VEOLIA ENVIRONNEMENT

Société anonyme with a share capital of €2,827,966,705

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Quarterly Financial Information for the three months ended March 31, 2019 Unaudited Figures

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1 Major events of the period

1.1 GENERAL CONTEXT

The Group's performance during the three months ended March 31, 2019 was marked mainly by:

- continued strong revenue growth: +4.8% at constant exchange rates to €6,785.3 million and +6.0% excluding the weather impact (+3.5% at constant scope and exchange rates, +4.7% at constant scope and exchange rate excluding weather impact)
- robust commercial momentum and continued good volumes in waste and water, price increase in services partly offset by negative weather impact at the beginning of the year :
  - Pursuit of improvement in France : +2.8% ; +5.4% in waste, +0.6 % in water
  - Sustained growth in Europe: +4.7% at constant exchange rates (+7.2% excluding weather impact)
  - Pursuit of strong growth in Rest of World (e.g. : China +10.9% at constant exchange rates)
- Strong Increase of EBITDA: €1,031[(1)] million: +4.0% at current exchange rate (+3.7% at constant exchange rates). Excluding IFRS 16 impacts EBITDA growth of 4.2% at constant exchange rates due to :
  - Continued revenue Growth: commercial momentum and continued good volumes in waste and water
  - €60 million of cost savings, ahead of schedule
  - Adverse weather impact of -2,4% on EBITDA
  - Negative price cost squeeze although improving versus the three month ended March 2018 due to better tariff indexations (-€21 million compared to -€28 million for Q1 2018)
  - limited impact of energy prices and recycled materials prices (-€8 million)
- Current EBIT of €484[(2)] million, up +4.6% at current exchange rate (+4.6% at constant exchange rates)
- Current net income of €209[(3)] million, up +7.0% at current exchange rate (+7.8% at constant exchange rates) and +13.8% excluding capital gains at current exchange rate.
- Net financial debt of €11,962 million including €1,743 million of IFRS 16 lease debt

(1) IFRS 16 impact on EBITDA of +€111 million as of March 31, 2019 and +€111 million as of March 31, 2018.

(2) IFRS 16 impact on Current EBIT of +€12 million as of March 31, 2019 and +€12 million as of March 31, 2018.

(3) IFRS 16 impact non-significant on current net income

1.2 CHANGES IN GROUP STRUCTURE

COMMERCIAL DEVELOPMENTS

For the first quarter of 2019, main commercial developments in the Group's traditional businesses were as follow:

- In municipal water, the Group won the water contract for the city of Nîmes in France (8-year contract worth €185 million), through its subsidiary Veolia Eau and the restart of desalination activities in Sydney, Australia (with an estimated annual revenue of €23 million).
- In water technology and networks business, the Group won the contracts for the construction of two desalination plants, Rabigh 3 and Al Dur, in the Middle East (total backlog of €283 million), through its subsidiary Veolia Water Technologies which continues refocusing on technology business.
- As part of its heating, cold and electricity production business (local loops of energy), the Group at the end of 2018 made the acquisition of two cogeneration units in Slovakia representing an estimated €50 million revenue over 2019, completed in 2019 by the acquisition of a gas-fired cogeneration heating power plant in Levice (Slovakia) with an estimated €32 million turnover for 2019.

During the first quarter, the Group also developed its activities in the following sectors:

- Hazardous waste: four Hazardous waste incineration plants under construction in China.
- Dry waste - Plastic recycling: the Group and Nestle signed a collaboration agreement to work on waste collection, sorting and recycling plastic material and concluded a partnership agreement to build and operate a recycling unit for the industrial company Danone Nutricia in the Netherlands. The Group also acquired through its subsidiary Veolia China Holding Ltd the plastic recycling company Huafei with four production plants in China.
- Industrial services: signature for a Lithium recycling facility as part of an EPC contract in Japan (€66 million backlog), signature of an energy efficiency contract with Coca Cola Femsa in Colombia (€29 million backlog).

ACQUISITIONS

- ❖ Levice (Slovakia)

In the three months period ended March 31, 2019, Veolia Slovenska acquired the entire share capital of Levice, a specialist in the production of heat from gas and co-generation in Slovakia, for a consideration of €75 million(1).

- ❖ Renascimento (Portugal)

In the three months period ended March 31, 2019, the Group acquired Renascimento, a waste processing and recycling company in Portugal for a consideration of €36 million (1).

- ❖ Huafei (China)

On January 28, 2019, Veolia China Holding Limited acquired 66% of the share capital of Huafei, a specialist in plastic recycling in China, for a consideration of €29 million (1).

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

DIVESTITURES

- Transdev Group

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

- Foshan (China)

As part of its asset rotation policy, the Group sold its entire stake in Foshan (landfill facility) through its subsidiary, Veolia Environmental Services China Ltd.

