# Press Release

Paris, August 1, 2016

## 2016 FIRST HALF RESULTS[1]

### CONTINUED STRONG RESULTS GROWTH

### Q2: ACCELERATION OF REVENUE GROWTH AND IMPROVED MARGINS

### 2016 OBJECTIVES CONFIRMED

- **REVENUE OF €11,956M: -1.0%[2] AT CONSTANT EXCHANGE RATES – TREND IMPROVEMENT: +0.1% IN Q2 FOLLOWING -2.1% IN Q1**
- **EBITDA IMPROVED 5.6%[2] AT CONSTANT EXCHANGE RATES TO €1,580M (+6.9% IN Q2 VS. +4.4% IN Q1) DUE TO SIGNIFICANT COST SAVINGS (€121M).**
- **CURRENT EBIT GREW 8.2%[2] AT CONSTANT EXCHANGE RATES TO €750M**
- **CURRENT NET INCOME INCREASED 6.4% (+10.1% AT CONSTANT EXCHANGE RATES) TO €342M. RESTRUCTURING CHARGES OF €95 MILLION DROVE PUBLISHED NET INCOME-GROUP SHARE OF €251 MILLION**
- **NET FINANCIAL DEBT AMOUNTED TO €8,678M, DOWN €545M VS. JUNE 2015 (DOWN €199M EXCLUDING EXCHANGE RATE MOVEMENTS)**

### THE GROUP CONTINUES TO REFOCUS: TRANSDEV DIVESTMENT PROJECT WITH THE CAISSE DES DEPOTS

**Antoine Frérot, Veolia's Chairman & Chief Executive Officer declared:** *"The results achieved during the first half of 2016 were once again satisfying. We continue to see the benefits of strict management, with savings ahead of our plan, which translated into further margin improvement and an increase in all our results. Revenue growth at constant exchange rates turned positive during the second quarter. This result was achieved due to good commercial momentum and significant contract awards in our priority markets. We have just signed a major contract in China with SINOPEC, the largest Chinese petrochemical company, for industrial water treatment amounting to €3.3 billion in cumulative revenue over 25 years. I am also pleased to announce that we have concluded a draft agreement with the Caisse des Dépôts, regarding the divestment of our stake in Transdev which will allow the Group to complete its strategic refocus. As a result of our continued commercial momentum and cost reduction efforts, we confirm our 2016 objectives and remain highly confident in the achievement of our 2018 targets."*

---

[1] Results in process of being audited
[2] At current consolidation scope and exchange rates : Revenue declined 2.9%, EBITDA increased 3.2% and Current EBIT increased 5.3%

- **Revenue declined 1.0% at constant exchange rates (-2.9% at current consolidation scope and exchange rates) to €11,956 million during the first half of 2016 compared with €12,318 million in the first half of 2015.**

During the first half of 2016 the Group recorded a limited scope impact on revenue.

The unfavorable impact of exchange rates penalized the Group's revenue growth in the first half of 2016 by -1.9% (-€237 million). Lower energy prices negatively impacted revenue by -€106 million (-0.9% on revenue growth) and reduced construction activity (given progressive downsizing in the business) weighed on revenue in the amount of -€206 million (-1.7%).

At constant exchange rates, and excluding construction revenue and energy prices, revenue in the first half of 2016 progressed 1.5%, mainly due to good commercial momentum (contract wins, good volumes, particularly in hazardous waste, and the commissioning of new assets).

At constant exchange rates, revenue growth turned slightly positive in the second quarter of 2016 to +0.1% after -2.1% in the first quarter of 2016.

The Y-Y revenue trend improved in all zones in the second quarter, with the exception of France. At constant exchange rates, the recorded revenue variations in the first half of 2016 were as follows:

  - In France, revenue slightly declined by -0.2% in the first half (+0.2% in 1Q and -0.7% in 2Q). Water was stable. The Lille contract offset the impact of contract renewals and weak price indexation (+0.2%). Waste revenue declined 1.6% due to reduced municipal collection activity and the fall in scrap metal prices.
  - Europe excluding France segment revenue declined by -0.3% in the first half of 2016, but increased 0.3% in 2Q after -0.9% in 1Q, mainly due to the impact of lower energy prices. Germany revenue progressed 2.8% given good growth in Waste. UK revenue was stable excluding construction activity. Central and Eastern Europe revenue declined slightly (-1.0%), penalized by the decline in energy prices, but benefited from an overall favorable weather impact compared to the first half of 2015 and good Water volumes.
  - The Rest of the World segment recorded a significant improvement in the second quarter of 2016 (+1.9%), following a first quarter revenue decline of -2.4%. North America revenue declined by 9.4% in the first half, marked by lower energy prices, milder weather compared to 2015 and the decline in Industrial Services activity. Improvement measures were initiated at the beginning of the second quarter. Latin America revenue increased 8.5% and Africa Middle East increased 9.1%. Finally, Asia revenue progressed 2.9%, while Australia revenue declined by 3.2%.
  - Global Businesses revenue declined by 1.9% in the first half, but with a lesser revenue decline in the second quarter (-0.9% vs. -2.9% in 1Q). Hazardous Waste revenue continues to grow nicely (+4.2%). The SADE business was able to offset the decline recorded in the first quarter with the start of new international contracts in the second quarter, resulting in stable performance for the first half of 2016. As expected, Veolia Water Technologies revenue was down by 10.7% during the first half of 2016, due to the end of some large projects and lower activity in the Solutions business.

- **Successful development in both our traditional businesses and our growth markets.**

  - In the municipal sector, Veolia has won several large contracts and has carried out a number of development projects that will fuel growth in the coming quarters. For example, the city of Milwaukee in the United States renewed its wastewater treatment contract for 10 years ($500 million in cumulative revenue), four waste incinerator operations contracts were renewed in France (€425 million in cumulative revenue), and the UK has been awarded several contracts within its Waste business. In addition, Veolia will now operate the Prague Left Bank district heating network, expected to generate approximately €50 million in revenue per year, and Veolia has taken over the Pedreira landfill in Brazil (revenue of €30 million per year).

- Within the industrial sector, Veolia has just signed a significant 25-year water treatment contract in China with Yanshan Petrochemicals, a subsidiary of Sinopec, with expected cumulative revenue of €3.3 billion. This contract is a successful example of the Group's strategy to grow strong value-added business with industrial customers, especially in the oil and gas sector, via long term contracts. In addition, contracts have also been signed with BAE Systems and BMS in the UK, and Carrefour in France. Veolia also conducted two operations in the United States in the first half of 2016: the acquisition of Kurion, the market leader in the treatment of low level radioactive waste (closed March 31, 2016), and the sulfur products division of Chemours (closed at the end of July).

- **Strong growth in EBITDA, up 5.6% at constant exchange rates (+3.2% at current consolidation scope and exchange rates) to €1,580 million compared with €1,531 million in the first half of 2015.**
  - The unfavorable impact of exchange rates negatively impacted EBITDA growth by 2.3% (-€36 million).
  - At constant exchange rates, EBITDA growth was primarily driven by cost savings (€121 million during the first half of 2016), the impact of good commercial development (net impact of €8 million) and despite lower price indexation in Water and Waste contracts.
  - EBITDA margin improved in the first half of 2016 by 80 basis points from 12.4% to 13.2%.
  - In France, EBITDA fell 10.7%. The Water business EBITDA declined given a 1% decline in volumes, price indexation of only +0.2%, an impact of -€16 million from contract renegotiations and -€12 million associated with the Brottes law. EBITDA of the Waste business also declined due to lower scrap iron prices and the absence of a positive non-recurring item that benefited the second quarter of 2015. EBITDA in the Rest of Europe segment recorded strong growth (+17.4% at constant exchange rates), with all countries posting higher EBITDA. Central and Eastern European countries benefited from favorable volumes and significant cost reductions. Growth in the UK was driven by good PFI performance. Germany recorded good waste volumes as well as a good contribution from cost savings. The Rest of the World segment posted good performance (+3.2% at constant exchange rates), where the EBITDA decline in the US and Australia were more than offset by strong growth in Asia. Global Businesses posted very strong growth (+38.6%) due to good performance in Hazardous Waste and measures facilitating cost reductions in the engineering business (Veolia Water Technologies).

