Société anonyme with a share capital of €2,816,824,115

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Operating and Financial Review

Condensed Interim Consolidated Financial Statements

for the half-year ended June 30, 2016

Contents

1 Major events of the period

1.1 GENERAL CONTEXT

The Group's performance during the first half of 2016 was marked by a significant improvement in half-year results in line with annual objectives:

- Revenue of €11,956 million, down 1.0% at constant exchange rates. Excluding the impact of Construction activities and energy prices, revenue increased 1.5% at constant exchange rates.

  The variation of revenue improved significantly in the second quarter of 2016, increasing 0.1% at constant exchange rates (compared with a 2.1% fall in the first quarter), and increasing 1.9% excluding the impact of Construction revenue and energy prices (compared with 1.2% growth in the first quarter);

- EBITDA of €1,580 million, up 5.6% at constant exchange rates. EBITDA growth accelerated in the second quarter, increasing 6.9% at constant exchange rates, compared with 4.4% growth in the first quarter;
- Current EBIT of €750 million, up 8.2% at constant exchange rates (+11.0% at constant exchange rates in the second quarter, compared with +5.9% in the first quarter);
- Current net income, Group share of €342 million and €301 million excluding net capital gains and losses on financial disposals, up 15.7% compared with the first half of 2015;
- Net financial debt of €8,678 million, down €199 million excluding exchange rate impacts vs. June 30, 2015 (€9,223 million);
- Robust cost savings : €121 million in savings have already been achieved in the first half of 2016;

1.2 CHANGES IN GROUP STRUCTURE

COMPLETED ACQUISITIONS

- Kurion

The acquisition of the US company, Kurion, announced by the Group on February 3, 2016, was closed on March 31, 2016 for a total consideration of €319.1 million.

With the integration of Kurion, Veolia will now be able to provide all existing solutions and know-how in both nuclear facility clean-up and the treatment of low and medium-level radioactive waste. These new activities further enhance the Group's expertise in the treatment of hazardous waste.

The transaction was completed for a total consideration of €319.1 million, comprising a cash payment of €316.8 million paid on the date of acquisition of control and a deferred payment of €2.3 million to be paid in 12 months.

- Pedreira

On May 31, 2016, the CDR Pedreira landfill site in Brazil was acquired for a consideration of €65 million. This transaction is integral to the Group's business development strategy in Latin America.

- Prague Left Bank

On June 1, 2016, Veolia completed the acquisition of Prazska Teplarenska LPZ which owns and operates thermal plants and heating networks in two districts located on the Prague left bank, for an enterprise value (100%) of €71 million.

ACQUISITIONS IN PROGRESS BY THE GROUP

❖ Acquisition of Chemours' Sulfur Product assets in the United States

On June 13, 2016, Veolia North America signed an agreement to take over Chemours' Sulfur Products division for a consideration of US$ 325 million (€293 million).

This division specializes in the treatment and regeneration of sulfuric acid and sulfer gas produced during the refining process, which are regenerated into clean acid and steam used in a wide range of industrial activities. As a tuck-in to Veolia North America's Industrial Business, Chemours' Sulfur Products division is an excellent complement to Veolia's existing business, and will reinforce its existing recycling and regeneration capabilities and technologies.

The parties should finalize this transaction in the second half of 2016, subject to closing conditions and the standard regulatory authorizations.

DIVESTITURES

❖ Termination of the SADE divestiture process

1.3 GROUP FINANCING

OFFERING OF BONDS CONVERTIBLE INTO AND/OR EXCHANGEABLE FOR NEW AND/OR EXISTING SHARES

On March 8, 2016, Veolia Environnement completed an offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANEs) maturing March 15, 2021, by way of a private placement without shareholders' preferential subscription rights, for a nominal amount of €700 million.

The bonds will not bear interest and the issue price has been set at 102.75% of par, corresponding to a negative actuarial yield to maturity of -0.54%. The nominal unit strike price of these bonds was set at €29.99 representing a premium of 47.5% above the Company's reference share price on the issue date.

Veolia received cash of €714.9 million and recognized a debt of €697.3 million in the accounts at the issue date.

See Note 7.1.1 to the condensed interim consolidated financial statements for the half-year ended June 30, 2016 for information related to the accounting treatment of this operation.

CHANGES IN BONDS OUTSTANDING

On February 12, 2016, Veolia Environnement repaid the 2016 euro-denominated bond line with a nominal value of €382 million.

CONFIRMATION OF THE CREDIT OUTLOOK

In May and June 2016, S&P and Moodys confirmed Veolia’s credit rating as A-2/BBB with a stable outlook and P-2 / Baa1 also with a stable outlook, respectively.

DIVIDEND PAYMENT

The Combined General Meeting of April 21, 2016 set the dividend for fiscal 2015 at €0.73 per share. This dividend was paid in cash beginning May 4, 2016 in the total amount of €401 million.

1.4 TRANSDEV GROUP

On March 30, 2016, following external refinancing, Transdev Group repaid in full the shareholder loan granted by Veolia in the amount of €345 million.

During the first half of 2016, discussions between Veolia and Caisse des dépôts et Consignations regarding the Group’s withdrawal from Transdev led to significant progress. Negotiation agreements should be finalized soon.

See Notes 3 and 13 to the condensed interim consolidated financial statements for the half-year ended June 30, 2016.

1.5 CHANGES IN GOVERNANCE

COMBINED SHAREHOLDERS’ MEETING, APRIL 21, 2016

The Combined Shareholders’ Meeting of Veolia Environnement took place at the Maison de la Mutualité in Paris on Thursday, April 21, 2016, chaired by Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company. At the Meeting, shareholders approved all the resolutions on the agenda.

In particular, shareholders:

- approved the Company and consolidated financial statements for fiscal year 2015;
- set the cash dividend for fiscal year 2015 at €0.73 per share. The dividend was paid from May 4, 2016;
- renewed the terms of office of Mr. Jacques Aschenbroich and Mrs. Nathalie Rachou and appointed Mrs. Isabelle Courville and Mr. Guillaume Texier, as directors for a four-year term expiring at the end of the shareholders' meeting convened to approve the financial statements for the year ended December 31, 2019;
- issued a favorable opinion on the compensation due or awarded for fiscal year 2015 and expected 2016 compensation for Mr. Antoine Frérot, the Company's Chairman and Chief Executive Officer;
- renewed all financial authorizations granted to the Board of Directors;
- authorized the Board of Directors to grant free and performance shares to employees of the Group and corporate officers of the Company.

After this Combined Shareholders' Meeting, Veolia Environnement's Board of Directors consists of seventeen directors, including two directors representing employees and six women (40%), as well as two non-voting members (censeurs):

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;
- Mr. Louis Schweitzer, Vice-Chairman and Senior Independent Director;
- Mrs. Homaira Akbari;
- Mr. Jacques Aschenbroich;
- Mrs. Maryse Aulagnon;

- Mr. Daniel Bouton;
- Caisse des Dépôts et Consignations, represented by Mr. Olivier Mareuse;
- Mrs. Isabelle Courville;
- Mrs. Clara Gaymard;
- Mrs. Marion Guillou;
- Mr. Baudouin Prot;
- Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Al Sayed;
- Mrs. Nathalie Rachou;
- Mr. Paolo Scaroni;
- Mr. Guillaume Texier;
- Mr. Pavel Páša, Director representing employees;
- Mr. Pierre Victoria, Director representing employees;
- Mr. Paul-Louis Girardot, non-voting member (*censeur*);
- Mr. Serge Michel, non-voting member (*censeur*).