CHANGES IN BONDS OUTSTANDING

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

DIVIDEND PAYMENT

The Combined Shareholders' Meeting of April 18, 2019 set the dividend for fiscal year at €0.92 per share, an increase of +10% on 2017. The dividend will be paid in cash from May 16, 2019.

MANAGEMENT INCENTIVE PLAN

As part of the Group's compensation policy and the authorization granted by Veolia Environnement's Extraordinary Shareholders' Meeting of April 18, 2019 (15th resolution), the Board of Directors decided on April 30, 2019, on the proposal of its Compensation Committee, to grant performance shares (up to 0.04% of the Capital) to approximately 450 beneficiaries including senior executives, high-potential employees and key contributors to the Group. The definitive acquisition of these shares is subject to a condition of presence and performance, detailed in section 7.4.2 on page 414 of the 2018 Registration Document.

1.3 CHANGES IN GOVERNANCE

VEOLIA ENVIRONNEMENT COMBINED SHAREHOLDERS' MEETING OF APRIL 18, 2019

As part of the annual renewal of the Board of Directors, the Board of Directors' meeting of March 5, 2019 formally noted the expiry of the terms of office of five Directors (Mr. Louis Schweitzer, Mrs. Homeira Akbari, Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Baudouin Prot) at the end of the Shareholders' Meeting on April 18, 2019 and that Mrs. Homeira Akbari and Mr. Baudoin Prot did not seek the renewal of their terms of office at the end of this Shareholders' Meeting.

At the recommendation of the Nominations Committee, the Board of Directors' meeting of March 5, 2019 decided to recommend the renewal by the Combined General Meeting of April 18, 2019 of the terms of office as Director of Mr. Louis Schweitzer, Mrs. Maryse Aulagnon and Mrs. Clara Gaymard, for a period of four years expiring at the end of the 2023 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2022.

The Veolia Environnement Combined Shareholders' Meeting took place at the Maison de la Mutualité on Thursday, April 18, 2019, chaired by Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company. At the meeting, shareholders approved all the resolutions on the agenda.

In particular, the meeting renewed the term of office as director of Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Louis Schweitzer for a four-year period expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2022.

Furthermore, shareholders:

- approved the company financial statements and consolidated financial statements for fiscal year 2018;
- set the cash dividend for fiscal year 2018 at €0.92 per share. This dividend will go ex-dividend on May 14, 2019 and will be paid from May 16, 2019;
- renewed the term of office of KPMG SA as principal statutory auditor for a period of six fiscal years, expiring in 2025 at the end of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2024;
- approved the fixed and variable items of total compensation and advantages of all kind paid or due to Mr. Antoine Frérot by virtue of his mandate as Chairman and Chief Executive Officer, with respect to fiscal year 2018;
- approved the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2019;
- renewed all financial authorizations granted to the Board of Directors;
- authorized the Board of Directors to grant free and performance shares to employees of the Group and the corporate officers of the Company.

After this Combined General Meeting, Veolia Environnement's Board of Directors consists of thirteen directors, including two directors representing employees and five women (45.45%)(1);

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;
- Mr. Louis Schweitzer, Vice-Chairman;
- Mrs. Maryse Aulagnon, Senior Independent Director;
- Mr. Jacques Aschenbroich;
- Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse;
- Mrs. Isabelle Courville;
- Mrs. Clara Gaymard;
- Mrs. Marion Guillou;
- Mrs. Nathalie Rachou;

- Mr. Paolo Scaroni;
- Mr. Guillaume Texier;
- Mr. Pavel Páša, Director representing employees;
- Mr. Franck Le Roux, Director representing employees.

The four Board Committees are now comprised as follows:

- Accounts and Audit Committee: Mrs. Nathalie Rachou (Chairman), Mr. Guillaume Texier, Mr. Jacques Aschenbroich, Mrs. Isabelle Courville and Mr. Franck Le Roux (Director representing employees);

- Nominations Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon and Mr. Paolo Scaroni;

- Compensation Committee: Mrs. Maryse Aulagnon (Chairman), Mrs. Marion Guillou, Mr. Louis Schweitzer and Mr. Franck Le Roux (Director representing employees);

- Research, Innovation and Sustainable Development Committee: Mr. Jacques Aschenbroich (Chairman), Mrs. Isabelle Courville, Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

(1) **Excluding Directors representing employees** in accordance with Article L. 225-27-1 of the French Commercial Code (*Code de commerce*) and the AFEP-MEDEF Code.

2 Accounting and financial information

2.1 PREFACE

GABON

On February 18, 2019, Gabon and Veolia Africa signed a settlement agreement providing for the transfer of 51% of SEEG shares held by Veolia Africa to the Société de Patrimoine du Service public de l'eau potable, de l'énergie électrique et de l'assainissement, a company owned by Gabon, for a price of €45 million. Subject to the fulfillment of conditions precedent and the signature of the protocol by the SEEG, Gabon and the Group shall request the discontinuance of the pending proceeding before the ICSID and shall mutually and definitively release all claims and actions arising from the concession agreement terminated by Gabon.