- **Current EBIT grew 8.2% at constant exchange rates (+5.3% at current consolidation scope and exchange rates) to €750 million, compared with €712 million in the first half of 2015.**
  - Current EBIT was negatively impacted by exchange rate movements in the amount of -€21 million.
  - Excluding exchange rate impacts, the strong growth in Current EBIT was driven by EBITDA growth. Depreciation and amortization charges (including reimbursement of operating financial assets) increased slightly from €769 million in the first half of 2015 to €785 million in the first half of 2016. The contribution of the current net income of joint ventures and associates amounted to €43 million in the first half of 2016 (compared with €53 million in the first half of 2015), due to various changes in scope. Provision reversals were similar in each period (+€29 million in the first half of 2016 vs. +€28 million in the first half of 2015).

- **Current net income grew 6.4% (+10.1% at constant exchange rates) to €342 million, compared with €321 million in the first half of 2015.**
    - Current net income primarily benefited from the strong growth in Current EBIT.
    - The cost of net financial debt continues to improve, with a year-over-year reduction of -€22 million (including a €6 million favorable exchange rate benefit). The average financing rate was 4.97% in the first half of 2016 compared with 5.22% in the first half of 2015.
    - The current tax rate remained stable at 29%.
    - Non-controlling interests were slightly lower in the first half of 2016, amounting to €74 million compared with €82 million in the first half of 2015.
    - Current net income includes financial capital gains of €41 million in the first half of 2016, down compared to €63 million recorded in the first half of 2015. Excluding these capital gains, current net income increased 15.7%.
    - Net income attributable to owners of the company amounted to €251 million, compared with €353 million in the first half of 2015. First half 2016 net income includes a positive contribution from Transdev in the amount of €22 million, as well as €95 million in restructuring charges, of which €63 million is related to the voluntary departure plan in French Water.

- **Significant reduction in net financial debt to €8,678 million at June 30, 2016 compared with €9,223 million at June 30, 2015.**
    - Excluding a favorable exchange rate impact of €346 million, net financial debt decreased by €199 million compared to June 30, 2015.
    - Net financial debt includes the reimbursement of Transdev intercompany loans for €345 million and the acquisition of Kurion.

- **Net Free Cash Flow excluding the seasonal variation in working capital requirements amounted to €581 million in the first half of 2016 compared to €552 million in the prior year period.**
    - Net Free Cash Flow generated in the first half of 2016 amounted to -€105 million.
    - Capex discipline continues, with industrial investments amounting to €553 million in the first half of 2016 compared with €565 million in the first half of 2015).
    - The seasonal variation in working capital requirements was -€686 million.

- **Project to sell the Group's stake in Transdev to the Caisse des Dépôts**
    - Veolia continues to refocus its operations with the planned divestment of its stake in Transdev.
    - Veolia and the Caisse des Dépôts have established a draft agreement valuing Veolia's 50% stake in Transdev at €550 million, plus a dividend of €10 million. The result of this agreement is expected to generate a significant capital gain.
    - Divestment of 20% expected in 2016 for €220 million, with capital gain to be booked on a pro rata basis.

- An option to sell the remaining 30% portion would be granted to Veolia, exercisable in two years under the same pricing conditions as the initial transaction, with sharing of any excess capital gain in case of divestment of Veolia's remaining 30% stake to a third party within the two year period.

- **Objectives fully confirmed**

  Following the satisfactory start to 2016, the Group confirms its outlook.

  - **2016 Objectives***
    - Revenue and EBITDA growth
    - Net Free Cash Flow before divestments and acquisitions of at least €650 million
    - Current net income of at least €600 million

    **at constant exchange rates*

  - **2016-2018 Outlook**
    - The Group expects a progressive increase in revenue growth to achieve average annual revenue growth between 2% and 3%, based on the current economic environment
    - Average annual EBITDA growth of around 5% per year
    - More than €600 million in cost savings over the period
    - Current net income greater than €800 million in 2018
    - Net Free Cash Flow of €1 billion in 2018

  - **Dividend policy**

    From 2016-2018, the Group expects to be able to provide around 10% annual dividend growth, while reducing the payout ratio.

*********

**Veolia** group is the global leader in optimized resource management. With over 174,000 employees worldwide, the Group designs and provides water, waste and energy management solutions that contribute to the sustainable development of communities and industries. Through its three complementary business activities, Veolia helps to develop access to resources, preserve available resources, and to replenish them. In 2014, the group Veolia supplied 96 million people with drinking water and 60 million people with wastewater service, produced 52 million megawatt hours of energy and converted 31 million metric tons of waste into new materials and energy. Veolia Environnement (listed on Paris Euronext: VIE) recorded consolidated revenue of €25.0 billion in 2015. www.veolia.com

**Important disclaimer**

Veolia Environnement is a corporation listed on the Euronext Paris. This press release contains “forward-looking statements” within the meaning of the provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside our control, including but not limited to: the risk of suffering reduced profits or losses as a result of intense competition, the risk that changes in energy prices and taxes may reduce Veolia Environnement’s profits, the risk that governmental authorities could terminate or modify some of Veolia Environnement’s contracts, the risk that acquisitions may not provide the benefits that Veolia Environnement hopes to achieve, the risks related to customary provisions of divesture transactions, the risk that Veolia Environnement’s compliance with environmental laws may become more costly in the future, the risk that currency exchange rate fluctuations may negatively affect Veolia Environnement’s financial results and the price of its shares, the risk that Veolia Environnement may incur environmental liability in connection with its past, present and future operations, as well as the other risks described in the documents Veolia Environnement has filed with the Autorités des Marchés Financiers (French securities regulator). Veolia Environnement does not undertake, nor does it have, any obligation to provide updates or to revise any forward looking statements. Investors and security holders may obtain from Veolia Environnement a free copy of documents it filed (www.veolia.com) with the Autorités des Marchés Financiers.

This document contains "non-GAAP financial measures". These "non-GAAP financial measures" might be defined differently from similar financial measures made public by other groups and should not replace GAAP financial measures prepared pursuant to IFRS standards.

## Contacts

**Group Media Relations**
Laurent Obadia
Sandrine Guendoul
Tel : + 33 (0)1 71 75 12 52
sandrine.guendoul@veolia.com

**Analyst & Investor Relations**
Ronald Wasylec - Ariane de Lamaze
Tel.: + 33 (0)1 71 75 12 23 / 06 00
Terri Anne Powers (United States)
Tel.: + 1 630 218 1627

# FINANCIAL INFORMATION FOR THE HALF-YEAR ENDING JUNE 30, 2016

## A] KEY FIGURES

Group results break down as follows:

| *(in € million)* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ | Δ at constant exchange rates |
|---|---|---|---|---|
| Revenue | 12,317.6 | 11,955.9 | -2.9% | -1.0% |
| EBITDA | 1,531.1 | 1,580.3 | +3.2% | +5.6% |
| *EBITDA margin* | *12.4%* | *13.2%* | | |
| Current EBIT [(1)] | 712.1 | 749.7 | +5.3% | +8.2% |
| Current net income – Group share | 321.2 | 341.7 | +6.4% | +10.1% |
| Current net income – Group share, excluding capital gains and losses on financial disposals net of tax | 260.2 | 301.1 | +15.7% | |
| Net income – Group share | 352.7 | 251.2 | -28.8% | |
| Industrial investments | 565 | 553 | | |
| Net free cash-flow [(2)] | (76) | (105) | | |
| Net Financial debt | 9,223 | 8,678 | | |

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

*(2) Net free cash flow corresponds to free cash flow from continuing operations, and is equal to the sum of EBITDA, dividends received, operating cash flow from financing activities, and changes in operating working capital requirements, less net industrial investments, current cash financial expense, cash taxes paid, restructuring charges and renewal expenses.*

The main foreign exchange impacts were as follows:

| ***Foreign exchange impacts** for 1H2016 vs. 1H2015* | **%** | *in € million* |
|---|---|---|
| *Revenue* | *-1.9%* | *(237)* |
| *EBITDA* | *-2.3%* | *(36)* |
| *Current EBIT* | *-2.9%* | *(21)* |
| *Current net income* | *-3.7%* | *(12)* |
| *Net financial debt (vs. December 2015)* | *+3.7%* | *+298* |
| *Net financial debt (vs. June 2015)* | *+3.8%* | *+346* |

# B] INCOME STATEMENT

## 1. Revenue

Group consolidated revenue for the half-year ended June 30, 2016 was €11,955.9 million, compared with €12,317.6 million for the same period in 2015, down -1.0% at constant exchange rateS. Excluding Construction revenue and the impact of lower energy prices, revenue increased +1.5% at constant exchange rates.