The four Board Committees are now comprised as follows:

- Accounts and Audit Committee: Mr. Daniel Bouton (Chairman), Mrs. Homaira Akbari, Mr. Jacques Aschenbroich, Mrs. Nathalie Rachou and Mr. Pierre Victoria (Director representing employees).
- Nominations Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon and Mr. Paolo Scaroni.
- Compensation Committee: Mr. Louis Schweitzer (Chairman), Mr. Daniel Bouton, Mrs. Clara Gaymard, Mrs. Marion Guillou and Mr. Pierre Victoria (Director representing employees).
- Research, Innovation and Sustainable Development Committee: Mr. Jacques Aschenbroich (Chairman), Mrs. Marion Guillou and Mr. Pavel Páša (Director representing employees).

1.6 EVENTS SUBSEQUENT TO JUNE 30, 2016

BARTIN RECYCLING

On July 20, 2016, Veolia signed an agreement to sell its subsidiary, Bartin Recycling to the Derichebourg group.

The transaction will be completed following approval by the French competition authorities.

Bartin Recycling, a Veolia subsidiary specializing in collecting and recycling ferrous and non-ferrous metals, operates around 20 sites in France where it recovers scrap metal, new production waste, demolition material, etc., from recovery or dismantling onsite through to its sale to industry as a secondary raw material. A major stakeholder in industrial recycling in France, the company recovers and recycles up to 450,000 metric tons of metal a year.

Veolia's end-of-life material dismantling and deconstruction business (aircraft, ships, rail rolling stock and industrial facilities) is not concerned by this divestment.

TRANSDEV

On July 29, 2016, the Board of Directors authorized an agreement to facilitate the shareholder reorganization of Transdev Group (Transdev), including Veolia's withdrawal.

Prior to this transaction, Transdev would disburse €20 million in dividends, of which €10 million would be paid to the Group.

Under the terms of the agreement, Caisse des Dépôts would acquire 20% of Transdev's capital for €220 million, given that 50% of the capital is valued at €550 million. After this first step, Caisse des Dépôts would own 70% of Transdev's capital and would have exclusive control of the company, while Veolia would retain 30% on a transitional basis.

As soon as possible, after this transaction, Veolia and Caisse des Dépôts would begin their search for a new shareholder interested in acquiring Veolia's remaining 30% stake to support Transdev's future development. At the end of a two-year period, Veolia could exercise a put option toward Caisse des Dépôts, priced at the initial valuation. This initial price could be re-negotiated downward if external and exceptional events not within Transdev management control were to significantly impact the 2017 fiscal year. Caisse des Dépôts would have a call option valued at the same price.

If Veolia were to sell its share in Transdev to a third party, within two years and at a price higher than €330 million, the additional capital gain would be split equally between Veolia and Caisse des Dépôts

If Caisse des Dépôts were to acquire the 30% remaining stake in Transdev held by the Group (after the two year period), and were to then sell this stake within twelve months of the purchase , the gain on sale would be split equally with the Group.

In addition as part of the agreement, Veolia would take ownership of Transdev's stake in SNCM for a total price of €1 and would guarantee Caisse des Dépôts, Transdev and their subsidiaries against any damages which could arise from SNCM and its subsidiaries.

This project for Caisse des Dépôts to take control of Transdev will be presented to the employee representative bodies and submitted for approval to the relevant authorities in order to be completed.

Both parties are keen to finalize this operation by the end of 2016.

2 Accounting and financial information

To enhance the presentation of its operating performance and improve comparability with other sector companies, the Group uses alternative performance measures to communicate the Group's financial results: EBITDA, Current EBIT and Current Net income.

These financial indicators are defined in Section 3.8.3 of the 2015 Registration Document.

They are also reconciled with the financial indicators utilized in the financial statements:

- see Section 4 of the condensed interim consolidated financial statements for the half-year ended June 30, 2016 for a reconciliation of EBITDA with Operating cash flow before changes in working capital;
- refer to Section 2.3.7 of this operating and financial review for a reconciliation of Current EBIT with Operating income as presented in the consolidated income statement, and a reconciliation of Current Net income with Net income as presented in the consolidated income statement.

2.1 KEY FIGURES

Group results break down as follows:

(in € million)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ	Δ at constant exchange rates
Revenue	12,317.6	11,955.9	-2.9%	-1.0%
EBITDA	1,531.1	1,580.3	+3.2%	+5.6%
EBITDA margin	*12.4%*	*13.2%*		
Current EBIT [(1)]	712.1	749.7	+5.3%	+8.2%
Current net income – Group share	321.2	341.7	+6.4%	+10.1%
Current net income – Group share, excluding capital gains and losses on financial disposals net of tax	260.2	301.1	+15.7%	
Net income – Group share	352.7	251.2	-28.8%	
Industrial investments	565	553		
Net free cash-flow [(2)]	(76)	(105)		
Net Financial debt	9,223	8,678		

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

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

The main foreign exchange impacts were as follows:

***Foreign exchange impacts** for 1H2016 vs. 1H2015*	**%**	*in € million*
Revenue	*-1.9%*	*(237)*
EBITDA	*-2.3%*	*(36)*
Current EBIT	*-2.9%*	*(21)*
Current net income	*-3.7%*	*(12)*
Net financial debt (vs. December 2015)	*+3.7%*	*+298*
Net financial debt (vs. June 2015)	*+3.8%*	*+346*

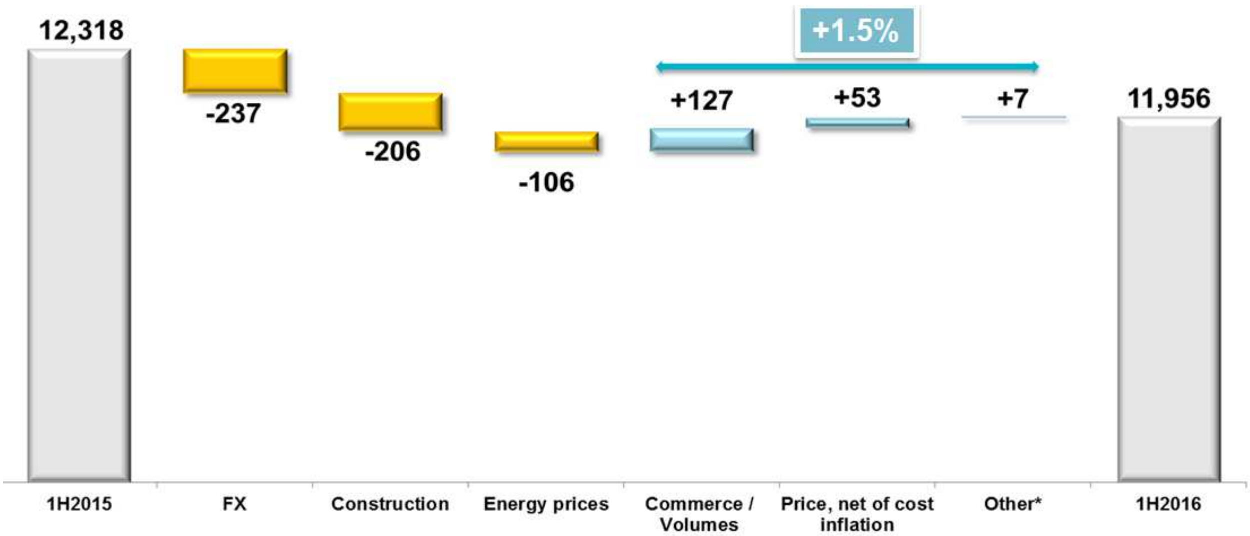
GROUP CONSOLIDATED REVENUE

Group consolidated revenue for the half-year ended June 30, 2016 was €11,955.9 million, compared with €12,317.6 million for the same period in 2015, down -1.0% at constant exchange rate. Excluding Construction revenue and the impact of lower energy prices, revenue increased +1.5% at constant exchange rates.

