VEOLIA ENVIRONNEMENT
Société anonyme with a share capital of €2,827,966,705
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(UNAUDITED FIGURES)

QUARTERLY FINANCIAL INFORMATION

Condensed Interim Consolidated Financial Statements

for the nine months ended September 30, 2018

Contents

1 Major events of the period

1.1 GENERAL CONTEXT

The Group's performance in the first nine months of 2018 was marked by continued revenue and EBITDA growth throughout the quarters.

Revenue, up +6.6% at constant exchange rates as of September 30, 2018, thus increased by 7.8% in Q3, after growing +5.1% in Q2 and +7.0% in Q1.

Similarly EBITDA, up 6.9% at constant exchange rates, grew +9.4% at constant exchange rates in Q3, after +6.4% in Q2 and +5.3% in Q1.

The acceleration in Q3 revenue growth was fueled by sustained commercial development, high volume levels and strong construction activity.

- Continued growth in Waste volumes: +3.9% at the end of September 2018 (+3% in Q1, +4.0% in Q2 and + 4.0% in Q3);
- ....partially offset by lower recycled paper prices (Group impact of -€119 million for the first 9 months of the year);
- Confirmation of improved tariff indexation (+0.8% in France Water, compared with +0.6% at the end of June);
- Slightly favorable Q3 weather impact in Water in Europe;
- Q3 construction revenue up +10.6% in Veolia Water Technologies and SADE compared to a -5.7% contraction at the end of June(1).

The acceleration in Q3 EBITDA growth was driven by higher revenue and increased efficiency gains.

- Rising contribution of efficiency gains: €80 million in Q3, after €78 million in Q2 and €70 million in Q1;

(1) At constant exchange rates

These items produced solid growth in results for the first nine months of 2018:

- Revenue up +6.6% (1) and +4.7% at constant scope and exchange rates to €18,761 million,
- EBITDA up +6.9% (1) to €2,418 million;
- Current EBIT of €1,100 million, up 9.8% at constant exchange rates (after +6.8% at constant exchange rates in H1);
- Current net income attributable to owners of the Company of €457 million, up 20.0% at constant exchange rates and +18.1% excluding net capital gains or losses on financial divestitures;
- Net industrial investments of €1,112 million (including €202 million of discretionary capex at the end of September 2018 versus €126 million at the end of September 2017);
- Net financial debt of €10,527 million (including hybrid debt repayments in April 2018 of €1,452 million).

The 2018 objectives are fully confirmed.

1.2 RECENT DEVELOPMENTS

MAIN CONTRACT AWARDS

The Group's strong 2017 commercial momentum continued, with the Group pursuing commercial developments in the first nine months of the year.

In the industrial market, the Group notably won, in the United States, multi-service contracts in Energy and in waste processing for a Dow Dupont site in Virginia, as well as an energy services (contract for the Oklahoma City Convention Center). In France, the Group was selected to renovate and operate energy installations at the Arcelor Mittal site in Fos-sur-Mer (€450 million contract over 20 years). In addition, EDF and Veolia entered into a partnership agreement to co-develop remote control solutions for dismantling natural uranium graphite gas reactors and for vitrifying radioactive waste, in France and worldwide.

In the municipal market, Veolia - in France - renewed its public service delegation contract to operate the Rouen waste-to-energy plant through its subsidiary SNVE (6.5-year contract representing cumulative revenue of €116 million) and won the delegated public service concession agreement for wastewater treatment and rainwater management with the City of Bordeaux through its subsidiary Veolia Eau France (€352 million contract over 7 years). In Nantes, the Group renewed its concession agreement for the Couëron waste processing and recovery plant through its subsidiary Veolia Recyclage et Valorisation des déchets (€332 million contract over 15 years). Outside France, the Dhaka Water Supply and Sewerage Authority (WASA), the authority in charge of drinking water and wastewater management for the Bangladeshi capital, chose Veolia and Suez, to design, build and operate the Gandharbpur drinking water treatment plant.

ACQUISITIONS

- Acquisition of Grupo Sala in Colombia

On May 15, 2018, Veolia Holding America Latina acquired Grupo Sala in Columbia, a group of companies specialized in Waste and Water businesses in Bogota, for a financial investment[(1)] of €167 million.

- Acquisition of PPC Group (Slovakia)

On July 31, 2018, Veolia Energia Slovensko AS acquired the entire share capital of the PPC group, which operates two cogeneration plants in Bratislava, for a financial investment[(1)] of €119 million.

- Buyout of minority interests in the Czech Republic

On April 26, 2018, Veolia Energie International S.A. acquired a 10% stake in Veolia Energie Ceska Republika a.s., from DCR Investment a.s. for a consideration of €85 million. This acquisition increases Veolia Energie International S.A.'s stake in Veolia Energie Ceska Republika a.s. from 73% to 83%.

- Acquisition of ACPTCL (India)

On May 29, 2018, Veolia India acquired 70% of ACPTCL, a company specializing in hazardous waste processing in the Indian province of Gujarat, for a financial investment[(1)] of €43 million.

(1) Including shares and net financial debt of newly consolidated companies

DIVESTITURES

- Industrial Services in the United States

On January 19, 2018, Veolia ES North America signed a sales agreement with Clean Harbors for its industrial cleaning business. The transaction was completed on February 23, 2018 for a consideration of USD 120 million (€96 million), generating a pre-tax capital gain on disposal of €36 million in the consolidated financial statements.