The revenue trend improved in the second quarter of the year with growth of +0.1% at constant exchange rates (versus -2.1% in the first quarter) and +1.9% excluding the Construction business and the impact of energy prices (versus +1.2% in the first quarter).

The municipal sector generated 55% of the first half of 2016 revenue (i.e. around €6.6 billion), and the industrial sector generated 45% (i.e. around €5.4 billion).

The decrease in revenue between 2015 and 2016 breaks down by main impact as follows:

The foreign exchange impact on revenue was -€237.0 million (-1.9% of revenue) and mainly reflects the fluctuation of the pound sterling (-€69.4 million), the Argentine peso (-€43.5 million), the Australian dollar (-€31.1 million), the Polish zloty (-€26.2 million), the Japanese yen (+€14.6 million), the Mexican peso (-€14.2 million), the Brazilian real (-€13.5 million) and the Chinese renminbi (-€13.3 million).

The decrease in Construction revenue (-€206 million, representing -1.7% of Group revenue) essentially concerns Veolia Water Technologies and SADE (-1.3%), as well as the completion of construction work on incinerators in the United Kingdom (-€34 million).

Group revenue was affected by the decline in energy prices (-0.9%), primarily in the United States and to a lesser extent in Germany and Central Europe.

The positive business momentum (Commerce/Volumes impact) of +€127 million was due to:

- an increase in volumes, in line with the good performance of Hazardous waste activities, the Energy business in Asia, Latin America (Water and Waste), Waste activities in the United Kingdom, Germany (Waste and Energy) and Africa and the Middle-East. These positive effects were partially offset by a decrease in Water volumes in France (-€8 million) and a downturn in industrial services in North America and Australia;
- good business momentum with contract wins in Waste in Germany and the United Kingdom and the commissioning of new assets (particularly the Leeds incinerator in the United Kingdom and the hazardous waste incinerator in Changsha in China);
- a negligible weather impact: favorable in Central Europe, but negative in the United States.

Favorable price / tariff effects were the result of tariff indexation that remains favorable although moderate in Water in France (+0.2%), municipal Water in the United States, and in Argentina.

“Other” changes include changes in consolidation scope (+€38 million), primarily relating to transactions performed in 2015: divestiture of Group activities in Israel (-€36.2 million), acquisition of Altergis in the Energy sector in France (+€36.1 million), divestiture of an entity in the Czech Republic (-€23.4 million) and acquisition of an entity in the Netherlands (+€20.4 million).

## *1.1 Revenue by segment*

| Revenue (in € million) | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ 2016/2015 | Δ at constant exchange rates | Δ at constant exchange rates, excl. impact of Construction activities and energy prices |
|---|---|---|---|---|---|
| **France** | 2,694.6 | 2,688.3 | -0.2% | -0.2% | -0.1% |
| **Europe excluding France** | 4,305.5 | 4,203.6 | -2.4% | -0.3% | +1.8% |
| **Rest of the World** | 2,956.6 | 2,832.6 | -4.2% | -0.3% | +1.7% |
| **Global Businesses** | 2,296.2 | 2,218.6 | -3.4% | -1.9% | +5.1% * |
| **Other** | 64.7 | 12.8 | - | - | - |
| **Group** | **12,317.6** | **11,955.9** | **-2.9%** | **-1.0%** | **+1.5%** |

** Global businesses include Hazardous waste activities, and Solutions and Technologies activities in Water (sensitive to Construction works fluctuations)*

The Y-Y trend in the second quarter of 2016 was marked by more favorable momentum, in all segments, with the exception of the Waste business in France.

| *Δ at constant exchange rates* | 1st quarter 2016 | 2nd quarter 2016 |
|---|---|---|
| France | +0.2% | -0.7% |
| Europe excluding France | -0.9% | +0.3% |
| Rest of the World | -2.4% | +1.9% |
| Global Businesses | -2.9% | -0.9% |
| **Group** | **-2.1%** | **+0.1%** |
| **Total Group excluding the impact of Construction activities and energy prices** | **+1.2%** | **+1.9%** |

### FRANCE

Revenue in France for the half-year ended June 30, 2016 was €2,688.3 million, down slightly by -0.2% year-on-year.

- Water revenue was stable vs. the first six months of 2015. The positive commercial impact of new contracts (particularly the Ileo contract in Lille) and tariff indexation of +0.2% were mitigated by unfavorable contractual renegotiations (renewal of the Greater Lyon contract and the transfer back of the Montpellier contract to the municipality), reduced Construction activity and a decrease in volumes sold (-1% due to the decrease of volumes distributed and poor weather conditions in the second quarter 2016);

- Waste revenue slipped -1.6%. Despite the good level of incineration activities and landfill volumes and positive commercial impacts (particularly in the sorting and recovery of industrial waste), revenue was impacted by a drop in municipal collection volumes and a decrease in recycled material prices and volumes (plastic and ferrous and non-ferrous scrap metals).

## EUROPE EXCLUDING FRANCE

Revenue in the Europe excluding France segment for the half-year ended June 30, 2016 amounted to €4,203.6 million, down -0.3% at constant exchange rates year-on-year. After a decrease of -0.9% at constant exchange rates in the first quarter, revenue improved in the second quarter reporting an increase of +0.3%.

Excluding the impact of Construction activities and energy prices, revenue increased +1.8% at constant exchange rates. This variation can be explained as follows:

- Central Europe: revenue slipped -1.0% at constant exchange rates, following a decrease in electricity volumes sold in Lithuania and the Czech Republic and a reduction in heating and electricity tariffs. These impacts were partially offset by an increase in Water volumes and prices in the Czech Republic, the start up of two cogeneration plants in Hungary (Debrecen and Nyiregyhaza) and a slightly favorable weather impact in Lithuania and Poland;
- United Kingdom and Ireland: -3.4% fall in revenue at constant exchange rates, mainly due to a decrease in Construction revenue. Revenue nonetheless benefited from the development of commercial collection activities (particularly the Sainsbury contract), new municipal contracts in the Waste business and the commissioning of the Leeds incinerator.
- Northern Europe: revenue increased +7.6% at constant exchange rates across all countries and particularly in Germany, where revenue enjoyed an upsurge in the second quarter in line with the increase in volumes of gas sold and growth in the solid waste business, despite the decrease in the price of Energy sold (electricity, gas and heating). Other Northern Europe countries also reported an increase in revenue, fueled by new contracts in Sweden;
- Italy: Energy business revenue fell 10.3% due to the restructuring of the commercial portfolio, the decrease in the price of gas and an unfavorable weather effect.

## REST OF THE WORLD

Revenue in the Rest of the World segment for the half-year ended June 30, 2016 was €2,832.6 million, down -0.3% at constant exchange rates compared to the prior year period. After a decrease of -2.4% at constant exchange rates in the first quarter, revenue improved significantly in the second quarter reporting an increase of +1.9%.

Excluding the impact of Construction activities and energy prices, Rest of the World segment revenue increased +1.7% at constant exchange rates.

Rest of the World revenue reflects solid growth across the region, with the exception of North America and Australia:

- In Latin America (+8.5% at constant exchange rates) growth accelerated in the second quarter in Argentina and Mexico. In Argentina, increased volumes under the Buenos Aires contract were accompanied by an increase in tariffs and partially offset by the scheduled end of the Avellaneda contract. In Ecuador, increased Water volumes under the Guayaquil contract were offset by the fall in Construction activities.