The revenue trend improved in the second quarter of the year with growth of +0.1% at constant exchange rates (versus -2.1% in the first quarter) and +1.9% excluding the Construction business and the impact of energy prices (versus +1.2% in the first quarter).

The municipal sector generated 55% of the first half of 2016 revenue (i.e. around €6.6 billion), and the industrial sector generated 45% (i.e. around €5.4 billion).

The decrease in revenue between 2015 and 2016 breaks down by main impact as follows:



(*) including consolidation scope

The foreign exchange impact on revenue was -€237.0 million (-1.9% of revenue) and mainly reflects the fluctuation of the pound sterling (-€69.4 million), the Argentine peso (-€43.5 million), the Australian dollar (-€31.1 million), the Polish zloty (-€26.2 million), the Japanese yen (+€14.6 million), the Mexican peso (-€14.2 million), the Brazilian real (-€13.5 million) and the Chinese renminbi (-€13.3 million).

The decrease in Construction revenue (-€206 million, representing -1.7% of Group revenue) essentially concerns Veolia Water Technologies and SADE (-1.3%), as well as the completion of construction work on incinerators in the United Kingdom (-€34 million).

Group revenue was affected by the decline in energy prices (-0.9%), primarily in the United States and to a lesser extent in Germany and Central Europe.

The positive business momentum (Commerce/Volumes impact) of +€127 million was due to:

- an increase in volumes, in line with the good performance of Hazardous waste activities, the Energy business in Asia, Latin America (Water and Waste), Waste activities in the United Kingdom, Germany (Waste and Energy) and Africa and the Middle-East. These positive effects were partially offset by a decrease in Water volumes in France (-€8 million) and a downturn in industrial services in North America and Australia;
- good business momentum with contract wins in Waste in Germany and the United Kingdom and the commissioning of new assets (particularly the Leeds incinerator in the United Kingdom and the hazardous waste incinerator in Changsha in China);
- a negligible weather impact: favorable in Central Europe, but negative in the United States.

Favorable price / tariff effects were the result of tariff indexation that remains favorable although moderate in Water in France (+0.2%), municipal Water in the United States, and in Argentina.

"Other" changes include changes in consolidation scope (+€38 million), primarily relating to transactions performed in 2015: divestiture of Group activities in Israel (-€36.2 million), acquisition of Altergis in the Energy sector in France (+€36.1 million), divestiture of an entity in the Czech Republic (-€23.4 million) and acquisition of an entity in the Netherlands (+€20.4 million).

By segment, this change in revenue compared to the half-year ended June 30, 2015 breaks down as follows:

- Revenue declined slightly in France (-0.2%):
  - the Water business reported stable revenue thanks to positive commercial impacts (Ileo contract in Lille), mitigated by weak tariff indexation (+0.2%) and lower volumes (-1%);
  - Waste business revenue fell -1.6%: despite the good level of incineration activities and landfill volumes, revenue was impacted by a drop in municipal collection volumes and a decrease in recycled material prices and volumes.
- Slight revenue diminution in Europe excluding France (-0.3% at constant exchange rates). After a decrease of -0.9% at constant exchange rates in the first quarter, revenue improved in the second quarter (+0.3%).
  - revenue fell -3.2% at constant exchange rates in the United Kingdom to €1,057.1 million, but was stable excluding the Construction business following completion of the Leeds incinerator;
  - revenue increased +2.8% at constant exchange rates in Germany to €845.6 million, despite the negative impact of a fall in energy prices in the first quarter thanks to good Waste volumes;
  - in Central & Eastern Europe, revenue was stable overall at €1,458.0 million (-1.0% at constant exchange rates). The negative impact of a first quarter fall in energy prices was partially offset by a positive weather effect, the start-up of biomass cogeneration in Hungary, and good volumes invoiced in the Water business, especially in the Czech Republic.
- Revenue was stable in the Rest of the World segment, with a marked improvement in the second quarter of +1.9% at constant exchange rates, following a -2.4% drop in the first quarter.

- revenue fell -9.4% at constant exchange rates in North America to €868 million, penalized by the fall in energy prices, a negative weather impact and the decrease of industrial services, despite a slight improvement in industrial services in the second quarter and the implementation of adjustment measures.

- strong revenue growth in Latin America (+8.5% at constant exchange rates), Africa/Middle East (+9.1%) and Asia (+2.9%), while Australia (-3.2% at constant exchange rates) was penalized by a decrease in industrial services.

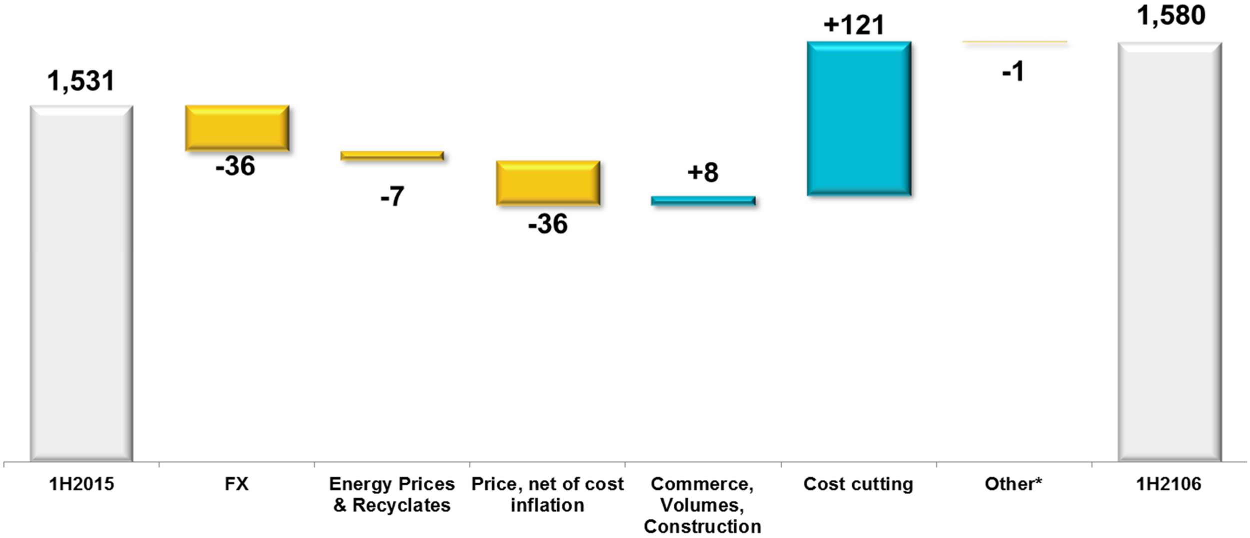
- Global Businesses: revenue fell -1.9% at constant exchange rates: solid growth in the Hazardous waste business (+4.2% at constant exchange rates), was offset by the progressive downsizing of Veolia Water Technologies activities.

EBITDA

For the first half of 2016, the Group's consolidated EBITDA increased 5.6% at constant exchange rates to €1,580.3 million, compared with the half-year ended June 30, 2015. The EBITDA margin increased from 12.4% in the half-year ended June 30, 2015 to 13.2% in the same period ended June 30, 2016.

This increase in EBITDA was mainly due to operating efficiency, with cost savings of €121 million.

