VEOLIA ENVIRONNEMENT

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

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QUARTERLY FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2017

(UNAUDITED FIGURES)

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1 Major events of the period

1.1 GENERAL CONTEXT

The Group's performance in the three months ended March 31, 2017 was mainly marked by:

- Revenue growth acceleration confirmation, to €6,270 million, increasing +4.5% at constant exchange rates. Revenue improved in Europe excluding France and reported a strong increase outside Europe;
- Further growth in profits despite the impact of transitory headwinds which slowed EBITDA growth:
  - EBITDA increased +0.9% at constant exchange rates to €863 million,
  - Current EBIT grew 6.1% at constant exchange rates to €431 million,
  - Current net income, Group share amounted to €155 million, up +3.7% at constant exchange rates (+7.0% excluding net capital gains and losses on financial divestitures);
- Net free cash flow of -€391 million, mainly due to the seasonal increase in operating working capital requirements;
- Fast paced commercial activity during the first quarter 2017;
- Confirmation of 2017 outlook.

1.2 CHANGES IN CONSOLIDATION SCOPE

ACQUISITIONS

- Uniken

On February 28, 2017, Veolia completed the acquisition of Uniken, a specialist in industrial and hazardous waste processing located in the Ulsan region in Korea, for an enterprise value of €70 million.

- Enovity

On January 9, 2017, the Group acquired Enovity, a building energy services company based in San Francisco, for an enterprise value of €28 million.

MAIN CONTRACT AWARDS

The strong commercial momentum enjoyed by the Group in 2016 continued, with Veolia signing several major contracts in Q1 2017:

- In the municipal market, Veolia notably won a waste recycling and management contract covering four South London boroughs (8-year contract, GBP 209 million), a public service delegation contract for the operation of a waste-to-energy recovery plant in the Lille metropolitan area (12-year contract representing revenue of €295 million) and a contract to build water treatment and distribution facilities in the Greater Matale region in Sri Lanka (€156 million).
- In the industrial market, Veolia notably won three energy services contracts in China for a total of €864 million: concerning energy performance management at the site of Hongda Chemical (10-year contract representing revenue of €335 million), the construction and operation of a chilled water plant for a Beijing data center (20-year contract representing revenue of €188 million), and the production of electricity and steam from biomass for chemicals and construction manufacturing clients (25-year contract representing revenue of €341 million).

1.3 GROUP FINANCING

ISSUE OF TWO BONDS FOR €1.3 BILLION

In March 2017, Veolia issued two bonds for €1.3 billion. This issuance includes a €650 million bond maturing in March 2022 (5-year maturity) bearing a coupon of 0.672% and a €650 million bond maturing in November 2026 (short 10-year maturity) bearing a coupon of 1.496%. Both bonds were issued at par.

The proceeds of this issuance will be used for general corporate purposes.

CHANGES IN BONDS OUTSTANDING

On January 16, 2017, Veolia repaid a euro-denominated bond line with a nominal value of €606 million.

CONFIRMATION OF THE CREDIT OUTLOOK

In May and June 2016, S&P and Moody's 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 20, 2017 set the dividend for fiscal 2016 at €0.80 per share. This dividend was paid in cash beginning April 26, 2017 in the total amount of €440 million.

1.4 CHANGES IN GOVERNANCE

COMBINED SHAREHOLDERS' MEETING, APRIL 20, 2017

The Combined Shareholders' Meeting of Veolia Environnement took place at the Maison de la Mutualité in Paris, on Thursday, April 20, 2017, under the chairmanship of Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company. At the General Meeting, shareholders approved all the resolutions on the agenda. In particular, shareholders:

- approved the company financial statements and consolidated financial statements for fiscal year 2016;
- set the dividend in cash for the fiscal year ended December 31, 2016 at €0.80 per share. The shares went ex-dividend on April 24, 2017 and the dividend was paid with effect from April 26, 2017;
- renewed the terms of office as directors of Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse, Mrs. Marion Guillou and Mr. Paolo Scaroni for a four-year period expiring at the end of the General Shareholders' Meeting that will be called to approve the financial statements for the fiscal year ending December 31, 2020;
- renewed the term of office of ERNST & YOUNG et Autres as principal statutory auditor for a period of six fiscal years, expiring in 2023 at the end of the General Shareholders' Meeting called to approve the financial statements for year ending December 31, 2022;
- gave a favorable opinion on the remuneration due or attributed for fiscal year 2016 to Mr. Antoine Frérot;
- approved the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2017;
- amended the provisions of Article 12 of the Articles of Association regarding the term of office of the Vice-Chairman.