- BVAG

On September 26, 2018, Veolia Group through its subsidiary Veolia Stadtwerke BS Beteiligung GmbH sold 25% of the BVAG company, to Thüga Investor. Following this transaction - completed for an amount of €146.1 million - the Group retained control of the company and hold 51% of BVAG share capital.

- PVK (Czech Republic)

Veolia Central Europe sold 49% of its investment in Prazske Vodovody a Kanalizace AS to the City of Prague, retaining 51% of the share capital following the transaction. The sale was completed on September 20, 2018 for a consideration of €68.6 million.

- Agreement for the sale of Veolia's stake in Transdev to the Rethmann group

Following the sale of its 20% stake to Caisse des Dépôts in December 2016, Veolia and CDC jointly sought a new shareholder, both interested in acquiring Veolia's remaining stake in Transdev and able to support the company's future development. Rethmann's planned investment in Transdev Group (€340 million) will be presented to Transdev's employee representative bodies for consultation and submitted for approval to the relevant authorities with a view to its closing, expected at the turn of 2018.

This transaction will mark the end of Veolia's withdrawal process from the Transport business.

1.3 GROUP FINANCING

REDEMPTION OF THE DEEPLY SUBORDINATED PERPETUAL SECURITIES

On April 16, 2018, Veolia redeemed its deeply subordinated perpetual securities (hybrid) denominated in euros and pound sterling issued on January 23, 2013 in the nominal amount of €1 billion and GBP 400 million, respectively (€1 452 million).

ISSUANCE OF A PANDA BOND

On August 9, 2018, Veolia Environnement successfully issued a bond for a nominal amount of 1 billion Renminbis (i.e. €126 million) on the Chinese domestic market (Panda Bond). The bond was issued via a private placement, and bears an interest rate of 4% for a 1 year maturity. It was issued to Chinese and international investors. The proceeds of this bond will be used to refinance various projects of the Group in China. The pricing which was achieved is a signal of the significant appreciation of Veolia's credit quality, and investors' confidence in the Group's future development in China.

CHANGE IN BONDS OUTSTANDING

On May 28, 2018, Veolia Environnement repaid a euro-denominated bond line with a nominal value of €472 million.

CONFIRMATION OF THE CREDIT OUTLOOK

In October 2018, Moodys confirmed Veolia Environnement's credit rating at P-2/Baa1 with a stable outlook.

The Company is rated A-2 / BBB, with a stable outlook, by S&P.

DIVIDEND PAYMENT

The Combined General Meeting of April 19, 2018 set the dividend for fiscal year 2017 at €0.84 per share, an increase of +5% on 2016. This dividend was paid in cash on May 16, 2018 in the total amount of €463 million.

1.4 ASSOCIATING EMPLOYEES WITH THE GROUP'S PERFORMANCE

In accordance with its desire to give employees a vested interest in the Group's development, as reaffirmed during the Veolia Environnement Combined Shareholders' Meeting, Veolia launched an employee share ownership plan open to one hundred and fifteen thousand Group employees in 31 countries. The overall subscription rate exceeded 33%. Therefore 1 in 3 employees, or thirty-eight thousand individuals, chose to invest in this plan, for a total amount of €34 million(1).

In addition, in accordance with the Group's compensation policy and the authorization granted by the Veolia Environnement Extraordinary General Meeting of April 19, 2018, the Board of Directors decided to grant 0.31% of the Veolia Environnement SA share capital (i.e. 1,741,628 performance shares) to 700 top executives and high potential employees of the Group. The number of shares that vests in 2021 will depend on the average increase in current net income attributable to owners of the Company per share, as reported in the Group's consolidated financial statements during the reference period for fiscal years 2018, 2019 and 2020 compared with the 2017 base year: if this average growth reaches 10%, all shares will vest; between 5% and 10%, the number of shares that vests will be determined by linear extrapolation; and below 5%, no performance share will vest.

(1) excluding the Share Incentive Plan currently being rolled-out in the United Kingdom.

2 Accounting and financial information

2.1 PREFACE

GABON

Veolia Africa, through its 51% subsidiary, SEEG, managed the distribution of drinking water and electricity throughout all Gabon under the terms of a concession agreement signed in 1997 and extended for five years in March 2017.

On February 16, 2018, the Gabonese Republic unilaterally terminated the concession agreement signed with the Group's subsidiary, SEEG – Société d'énergie et d'eau du Gabon (Gabon Energy and Water Company), alleging several different reasons including that of the general interest. The same day, through Ministerial order, all material and human resources were seized by the Gabonese Republic. A further Ministerial order also appointed an executive body to implement termination and seizure measures.

On 8 March 2018, pursuant to the concession agreement, SEEG submitted a request for conciliation to the International Centre for Settlement of Investment Disputes ("ICSID") in an attempt to reach an amicable settlement and to be compensated for the damage suffered as a result of the unlawful measures taken by Gabon.

At the end of the conciliation period, the parties were not able to find an amicable solution. Subsequently, SEEG and Veolia Africa initiated an arbitration proceedings before ICSID on 20 September 2018.

Since March 31, 2018, the cessation of activities in Gabon has led the Group to classify SEEG in net income from discontinued operations in accordance with IFRS 5. The interim financial statements for the nine months ended September 30, 2017 were re-presented accordingly to ensure comparability, following the reclassification of the Group's activities in Gabon in "Net income from discontinued operations" in accordance with IFRS 5.

