# Annual Results 2018

#weare RESOURCERS

21 February 2019

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*Unaudited key figures*

# Annual Results 2018

# Highlights

**Antoine Frérot, CEO**

# 2018 performance better than expected, marked by strong revenue growth

- **Strong revenue growth: +6.5% at constant FX (+4.7% like-for-like), to €25 911M**
  - *Continued strong growth in Q4 (+4.7% and +6.4% at constant FX)*
  - *Excellent commercial dynamism and very strong waste volumes in all geographies*
  - *Tariff indexations slightly higher than in 2017*
  - *Organic growth complemented by tuck ins*

- **Results growth better than expectations, sharp acceleration in H2**
  - ***EBITDA up +7.3% at constant FX to €3 392M*** *(+5.8% in H1 then +9.4% in Q3 and +8.4% in Q4)*

    (+) Strong revenue growth

    (+) Cost savings of **€302M** in line with annual objective

    (-) Price cost squeeze on energy costs and impact of lower recycled prices

    (-) Unfavorable weather
  - ***Current EBIT improved 9.7% at constant FX to €1 604M***
  - *Current net income up 13.3% at constant FX to* ***€675M and +14.7% at constant FX excluding net financial capital gains***
  - *Net FCF (after growth capex) of* ***+€568M***
  - *Net financial debt of* ***€9.7bn****, as expected, and before the divestment of the 30% stake in Transdev for €340M, closed on January 9, 2019*

> ➢ **Proposal to increase the dividend by 10%, to €0.92 per share**
> ➢ **2019 Objectives fully confirmed**

# A mostly organic growth, stemming from the strategic priorities pursued over the past 4 years

- **<u>2018 growth mostly organic</u>**
  - *Revenue up +4.4% of which:*
    - -2.1% FX
    - +1.8% scope
    - Giving a +4.7% like for like growth

- **<u>Geographically</u>, this <u>organic</u> growth comes from:**
  - *First Latin America (+22%) and Asia (+10%)*
  - *Also, Central Europe (+5%), Southern Europe (+5%) and the UK (+3%)*

- **<u>From a business standpoint</u>, it comes from:**
  - *More than 50% new businesses:*
    - ➢ Difficult pollutions
    - ➢ Circular economy
    - ➢ Services on industrial sites
    - ➢ Energy efficiency
  - *But also from <u>solid waste treatment</u>*
  - *In addition, <u>very strong renewal rate of contracts</u>: 90%*

- **<u>From a client point of view</u>, <u>organic</u> growth comes from**
  - *<u>60% industrial clients</u>*
  - *And <u>40% municipal clients</u>*

# Revitalization of commercial organization with new key offers, and continued cost savings have fueled strong revenue and results growth since 2015

## A profitable growth

### ➢ Strong Revenue and results growth

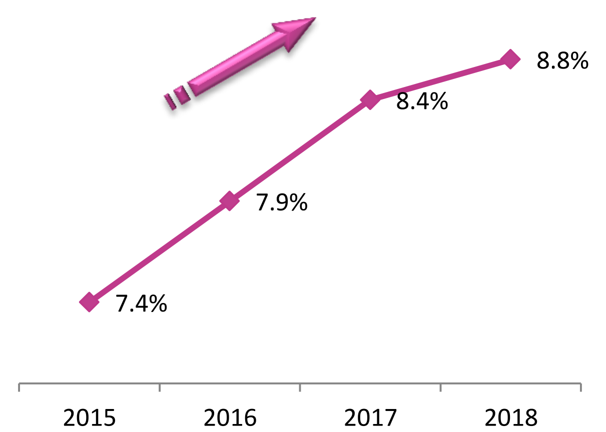
*CAGR 2015-2018**

- **Revenue: +4%**
- **EBITDA: +5%**
- **Current EBIT: +8%**
- **Current Net income: +10%**
- **Dividend: +8%**