On March 29, 2019, the ICSID noted the end of the arbitration proceeding between the Group and Gabon, enabling the implementation of the settlement agreement.

As of March 31, 2019, a portion of the transfer price has been paid for the SEEG shares for an amount of €4.5 million. The remaining €40.5 million is payable in six equal monthly installments from the month of May this year.

LITHUANIA

The Lithuanian operations were consolidated as discontinued operations (Vilnius contract) / held for sale (Litesko contract) in the 31 December 2018 accounts. The most recent exchanges during the first quarter of 2019 did not make it possible to implement a process involving the sale of these businesses. As a result, as at 31 March 2019, Litesko's assets and liabilities and the income statement of Vilnius and Litesko were reclassified as continued operations. This reclassification was the subject of a publication of restated financial statements in March 2018 in order to ensure comparability between periods.

CHANGE IN LEASE STANDARD

The Group applies the new lease standard, IFRS 16, with effect from January 1, 2019. The standard is applied using the full retrospective method (recalculation of the asset and the debt as if the standard had been applied from inception of the lease).

The adjustments resulting from the application of this standard in the income statement are significant, with an increase in EBITDA due to the cancellation of the lease expense, offset by an increase in depreciation in current EBIT and in interest (see Appendix, first quarter 2018 pro forma impact).

(in € millions)	*Q1 2018 re-presented excl. IFRS 16*	***IFRS 16 impact***	*Q1 2018 re-presented incl. IFRS 16*	*Q1 2019 excl. IFRS 16*	***Impact IFRS 16***	*Q1 2019 incl. IFRS 16*
Revenue	6 438		6 438	6 785		6 785
EBITDA	881	111	992	920	111	1 031
Current EBIT	450	12	462	472	12	484
Current net income - Group share	**195**	**1**	**196**	**208**	**1**	**209**
Net CAPEX (1)	(301)	(121)	(422)	(410)	(96)	(506)
Interests on IFRS 16 lease liabilities		(12)	(12)		(11)	(11)
Free Cash Flow	(395)	(17)	(412)	(535)	10	(525)
Net financial debt	**9 659**	**1 798**	**11 457**	**10 219**	**1 743**	**11 962**

(1) CAPEX in IFRS 16 represent the future rental fees (discounted) of new contracts signed over the period .

2.2 KEY FIGURES

(in € million)	*Three months ended March 31, 2018 published*	*Three-months ended March 31, 2018 re-presented (1)*	***Three months ended March 31, 2019***	*Δ*	*Δ at constant exchange rates*	*Δ at constant exchange rates (IFRS 16 excl.)*
Revenue	6,419	6,438	6,785	5.4%	4.8%	4.8%
EBITDA	876	992	1,031	4.0%	3.8%	4.2%
EBITDA margin	*13.6%*	*15.4%*	*15.2%*			
Current EBIT [2]	448	462	484	4.6%	4.6%	4.8%
Current net income - Group share	193	196	209	7.0%	7.8%	7.7%
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	164	167	190	13.8%	13.9%	13.8%
Industrial investments	(307)	(434)	(516)			
Net free cash flow [3]	(398)	(412)	(525)			
Net financial debt (including hybrid and lease debt)	(9,661)	(11,457)	(11,962)			
Net financial debt (excluding lease debt)	(9,661)	(9,659)	(10,219)			

The main foreign exchange impacts were as follows:

FX impacts for the three months ended March 31, 2019 (vs March 31, 2018 re-presented [1])	%	(in € million)
Revenue	0.6%	39
EBITDA	0.2%	2
Current EBIT	0.0%	0
Current net income	-0.8%	(2)
Net financial debt	-1.7%	(200)

(1) Adjustments to figures for the three months ended March 31, 2018 concern the application of IFRS 16 and the reclassification of Lithuania from discontinued operations to full consolidation in March 2018 re-presented.

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

(3) Net free cash flow corresponds to free cash flow from continuing operations, and is equal to the sum of EBITDA, dividends received, changes in operating working capital and operating cash flow from financing activities, less the net interest expense, net industrial investments, taxes paid, renewal expenses, restructuring costs and other non-current expenses.

GROUP CONSOLIDATED REVENUE

Group consolidated revenue for the three months ended March 31, 2019 increased 4.8% at constant exchange rates to €6,785.3 million, compared to re-presented €6,438.2 million for the three months ended March 31, 2018.