CHANGES IN ACCOUNTING STANDARDS

With effect from January 1, 2018, the Group applies IFRS 9, the new financial instruments standard, which replaces IAS 39. The new standard provides for the retroactive application of the classification and measurement rules applicable to financial assets and liabilities and, in particular for the Group, new impairment methodologies for trade receivables and an adjustment to the amortized cost of renegotiated bond issues (see Appendix june 30,2018 paragraph 1.1.2). The impact in the income statement on EBITDA and current EBIT of the restatements resulting from the first-time application of this standard were not material.

The application as of January 1, 2018 of IFRS 15 does not have a significant impact on the Group's financial statements as of September 30, 2018 (see Appendix, paragraph 1.1.2 "New standards and interpretations").

2.2 KEY FIGURES

(in € million)	*Nine months ended September 30, 2017 published*	*Nine months ended September 30, 2017 re-presented*	***Nine months ended September 30, 2018***	*Change 2017 / 2018* *Δ*	*Δ at constant exchange rates*
Revenue	18,221.0	17,991.4	18,761.4	4.3%	6.6%
EBITDA	2,358.7	2,301.3	2,418.1	5.1%	6.9%
EBITDA margin	12.9%	12.8%	12.9%		
Current EBIT (1)	1,049.2	1,024.3	1,099.8	7.4%	9.8%
Current net income - Group share	405.8	396.0	457.4	15.5%	20.0%
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	392.2	382.5	438.8	14.7%	18.1%
Industrial investments	(981.7)	(981.7)	(1,134.5)		
Net free cash flow (2)	(63.0)	(88.8)	(297.9)		
Net financial debt	(8,419.0)	(8,411.1)	(10,526.6)		

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

(2) The indicators are defined in Section 5.2.

The main foreign exchange impacts were as follows:

FX impacts for the nine months ended September 30, 2018 (vs September 30, 2017 re-presented)	%	(in € million)
Revenue	-2.3%	-418.9
EBITDA	-1.8%	-41.3
Current EBIT	-2.5%	-25.2
Current net income	-4.5%	-17.8
Net financial debt	-0.7%	-61.4

GROUP CONSOLIDATED REVENUE

Group consolidated revenue for the nine months ended September 30, 2018 **increased 6.6% at constant exchange rates** to €18,761.4 million, compared to re-presented €17,991.4 million for the nine months ended September 30, 2017. Excluding Construction[1] revenue and energy price effects, revenue improved by +5.0% (+5.1% in Q3, following +5.3% in Q2 and +4.6% in Q1).

As in the first half, revenue growth was marked by favorable momentum in the third quarter of 2018:

Δ at constant exchange rates	*Q1 2018*	*Q2 2018*	***Q3 2018***
France	0.6%	-1.1%	2.6%
Europe, excluding France	6.9%	6.7%	7.4%
Rest of the world	14.7%	13.2%	10.7%
Global Businesses	3.5%	-0.6%	11.4%
Group	**7.0%**	**5.1%**	**7.8%**

Third quarter growth in France stems from :

- an upturn in Water volumes (weather impact) and higher tariff indexation
- good commercial momentum in Waste, partially offset by the negative impact of the change in recycled paper prices.

By segment, the change in revenue compared to re-presented figures for the nine months ended September 30, 2018 breaks down as follows:

			Change 2017 / 2018		
(in € million)	*Nine months ended September 30, 2017 re-presented*	***Nine months ended September 30, 2018***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France	4,036.8	4,064.9	0.7%	0.7%	0.7%
Europe, excluding France	6,103.8	6,517.8	6.8%	7.0%	2.8%
Rest of the world	4,585.9	4,825.5	5.2%	12.9%	11.9%
Global Businesses	3,240.0	3,331.4	2.8%	4.6%	3.2%
Other	24.8	21.8	-12.1%	-12.0%	-12.0%
Group	**17,991.4**	**18,761.4**	**4.3%**	**6.6%**	**4.7%**

[1] *Construction revenue encompasses the Group's engineering and construction activities (mainly through Veolia Water Technologies and SADE), as well as construction completed as part of operating contracts.*

- Revenue increased +0.7% in **France** at constant scope compared to re-presented figures for the nine months ended September 30, 2017; Water revenue slipped -0.1%, while Waste revenue increased +1.6% at constant scope.
    - Water revenue fell -0.1% compared to re-presented figures for the nine months ended September 30, 2017, due to a -0.7% in volumes (+0.7% in Q3 against -1.5% at the end of June), partially offset by higher tariff indexation and increase of construction revenue;
    - Waste revenue increased +1.6% at current exchange rates and constant scope compared to re-presented figures for the nine months ended September 30, 2017 : lower recycled paper prices (-29% or -€55 million) were offset by higher landfill and incineration volumes and commercial activity.
- **Europe excluding France** grew +7.0% at constant exchange rates compared to re-presented figures for the nine months ended September 30, 2017, with solid momentum in the majority of regions:
    - In the United Kingdom / Ireland zone, revenue increased +3.8% at constant exchange rates to €1,632.4 million, thanks to very good PFI availability, higher electricity tariffs, industrial service contract wins, further excellent commercial collection results and the good performance of industrial customer activities. The fall in recyclate sales remains limited (-€10 million);
    - In Central and Eastern Europe, revenue increased +5.7% at constant exchange rates compared to re-presented figures for the nine months ended September 30, 2017 to €2,187.7 million. The unfavorable weather impact (-€37 million) was more than offset by:
        - in Energy: higher volumes and tariffs (+€40 million),
        - in Water: an increase in invoiced water volumes (+0.7%, i.e. +€6 million), higher tariffs in most countries of the zone (impact of +€19 million), as well as increasing Construction activities,
        - in Waste, the impact of targeted acquisitions in 2017 (plastic recycling in Hungary and Industrial Waste collection in the Czech Republic);
    - In Northern Europe, revenue increased +12.0% at constant exchange rates compared with the re-presented prior year period to €1,966.5 million. This strong growth was mainly driven by 2017 acquisitions in Nordic countries and the Netherlands. Germany, the main contributor (€1,357.2 million) reported revenue growth of +4.6%: Waste activities were penalized by lower recyclate prices (-€33 million), offsetting the favorable impact of 2017 acquisitions, while in Energy, higher tariffs offset the fall in volumes sold.