* At constant FX including IFRS 5

### ➢ Value creation

*ROCE after tax*

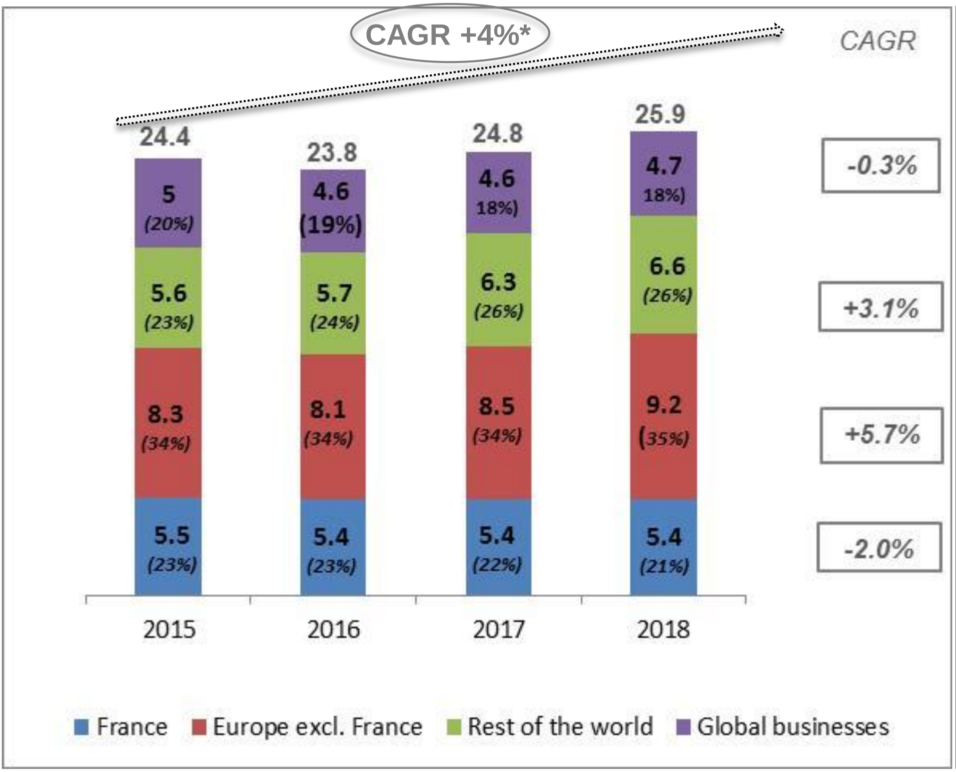



**… and Free Cash Flow generative (after maintenance and growth capex) => Net cumulated FCF 2015-2018: €3bn**

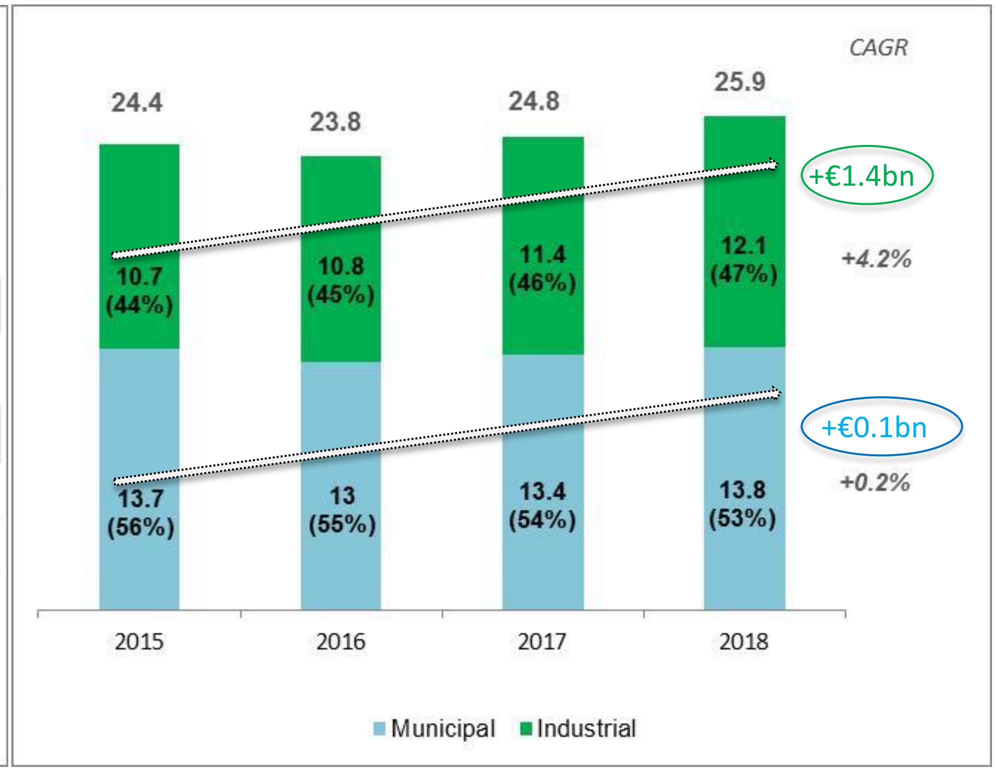
- ➢ *~ 80% dedicated to dividends*
- ➢ *~20% allocated to net financial investments*

