Press Release

Paris, February 25, 2016

STRONG INCREASE IN 2015 RESULTS[1], WHICH EXCEEDED OBJECTIVES

- **REVENUE INCREASED 4.5% (+1.4% AT CONSTANT EXCHANGE RATES) TO €24,965 MILLION, (-0.6% AT CONSTANT SCOPE AND EXCHANGE RATES[2])**
- **EBITDA GREW 11.3% (+8.1% AT CONSTANT EXCHANGE RATES) TO €2,997 MILLION (+5.3% AT CONSTANT SCOPE AND EXCHANGE RATES[2])**
- **CURRENT EBIT INCREASED 25.5% (+20.3% AT CONSTANT EXCHANGE RATES) TO €1,315 MILLION (+18.6% AT CONSTANT SCOPE AND EXCHANGE RATES[2])**
- **CURRENT NET INCOME IMPROVED BY 74% TO €580 MILLION**
- **SIGNIFICANT INCREASE IN NET FREE CASH FLOW TO €856 MILLION VERSUS PRO FORMA €314 MILLION IN 2014**
- **NET FINANCIAL DEBT DECLINED TO €8,170 MILLION, RESULTING IN A LEVERAGE RATIO OF 2.7x.**
- **PROPOSAL TO INCREASE THE DIVIDEND FOR THE 2015 FISCAL YEAR TO €0.73 PER SHARE, PAID IN CASH.**

2016 OUTLOOK: CONTINUED GROWTH IN CURRENT NET INCOME IN LINE WITH THE 2016-2018 PLAN

Antoine Frérot, Veolia's Chairman & Chief Executive Officer indicated*: "In a difficult economic environment, Veolia has once again demonstrated the relevance of its strategy, with results up sharply. The performance achieved throughout the 2015 fiscal year was particularly satisfying and exceeded the objectives we set for ourselves. The Group's margins substantially improved in 2015, current net income increased 74% and net free cash flow set a new record of €856 million. This excellent performance allows me to approach 2016 with confidence, despite an economic context that remains difficult. The Group's prior strategy which entirely focused on results improvement now allows the Group to increase investments and therefore to grow revenue. At the end of 2015, I presented our strategic growth plan for the 2016-2018 period. With a focus on profitable and sustainable growth in both our traditional markets and new industrial markets, the plan also reflects our continued optimization efforts. As a result, we target revenue of at least €27 billion and current net income of at least €800 million in 2018. The 2016 fiscal year should be in line with this trajectory.*

[1] Results are in process of being audited.
[2] On a pro forma a basis, i.e. excluding Dalkia France and including Dalkia International on a fully consolidated basis as of January 1, 2014.

- **Revenue for the year ended December 31, 2015 increased 4.5% to €24,965 million compared to GAAP re-presented[3] €23,880 million for the year ended December 31, 2014.**

  On a pro forma[4] basis, revenue increased 2.3% (but was down 0.6% at constant consolidation scope and exchange rates) versus €24,408 million in 2014. The foreign exchange impact on revenue amounted to €836 million, including €377 million related to the US dollar, €245 million related to the UK pound sterling and €81 million related to the Chinese yuan.

  - In 2015, at constant consolidation scope and exchange rates, Veolia's revenue was stable excluding the impact of the decline in energy and raw material prices (€120 million).

    Revenue was also impacted by lower construction revenue, which generates low margins, by €253 million, with the completion of the PFI construction program in the United Kingdom and the completion of certain large engineering projects in Asia and the Middle East.

  - In France, revenue declined 1.5% at constant consolidation scope, but the Y-Y trend continued to improve in the last quarter (Q1 -3.6%, Q2 -1.6%, Q3 -0.5%, Q4 -0.2%). Revenue in the Water business declined by 3.5% due to the impact of contract renegotiations (-€122 million), partially offset by weaker tariff indexation (+0.3% in 2015 versus +1.2% in 2014) and a 1.2% increase in volumes. Revenue in the Waste business improved by 1%, essentially due to commercial successes which offset the decline in landfill volumes.
  - Revenue in the Europe excluding France segment was down 1.2% at constant consolidation scope and exchange rates, but there again, an improvement in the Y-Y trend in Q4 was observed, with slight revenue growth (+0.2%). Central Europe revenue increased 1.8% at constant consolidation scope and exchange rates, while revenue in the United Kingdom declined by 3.1% at constant consolidation scope and exchange rates due to the impact of lower PFI construction revenue. Excluding construction activities, revenue in the UK was stable. In Germany, revenue fell 5.1% at constant consolidation scope and exchange rates due to the decline in waste volumes and the decline prices of energy sold.
  - The Rest of the World segment increased 3.5% at constant consolidation scope and exchange rates, with in particular good performance in Latin America (+12.8%), in China (+7.9%), the Pacific (+3.7%) and in Africa and the Middle East (+8.6%) and despite lower revenue (-4.6% at constant consolidation scope and exchange rates) in North America due to the decline in price of electricity and energy sold.
  - Global Businesses recorded a revenue decline of 3.3% at constant consolidation scope and exchange rates, with growth in hazardous waste (+2.2%) despite the unfavorable impact of the decline in recycled oil prices, while engineering activities (VWT) declined by 5.3% at constant consolidation scope and exchange rates due to the end of large contracts (Hong Kong, Az Zour North and Sadara).

  By business, and at constant consolidation scope and exchange rates, Water revenue declined by 1.7% to €11,348 million, Waste revenue recorded a 0.5% improvement to €8,692 million and Energy was stable (+0.1%), at €4,925 million.

  Veolia continues to rebalance its client mix, with industrial clients representing 44% of revenue at the end of 2015 versus 39% at the end of 2014.

[3] 2014 figures have been re-presented for the application of the IFRIC 21 standard
[4] Pro forma figures exclude Dalkia France and include Dalkia International on a fully consolidated basis as of January 1, 2014

- **EBITDA increased 11.3% (+8.1% at constant exchange rates) to €2,997 million compared to GAAP re-presented prior year figures.**
    - On a pro forma basis, EBITDA increased 5.3% at constant consolidation scope and exchange rates from €2,762 million in 2014. The foreign exchange impact contributed about €100 million to EBITDA growth in 2015.
    - EBITDA benefitted from continued cost saving efforts, which amounted to €223 million in 2015, and allowed the Group to absorb the negative €81 million impact of renegotiations in the Water business in France and the negative €30 million impact of lower recycled raw material prices.
    - By segment: EBITDA in France amounted to €816 million, compared with €837 million in 2014. French Water fell by 6.1% due to the impact of contract renegotiations while the Waste business recorded a 6.7% improvement due to cost reductions and favorable one-time items which amounted to €20 million. At constant consolidation scope and exchange rates, the Europe excluding France segment recorded a 9.1% increase in EBITDA to €1,104 million due to good performance in the United Kingdom and Central Europe. The Rest of the World segment EBITDA increased by 3.7%. Global Businesses EBITDA declined by 3.7%.

- **Current EBIT posted strong growth of 25.5% (+20.3% at constant exchange rates) to €1,315 million in 2015.**

  On a pro forma basis current EBIT increased 18.6% at constant exchange rates compared with €1,053 million in 2014. Current EBIT benefitted from a positive foreign exchange impact of €63 million.

  Current EBIT significantly improved in 2015 due to the combined impacts of:

    - The strong growth in EBITDA
    - The €62 million decline in depreciation and amortization charges at constant exchange rates, i.e by -4.4%
    - The significant improvement in the net income from joint ventures and associates of €30 million, essentially due to Chinese activities (+€31 million), and
    - The continued reversal balance of net charges to operating provisions at +€51 million in 2015 vs. +€2 million in 2014 related to provision reversals for Olivet contractual risks (+€27 million) and the removal of risks in France.

- **Current Net Income increased 74% from GAAP re-presented €333 million in 2014 to €580 million in 2015.**

  On a pro forma basis, growth in Current Net Income was 85% compared to €314 million in 2014.
    - The cost of net financial debt declined by €48 million despite the negative foreign exchange impact of €13 million.
    - The current tax rate declined to 28% compared with pro forma re-presented 36% in 2014.
    - Net income from non-controlling interests (current portion) increased slightly from pro forma €100 million to €110 million in 2015.
    - Net income attributable to shareholders of the company amounted to €450 million in 2015 compared with re-presented €242 million in 2014.