The increase in EBITDA between the first half of 2015 and the first half of 2016 breaks down by impact as follows:



(*) including consolidation scope

The foreign exchange impact on EBITDA was -€35.8 million and mainly reflects fluctuations of the pound sterling (-€9.7 million), South American currencies (-€8.6 million, primarily the Brazilian real and the Argentine peso) and the Polish zloty (-€7.1 million).

The impact of energy prices & recyclates (-€7 million) : the decline in heat and electricity prices was offset by the reduction in the purchase price of fuel used to produce heat and electricity. The impact of raw material prices is negative (-€5 million).

Prices, net of cost inflation, had a negative impact, notably in France.

Commerce / Volume / Construction impacts were favorable: the commissioning of new assets, good hazardous waste performance, favorable water volumes in Central & Eastern Europe and good activity in Latin America and

Africa Middle East were compensated by the lower water volumes in France (due to weather), the ongoing negative impact of renegotiations in French Water (-€16 million), and the decline in industrial services activity in the United States and in Australia.

Cost-savings plans contributed €121 million to the increase in EBITDA, mainly as a result of operations efficiency (43%) and purchasing (35%).

"Other" changes include the consolidation scope impact (€3 million) mainly related to the divestiture of Group activities in Israel in 2015.

By segment:

- EBITDA declined in France:
  - in the Water business, cost savings only partially offset the decrease in volumes, weak tariff indexation, the negative effect of contractual negotiations and the impairment of receivables pursuant to the Brottes law;
  - in the Waste business, EBITDA was affected by the fall in the price of scrap metal and a non-recurring item that favorably impacted Bartin in 2015.
- Strong growth in EBITDA in Europe excluding France, and particularly:
  - in Central Europe, thanks to cost savings efforts and a favorable weather impact;
  - in the United Kingdom, thanks to the excellent performance of PFI installations;
  - in Germany, in line with solid Waste volumes and efficiency gains.
- Steady growth in the Rest of the World region, where the poor performance of the United States was offset by strong growth in China with an increase in volumes, the commissioning of the Changsha incinerator, and cost savings.
- In the Global Business segment, Veolia Water Technologies enjoyed the benefits of cost saving measures implemented in 2015 and Hazardous waste activities reported an excellent half-year.

CURRENT EBIT

For the first half of 2016, the Group's consolidated current EBIT increased 8.2% at constant exchange rates to €749.7 million, compared with the half-year ended June 30, 2015.

This increase in Current EBIT was mainly due to:

- an improvement in Group EBITDA, particularly in the Europe excluding France and Global Businesses segments;
- a stable depreciation and amortization expense at constant exchange rates;
- provision reversals that were similar in each period;
- capital gains on disposals of industrial assets;
- the slightly negative variation (primarily change in consolidation scope and foreign exchange impact) of the contribution of equity-accounted entities.

The foreign exchange impact on Current EBIT was -€20.5 million and mainly reflects fluctuations of the pound sterling (-€6.0 million), South American currencies (-€4.5 million, including the Argentine peso), the Polish zloty (-€4.5 million) and the Chinese renminbi (-€3.9 million).

NET FINANCIAL EXPENSE

Net cost of financial debt totaled -€209.2 million for the half-year ended June 30, 2016, compared with -€230.8 million for the half-year ended June 30, 2015.

The cost of net financial debt declined €21.6 million compared to the half-year ended June 30, 2015, including a €6 million positive exchange rate impact.

The decline in the cost of net financial debt resulted from the impact of repayment of the inflation indexed bond with cash in June 2015, bond refinancing under better conditions, active debt management and a positive exchange rate impact

Other financial income and expenses totaled €12.9 million for the half-year ended June 30, 2016, compared with €46.8 million for the half-year ended June 30, 2015. Other financial income and expenses included net capital gains and losses on financial divestitures of €40.6 million in the first half of 2016 (compared with €63.0 million in the first half of 2015), and notably impacts related to fair-value remeasurement of previously-held equity interests in China and France.

INCOME TAX EXPENSE

The current income tax rate for the half-year ended June 30, 2016 is stable at 29.2%, compared with 30.0% for the same period in 2015.

NET INCOME

Current net income attributable to owners of the Company increased to €341.7 million for the half-year ended June 30, 2016 from €321.2 million for the half-year ended June 30, 2015.

Excluding capital gains and losses on financial divestitures net of tax, current net income attributable to owners of the Company rose 15.7% to €301.1 million from €260.2 million for the half-year ended June 30, 2015.

Current net income attributable to owners of the Company per share was €0.60 (diluted) and €0.62 (basic) for the half-year ended June 30, 2016, compared with €0.59 (basic and diluted) for the half-year ended June 30, 2015.

Net income attributable to owners of the Company was €251.2 million for the half-year ended June 30, 2016, compared with €352.7 million for the half-year ended June 30, 2015.

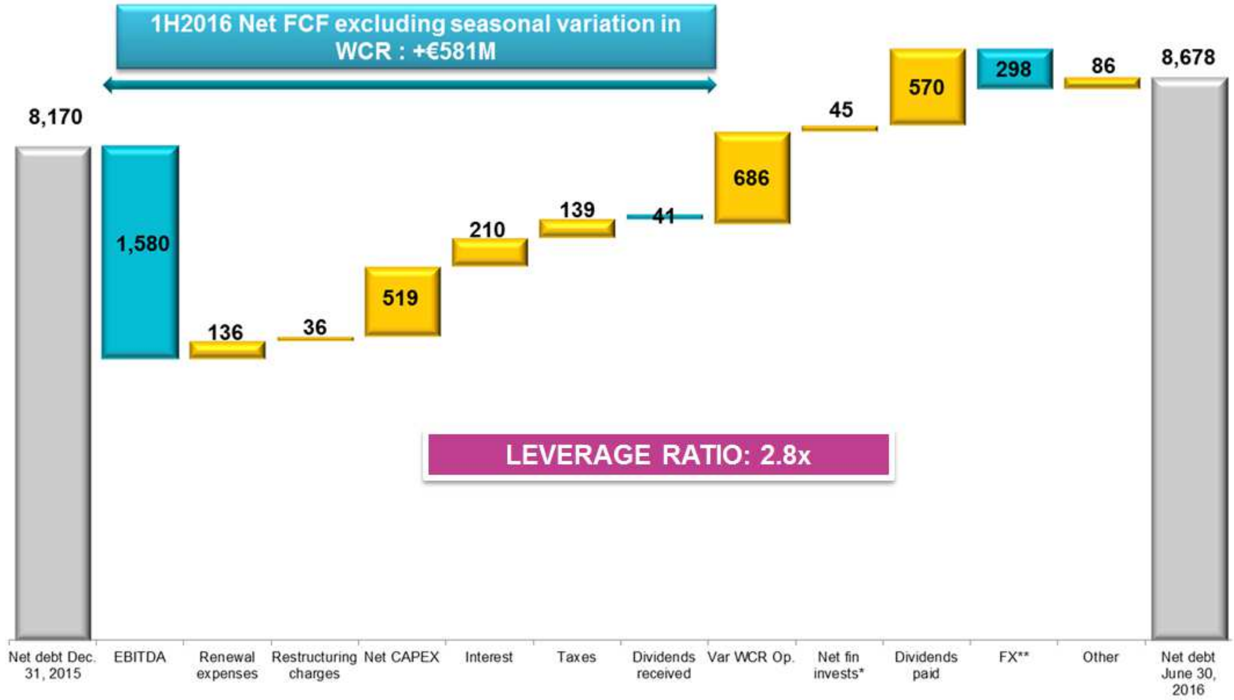
Other than factors already mentioned above, the decrease in net income attributable to owners of the Company was tied to other income statement items considered to be non-current, particularly restructuring charges and provisions recognized in the Water business in France and in other geographies.