After this Combined Shareholders' Meeting, Veolia Environnement's Board of Directors consists of seventeen directors, including two directors representing employees and six women (40%)[1], and 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. Nabeel Mohammed Al-Buenain in replacement of Mr. Khaled Al Sayed effective from March 30, 2017;
- 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 composed 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), Mrs. Maryse Aulagon, 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. Isabelle Courville, Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

1.5 LITHUANIA

Several major events concerning the Vilnius contract took place in Q1 2017: Veolia's 15-year contract for the operation of the Lithuanian capital's heating system ended on March 29, 2017. The city of Vilnius filed a claim for compensation for damage to assets incurred during the period of delegated management to Veolia Environnement and its subsidiary Vilnius Energija (Vilnius Energy). The Group fully contests this claim. The city of Vilnius recently announced that this claim should amount to €200 million. As a result, the municipal company issued a warranty claim for this €200 million to Veolia on March 29, 2017 (Notice of Default) and the Vilnius Municipal Council decided to go to arbitration before the Stockholm Chamber of Commerce (SCC) on April 25, 2017 for this amount.

It is recalled that in January 2016, Veolia filed a request for arbitration against Lithuania before the International Centre for Settlement of Investment Disputes (ICSID) for unfair treatment and expropriation, based on a compensation claim of around €100 million. In addition, following a request for arbitration filed with the Stockholm Chamber of

1 *Excluding Directors representing employees*

Commerce on November 30, 2016, the Group secured the nomination of an independent expert, appointed to assess the condition of the assets at the end of the contract.

As of March 31, 2017, the move towards a withdrawal from Lithuania, motivated by the end of a major contract and the sales process already launched for other activities, led the Group to transfer its Lithuanian activities to discontinued operations in accordance with IFRS 5.

2 Accounting and financial information

2.1 PREFACE

Changes in concession standards

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-a-vis the grantor to utilize the associated assets.

In July 2016, IFRIC published a verdict regarding these payments and concluded that in the case of fixed payments required by the operator, an asset and a liability should be recorded (intangible model).

Veolia identified the contracts concerned and has applied the new IFRIC 12 measures retroactive to January 1, 2015. The most significant contracts concerned are our water concessions in the Czech Republic and Slovakia.

March 31, 2016 figures have been represented for the application of IFRIC 12. The impacts are presented in the appendices to this quarterly financial report.

Figures as of March 31, 2017 discussed in this quarterly financial report include the impact of adjustments resulting from the application of IFRIC 12. EBITDA was represented in the amount of €52.6 million, Current EBIT in the amount of €22.9 million, and Current net income, Group share in the amount of -€0.7 million.

2.2 KEY FIGURES

(in € million)	Three months ended March 31, 2016 published	IFRIC 12 and IFRS 5 [(3)] adjustments	**Three months ended March 31, 2016 represented**	**Three months ended March 31, 2017 including IFRIC 12**	Δ	Δ at constant exchange rates
Revenue	6,089	(94)	5,995	6,270	+4.6%	+4.5%
EBITDA	840	15	855	863	+0.9%	+0.9%
EBITDA margin	*13.8%*		*14.3%*	*13.8%*		
Current EBIT [(1)]	413	(6)	407	431	+5.9%	+6.1%
Current Net income – Group share	173	(25)	148	155	+4.8%	+3.7%
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	170	(25)	145	156	+8.1%	+7.0%
Industrial capex	246	28	274	271		
Net Free cash-flow [(2)]	(343)	(31)	(374)	(391)		
Net financial debt	8,265	1	8,266	8,430		

(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 calculated by: the sum of EBITDA, dividends received, changes in operating working capital and operating cash flow from financing activities, less net interest expense, net industrial investments, taxes paid, renewal expenses, restructuring charges and other non-current expenses.