- **Net Free Cash Flow generation improved significantly from pro forma €314 million in 2014 to €856 million in 2015, which is an improvement of €542 million due to the strong growth in EBITDA, significant improvement in working capital requirements by year end and disciplined capital spending.**
    - Industrial investment levels remain restrained and were €1,484 million in 2015 compared with pro forma €1,568 million in 2014, representing 5.9% of revenue. At constant exchange rates, gross industrial investments declined by 9%. Maintenance and contractual investments amounted to €1,217 million in 2015 compared with €1,194 million in 2014. Discretionary growth investments declined from €374 million in 2014 to €267 million in 2015, due to the arrival at maturity of the PFI construction program in the United Kingdom.
    - Improvement in the variation of WCR compared to 2014 by €177 million due to continued strict cash management procedures as well as advances in the VWT business that were not utilized.

- **Net financial debt declined to €8,170 million at December 31, 2015 compared with €8,311 million at the end of 2014 due to the significant increase in net free cash flow and despite a negative foreign exchange impact of €445 million.**
    - **The leverage ratio was 2.7x at the end of 2015.**

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- **Dividend of €0.73 per share, to be paid 100% in cash in relation to the 2015 fiscal year versus €0.70 per share paid relative to the 2014 fiscal year.**
    - At the Annual General Shareholders Meeting to be held on April 21, 2016, Veolia's Board of Directors will propose a dividend payment of €0.73 per share in relation to the 2015 fiscal year, payable in cash. The ex-dividend date will be May 2, 2016. Dividend payment is expected to commence on May 4, 2016.
    - Beginning with 2016, the Board of Directors envisions average annual dividend growth of around 10% per year.

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In 2016, in the context of a deflationary environment and weak economic growth, Veolia expects to achieve significant current net income growth

- **2016 objectives***
  - Revenue and EBITDA growth
  - Net Free Cash Flow excluding financial divestitures 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

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Definitions of all financial indicators used in this press release can be found at the end of the document.

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

Important disclaimer

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

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

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FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015

1. Revenue

Revenue for the year ended December 31, 2015 increased by 4.5% at current consolidation scope and exchange rates and +1.4% at constant exchange rates, compared with GAAP figures for the year ended December 31, 2014.

On a pro forma basis, Group consolidated revenue increased 2.3% at current scope and exchange rates and -0.6% at constant scope and exchange rates to €24,964.8 million, compared with pro forma €24,408.4 million for the year ended December 31, 2014.
Revenue was stable in the fourth quarter of 2015 excluding Global Businesses, following a sharp improvement in the third quarter (+1.7% at constant scope and exchange rates versus -1.4% in the first quarter and -1.2% in the second quarter).

The municipal sector generated 56% of 2015 revenue (i.e. around €14 billion), and the industrial sector generated 44% (i.e. around €11 billion).

1.1. Revenue by segment

Revenue (€ million)						
	For the year December 31, 2015	For the year ended December 31, 2014 pro forma	2015/2014 change	Internal growth	External growth	Foreign exchange impact
France	5,471.5	5,553.1	-1.5%	-1.5%	0.0%	0.0%
Europe excluding France	8,574.7	8,475.0	+1.2%	-1.2%	-0.4%	+2.8%
Rest of the World	5,926.1	5,304.8	+11.7%	+3.5%	-0.5%	+8.7%
Global Businesses	4,881.0	4,867.1	+0.3%	-3.3%	+0.7%	+2.9%
Other	111.5	208.4	-46.5%	+2.6%	-49.3%	+0.2%
Group	**24,964.8**	**24,408.4**	**+2.3%**	**-0.6%**	**-0.5%**	**+3.4%**

Revenue trends break down as follows:

Pro forma changes At constant scope and exchange rates	Q1 2015	Q2 2015	Q3 2015	Q4 2015
France	-3.6%	-1.6%	-0.5%	-0.2%
Europe excluding France	-3.5%	-0.7%	-0.4%	+0.2%
Rest of the World	+2.4%	+4.5%	+7.7%	-0.2%
Global Businesses	+2.1%	-7.9%	-0.1%	-6.2%
Group	**-1.4%**	**-1.2%**	**+1.7%**	**-1.4%**
Group excluding Global Businesses	**-2.1%**	**+0.5%**	**+2.1%**	**-0.1%**

❖ **France**

Revenue in France for the year ended December 31, 2015 totaled €5,471.5 million, down -1.5% at a constant consolidation scope, compared with pro forma figures for the year ended December 31, 2014.

- Revenue in the Water business declined by -3.5% at both current and constant consolidation scopes compared with pro forma figures for the year ended December 31, 2014. The Water business was impacted by contractual erosion (relating to the loss of the Nice and Rennes contracts and the renewal of the Grand Lyon contract), and lower price indexation (+0.3% versus +1.2% in 2014), mitigated by higher volumes (+1.2%) due to more favorable weather.
- Revenue in the Waste business grew +1.0% at constant consolidation scope. Commercial wins, higher commercial collection tariffs and the solid momentum of incineration activities were partially offset by the decline in recycled raw material volumes and prices and municipal collection tariffs as well as the decrease in landfill volumes.

❖ **Europe excluding France**

Revenue in the Europe excluding France segment for the year ended December 31, 2015 increased 1.2% at current consolidation scope and exchange rates (-1.2% at constant consolidation scope and exchange rates) to €8,574.7 million compared with pro forma figures for the year ended December 31, 2014. Following Y-Y revenue declines in the first three quarters, revenue rose slightly in the fourth quarter at +0.2% at constant scope and exchange rates.

This change can be explained as follows:

- Central European countries: revenue increased by +1.8% at constant scope and exchange rates due to a rise in water volumes combined with price hikes in the Czech Republic, as well as higher electricity volumes sold in Poland and the Czech Republic.
- United Kingdom and Ireland: -2.7% decline in revenue at constant scope and exchange rates, in line with the decrease in PFI contract construction revenue (end of construction of the Staffordshire, Leeds and Shropshire facilities), despite rising commercial collection volumes, and recycled material volumes (mainly used cardboard).
- Germany: revenue fell by -5.1% at constant consolidation scope and exchange rates, following a decrease in gas and electricity volumes sold, lower energy prices (electricity, gas and heating) and a decrease in solid waste volumes. Following a dip in the first three quarters, revenue was nevertheless stable in the fourth quarter.
- Italy, where Energy revenue dropped by -8.5% at current consolidation scope and -8.9% at constant consolidation scope, due to the restructuring of the commercial portfolio.
- Other European countries: their revenue at constant scope and exchange rates improved, spurred by business growth, particularly in the Netherlands (development of industrial utility activities, plastics recycling and the refurbishment of a cogeneration plant) and Iberia (new energy efficiency contracts in Spain).

❖ **Rest of the World**

Revenue in the Rest of the World segment for the year ended December 31, 2015 increased +11.7% at current consolidation scope and exchange rates (+3.5% at constant consolidation scope and exchange rates) to €5,926.1 million compared with pro forma figures for the year ended December 31, 2014.

Revenue in the Rest of the World segment reflects solid growth in the following regions:

- In Latin America (+11.8% at current consolidation scope and exchange rates and +12.8% at constant consolidation scope and exchange rates), in particular, in Argentina (Buenos Aires contract), Brazil and Columbia due to higher prices;
- Revenue in Asia improved in most countries, with the exception of the Republic of Korea due to the end of an industrial contract. In China, revenue increased 24.8% at current scope and exchange rates (+7.9% at constant scope and exchange rates), primarily due to the increase in volumes sold in the Energy business (Jiamusi and Harbin heating networks) and the construction of hazardous waste incinerators. The industrial water market in China also improved, benefiting from new contract wins;
- In Africa and the Middle East, revenue growth (+12.9% at current scope and exchange rates and +8.6% at constant scope and exchange rates) was sustained by the improvement in water and electricity volumes in Morocco and Gabon and rising prices in Morocco.

This strong growth was moderated by the decline in North America revenue by -4.6% at constant scope and exchange rates (+12.5% at current scope and exchange rates), primarily due to falling electricity and energy sales prices in heating networks, partially offset by higher prices in the industrial and municipal water businesses.

Revenue in the Rest of the World segment slowed down in the fourth quarter of 2015, particularly in China and Latin America (Ecuador) due to the non-recurrence of certain construction contracts.

❖ **Global Businesses**

Revenue in the Global Businesses segment for the year ended December 31, 2015 increased +0.3% at current consolidation scope and exchange rates (-3.3% at constant consolidation scope and exchange rates) to €4,881.0 million compared with pro forma figures for the year ended December 31, 2014.