By segment, the change in revenue compared to re-presented figures for the three months ended March 31, 2018 breaks down as follows:

			Change 2018 / 2019		
(in € million)	*Three-months ended March 31, 2018 re-presented[(1)]*	***Three months ended March 31, 2019***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France	1,310.6	1,346.9	2.8%	2.8%	2.1%
Europe, excluding France	2,461.5	2,571.8	4.5%	4.7%	3.4%
Rest of the world	1,612.8	1,757.9	9.0%	6.6%	4.1%
Global businesses	1,045.7	1,101.9	5.4%	4.7%	4.5%
Other	7.7	6.7	-13.0%	-	-
Group	**6,438.2**	**6,785.3**	**5.4%**	**4.8%**	**3.5%**

(1) Adjustments to figures for the three months ended March 31, 2018 concern the application of IFRS 16 and the reclassification of Lithuania from discontinued operations to full consolidation in March 2018 re-presented.

– Revenue increased +2.8% in **France** at current exchange rate compared to re-presented figures for the three months ended March 31, 2018; water revenue increased +0.6% and waste revenue +5.4%:

  - Water revenue rose by +0.6% compared to re-presented figures for the three months ended March 31, 2018, impacted by better tariff indexation of +1.2% (compared to +0.6% for the three months ended March 31, 2018) and higher volumes sold (+1.1%);
  - Waste revenue improved +5.4% compared to re-presented figures for the three months ended March 31, 2018, mainly due to higher tariffs in waste (+2.3%) particularly in the Commercial and Industrial segment, an increase in volume (+1.9%), and a limited impact of lower recycled paper prices (-€4 million).

– **Europe excluding France** grew +4.7% at constant exchange rates compared to re-presented figures for the three months ended March 31, 2018, with solid momentum in the majority of regions:

  - in Central and Eastern Europe, revenue increased +4.6% at constant exchange rates compared to re-presented figures for the three months ended March 31, 2018, to €992.6 million. Growth was driven by:
    - in energy (+6.7% at constant exchange rates), higher prices and tariffs for energy sold, offset by an unfavorable weather impact (-€47 million),
    - in water, tariff increases mostly in Bulgaria and Romania, and good volumes (+3%);
  - in Northern Europe, revenue increased +2.7% at constant exchange rates compared to the re-presented prior-year period, to €717.0 million. Germany, the main contributor (€493.8 million), benefited from strong growth in waste volumes (+3.5%), offset by an unfavorable weather impact in

energy (-€13 million). Tuck-in activities (industrial services in Belgium and plastic recycling in the Netherlands) also contributed to revenue growth in the zone.

- in the United Kingdom/Ireland, revenue increased +5.6% at constant exchange rates to €562.1 million, due to numerous commercial wins and good volumes in waste with limited impact of recycled paper prices;

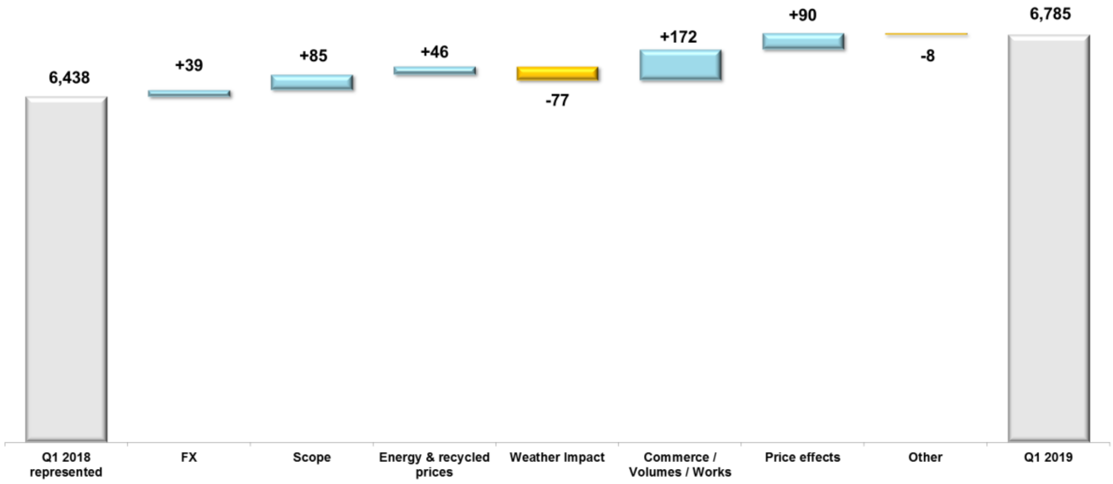
– Strong growth in the **Rest of the world** of +6.6% at constant exchange rates compared with re-presented figures for the three months ended March 31, 2018:

- strong revenue growth in Latin America (+29.2% at constant exchange rates): tariff increases and acquisition of Grupo Sala in Colombia in 2018;
- revenue in Asia increased by +7.1% at constant exchange rates. The area benefits from a strong revenue growth in China +10.9%, mainly due to the Waste business (hazardous waste incinerators, landfills in Hong Kong and D3E recycling) and higher heating fixed-priced sales (Harbin). Japan growth (up +5% at constant exchange rates) was fuelled by contract gains in municipal water which positively contributes to the strong development of the zone;
- revenue fell -1.4% at constant exchange rates to €539.2 million in North America, mainly due to the sale of the Industrial Services division in Q1 2018 (-€11 million) and a fall in energy revenue (weather impact of -€18 million, with lower volumes due to a mild winter), partially offset by favorable commercial impacts in energy, and increased activity in water (contract wins and higher tariffs) and in waste (increasing volumes in hazardous waste);
- the Pacific zone recorded +8.9% growth at constant exchange rates for the three months ended March 31, 2019, due to higher waste volumes processed and in water activity, the restart of the Sydney desalination plant;
- in Africa/Middle East, revenue increased +2.9% at constant exchange rates, with a growth fueled by new energy services contracts in the Middle East.

– **Global businesses:** revenue increased 4.7% at constant exchange rates versus the re-presented prior-year period:

- Hazardous waste activities increased by +8.9% at constant exchange rates with strong commercial momentum, prices and volumes increase and solid oil recycling business;
- Construction activities are up by +2.9% at constant exchange rates. Veolia Water Technologies backlog increased by +14% compared to December 31, 2018 to €2,019 million due to the signing of two contracts of desalination plant construction projects representing a cumulative revenue of €283 million. With an 8.5% increase in its revenue for the three month ended March 31, 2019 SADE benefits from a strong level of activity, especially in France.

The increase in revenue between 2018 and 2019 breaks down **by main impact** as follows:



The **foreign exchange impact** totaled +€39.4 million (+0.6% of revenue) and mainly reflects fluctuations in the US dollar (+€48.2 million), the pound sterling (+€16.0 million), the Japanese yen (+€7.8 million), the Argentine peso (-€33.2 million) and the Polish zloty (-€10.4 million).

The consolidation scope impact of +€85 million mainly relates to:

- developments in 2018: integration of Grupo Sala in Colombia (+€32 million), PPC industrial assets in Slovakia (+€16 million), HCI in Belgium (+€13 million) and divestiture of the Industrial Services division in the United States in February 2018 (-€11 million);
- 2019 transactions, including the acquisitions of Levice in Slovakia and Renascimento in Portugal.

Energy and recyclate prices (+€46 million) are linked to higher energy tariffs (+€53 million) in Europe (+€64 million due to sales in heat and electricity in Central Europe and Germany, higher electricity prices in the United Kingdom), offset by an unfavorable price effect in North America (-€13 million: lower electricity and natural gas prices) and a limited impact of lower recycled material prices in France, the United Kingdom and Germany (-€7 million compared to -€20 million for the three month ended March 31, 2018).

The **weather** impact is -€77 million (vs +€17 million in Q1 2018) and is particularly unfavorable in Central Europe (-€47 million), Germany (-€13 million) and North America (-€18 million).

Commercial momentum improved significantly (**Commerce/Volumes** impact) to +€172 million (compared to +€195 million in Q1 2018):

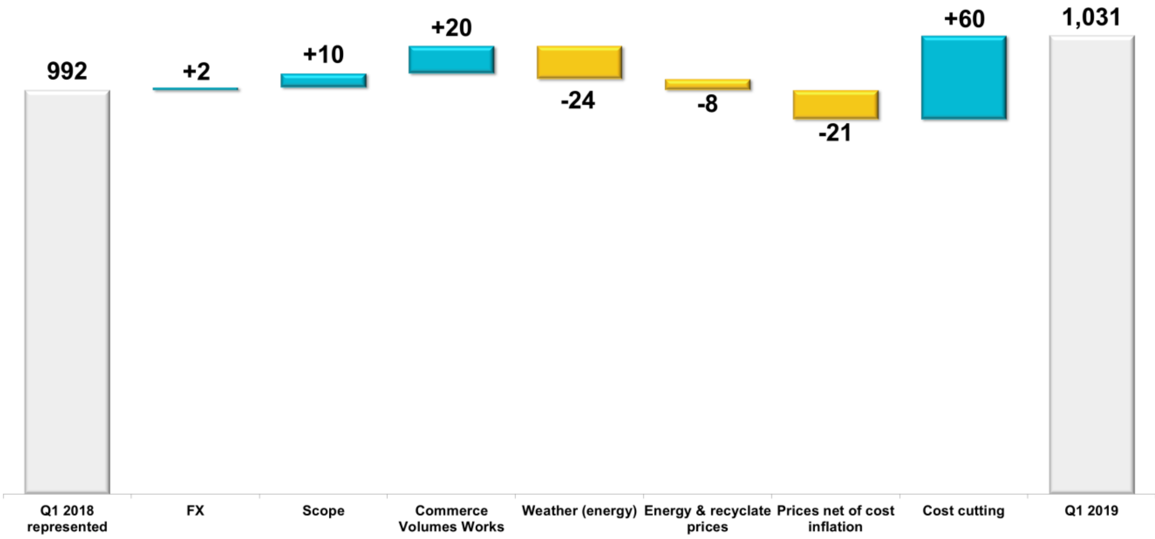
  - volume increase of +€92 million, in line with sustained volume growth in waste (+2.6%) and water (+1.1% in France, +3% in Central Europe);
  - a commercial impact of +€60 million, thanks to industrial and municipal contract wins in Waste in the United Kingdom, in water in Asia (particularly in Japan), and in hazardous waste and energy services in the Middle East;
  - construction activities contributed €20 million (€76 million in Q1 2018)