(3) Adjustments as of March 31, 2016 concern the application of IFRIC 12 and the transfer of activities in Lithuania to discontinued operations pursuant to IFRS 5 (see the Appendices).

The main foreign exchange impacts were as follows:

Foreign exchange impacts *as of March 31, 2017, (vs. March 31, 2016 represented)*	**%**	*€M*
Revenue	*0.1%*	*3*
EBITDA	*-0.1%*	*(1)*
Current EBIT	*-0.2%*	*(1)*
Current net income	*1.1%*	*2*
Net financial debt (vs. March 2016 represented)	*0.5%*	*42*
Net financial debt (vs. December 2016)	*0.9%*	*70*

GROUP CONSOLIDATED REVENUE

Group consolidated revenue for the three months ended March 31, 2017 was €6,269.8 million, compared with represented €5,995.1 million in Q1 2016, up +4.5% at constant exchange rates. Excluding Construction revenue [1] and the impact of energy prices, revenue increased +5.9% at constant exchange rates.

By segment, the change in revenue compared to March 31, 2016 represented breaks down as follows:

			2016 / 2017 change		
(in € million)	Three months ended March 31, 2016 represented	**Three months ended March 31, 2017**	Δ	Δ at constant exchange rates	Δ at constant FX and excluding construction & energy prices
France	1,322.9	1,302.9	-1.5%	-1.5%	-1.7%
Europe, excluding France	2,171.6	2,274.6	+4.7%	+7.2%	+8.0%
Rest of the world	1,426.1	1,647.9	+15.6%	+11.8%	+11.2%
Global businesses	1,067.7	1,036.6	-2.9%	-3.2%	+3.6%
Other	6.8	7.8	-	-	-
Group Revenue	**5,995.1**	**6,269.8**	**+4.6%**	**+4.5%**	**+5.9%**

- Revenue declined slightly in **France** (-1.5% compared with Q1 2016 represented): sluggish Water activities were offset by growth in the Waste business.
  - Water business revenue fell -2.6%, in line with the -0.4% decrease in volumes sold, the -0.3% reduction in tariff indexation and negative commercial impacts (loss of the Blois contract and an invoicing and collection services contract in Nice) ;
  - Waste business revenue was stable compared to represented Q1 2016, but grew 4.8% at constant consolidation scope, adjusted for the impact of the sale of Bartin Recycling on November 30, 2016. Strong incineration activities (start-up of the Nancy contract and work at the Synerval plant in Le Mans) and landfill volumes (+6.8%), higher recyclate prices (+10% for paper), an increase in municipal and commercial collection tariffs, were accompanied by continued vigorous commercial development, reflected by a high contract renewal rate and significant contract wins (Halluin contract in Lille, etc.)
- **Europe excluding France** (excluding Lithuania which was transferred to discontinued operations) reported revenue growth of +7.2% at constant exchange rates, with solid momentum in all key countries:
  - In the United Kingdom, revenue increased +6.1% at constant exchange rates to €484 million (compared with a decrease of -1.4% for the year ended December 31, 2016), thanks to good PFI performance (95% average incinerator availability), the positive impact of new Waste contracts in 2016 and 2017 (St

[1] *Construction activities concern the Group's engineering and construction businesses (mainly Veolia Water Technologies and SADE), as well as construction completed as part of operating contracts.*

Albans, Southend on Sea, Army 2020), and higher recyclate prices (notably paper and ferrous and non-ferrous scrap metals);

- In Northern Europe, the good revenue momentum was once again confirmed, with an increase of +10.2% at constant exchange rates versus represented figures for the quarter ended March 31, 2016. Germany reported a marked increase in revenue thanks to higher recyclate prices (paper), a rise in commercial collection volumes and the integration of new contracts (in particular the industrial sites purchased from Nuon in May 2016). The other Northern Europe countries benefited from an increase in plastic recycling activities in the Netherlands, the integration of Ferroweld in Sweden in 2016 and strong Construction activities;

- In Central and Eastern Europe, revenue increased +9.0% at constant exchange rates to €864 million, driven by an overall favorable weather impact (+€17 million), an increase in heating and electricity volumes sold in Poland, a rise in water volumes invoiced, higher water tariffs in the Czech Republic and the impact of recent Group developments: Prague Left Bank (€14 million), Biomass cogeneration plants in Hungary and the new Water contract in Armenia. These items were mitigated by lower energy tariffs in Slovakia, Hungary and the Czech Republic.