Net income attributable to owners of the Company per share was €0.32 (diluted) and €0.33 (basic) for the half-year ended June 30, 2016, compared with €0.51 (basic and diluted) for the half-year ended June 30, 2015.

NET FREE CASH FLOW AND NET FINANCIAL DEBT

Net free cash flow amounted to -€105 million for the half-year ended June 30, 2016, versus -€76 million for the half-year ended June 30, 2015.

The change in net free cash flow year-on-year mainly reflects the improvement in EBITDA, offset primarily by an unfavorable change in operating WCR.



including reimbursement of Transdev intercompany loan

*** mainly UK pound sterling*

Overall, net financial debt totaled €8,678 million, up €806 million compared with €8,170 million for the year ended December 31, 2015, when excluding exchange rate impacts.

2.2 REVENUE

2.2.1 Revenue by segment

Revenue (in € million)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ 2016/2015	Δ at constant exchange rates	Δ at constant exchange rates, excl. impact of Construction activities and energy prices
France	2,694.6	2,688.3	-0.2%	-0.2%	-0.1%
Europe excluding France	4,305.5	4,203.6	-2.4%	-0.3%	+1.8%
Rest of the World	2,956.6	2,832.6	-4.2%	-0.3%	+1.7%
Global Businesses	2,296.2	2,218.6	-3.4%	-1.9%	+5.1% *
Other	64.7	12.8	-	-	-
Group	**12,317.6**	**11,955.9**	**-2.9%**	**-1.0%**	**+1.5%**

(*) Global businesses include Hazardous waste activities, and Solutions and Technologies activities in Water (sensitive to Construction works fluctuations)

The Y-Y trend in the second quarter of 2016 was marked by more favorable momentum, in all segments, with the exception of the Waste business in France.

Δ at constant exchange rates	1st quarter 2016	2nd quarter 2016
France	+0.2%	-0.7%
Europe excluding France	-0.9%	+0.3%
Rest of the World	-2.4%	+1.9%
Global Businesses	-2.9%	-0.9%
Group	**-2.1%**	**+0.1%**
Total Group excluding the impact of Construction activities and energy prices	**+1.2%**	**+1.9%**

FRANCE

Revenue in France for the half-year ended June 30, 2016 was €2,688.3 million, down slightly by -0.2% year-on-year.

- Water revenue was stable vs. the first six months of 2015. The positive commercial impact of new contracts (particularly the Ileo contract in Lille) and tariff indexation of +0.2% were mitigated by unfavorable contractual renegotiations (renewal of the Greater Lyon contract and the transfer back of the Montpellier contract to the municipality), reduced Construction activity and a decrease in volumes sold (-1% due to the decrease of volumes distributed and poor weather conditions in the second quarter 2016);
- Waste revenue slipped -1.6%. Despite the good level of incineration activities and landfill volumes and positive commercial impacts (particularly in the sorting and recovery of industrial waste), revenue was impacted by a drop in municipal collection volumes and a decrease in recycled material prices and volumes (plastic and ferrous and non-ferrous scrap metals).

EUROPE EXCLUDING FRANCE

Revenue in the Europe excluding France segment for the half-year ended June 30, 2016 amounted to €4,203.6 million, down -0.3% at constant exchange rates year-on-year. After a decrease of -0.9% at constant exchange rates in the first quarter, revenue improved in the second quarter reporting an increase of +0.3%.

Excluding the impact of Construction activities and energy prices, revenue increased +1.8% at constant exchange rates. This variation can be explained as follows:

- Central Europe: revenue slipped -1.0% at constant exchange rates, following a decrease in electricity volumes sold in Lithuania and the Czech Republic and a reduction in heating and electricity tariffs. These impacts were partially offset by an increase in Water volumes and prices in the Czech Republic, the start up of two cogeneration plants in Hungary (Debrecen and Nyiregyhaza) and a slightly favorable weather impact in Lithuania and Poland;
- United Kingdom and Ireland: -3.4% fall in revenue at constant exchange rates, mainly due to a decrease in Construction revenue. Revenue nonetheless benefited from the development of commercial collection activities (particularly the Sainsbury contract), new municipal contracts in the Waste business and the commissioning of the Leeds incinerator.
- Northern Europe: revenue increased +7.6% at constant exchange rates across all countries and particularly in Germany, where revenue enjoyed an upsurge in the second quarter in line with the increase in volumes of gas sold and growth in the solid waste business, despite the decrease in the price of Energy sold (electricity, gas and heating). Other Northern Europe countries also reported an increase in revenue, fueled by new contracts in Sweden;
- Italy: Energy business revenue fell 10.3% due to the restructuring of the commercial portfolio, the decrease in the price of gas and an unfavorable weather effect.

REST OF THE WORLD

Revenue in the Rest of the World segment for the half-year ended June 30, 2016 was €2,832.6 million, down -0.3% at constant exchange rates compared to the prior year period. After a decrease of -2.4% at constant exchange rates in the first quarter, revenue improved significantly in the second quarter reporting an increase of +1.9%.

Excluding the impact of Construction activities and energy prices, Rest of the World segment revenue increased +1.7% at constant exchange rates.

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

- In Latin America (+8.5% at constant exchange rates) growth accelerated in the second quarter in Argentina and Mexico. In Argentina, increased volumes under the Buenos Aires contract were accompanied by an increase in tariffs and partially offset by the scheduled end of the Avellaneda contract. In Ecuador, increased Water volumes under the Guayaquil contract were offset by the fall in Construction activities.
- Asia (+2.9% at constant exchange rates) reported increased revenue across most of the region. In China, revenue grew 1.2% at constant exchange rates, mainly in line with increased volumes sold in the Energy business (Harbin and Jiamusi heating networks and industrial contracts) and the commissioning of the Changsha incinerator in April 2016 and despite a decrease in energy prices (heating and electricity). Revenue growth in Japan accelerated in the second quarter of 2016, benefitting from the development of the customer service activity (launch of the Tokyo contract in 2015).
- In Africa and the Middle East, revenue growth (+9.1% at constant exchange rates) was boosted by higher electricity sales in Gabon, an increase in Construction activities and business development in the Middle East.

The good growth in the Rest of the World segment was offset by lower revenue in Australia (-3.2% at constant exchange rates) in the Waste business, where the increase in collection and landfill activities only partially offset the slump in industrial services.

Revenue also fell in North America (-9.4% at constant exchange rates), particularly in the first quarter of 2016 (-14.9% at constant exchange rate, and -3.4% in the second quarter), due to a drop in energy prices, a fall in heating volumes sold (due to a very mild winter), a downturn in industrial services and the end of a number of municipal Water contracts.

GLOBAL BUSINESSES

The Global Businesses segment reported revenue for the half-year ended June 30, 2016 of €2,218.6 million, down -1.9% at constant exchange rates year-on-year. After a decrease of -2.9% at constant exchange rates in the first quarter, the revenue trend improved in the second quarter (-0.9%).

Excluding the impact of Construction activities and energy prices, revenue increased +5.1% at constant exchange rates.

The variation of revenue was mainly due to:

- good growth in Hazardous waste activities (+4.2% at constant exchange rates), tied particularly to treatment and recovery activities (launch of the Paris subway line 14 worksite), landfill activities and an increase in industrial clean-up services;
- stable Construction activities at SADE: the fall in international activities following the postponement of projects and the downturn in construction in France were offset by good Telecom performance;
- the progressive downsizing of Veolia Water Technologies activities following the completion of major projects (Sadara and Az Zour North) and the decrease in Solutions activities.