- Strong growth in the **Rest of the world** of +12.9% at constant exchange rates compared to re-presented figures for the nine months ended September 30, 2017:
    - Revenue rose +13.1% at constant scope and exchange rates to €1,480.9 million in North America, i.e. an increase of +4.4% at constant exchange rates, mainly due to strong growth in Energy (+27% at constant exchange rates tied to price and volume increases following cold weather at the beginning of the year), commercial wins in Energy (Dow Dupont contract in the United States), the commissioning of Biomass sites in Canada, higher volumes in hazardous waste and commercial wins in Industrial Water;
    - Strong revenue growth in Latin America (+30.2% at constant exchange rates) to €590.2 million, thanks in part to commercial developments in Ecuador, Chile, Brazil and the integration from May, 2018 of Grupo Sala's activities in Columbia (€54 million);
    - Revenue in Asia increased by +18.1% at constant exchange rates to €1,259.3 million. Strong revenue growth in China (+13.5%) was due to increased Waste volumes, construction revenue (landfill site) and the start-up of the Cangzhou incineration plant. The rest of the zone is driven by strong commercial dynamism: start of operations on the Hamamatsu concession and development of EPC activities in Japan, and development of industrial water treatment activities in Korea (KleanNara contract);

- The Pacific zone recorded +13.2% revenue growth at constant exchange rates year-on-year (re-presented figures), due to the combined impact of higher industrial water volumes, construction volumes, the start-up of new Waste assets (including Woodlawn MBT) and targeted tuck-ins from 2017;

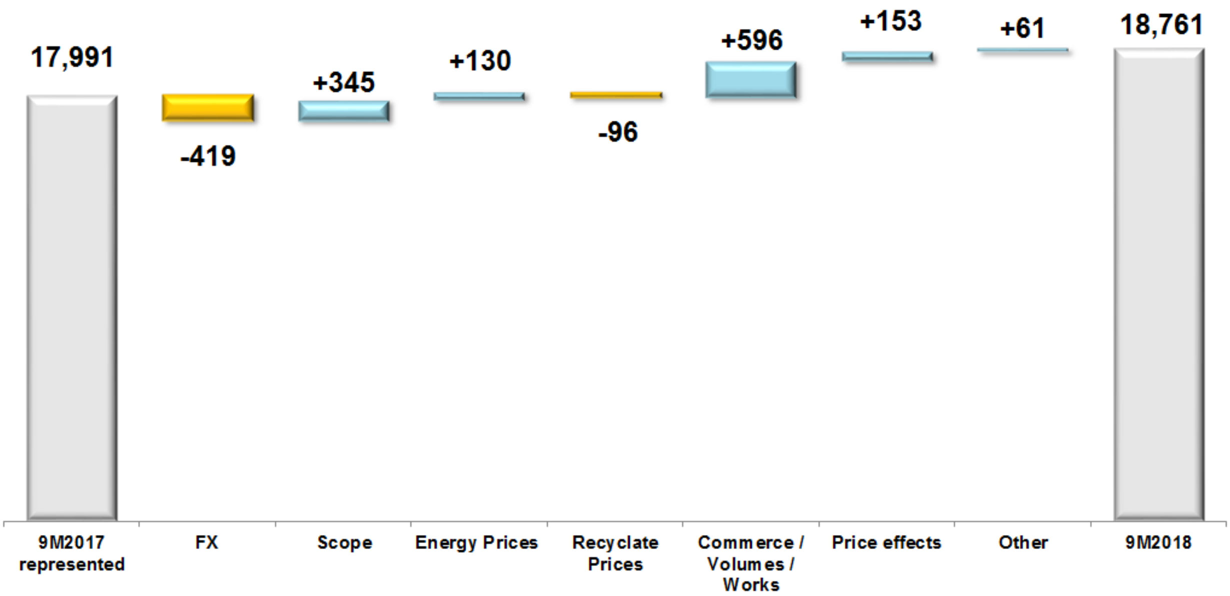
- In Africa/Middle East, revenue increased +9.6% at constant exchange rates, with favorable volume, electricity sales and construction impacts in Morocco and strong commercial development in the Middle East (energy services in the tertiary sector).

o **Global businesses:** revenue increased +4.6% at constant exchange rates versus the re-presented prior-year period:

- Hazardous Waste activities increased by +9.5% at constant exchange rates, thanks to higher volumes processed (tied in part to Greater Paris construction work) and growth in oil recycling activities;

- Veolia Water Technologies activities enjoyed an upsurge in the third quarter (+3.2% at constant exchange rates), but remain down by -5.9% at constant exchange rates over the first nine months of the year. The Veolia Water Technologies backlog is up +4% compared with Q3 2017 at €1,884 million. Sade also recorded strong Q3 growth (+20%) driven by excellent activity in France and Telecom network worksites.

