Press Release

Paris, May 4, 2016

KEY FIGURES FOR THE QUARTER ENDED MARCH 31, 2016

(UNAUDITED IFRS FIGURES)

GOOD RESULTS GROWTH WITHIN A MACROECONOMIC ENVIRONMENT THAT REMAINS LACKLUSTER

ANNUAL OBJECTIVES CONFIRMED

- **REVENUE:**
  - **DOWN 1.7% AT CONSTANT SCOPE AND EXCHANGE RATES TO €6,089 MILLION**
  - **UP 1.6%[1] EXCLUDING IMPACT OF ENERGY PRICES (-€90 MILLION) & CONSTRUCTION (-€117 MILLION)**
- **EBITDA INCREASED 5.0%[1] TO €840 MILLION**
- **COST REDUCTIONS AMOUNTED TO €58 MILLION**
- **CURRENT EBIT IMPROVED 7.5%[1] TO €413 MILLION**
- **CURRENT NET INCOME AMOUNTED TO €173 MILLION, AN INCREASE OF 16% EXCLUDING CAPITAL GAINS**
- **NET FINANCIAL DEBT DECLINED €705 MILLION COMPARED TO MARCH END 2015 TO €8,265 MILLION**

Antoine Frérot, Veolia's Chairman and Chief Executive Officer declared: *"The 2016 fiscal year has started out on a satisfactory note with 5% growth in EBITDA and 16% growth in our current net income excluding capital gains. As evidence of improved operational management, our margins have also continued to improve. Revenue is down in the first quarter, mainly due to the impact of lower energy prices, but also related to our intent to accelerate the recovery in our construction business. Excluding these two elements, which had little impact on our profits, revenue increased by 1.6%. This good start to the year allows us to be confident in the achievement of our full year objectives."*

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[1] At constant scope and exchange rates

- **Revenue declined 3.4% (-1.7% at constant consolidation scope and exchange rates) from €6,305 million to €6,089 million in the first quarter of 2016. Excluding construction revenue and the impact of the decline in energy prices, revenue increased by 1.6% at constant consolidation scope and exchange rates.**

  Exchange rate movements negatively impacted first quarter revenue by €84 million, or -1.3%. The decline in energy prices also weighed on revenue to the tune of €90 million (-1.4%), while lower construction activity negatively impacted revenue by €117 million (or -1.9%).

  - In France, revenue was stable in Water, with flat volumes compared to the prior year and indexation of +0.2%. Regarding commercial development, the start of the Lille contract offset the impact of contract renegotiations. In the Waste business, revenue declined by 1%. The decline in scrap metal activity was partially offset by good performance in treatment activities (incineration and landfill). Overall, the France segment recorded quasi-stable revenue performance of -0.5% at constant consolidation scope compared to the prior year quarter.
  - Europe excluding France revenue declined slightly (-0.7% at constant consolidation scope and exchange rates) but increased 1.2% excluding the impact of lower energy prices and construction revenue. Central Europe revenue was stable, with a slightly favorable weather impact compared to 1Q 2015 for heating, good water volumes, and offset by the decline in energy prices as well as lower electricity volumes sold. Revenue in the United Kingdom was lower by 2.2% due to lower landfilled volumes, partially offset by the startup of the new incinerator in Leeds. Revenue in Germany was stable (-0.7%) with higher revenue in the Waste business (+4.3%), offset by the impact of lower energy prices.
  - Revenue in the Rest of the World segment declined by 2.5% at constant consolidation scope and exchange rates. Excluding the impact of energy prices and construction revenue, segment revenue increased 1.5%. Revenue in the United States fell 14.7%, penalized by a very mild winter and lower energy prices, as well as a challenging start to the year in industrial services. At constant consolidation scope and exchange rates, Latin America revenue grew 5.4%, Asia grew 2.6% and revenue in Africa and the Middle East increased 8.5% in particular due to higher electricity demand in Gabon.
  - The Global Businesses segment revenue fell 4.3% at constant consolidation scope and exchange rates, with strong growth in hazardous waste (+11.3% in the SARPI business), and a decline in engineering revenue (-6.4%) due to lower construction revenue related to the Sadara and Az Zour North contracts, as well as the cancellation of the Shell Carmon Creek project, and lastly due to lower revenue in the Sade business (-6.8%) due to a delay in international projects.
  - By business, and at constant consolidation scope and exchange rates, Water revenue declined 2.2%, with on one hand good activity in the concessions business and on the other hand a decline in revenue from construction activities. The Waste business recorded satisfactory revenue, with growth of 1.2%, while Energy revenue declined by 4.7% mainly due to the decline in energy prices.