- Asia (+2.9% at constant exchange rates) reported increased revenue across most of the region. In China, revenue grew 1.2% at constant exchange rates, mainly in line with increased volumes sold in the Energy business (Harbin and Jiamusi heating networks and industrial contracts) and the commissioning of the Changsha incinerator in April 2016 and despite a decrease in energy prices (heating and electricity). Revenue growth in Japan accelerated in the second quarter of 2016, benefitting from the development of the customer service activity (launch of the Tokyo contract in 2015).

- In Africa and the Middle East, revenue growth (+9.1% at constant exchange rates) was boosted by higher electricity sales in Gabon, an increase in Construction activities and business development in the Middle East.

The good growth in the Rest of the World segment was offset by lower revenue in Australia (-3.2% at constant exchange rates) in the Waste business, where the increase in collection and landfill activities only partially offset the slump in industrial services.

Revenue also fell in North America (-9.4% at constant exchange rates), particularly in the first quarter of 2016 (-14.9% at constant exchange rate, and -3.4% in the second quarter), due to a drop in energy prices, a fall in heating volumes sold (due to a very mild winter), a downturn in industrial services and the end of a number of municipal Water contracts.

## GLOBAL BUSINESSES

The Global Businesses segment reported revenue for the half-year ended June 30, 2016 of €2,218.6 million, down -1.9% at constant exchange rates year-on-year. After a decrease of -2.9% at constant exchange rates in the first quarter, the revenue trend improved in the second quarter (-0.9%).

Excluding the impact of Construction activities and energy prices, revenue increased +5.1% at constant exchange rates.

The revenue increase was mainly due to:

- good growth in Hazardous waste activities (+4.2% at constant exchange rates), tied particularly to treatment and recovery activities (launch of the Paris subway line 14 worksite), landfill activities and an increase in industrial clean-up services;

- stable Construction activities at SADE: the fall in international activities following the postponement of projects and the downturn in construction in France were offset by good Telecom performance;

- the progressive downsizing of Veolia Water Technologies activities following the completion of major projects (Sadara and Az Zour North) and the decrease in Solutions activities.

## 1.2. Revenue by business

| Revenue (in € million) | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ 2016/2015 | Δ at constant exchange rates | Δ at constant exchange rates, excl. impact of Construction activities and energy prices |
|---|---|---|---|---|---|
| **Water** | 5,463.4 | 5,329.9 | -2.4% | -1.6% | +1.6% |
| **Waste** | 4,310.9 | 4,173.4 | -3.2% | 0.2% | +1.0% |
| **Energy** | 2,543.3 | 2,452.6 | -3.6% | -1.7% | +2.2% |
| **Group** | **12,317.6** | **11,955.9** | **-2.9%** | **-1.0%** | **+1.5%** |

### WATER

Water revenue for the half-year ended June 30, 2016 declined 1.6% at constant exchange rates year-on-year, and increased +1.6% at constant exchange rates excluding the decrease in Construction activity and energy prices. This variation reflects:

- stable Operations activities. In France, the positive commercial impact of new contract wins (Lille) offset the unfavorable impact of contract renewals, the impact of a 1% decline in volumes and weak price indexations, while Central Europe benefited from good volumes;
- progressive downsizing of the Veolia Water Technologies business.

### WASTE

Waste revenue was stable at constant exchange rates (+0.2%) compared with the first half of 2015, and increased +1.0% at constant exchange rates excluding the decrease in Construction activity.

The variation of Waste revenue was due to:

- a positive volume impact of +1.3% and service price impact of +0.9%;
- good resilience in France, and in the United Kingdom excluding Construction activities;
- weak performance in Industrial Services in the United States and Australia;
- good growth in hazardous waste (+4.2% at constant exchange rate).

### ENERGY

Energy revenue for the half-year ended June 30, 2016 declined 1.7% at constant exchange rates year-on-year, and increased +2.2% at constant exchange rates excluding the decrease in energy prices (offset at the margin level). This variation reflects:

- an overall slight unfavorable weather impact (the weather impact is positive in Poland and Lithuania, but negative in the United States);
- the positive impact of the start-up of biomass cogeneration facilities in Hungary.

# 2. Other income statement items

## 2.1 EBITDA

Variations in EBITDA by segment were as follows:

| *(in € million)* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ 2016/2015 | Δ at constant exchange rates |
|---|---|---|---|---|
| France | 395.5 | 353.3 | *-10.7%* | *-10.7%* |
| Europe, excluding France | 610.3 | 701.3 | *+14.9%* | *+17.4%* |
| Rest of the World | 406.1 | 399.0 | *-1.7%* | *+3.2%* |
| Global Businesses | 84.5 | 116.8 | *+38.2%* | *+38.6%* |
| Other | 34.7 | 9.9 | - | - |
| **EBITDA** | **1,531.1** | **1,580.3** | ***+3.2%*** | ***+5.6%*** |
| **EBITDA margin** | **12.4%** | **13.2%** | | |

For the first half of 2016, the Group's consolidated EBITDA increased 5.6% at constant exchange rates to €1,580.3 million, compared with the half-year ended June 30, 2015. The EBITDA margin increased from 12.4% in the half-year ended June 30, 2015 to 13.2% in the same period ended June 30, 2016.
This increase in EBITDA was mainly due to operating efficiency, with cost savings of €121 million.

By segment:

- EBITDA declined in France:
  - in the Water business, cost savings only partially offset the decrease in volumes, weak tariff indexation, the negative effect of contractual negotiations and the impairment of receivables pursuant to the Brottes law;
  - in the Waste business, EBITDA was affected by the fall in the price of scrap metal and a non-recurring item that favorably impacted Bartin in 2015.
- Strong growth in EBITDA in Europe excluding France, and particularly:
  - in Central Europe, thanks to cost savings efforts and a favorable weather impact;
  - in the United Kingdom, thanks to the excellent performance of PFI installations;
  - in Germany, in line with solid Waste volumes and efficiency gains.
- Steady growth in the Rest of the World region, where the poor performance of the United States was offset by strong growth in China with an increase in volumes, the commissioning of the Changsha incinerator, and cost savings.
- In the Global Businesses segment, Veolia Water Technologies enjoyed the benefits of cost saving measures implemented in 2015 and Hazardous waste activities reported an excellent half-year.

The increase in EBITDA between the first half of 2015 and the first half of 2016 breaks down by impact as follows:

The foreign exchange impact on EBITDA was -€35.8 million and mainly reflects fluctuations of the pound sterling (-€9.7 million), South American currencies (-€8.6 million, primarily the Brazilian real and the Argentine peso) and the Polish zloty (-€7.1 million).

The impact of energy prices & recyclates (-€7 million): the decline in heat and electricity prices was offset by the reduction in the purchase price of fuel used to produce heat and electricity. The impact of raw material prices is negative (-€5 million).

Prices, net of cost inflation, had a negative impact, notably in France.

Commerce / Volume / Construction impacts were favorable: the commissioning of new assets, good hazardous waste performance, favorable water volumes in Central & Eastern Europe and good activity in Latin America and Africa Middle East were compensated by the lower water volumes in France (due to weather), the ongoing negative impact of renegotiations in French Water (-€16 million), and the decline in industrial services activity in the United States and in Australia.

Cost-savings plans contributed €121 million to the increase in EBITDA, mainly as a result of operations efficiency (43%) and purchasing (35%).

"Other" changes include the consolidation scope impact (€3 million) mainly related to the divestiture of Group activities in Israel in 2015.

## 2.2 CURRENT EBIT

Variations in Current EBIT by segment were as follows:

| *(in € million)* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ 2016/2015 | Δ at constant exchange rates |
|---|---|---|---|---|
| France | 107.0 | 42.9 | *-59.9%* | *-59.9%* |
| Europe, excluding France | 340.0 | 432.7 | *+27.3%* | *+30.1%* |
| Rest of the World | 216.1 | 213.2 | *-1.3%* | *+4.1%* |
| Global Businesses | 33.1 | 70.3 | *+112.5%* | *+111.1%* |
| Other | 15.9 | (9.4) | - | - |
| **Current EBIT** | **712.1** | **749.7** | ***+5.3%*** | ***+8.2%*** |

For the first half of 2016, the Group's consolidated current EBIT increased 8.2% at constant exchange rates to €749.7 million, compared with the half-year ended June 30, 2015.