The increase in revenue between 2017 and 2018 breaks down **by main impact** as follows:



The **foreign exchange impact** on revenue was -€418.9 million (-2.3% of revenue) and mainly reflects fluctuations in the U.S. dollar (-€120.2 million), the Argentine peso (-€76.7 million), the Australian dollar (-€66.7 million) and the pound sterling (-€21.4 million).

The **consolidation scope impact** of +€345.1 million relates to:

o Developments in 2017: integration of Corvara industrial assets and Hans Andersson in Scandinavia (+€135 million) and the recycling and plastic waste businesses of Van Scherpenzeel Grope B.V. in the Netherlands (+€43 million) as well as the acquisition in Germany of Eurologistik in September 2017 (+€25 million) and in Korea of Hanbul (+27 million);

o 2018 transactions: sale of the Industrial Services division in the United States (-€130 million) and acquisition of Grupo Sala in Colombia (+€54 million).

Energy and recyclate prices had an impact of +€34 million, with notably an increase in energy prices of +€130 million (primarily in the United States and Northern Europe), offset by a drop in recyclate prices (-€96 million, including -€119 million for paper).

Commercial momentum improved significantly (**Commerce/Volumes** impact) to +€596 million:

- Volumes increase of +€235 million, in line with a +4% rise in waste volumes over nine months (France, United Kingdom, Latin America and Asia), volume growth in hazardous waste partially offset in Energy by lower volumes in electricity and gas sold in Germany;
- A commercial effect of +€225 million, due to numerous industrial contract wins in Europe (in Waste in Germany and in Iberia with new energy efficiency contracts), the United States (contract wins in Industrial Water and Energy), Latin America (contract wins in Water in Argentina and Columbia and in Waste in Chile and Brazil) and in multi-industrial activities (Arcelor contract);
- Construction activities of +€161 million (versus +€48 million at the end of June) which benefited from numerous projects in the Rest of the World and a upsurge of activity by Veolia Water Technology and Sade on the third quarter;
- Weather impact in Energy of -€25 million (unfavorable impact in Central Europe from the second quarter, partially offset by a positive weather impact in Northern America in first quarter).

- Favorable **price effects** (+€153 million) are tied to positive tariff indexation in France and the United Kingdom in Waste, in Central Europe in Water, in North America in Water and Hazardous Waste, in Morocco in electricity, and the impact of higher prices in Asia and Latin America.

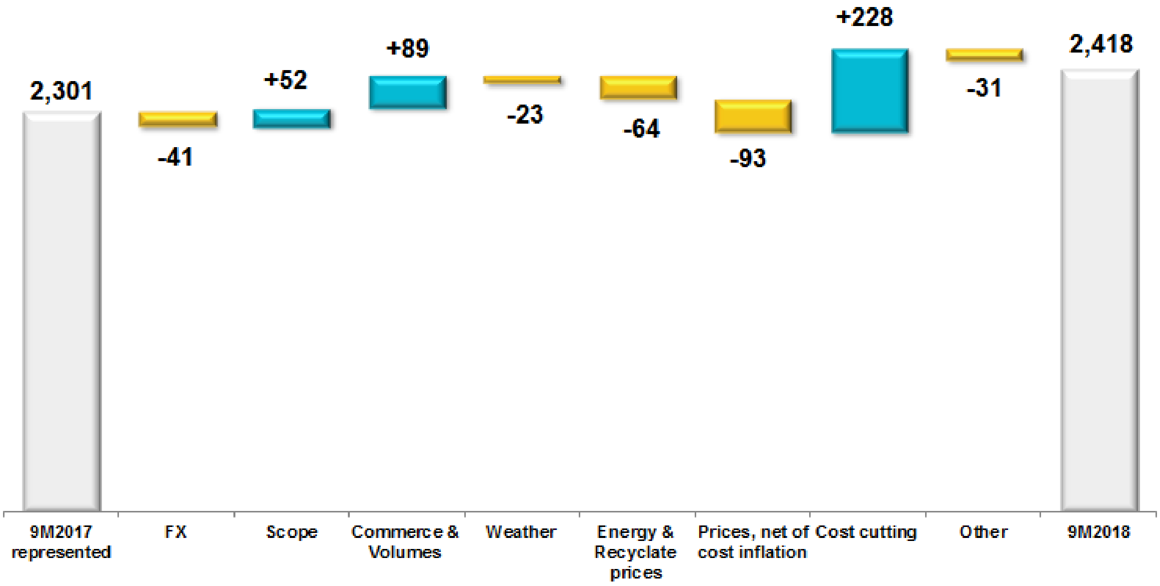
EBITDA

Group consolidated EBITDA for the nine months ended September 30, 2018 was €2,418.1 million, up 6.9% at constant exchange rates on the prior-year period (re-presented). The EBITDA margin increased from 12.8% in the nine months ended September 30, 2017 (re-presented) to 12.9% in the same period to September 30, 2018.