- **Solid EBITDA improvement driven by cost reductions, with an increase of 3.0% (+5.0% at constant consolidation scope and exchange rates) from €816 million to €840 million in 1Q 2016.**
  - The unfavorable variation in exchange rates negatively impacted EBITDA growth by 1.4% (€11 million).
  - Cost savings contributed to EBITDA growth in the amount of €53 million, in particular due to purchasing savings and operational efficiency.
  - By segment: in France, EBITDA declined in the Water business given weak tariff indexation and further provisions related to the Brottes Law, as well as in Waste due to non recurring favorable

items in 1Q 2015. EBITDA in the Rest of Europe segment increased significantly due to cost savings and good performance in Central and Eastern Europe. Rest of the World EBITDA declined due to the impact of the mild winter in the US, partially offset by good performance in Asia.

- **Current EBIT increased 4.2% (+7.5% at constant consolidation scope and exchange rates) to €413 million in 1Q 2016 compared with €397 million in the prior year period.**
  - Growth in current EBIT was driven by the increase in EBITDA. The contribution of joint ventures and associates amounted to €17.4 million in 1Q 2016 compared with €22.4 million in the prior year period due to diverse scope and currency effects.

- **Current net income amounted to €173 million in 1Q 2016 a decrease of 18% compared to €212 million in 1Q 2015. Excluding capital gains, current net income increased 16%.**
  - Current net income in 1Q 2015 included €65 million in financial capital gains compared with only €3 million in 1Q 2016. Excluding these capital gains, growth in current net income was 16%. Current net income in 1Q 2016 includes €41 million in costs related to the application of IFRIC 21 compared with €43 million in 1Q 2015.

- **Net financial debt significantly improved to €8,265 million as of March 31, 2016, compared with €8,970 million as of March 31, 2015.**
  - Net financial debt amounted to €8,265 million, a significant decline compared to net financial debt at March 31, 2015 due to strong free cash flow generation over the prior 12 months. Net financial debt increased slightly from December 31, 2015 levels (€8,170 million), due to seasonality in working capital requirements, and includes a favorable exchange rate impact of €252 million.

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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*

- **Two main objectives for 2018**
  - Current net income greater than €800 million
  - Net Free Cash Flow of €1 billion

- **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

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

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QUARTERLY FINANCIAL INFORMATION FOR THE PERIOD ENDING MARCH 31, 2016

A] KEY FIGURES

Group results break down as follows:

(in € million)	**Three months ended March 31, 2016**	Three months ended March 31, 2015	Δ	Δ at constant consolidation scope & exchange rates
Revenue	6,089	6,305	-3.4%	-1.7%
EBITDA	840	816	3.0%	5.0%
EBITDA margin	*13.8%*	*12.9%*	*+90bp*	
Current EBIT [(1)]	413	397	4.2%	7.5%
Current net income – Group share	173	212	-18.4%	
Current net income – Group share, excluding capital gains and losses on financial disposals net of tax	170	147	16.0%	
Industrial investments	246	267		
Net free cash flow [(2)]	(343)	(317)		
Net financial debt	8,265	8,970		

(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.

B] INCOME STATEMENT

1. Revenue

Group consolidated revenue for the three months ended March 31, 2016 was €6,089 million, compared with €6,305 million for the same period in 2015, down -3.4% at current consolidation scope and exchange rates and -1.7% at constant consolidation scope and exchange rates (-2.1% at constant exchange rates).

Excluding the Construction business and the impact of energy prices, revenue increased +1.6% at constant consolidation scope and exchange rates.

The foreign exchange impact on revenue totaled -€84.1 million (-1.3% of revenue) and mainly reflects fluctuations in the value of the euro against the Argentine peso (-€21.0 million), the pound sterling (-€19.0 million), the Australian dollar (-€15.7 million), the US dollar (+€12 million), the Polish zloty (-€12.5 million) and the Brazilian real (-€7.6 million).

The consolidation scope impact was largely due to transactions performed in 2015: divestiture of the Group's activities in Israel (-€36.0 million), acquisition of Altergis in the Energy sector in France (+€14.5 million) and the divestiture of Waste activities in Poland (-€4.5 million).

The decrease in Construction revenue (-1.9%) was mainly due to application of a more selective growth strategy and the end of major projects at Veolia Water Technologies and lackluster activity levels in SADE.

Group revenue was affected by the decline in energy prices (-1.4%), primarily in the United States and to a lesser extent in Germany and Central Europe.