This increase was mainly due to:

- the decrease in SADE construction activity in France, particularly in the building and public works sector, and the postponement of international contracts (Jordan and Sri Lanka);
- project delays at Veolia Water Technologies and the end of Hong Kong Sludge construction. Revenue nevertheless benefited from good volumes in industrial solutions in Asia and Africa;
- the negative impact of recycled material prices in line with oil prices in the Hazardous Waste sector. Hazardous waste revenue improved however due to the solid performance of industrial services in France and the hazardous waste incinerator in Spain.

1.2. Revenue by business

Revenue (€ million)						
	Year ended December 31, 2015	Year ended December 31, 2014 pro forma	2015/2014 change	Internal growth	External growth	Foreign exchange impact
Water	11,347.7	11,235.3	+1.0%	-1.7%	-0.4%	+3.1%
Waste	8,692.0	8,436.2	+3.0%	+0.5%	-1.4%	+3.9%
Energy	4,925.1	4,736.9	+4.0%	+0.1%	+0.8%	+3.1%
Group	**24,964.8**	**24,408.4**	**+2.3%**	**-0.6%**	**-0.5%**	**+3.4%**

❖ **Water**

Revenue in the Water business declined slightly by -1.7% at constant scope and exchange rates compared with pro forma figures for the year ended December 31, 2014. This decline can be explained as follows:

- stable municipal revenue: the negative impact of contractual erosion in France was partially offset by good volumes in France and Central Europe;
- solid growth in the industrial sector, particularly in Asia;
- and a decline in construction activity: VWT revenue was impacted by the end of the Hong Kong Sludge contract and major Design and Build projects (Az Zour North and Sadara in 2014), and project delays due to falling oil prices. SADE activity in France was impacted by the lackluster building and public works market.

❖ **Waste**

Revenue in the Waste business improved by 0.5% at constant scope and exchange rates compared with pro forma figures for the year ended December 31, 2014. Activity was marked by the solid resilience of operations in a context of continued weak volumes:

The increase in Waste revenue was due to:

- solid commercial momentum, particularly in France, Great Britain and Latin America;
- ongoing construction of hazardous waste incinerators in China;
- growth in hazardous waste despite the fall in recycled oil prices in line with declining crude oil prices.

❖ **Energy**

Revenue in the Energy business was stable, +0.1% at a constant scope and exchange rates compared with pro forma figures for the year ended December 31, 2014, despite the decline in energy prices (offset in margins) and less favorable weather conditions.

The improvement in Energy revenue was also due to:

- higher volumes sold in China and Central Europe (Poland and the Czech Republic);
- ongoing restructuring of the contract portfolio in Italy.

2. Other income statement items

2.1. Selling, general and administrative expenses

Selling, general and administrative expenses impacting Current EBIT declined from pro forma €3,003.3 million for the year ended December 31, 2014 to €2,968.3 million for the year ended December 31, 2015, representing a decrease of -1.2% at current consolidation scope and exchange rates.
The ratio of selling, general and administrative expenses to revenue dropped from pro forma 12.3% for the year ended December 31, 2014 to 11.9% for the year ended December 31, 2015.

This decrease was due to the asset optimization policy and the cost reduction program implemented by the Group since 2012.

2.2. EBITDA

Changes in EBITDA by segment were as follows:

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP	*Pro forma 2015 / 2014 change at current scope and exchange rates*	*Pro forma 2015 / 2014 change at constant scope and exchange rates*
France	816.4	836.5	843.0	*-2.4%*	*-2.4%*
Europe excluding France	1,104.1	988.0	734.2	*11.7%*	*9.1%*
Rest of the World	805.0	707.3	686.0	*13.8%*	*3.7%*
Global Businesses	225.8	229.6	229.0	*-1.7%*	*-3.7%*
Other (*)	45.9	0.5	200.0	-	-
EBITDA	**2,997.2**	**2,761.9**	**2,692.2**	***8.5%***	***5.3%***
EBITDA margin	**12.0%**	**11.3%**	**11.3%**		

* The Other segment for the year ended December 31, 2014 in terms of GAAP figures essentially comprises the activities of Dalkia in France up to the date of unwinding on July 25, 2014.

2.3. Current EBIT

Changes in current EBIT by segment were as follows:

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP	*Pro forma 2015 / 2014 change at current scope and exchange rates*	*Pro forma 2015 / 2014 change at constant scope and exchange rates*
France	197.1	189.3	193.2	*4.1%*	*4.1%*
Europe excluding France	558.9	427.0	289.4	*30.9%*	*24.3%*
Rest of the World	465.9	349.2	339.6	*33.4%*	*19.9%*
Global Businesses	99.2	119.9	119.9	*-17.2%*	*-19.2%*
Other (*)	(5.9)	(32.6)	105.6	-	-
Current EBIT	**1,315.2**	**1 052.8**	**1,047.7**	***24.9%***	***18.6%***

* The Other segment for the year ended December 31, 2014 in terms of GAAP figures essentially comprises the activities of Dalkia in France up to the date of unwinding on July 25, 2014.

The reconciling items between EBITDA and Current EBIT for the years ended December 31, 2015 and 2014 are as follows:

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP
EBITDA	**2,997.2**	**2,761.9**	**2 692.2**
Renewal expenses	(278.4)	(263.4)	(318.7)
Depreciation & amortization [(1)]	(1,553.7)	(1,517.1)	(1,412.6)
Share of current net income of joint ventures and associates	98.7	68.6	93.1
Provisions, fair value adjustments & other:	51.4	2.8	(6.3)
- Current impairment of property, plant and equipment, intangible assets and operating financial assets	(28.3)	(19.8)	(19.7)
- Capital gains (losses) on industrial divestitures	4.3	1.9	7.1
- Net charges to operating provisions, fair value adjustments and other	75.4	20.7	6.3
Current EBIT	**1,315.2**	**1,052.8**	**1,047.7**

(1) Including principal payments on operating financial assets (OFAs) of -€173.1 million for the year ended December 31, 2015 and pro forma -€113.1 million for the year ended December 31, 2014.

Principal payments on operating financial assets (OFAs) increased, particularly in Waste in France, and Water in Korea.

Net depreciation and amortization charges declined by more than 4% at constant exchange rates compared to pro forma figures for the year ended December 31, 2014.

The share of current net income from joint ventures and associates was derived from the Chinese entities in the Water and Waste businesses in the amount of €44.8 million, versus €13.6 million for the year ended December 31, 2014, and UK entities (Water and Waste) in the amount of €15.9 million (€7.6 million for the year ended December 31, 2014). For the year ended December 31, 2014, in GAAP figures this line item included the net income of the Israeli entities sold on March 30, 2015 as well as the share of net income from Dalkia International entities.

The net impairment of property, plant and equipment, intangible assets and operating financial assets included in GAAP and pro forma current EBIT figures for the year ended December 31, 2014 primarily related to the Waste activities in the process of divestiture in Poland. For the year ended December 31, 2015, it included asset impairments for various risks, particularly in Hazardous Waste and in the United Kingdom.

Capital gains or losses on industrial divestitures for the year ended December 31, 2015 mainly involved transactions carried out by Water in France, as well as in Energy activities in Poland and Italy.

Net charges to operating provisions for the year ended December 31, 2015 included a provision reversal for the "Olivet" contracts in the Water activities in France and the removal of certain risks in France and Australia.
For the year ended December 31, 2014, net charges to operating provisions included an exceptional reversal of the pension provision recognized by Veolia Environnement for senior executives in the amount of €15 million.

2.4. Analysis of EBITDA and Current EBIT by segment

❖ **France**

in € million	**Year ended December 31, 2015**	For the year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP	Pro forma change at current scope and exchange rates	Pro forma change at constant scope and exchange rates
EBITDA	816.4	836.5	843.0	-2.4%	-2.4%
EBITDA margin	14.9%	15.1%	15.2%		
Current EBIT	197.1	189.3	193.2	4.1%	4.1%

Overall, EBITDA in the France segment declined slightly during the period

The decrease in EBITDA for the Water business in France was primarily due to the commercial erosion in the amount of -€81 million (renewal of the Grand Lyon contract, and loss of the Nice and Rennes contracts), partially offset by major cost cutting efforts in the amount of around €70 million. The favorable impact relating to the rise in volumes sold in the second half of 2015 was offset by the negative effects of price fluctuations (indexation decline to 0.3%).

In the Waste business, EBITDA improved due to revenue growth, the contribution of cost saving plans, the decrease in fuel prices and the impact arising from favorable one-off items, despite lower landfill volumes.

Current EBIT in France improved due to the decline in depreciation and amortization, and the favorable variation in net provision charges, particularly reversals of provisions for “Olivet” contractual risks as well as provisions for URSSAF social security risks.