- **In France**, EBITDA slightly improved :
  - In Water, cost savings impacted positively on EBITDA and offset the negative impact of lower volumes (-€7 million) and the continued moderated price squeeze with better price indexation,
  - In Waste, EBITDA fell following a decrease in recycled paper prices (-29% fall in the average selling price of recycled paper and cardboard compared to September 2017) and higher diesel prices (-€11 million) partially offset by growing volumes in landfills;
- The improvement in EBITDA in **Europe excluding France** was the result of several impacts:
  - In Central and Eastern Europe, EBITDA decreased due to higher fuel costs and a price squeeze in Energy in the Czech Republic and Poland and an unfavorable weather effect (-€15 million); this decrease was partially offset by the positive impact of higher Water tariffs in Bulgaria, the Czech Republic and Romania and operating efficiency gains,
  - Solid growth in EBITDA in the United Kingdom, with improved availability of incineration plants and efficiency gains; lower recycled paper prices were offset by higher ferrous metal prices,
  - Increased EBITDA in Northern Europe, due to scope transactions performed in 2017 in Scandinavia, the Netherlands and Germany, and further operating efficiency gains in Belgium and Germany;
- Continued strong EBITDA growth in the **Rest of the world**:
  - Improvement in the United States, mainly due to favorable price and volume effects in Energy (weather impact in Q1 and higher electricity prices),
  - Higher EBITDA in Latin America, notably due to good performance in Waste in Brazil and Argentina and in Water in Ecuador and Colombia,
  - Sustained EBITDA growth in Asia, driven by growth in municipal water in Japan and new hazardous waste contracts in China (Cangzhou and Changsha), partially offset by negative weather impacts, higher coal prices in China and end of the Chengdu BOT contract;

- In the **Global businesses** segment, very good hazardous waste performance (including the turnaround of the oil recycling business) was accompanied by a sharp rebound in construction activities in Q3 2018 in Veolia Water Technologies.

The increase in EBITDA between 2017 and 2018 breaks down **by impact** as follows:



The **foreign exchange impact** on EBITDA was -€41.3 million and mainly reflects fluctuations in the U.S. dollar (-€13.5 million), the Argentine peso (-€7.9 million), the Australian dollar (-€6.2 million), the Brazilian real (-€5.0 million), the Chinese renminbi (-€3.1 million) and the pound sterling (-€2.9 million).

The **consolidation scope impact** of +€52 million partially relates to developments in 2017 and notably the integration of Corvara industrial assets and Hans Andersson recycling assets in Scandinavia and the acquisition of Eurologistik in Germany and the Van Scherpenzeel Grope B.V. in the Netherlands, as well as the acquisition in 2018 of Grupo Sala in Colombia.

Commerce and volume impacts totaled +€89 million, thanks to organic revenue growth boosted by strong commercial development and higher volumes, notably in Waste.

The **Weather** impact on EBITDA was -€23 million, with the impact of an extremely mild second quarter in Central Europe and significant rain in spring only partially offset in France and Central Europe in the third quarter.

Energy and recyclate prices had a negative impact on EBITDA (-€64 million), due to a price squeeze tied to higher fuel costs (-€29 million), negative impact of recyclates (-€13 million) mainly on paper prices (-€18 million) and higher diesel costs in Waste (-€22 million).

The **price squeeze** impact of -€93 million mainly relates to weak price indexation in Water and Waste, which only partially covers pressure on wage increases and other costs.

Cost savings plans contributed €228 million. These savings mainly concern operating efficiency (50%) and purchasing (30%) and were achieved across all geographical zones: France (27%), Europe excluding France (26%), Rest of the world (24%), Global businesses (19%) and Corporate (4%). The guidance of €300 million for fiscal year 2018 is confirmed.

COST SAVINGS

EBITDA impact *(in € million)*	2016-2018 cumulative objective	2018 objective	Actual Q3 2018	Actual Q3 2017
Gross savings	**800**	**>300**	**228**	**190**

CURRENT EBIT

Group consolidated current EBIT for the nine months ended September 30, 2018 was €1,099.8 million, up 9.8% at constant exchange rates on the nine months ended September 30, 2017 re-presented.

The reconciling items between EBITDA and current EBIT for the nine months ended September 30, 2018 and 2017 are as follows:

(in € million)	*Nine months ended September 30, 2017 re-presented*	***Nine months ended September 30, 2018***
EBITDA	**2,301.3**	**2,418.1**
Renewal expenses	(201.3)	(200.8)
Depreciation and amortization (*)	(1,226.6)	(1,233.2)
Provisions, fair value adjustments & other:	75.0	26.4
- Current impairment of property, plant and equipment, intangible assets and operating financial assets	9.0	(1.3)
- Net charges to operating provisions, fair value adjustments and other	56.6	22.9
- Capital gains or losses on industrial divestitures	9.4	4.8
Share of current net income of joint ventures and associates	75.8	89.2
Current EBIT	**1,024.3**	**1,099.8**

(*) Including principal payments on operating financial assets (OFA) of -€91.9 million for the nine months ended September 30, 2018 (compared to re-presented -€120.1 million for the nine months ended September 30, 2017).

The improvement in current EBIT at constant exchange rates reflects:

- EBITDA growth;
- The increase in depreciation and amortization charges at constant exchange rates (-€52.8 million or +4.8% compared to the nine months ended September 30, 2017), in line with the development of the Group's activities and consolidation scope impacts;
- The decline in principal payments on operating financial assets in 2018 (from -€120.1 million to -€91.9 million) mainly relating to contract changes in China and South Korea;
- The unfavorable change in provisions, fair value adjustments

- An improvement in the contribution of equity-accounted entities.

