for the half-year ended June 30, 2014, and UK entities (Water and Waste) in the amount of €9 million (€3 million for the half-year ended June 30, 2014). For the half-year ended June 30, 2014 on a GAAP basis, this line item also included the results of Israel activities sold on March 30, 2015, as well as income from Dalkia International.

The current impairment of property, plant and equipment, intangible assets and operating financial assets in GAAP and pro forma figures for the half-year ended June 30, 2014 was related to Waste activities in process of divestiture in Poland. For the half-year ended June 30, 2015, this line item does not warrant any specific comments.

Gains or losses on industrial divestitures for the half-year ended June 30, 2015 mainly involved transactions carried out by Water France and the sale of a site in Germany.

Net charges to operating provisions for the half-year ended June 30, 2015 included a provision reversal for the "Olivet" contracts in the Water activities in France. For the half-year ended June 30, 2014, they included an exceptional reversal of the pension provision recognized by VE S.A. for senior executives in the amount of €15 million.

2.4.3 Analysis of EBITDA and Current EBIT by segment

❖ **France**

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 pro forma	Half-year ended June 30, 2014 GAAP	*Pro forma Variation*	*Pro forma variation at constant scope & exchange rates*
EBITDA	395.5	395.1	401.7	+0.1%	+0.1%
EBITDA margin	14.7%	14.3%	14.5%		
Current EBIT	107.0	78.2	77.9	+36.9%	+36.6%

EBITDA in the France segment was relatively stable during the period.

EBITDA in the Water business was quasi stable despite the impact of contractual erosion of -€50 million (loss of Nice and Rennes contracts, and renewal of the Lyon contract) due to the favorable impact of cost cutting plans. At the end of June 2015, the voluntary departure plan in French Water was finalized, and is in line with objectives, with 783 departures overall and a reduction in employees by 12% since 2012.

In the Waste business, EBITDA improved in line with revenue growth, the contribution of cost saving plans, the decrease in fuel prices and the favorable impact of a litigation payment, partially offset by the impact of lower landfill volumes.

Current EBIT in France increased strongly due to the stability of EBITDA and depreciation and amortization, and the reversal of provisions for "Olivet" contractual risks following ongoing negotiations and discussions.

❖ **Europe, excluding France**

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 pro forma	Half-year ended June 30, 2014 GAAP	*Pro forma Variation*	*Pro forma variation at constant scope & exchange rates*
EBITDA	610.3	543.9	299.5	+12.2%	+9.1%
EBITDA margin	14.2%	12.7%	12.3%		
Current EBIT	340.0	236.4	114.3	+43.8%	+31.2%

The EBITDA of the Europe, excluding France segment increased significantly in most countries, particularly:

- in the United Kingdom, with good volumes in the Waste business;
- and in Central Europe: EBITDA growth was particularly marked in Poland, the Czech Republic, Romania, Lithuania and Hungary. This improvement was attributable to the positive price impacts on purchased energy and the price increases in the Water business, the successful integration of Dalkia's international activities, and the positive contribution from cost savings plans, with more favorable weather conditions in the second quarter.

The Current EBIT of the Europe, excluding France segment improved, in line with EBITDA growth and the positive variation in operating provisions due to the asset write downs recognized in 2014 in Waste activities in Poland (divested January 30, 2015). Net depreciation and amortization remained stable during the period.

❖ **Rest of the world**

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 pro forma	Half-year ended June 30, 2014 GAAP	*Pro forma Variation*	*Pro forma variation at constant scope & exchange rates*
EBITDA	406.1	333.7	312.3	+21.7%	+7.5%
EBITDA margin	13.7%	12.9%	12.9%		
Current EBIT	216.1	161.9	151.7	+33.5%	+15.6%

The substantial increase in EBITDA and current EBIT in the Rest of the world segment mainly involved:

- The United States, in line with the benefit of cost cutting plans, the favorable volume impacts on industrial, municipal & commercial contracts, as well as the solid performance of the Energy business;
- Latin America, due to the solid operating performance, particularly in Argentina (Buenos Aires contract win and impact on prices);
- China, which benefited from the ramp-up in Energy activities (favorable impacts on steam volumes sold relating to the development of a larger service area, and favorable coal purchase prices), the development of industrial contracts in the Water business, and the positive contribution from cost savings plans.