- Favorable **price effects** (+€90 million) are tied to tariff increases in waste (+2.7% notably in France, the United Kingdom, and Latin America) and in hazardous waste activities, and benefit from positive tariff indexations in Water (in France, Central Europe and Latin America).

EBITDA

Group consolidated EBITDA for the three months ended March 31, 2019 was €1,030.8 million, up 4.2% at constant exchange rates and excluding IFRS 16 impact (amount stable for Q1 2019 : +€111 million) compared with re-presented figures for Q1 2018.

The increase in EBITDA between 2018 and 2019 breaks down **by impact** as follows:



The **foreign exchange impact** on EBITDA was +€2.3 million and mainly reflects fluctuations in the US dollar (+€5.5 million), the pound sterling (+€2.6 million), the Japanese yen (+€0.7 million), the Argentine peso (-€4.0 million) and the Polish zloty (-€2.7 million).

The **consolidation scope impact** of +€10 million mainly relates to developments in 2019 and notably the integration of Levice industrial assets and Renascimento assets in Portugal, as well as the acquisitions of 2018 in Colombia (Grupo Sala), Slovakia (PPC), the disposal of ScvK and the contract evolution in North Bohemia.

Commerce and volume impacts totaled +€20 million, thanks to continued strong waste volumes and overall commercial dynamism.

The **weather impact** on EBITDA was highly unfavorable (-€24 million compared to +€3 million in the three month ended March 31, 2018), particularly in Central Europe (-€20 million), in Germany (-€4 million) and in North America (-€5 million). Weather effect was slightly favorable in China (+€5 million).

Energy and recyclate prices had a negative impact on EBITDA (-€8 million compared to -€13 million in the three month ended March 31, 2018): -€6 million in energy and a lower recycled paper prices (-€2 million).

Impact of the **price cost squeeze** was -€21 million, improving compared to -€28 million at March 31st 2018, thanks to higher tariff indexations in Water and Waste.

Cost savings plans contributed €60 million, slightly ahead of the €220 million annual objective. These savings mainly concern operating efficiency (53%) and purchasing (28%) and were achieved across all geographical zones: France (25%), Europe excluding France (26%), Rest of the world (29%), Global businesses (9%) and Corporate (11%).

CURRENT EBIT

Group consolidated current EBIT for the three months ended March 31, 2019 was €483.7 million, up 4.6% at constant exchange rates on the three months ended March 31, 2018 re-presented. EBITDA reconciles with current EBIT for the three months ended March 31, 2019 as follows:

(in € million)	*Three-months ended March 31, 2018 re-presented [(1)]*	***Three months ended March 31, 2019***
EBITDA	**991.5**	**1,030.8**
Renewal expenses	(68.5)	(68.0)
Depreciation and amortization [(2)]	(499.7)	(515.8)
Provisions, fair value adjustments & other [(3)]	2.1	13.8
Share of current net income of joint ventures and associates	37.1	22.9
Current EBIT	**462.5**	**483.7**

(1) Adjustments to figures for the three months ended March 31, 2018 concern the application of IFRS 16 and the reclassification of Lithuania from discontinued operations to full consolidation in March 2018 re-presented.

(2) Including principal payments on current operating financial assets (OFA) of -€22.6 million for the three months ended March 31, 2019 compared to -€31 million for the three months ended March 31, 2018.

(3) Including capital gain or loss on industrial divestitures for an amount of €2.6 million for the three months ended March 31, 2019 compared to €2.2 million for the three months ended March 31, 2018.

The improvement in current EBIT at constant exchange rates reflects:

- EBITDA growth;
- favorable fluctuation of net reversal of operating provisions (compared to the first quarter of 2018, which was marked by one-off charges in the United Kingdom and South Korea)

Offset by:

- the increase in depreciation and amortization charges at constant exchange rates (-€21.3 million or +4.6% compared to the three months ended March 31, 2018), in line with the development of the Group's activities and consolidation scope impacts;
- a decrease in the contribution of equity-accounted entities, following the recognition in 2018 of a gain on disposal in the United States (+€15.9 million capital gains) partially offset in 2019 by an increase of the contribution of Chinese equity accounted entities.

