

Press Release

Paris, November 7, 2018

KEY FIGURES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

(UNAUDITED IFRS FIGURES)

CONTINUATION OF SUSTAINED REVENUE GROWTH AND CLEAR ACCELERATION OF RESULTS PROGRESSION

- **REVENUE :**
 - €18,761M, +6.6%¹ FOR THE NINE MONTHS
 - +7.8%¹ IN THE THIRD QUARTER VS +6.0%¹ IN THE FIRST SEMESTER
- **EBITDA :**
 - €2,418M, +6.9%¹ FOR THE NINE MONTHS
 - +9.4%¹ IN THE THIRD QUARTER VS +5.8%¹ IN THE FIRST SEMESTER
- **€228M IN COST SAVINGS ACHIEVED DURING THE FIRST NINE MONTHS:**
 - €80M in Q3, after €78M in Q2 and €70M in Q1
- **CURRENT EBIT :**
 - €1,100M, GROWTH OF +9.8%¹
 - +18.4%¹ IN THE THIRD QUARTER VS + 6.8%¹ IN THE FIRST SEMESTER
- **CURRENT NET INCOME – GROUP SHARE: €457M, +20%¹ AND +18.1%¹ EXCLUDING CAPITAL GAINS**
- **2018 OBJECTIVES FULLY CONFIRMED**

Antoine Frérot, Chairman and CEO, indicated: “Veolia’s 9-month results are very satisfying. Revenue growth is sustained and solid, and provides operating leverage resulting in a growth in net current income of 20%¹ as of September 30. The third quarter was particularly good, with an acceleration of all of our operational indicators. Growth in revenue and income in the third quarter is the strongest performance since 2014: revenue is thus up by 7.8%¹, EBITDA is up 9.4%¹, and current EBIT up 18.4%¹. The Group’s growth is driven by our commercial dynamism and our continued strict discipline in terms of cost reduction. The cost savings achieved for the nine months are perfectly in line with our annual objective of €300M. The combination of these performances allows us to fully confirm our objectives and to be confident in our outlook for 2019.”

- **Group consolidated revenue was €18,761M compared to €17,991M represented in the first nine months of 2017, a growth of 4.3% at current exchange rates, of 6.6% at constant exchange rates, and of 4.7% at constant scope and exchange rates.**

¹ At constant exchange rates

Published date at current exchange rates for nine months: revenue up 4.3%, EBITDA up 5.1%, current EBIT up 7.4%, and current net income-group share up 15.5%, and 14.7% excluding capital gains.

Press Release

Paris, November 7, 2018

Veolia once again delivered strong revenue growth, +7.8% at constant exchange rates in Q3, after +5.1% in Q2, and +7.0% in Q1.

Exchange rate variation had an unfavorable impact of €419M on revenue as of September 30 (notably -€120 M coming from the weakening of the dollar, -€77M from the Argentinian peso, -€67M from the Australian dollar, and -€21M from the British pound). The impact was -€357M in the first half of the year, and was considerably reduced in Q3.

The scope effect was positive for €345M, principally the effect of small tuck in acquisitions completed in 2017.

The impact of energy prices (+€130M) and recycled materials (-€96M of which -€119M due to lower paper prices) totaled +€34M and is stable compared to June 30.

At constant exchange rates, the variances for the first 9 months were as follows:

- In France, activity increased slightly (+0.7%). Water revenue was stable (-0.1%) with price indexation of +0.7% and volume increase in Q3 thanks to a hot summer, but volumes were still down 0.7% at the end of September. Waste grew by 1.7% (after -0.7% at the end of June) thanks to good commercial momentum and excellent volumes (+4.3%), partially compensated by the decrease in recycled material prices.
- Europe excluding France grew by 7.0%. All regions exhibited growth. Central and Eastern Europe grew by 5.7% (4.1% at the end of June) in spite of unfavorable climate impact in Energy, thanks to the increase in energy prices, and in Water, to good volumes (+0.7%) and price increases. Northern Europe registered strong growth (+12.0%). Germany grew by 4.6% thanks to the good momentum in Waste activity. Benelux was up by 22.1% and the Scandinavian countries by 46.5%, with the impact of acquisitions made in 2017. UK/Ireland progressed by 3.8% thanks to high availability rates for the PFIs, good commercial wins with industrial customers, and electricity price increases.
- The Rest of the World continued to grow strongly with an increase of 12.9%. North America progressed by 4.4% (+13.1% in organic growth) in spite of the divestiture of Industrial Services, thanks to the strong performance of Energy in Q1, commercial successes (notably in Energy Efficiency and Industrial Water), and good volumes and prices in Waste. Latin America rose by 30.2% due to tariff increases, good commercial development, and the integration in May 2018 of the activities of Grupo Sala, a leader in hazardous and municipal waste in Colombia. Asia grew by 18.1%. China was up by 13.5% with strong growth in Waste (hazardous and recycling), and in Energy. Equally solid performances came from South Korea in Industrial Water and Japan with the startup of the Hamamatsu concession. The Pacific Zone grew by 13.2% thanks to the startup of new assets and targeted small acquisitions in Waste. Africa and Middle-East were up by 9.6% due to good performances in Energy services in the Middle-East.
- Global Businesses revenue increased by 4.6%, after being up 1.3% at the end of June. Hazardous Waste continued to exhibit strong growth (+9.5%) thanks to good commercial momentum, an increase in treated volumes, and good progression in oil recycling. Construction activity picked up in the third quarter, +3.2% at Veolia Water Technologies, whose backlog also grew (+4% annually, at €1,884M). SADE revenue was up by 20.1% in the 3rd Quarter with good performance in France.