❖ **Global Businesses**

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 pro forma	Half-year ended June 30, 2014 GAAP	*Pro forma Variation*	*Pro forma variation at constant scope & exchange rates*
EBITDA	84.5	92.7	91.4	-8.8%	-12.9%
EBITDA margin	3.7%	4.1%	4.1%		
Current EBIT	33.1	43.5	43.3	-23.9%	-29.0%

The EBITDA and current EBIT of Global businesses were impacted by the following items:

-In Hazardous Waste, profits were hindered by the fall in oil prices;

-Construction activities (VWT and SADE) were also hindered by the contraction in activity from public markets in France and difficulties at certain international sites (notably in Peru).

2.4.4 Net finance costs

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 GAAP re-presented
Net finance costs	**(230.8)**	**(234.8)**
Gains (losses) on disposals of financial assets	65.6	52.9
Costs of financial divestitures	(2.6)	(9.4)
Net gains / losses on loans and receivables	9.6	40.8
Net income (loss) on available-for-sale assets	1.8	2.1
Assets and liabilities at fair value through the consolidated income statement	0.2	(0.1)
Unwinding of the discount on provisions	(22.0)	(23.6)
Foreign exchange gains and losses	4.0	0.1
Other	(9.8)	(3.4)
Other financial income and expenses	**46.8**	**59.6**

Net finance costs totaled €230.8 million for the half-year ended June 30, 2015, versus GAAP €234.8 million and pro forma €240.7 million for the half-year ended June 30, 2014. Net finance costs were down €10 million despite the negative foreign exchange impact of €8 million. The reduction in net finance costs reflects the Group's efforts to manage debt.

For the half-year ended June 30, 2014, on a GAAP basis, other financial income and expenses included €35.6 million in income from loans to Dalkia International, which is now fully consolidated.

For the half-year ended June 30, 2015, disposal gains or losses included the capital gain on the disposal of the Group's Israel activities for €43.6 million.

As a reminder, for the half-year ended June 30, 2014, disposal gains or losses included the capital gain on the sale of Marius Pedersen for €48.9 million.

2.4.5 Income tax expense

The income tax expense for the half-year ended June 30, 2015 amounted to -€124.2 million, compared with -€101.0 million on a GAAP basis for the half-year ended June 30, 2014.

The re-presented tax rate declined from a year ago, and amounted to 30% after adjustment for non-recurring items within net income of entities fully controlled by the Group, the share of income of equity-accounted entities, and the impact of financial divestitures.

In €M	H1 2015
Current income before tax (a)	**528**
Of which share of net income of Joint Ventures & Associates (b)	53
Of which capital gains or losses on financial divestitures (c)	66
Re-presented current income before tax: a-b-c =d	**410**
Tax expense on current income before tax (e)	**-125**
Of which tax expense on divestitures (f)	-2
Re-presented tax expense: e-f=g	**-123**
Re-presented tax rate on current income : - (g)/(d)	**30,0%**

This decline is due mainly to the increase in pre-tax results of the French tax group, still loss-making from a tax standpoint (with no impact on tax expense taking into account that losses are not recognized within the French tax group) as well as by the full consolidation of international activities in the Energy business in 2015 (impact mainly related to entities based in Central Europe where corporate tax rates are lower than that of the Group as a whole).

2.4.6 Net income (loss) of other equity-accounted entities

Net income of other equity-accounted entities (Transdev Group) totaled €25.5 million for the half-year ended June 30, 2015, compared with pro forma €4.4 million for the half-year ended June 30, 2014.

2.4.7 Net income (loss) attributable to non-controlling interests

The net loss attributable to non-controlling interests was €82.0 million for the half-year ended June 30, 2015, compared with €55.8 million for the half-year ended June 30, 2014.