– Strong revenue growth of +11.8% at constant exchange rates in the **Rest of the world** segment, reported across most regions.

  - Revenue rose +16.8% at constant exchange rates to €528 million in North America (flat in fiscal year 2016), benefiting from the integration of Chemours' Sulfur Products division assets (€52 million), the acquisition of a building energy services company (Enovity) in January 2017 and good hazardous waste performance. Gas prices rose in the Municipal Energy business, offsetting the decrease in heating volumes sold (due to a mild winter);

  - Strong revenue growth in Latin America (+27.2% at constant exchange rates) thanks to inflation-led tariff increases in Argentina, an increase in Waste volumes (notably related to the Buenos Aires contract in Argentina) the increase in Water volumes and construction work (under the Guayaquil contract in Ecuador), as well as the positive impact of the acquisition of the Pedreira landfill site in Brazil in May 2016;

  - In Asia, significant revenue growth of +18.0% at constant exchange rates was observed. In China, revenue rose sharply (+31.0%) resulting from the integration of Sinopec in 2016 in the Industrial Water sector and growth in volumes sold in Energy by the Harbin and Jiamusi heating networks and under industrial contracts (start-up of Hongda 2 contract) and an increase in Waste volumes. Revenue growth in Japan was also driven by the development of Municipal Water O&M and Customer service activities;

  - In the Pacific zone, revenue decreased by -1.4% at constant exchange rates (compared with -3.1% in fiscal year 2016). In the Waste business, the increase in collection prices and strong treatment activities were offset by the decline in collection activities and industrial services;

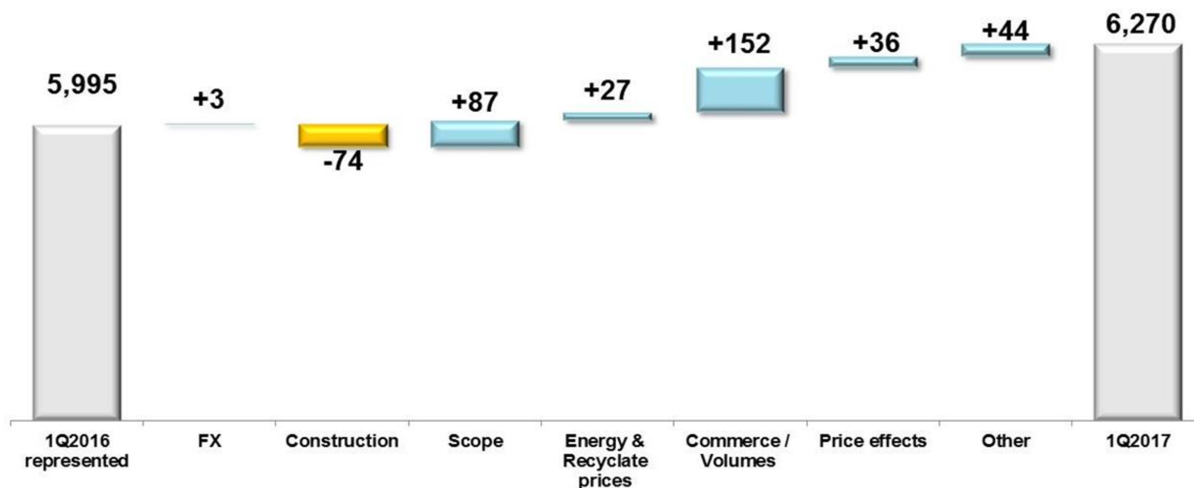
  - In Africa and the Middle East, revenue was stable (+0.5% at constant exchange rates).

– **Global Businesses**: -3.2% decline in revenue at constant exchange rates: dynamic Hazardous waste revenues were offset by continued downsizing in Engineering.