The foreign exchange impact on Current EBIT was -€25.2 million and mainly reflects fluctuations in the U.S. dollar (-€8.1 million), the Argentine peso (-€6.5 million), the Brazilian real (-€3.2 million), the Chinese renminbi (-€2.9 million), the Australian dollar (-€1.9 million) and the pound sterling (-€1.6 million), partially offset by favorable fluctuations in the Czech crown (+€6.0 million).

NET FINANCIAL EXPENSE

The **cost of net financial debt** fell to -€301.3 million for the nine months ended September 30, 2018, compared to -€311.8 million for the nine months ended September 30, 2017 re-presented. The net financing rate is 4.13% compared to 5.02% for the nine months ended September 30, 2017 re-presented. This decrease is mainly due to the benefits of active debt management and a decrease in cash carrying costs.

Other financial income and expenses totaled -€110.7 million for the nine months ended September 30, 2018, compared to -€115.8 million for the nine months ended September 30, 2017 re-presented.
These expenses include interest on concession liabilities (IFRIC 12) of -€71.1 million and the unwinding of discounts on provisions of -€19.6 million, an improvement compared to September 30, 2017.

Capital gains or losses on financial divestitures totaled €30.6 million for the nine months ended September 30, 2018 (including the capital gain on the disposal of Industrial services in the United States of €36 million and on the disposal of a landfill site in China and fair value adjustments to assets held for sale in Europe excluding France), compared to €14.7 million for the nine months ended September 30, 2017 re-presented.

INCOME TAX EXPENSE

The current income tax expense is -€157.6 million. This amount includes taxation of the capital gain on the disposal of the Industrial Services division in the United States of USD 9 million. The current income tax rate for the nine months ended September 30, 2018, excluding capital gains on disposals, is 24.3% (unchanged on September 30, 2017 re-presented).

CURRENT NET INCOME

Current net income attributable to owners of the Company was €457.4 million for the nine months ended September 30, 2018, compared to €396 million for the nine months ended September 30, 2017 re-presented. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company rose 18.1% at constant exchange rates to €438.8 million from €382.5 million for the nine months ended September 30, 2017 re-presented.

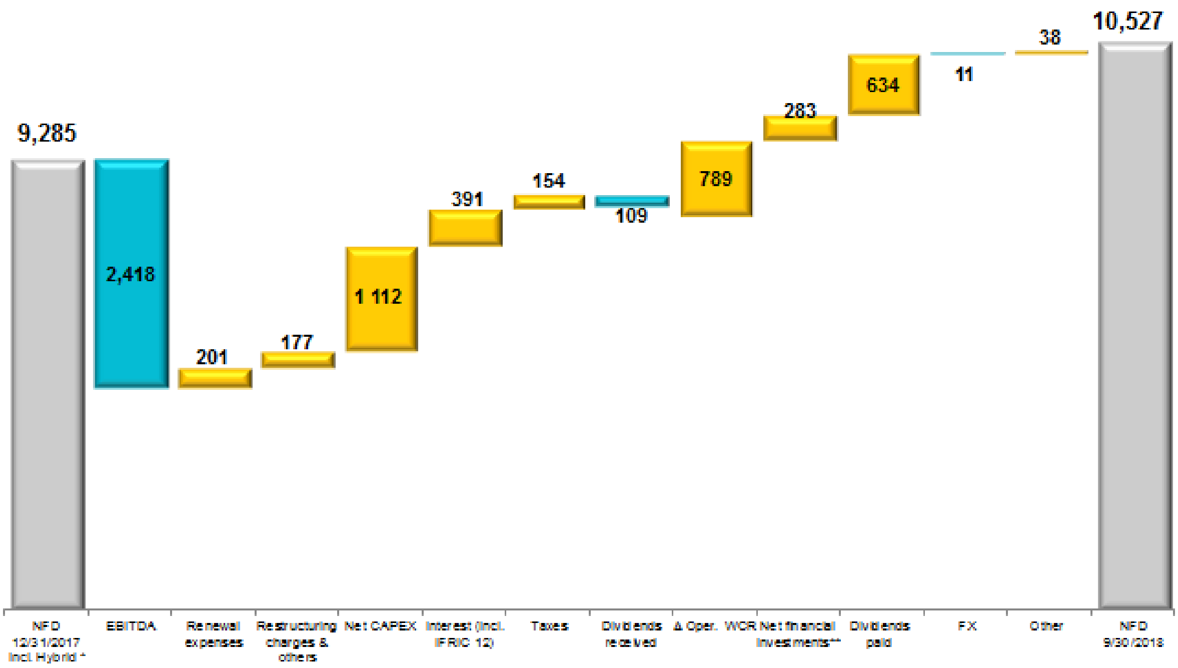
FINANCING

Net free cash flow was -€298 million for the nine months September 30, 2018, compared to -€89 million for the nine-months ended September 30, 2017 re-presented.

Free Cash Flow evolution versus September 30, 2017 re-presented reflects essentially an increase of net capital expenditures, a change in operating WCR in line with the development of Group activities.

Overall, **net financial debt** is -€10,527 million compared to -€9,285 million (including of the redemption of the hybrid debt) as of December 31, 2017 re-presented. Evolution of net financial debt versus December 31, 2017 is mainly explained by Free Cash Flow evolution (with negative impact of operational WCR because of seasonality), net financial investment (€283 million) and payment of dividends (€634 million).