This variation is related to the impact of the unwinding of the Dalkia joint venture in 2014, as well as the improvement in Energy profits in Poland.

2.4.8 Net income (loss) attributable to owners of the company

Net income attributable to owners of the Company was €352.7 million for the half-year ended June 30, 2015, compared with GAAP €131.1 million for the half-year ended June 30, 2014. Current net income attributable to owners of the Company was €321.2 million for the half-year ended June 30, 2015, compared with GAAP €178.0 million for the half-year ended June 30, 2014.

Given the weighted average number of outstanding shares totaling 548.5 million for the half-year ended June 30, 2015 (basic and diluted) and 536.2 million for the half-year ended June 30, 2014 (basic and diluted), earnings per share attributable to owners of the Company (basic and diluted) amounted to €0.51 for the half-year ended June 30, 2015, compared with GAAP €0.12 for the half-year ended June 30, 2014. Current net income per share attributable to owners of the Company (basic and diluted) was €0.59 for the half-year ended June 30, 2015, compared with GAAP €0.33 for the half-year ended June 30, 2014.

Net income (loss) for the half-year ended June 30, 2015 breaks down as follows:

For the half-year ended June 30, 2015 (€ million)	Current	Non-recurring	Total
EBIT *	712.1	5.3	717.4
Net finance costs	(230.8)	-	(230.8)
Other financial income and expenses	46.8	-	46.8
Pre-tax income	**528.1**	**5.3**	**533.4**
Income tax expense	(124.9)	0.7	(124.2)
Net income (loss) of other equity-accounted entities	-	25.5	25.5
Net income (loss) of discontinued operations	-	-	-
Non-controlling interests	(82.0)	-	(82.0)
Net income (loss) attributable to owners of the company	**321.2**	**31.5**	**352.7**

* Non-recurring EBIT items are presented in Note 5.2

For the half-year ended June 30, 2014 on a GAAP basis, net income breaks down as follows:

For the half-year ended June 30, 2014 GAAP (€ million)	Current	Non-recurring	Total
EBIT *	520.8	(39.0)	481.8
Net finance costs	(234.8)	-	(234.8)
Other financial income and expenses	59.6	-	59,6
Pre-tax income	**345.6**	**(39.0)**	**306.6**
Income tax expense	(101.4)	0.4	(101.0)
Net income (loss) of other equity-accounted entities	-	4.4	4.4
Net income (loss) of discontinued operations	-	(23.1)	(23.1)
Non-controlling interests	(66.2)	10.4	(55.8)
Net income (loss) attributable to owners of the company	**178.0**	**(46.9)**	**131.1**

* Non-recurring EBIT items are presented in Note 5.2

3. Financing

3.1. Changes in net free cash flow

(€ million)	Half-year ended June 30, 2015	Half-year ended June 30, 2014 GAAP (*)	Half-year ended June 30, 2014 Pro forma
EBITDA	**1,531**	**1,314**	**1,384**
Net industrial investments	(521)	(529)	(562)
Change in operating WCR	(628)	(586)	(595)
Dividends received from equity-accounted entities and joint ventures	54	49	54
Renewal expenses	(141)	(180)	(125)
Restructuring charges	(52)	(25)	(25)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(199)	(160)	(202)
Taxes paid	(120)	(82)	(98)
Net free cash flow before dividend payment, financial investments and financial divestitures	**(76)**	**(199)**	**(169)**
Dividends paid	(558)	(314)	
Net financial investments	169	144	
Change in receivables and other financial assets	34	(29)	
VE capital increase (excluding per share dividend distribution)	-	-	
Issue / repayment of deeply subordinated securities	-	-	
Operating cash flow of discontinued operations	-	-	
Free cash flow	**(431)**	**(398)**	
Effect of foreign exchange rate movements and other	(481)	(94)	
Change	**(912)**	**(492)**	
Net financial debt at the beginning of the period	8,311	(8,444)	
Net financial debt at the end of the period	**(9,223)**	**(8,936)**	

(*): including fully consolidated Dalkia France and equity-accounted Dalkia International in the first half of 2014

Net free cash flow for the half-year ended June 30, 2015 was -€76 million, compared with a GAAP figure of -€199 million for the half-year ended June 30, 2014.