2.2.2 Revenue by business

Revenue (in € million)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ 2016/2015	Δ at constant exchange rates	Δ at constant exchange rates, excl. impact of Construction activities and energy prices
Water	5,463.4	5,329.9	-2.4%	-1.6%	+1.6%
Waste	4,310.9	4,173.4	-3.2%	0.2%	+1.0%
Energy	2,543.3	2,452.6	-3.6%	-1.7%	+2.2%
Group	**12,317.6**	**11,955.9**	**-2.9%**	**-1.0%**	**+1.5%**

WATER

Water revenue for the half-year ended June 30, 2016 declined 1.6% at constant exchange rates year-on-year, and increased +1.6% at constant exchange rates excluding the decrease in Construction activity and energy prices. This variation reflects:

- stable Operations activities. In France, the positive commercial impact of new contract wins (Lille) offset the unfavorable impact of contract renewals, the impact of a 1% decline in volumes and weak price indexations, while Central Europe benefited from good volumes;
- progressive downsizing of the Veolia Water Technologies business.

WASTE

Waste revenue was stable at constant exchange rates (+0.2%) compared with the first half of 2015, and increased +1.0% at constant exchange rates excluding the decrease in Construction activity.

The variation of Waste revenue was due to:

- a positive volume impact of +1.3% and service price impact of +0.9%;
- good resilience in France, and in the United Kingdom excluding Construction activities;
- weak performance in Industrial Services in the United States and Australia;
- good growth in hazardous waste (+4.2% at constant exchange rate).

ENERGY

Energy revenue for the half-year ended June 30, 2016 declined 1.7% at constant exchange rates year-on-year, and increased +2.2% at constant exchange rates excluding the decrease in energy prices (offset at the margin level). This variation reflects:

- an overall slight unfavorable weather impact (the weather impact is positive in Poland and Lithuania, but negative in the United States);
- the positive impact of the start-up of biomass cogeneration facilities in Hungary.

2.3 OTHER INCOME STATEMENT ITEMS

2.3.1 EBITDA

Variations in EBITDA by segment were as follows:

(in € million)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ 2016/2015	Δ at constant exchange rates
France	395.5	353.3	*-10.7%*	*-10.7%*
Europe, excluding France	610.3	701.3	*+14.9%*	*+17.4%*
Rest of the World	406.1	399.0	*-1.7%*	*+3.2%*
Global Businesses	84.5	116.8	*+38.2%*	*+38.6%*
Other	34.7	9.9	-	-
EBITDA	**1, 531.1**	**1, 580.3**	***+3.2%***	***+5.6%***
EBITDA margin	**12.4%**	**13.2%**		

2.3.2 Current EBIT

Variations in Current EBIT by segment were as follows:

(in € million)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ 2016/2015	Δ at constant exchange rates
France	107.0	42.9	*-59.9%*	*-59.9%*
Europe, excluding France	340.0	432.7	*+27.3%*	*+30.1%*
Rest of the World	216.1	213.2	*-1.3%*	*+4.1%*
Global Businesses	33.1	70.3	*+112.5%*	*+111.1%*
Other	15.9	(9.4)	-	-
Current EBIT	**712.1**	**749.7**	***+5.3%***	***+8.2%***

The reconciling items between EBITDA and Current EBIT for the half-year ended June 30, 2016 and 2015 are as follows:

(in € million)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**
EBITDA	**1,531.1**	**1,580.3**
Renewal expenses	(141.1)	(135.6)
Net depreciation and amortization (1)	(768.7)	(785.0)
Share of current net income from joint ventures and associates	52.8	43.4
Provisions, fair value adjustments & other (2):	38.0	46.6
- Current impairment of property, plant and equipment, intangible assets and operating financial assets	4.0	1.4
- Gains or losses on industrial divestitures	9.8	17.9
- Net charges to operating provisions, fair value adjustments and other	24.2	27.3
Current EBIT	**712.1**	**749.7**

(1) *Including principal payments on operating financial assets (OFA) of -€104 million for the half-year ended June 30, 2016 and -€82 million for the half-year ended June 30, 2015.*

(2) *Including gains and losses on industrial divestitures*

Net depreciation and amortization charges (-€681.0 million for the half-year ended June 30, 2016) are almost stable at constant exchange rates compared with the half year ended June 30, 2015 (-€686.7 million).

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 €19.5 million, versus €19.4 million for the half-year ended June 30, 2015, and UK entities (Water and Waste) in the amount of €3.3 million (€8.9 million for the half-year ended June 30, 2015, due to changes in consolidation scope).

Capital gains or losses on industrial divestitures for the half-year ended June 30, 2016 mainly concerned the sale of a site in Singapore. This line item reflected Water transactions in France and an industrial asset divestiture in Germany in the half-year ended June 30, 2015.

In the half-year ended June 30, 2016, Net charges to operating provisions were non-significant individually. In the half-year ended June 30, 2015, this line item comprised a provision reversal for "Olivet" contracts in the Water business in France.

2.3.3 Analysis of EBITDA and Current EBIT by segment

FRANCE

In € million	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ 2016/2015	Δ at constant exchange rates
EBITDA	395.5	353.3	-10.7%	-10.7%
EBITDA margin	14.7%	13.1%		
Current EBIT	107.0	42.9	-59.9%	-59.9%

EBITDA in France fell during the period (-10.7% at constant exchange rates).

In the Water business, cost savings only partially offset contractual erosion of -€16 million (margin degradation), the negative impact of price effects, net of inflation, and the impairment of receivables pursuant to the Brottes law (-€12 million).

EBITDA also fell in the Waste business despite the benefit of cost savings and a decrease in the price of fuel purchases, due to a decrease in revenue, the fall in recycled material prices and volumes (scrap iron), unfavorable price effects net of inflation and the negative comparison effect of non-recurring items in 2015.

Current EBIT fell significantly in France due to the fall in EBITDA and the unfavorable comparison effect of the reversal of provisions for "Olivet" contractual risks and URSSAF social security risks in 2015.

EUROPE, EXCLUDING FRANCE

In € million	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ 2016/2015	Δ at constant exchange rates
EBITDA	610.3	701.3	+14.9%	+17.4%
EBITDA margin	14.2%	16.7%		
Current EBIT	340.0	432.7	+27.3%	+30.1%

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

- in the United Kingdom, in line with the excellent performance of PFI installations (commissioning of new Shropshire and Leeds assets) and the fall in the price of energy purchases;
- in Central Europe, EBITDA growth was particularly marked in Poland, Hungary and Lithuania;
- in Northern Europe, where Germany notably was driven by good Waste volumes.

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

Current EBIT in the Europe excluding France segment increased due to the improvement in EBITDA and the favorable variation in operating provisions.

REST OF THE WORLD

in € million	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ 2016/2015	Δ at constant exchange rates
EBITDA	406.1	399.0	-1.7%	+3.2%
EBITDA margin	13.7%	14.1%		
Current EBIT	216.1	213.2	-1.3%	+4.1%

The increase in the EBITDA of the Rest of the World segment mainly concerns Asia, with continued good performance in the second quarter, in particular in China, Korea, India and Japan, thanks mainly to cost savings efforts.

The EBITDA of the other geographic areas of the Rest of the World segment recorded an upturn in the second quarter, notably in Latin America where EBITDA was stable but surged in the second quarter in Argentina.

In the United States, EBITDA decreased, affected by a mild winter and the negative impact of prices and volumes in the Energy business, despite cost savings efforts.

Current EBIT of the Rest of the World segment is up at constant exchange rate, in line with the increase in EBITDA and the stable results of the Chinese Water concessions, recorded within the share of net income (loss) of joint ventures and associates.