In addition to the change in net free cash flow, net financial debt was impacted by favorable exchange rate fluctuations totaling +€11 million as of September 30, 2018 compared with December 31, 2017.



(*) including Hybrid € 1 452 million
(**) Financial investments of -€678 million net of financial divestitures of €395 million.

2.3 REVENUE BY BUSINESS

(in € million)	*Nine months ended September 30, 2017 re-presented*	***Nine months ended September 30, 2018***	*Change 2017 / 2018*		
			Δ	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Water	7,829.3	7,903.0	0.9%	2.9%	2.9%
Waste	6,641.6	7,095.1	6.8%	9.8%	4.8%
Energy	3,520.5	3,763.4	6.9%	8.8%	8.5%
Group	**17,991.4**	**18,761.4**	**4.3%**	**6.6%**	**4.7%**

WATER

Water revenue increased by +2.9% at constant exchange rates and at constant scope and exchange rates compared to re-presented figures for the nine months ended September 30, 2017. This improvement can be explained as follows:

- A positive **commerce / volume** impact of +0.3% excluding construction activity, tied to higher volumes in Central Europe (+0.7%) and commercial momentum in the Rest of the World (North America and Latin America), offsetting reduced volumes in France (-0.7%: negative weather impact in the second quarter);
- A positive **price impact** of +1.3% with higher tariffs notably in Central Europe and Water price indexation in France (+0.7%);
- steady **construction** activity (+1.2%), up in the Rest of the World (particularly in the Pacific and Middle East), coupled with a pick-up of construction activity in Veolia Water Technologies and Sade in third quarter.

WASTE

Waste revenue rose considerably by +9.8% at constant exchange rates compared with re-presented figures for the nine months ended September 30, 2017 (+4.8% at constant consolidation scope and exchange rates), due to:

- A **consolidation scope** impact of +5.0% tied to acquisitions in Germany, Sweden and Asia, offset by the sale of the Industrial Services division in the United States (-€123 million);
- A **commerce / volume impact** of +4.0% (excluding construction), with higher waste collection and treatment volumes in France (+4.3%) and in the Rest of the World (United States, Asia, Latin America and Australia) and a strong increase in hazardous waste volumes processed;
- A **positive price effect** of +1.6% (mainly in Latin America, the United Kingdom and Asia);
- The negative impact of r**ecyclate prices** (-1.4%), notably due to the fall in paper prices.

ENERGY

Energy revenue rose +8.8% at constant exchange rates compared with re-presented figures for the nine months ended September 30, 2017 (+8.5% at constant consolidation scope and exchange rates). This improvement can be explained by:

- A **commercial and volume effect** of +4.8% (excluding Construction), with higher energy volumes in Central Europe and Africa and the Middle East (ENOVA contract win) and the start-up of new contracts in Canada and in multi-utility industrial activities;
- A positive **price effect** (+1.9%) with a strong increase in heating and electricity prices in North America and Central Europe (Poland);
- A negative **weather impact** (-0.7%), particularly in Central Europe in the second quarter;
- A **consolidation scope** impact (+0.3%)

3 Subsequent events

None

4 Outlook

The Group's mid-term outlook is therefore as follows:

- **2018 (at constant exchange rates):**
  - ✓ Continuation of sustained revenue growth;
  - ✓ EBITDA growth greater than that of 2017;
  - ✓ More than €300 million in cost savings.
- **2019 (1):**
  - ✓ Continuation of revenue growth and full impact of cost savings;
  - ✓ EBITDA between €3.3 billion and €3.5 billion (excluding IFRIC 12), i.e. between €3.5 billion and €3.7 billion including IFRIC 12.
- Dividend growth in line with that of current net income.

(1) At constant exchange rates (based on rates at the end of 2016)

5 Appendices

5.1 RECONCILIATION OF 2017 REPORTED DATA WITH 2017 RE-PRESENTED DATA[(1)]

In €m	September 2017 published	IFRS 5 Adjustment[(3)]	IFRS 9 Adjustment	September 2017 represented
Revenue	18,221.0	-229.6	0,0	17,991.4
EBITDA	2,358.7	-47.0	-10.4	2,301.3
Current EBIT[(2)]	1,049.2	-14.5	-10.4	1,024.3
Operating income	905.4	-14.5	-10.4	880.5
Current net income - Group share	405.8	-2.8	-7.0	396.0
Gross industrial investments	-982	0	0	-982
Net free cash flow	-63	-26	0	-89
Net financial debt	-8,419	0	8	-8,411

(1) Unaudited figures
(2) Including the share of current net income of joint ventures and associates for the nine months ended September 30, 2017 re-presented.
(3) Figures for the nine months ended September 30, 2017 were re-presented accordingly to ensure comparability, following the reclassification of the Group's activities in Gabon in "Net income from discontinued operations" in accordance with IFRS 5

In €m	September 2017 published	IFRS 5 Adjustment	IFRS 9 Adjustment	September 2017 represented
France	4 036,8	0,0	0,0	4 036,8
Europe excluding France	6 103,8	0,0	0,0	6 103,8
Rest of the World	4 815,6	-229,6	0,0	4 585,9
Global businesses	3 240,0	0,0	0,0	3 240,0
Other	24,8	0,0	0,0	24,8
Revenue	18 221,0	-229,6	0,0	17 991,4

5.2 DEFINITIONS

The definitions of the financial indicators used by the Group are unchanged. These financial indicators are defined in Section 3.10.3 of the 2017 Registration Document.