At constant exchange rates and excluding the impacts from construction and Energy prices, revenue was up by 5.1 in Q3, following +5.3% in Q2 and +4.6% in Q1.

By activity, at constant exchange rates: Water revenue increased by 2.9%. Waste exhibited strong growth, +9.8% at the end of September, with excellent volumes, up by 4.0% (+3% in Q1, +4.9% in Q2, +4% in Q3). Energy was up by 8.8% thanks to very favorable commercial and volume impacts, and increases in

heating and electricity prices in North America and Central Europe, partially compensated by an unfavorable weather impact (-€25M) especially in Central Europe in Q2.

The Group once again delivered excellent commercial performance in the course of the first 9 months of the year, of note:

- In Water in France, Veolia won the wastewater concession for the metropolis of Bordeaux (7 year contract for €352M).
 - In Industrial markets, the Group won new contracts in Energy Efficiency, including Dow Dupont in Virginia (United States) and Arcelor Mittal at Fos-sur-Mer (€450M, 20-year contract).
 - Furthermore, the rate of renewal for expiring contracts remains very satisfactory in all of the Group's businesses.
- **EBITDA was up by 6.9% at constant exchange rates, at €2,418M compared to €2,301M for represented September 30 2017 (+5.1% at current exchange rates).**
- The exchange rate variation had a negative impact of -€41M on EBITDA, but was compensated by the scope effect of +€52M. .
 - At constant exchange rates, the combination of sustained revenue growth with the continuing high level of cost savings (€228M: €80M in Q3, €78M in Q2, and €70M in Q1) resulted in a 6.9% progression in EBITDA. Reintegrating Gabon, EBITDA growth would have been 4.7% at constant exchange rates. Energy and recycled material prices had an unfavorable impact of -€64M on EBITDA growth, including the squeeze effect on fuel prices and heating prices of -€20M in Q1 in Central Europe, the impact of lower paper prices of -€18M, and a diesel fuel price increase of -€22M.
 - EBITDA variances at constant exchange rates break down as follows: in France, EBITDA was stable, in line with revenue evolution. Water EBITDA grew thanks to the cost savings achieved. Waste showed a decline as a result of lower recycled paper prices. In Europe excluding France, EBITDA grew in spite of the price cost squeeze in Energy in Central and Eastern Europe. EBITDA in the Rest of the World is showing strong growth, driven by revenue growth. In Global Businesses, EBITDA rebounded, with continuing double-digit growth for Hazardous Waste and a clear improvement in construction in Q3 (Veolia Water Technologies and SADE).
- **Current EBIT increased by 9.8% at constant exchange rates, and reached €1,100M compared to €1,024M for represented September 30, 2017. (+7.4% at current exchange rates).**
- Exchange rate variation had a negative impact of -€25M on current EBIT
 - Current EBIT variation benefited from the growth in EBITDA. Depreciation (including principal repayment on operating financial assets) was stable at €1,233M compared to €1,227M for represented September 30, 2017. Provision reversals were down and the amount of provisions, fair-value adjustments, and gains on industrial disposals reached +€27M vs. +€75M for represented September 30, 2017. The contribution of equity-accounted joint ventures and associates to current net income increased by 13 M€ to 89 M€.
- **Current Net Income Group Share was €457M, compared to €396M for September 30, 2017 represented results, a 20% increase at constant exchange rates (and +18.1% at constant exchange rates and excluding capital gains).**

Press Release

Paris, November 7, 2018

- Cost of net financial debt was down, at -€301.3M (vs. -€311.8M) thanks to our active debt management policy and the reduction in the carrying cost of the cash. Other current financial expenses and income were -€110.7M compared to -€115.8M for September 30, 2017 represented.
- Capital gains on financial disposals were €30.6M vs. €14.7M for represented September 2017, mainly due to the divestiture of the Industrial Services activity in the United States.
- The current tax rate was stable at 24.3%.
- **Gross industrial capex** reached €1,134M (€982M at the end of September 2017), with stable maintenance investments (at €467M) and growth investments up from €516M to €667M, in line with the acceleration of commercial development.
- **Net Financial Debt was up on September 30, 2018 due to the reimbursement of the hybrid debt for €1,452M.**

Net financial debt reached €10,527M on September 2018; the increase vs. December 31, 2017 is due to:

- The reimbursement of the hybrid debt for €1,452M
- An unfavorable seasonal variation in working capital of €789M
- Net financial investments for €283M

Net financial debt will be significantly lower than €10 billion at the end of the year, before taking into account the divestiture of Transdev.