  - Solid growth in Hazardous Waste activities (+2.2% at constant exchange rates), tied particularly to strong industrial maintenance performance (increase in volumes and new contracts);

  - Design & Build activities slumped 11.4% at constant exchange rates, in line with business streamlining and a weaker backlog than in 2016. Bookings remain low, with some international delays.

The change in revenue between the first quarter of 2016 and 2017 breaks down **by main impact** as follows:



The **foreign exchange impact** on revenue amounted to €3.2 million (0.1% of revenue) and mainly reflects fluctuations in the UK pound sterling (-€60.2 million), the Australian dollar (+€19.8 million), the US dollar (+€18.5 million) and the Brazilian real (+€9.4 million).

The **consolidation scope impact** (+€87 million) mainly concerns developments in 2016: the integration of Chemours' Sulfur Products division assets in the United States (€52 million), Prague Left Bank in the Czech Republic (€14 million) and the Pedreira landfill site in Brazil (€10 million) as well as the sale of Bartin Recycling in the Waste business in France (-€39 million). At constant scope and exchange rates, revenue growth amounts to +3.1%

The decrease in **Construction** revenue (-€74 million, compared with -€117 million in Q1 2016) was mainly due to a more measured reduction in Veolia Water Technologies and SADE activities, and the end of the negative impact of lower construction revenue related to the completed PFI incinerators in the United Kingdom.

Group revenue benefited from an increase in **energy and recyclate prices** in the amount of +€27 million (compared with -€94 million in Q1 2016), following an increase in recyclate paper prices in Europe and energy prices in the United States, partially offset by a decrease in energy prices in Europe.

Commercial momentum improved significantly (**Commerce/Volumes** impact) to +€152 million (compared with +€98 million in Q1 2016):

- +€74 million increase in sales volume, in line with an increase in volumes sold in Germany (Energy) and Central Europe (Water and Energy), good growth in Waste in Germany, solid growth in Hazardous waste activities globally and good Energy and Waste volumes in China, partially offset by continued difficulties in industrial services in North America and Australia;
- A commercial impact of +€63 million thanks to numerous contract wins in Europe (in Waste in the United Kingdom and multi-utility industrial contracts) and good performance in Asia (including the Sinopec contract in China for €31 million);
- The weather impact of +€15 million is favorable in Central Europe and negative in the United States.

Favorable **price effects** are tied to tariff indexation which remains favorable (except in France), but very moderate, and the significant impact of higher Waste prices in Argentina.