GLOBAL BUSINESSES

in € million	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**	Δ 2016/2015	Δ at constant exchange rates
EBITDA	84.5	116.8	38.2%	38.6%
EBITDA margin	3.7%	5.3%		
Current EBIT	33.1	70.3	+112.5%	+111.1%

The EBITDA of the Global Businesses segment improved significantly compared to the prior year:

- in Construction activities (VWT and Sade), cost savings efforts and improvements in international margins offset contract erosion on certain contracts in Veolia Water Technologies;
- EBITDA rose in the Hazardous waste activity, driven by increased revenue and efficiency plans.

Current EBIT of the Global Businesses segment also rose as a result of the increase in EBITDA and the reversal of operating provisions following the resolution of litigation risks in the Construction activity.

2.3.4 Net financial expenses

(in € million)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**
Net finance costs (1)	**(230.8)**	**(209.2)**
Gains (losses) on disposals of financial assets (*)	63.0	40.6
Net gains / losses on loans and receivables	9.6	8.8
Net income (loss) on available-for-sale assets	1.8	3.0
Assets and liabilities at fair value through the consolidated income statement	0.2	(0.2)
Foreign exchange gains and losses	4.0	(5.4)
Unwinding of the discount on provisions	(22.0)	(20.6)
Other	(9.8)	(13.3)
Other financial income and expenses (2)	**46.8**	**12.9**
Net financial expenses (1)+(2)	**(184.0)**	**(196.3)**

(*) including costs of disposal of financial assets

COST OF NET FINANCIAL DEBT

The cost of net financial debt amounted to -€209.2 million for the half-year ended June 30, 2016, versus -€230.8 million for the half-year ended June 30, 2015, down €21.6 million year-on-year.

The decline in the cost of net financial debt resulted from the impact of repayment of the inflation indexed bond with cash in June 2015, bond refinancing under better conditions, active debt management and a positive exchange rate impact.

The financing rate fell from 5.22% for the half-year ended June 30, 2015 to 4.97% for the half-year ended June 30, 2016.

OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses totaled €12.9 million for the half-year ended June 30, 2016, versus €46.8 million for the half-year ended June 30, 2015.

Other financial income and expenses included net capital gains and losses on financial divestitures of €40.6 million in the first half of 2016 (compared with €63.0 million in the first half of 2015), and notably impacts related to fair-value remeasurement of previously-held equity interests in China and France. They included capital gains on the divestiture of Group activities in Israel in the half-year ended June 30, 2015.

2.3.5 Income tax expense

The income tax expense for the half-year ended June 30, 2016 amounted to -€130.2 million, compared with -€124.2 million for the half-year ended June 30, 2015.

The tax rate for the half-year ended June 30, 2016 declined slightly to 29.2% (versus 30.0% for the half-year ended June 30, 2015) 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)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**
Current income before tax (a)	**528**	**553**
Of which share of net income of joint ventures & associates (b)	53	43
Of which gains (losses) on disposals of financial assets (c)	66	41
Re-presented current income before tax : d=a-b-c	**410**	**469**
Tax expense on current income before tax (e)	**(125)**	**(137)**
Of which tax expense on divestiture (f)	(2)	-
Re-presented tax expense (g)= (e)-(f)	**(123)**	**(137)**
Re-presented tax rate on current income (g) / (d)	**30.0%**	**29.2%**

2.3.6 Share of net income of other equity-accounted entities

The net income of other equity-accounted entities (Transdev Group) totaled €22.2 million for the half-year ended June 30, 2016 (50% share), versus €25.5 million for the half-year ended June 30, 2015.

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

The share of net income attributable to non-controlling interests totaled €74.0 million for the half-year ended June 30, 2016, compared with €82.0 million for the half-year ended June 30, 2015.

Net income attributable to owners of the Company was €251.2 million for the half-year ended June 30, 2016, compared with €352.7 million for the half-year ended June 30, 2015.

Current net income attributable to owners of the Company was €341.7 million for the half-year ended June 30, 2016, compared with €321.2 million for the half-year ended June 30, 2015.

Based on a weighted average number of outstanding shares of 550.3 million (basic) and 566.2 million (diluted), compared with 548.5 million as of June 30, 2015 (basic and diluted), earnings per share attributable to owners of the Company for the half-year ended June 30, 2016 was €0.33 (basic) and €0.32 (diluted), compared with €0.51 (basic and diluted) for the half-year ended June 30, 2015. Current net income per share attributable to owners of the Company was €0.62 (basic) and €0.60 (diluted) for the half-year ended June 30, 2016, compared with €0.59 (basic and diluted) for the half-year ended June 30, 2015.

The dilutive effect taken into account in the above earnings per share calculation concerns the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued in March 2016.

Net income (loss) for the **half-year ended June 30, 2016** breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	749.7	(120.2)	629.5
Cost of net financial debt	(209.2)	-	(209.2)
Other financial income and expenses	12.9	-	12.9
Pre-tax income	**553.4**	**(120.2)**	**433.2**
Income tax expense	(137.0)	6.8	(130.2)
Net income (loss) of other equity-accounted entities	-	22.2	22.2
Net income (loss) from discontinued operations	-	-	-
Non-controlling interests	(74.7)	0.7	(74.0)
Net income (loss) attributable to owners of the Company	**341.7**	**(90.5)**	**251.2**

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

(in € million)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**
Current EBIT	**712.1**	**749.7**
Impairment losses on goodwill and negative goodwill	0.1	1.6
Restructuring charges	7.6	(100.0)
Personnel costs –share-based payments	(2.4)	(5.4)
Non-current provisions and impairment of property, plant and equipment, intangible assets and operating financial assets	-	(9.2)
Share acquisition costs, with or without acquisition of control	-	(7.2)
Total non-current items	**5.3**	**(120.2)**
Operating income after share of net income of equity-accounted entities	**717.4**	**629.5**

Restructuring charges for the half-year ended June 30, 2016 related to Water activities in France in the amount of -€62.8 million, and Global Businesses in the amount of -€25.6 million.

Net income (loss) for the **half-year ended June 30, 2015** breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	712.1	5.3	717.4
Cost of net financial debt	(230.8)	-	(230.8)
Other financial income and expenses	46.8	-	46.8
Pre-tax income	**528.1**	**5.3**	**533.4**
Income tax expense	(124.9)	0.7	(124.2)
Net income (loss) of other equity-accounted entities	-	25.5	25.5
Net income (loss) from discontinued operations	-	-	-
Non-controlling interests	(82.0)	-	(82.0)
Net income (loss) attributable to owners of the Company	**321.2**	**31.5**	**352.7**

3 Financing

3.1 CHANGES IN 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)	Half-year ended June 30, 2015	**Half-year ended June 30, 2016**
EBITDA	**1,531**	**1,580**
Net industrial investments	(521)	(519)
Change in operating WCR	(628)	(686)
Dividends received from equity-accounted entities and joint ventures	54	41
Renewal expenses	(141)	(136)
Restructuring charges	(52)	(36)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(199)	(210)
Taxes paid	(120)	(139)
Net free cash flow before dividend payment, financial investments and financial divestitures	**(76)**	**(105)**
Dividends paid	(558)	(570)
Net financial investments	169	(391)
Change in receivables and other financial assets	34	245
Issue / repayment of deeply subordinated securities	-	18
Free cash flow	**(431)**	**(803)**
Effect of foreign exchange rate movements and other	(481)	295 *
Change	**(912)**	**(508)**
Net financial debt at the beginning of the period	(8,311)	(8,170)
Net financial debt at the end of the period	**(9,223)**	**(8,678)**

(*) Effect of foreign exchange rate movements and other include the variation of the pound sterling in the amount of €246 million.