❖ **Europe excluding France**

in € million	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP	Pro forma change at current scope and exchange rates	Pro forma change at constant scope and exchange rates
EBITDA	1,104.1	988.0	734.2	11.7%	9.1%
EBITDA margin	12.9%	11.7%	11.1%		
Current EBIT	558.9	427.0	289.4	30.9%	24.3%

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

- in the United Kingdom, due to the decrease in the price of fuel, and despite the negative impact of lower recycled material prices (scrap metal, glass).The ongoing turnaround in the UK commercial collection activity was nevertheless offset by the decline in the municipal collection activity;
- in Central Europe: EBITDA growth was particularly marked in Poland and Lithuania. This improvement was attributable to positive price impacts on energy purchases (coal, etc.)

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

EBITDA in Germany was stable, with cost savings offsetting the decline in volumes.

Current EBIT in the Europe excluding France segment increased due to the improvement in EBITDA, the decrease in depreciation and amortization charges, and the favorable variation in operating provisions.

❖ **Rest of the World**

in € million	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP	Pro forma change at current scope and exchange rates	Pro forma change at constant scope and exchange rates
EBITDA	805.0	707.3	686.0	13.8%	3.7%
EBITDA margin	13.6%	13.3%	13.4%		
Current EBIT	465.9	349.2	339.6	33.4%	19.9%

The increase in EBITDA in the Rest of the world segment mainly related to:

- The United States, as a result of the benefit from cost cutting plans, efficiency impacts in Energy services, and favorable price impacts in municipal and industrial water and hazardous waste activities, despite falling cogeneration margins;
- Latin America, due to the solid operating performance, particularly in Argentina (Buenos Aires contract win and price increases, and despite the negative impact arising from the end of a contract), and Brazil (positive impact of revised prices);
- China, which benefited from the ramp-up in Energy activities (favorable impacts on volumes relating to the development of heating network extensions, and coal prices), the development of industrial contracts in the Water business, and the positive contribution from cost savings plans;
- Singapore, in line with the increase in revenue and the collection of insurance compensation.

Current EBIT in the Rest of the World improved sharply, in line with the increase in EBITDA, and the significant rise in water concessions in China (for €31 million), recorded within the share of net income (loss) of joint ventures and associates.

❖ **Global Businesses**

in € million	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP	Pro forma change at current scope and exchange rates	Pro forma change at constant scope and exchange rates
EBITDA	225.8	229.6	229.0	-1.7%	-3.7%
EBITDA margin	4.6%	4.7%	4.7%		
Current EBIT	99.2	119.9	119.9	-17.2%	-19.2%

The EBITDA of Global businesses was impacted by the following items:

- Construction activities (VWT and SADE) were hindered by the contraction in activity from public markets in France and difficulties at certain international sites. The EBITDA of SADE improved however mainly due to the payment of an indemnity related to a site in Peru;
- In Hazardous Waste, activity was hindered by the fall in oil prices.

The Current EBIT of Global Businesses declined sharply due to the decrease in EBITDA and asset impairments in Hazardous Waste.

2.5. Net financial expenses

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP
Cost of net financial debt (1)	**(445.9)**	**(556.7)** (**)	**(543.9)**
Gains (losses) on disposals of financial assets (*)	59.5	63.1	544.7
Net gains / losses on loans and receivables	43.2	10.7	47.7
Net income (loss) on available-for-sale assets	3.0	3.8	2.3
Assets and liabilities at fair value through the consolidated income statement	-	-	-
Foreign exchange gains and losses	6.4	(2.6)	-
Unwinding of the discount on provisions	(39.0)	(46.0)	(45.3)
Other	(45.2)	(16.6)	(19.7)
Other financial income and expenses (2)	**27.9**	**12.4**	**530.5**
Net financial expenses (1)+(2)	**(418.0)**	**(544.3)**	**(13.4)**

(*) Including costs of disposal of financial assets for -€2.0 million for the year ended December 31, 2015 and -€7.5 million for the year ended December 31, 2014
(**) -€494.4 million excluding bond buyback costs in the amount of -€62.3 million

The financing rate dropped from pro forma 5.45% for the year ended December 31, 2014 (excluding 2014 bond buyback costs amounting to €62.3 million) to 5.0% for the year ended December 31, 2015.

The decline in the financing rate was primarily due to the impact of active debt management despite a negative foreign exchange impact.

Cost of net financial debt

The cost of net financial debt totaled -€445.9 million for the year ended December 31, 2015, versus pro forma -€494.4 million for the year ended December 31, 2014 excluding bond buyback costs for -€62.3 million (-€556.7 million including bond buyback costs).

The cost of net financial debt therefore decreased by €48.5 million versus the 2014 pro forma figure, despite a negative foreign exchange impact of €12.9 million.

The reduction in the cost of net financial debt reflects the Group's efforts to manage debt.

Other financial income and expenses

Other financial income and expenses totaled €27.9 million for the year ended December 31, 2015, versus pro forma €12.4 million for the year ended December 31, 2014.
Other financial income and expenses include the net capital gains and losses on disposal of financial assets in the amount of €59.5 million for the year ended December 31, 2015 (€52.5 million post-tax), and in particular the capital gain realized on

Group activities in Israel (€45.4 million before tax) and the capital gain of an equity-accounted entity in Singapore (€16.4 million) and a Chinese joint venture (€13.3 million).

Pro forma other financial income and expenses for the year ended December 31, 2014 included the proceeds from the sale of Marius Pedersen for €48.9 million.

2.6. Income tax expense

The income tax expense for the year ended December 31, 2015 amounted to -€199.5 million, compared with GAAP -€164.9 million and pro forma -€147.1 million for the year ended December 31, 2014.

The tax rate for the year ended December 31, 2015 declined and amounted to 28.0% (versus pro forma 35.6% for the year ended December 31, 2014) after adjustment for the impact of financial divestitures, and non-recurring items within net income of fully controlled entities and the share of net income of equity-accounted companies.

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma
Current income before tax (a)	**897**	**571**
Of which share of net income of joint ventures & associates (b)	99	69
Of which gains (losses) on disposals of financial assets (c)	60	63
Re-presented current income before tax: d=a-b-c	**738**	**439**
Tax expense on current income before tax (e)	**(207)**	**(156)**
Represented tax rate on current income (e) / (d)	**28.0%**	**35.6%**

The decrease in the represented tax rate was primarily attributable to the increase in net income in Central and Eastern European countries at low tax rates.

2.7. Share of net income of other equity-accounted entities

The net income of other equity-accounted entities (Transdev Group) totaled €45.9 million for the year ended December 31, 2015 (50% share), versus pro forma €11.5 million for the year ended December 31, 2014.

This sharp increase by Transdev Group was mainly due to the improvement in the main business lines in France and the growth in bus and tram activity in Australia, despite the difficulties encountered in the Transport on Demand activity in the United States and the costs relating to the launch of new products.

2.8. Current net income (loss) / Net income (loss) attributable to owners of the Company

<u>The share of net income attributable to non-controlling interests</u> was €101.1 million for the year ended December 31, 2015, compared with GAAP €83.8 million for the year ended December 31, 2014, and pro forma €75.0 million for the year ended December 31, 2014, due to the improvement in the Energy business in Poland and in China.

<u>Net income attributable to owners of the Company</u> amounted to €450.2 million for the year ended December 31, 2015, versus GAAP €241.8 million for the year ended December 31, 2014.

<u>Current net income attributable to owners of the Company</u> amounted to €580.1 million for the year ended December 31, 2015, versus GAAP €333.3 million for the year ended December 31, 2014.

Given the weighted average number of outstanding shares totaling €548.5 million for the year ended December 31, 2015 (basic and diluted) and €543.0 million for the year ended December 31, 2014 (basic and diluted), net earnings attributable to owners of the Company per share (basic and diluted) amounted to €0.69 for the year ended December 31, 2015, compared with GAAP €0.32 for the year ended December 31, 2014. Current net earnings attributable to owners of the Company per share (diluted and basic) amounted to €1.06 for the year ended December 31, 2015, versus GAAP €0.59 for the year ended December 31, 2014.