The foreign exchange impact on Current EBIT was neutral.

NET FINANCIAL EXPENSE

The **cost of net financial debt** totaled -€112.8 million for the three months ended March 31, 2019, compared to -€96.4 million for the three months ended March 31, 2018 re-presented. This unfavorable evolution is mainly due to the temporary impact for €5 million of the issue of a €750 million bond in January 2019 in anticipation of a bond redemption in April 2019.

Other financial income and expenses totaled -€22.1 million for the three months ended March 31, 2019, compared with -€18.5 million for the three months ended March 31, 2018 re-presented. These expenses include interest on concession liabilities (IFRIC 12) of -€20.2 million, interest on the IFRS 16 lease liabilities of -€10.8 million and the unwinding of discounts on provisions of -€8.9 million, stable compared to Q1 2018. This amount also includes capital gains or losses on financial divestitures of €18.3 million for the three months ended March 31, 2019, compared to €36.9 million for the three months ended March 31, 2018 re-presented. In 2019, capital gains on financial divestitures include the capital gain on the sale of the Foshan landfill in China.

INCOME TAX EXPENSE

The income tax expense for the three months ended March 31, 2019 amounted to -€77.8 million, compared to -€88.5 million for the re-presented prior-year period. The current income tax rate for the three months ended March 31, 2019 is 23.9%, compared to 28.5% for the three months ended March 31, 2018 re-presented.

CURRENT NET INCOME

Current net income attributable to owners of the Company increased 7.8% at constant exchange rates to €209.2 million for the three months ended March 31, 2019, compared to €195.5 million for the three months ended March 31, 2018 re-presented.

Excluding capital gains and losses on financial divestitures net of tax and minority interest, current net income attributable to owners of the Company increased 13.9% at constant exchange rates to €189.5 million for the three months ended March 31, 2019, compared to €166.5 million for the three months ended March 31, 2018 re-presented.

FINANCING

(in € million)	*Three-months ended March 31, 2018 re-presented* [1]	***Three months ended March 31, 2019***
EBITDA	**992**	**1,031**
Net industrial investments	(422)	(506)
Change in operating WCR	(797)	(759)
Dividends received from equity-accounted entities and joint ventures	55	21
Renewal expenses	(69)	(68)
Other non-current expenses and restructuring charges	(17)	(26)
Interest on concession liabilities (IFRIC 12)	(23)	(20)
Interest on lease liabilities (IFRS 16)	(12)	(11)
Financial items (current interest paid and operating cash flow from financing activities)	(101)	(115)
Taxes paid	(19)	(71)
Net free cash flow before dividend payment, financial investments and financial divestitures	**(412)**	**(525)**
Net financial debt at the beginning of the period	(9,624)	(11,485)
Net financial debt at the end of the period	**(11,457)**	**(11,962)**

(1) Adjustments to figures for the three months ended March 31, 2018 concern the application of IFRS 16 and the reclassification of Lithuania from discontinued operations to full consolidation in March 2018 re-presented

Net free cash flow (including IFRS 16) was -€525 million for the three months ended March 31, 2019, compared to -€412 million for the three months ended March 31, 2018 re-presented.

The year-on-year change in net free cash flow mainly reflects an increase in net industrial investments compared to the three months ended March 31, 2018 (-€84 million).

Overall, **net financial debt** is €11,962 million (€10,219 million excluding IFRS 16 impact), compared to €11,457 million as of March 31, 2018 (€9,659 million excluding IFRS 16 impact).

In addition to the change in net free cash flow, net financial debt was impacted by net financial acquisition of +€165 million (including the financial divesture of Transdev for €334 million) and the unfavorable exchange rate fluctuations totaling -€68 million in Q1 2019 (of which -€24 million attributable to Pound Sterling, -€15 million attributable to Hong Kong Dollar and -€10 million attributable to US Dollar). On the first quarter 2018, change in Net Financial Debt included hybrid redemption for -€1,452 million. Net financial debt is expected significantly below €12 billion at year end 2019 (before the potential divestiture of the DHN activity in the US)

2.3 REVENUE BY BUSINESS

(in € million)	Three-months ended March 31, 2018 re-presented (1)	Three months ended March 31, 2019	Change 2018 / 2019 Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Water	2,562.1	2,644.6	3.2%	1.8%	2.7%
Waste	2,268.4	2,443.4	7.7%	7.6%	5.0%
Energy	1,607.8	1,697.4	5.6%	5.6%	2.5%
Group	**6,438.2**	**6,785.3**	**5.4%**	**4.8%**	**3.5%**