The positive commercial momentum (Commerce/Volumes impact) of +€98 million was due to:

- favorable weather conditions in Central Europe, tempered by a negative weather effect in the United States;
- the limited negative impact of contractual renegotiations in the Water business in France;
- the commissioning of the Leeds incinerator in the United Kingdom and of two cogeneration plants in Hungary;
- continued strong international performance (primarily in Asia and the Africa / Middle East region);
- the good momentum of hazardous waste activities.

1.1 Revenue by segment

Revenue (in € million)						
	Three months ended March 31, 2016	Three months ended March 31, 2015	Change 2015/2016	Internal growth	External growth	Foreign exchange impact
France	1,322.9	1,320.1	0.2%	-0.5%	0.7%	-
Europe excluding France	2,265.3	2,312.0	-2.0%	-0.7%	-0.2%	-1.1%
Rest of the World	1,426.1	1,509.6	-5.5%	-2.5%	-	-3.1%
Global businesses	1,067.7	1,111.9	-4.0%	-4.3%	1.3%	-1.0%
Other	6.8	51.2	-86.7%	2.2%	-88.8%	-
Group	**6,088.8**	**6,304.8**	**-3.4%**	**-1.7%**	**-0.4%**	**-1.3%**

❖ **France**

Revenue in France for the three months ended March 31, 2016 was €1,322.9 million, down -0.5% at constant consolidation scope compared to the prior year period.

- Water business revenue was stable at constant consolidation scope compared to the first three 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 and reduced Construction activity. Volumes sold for the three months ended March 31, 2016 were stable vs. the prior year period;
- Waste business revenue slipped -1.0% at constant consolidation scope. Despite the good level of incineration activities and landfill volumes, 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 metal).

❖ Europe excluding France

Revenue in the Europe excluding France segment for the three months ended March 31, 2016 amounted to €2,265.3 million, down -2.0% at current consolidation scope and exchange rates and -0.7% at constant consolidation scope and exchange rates compared to the prior year period.

Excluding the impact of Construction activities and energy prices, revenue increased +1.2% at constant consolidation scope and exchange rates.

This overall decrease breaks down as follows:

- Central Europe: revenue was stable. The increase in water volumes invoiced in the Czech Republic, the commissioning of two cogeneration plants in Hungary and favorable weather conditions in Lithuania and Poland were offset by the drop in electricity sales volumes and the decline in heating and electricity prices.
- United Kingdom and Ireland: revenue declined 2.3% at constant consolidation scope and exchange rates. Revenue was impacted by a decline in landfill volumes, despite the growth of commercial collection activities and the commissioning of the Leeds incinerator.
- Northern Europe: revenue increased +2.7% at constant consolidation scope and exchange rates, despite a slight downturn in Germany (-0.7% at constant consolidation scope) in line with the decrease in the price of gas and electricity, partially offset by an increase in gas volumes sold. The other Northern Europe countries reported an increase in revenue, driven by growth in recycling activities, construction activities in Benelux and new contracts in Sweden.
- Italy: Energy business revenue fell 7.9% at constant consolidation scope due to the restructuring of the commercial portfolio.

❖ Rest of the World

Revenue in the Rest of the World segment for the three months ended March 31, 2016 was €1,426.1 million, down 5.5% at current consolidation scope and exchange rates (-2.5% at constant consolidation scope and exchange rates) compared to the prior year period. Excluding the impact of Construction activities and energy prices, Rest of the World segment revenue increased +1.5% at constant consolidation scope and exchange rates.

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

- Latin America (+5.4% at constant consolidation scope and exchange rates) with growth driven particularly by Argentina (increase in volumes under the Buenos Aires contract accompanied by a price increase) and Mexico;
- Asia (+2.6% at constant consolidation scope and exchange rates), where revenue increased across most of the region with the exception of Singapore and India. In China, revenue grew 2.2% at constant consolidation scope and exchange rates, mainly in line with the increase in volumes sold in the Energy business (Harbin and Jiamusi heating networks) and despite a decrease in energy prices;
- Africa and the Middle East, where revenue growth (+8.5% at constant consolidation scope and exchange rates) was boosted by increased electricity sales in Gabon.

The strong revenue growth in the Rest of the World segment was tempered by a slump in North American revenue (-14.9% at constant consolidation scope and exchange rates), mainly due to a fall in energy prices, a drop in heating volumes sold (due to a very mild winter) and a decrease in industrial cleaning and industrial water activities.

❖ **Global businesses**

Revenue in the Global Businesses segment for the three months ended March 31, 2016 amounted to €1,067.7 million, down -4.0% at current consolidation scope and exchange rates (-4.3% at constant consolidation scope and exchange rates) compared to the prior year period.