The improvement in net free cash flow compared with the GAAP figure for the half-year ended June 30, 2014 mainly reflects the improvement in EBITDA, good industrial capex discipline, and despite a slight degradation in the change in working capital requirements for operations related to seasonality.

3.2. Industrial investments

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

In €M *H1 2015*	Maintenance	New OFA	Growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	61	-	65	**126**	(15)	**111**
Europe excluding France	137	32	90	**259**	(22)	**237**
Rest of the world	56	13	53	**122**	(3)	**119**
Global Businesses	32	3	8	**43**	(3)	**40**
Other	10	2	3	**15**	(1)	**14**
Group	**296**	**50**	**219**	**565**	**(44)**	**521**

In €M *H1 2014 GAAP*	Maintenance	New OFA	Growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	67	6	49	122	(9)	**113**
Europe excluding France	40	33	133	206	(13)	**193**
Rest of the world	36	12	54	102	(2)	**100**
Global Businesses	29	0	6	35	(3)	**32**
Other	24	12	56	92	(1)	**91**
Group	**196**	**63**	**298**	**557**	**(28)**	**529**

In €M *H1 2014 Pro forma*	Maintenance	New OFA	Growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	67	6	49	122	(9)	**113**
Europe excluding France	88	49	161	298	(13)	**285**
Rest of the world	37	12	66	115	(2)	**113**
Global Businesses	29	0	6	35	(4)	**31**
Other	13	0	9	22	(2)	**20**
Group	**234**	**67**	**291**	**592**	**(30)**	**562**

At constant exchange rates, gross industrial investments are down €50 million compared to pro forma figures for the half-year ended June 30, 2014

3.3 Financial investments and divestitures

Financial investments and divestitures for the half-years ended June 30, 2015 and June 30, 2014 break down as follows:

In € millions	**H1 2015**	**H1 2014 GAAP**
Financial investments	**(142)**	**(129)**
Purchase of minorities in Water in Central & Eastern Europe	*(86)*	*(91)*
Acquisition of Kendall in the United States (cogeneration)		*(19)*
Acquisition of Altergis in France	*(21)*	
Others	*(35)*	*(19)*
Financial divestitures including divestment expenses	**311**	**273**
Divestiture of Marius Pedersen		*240*
Divestiture of the Group's activities in Israel	*232*	
Divestiture of stake in Singapore in Energy	*47*	
Other	*32*	*33*
Net financial investments	**169**	**144**

3.4. External financing

3.4.1 Net financial debt and adjusted net financial debt

(€ million)	**Half-year ended June 30, 2015**	**Year ended December 31, 2014**
Non-current borrowings	7,803.7	8,324.5
Current borrowings	2,914.8	3,003.1
Bank overdrafts and other cash position items	246.9	216.4
Sub-total borrowings	**10,965.4**	**11,544.0**
Cash and cash equivalents	(1,732.9)	(3,148.6)
Fair value gains (losses) on hedge derivatives	(9.9)	(84.3)
Net financial debt	**9,222.6**	**8,311.1**
Loans to equity-accounted entities	585.1	619.3
Adjusted net financial debt [(1)]	**8,637.5**	**7,691.8**

[(1)] see Note 5.3 for the definition

Loans granted to equity-accounted entities mainly comprised the loans to Transdev Group for €405.4 million for the half-year ended June 30, 2015.

At June 30, 2015, net financial debt after hedging is borrowed at 72% fixed rates and 28% variable rates.

The average maturity of net financial debt was 8.2 years at June 30, 2015 compared with 9.0 years at the end of December 2014.