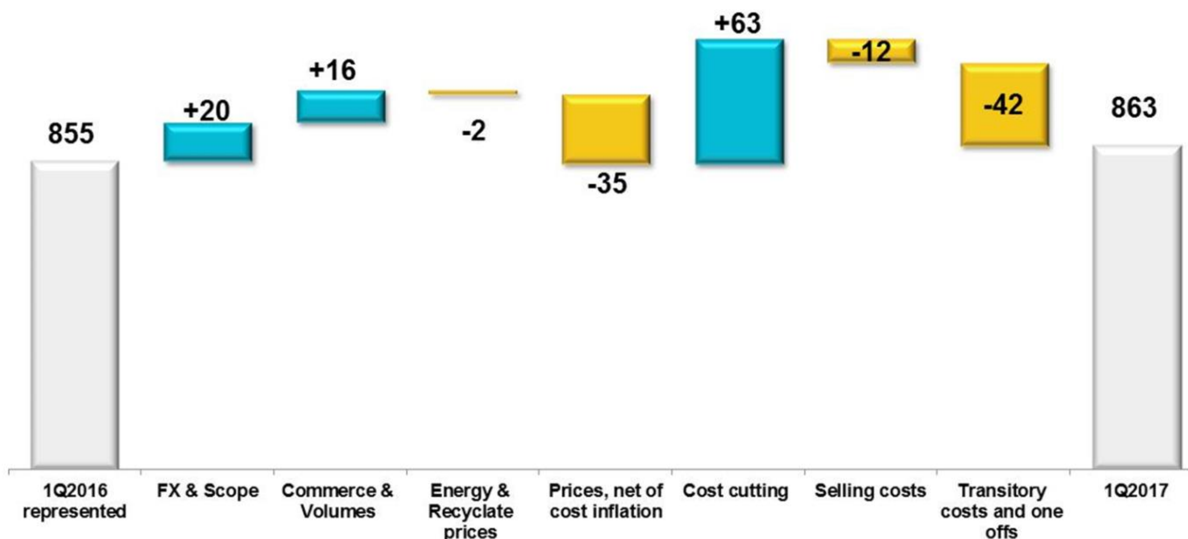
EBITDA

Group consolidated EBITDA for the three months ended March 31, 2017 was €862.9 million, up 0.9% at constant exchange rates compared with Q1 2016 represented figures. The EBITDA margin decreased from 14.3% in Q1 2016 to 13.8% in Q1 2017.

Changes in EBITDA **by segment** were as follows:

- **In France**, EBITDA increased slightly during the quarter driven by cost savings:
  - In the Water business, EBITDA remained flat in Q1 2017, thanks to significant cost savings which offset ongoing unfavorable impacts: price squeeze as result of negative tariff indexation, negative impact of contractual negotiations and weak volumes (-0.4%);
  - In the Waste business, EBITDA increased 6% benefiting from significant cost savings, an increase in the price of paper and the impact of commercial developments.
- EBITDA continued to grow in **Europe excluding France** (excluding Lithuania), despite a number of mainly one-off negative impacts:
  - in Central and Eastern Europe, thanks to cost savings efforts and a favorable weather impact (+€8 million);
  - In the United Kingdom, thanks to strong overall business performance (tied to efficiency plans) and the favorable impact of the price of paper, offset by plant maintenance outage one-off costs;
  - In Germany, strong Waste performance was offset by the negative comparison related to non-recurring items in 2016.
- Double-digit growth in EBITDA in the **Rest of the world:**
  - Return to EBITDA growth in the United States (after a difficult 2016), despite an unfavorable weather impact in Energy, thanks to the implementation of efficiency measures and the successful integration of Chemours' Sulfur Products division assets;
  - Double-digit growth in EBITDA in China, tied to good performance in Municipal Energy (higher volumes, efficiency gains and favorable weather impact) and Industrial Water (Sinopec contract).
- In the **Global Businesses** segment, the benefits of restructuring at Veolia Water Technologies and the good performance of Hazardous waste activities were offset by some transitory headwinds. Veolia Water Technologies continues its transformation plan with the standardization of its offerings, purchasing savings and a decrease in selling and administrative costs.

The change in EBITDA between the first quarter of 2016 and 2017 breaks down **by main impact** as follows:



The **foreign exchange impact** on EBITDA was -€0.5 million and mainly reflects fluctuations in the UK pound sterling (-€7.9 million), the Brazilian real (+€2.2 million), the Australian dollar (+€1.6 million), the US dollar (+€1.5 million) and the Korean won (+€1.3 million).

The **consolidation scope impact** (+€20.5 million) mainly concerns developments in 2016: the integration of Chemours' Sulfur Products division assets in the United States, Prague Left Bank in the Czech Republic and the Pedreira landfill site in Brazil.

Commerce and volumes impacts amounted to +€16 million, thanks to a favorable weather impact in Europe, strong Hazardous waste performance, good Water and Energy volumes in Central and Eastern Europe and solid activity in Asia. These factors were nonetheless mitigated by ongoing difficulties in the Water business in France due to the negative impact of contractual negotiations and lower volumes and the start-up costs associated with the new contract in Armenia.

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

Cost-savings plans contributed €63 million, consistent with the annual objective of €250 million. They mainly cover operational efficiency (47%) and purchasing (30%) and were achieved across all geographic zones: France (30%), Europe excluding France (22%), Rest of the World (29%), Global Businesses (14%) and Corporate (5%).

Transitory costs and one-off items mainly concern insurance costs (offset by provision reversals), higher maintenance costs in Q1 (particularly in the United Kingdom) and an unfavorable comparison effect tied to favorable contract terminations in 2016.