Excluding the impact of Construction activities and energy prices, revenue increased +4.8% at constant consolidation scope and exchange rates.

This change mainly reflects:

- good growth in hazardous waste activities (+5.7% at constant consolidation scope and exchange rates), tied particularly to treatment and landfill activities and an increase in industrial clean-up services;
- a decrease in SADE construction activities outside France, with certain projects pushed back to the second quarter of 2016 (Jordan). The downturn in construction activity in France was offset by the strong performance of telecom activities;
- the completion of major Veolia Water Technologies projects (Sadara and Az Zour North) despite increased bookings.

1.2. Revenue by business

Revenue (in € million)						
	Three months ended March 31, 2016	Three months ended March 31, 2015	Change 2015/2016	Internal growth	External growth	Foreign exchange impact
Water	2,633.5	2,705.7	-2.7%	-2.2%	0.0%	-0.5%
Waste	2,012.1	2,077.1	-3.1%	+1.2%	-1.7%	-2.6%
Energy	1,443.2	1,522.0	-5.2%	-4.7%	+0.6%	-1.1%
Group	**6,088.8**	**6,304.8**	**-3.4%**	**-1.7%**	**-0.4%**	**-1.3%**

❖ **Water**

Water revenue declined 2.2% at constant consolidation scope and exchange rates for the three months ended March 31, 2016 compared to the prior year period. Excluding the impact of construction activities, Water revenue increased +2.6% at constant consolidation scope and exchange rates, reflecting:

- In France, the positive commercial impact of new contracts wins (Lille), which offset the unfavorable impact of contact renewals;
- An increase in volumes sold, primarily in Central and Eastern Europe ;
- Progressive downsizing of the construction activities at Veolia Water Technologies: revenue was impacted by the completion of the large Az Zour North and Sadara contracts in 2015.

❖ **Waste**

Waste revenue increased +1.2% at constant consolidation scope and exchange rates for the three months ended March 31, 2016 compared to the prior year period. This rise reflects:

- Positive volume impact +1.6%, and price impact +0.9%;

- Good resilience in France and in the United Kingdom, and good growth in Germany;
- Lower recycled raw material prices and volumes;
- Strong growth in hazardous waste activities (+5.7% at constant consolidation scope and exchange rates);
- Challenging environment in Industrial services in the United States.

❖ **Energy**

Energy revenue fell 4.7% at constant consolidation scope and exchange rates for the three months ended March 31, 2016 compared to the prior year period. Excluding the impact of the decline in energy prices, revenue increased +0.4% at constant consolidation scope and exchange rates. This change reflects:

- Overall slightly favorable weather impact of +0.5% (+€20 million in Europe, but -€13 million in the United States);
- Positive impact of the start up of cogeneration facilities in Hungary.

2. Other Income Statement Items

2.1 EBITDA

Group consolidated EBITDA for the three months ended March 31, 2016 was €840 million, up 3.0% at current consolidation scope and exchange rates and 5.0% at constant consolidation scope and exchange rates compared with the same period in 2015. EBITDA margin increased from 12.9% in the three months ended March 31, 2015 to 13.8% in the same period ended March 31, 2016.

This increase in EBITDA was mainly due to cost savings of €53 million over the first three months of 2016. The annual cost savings objective of €200 million is confirmed.

The foreign exchange impact on EBITDA was -€11.3 million and mainly reflects fluctuations in the value of the euro against South American currencies (-€4.0 million, primarily the Brazilian real and the Argentine peso), the Polish zloty (-€3.8 million) and the pound sterling (-€2.4 million).

The consolidation scope impact (-€5.4 million) mainly concerns the divestiture of Group activities in Israel (-€3.6 million).

The negative price impact reflects low tariff indexation net of the cost of inflation. Note that the decline in energy prices is neutralized at the EBITDA level due to savings realized on the purchase of fuel.

Cost-saving plans contributed €53 million to the increase in EBITDA, mainly with respect to purchasing and organizational efficiency.

By segment:

- **EBITDA declined in France**:
  - in the Water business, cost savings only partially offset the negative impact of price effects, net of inflation and the impairment of receivables pursuant to the Brottes law;
  - in the Waste business, cost savings and the fall in fuel prices were offset by the fall in the price of scrap metal and an unfavorable comparison effect due to non-recurring items in 2015.

- **Strong EBITDA growth in the Europe excluding France** segment, boosted by significant cost savings, the positive impact of commercial wins and the commissioning of assets (Leeds incinerator in the United Kingdom, cogeneration plants in Hungary, etc.), a positive weather effect in Central Europe and solid performance in Germany.