3.4.2 Group liquidity position

Liquid assets of the Group as of June 30, 2015 break down as follows:

(€ million)	**As of June 30, 2015**	**As of December 31, 2014**
Veolia Environnement:		
Undrawn syndicated loan facility	2,962.5	2,962.5
Undrawn MT bilateral credit lines	400.0	350.0
Undrawn ST bilateral credit lines	500.0	625.0
Letter of credit facility	195.9	190.7
Cash and cash equivalents	918.0	2,302.0
Subsidiaries:		
Cash and cash equivalents	814.9	846.6
Total liquid assets	**5,791.3**	**7,276.8**
Current debts and bank overdrafts and other cash position items		
Current debt	2,914.8	3,003.1
Bank overdrafts and other cash position items	246.9	216.4
Total current debt and bank overdrafts and other cash position items	**3,161.7**	**3,219.5**
Total liquid assets net of current debt and bank overdrafts and other cash position items	**2,629.6**	**4,057.3**

The decrease in liquid assets was mainly due to the redemption of the inflation-indexed bond in June 2015 for a nominal amount of €1.0 billion.

Veolia Environnement may draw on the multi-currency syndicated credit facility and all credit lines at any time.

Undrawn medium-term syndicated loan facilities

The two syndicated loan facilities comprising a €2.5 billion multi-currency credit facility and a €0.5 billion credit facility available for drawdown in Polish zloty, Czech crown and Hungarian forint were not drawn as of June 30, 2015.

Letter of credit facility:

In the first half of 2015, Veolia Environnement reduced the US dollar letter of credit facility signed on November 22, 2010 by USD 150 million.

As of June 30, 2015, the facility was drawn USD 130.8 million in the form of letters of credit. The portion that may be drawn in cash is USD 219.2 million (€195.9 million euro equivalent). It is undrawn and recorded in the liquidity table above.

3.4.3 Bank covenants

Based on due diligence performed within its subsidiaries, the Company considers that the covenants included in the material financing agreements were satisfied (or had been waived by lenders) as of June 30, 2015.

4. Objectives

For the 2015 fiscal year, the Group has confirmed its annual objectives, given the commendable start to the year:

- revenue growth;
- EBITDA and Current EBIT growth in line with:
  - continued strong operational performance and,

- ➢ cost savings benefit, with the continued execution of the €750 million cost savings plan;

- ❖ continued capex discipline;

- ❖ the dividend and hybrid coupon payment to be covered by Current Net Income and paid by Free Cash Flow excluding net financial divestments;

- ❖ net financial debt under control.

5. Appendices to the Operating and Financial Review

5.1. Reconciliation of previously published and re-presented data for the half-year ended June 30, 2014

5.1.1. Main "GAAP" re-presented figures for the half-year ended June 30, 2014 (1)

In €M – Figures presented under published scope (2)	June 30, 2014 published	IFRS 5 adjustment (3)	IFRIC 21 adjustment (4)	June 30, 2014 Re-presented
Revenue	11,231.5	+250.9	-	11,482.4
Adjusted operating cash flow	1,008.7	+38.1	-35.2	1,011.6
Adjusted operating income (5)	564.3	+21.8	-35.2	550.9
Net income – Group share	151.1	+9.7	-29.7	131.1
Adjusted net income – Group share	187.5	+6.7	-29.7	164.5
Gross industrial investments	579	-	-	579
Free cash flow	-163	-36	-	-199
Net financial debt	8,646	+290	-	8,936
EBITDA	N/A	N/A	N/A	1,314.3
Current operating income (COI)	N/A	N/A	N/A	520.8
Current net income – Group share	N/A	N/A	N/A	178.0

(1) Non-audited figures
(2) Published scope: including fully consolidated Dalkia France and equity-accounted Dalkia International in the first half of 2014
(3) Reclassification of Morocco Water operations to continuing operations
(4) See Note 5.1.3.
(5) Including the share of adjusted net income (loss) of joint ventures and associates for the half-year ended June 30, 2014