For the year ended December 31, 2015, net income (loss) attributable to owners of the Company breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	1,315.2	(192.4)	1,122.9
Cost of net financial debt	(445.9)	-	(445.9)
Other financial income and expenses	27.9	-	27.9
Pre-tax income	**897.3**	**(192.4)**	**704.9**
Income tax expense	(207.1)	7.6	(199.5)
Net income (loss) of other equity-accounted entities	-	45.9	45.9
Net income (loss) from discontinued operations	-	-	-
Non-controlling interests	(110.1)	9.0	(101.1)
Net income (loss) attributable to owners of the Company	**580.1**	**(129.9)**	**450.2**

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

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 pro forma	Year ended December 31, 2014 GAAP
Current EBIT	**1,315.2**	**1,052.8**	**1,047.7**
Impairment losses on goodwill and negative goodwill	(18.2)	(310.0)	(300.5)
Restructuring charges	(80.8)	(29.4)	(29.4)
Personnel costs - share-based payments	(10.7)	(1.2)	(1.2)
Non-current provisions and impairment of property, plant and equipment, intangible assets and operating financial assets	(78.7)	(197.9)	(202.3)
Share acquisition costs, with or without acquisition of control	(4.0)	-	-
Total non-current items	**(192.4)**	**(538.5)**	**(533.4)**
Operating income after share of net income of equity-accounted entities	**1,122.9**	**514.3**	**514.3**

Impairment losses on goodwill for the year ended December 31, 2015 mainly concern an equity-accounted water concession in China.

Restructuring charges for the year ended December 31, 2015 relate to Water activities in France in the amount of -€26.5 million, and Global Businesses in the amount of -€28.3 million.

Non-current impairment of assets involved the Group’s activities in Central Europe.

For the year ended December 31, 2014 in terms of GAAP figures, net income (loss) attributable to owners of the Company breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	1,047.7	(533.4)	514.3
Cost of net financial debt	(481.6)	(62.3)	(543.9)
Other financial income and expenses	50.9	479.6	530.5
Pre-tax income	**617.0**	**(116.1)**	**500.9**
Income tax expense	(162.3)	(2.6)	(164.9)
Net income (loss) of other equity-accounted entities	-	11.5	11.5
Net income (loss) from discontinued operations	-	(21.9)	(21.9)
Non-controlling interests	(121.4)	37.6	(83.8)
Net income (loss) attributable to owners of the Company	**333.3**	**(91.5)**	**241.8**

For the year ended December 31, 2014 in terms of pro forma figures, net income (loss) attributable to owners of the Company breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	1,052.8	(538.5)	514.3
Cost of net financial debt	(494.4)	(62.3)	(556.7)
Other financial income and expenses	12.4	-	12.4
Pre-tax income	**570.8**	**(600.8)**	**(30.0)**
Income tax expense	(156.2)	9.1	(147.1)
Net income (loss) of other equity-accounted entities	-	11.5	11.5
Net income (loss) from discontinued operations	-	7.4	7.4
Non-controlling interests	(100.4)	25.4	(75.0)
Net income (loss) attributable to owners of the Company	**314.2**	**(547.4)**	**(233.2)**

3. Evolution of net free cash-flow and net financial debt

The following table summarizes the change in net financial debt and net free cash flow:

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 GAAP (*)	Year ended December 31, 2014 Pro forma
EBITDA	**2,997.2**	**2,692.2**	**2,761.9**
Net industrial investments	(1,378.6)	(1,469.8)	(1,504.2)
Change in operating WCR	203.3	68.7	26.5
Dividends received from equity-accounted entities and joint ventures	90.1	78.8	84.9
Renewal expenses	(278.4)	(318.7)	(263.4)
Restructuring charges	(150.1)	(78.5)	(78.5)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(403.2)	(445.5)	(490.2)
Taxes paid	(223.9)	(218.1)	(222.8)
Net free cash flow before dividend payment, financial investments and financial divestitures	**856.4**	**309.1**	**314.3**
Dividends paid	(582.7)	(329.6)	
Net financial investments	118.2	514.6	
Change in receivables and other financial assets	139.7	134.7	
VE capital increase (excluding per share dividend distribution)	12.2	5.8	
Issue / repayment of deeply subordinated securities	-	-	
Free cash flow	**543.8**	**634.5**	
Effect of foreign exchange rate movements and other	(402.4)	(501.2)	
Change	**141.4**	**133.3**	
Opening Net financial debt	(8,311.1)	(8,444.4)	
Closing Net financial debt	**(8,169.7)**	**(8,311.1)**	

(*): including fully consolidated Dalkia France and equity-accounted Dalkia International in the first half of 2014

Net free cash flow amounted to €856 million for the year ended December 31, 2015 (versus GAAP €309 million for the year ended December 31, 2014).

The increase in net free cash flow compared with GAAP figures for the year ended December 31, 2014 primarily reflects the improvement in EBITDA, solid industrial investment discipline, the favorable change in operating working capital requirements, lower financing costs, partially offset by higher restructuring charges.

3.1. Industrial and financial investments

3.1.1. Group investment policy

Veolia Environnement's investment strategy seeks to defend the Group's strong positions in creditworthy geographic areas with significant environmental demands and to develop the Group's positions in high-growth markets, particularly with industrial clients. Besides these qualitative attributes, quantitative profitability measures are also taken into account relative to the Group's investment choices (primarily internal rate of return, time-weighted return on investment and return on capital employed) are taken into consideration.

The Group makes certain growth investments (discretionary financial and industrial growth investments) corresponding to new projects (which could be multi-year in terms of the investment program) that generate additional cash flow. Veolia Environnement also makes financial investments in companies dedicated to contracts, particularly as part of privatizations and targeted acquisitions.

The Group also carries out industrial investments related to maintenance and contractually required investments that result in the renewal and/or maintenance of existing infrastructures so as to extend their lifespan or improve efficiency.

In both cases, industrial investments are spread over a large number of entities and are subject to budget authorizations. The most significant investments are carefully reviewed by the Investment Committee in order to ensure they comply with the Group's standards of profitability, financial structure and risk.

3.1.2. Industrial investments by segment

Considering the economic environment, the Group applied a selective investment policy in 2015, without compromising industrial investments that are contractually required or necessary to maintain industrial equipment.

Total Group gross industrial investments, including new operating financial assets, amounted to €1,484 million in 2015, compared with GAAP €1,533 million in 2014, and pro forma €1,568 million in 2014.

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

Year ended December 31, 2015 *(in € million)*	Maintenance and contractual requirements	Discretionary growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	295	18	313	(35)	278
Europe excluding France	469	163	632	(38)	594
Rest of the World	307	81	388	(25)	363
Global Businesses	124	4	128	(6)	122
Other	22	1	23	(1)	21
Total industrial investments	**1,217**	**267**	**1,484** [(1)]	**(105)**	**1,379**

(1) Of which new OFA in the amount of €120 million

Year ended December 31, 2014 GAAP *(in € million)*	Maintenance and contractual requirements	Discretionary growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	280	16	296	(22)	274
Europe excluding France	392	205	597	(23)	574
Rest of the World	274	126	400	(7)	393
Global Businesses	107	24	131	(9)	122
Other	109	-	109	(2)	107
Total industrial investments	**1,162**	**371**	**1,533** (2)	**(63)**	**1,470**

(2) Of which new OFA in the amount of €148 million

Year ended December 31, 2014 pro forma *(in € million)*	Maintenance and contractual requirements	Discretionary growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	280	16	296	(19)	277
Europe excluding France	468	222	690	(24)	666
Rest of the World	300	112	412	(8)	404
Global Businesses	107	24	131	(9)	122
Other	39	-	39	(4)	35
Total industrial investments	**1,194**	**374**	**1,568** (3)	**(64)**	**1,504**

(3) Of which new OFA in the amount of €153 million

At constant exchange rates, gross industrial investments declined by €141 million or 9% compared to pro forma figures for the year ended December 31, 2014

Industrial investments for maintenance and contractual requirements totaled €1,217 million, versus pro forma €1,194 million for the year ended December 31, 2014.

Discretionary growth industrial investments decreased by €107 million compared to December 31, 2014 in terms of pro forma figures, particularly in the United Kingdom (in line with the completion of the construction of the incinerators in Staffordshire and Shropshire in 2014 and Leeds in 2015), and China (construction of incinerators and projects in industrial water in 2014).