This increase in Current EBIT was mainly due to:

- an improvement in Group EBITDA, particularly in the Europe excluding France and Global Businesses segments;
- a stable depreciation and amortization expense at constant exchange rates;
- provision reversals that were similar in each period;
- capital gains on disposals of industrial assets;
- the slightly negative variation (primarily change in consolidation scope and foreign exchange impact) of the contribution of equity-accounted entities.

The foreign exchange impact on Current EBIT was -€20.5 million and mainly reflects fluctuations of the pound sterling (-€6.0 million), South American currencies (-€4.5 million, including the Argentine peso), the Polish zloty (-€4.5 million) and the Chinese renminbi (-€3.9 million).

The reconciling items between EBITDA and Current EBIT for the half-year ended June 30, 2016 and 2015 are as follows:

| *(in € million)* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** |
|---|---|---|
| **EBITDA** | **1,531.1** | **1,580.3** |
| Renewal expenses | (141.1) | (135.6) |
| Net depreciation and amortization (1) | (768.7) | (785.0) |
| Share of current net income from joint ventures and associates | 52.8 | 43.4 |
| Provisions, fair value adjustments & other (2): | 38.0 | 46.6 |
| - Current impairment of property, plant and equipment, intangible assets and operating financial assets | 4.0 | 1.4 |
| - Gains or losses on industrial divestitures | 9.8 | 17.9 |
| - Net charges to operating provisions, fair value adjustments and other | 24.2 | 27.3 |
| **Current EBIT** | **712.1** | **749.7** |

(1) *Including principal payments on operating financial assets (OFA) of -€104 million for the half-year ended June 30, 2016 and -€82 million for the half-year ended June 30, 2015.*
(2) *Including gains and losses on industrial divestitures*

Net depreciation and amortization charges (-€681.0 million for the half-year ended June 30, 2016) are almost stable at constant exchange rates compared with the half year ended June 30, 2015 (-€686.7 million).

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 €19.5 million, versus €19.4 million for the half-year ended June 30, 2015, and UK entities (Water and Waste) in the amount of €3.3 million (€8.9 million for the half-year ended June 30, 2015, due to changes in consolidation scope).

Capital gains or losses on industrial divestitures for the half-year ended June 30, 2016 mainly concerned the sale of a site in Singapore. This line item reflected Water transactions in France and an industrial asset divestiture in Germany in the half-year ended June 30, 2015.

In the half-year ended June 30, 2016, Net charges to operating provisions were non-significant individually. In the half-year ended June 30, 2015, this line item comprised a provision reversal for “Olivet” contracts in the Water business in France.

## *2.3 Analysis of EBITDA and Current EBIT by segment*

### FRANCE

| *In € million* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ 2016/2015 | Δ at constant exchange rates |
|---|---|---|---|---|
| EBITDA | 395.5 | 353.3 | -10.7% | -10.7% |
| EBITDA margin | 14.7% | 13.1% | | |
| Current EBIT | 107.0 | 42.9 | -59.9% | -59.9% |

EBITDA in France fell during the period (-10.7% at constant exchange rates).

- In the Water business, cost savings only partially offset contractual erosion of -€16 million (margin degradation), the negative impact of price effects, net of inflation, and the impairment of receivables pursuant to the Brottes law (-€12 million).
- EBITDA also fell in the Waste business despite the benefit of cost savings and a decrease in the price of fuel purchases, due to a decrease in revenue, the fall in recycled material prices and volumes (scrap iron), unfavorable price effects net of inflation and the negative comparison effect of non-recurring items in 2015.
- Current EBIT fell significantly in France due to the fall in EBITDA and the unfavorable comparison effect of the reversal of provisions for “Olivet” contractual risks and URSSAF social security risks in 2015.

### EUROPE EXCLUDING FRANCE

| *In € million* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ 2016/2015 | Δ at constant exchange rates |
|---|---|---|---|---|
| EBITDA | 610.3 | 701.3 | +14.9% | +17.4% |
| EBITDA margin | 14.2% | 16.7% | | |
| Current EBIT | 340.0 | 432.7 | +27.3% | +30.1% |

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

- in the United Kingdom, in line with the excellent performance of PFI installations (commissioning of new Shropshire and Leeds assets) and the fall in the price of energy purchases;
- in Central Europe, EBITDA growth was particularly marked in Poland, Hungary and Lithuania;
- in Northern Europe, where Germany notably was driven by good Waste volumes.

The rise in EBITDA in the Europe excluding France segment also reflected cost savings efforts undertaken in all geographic areas.

Current EBIT in the Europe excluding France segment increased due to the improvement in EBITDA and the favorable variation in operating provisions.

## REST OF THE WORLD

| *in € million* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ 2016/2015 | Δ at constant exchange rates |
|---|---|---|---|---|
| EBITDA | 406.1 | 399.0 | -1.7% | +3.2% |
| EBITDA margin | 13.7% | 14.1% | | |
| Current EBIT | 216.1 | 213.2 | -1.3% | +4.1% |

The increase in the EBITDA of the Rest of the World segment mainly concerns Asia, with continued good performance in the second quarter, in particular in China, Korea, India and Japan, thanks mainly to cost savings efforts.

The EBITDA of the other geographic areas of the Rest of the World segment recorded an upturn in the second quarter, notably in Latin America where EBITDA was stable but surged in the second quarter in Argentina.

In the United States, EBITDA decreased, affected by a mild winter and the negative impact of prices and volumes in the Energy business, despite cost savings efforts.

Current EBIT of the Rest of the World segment is up at constant exchange rates, in line with the increase in EBITDA and the stable results of the Chinese Water concessions, recorded within the share of net income (loss) of joint ventures and associates.

## GLOBAL BUSINESSES

| *in € million* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** | Δ 2016/2015 | Δ at constant exchange rates |
|---|---|---|---|---|
| EBITDA | 84.5 | 116.8 | 38.2% | 38.6% |
| EBITDA margin | 3.7% | 5.3% | | |
| Current EBIT | 33.1 | 70.3 | +112.5% | +111.1% |

The EBITDA of the Global Businesses segment improved significantly compared to the prior year:

- in Construction activities (VWT and Sade), cost savings efforts and improvements in international margins offset contract erosion on certain contracts in Veolia Water Technologies;
- EBITDA rose in the Hazardous waste activity, driven by increased revenue and efficiency plans.

Current EBIT of the Global Businesses segment also rose as a result of the increase in EBITDA and the reversal of operating provisions following the resolution of litigation risks in the Construction activity.

## 2.4 Net financial expenses

| *(in € million)* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** |
|---|---|---|
| **Net finance costs (1)** | **(230.8)** | **(209.2)** |
| Gains (losses) on disposals of financial assets (*) | 63.0 | 40.6 |
| Net gains / losses on loans and receivables | 9.6 | 8.8 |
| Net income (loss) on available-for-sale assets | 1.8 | 3.0 |
| Assets and liabilities at fair value through the consolidated income statement | 0.2 | (0.2) |
| Foreign exchange gains and losses | 4.0 | (5.4) |
| Unwinding of the discount on provisions | (22.0) | (20.6) |
| Other | (9.8) | (13.3) |
| **Other financial income and expenses (2)** | **46.8** | **12.9** |
| **Net financial expenses (1)+(2)** | **(184.0)** | **(196.3)** |

*(*) including costs of disposal of financial assets*

### COST OF NET FINANCIAL DEBT

The cost of net financial debt amounted to -€209.2 million for the half-year ended June 30, 2016, versus -€230.8 million for the half-year ended June 30, 2015, down €21.6 million year-on-year.

The decline in the cost of net financial debt resulted from the impact of repayment of the inflation indexed bond with cash in June 2015, bond refinancing under better conditions, active debt management and a positive exchange rate impact.

The financing rate fell from 5.22% for the half-year ended June 30, 2015 to 4.97% for the half-year ended June 30, 2016.

### OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses totaled €12.9 million for the half-year ended June 30, 2016, versus €46.8 million for the half-year ended June 30, 2015.

Other financial income and expenses included net capital gains and losses on financial divestitures of €40.6 million in the first half of 2016 (compared with €63.0 million in the first half of 2015), and notably impacts related to fair-value remeasurement of previously-held equity interests in China and France. They included capital gains on the divestiture of Group activities in Israel in the half-year ended June 30, 2015.