# 2015-2018: A more *selective* growth focusing on international development and industrial clients

**By geography**



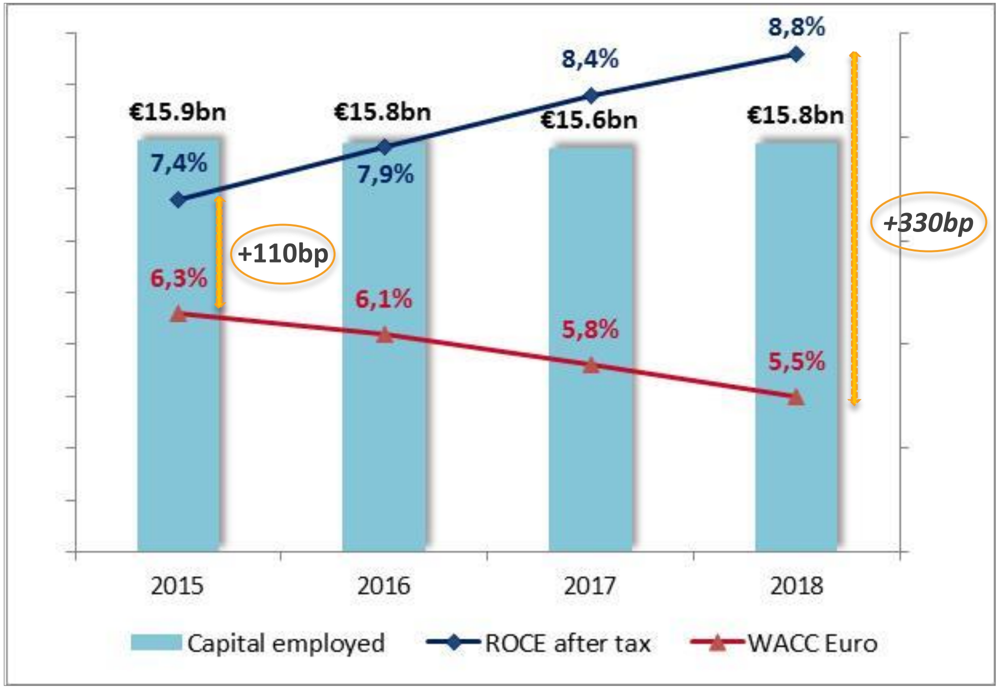

**By market**



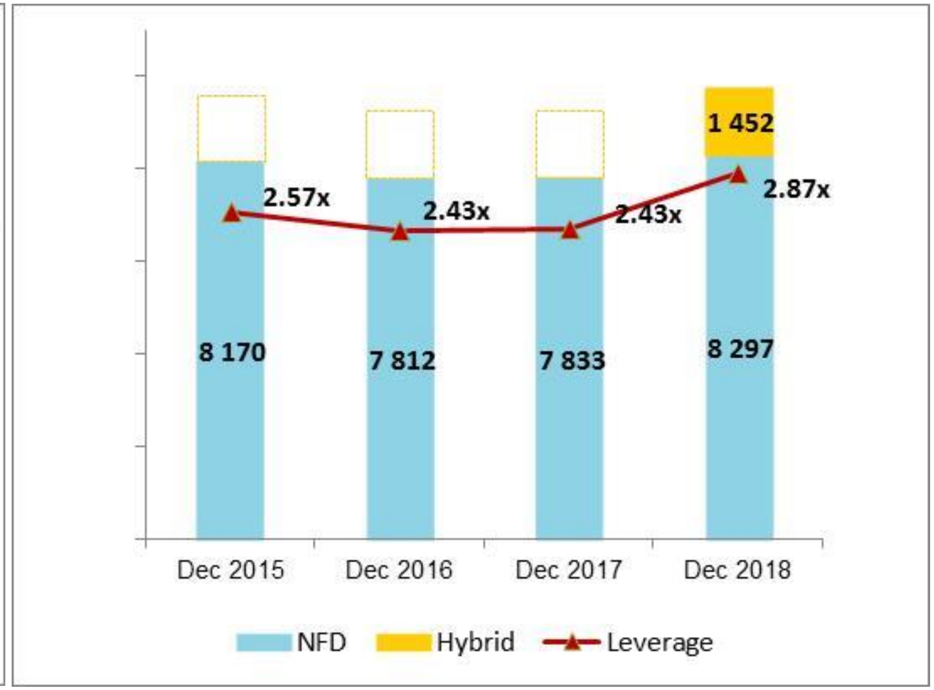

* At constant FX including IFRS5

# 2015-2018: Growth *less capital intensive* than in the past

**Stable capital