Adjusted for the hybrid debt reimbursement and considering the sale of Transdev, net financial debt should be at a level comparable to recent years.

- **Fully confirmed objectives**
 - 2018 (at constant exchange rates):
 - Continuation of sustained revenue growth
 - EBITDA growth greater than that of 2017
 - Cost reductions of more than €300M
 - 2019* :
 - Continuation of revenue growth and full effect of cost savings
 - EBITDA between €3.3bn and €3.5bn (excluding IFRIC 12), and between €3.5bn and €3.7bn including IFRIC 12
 - Dividend growth in line with that of current net income

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

Press Release

Paris, November 7, 2018

Veolia group is the global leader in optimized resource management. Present on the five continents and with close to 169 000 employees, 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, to preserve available resources, and to replenish them.

In 2017, the Veolia group supplied 96 million people with drinking water and 62 million people with wastewater service, produced nearly 55 million megawatt hours of energy and converted 47 million metric tons of waste into new materials and energy. Veolia Environnement (*listed on Paris Euronext: VIE*) recorded consolidated revenue of €25.12 billion in 2017 (USD 30.1 billion). www.veolia.com

Important disclaimer

Veolia Environnement is a corporation listed on the Euronext Paris. This press release contains “forward-looking statements” within the meaning of the provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside our control, including but not limited to: the risk of suffering reduced profits or losses as a result of intense competition requiring significant financial and human resources, the risk that changes in energy prices and taxes may reduce Veolia Environnement’s profits, the risk that governmental authorities could terminate or modify some of Veolia Environnement’s contracts, the risk that acquisitions may not provide the benefits that Veolia Environnement hopes to achieve, the risks related to customary provisions of divestiture transactions, the risk that Veolia Environnement’s compliance with environmental laws may become more costly in the future, the risk that currency exchange rate fluctuations may negatively affect Veolia Environnement’s financial results and the price of its shares, the risk that Veolia Environnement may incur environmental liability in connection with its past, present and future operations, as well as the other risks described in the documents Veolia Environnement has filed with the Autorités des

Marchés Financiers (French securities regulator). Veolia Environnement does not undertake, nor does it have any obligation to provide updates or to revise any forward looking statements. Investors and security holders may obtain from Veolia Environnement a free copy of documents it filed (www.veolia.com) with the Autorités des Marchés Financiers.

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

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FINANCIAL INFORMATION FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2018

A| 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. 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

Press Release

Paris, November 7, 2018

BJ 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	(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.

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

CJ INCOME STATEMENT

1. 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⁽²⁾ 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:

	Q1 2018	Q2 2018	Q3 2018
<i>Δ at constant exchange rates</i>			
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:

<i>(in € million)</i>	<i>Nine months ended September 30, 2017 re-presented</i>	<i>Nine months ended September 30, 2018</i>	<i>Change 2017 / 2018</i>		
			<i>Δ</i>	<i>Δ at constant exchange rates</i>	<i>Δ at constant scope and exchange rates</i>
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%

⁽²⁾ 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 recycle 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 recycle 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).
- **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:

- 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);
- 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).

Press Release

Paris, November 7, 2018

- 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.

By business, the change in revenue compared with re-presented September 30, 2017 breaks down as follows:

(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 **recyclate 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%)

2. 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 price squeeze, moderated by 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.

3. 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:

<i>(in € million)</i>	<i>Nine months ended September 30, 2017 re-presented</i>	<i>Nine months ended September 30, 2018</i>
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).

4. 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.

5. 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).

6. 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.

D] 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.

APPENDIX

Reconciliation of 2017 published data for the 9 months ended September 30, 2017 with represented data

(in €m)	30 September 2017 published	IFRS 5 Adjustement ⁽²⁾	IFRS 9 Adjustment	30 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 ⁽¹⁾	1,049.2	-14.5	-10.4	1,024.3
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) Including the re-presented share of current net income of joint ventures and associates for the three months ended September 30, 2017.

(2) Figures for the six months ended September, 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)	30 September 2017 published	IFRS 5 Adjustment	IFRS 9 Adjustment	30 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	4,815.5	-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
Total Revenue	18,221.0	-229.6	0,0	17,991.4