- The **Rest of the World segment** reported a downturn in EBITDA, due to lower activity levels in the United States.
  - United States: the municipal sector was impacted by the mild winter. Lower activity levels in the industrial sector were partially offset by significant productivity gains.
  - Continued strong performance in Asia.

- Conversely, **Global Businesses EBITDA** improved significantly, mainly thanks to growth in hazardous waste activities and to improved profitability of construction activities.

2.2 Current EBIT

Group consolidated Current EBIT for the three months ended March 31, 2016 amounted to €413 million, up by +4.2% at current consolidation scope and exchange rates and +7.5% at constant consolidation scope and exchange rates compared with the same period in 2015.

This increase in Current EBIT is mainly due to:
- an improvement in Group EBITDA, particularly in the Europe excluding France and Global Businesses segments;
- stable depreciation and amortization expense at constant exchange rates;
- a slightly favorable variation in the net charges to provisions, particularly for Construction activities in Latin America due to provision charges recognized in 2015.
- the slightly negative impact (change in consolidation scope and foreign exchange impact) of the contribution of equity-accounted entities.

The foreign exchange impact on Current EBIT was -€6.8 million and mainly reflects fluctuations in the value of the euro against South American currencies (-€3.4 million, including the Argentine peso) and the Polish zloty (-€2.8 million)

Reconciling items between EBITDA and Current EBIT for the three months ended March 31, 2016 and 2015 are as follows:

(in € million)	**Three months ended March 31, 2016**	Three months ended March 31, 2015
EBITDA	**840.3**	**815.9**
Renewal expenses	(67.4)	(65.0)
Depreciation & amortization (1)	(379.6)	(371.8)
Share of current net income of joint ventures and associates	17.4	22.4
Provisions, fair value adjustments & other:	2.5	(4.8)
- Current impairment of property, plant and equipment, intangible assets and operating financial assets	(4.8)	0.7
- Capital gains (losses) on industrial divestitures	5.3	4.4
- Net charges to operating provisions, fair value adjustments and other	2.0	(9.9)
Current EBIT	**413.2**	**396.7**

(1) Including principal payments on operating financial assets.

2.3 Current net income

Current net income attributable to owners of the Company fell to €173 million for the three months ended March 31, 2016 from €212 million for the same period in 2015.

Excluding capital gains and losses on financial divestitures net of tax, current net income attributable to owners of the Company rose 16.0% to €170 million from €147 million for the three months ended March 31, 2015.

C] FINANCING

(in € million)	**Three months ended March 31, 2016**	**Three months ended March 31, 2015**
EBITDA	**840**	**816**
Net industrial investments	(230)	(238)
Change in operating WCR	(730)	(660)
Dividends received from equity-accounted entities and joint ventures	3	7
Renewal expenses	(67)	(65)
Restructuring charges	(7)	(24)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(98)	(104)
Taxes paid	(54)	(49)
Net free cash flow before dividend payment, financial investments and financial divestitures	**(343)**	**(317)**
Opening Net financial debt	8,170	8,311
Closing Net financial debt	**8,265**	**8,970**

Net free cash flow was -€343 million for the three months ended March 31, 2016, compared with -€317 million for the same period in 2015.

The change in net free cash flow year-on-year mainly reflects:
- the improvement in EBITDA;
- solid industrial investment discipline, with the decrease primarily due to a reduction in maintenance expenditure in Poland;
- the decrease in restructuring charges;
- the negative impact of operating working capital requirements of -€730 million compared with -€660 million in the first three months of 2015, due to a more substantial seasonal effect in 2016 and numerous customer payments at the end of 2015.

Overall, net financial debt fell to €8,265 million, compared with €8,970 million as of March 31, 2015.

In addition to the change in net free cash flow, net financial debt was favorably impacted by exchange rate fluctuations in the amount of €252 million in the first three months of the year (€381 million compared to March 31, 2015). Net financial debt was also impacted by:

- an increase in financial investments, including the acquisition of Kurion in the amount of -€330 million on March 31, 2016 (including acquisition costs). Financial investments did not warrant any particular comment as of March 31, 2015;

- repayment of the Transdev Group intercompany loan in March 2016 in the amount of €345 million;

- a decrease in financial divestitures to €26 million in the three months ended March 31, 2016, mainly comprising the divestiture of a municipal water entity in China. In the three months ended March 31, 2015, financial divestitures totaled €299 million and included the divestiture of the Group's 40% stake in S.D.C PTE in Singapore (enterprise value of €47 million) and the divestiture of activities in Israel contributing to an overall reduction in net financial debt of €226 million.