3.1.3. Financial investments and divestitures

Financial investments and divestitures for the years ended December 31, 2015 and 2014 break down as follows:

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 GAAP
Financial investments [1]	**(269.7)**	**(212.1)**
Purchase of minority stake in Water in Central & Eastern Europe	(85.9)	(90.9)
Purchase of IFC and PROPARCO minority stakes in Africa and the Middle East	-	(34.8)
Acquisition of Kendall Green Energy Holding LLC in the United States	-	(19.7)
Purchase of Such-Dalkia minority stake with acquisition of control	-	(21.3)
GESNOB transaction in Italy Energy	(18.8)	
Acquisition of BWI (Csatorna transaction)	(42.7)	-
Acquisition of Altergis in France	(27.0)	-
Other	(95.3)	(45.4)
Financial divestitures [2]	**387.9**	**726.7**
Divestiture of Marius Pedersen	**-**	240.2
Total impact of the Dalkia unwinding	-	372.5
Sale of VES Matières Résiduelles assets to Transforce	-	18.6
Collection in Q3 2014 of the credit note on the divestiture of Norway in 2011	-	35.5
Divestiture of the Group's activities in Israel	231.5	-
Divestiture of Changle (China)	46.2	-
Divestiture of a stake in Singapore	47.0	-
Other	63.2	59.9
Net financial investments	**118.2**	**514.6**

[1] including acquisition costs
[2] including divestiture costs

The most significant external growth financial investments over the past two fiscal years were as follows:

- in 2014: following the completion of the unwinding of Dalkia, Energy activities outside of France (Dalkia International) were taken over by the Group, while EDF took over all of the Energy activities in France, under the Dalkia brand.
  The completion of these transactions on July 25, 2014 led to a cash payment to EDF to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities.

- in 2015, the Group did not carry out any major external growth investments.

3.2. Operating working capital

The change in operating working capital requirements (excluding discontinued operations) totaled +€203.3 million for the year ended December 31, 2015, compared to GAAP +€68.7 million for the year ended December 31, 2014.
This variation resulted mainly from better than expected cash receipts from clients related to concession and construction activities.

3.3. Loans to joint ventures

The change in receivables and other financial assets was primarily due to the reimbursement by Transdev Group of a portion of its shareholder loan in the amount of €119.9 million in 2015.

Loans to joint ventures totaled €509.9 million for the year ended December 31, 2015, versus €619.3 million for the year ended December 31, 2014 and mainly concerned loans to Transdev Group for €345.4 million (€465.3 million for the year ended December 31, 2014) and Chinese concessions for €116.0 million (€90.4 million for the year ended December 31, 2014).

3.4. External financing

3.4.1. Structure of net financial debt

(in € million)	**As of December 31, 2015**	As of December 31, 2014
Non-current borrowings	8,022.3	8,324.5
Current borrowings	4,000.1	3,003.1
Bank overdrafts and other cash position items	318,6	216.4
Sub-total borrowings	**12,341.0**	**11,544.0**
Cash and cash equivalents	(4,176.3)	(3,148.4)
Fair value gains (losses) on hedge derivatives	5,0	(84.5)
Net financial debt	**8,169.7**	**8,311.1**

For the year ended December 31, 2015, net financial debt after hedging was borrowed at 95% fixed rates and 5% variable rates.

The average maturity of net financial debt was 8.8 years for the year ended December 31, 2015 compared with 9.0 years for the year ended December 2014.

The leverage ratio for the year ended December 31, 2015, i.e. the ratio of closing Net Financial Debt (NFD) to EBITDA, decreased compared to December 31, 2014:

	As of December 31, 2015	As of December 31, 2014 (GAAP scope**)**
Leverage ratio *(closing NFD / EBITDA)*	2.7	3.1
Leverage ratio incl. renewal expenses *(closing NFD / EBITDA including renewal expenses)*	3.0	3.5

3.4.2. Group liquidity position

Liquid assets of the Group as of December 31, 2015 break down as follows:

(in € million)	**As of December 31, 2015**	As of December 31, 2014
Veolia Environnement:		
Undrawn syndicated loan facility	3,000.0	2,962.5
Undrawn MT bilateral credit lines	925.0	350.0
Undrawn ST bilateral credit lines	-	625.0
Letter of credit facility	49.3	190.7
Cash and cash equivalents	3,297.6	2,302.0
Subsidiaries:		
Cash and cash equivalents	878.7	846.6
Total liquid assets	**8,150.6**	**7,276.8**
Current debt, bank overdrafts and other cash position items		
Current debt	4,000.1	3,003.1
Bank overdrafts and other cash position items	318.6	216.4
Total current debt, bank overdrafts and other cash position items	**4,318.7**	**3,219.5**
Total liquid assets net of current debt and bank overdrafts and other cash position items	**3,831.9**	**4,057.3**

The decrease in net liquid assets mainly reflects the repayment of the inflation-indexed bond in June 2015 for a nominal amount of €1.0 billion, partially offset by the issue of a floating-rate bond in November for a nominal amount of €350 million as part of a private placement with French institutional investors, and the issue of commercial paper

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

Undrawn medium-term syndicated loan facilities

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

This syndicated loan facility was not drawn down as of December 31, 2015.

Undrawn ST and MT bilateral credit lines

In 2015, Veolia Environnement renegotiated all its bilateral credit lines for a total undrawn amount of €925 million as of December 31, 2015.

Letter of credit facility

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

As of December 31, 2015, the new letter of credit facility was drawn by USD 116.4 million. The portion that may be drawn in cash amounted to USD 53.6 million (€49.3 million euro equivalent). It is undrawn and recorded in the liquidity table above.

4. Return on Capital Employed (ROCE)

Veolia Environnement uses the ROCE indicator (return on capital employed) to track the Group's profitability. This indicator measures Veolia Environnement's ability to provide a return on the funds provided by shareholders and lenders.

In order to track the profitability of operational segments and taking into account the Group's business development models, the Group reviewed its definition of ROCE utilized and now distinguishes between:

- Post-tax ROCE, calculated at Group level, that include investments in joint ventures and associates;
- Pre-tax ROCE, broken down for the Group and its operating segments that exclude investments in joint ventures and associates.

In both cases, the impacts of the Group's investment in the Transdev Group joint venture, which is not viewed as a core Company activity and whose contribution is recognized as a share of net income of other equity-accounted entities, are excluded from the calculations.

❖ **Post-tax ROCE**

Current EBIT after tax is calculated as follows:

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 GAAP	Year ended December 31, 2014 pro forma
Current EBIT (*)	1,315.2	1,047.7	1,052.8
- Current income tax expense	(207.1)	(162.3)	(156.2)
Current EBIT after tax	1,108.1	885.4	896.6

(*) including the share of net income (loss) of joint ventures and associates.

Capital employed is equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairments, investments in joint ventures and associates, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions.
Capital employed included assets and liabilities transferred to assets and liabilities held for sale as of December 31, 2015, excluding discontinued operations.

Average capital employed during the year is defined as the average of opening and closing capital employed [3]. It is calculated as follows:

(in € million)	**Year ended December 31, 2015**	Year ended December 31, 2014 GAAP	Year ended December 31, 2014 pro forma
Intangible assets and property, plant and equipment, net	10,519.4	10,361.6	10,361.6
Goodwill, net of impairments	4,635.0	4,516.0	4,516.0
Investments in joint ventures and associates	2,617.6	2,498.1	2,498.1
Operating financial assets	1,896.5	2,009.6	2,009.6
Operating and non-operating working capital requirements, net	(447.1)	(273.7)	(273.7)
Net derivative and other instruments [1]	(47.8)	(120.5)	(120.5)
Provisions	(2,547.2)	(2,511.6)	(2,511.6)
Capital employed	**16,626.4**		
Impact of operations discontinued in 2014 and 2015 and other restatements [2]	(310.3)	(168.8)	(168.8)
2014 represented capital employed		**16,310.7**	**16,310.7**
2015 published capital employed	**16,316.1**		
Average capital employed	**16,313.4**	**15,323.6**	**16,310.7** [3]

(1) Excluding derivatives hedging the fair value of debt in the amount of €12.2 million for the year ended December 31, 2015, and €78.6 million for the year ended December 31, 2014.

(2) The restatements in 2014 and 2015 include the impact arising from the capital employed of entities which are not viewed as core to the Group's businesses, i.e. Transdev Group.

(3) Considering the Dalkia transaction, pro forma capital employed for the year ended December 31, 2014 represents closing capital employed and not average capital employed.

The Group's post-tax return on capital employed (ROCE) is as follows:

(in € million)	Current EBIT after tax	Average capital employed	Post-tax ROCE
2015	**1,108.1**	**16,313.4**	**6.8%**
2014 GAAP	885.4	15,323.6	5.8%
2014 pro forma	896.6	16,310.7 [3]	5.5%

The Group's post-tax return on capital employed (ROCE) was **6.8%** for the year ended December 31, 2015 versus pro forma **5.5%** for the year ended December 31, 2014. The increase in the return on capital employed between 2014 and 2015 was primarily due to improved operating performance.

Reconciliation of the former and new ROCE definitions used by the Group

Following the adoption of new financial indicators for fiscal 2015, Veolia modified its ROCE definition. The reconciliation between the former and new ROCE definitions for the year ended December 31, 2014 on a GAAP basis is shown in the following tables.