## *2.5 Income Tax Expense*

The income tax expense for the half-year ended June 30, 2016 amounted to -€130.2 million, compared with -€124.2 million for the half-year ended June 30, 2015.

The tax rate for the half-year ended June 30, 2016 declined slightly to 29.2% (versus 30.0% for the half-year ended June 30, 2015) after adjustment for the impact of financial divestitures, and non-recurring items within net income of fully controlled entities and the share of net income of equity-accounted companies.

| *(in € million)* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** |
|---|---|---|
| **Current income before tax (a)** | **528** | **553** |
| Of which share of net income of joint ventures & associates (b) | 53 | 43 |
| Of which gains (losses) on disposals of financial assets (c) | 66 | 41 |
| **Re-presented current income before tax : d=a-b-c** | **410** | **469** |
| **Tax expense on current income before tax (e)** | **(125)** | **(137)** |
| *Of which tax expense on divestiture (f)* | (2) | **-** |
| **Re-presented tax expense (g)= (e)-(f)** | **(123)** | **(137)** |
| **Re-presented tax rate on current income (g) / (d)** | **30.0%** | **29.2%** |

## *2.6 Share of net income of other equity-accounted entities*

The net income of other equity-accounted entities (Transdev Group) totaled €22.2 million for the half-year ended June 30, 2016 (50% share), versus €25.5 million for the half-year ended June 30, 2015.

## *2.7 Current net income (loss) / Net income (loss) attributable to owners of the Company*

The share of net income attributable to non-controlling interests totaled €74.0 million for the half-year ended June 30, 2016, compared with €82.0 million for the half-year ended June 30, 2015.

Net income attributable to owners of the Company was €251.2 million for the half-year ended June 30, 2016, compared with €352.7 million for the half-year ended June 30, 2015.

Other than factors already mentioned above, the decrease in net income attributable to owners of the Company was tied to other income statement items considered to be non-current, particularly restructuring charges and provisions recognized in the Water business in France and in other geographies.

Current net income attributable to owners of the Company was €341.7 million for the half-year ended June 30, 2016, compared with €321.2 million for the half-year ended June 30, 2015.

Excluding capital gains and losses on financial divestitures net of tax, current net income attributable to owners of the Company rose 15.7% to €301.1 million from €260.2 million for the half-year ended June 30, 2015.

Based on a weighted average number of outstanding shares of 550.3 million (basic) and 566.2 million (diluted), compared with 548.5 million as of June 30, 2015 (basic and diluted), earnings per share attributable to owners of the Company for the half-year ended June 30, 2016 was €0.33 (basic) and €0.32 (diluted), compared with €0.51 (basic and diluted) for the half-year ended June 30, 2015. Current net income per share attributable to owners of the Company was €0.62 (basic) and €0.60 (diluted) for the half-year ended June 30, 2016, compared with €0.59 (basic and diluted) for the half-year ended June 30, 2015.

The dilutive effect taken into account in the above earnings per share calculation concerns the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued in March 2016.

Net income (loss) for the **half-year ended June 30, 2016** breaks down as follows:

| (in € million) | Current | Non-current | Total |
|---|---|---|---|
| EBIT | 749.7 | (120.2) | 629.5 |
| Cost of net financial debt | (209.2) | - | (209.2) |
| Other financial income and expenses | 12.9 | - | 12.9 |
| **Pre-tax income** | **553.4** | **(120.2)** | **433.2** |
| Income tax expense | (137.0) | 6.8 | (130.2) |
| Net income (loss) of other equity-accounted entities | - | 22.2 | 22.2 |
| Net income (loss) from discontinued operations | - | - | - |
| Non-controlling interests | (74.7) | 0.7 | (74.0) |
| **Net income (loss) attributable to owners of the Company** | **341.7** | **(90.5)** | **251.2** |

The reconciliation of Current EBIT with operating income, as shown in the income statement, is as follows:

| (in € million) | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** |
|---|---|---|
| **Current EBIT** | **712.1** | **749.7** |
| Impairment losses on goodwill and negative goodwill | 0.1 | 1.6 |
| Restructuring charges | 7.6 | (100.0) |
| Personnel costs –share-based payments | (2.4) | (5.4) |
| Non-current provisions and impairment of property, plant and equipment, intangible assets and operating financial assets | - | (9.2) |
| Share acquisition costs, with or without acquisition of control | - | (7.2) |
| **Total non-current items** | **5.3** | **(120.2)** |
| **Operating income** after share of net income of equity-accounted entities | **717.4** | **629.5** |

Restructuring charges for the half-year ended June 30, 2016 related to Water activities in France in the amount of -€62.8 million, and Global Businesses in the amount of -€25.6 million.

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

| (in € million) | Current | Non-current | Total |
|---|---|---|---|
| EBIT | 712.1 | 5.3 | 717.4 |
| Cost of net financial debt | (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) from discontinued operations | - | - | - |
| Non-controlling interests | (82.0) | - | (82.0) |
| **Net income (loss) attributable to owners of the Company** | **321.2** | **31.5** | **352.7** |

## C] Financing

The following table summarizes the change in Net Financial Debt and net Free Cash Flow:

| *(in € million)* | Half-year ended June 30, 2015 | **Half-year ended June 30, 2016** |
|---|---|---|
| **EBITDA** | **1,531** | **1,580** |
| Net industrial investments | (521) | (519) |
| Change in operating WCR | (628) | (686) |
| Dividends received from equity-accounted entities and joint ventures | 54 | 41 |
| Renewal expenses | (141) | (136) |
| Restructuring charges | (52) | (36) |
| Financial items (current cash financial expense, and operating cash flow from financing activities) | (199) | (210) |
| Taxes paid | (120) | (139) |
| **Net free cash flow before dividend payment, financial investments and financial divestitures** | **(76)** | **(105)** |
| Dividends paid | (558) | (570) |
| Net financial investments | 169 | (391) |
| Change in receivables and other financial assets | 34 | 245 |
| Issue / repayment of deeply subordinated securities | - | 18 |
| **Free cash flow** | **(431)** | **(803)** |
| Effect of foreign exchange rate movements and other | (481) | 295 * |
| **Change** | **(912)** | **(508)** |
| Net financial debt at the beginning of the period | (8,311) | (8,170) |
| **Net financial debt at the end of the period** | **(9,223)** | **(8,678)** |

*(*) Effect of foreign exchange rate movements and other include the variation of the pound sterling in the amount of €246 million.*

**Net free cash flow** amounted to -€105 million for the half-year ended June 30, 2016, versus -€76 million for the half-year ended June 30, 2015.

The variation in net free cash flow for the first half of 2016 vs. the first half of 2015 mainly reflects the improvement in EBITDA, offset in particular by the unfavorable movement in operating WCR.

Excluding seasonal impacts on operating WCR (-€686 million in 2016 and -€628 million in 2015), net free cash flow for the half-year ended June 30, 2016 was €581 million, compared with €552 million for the half-year ended June 30, 2015.

## 1. Industrial and financial investments

### 1.1 Industrial investments

Total Group gross industrial investments, including new operating financial assets, amounted to €553 million in the first half of 2016, compared with €565 million in the same period in 2015.

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

| **Half-year ended June 30, 2016** *(in € million)* | Maintenance and contractual requirements | Discretionary growth | Total gross industrial investments | Industrial divestitures | Total net industrial investments |
|---|---|---|---|---|---|
| France | 137 | 5 | 142 | (11) | 131 |
| Europe excluding France | 170 | 30 | 200 | (8) | 192 |
| Rest of the World | 126 | 38 | 164 | (11) | 153 |
| Global Businesses | 35 | 3 | 38 | (4) | 34 |
| Other | 9 | - | 9 | - | 9 |
| **Total industrial investments** | **477** (1) | **76** | **553** (2) | **(34)** | **519** |

*(1) Of which maintenance investments for €283 million, and contractual investments for €194 million.*

*(2) Of which new OFAs in the amount of €44 million*

| **Half-year ended June 30, 2015** *(in € million)* | Maintenance and contractual requirements | Discretionary growth | Total gross industrial investments | Industrial divestitures | Total net industrial investments |
|---|---|---|---|---|---|
| France | 115 | 11 | 126 | (15) | 111 |
| Europe excluding France | 209 | 50 | 259 | (22) | 237 |
| Rest of the World | 110 | 12 | 122 | (3) | 119 |
| Global Businesses | 42 | 1 | 43 | (3) | 40 |
| Other | 15 | - | 15 | (1) | 14 |
| **Total industrial investments** | **491** (3) | **74** | **565** (4) | **(44)** | **521** |

*(3) Of which maintenance investments for €297 million, and contractual investments for €194 million.*

*(4) Of which new OFAs in the amount of €50 million*

At constant exchange rates, gross industrial investments were stable compared with the first half of 2015 (+0.4%).