employed & Continuous improvement in the Group's returns**

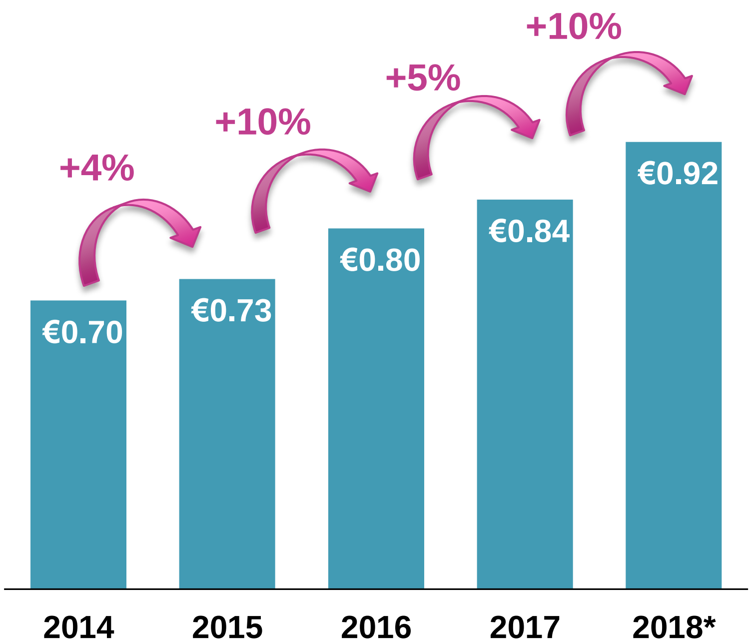



**Stable net financial debt Leverage < 3 at 31/12/2018 including hybrid**



# 2015-2018 : Dividend growth in line with that of current net income

➢ **Proposal to increase the dividend by 10%, to €0.92 per share: +32% in 4 years**