For the numerator, the reconciliation of net income from operations (published) with Current EBIT after tax is as follows:

(in € million)	**Year ended December 31, 2014**
Net income from operations (published)	**814.7**
Add-back of adjusted income tax expense	164.6
Add-back of Operating Financial Assets (OFA):	
Add-back of OFA revenues	169.0
Add-back of the tax expense allocated to OFA revenue	(39.9)
IFRIC 21 impact	(8.1)
Reconciliation of recurring operating income with current EBIT:	
Impairment of 2014 property, plant and equipment, intangible assets, operating financial assets and contractual risks	7.2
Capital gains (losses) on disposals of financial assets that would have been included in adjusted operating income	(64.1)
Other	4.3
Current EBIT	**1,047.7**
Deduction of the tax expense allocated to current EBIT	(162.3)
Current EBIT after tax	**885.4**

For the denominator, the reconciliation of published capital employed with capital employed according to the new definition is as follows:

(in € million)	**Year ended December 31, 2014**	Year ended December 31, 2013	**Average**
Capital employed (published)	**14,301.1**	**12,540.4**	**13,420.8**
Add-back of Operating Financial Assets (OFA):			
Add-back of non-current OFA	1,882.5	1,698.1	
Add-back of current OFA	127.2	97.9	
Capital employed (new definition)	**16,310.8**	**14,336.4**	**15,323.6**

Post-tax ROCE is calculated as follows, using published data and according to the new definition:

(in € million)	**Year ended December 31, 2014**
Net income from operations (published)	814.7
Average capital employed (published)	13,420.8
Post-tax ROCE (published)	**6.1%**
Current EBIT after tax	885.4
Average capital employed (new definition)	15,323.6
Post-tax ROCE (new definition)	**5.8%**

❖ Pre-tax ROCE

The Group's pre-tax return on capital employed (ROCE) by segment is as follows:

(in € million)	**Current EBIT (*) before tax**	**Average capital employed**	**Pre-tax ROCE**
France	186.9	1,936.2	9.7%
Europe excluding France	407.4	7,612.3	5.4%
Rest of the World	315.7	3,909.7	8.1%
Global Businesses	108.0	1,022.2	10.6%
Other	(33.7)	(285.7)	N/A
Total Group pro forma 2014	**984.3**	**14,194.7**	**6.9%**
France	196.6	1,890.8	10.4%
Europe excluding France	538.9	7,536.9	7.1%
Rest of the World	402.4	4,005.5	10.0%
Global Businesses	84.7	995.1	8.5%
Other	(6.0)	(263.8)	N/A
Total Group 2015	**1,216.6**	**14,164.5**	**8.6%**

(*) before share of net income or loss of equity-accounted entities.

Unlike post-tax ROCE, the capital employed used for the pre-tax ROCE does not include investments in joint ventures and associates.

APPENDICES

1- Definitions

❖ **GAAP (IFRS) indicators**

The cost of net financial debt represents the cost of gross debt, including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

Operating cash flow before changes in working capital, as presented in the consolidated cash flow statement, is comprised of three components: operating cash flow from operating activities (referred to as “adjusted operating cash flow” and known in French as “capacité d'autofinancement opérationnelle”) consisting of operating income and expenses received and paid (“cash”), operating cash flow from financing activities including cash financial items relating to other financial income and expenses and operating cash flow from discontinued operations composed of cash operating and financial income and expense items classified in net income from discontinued operations pursuant to IFRS 5. Adjusted operating cash flow does not include the share of net income attributable to equity-accounted entities.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses divested or in the course of divestiture, in accordance with IFRS 5.

❖ **Non-GAAP indicators**

- The term “internal growth” (or “growth at constant consolidation scope and exchange rates”) includes growth resulting from:
    - the expansion of an existing contract, primarily resulting from an increase in prices and/or volumes distributed or processed,
    - new contracts, and,
    - the acquisition of operating assets allocated to a particular contract or project.

- The term “external growth” includes growth through acquisitions (performed in the period or which had only partial effect in the prior period), net of divestitures, of entities and/or assets deployed in different markets and/or containing a portfolio of more than one contract.

- The term “change at constant exchange rates” represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal.

- Net financial debt (NFD) represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents, liquid assets and financing-related assets, including fair value adjustments to derivatives hedging debt.

  Liquid assets are financial assets composed of funds or securities with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.

- The leverage ratio is the ratio of closing Net Financial Debt to EBITDA.

- Net free cash flow corresponds to free cash flow from continuing operations, and is calculated by: the sum of EBITDA, dividends received, operating cash flow from financing activities, and changes in working capital for operations, less net industrial investments, current cash financial expense, cash taxes paid, cash restructuring charges and renewal expenses.

- The financing rate is defined as the ratio of the cost of net financial debt (excluding fair value adjustments to instruments not qualifying for hedge accounting) to average monthly net financial debt for the period, including the cost of net financial debt of discontinued operations.

- Net industrial investments, as presented in the statement of changes in net financial debt, includes industrial investments (purchases of intangible assets and property, plant and equipment, and operating financial assets), net of industrial asset divestitures.

  The Group considers discretionary growth investments, which generate additional cash flows, separately from maintenance-related investments, which reflect the replacement of equipment and installations used by the Group as well as investments relating to contractual obligations.

- Net industrial investments, as presented in the statement of changes in net financial debt, includes financial investments, net of financial divestitures.
    - o Financial investments include purchases of financial assets, including the net financial debt of companies entering the scope of consolidation, and partial purchases resulting from transactions with shareholders where there is no change in control.
    - o Financial divestitures include net financial debt of companies leaving the scope of consolidation, and partial divestitures resulting from transactions with shareholders where there is no change in control, as well as issues of share capital by non-controlling interests.

New indicators used by the Group as from the 1st quarter of 2015:

- EBITDA, which replaces Adjusted operating cash flow, comprises the sum of all operating income and expenses received and paid (excluding restructuring costs, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.

  The EBITDA margin is defined as the ratio of EBITDA to revenue.

- Current EBIT replaces Adjusted Operating Income.

To calculate Current EBIT, the following items will be deducted from operating income:

  - Goodwill impairments of fully controlled subsidiaries and equity-accounted entities,
  - Restructuring charges,
  - Capital gains on financial divestments, which are now considered as an item within net finance costs,
  - One-time and/or significant impairment of non-current assets (PP&E, intangible assets and operating financial assets),
  - Impacts relating to the application of IFRS 2 Share-based payment,
  - Share acquisition and disposal costs.

- Current Net Income, which will replace Adjusted Net Income, comprises the sum of the following items:
  - Current EBIT,
  - Current elements of the cost of net financial debt,
  - Other current financial income and expenses, including capital gains or losses on financial divestitures (of which gains or losses included in the share of net income of equity-accounted entities),
  - Current tax items, and
  - Non-controlling interests (excluding the portion of non-controlling interests relative to non-current items in the income statement).

- Current net income earnings per share is defined as the ratio of current net income (not restated for the cost of the coupon attributable to hybrid debt holders) by the weighted average number of outstanding shares during the year.

- The pre-tax return on capital employed is defined as the ratio of:
    - o current EBIT before share of net income or loss of equity-accounted entities.
    - o average capital employed in the year, including operating financial assets and excluding investments in joint ventures and associates.

      Capital employed used in the ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairments, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities classified within assets and liabilities held for sale, excluding discontinued operations.

- The post-tax return on capital employed (ROCE) is defined as the ratio of:
    - o current EBIT including the share of net income or loss of equity-accounted entities, after tax.

It is calculated by subtracting the current tax expense from Current EBIT including the share of net income or loss of equity-accounted entities. Current tax expense is the tax expense in the income statement represented for tax effects on non-current items.

- average capital employed in the year, including operating financial assets and investments in joint ventures and associates.
  Capital employed used in the post-tax ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in joint ventures and associates, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities transferred to assets and liabilities held for sale, excluding discontinued operations.

For both pre-tax and post-tax ROCE, the impacts of the Group's investment in the Transdev Group joint venture, which is not viewed as a core Company activity and whose contribution is recognized as a share of net income of other equity-accounted entities, are excluded from the calculations.

Former indicators used by the Group until December 31, 2014:

- Adjusted operating cash flow includes operating income and expenses received and paid ("cash").

- Adjusted operating income is equal to operating income after the share of adjusted net income (loss) of equity-accounted entities, adjusted to exclude the impact of goodwill impairments, negative goodwill recognized in net income and certain special items. Special items are items that are not expected to recur each year and that substantially change the economics of one or more cash-generating units.