Gross industrial investments for maintenance and contractual requirements totaled €477 million, versus €491 million for the half-year ended June 30, 2015.
Gross discretionary growth industrial investments were stable compared with the first half of 2015 and mainly concerned:

- in 2016, projects in Australia (sorting center and composting facility) and network extension in the Energy business in Bulgaria and Poland;
- in 2015, the construction of the Leeds and Shropshire incinerators in the United Kingdom and network extension in the Energy business in Central Europe.

### 1.2 Financial investments and divestitures

Financial investments amounted to -€439 million as of June 30, 2016 (including acquisition costs) and include notably the acquisition of Kurion (-€295 million), of Pedreira (-€65 million), and of the Prague Left Bank district heating network (-€58 million). As of June 30, 2015, financial investments (-€142 million) were mainly related to the purchase of minority stakes in the Water business in Central & Eastern Europe.

Financial divestitures of €48 million as of June 30, 2016 (including divestiture costs) do not include individually significant amounts. As of June 30, 2015, financial divestitures (€311 million) included the divestiture of Group activities in Israel.

## 2. Variation in operating working capital

The change in operating working capital requirements (excluding discontinued operations) was -€686 million for the half-year ended June 30, 2016, compared with -€628 million for the half-year ended June 30, 2015.

The change in operating working capital requirements compared to December 31, 2015, is mainly due to seasonal effects.

## 3. Loans to joint ventures

The change in receivables and other financial assets was primarily due to the reimbursement by Transdev Group of the shareholder loan in the amount of €345 million.

Loans to equity-accounted entities totaled €169.6 million as of June 30, 2016 (versus €585.1 million as of June 30, 2015) and included loans to the Chinese concessions of €120.1 million (€113.9 million as of June 30, 2015). As of June 30, 2015, loans to equity-accounted entities also included loans to Transdev Group of €405.4 million repaid in full as of June 30, 2016.

## 4. External financing

### 4.1 Structure of net financial debt

| *(in € million)* | As of June 30, 2015 | **As of June 30, 2016** |
|---|---|---|
| Non-current borrowings | 7,803.7 | 7,196.9 |
| Current borrowings | 2,914.8 | 4,759.1 |
| Bank overdrafts and other cash position items | 246.9 | 395.6 |
| **Sub-total borrowings** | **10,965.4** | **12,351.6** |
| Cash and cash equivalents | (1,732.9) | (3,680.2) |
| Fair value gains (losses) on hedge derivatives | (9.9) | 6.3 |
| **Net Financial Debt** | **9,222.6** | **8,677.7** |

As of June 30, 2016, net financial debt after hedging is borrowed 93% at fixed rates and 7% at floating rates.

The average maturity of net financial debt was 8.9 years at June 30, 2016 compared with 8.2 years at June 30, 2015.

The leverage ratio for the half-year ended June 30, 2016, i.e. the ratio of closing Net Financial Debt (NFD) to 12-month rolling EBITDA as of June 2016, decreased compared to June 30, 2015:

| | As of June 30, 2015 | **As of June 30, 2016** |
|---|---|---|
| Leverage ratio *(Closing NFD / EBITDA to June)* | 3.2 | 2.8 |

### 4.2 Group liquidity position

Liquid assets of the Group as of June 30, 2016 break down as follows:

| *(in € million)* | As of June 30, 2015 | **As of June 30, 2016** |
|---|---|---|
| Veolia Environnement : | | |
| Undrawn syndicated loan facility | 2,962.5 | 3,000.0 |
| Undrawn MT bilateral credit lines | 400.0 | 925.0 |
| Undrawn ST bilateral credit lines | 500.0 | - |
| Letter of credit facility | 195.9 | 35.0 |
| Cash and cash equivalents | 918.0 | 2,893.4 |
| Subsidiaries: | | |
| Cash and cash equivalents | 814.9 | 786.8 |
| **Total liquid assets** | **5,791.3** | **7,640.2** |
| **Current debts and bank overdrafts and other cash position items** | | |
| Current debt | 2,914.8 | 4,759.1 |
| Bank overdrafts and other cash position items | 246.9 | 395.6 |
| **Total current debt and bank overdrafts and other cash position items** | **3,161.7** | **5,154.7** |
| **Total liquid assets net of current debt and bank overdrafts and other cash position items** | **2,629.6** | **2,485.5** |

The decrease in net liquid assets mainly reflects upcoming bond maturities before June 30, 2017, including the euro-denominated bond maturing in January 2017, for a nominal amount of €606 million, the euro-denominated bond maturing in June 2017 for a nominal amount of €250 million, and the renminbi denominated bond maturing in June 2017 for a nominal amount of €68 million equivalent, partially offset by an offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANEs) for a nominal amount of €700 million.

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

*Undrawn medium-term syndicated loan facilities*

On November 6, 2015, Veolia Environnement signed a new multi-currency syndicated loan facility in the amount of €3 billion maturing in 2020 and extendable until 2022 with the possibility for drawdowns in Eastern European currencies and Chinese Renminbi. This syndicated loan facility replaces the two syndicated loan facilities set up in 2011: a 5-year multi-currency loan facility of €2.5 billion, and a 3-year loan of €500 million for drawdowns in Polish zlotys, Czech crowns and Hungarian forints.

This syndicated loan facility was not drawn down as of June 30, 2016.

*Undrawn ST and MT bilateral credit lines*

In 2015, Veolia Environnement renegotiated all its bilateral credit lines for a total undrawn amount of €925 million as of June 30, 2016.

*Letter of credit facility:*

The US dollar letter of credit facility signed on November 22, 2010 for the initial amount of USD 350 million was reduced by USD 150 million as of June 30, 2015 and matured in November 2015. The US dollar letter of credit facility was replaced by a bilateral letter of credit facility.

As of June 30, 2016, the new letter of credit facility was drawn by USD 131.1 million. The portion that may be drawn in cash amounted to USD 38.9 million (€35.0 million euro equivalent). It is undrawn and recorded in the liquidity table above.

# APPENDICES

## 1- Consolidated income statement

| *(€ million)* | Half-year ended June 30, 2016 | Half-year ended June 30, 2015 |
|---|---|---|
| **Revenue** | **11,955.9** | **12,317.6** |
| Cost of sales | -9,806.0 | -10,167.8 |
| Selling costs | -280.5 | -276.5 |
| General and administrative expenses | -1,164.5 | -1,218.0 |
| Other operating revenue and expenses | -118.8 | 9.3 |
| **Operating income before share of net income (loss) of equity-accounted entities** | **586.1** | **664.6** |
| **Share of net income (loss) of equity-accounted entities** | **43.4** | **52.8** |
| o/w share of net income (loss) of joint ventures | 29.7 | 39.7 |
| o/w share of net income (loss) of associates | 13.7 | 13.1 |
| **Operating income after share of net income (loss) of equity-accounted entities** | **629.5** | **717.4** |
| Net finance costs | -209.2 | -230.8 |
| Other financial income and expenses | 12.9 | 46.8 |
| **Pre-tax net income (loss)** | **433.2** | **533.4** |
| Income tax expense | -130.2 | -124.2 |
| Share of net income (loss) of other equity-accounted entities | 22.2 | 25.5 |
| **Net income (loss) from continuing operations** | **325.2** | **434.7** |
| Net income (loss) from discontinued operations | - | - |
| **Net income (loss) for the period** | **325.2** | **434.7** |
| **Attributable to owners of the Company** | **251.2** | **352.7** |
| Attributable to non-controlling interests | 74.0 | 82.0 |
| **NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE [(1)]** | **-** | **-** |
| Diluted | 0.33 | 0.51 |
| Basic | 0.32 | 0.51 |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE [(1)]** | - | - |
| Diluted | 0.33 | 0.51 |
| Basic | 0.32 | 0.51 |
| **NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE [(1)]** | - | - |
| Diluted | - | - |
| Basic | - | - |