5.1.2. Main "Pro forma" re-presented figures for the half-year ended June 30, 2014 (1)

In €M – Figures presented under pro forma scope (2)	June 30, 2014 published	IFRS 5 adjustment (3)	IFRIC 21 and other adjustments (4)	June 30, 2014 Re-presented
Revenue	11,764.1	+250.9	-5.4	12,009.6
Adjusted operating cash flow	1,153.2	+38.1	-30.6	1,160.7
Adjusted operating income (5)	N/A	N/A	N/A	561.0
Net Income – Group share	N/A	N/A	N/A	126.9
Adjusted net income – Group share	N/A	N/A	N/A	139.7
Gross industrial investments	592	-	-	592
EBITDA	N/A	N/A	N/A	1,384.3
Current operating income (COI)	N/A	N/A	N/A	526.6
Current net income – Group share	N/A	N/A	N/A	153.2

(1) Non-audited figures

(2) Pro forma scope : excluding Dalkia France and Dalkia International fully consolidated in the first half of 2014

(3) Reclassification of Morocco Water operations to continuing operations

(4) See Note 5.1.3.

(5) Including the re-presented share of adjusted net income (loss) of joint ventures and associates for the half-year ended June 30, 2014

5.1.3. IFRIC 21 Taxes

- An interpretation that clarifies the accounting for taxes, duties and other levies falling within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and which are specifically excluded from the scope of IAS 12 *Income Taxes*.

- A recognition of the obligation now associated with the obligating event, which requires payment of the tax by the company.
  - The timing of recognition of a liability for the tax or levy is determined using the exact wording of the law governing the collection.
  - The entire tax liability shall be recognized when the obligating event giving rise to the tax as defined by the law occurs. Thus, if a tax is payable when an entity operates a business as of January 1, Y, the liability representing the tax for the year in its entirety must be recorded on such date.

  ➔Thus, for the majority of impacted taxes considered as "operating income":
  Before application of IFRIC 21: evenly expensed over 12 months
  After application of IFRIC 21: full amount recorded at the time of the obligating event giving rise to the tax

- A mandatory retrospective application to January 1, 2015 for both interim and annual financial statements.

- The impact of the application of IFRIC 21 essentially lies in a different allocation of the expense at interim closings. Accordingly, the annual consolidated financial statements will not be significantly impacted by the application of this interpretation.

IFRIC 21 impacts (€ million)	Half-year ended June 30, 2015	Half-year ended June 30, 2014 GAAP	Half-year ended June 30, 2014 Pro forma
EBITDA	(29.0)	(35.2)	(28.9)
Current EBIT	(29.0)	(35.2)	(28.9)
Current net income	(26.8)	(31.2)	(27.1)

5.2 Reconciliation of prior and new financial indicators used by the Group

The reconciliation of operating cash flow before changes in working capital and adjusted operating cash flow with the new financial indicator EBITDA is as follows:

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 Pro forma	Half-year ended June 30, 2014 GAAP
Operating cash flow before changes in working capital	**1,256.2**	**1,164.7**	**1,054.3**
• Operating cash flow from financing activities	3.3	4.0	42.8
• **Adjusted operating cash flow**	**1,252.9**	**1,160.7**	**1,011.6**
Exclusion:			
Renewal expenses	+141.1	+124.9	+180.3
Restructuring charges [(1)]	+52.2	+24.6	+24.6
Share acquisition and disposal costs	+2.6	+3.8	+9.4
Inclusion:			
Repayments of operating financial assets	+82.3	+70.4	+88.5
EBITDA	**1,531.1**	**1,384.3**	**1,314.3**

[(1)] Cash restructuring charges for the half-year ended June 30, 2015 primarily related to the French Water voluntary departure program in the amount of €36.4 million. For the half-year ended June 30, 2014, they concerned the head office voluntary departure plan in the amount of €22 million.