- Adjusted net income attributable to owners of the Company is equal to net income attributable to owners of the Company adjusted to exclude goodwill impairments, negative goodwill recognized in net income and share of net income of other equity-accounted entities and certain special items. Special items are items that are not expected to recur each year and that substantially change the economics of one or more cash-generating units.

2- Consolidated Income Statement

(€ million)	**2015**	**2014 Re-presented**
Revenue	**24,964.8**	**23,879.6**
Cost of sales	(20,789.7)	(19,918.7)
Selling costs	(579.3)	(517.1)
General and administrative expenses	(2,389.9)	(2,434.4)
Other operating revenue and expenses	(181.7)	(588.2)
Operating income before share of net income (loss) of equity-accounted entities	**1,024.2**	**421.2**
Share of net income (loss) of equity-accounted entities	**98.7**	**93.1**
o/w share of net income (loss) of joint ventures	73.1	76.1
o/w share of net income (loss) of associates	25.6	17.0
Operating income after share of net income (loss) of equity-accounted entities	**1,122.9**	**514.3**
Net finance costs	(445.9)	(543.9)
Other financial income and expenses	27.9	530.5
Pre-tax net income (loss)	**704.9**	**500.9**
Income tax expense	(199.5)	(164.9)
Share of net income (loss) of other equity-accounted entities	45.9	11.5
Net income (loss) from continuing operations	**551.3**	**347.5**
Net income (loss) from discontinued operations	-	(21.9)
Net income (loss) for the year	**551.3**	**325.6**
Attributable to owners of the Company	**450.2**	**241.8**
Attributable to non-controlling interests	101.1	83.8
(in euros)		
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE		
Diluted	0.69	0.32
Basic	0.69	0.32
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE		
Diluted	0.69	0.34
Basic	0.69	0.34
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE		
Diluted	-	(0.02)
Basic	-	(0.02)

3- Consolidated Statement of Financial Position – Assets

(€ million)	**As of December 31, 2015**	**As of December 31, 2014 represented**
Goodwill	4,619.6	4,499.4
Concession intangible assets	2,796.4	2,750.5
Other intangible assets	918.0	990.1
Property, plant and equipment	6,820.3	6,637.5
Investments in joint ventures	2,155.8	2,043.2
Investments in associates	461.8	454.9
Non-consolidated investments	52.9	54.7
Non-current operating financial assets	1,734.2	1,882.5
Non-current derivative instruments - Assets	58.9	101.9
Other non-current financial assets	758.4	866.7
Deferred tax assets	1,154.5	1,137.3
Non-current assets	**21,530.8**	**21,418.7**
Inventories and work-in-progress	757.7	729.9
Operating receivables	8,797.2	8,650.4
Current operating financial assets	162.3	127.2
Other current financial assets	215.7	203.1
Current derivative instruments - Assets	72.8	103.0
Cash and cash equivalents	4,176.3	3,148.6
Assets classified as held for sale	175.8	343.6
Current assets	**14,357.8**	**13,305.8**
TOTAL ASSETS	**35,888.6**	**34,724.5**

4- Consolidated Statement of Financial Position – Liabilities & Equity

(€ million)	**As of December 31, 2015**	**As of December 31, 2014 re-presented**
Share capital	2,816.8	2,811.5
Additional paid-in capital	7,165.6	7,165.6
Reserves and retained earnings attributable to owners of the Company	(1,644.1)	(1,664.9)
Total equity attributable to owners of the Company	**8,338.3**	**8,312.2**
Total equity attributable to non-controlling interests	1,165.0	1,167.2
Equity	**9,503.3**	**9,479.4**
Non-current provisions	2,068.1	1,958.8
Non-current borrowings	8,022.3	8,324.5
Non-current derivative instruments - Liabilities	114.7	112.5
Deferred tax liabilities	1,117.1	1,135.3
Non-current liabilities	**11,322.2**	**11,531.1**
Operating payables	10,070.6	9,677.3
Current provisions	479.1	552.9
Current borrowings	4,000.1	3,003.1
Current derivative instruments - Liabilities	87.6	128.5
Bank overdrafts and other cash position items	318.6	216.4
Liabilities directly associated with assets classified as held for sale	107.1	135.8
Current liabilities	**15,063.1**	**13,714.0**
TOTAL EQUITY AND LIABILITIES	**35,888.6**	**34,724.5**

5- Cash Flow Statement

(€ million)	2015	2014 re-presented
Net income (loss) for the year	**551.3**	**325.6**
Net income (loss) from continuing operations	***551.3***	***347.5***
Net income (loss) from discontinued operations	***-***	***(21.9)***
Operating depreciation, amortization, provisions and impairment losses	1,355.7	1,744.3
Financial amortization and impairment losses	(3.8)	15.0
Capital gains (losses) on disposal of operating assets	(4.3)	(7.1)
Capital gains (losses) on disposal of financial assets	(60.5)	(551.4)
Share of net income (loss) of joint ventures	(119.0)	(87.6)
Share of net income (loss) of associates	(25.6)	(17.0)
Dividends received	(3.6)	(3.1)
Net finance costs	445.9	543.9
Income tax expense	199.5	164.9
Other items	54.7	55.0
Operating cash flow before changes in working capital	**2,390.3**	**2,204.4**
Changes in operating working capital	203.3	68.7
Income taxes paid	(223.9)	(218.1)
Net cash from operating activities of discontinued operations	**2,369.7**	**2,055.0**
Net cash from (used in) operating activities of discontinued operations	***-***	***(5.7)***
Net cash from operating activities	**2,369.7**	**2,049.3**
Industrial investments, net of grants	(1,347.3)	(1,374.5)
Proceeds on disposal of intangible assets and property plant and equipment	105.9	62.8
Purchases of investments	(146.6)	172.8 (*)
Proceeds on disposal of financial assets	321.9	357.0 (**)
Operating financial assets		
New operating financial assets	(120.3)	(143.9)
Principal payments on operating financial assets	173.1	131.2
Dividends received (including dividends received from joint ventures and associates)	90.1	78.8
New non-current loans granted	(101.7)	(267.1)
Principal payments on non-current loans	220.2	214.8
Net decrease/increase in current loans	21.2	187.0
Net cash used in investing activities of continuing operations	**(783.5)**	**(581.1)**
Net cash used in investing activities of discontinued operations	***-***	***(17.0)***
Net cash used in investing activities	**(783.5)**	**(598.1)**
Net increase (decrease) in current borrowings	170.3	(911.5)
New non-current borrowings and other debts	467.1	118.4
Principal payments on non-current borrowings and other debts	(206.1)	(828.3)
Proceeds on issue of shares	17.7	7.4
Share capital reduction	-	-
Transactions with non-controlling interests: partial purchases	(106.3)	(130.4)
Transactions with non-controlling interests: partial sales	-	1.2
Issues of deeply subordinated securities	-	-
Coupon on deeply subordinated securities	(71.5)	(68.0)
Purchases of/proceeds from treasury shares	0.2	5.8 (***)
Dividends paid	(512.0)	(260.4)
Interest paid	(425.2)	(526.1)

Net cash used in financing activities of continuing operations	***(665.8)***	***(2,591.9)***
Net cash from financing activities of discontinued operations (2)	***-***	***0.4***
Net cash used in financing activities	***(665.8)***	**(2,591.5)**
Effect of foreign exchange rate changes and other	5.1	(32.5)
Increase (decrease) in external net cash of discontinued operations	-	43.7
NET CASH AT THE BEGINNING OF THE YEAR	**2,932.2**	**4,061.3**
NET CASH AT THE END OF THE YEAR	**3,857.7**	**2,932.2**

Cash and cash equivalents	4,176.3	3,148.6
Bank overdrafts and other cash position items	318.6	216.4
NET CASH AT THE END OF THE YEAR	**3,857.7**	**2,932.2**

(*) Purchases of investments in the Consolidated Cash Flow Statement primarily include the impact of the Dalkia transaction in the amount of €229.9 million. This impact comprises the cash payment to EDF (-€660.8 million), the cash and cash equivalents of Dalkia International entered into the scope of consolidation (€175.4 million), the cash and cash equivalents of Dalkia France removed from the scope of consolidation (-€22.2 million) and finally the repayment of internal financing granted to Dalkia France (€737.5 million).

(**) Proceeds on disposal of financial assets in the Consolidated Cash Flow Statement include financial disposals, cash and cash equivalents, bank overdrafts and other cash position items removed from the scope of consolidation.

(***) This line includes the initial investment of beneficiaries of the Management Incentive Plan in the amount of €5.7 million, mainly corresponding to the sale of 439,952 shares at €13.04 per share to beneficiaries.