CURRENT EBIT

Group consolidated Current EBIT for the three months ended March 31, 2017 was €430.5 million, up +6.1% at constant exchange rates compared with Q1 2016 represented figures.

This strong growth in Current EBIT was mainly due to:

- the improvement in Group EBITDA;
- the increase in depreciation and amortization charges at constant exchange rates, in line with consolidation scope impacts, primarily in the Unites States following the acquisition of Chemours' assets in July 2016, as well as in Korea, China, Brazil and France Water;
- the favorable change in net operating provision reversals, in particular provisions for landfill site remediation in France and the United Kingdom, and captive insurance provisions (€12 million);
- impairment of property, plant and equipment, intangible assets and operating financial assets recognized in March 2016, particularly in the United Kingdom;
- the increase in the contribution of equity-accounted entities, notably in China.

The foreign exchange impact on Current EBIT was -€0.7 million and mainly reflects fluctuations in the UK pound sterling (-€4.6 million) and the Brazilian real (€1.8 million).

The reconciling items between EBITDA and Current EBIT as of March 31, 2017 and 2016 are as follows:

(in € million)	Three months ended March 31, 2016 represented	**Three months ended March 31, 2017**
EBITDA	**855.4**	**862.9**
Renewal expenses	(67.4)	(66.9)
Depreciation and amortization (*)	(401.4)	(416.2)
Provisions, fair value adjustments & other:	2.6	26.8
• Current impairment of property, plant and equipment, intangible assets and operating financial assets	(4.8)	1.0
• Net charges to operating provisions, fair value adjustments and other	2.1	22.5
• capital gains or losses on industrial divestitures	5.3	3.3
Share of current net income of joint ventures and associates	17.4	23.9
Current EBIT	**406.6**	**430.5**

(*) Including principal payments on operating financial assets (OFA) of -€37 million for the quarter ended March 31, 2017 (compared to -€44.2 million for the quarter ended March 31, 2016).

CURRENT NET INCOME

Current net income attributable to owners of the Company rose by 3.7% at constant exchange rates to €154.8 million for Q1 2017, compared with represented €147.7 million for Q1 2016, driven by the growth in Current EBIT, stable net finance costs, capital gains and losses on financial divestitures that were lower in Q1 2017 than in Q1 2016 represented figures, and a high level of minority interests in 2017 (due to seasonality and good level of activity in Central & Eastern Europe).

Excluding capital gains and losses on financial divestitures net of tax, current net income attributable to owners of the Company rose 7.0% at constant exchange rates to €156.5 million from represented €144.8 million for Q1 2016.

FINANCING

(in € million)	Three months ended March 31, 2016 represented	**Three months ended March 31, 2017**
EBITDA	**855**	**863**
Net industrial investments	(259)	(262)
Change in operating WCR	(728)	(736)
Dividends received from equity-accounted entities and joint ventures	3	11
Renewal expenses	(67)	(67)
Other non-current expenses and restructuring costs	(6)	(17)
Interest on operating assets - IFRIC 12	(22)	(23)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(98)	(109)
Taxes paid	(52)	(51)
Net free cash flow before dividend payment, financial investments and financial divestitures	**(374)**	**(391)**
Net financial debt at the beginning of the period	(8,170)	(7,811)
Net financial debt at the end of the period	**(8,266)**	**(8,430)**

Net free cash flow was -€391 million for the three months ended March 31, 2017, compared with represented -€374 million in Q1 2016.

Overall, **net financial debt** amounted to €8,430 million at March 31, 2017, compared with represented €8,266 million at March 31, 2016.

In addition to the change in net free cash flow, net financial debt was impacted by financial investments, which amount to -€143 million in Q1 2017 (including the acquisition of Uniken in Korea for -€70 million, and Enovity in the United States for -€28 million), as well as unfavorable exchange rate fluctuations in the amount of €70 million in the first three months of the year (€42 million compared to March 31, 2016).