Net free cash flow amounted to -€105 million for the half-year ended June 30, 2016, versus -€76 million for the half-year ended June 30, 2015.

The variation in net free cash flow for the first half of 2016 vs. the first half of 2015 mainly reflects the improvement in EBITDA, offset in particular by the unfavorable movement in operating WCR.

Excluding seasonal impacts on operating WCR (-€686 million in 2016 and -€628 million in 2015), net free cash flow for the half-year ended June 30, 2016 was €581 million, compared with €552 million for the half-year ended June 30, 2015.

3.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

3.2.1 Industrial investments

Total Group gross industrial investments, including new operating financial assets, amounted to €553 million in the first half of 2016, compared with €565 million in the same period in 2015.

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

Half-year ended June 30, 2016 *(in € million)*	Maintenance and contractual requirements	Discretionary growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	137	5	142	(11)	131
Europe excluding France	170	30	200	(8)	192
Rest of the World	126	38	164	(11)	153
Global Businesses	35	3	38	(4)	34
Other	9	-	9	-	9
Total industrial investments	**477** (1)	**76**	**553** (2)	**(34)**	**519**

(1) Of which maintenance investments for €283 million, and contractual investments for €194 million.

(2) Of which new OFAs in the amount of €44 million

Half-year ended June 30, 2015 *(in € million)*	Maintenance and contractual requirements	Discretionary growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	115	11	126	(15)	111
Europe excluding France	209	50	259	(22)	237
Rest of the World	110	12	122	(3)	119
Global Businesses	42	1	43	(3)	40
Other	15	-	15	(1)	14
Total industrial investments	**491** (3)	**74**	**565** (4)	**(44)**	**521**

(3) Of which maintenance investments for €297 million, and contractual investments for €194 million.

(4) Of which new OFAs in the amount of €50 million

At constant exchange rates, gross industrial investments were stable compared with the first half of 2015 (+0.4%).

Gross industrial investments for maintenance and contractual requirements totaled €477 million, versus €491 million for the half-year ended June 30, 2015.

Gross discretionary growth industrial investments were stable compared with the first half of 2015 and mainly concerned:

- in 2016, projects in Australia (sorting center and composting facility) and network extension in the Energy business in Bulgaria and Poland;
- in 2015, the construction of the Leeds and Shropshire incinerators in the United Kingdom and network extension in the Energy business in Central Europe.

3.2.2 Financial investments and divestitures

Financial investments amounted to -€439 million as of June 30, 2016 (including acquisition costs) and include notably the acquisition of Kurion (-€295 million), of Pedreira (-€65 million), and of the Prague Left Bank district heating network (-€58 million). As of June 30, 2015, financial investments (-€142 million) were mainly related to the purchase of minority stakes in the Water business in Central & Eastern Europe.

Financial divestitures of €48 million as of June 30, 2016 (including divestiture costs) do not include individually significant amounts. As of June 30, 2015, financial divestitures (€311 million) included the divestiture of Group activities in Israel.

3.3 OPERATING WORKING CAPITAL

The change in operating working capital requirements (excluding discontinued operations) was -€686 million for the half-year ended June 30, 2016, compared with -€628 million for the half-year ended June 30, 2015.

The change in operating working capital requirements compared to December 31, 2015, is mainly due to seasonal effects.

3.4 LOANS TO JOINT VENTURES

The change in receivables and other financial assets was primarily due to the reimbursement by Transdev Group of the shareholder loan in the amount of €345 million.

Loans to equity-accounted entities totaled €169.6 million as of June 30, 2016 (versus €585.1 million as of June 30, 2015) and included loans to the Chinese concessions of €120.1 million (€113.9 million as of June 30, 2015). As of June 30, 2015, loans to equity-accounted entities also included loans to Transdev Group of €405.4 million repaid in full as of June 30, 2016.

3.5 EXTERNAL FINANCING

3.5.1 Structure of net financial debt

(in € million)	Note	As of June 30, 2015	**As of June 30, 2016**
Non-current borrowings	7.1.1	7,803.7	7,196.9
Current borrowings	7.1.1	2,914.8	4,759.1
Bank overdrafts and other cash position items	7.1.3	246.9	395.6
Sub-total borrowings		**10,965.4**	**12,351.6**
Cash and cash equivalents	7.1.3	(1,732.9)	(3,680.2)
Fair value gains (losses) on hedge derivatives		(9.9)	6.3
Net Financial Debt		**9,222.6**	**8,677.7**

As of June 30, 2016, net financial debt after hedging is borrowed 93% at fixed rates and 7% at floating rates.

The average maturity of net financial debt was 8.9 years at June 30, 2016 compared with 8.2 years at June 30, 2015.

The leverage ratio for the half-year ended June 30, 2016, i.e. the ratio of closing Net Financial Debt (NFD) to 12-months rolling EBITDA as of June 2016, decreased compared to June 30, 2015:

	As of June 30, 2015	**As of June 30, 2016**
Leverage ratio *(Closing NFD / EBITDA to June)*	3.2	2.8

3.5.2 Group liquidity position

Liquid assets of the Group as of June 30, 2016 break down as follows:

(in € million)	As of June 30, 2015	**As of June 30, 2016**
Veolia Environnement :		
Undrawn syndicated loan facility	2,962.5	3,000.0
Undrawn MT bilateral credit lines	400.0	925.0
Undrawn ST bilateral credit lines	500.0	-
Letter of credit facility	195.9	35.0
Cash and cash equivalents	918.0	2,893.4
Subsidiaries:		

Cash and cash equivalents	814.9	786.8
Total liquid assets	**5,791.3**	**7,640.2**
Current debts and bank overdrafts and other cash position items		
Current debt	2,914.8	4,759.1
Bank overdrafts and other cash position items	246.9	395.6
Total current debt and bank overdrafts and other cash position items	**3,161.7**	**5,154.7**
Total liquid assets net of current debt and bank overdrafts and other cash position items	**2,629.6**	**2,485.5**

The decrease in net liquid assets mainly reflects upcoming bond maturities before June 30, 2017, including the euro-denominated bond maturing in January 2017, for a nominal amount of €606 million, the euro-denominated bond maturing in June 2017 for a nominal amount of €250 million, and the renminbi denominated bond maturing in June 2017 for a nominal amount of €68 million equivalent, partially offset by an offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANEs) for a nominal amount of €700 million.

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 June 30, 2016.

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 June 30, 2016.

Letter of credit facility:

The US dollar letter of credit facility signed on November 22, 2010 for the initial amount of USD 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 June 30, 2016, the new letter of credit facility was drawn by USD 131.1 million. The portion that may be drawn in cash amounted to USD 38.9 million (€35.0 million euro equivalent). It is undrawn and recorded in the liquidity table above.

3.5.3 Bank covenants

See Note 7.1.1 to the condensed interim consolidated financial statements for the half-year ended June 30, 2016.

4 Objectives and outlook

Following the satisfactory start to 2016, the Group confirms its outlook.

- **2016 Objectives***
  - Revenue and EBITDA growth
  - Net Free Cash Flow before divestments and acquisitions of at least €650 million
  - Current net income of at least €600 million

**at constant exchange rates*

- **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
  - Current net income greater than €800 million in 2018
  - Net Free Cash Flow of €1 billion in 2018

- **Dividend policy**

  From 2016-2018, the Group expects to be able to provide around 10% annual dividend growth, while reducing the payout ratio.

5 Appendices to the Operating and Financial Review

5.1 DEFINITIONS

The definitions of the financial indicators used by the Group are unchanged and may be found in Section 3.8.3 of the 2015 Registration Document.