* Subject to the approval of the Annual General Shareholders’ Meeting

# 2019 Prospects
## The economic environment remains favorable to our operations

- **Industrial Production :** continued good waste volume trends (incentive regulation, global rising demand of hazardous waste treatment solutions)

- **Inflation pick-up in Europe** => higher tariff indexations and less price cost squeeze

- **Energy Prices** :
  - ✓ *Non recurring margin squeeze on higher coal cost in Central Europe in 2018*
  - ✓ *Lower fuel cost favorable for the waste activities*

- **Recycled material prices** : stable prices since April 2018

- **Construction business environment** : bookings expected to increase in 2019 with the signing of 2 desalination contracts in the Middle East – Progressive refocusing of VWT towards technology and services (less construction)

# 2019 Prospects
# EBITDA objective confirmed at the upper end of the range
# Development of the new 2020-2023 strategic plan

***2019 : last year of the plan, expected on the same trend as the 1st 3 years***

- **Revenue growth will remain hefty**
- **And cost savings targets ambitious : at least €220M in 2019**
- **… EBITDA forecast set up 2 years ago* fully confirmed, at the higher end of the range:**

*i.e : **between €3.5bn and €3.6bn** (based on FX at the end of 2018)*

- **Development of the new 2020-2023 strategic plan, to be presented early 2020**

* EBITDA between €3.5bn and €3.7bn including IFRIC12 (at constant FX based on rates at the end of 2016), i.e. after the 2017-2018 cumulated FX impact of -€109M, EBITDA between €3.4bn and €3.6bn based on FX at the end of 2018

# 2019 outlook

- **2019 Objectives :**
  - ✓ **Continuation of sustained revenue growth**
  - ✓ **More than €220M in cost savings**
  - ✓ **EBITDA between €3.5bn and €3.6bn[(1)]**

- **Dividend growth in line with that of current net income**

(1) At constant FX (based on rates at the end of 2018) and excluding the impact of IFRS 16

# 2018 Annual Results

## Annual results ending December 31, 2018

**Claude Laruelle, CFO**

# Overall 2018 performance better than expected and marked by very strong revenue growth

| *In €M* | 2017 published | 2017 represented for IFRS5 & IFRS9[(1)] | 2018 | Var. | Δ at constant FX | Δ at constant FX vs 2017 incl. Gabon |
|---|---|---|---|---|---|---|
| **Revenue** | **25 125** | **24 818** | **25 911** | **+4.4%** | **+6.5%[(2)]** | **+5.2%** |
| **EBITDA** | **3 284** | **3 217** | **3 392** | **+5.4%** | **+7.3%** | **+5.2%** |
| ***EBITDA margin*** | ***13.1%*** | ***13.0%*** | ***13.1%*** | | | |
| **Current EBIT[(3)]** | **1 519** | **1 497** | **1 604** | **+7.1%** | **+9.7%** | |
| **Current net income- Group share** | **623** | **614** | **675** | **+10.0%** | **+13.3%** | |
| **Current net income- Group share excluding capital gains** | **616** | **607** | **679** | **+11.8%** | **+14.7%** | |
| **Net income- Group share** | **402** | **398** | **439** | **+10.5%** | **+15.5%** | |
| **Current net income- Group share EPS[(4)]** | **1.13** | **1.11** | **1.22** | | | |
| **Adjusted current net income - Group share EPS[(4) (5)]** | **0.99** | **0.97** | **1.10** | | | |
| **Gross industrial Capex** | **1 738** | **1 738** | **1 811** | | | |
| **Net FCF[(6)]** | **655** | **619** | **568** | | | |
| **Net financial debt** | **7 841** | **7 833** | **9 749** | | | |

| **Summary of FX impacts (vs. 2017)** | **€M** | **%** |
|---|---|---|
| Revenue | -530 | -2.1% |
| EBITDA | -60 | -1.9% |
| Current EBIT | -38 | -2.5% |
| Current net income | -20 | -3.0% |
| Net financial debt | 86 | +1.1% |