The reconciliation of adjusted operating income with current EBIT is as follows:

(€ million)	**Half-year ended June 30, 2015**	Half-year ended June 30, 2014 Pro forma	Half-year ended June 30, 2014 GAAP
Adjusted operating income	**772.7**	**561.0**	**550.9**
Exclusion			
• Capital gains on financial divestitures (*)	(65.6)	(51.7)	(53.0)
• IFRS 2 impacts	+2.4	-	-
• Impairment of property, plant and equipment, intangible assets and operating financial assets	-	+13.5	+13.5
• Share acquisition and disposal costs	+2.6	+3.8	+9.4
• Other		-	-
Current EBIT	**712.1**	**526.6**	**520.8**

(*) Excluding disposal costs

In addition, the reconciliation of Current EBIT with Operating Income is as follows :

(€ million)	**H1 2015**	H1 2014 Pro forma	H1 2014 GAAP
Current EBIT	**712.1**	**526.6**	**520,8**
Impairment losses on goodwill and negative goodwill	0.1	-	(1,5)
Restructuring charges	7.6	(24.0)	(24.0)
Employee costs – share-based payments	(2.4)	-	-
Non-current impairment of property, plant and equipment, intangible assets and operating financial assets	-	(13.5)	(13.5)
Share acquisition costs, with or without takeover	-	-	-
Operating income after share of net income of equity-accounted entities	**717.4**	**489.1**	**481.8**

5.3 Definitions

- **GAAP (IFRS) indicators**

Net finance costs represent the cost of gross debt, including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

- **Non-GAAP indicators**

- The term "internal growth" (or "growth at constant consolidation scope and exchange rates") includes growth resulting from:
  - the expansion of an existing contract, primarily resulting from an increase in prices and/or volumes distributed or processed,
  - new contracts, and,
  - the acquisition of operating assets allocated to a particular contract or project.

- The term "external growth" includes growth through acquisitions (performed in the period or which had only partial effect in the prior period), net of divestitures, of entities and/or assets deployed in different markets and/or containing a portfolio of more than one contract.

- The term "change at constant exchange rates" represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal.

- Net financial debt (NFD) represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt.

- Internal financing granted to joint ventures are not deducted from the net financial debt. The non-eliminated internal financing are recorded in the balance sheet as loans and financial receivables. To the extent that these loans and receivables are not considered in the definition of the Group as Cash and Cash equivalents and that these partnerships no longer generate strictly operational cash flows in the consolidated financial statements, the Group now uses in addition to the indicator net financial debt, the notion of adjusted net financial debt. The adjusted net financial debt also corresponds to the net financial debt minus loans and receivables granted to joint ventures.

- Net free cash flow corresponds to free cash flow from continuing operations, i.e. the sum of EBITDA, dividends received, operating cash flow, and changes in operating working capital, less net industrial investments, current cash financial expense, cash taxes paid, restructuring charges, acquisition and disposal costs and renewal expenses.

New indicators used by the Group as from the 1st quarter of 2015:

- EBITDA, which replaces Adjusted operating cash flow, will comprise the sum of all operating income and expenses received and paid (excluding restructuring costs, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.

- Current EBIT replaces Adjusted Operating Income. To calculate Current EBIT, the following items will be deducted from operating income:

  - Goodwill impairments of fully controlled subsidiaries and equity-accounted entities,
  - Restructuring charges,
  - Capital gains on financial divestments, which will now be considered as an item within net finance costs,
  - One-time and/or significant impairment of non-current assets (PP&E, intangible assets and operating financial assets),
  - Impacts relating to the application of IFRS 2 *Share-based payment*,
  - Share acquisition and disposal costs.

- Current Net Income, which will replace Adjusted Net Income, will comprise the sum of the following items:
  - Current EBIT,
  - Current net finance cost items,
  - Other current financial income and expenses, including capital gains or losses on financial divestitures (of which gains or losses included in the share of net income of equity-accounted entities),
  - Current tax items, and
  - Minority interests (excluding the portion of minority interests relative to non-current items in the income statement).

Former indicators used by the Group until December 31, 2014:

- Adjusted operating cash flow includes operating income and expenses received and paid ("cash").

- Adjusted operating income is equal to operating income after the share of adjusted net income (loss) of equity-accounted entities, adjusted to exclude the impact of goodwill impairment, negative goodwill recognized in net income and certain special items. Special items are items that are not expected to recur each year and that substantially change the economics of one or more cash-generating units.