VEOLIA

Main represented figures for the quarter ended March 31, 2016

Main represented figures(1) for the quarter ended March 31, 2016

In €M	Quarter ended March 31, 2016 published	IFRIC 12 (2) Adjustment	IFRS 5 (5) Adjustment	Quarter ended March 31, 2016 Represented
Revenue	6,088.8	0,0	(93,7)	5 995,1
EBITDA (a)	840.3	50.5	(35,5)	855,4
Current EBIT (3)	413.2	23.2	(29,8)	406,6
Current net income- Group share	173.1	0.4	(25,8)	147,7
Gross industrial investments	(246,0)	(28,0)	0,3	(273,8)
of which Change in concession WCR (b)	*0,0*	*(28,0)*	*0,0*	*(28,0)*
Interest on operating assets - IFRIC 12 (c)	0,0	(22,4)	0,0	(22,4)
Net Free Cash Flow (4)	(342,9)	0,0	(31,3)	(374,2)
Net financial debt	-8 265	0,0	(0,9)	-8 266

(1) Non audited figures

(2) See appendix

(3) Including the represented share of current net income of joint ventures and associates for the quarter ended March 31, 2016

(4) No impact related to IFRIC 12 adjustment on net Free Cash Flow ((a)+(b)+(c)=0)

(5) In order to ensure the comparability of periods, the accounts ending March 31, 2016 have been represented for the reclassification of the Group's activities in Lithuania into "Net income (loss) from discontinued operations" in accordance with the application of the IFRS 5 standard.

Appendix: IFRIC 12 – Service concession agreements

- Under concession contracts with local authorities, infrastructure is accounted, as appropriate, as an intangible asset, a financial receivable, or a combination of the two. Veolia may have a *payment obligation* vis-à-vis the Grantor to utilize the associated assets.
  - *In July 2016, IFRIC published a verdict regarding these payments and concluded that <u>in the case of fixed payments</u> required by the operator, an intangible asset and a liability should be recorded.*

- Veolia identified the contracts concerned and will apply the new IFRIC 12 measures retroactive to 1/1/2015: the most significant contracts concerned are our **water concessions in the Czech Republic and Slovakia.**

- **In the income statement,** representations related to this clarification drive an **increase in EBITDA and Current EBIT.** In effect, the concession fee formerly accounted for as a charge is eliminated and then reallocated between interest expense and repayment of the recognized debt. At the same time, an amortization charge for the asset is recognized and then deferred taxes are adjusted accordingly.

- **On the balance sheet**, the liability related to the fixed payments is classified within concession liabilities and broken down by current and non current liabilities according to maturity. The balance of the liability related to the re-presentations is greater than the corresponding net asset value: in effect the asset depreciation rate is linear, while the reimbursement rate is progressive (“constant annuity formula”, with reduction of the interest portion to the profit of the principal repayment).

The increase in EBITDA related to the application of the clarification is offset by the liability repayment (classified in CAPEX) and interest payments. As a result, these representations **have no impact on free cash flow or net financial debt.**