*(1) Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period. Pursuant to IAS 33.9 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.*

*Diluted earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.*
*As of June 30, 2016, the weighted average number of shares outstanding is 566,191,549 (diluted) and 550,293,187 (basic). Dilutive instruments taken into account in the Earning Per Share calculation primarily concern the OCEANE convertible bonds issued on March 8, 2016.*

## 2- Consolidated statement of financial position - assets

| *(€ million)* | As of June 30, 2016 | As of December 31, 2015 |
|---|---|---|
| Goodwill | 4,918.8 | 4,619.6 |
| Concession intangible assets | 2,638.3 | 2,796.4 |
| Other intangible assets | 912.6 | 918.0 |
| Property, plant and equipment | 6,741.5 | 6,820.3 |
| Investments in joint ventures | 1,908.4 | 2,155.8 |
| Investments in associates | 446.3 | 461.8 |
| Non-consolidated investments | 61.0 | 52.9 |
| Non-current operating financial assets | 1,612.2 | 1,734.2 |
| Non-current derivative instruments - Assets | 32.6 | 58.9 |
| Other non-current financial assets | 460.5 | 758.4 |
| Deferred tax assets | 1,126.9 | 1,154.5 |
| **Non-current assets** | **20,859.1** | **21,530.8** |
| Inventories and work-in-progress | 696.7 | 757.7 |
| Operating receivables | 8,894.3 | 8,797.2 |
| Current operating financial assets | 144.2 | 162.3 |
| Other current financial assets | 252.2 | 215.7 |
| Current derivative instruments - Assets | 125.5 | 72.8 |
| Cash and cash equivalents | 3,680.2 | 4,176.3 |
| Assets classified as held for sale (*) | 366.4 | 175.8 |
| **Current assets** | **14,159.5** | **14,357.8** |
| **TOTAL ASSETS** | **35,018.6** | **35,888.6** |

*(*) As of June 30, 2016, assets classified as held for sale concern Transdev Group in the amount of €186.4 million, Aton in Italy in the amount of €121.1 million and Bartin in France in the amount of €58.9 million.*

## 3- Consolidated statement of financial position - equity and liabilities

| *(€ million)* | As of June 30, 2016 | As of December 31, 2015 |
|---|---|---|
| Share capital | 2,816.8 | 2,816.8 |
| Additional paid-in capital | 7,161.2 | 7,165.6 |
| Reserves and retained earnings attributable to owners of the Company | -2,065.7 | -1,644.1 |
| **Total equity attributable to owners of the Company** | **7,912.3** | **8,338.3** |
| Total equity attributable to non-controlling interests | 1,138.7 | 1,165.0 |
| **Equity** | **9,051.0** | **9,503.3** |
| Non-current provisions | 2,084.4 | 2,068.1 |
| Non-current borrowings | 7,196.9 | 8,022.3 |
| Non-current derivative instruments - Liabilities | 140.3 | 114.7 |
| Deferred tax liabilities | 1,099.5 | 1,117.1 |
| **Non-current liabilities** | **10,521.1** | **11,322.2** |
| Operating payables | 9,492.9 | 10,070.6 |
| Current provisions | 538.1 | 479.1 |
| Current borrowings | 4,759.1 | 4,000.1 |
| Current derivative instruments - Liabilities | 130.3 | 87.6 |
| Bank overdrafts and other cash position items | 395.6 | 318.6 |
| Liabilities directly associated with assets classified as held for sale | 130.5 | 107.1 |
| **Current liabilities** | **15,446.5** | **15,063.1** |
| **TOTAL EQUITY AND LIABILITIES** | **35,018.6** | **35,888.6** |

## 4- Consolidated cash flow statement

| *(€ million)* | Half-year ended June 30, 2016 | Half-year ended June 30, 2015 |
|---|---|---|
| **Net income (loss) for the period** | **325.2** | **434.7** |
| ***Net income (loss) from continuing operations*** | ***325.2*** | ***434.7*** |
| ***Net income (loss) from discontinued operations*** | **-** | **-** |
| Operating depreciation, amortization, provisions and impairment losses | 727.4 | 604.1 |
| Financial amortization and impairment losses | 1.1 | 4.1 |
| Gains (losses) on disposal of operating assets | -17.9 | -9.8 |
| Gains (losses) on disposal of financial assets | -40.5 | -65.6 |
| Share of net income (loss) of joint ventures | -51.9 | -65.2 |
| Share of net income (loss) of associates | -13.7 | -13.1 |
| Dividends received | -2.4 | -1.3 |
| Net finance costs | 209.2 | 230.8 |
| Income tax expense | 130.2 | 124.2 |
| Other items | 27.9 | 13.3 |
| **Operating cash flow before changes in operating working capital** | **1,294.6** | **1,256.2** |
| Change in operating working capital requirements | -686.1 | -628.0 |
| Income taxes paid | -138.7 | -119.5 |
| ***Net cash from operating activities of continuing operations*** | **469.8** | **508.7** |
| ***Net cash from (used in) operating activities of discontinued operations*** | **-** | **-** |
| **Net cash from operating activities** | **469.8** | **508.7** |
| Industrial investments, net of grants | -504.7 | -510.4 |
| Proceeds on disposal of intangible assets and property, plant and equipment | 33.7 | 44.6 |
| Purchases of investments | -417.4 | -42.1 |
| Proceeds on disposal of financial assets | 29.5 | 250.8 |
| Operating financial assets | - | - |
| New operating financial assets | -44.4 | -49.9 |
| Principal payments on operating financial assets | 104.0 | 82.3 |
| Dividends received (including dividends received from joint ventures and associates) | 40.8 | 54.4 |
| New non-current loans granted | -106.3 | -59.4 |
| Principal payments on non-current loans | 34.9 | 101.7 |
| Net decrease/increase in current loans | 316.1 | -8.6 |
| ***Net cash used in investing activities of continuing operations*** | **-513.8** | **-136.6** |
| ***Net cash used in investing activities of discontinued operations*** | **-** | **-** |
| **Net cash used in investing activities** | **-513.8** | **-136.6** |
| Net increase (decrease) in current borrowings | -369.3 | -763.6 |

| *(€ million)* | **Half-year ended June 30, 2016** | **Half-year ended June 30, 2015** |
|---|---|---|
| New non-current borrowings and other debts | 735.5 | 42.7 |
| Principal payments on non-current borrowings and other debts | -46.7 | -175.9 |
| Proceeds on issue of shares | 9.1 | - |
| Share capital reduction | - | - |
| Transactions with non-controlling interests: partial purchases | -2.6 | -105.5 |
| Transactions with non-controlling interests: partial sales | - | - |
| Proceeds on issue of deeply subordinated securities | - | - |
| Coupons on deeply subordinated securities | -68.8 | -71.5 |
| Purchases of/proceeds from treasury shares | - | 0.1 |
| Dividends paid | -501.1 | -486.7 |
| Interest paid | -267.8 | -273.9 |
| ***Net cash from (used in) financing activities of continuing operations*** | ***-511.7*** | ***-1,834.3*** |
| ***Net cash from financing activities of discontinued operations*** | ***-*** | ***-*** |
| **Net cash from (used in) financing activities** | ***-511.7*** | **-1,834.3** |
| Effect of foreign exchange rate changes and other | -17.4 | 16.0 |
| **Increase (decrease) in external net cash of discontinued operations** | - | - |
| **Net cash at the beginning of the year** | **3,857.7** | **2,932.2** |
| **Net cash at the end of the year** | **3,284.6** | **1,486.0** |
| Cash and cash equivalents | 3,680.2 | 1,732.9 |
| Bank overdrafts and other cash position items | 395.6 | 246.9 |
| **Net cash at the end of the year** | **3,284.6** | **1,486.0** |