2.3 REVENUE BY BUSINESS

			2016 / 2017 change		
(in € million)	Three months ended March 31, 2016 represented	**Three months ended March 31, 2017**	Δ	Δ at constant exchange rates	Δ at constant FX and excluding construction & energy prices
Water	2,635	2,632	-0.1%	-0.9%	+2.5%
Waste	2,014	2,155	+7.0%	+8.1%	+8.1%
Energy	1,346	1,483	+10.1%	+9.7%	+9.3%
Group Revenue	**5,995**	**6,270**	**+4.6%**	**+4.5%**	**+5.9%**

WATER

Water revenue was stable at constant exchange rates, but increased +2.5% at constant exchange rates excluding Construction revenue and energy prices, compared with Q1 2016 represented figures. This increase can be explained as follows:

- Higher volumes and a positive commercial effect of 1.9%. The rise in water volumes invoiced in Central and Eastern Europe, was partly offset by a -0.4% decrease of volumes in France. Revenue also benefited from the impact of new industrial water developments, notably Sinopec in China (+€31 million);
- A slightly negative price effect of -0.2%;
- The decrease of construction activity by 2.8%: VWT revenue remains down although to a lesser extent than in 2016.

WASTE

Waste revenue rose +8.1% at constant exchange rates compared with represented Q1 2016 figures (+5.6% at constant consolidation scope and exchange rates), due to:

- A scope impact of +2.5%, mostly related to the integration of the Chemours Sulfur Products division’s assets in the United States (+€52 million);
- Commercial and volumes effects of +1.2%. Waste volumes increased in France (landfills, sorting & recycling), in Germany and in hazardous waste overall, but remained weak in Australia. Revenue also benefited from numerous commercial wins, in the United Kingdom and in Germany in particular;
- A positive price effect of 1.3%, notably in Latin America and in Germany;
- The impact of higher recyclate paper prices and volumes of recycled materials: +1.8%.

ENERGY

Energy revenue rose 9.7% at constant exchange rates compared with Q1 2016 represented figures (+7.1% at constant consolidation scope and exchange rates). This increase can be explained as follows:

- a scope impact of +2.7%, notably related to the acquisition of Prague left bank DHN in 2016 and of an energy efficiency business in the United States (Enovity) in 2017;
- a favorable weather impact of €15 million (+1.1%) mostly in Poland and Czech Republic;
- the positive volumes and commerce effect of 4.6%, due to higher volumes of energy sold in Central and Eastern Europe and in China, and new energy efficiency contracts;
- a slightly positive price effect of 0.6%: lower heat and electricity prices in Europe were more than offset by higher gas prices in the United States.

3 Subsequent events

None.

4 Outlook

The Group's medium-term outlook [1] is as follows:

- **2017:** A transition year, with a resumption of revenue growth, stable EBITDA or moderate EBITDA growth and increased efforts to reduce costs by more than €250 million.
- **2018:** Continuation of revenue growth and the resumption of more sustained EBITDA growth, with an objective of more than €300 million in cost savings.
- **2019:** Continuation of revenue growth and full impact of savings. EBITDA expected between €3.3bn and €3.5bn [2] *(excluding IFRIC 12).*

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[1] *At constant exchange rates*

[2] *Equivalent to €3.4bn to €3.6bn (excluding IFRIC 12) and before taking into account the unfavorable exchange rate impact in 2016*

5 Appendices

5.1. RECONCILIATION OF 2016 PUBLISHED DATA AND 2016 REPRESENTED DATA [1]

In €M	Quarter ended March 31, 2016 published	IFRIC 12 Adjustment	IFRS 5 [(4)] 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 [(2)]	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 [(3)]	(342,9)	0,0	(31,3)	(374,2)
Net financial debt	-8 265	0,0	(0,9)	-8 266

(1) Unaudited figures
(2) Including the represented share of current net income of joint ventures and associates for the quarter ended March 31, 2016
(3) No impact related to IFRIC 12 adjustment on net Free Cash Flow ((a)+(b)+(c)=0)
(4) In order to ensure the comparability of periods, the quarter ended March 31, 2016 has been adjusted for the reclassification of the Group's activities in Lithuania to "Net income (loss) from discontinued operations" pursuant to IFRS 5.

IFRIC 12

In the income statement, the adjustments resulting from 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, a depreciation 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 between current and non-current liabilities according to maturity. The liability balance relating to the adjustments 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 in the interest portion in favor of the principal repayment).

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