(1) Adjustments to figures for the three months ended March 31, 2018 concern the application of IFRS 16 and the reclassification of Lithuania from discontinued operations to full consolidation in March 2018 re-presented

WATER

Water revenue increased by +1.8% at constant exchange rates and +2.7% at constant scope and exchange rates compared to re-presented figures for the three months ended March 31, 2018. This improvement can be explained as follows:

- a positive commerce / volume impact of +1.7%, due to commercial momentum in the Rest of the World (primarily Asia), higher volumes in France (+1.1%) and Central Europe (+3%);
- a positive price impact of +1.0% with higher tariffs notably in Central Europe and Latin America as well as better tariff indexation in France (+1.2% compared to +0.6% for the three months ended March 31, 2018);
- increased construction activity (+0.9%), with strong performance by SADE in France.

WASTE

Waste revenue rose +7.6% at constant exchange rates compared to re-presented figures for the three months ended March 31, 2018 (+5.0% at constant exchange rates), due to:

- a scope impact of +2.5% due to acquisitions in Northern Europe and Colombia (Grupo Sala);
- a commerce / volume impact of +2.6%, with higher processing and collection volumes in France, Europe excluding France and hazardous waste, as well as numerous commercial wins and renewals in the United Kingdom and in hazardous waste;
- a positive price effect of +2.7% (mainly in France, the United Kingdom, Latin America, Asia and in hazardous waste);
- the limited impact of lower recycled paper prices (-0.3%), particularly in Germany and the United Kingdom).
-

ENERGY

Energy revenue rose +5.6% at constant exchange rates compared with re-presented figures for the three months ended March 31, 2018 (+2.5% at constant consolidation scope and exchange rates). This improvement can be explained by:

- a positive price effect (+2.7%), with a strong increase in heating and electricity prices mainly in Central Europe;
- growth in commercial and construction volumes (+2.6%) mainly due to new energy efficiency contracts.
- a negative weather impact (i.e. -4%), particularly in Central Europe;

3 Subsequent events

Positive outcome of the US tax litigation

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

The IRS has recently informed Veolia that it will not pursue a challenge of the Worthless Stock Deduction, and has provided a revised revenue agent's report reflecting that decision on April 30 2019.

Consequently, the consumption of the deficit since 2006 and the deferred tax assets already recognized in our accounts, totalling $764 million, are no longer contested by the IRS. In addition, tax losses not yet recognised, i.e. a potential positive tax impact of up to USD 460 million in tax, may be progressively recognized if and to the extent the Group generates sufficient U.S. taxable income in the future to utilize these losses before they expire in 2026.

4 Outlook

Considering the solid start of the 2019 fiscal year, the Group confirms its outlook:

- 2019*:
  - ✓ Continuation of Revenue growth;
  - ✓ Cost savings of at least €220 million;
  - ✓ EBITDA between €3.5 billion and €3.6 billion and between €3.9billion and €4.0 billion including IFRS16 impacts
- Dividend growth in line with that of current net income.

(*) At constant exchange rates (based on rates at the end of 2018).

5 Appendices

5.1 RECONCILIATION OF 2019 PUBLISHED DATA WITH 2018 RE-PRESENTED DATA[1]

In €m	March 2018 published	IFRS 5 Adjustment[3]	IFRS 16 Adjustment	March 2018 represented
Revenue	6,419.4	18.8	-	6,438.2
EBITDA	875.5	5.1	110.9	991.5
Current EBIT (2)	448.2	2.1	12.1	462.5
Financial Result	(103.3)	(0.1)	(11.4)	(114.9)
Current net income - Group share	193.2	1.5	0.8	195.5
Gross industrial investments	(307)	(0)	(127)	(434)
Net free cash flow	(398)	3	(17)	(412)
Net financial debt	(9,661)	1	(1,798)	(11,457)

(1) Unaudited figures
(2) Including the share of current net income of joint ventures and associates for the three months ended March 31, 2018 re-presented.
(3) To ensure comparability, figures for the three months ended March 31, 2018 were re-presented to include the Lithuanian accounts presented in "Net income from discontinued operations" in 2018.

In €m	March 2018 published	IFRS 5 Adjustment	IFRS 16 Adjustment	March 2018 represented
France	1,310.6	0.0	0.0	1,310.6
Europe excluding France	2,442.7	18.8	0.0	2,461.5
Rest of the World	1,612.8	0.0	0.0	1,612.8
Global businesses	1,045.7	0.0	0.0	1,045.7
Other	7.7	0.0	0.0	7.7
Revenue	6,419.4	18.8	0.0	6,438.2

5.2 DEFINITIONS

No changes applied to the definition of financial indicators used by the Group. Definitions can be found in the 2018 Annual Report paragraph 3.10.3