(1) See Appendix 1
**(2) Like-for-like growth of +4.7%**
(3) Including the share of current net income of joint ventures and associates considered to be core Group activities (excluding Transdev which is no longer considered a core Group activity)
(4) Basic
(5) Adjusted current net income includes the cost of the coupon attributable to holders of perpetual hybrid bonds (- €67.8M in 2017 and -€66.4M in 2018)
(6) Net free cash flow corresponds to the free cash flow of continuing operations, i.e. the sum of EBITDA, dividends received, operating cash flow from financing activities, and the variation of operating working capital, less net industrial investments, net interest expense, tax expense, restructuring charges, other non current expenses and renewal expenses.

# Continued very strong revenue and EBITDA growth in Q4 2018

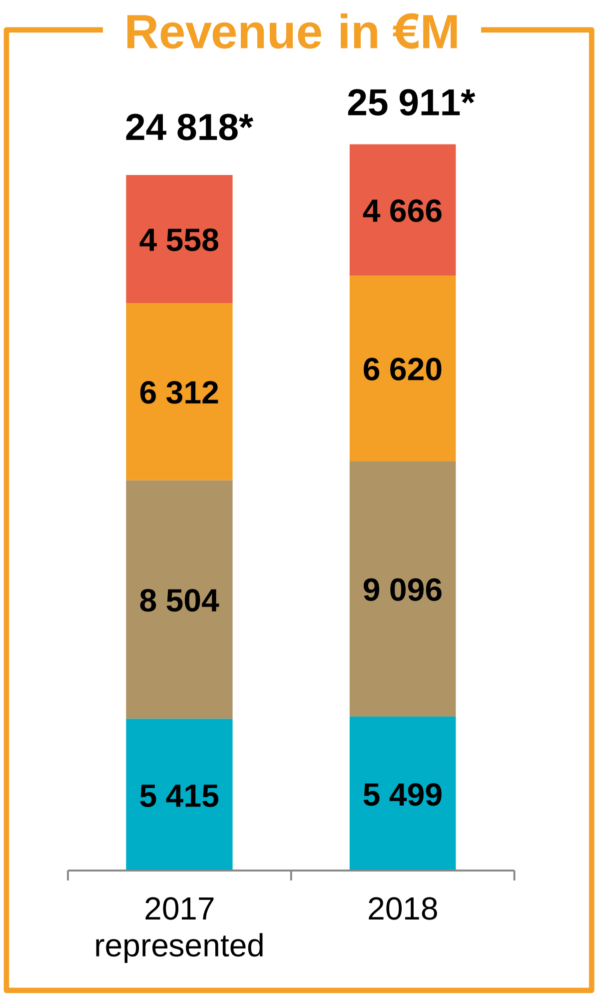
| *Δ at constant FX* | 2017 Q1 | 2017 Q2 | 2017 Q3 | 2017 Q4 | 2017 Year | 2018 Q1 | 2018 Q2 | 2018 Q3 | 2018 Q4 | 2018 Year |
|---|---|---|---|---|---|---|---|---|---|---|
| **France** | -1.5% | -0.4% | -0.3% | +1.9% | -0.1%* | +0.6% | -1.1% | +2.6% | +4.1% | +1.6% |
| **Europe excl. France** | +7.2% | +4.4% | +8.1% | +6.1% | +6.4% | +6.9% | +6.7% | +7.4% | +7.9% | +7.2% |
| **Rest of the World** | +11.8% | +10.8% | +9.4% | +14.2% | +11.6% | +14.7% | +13.2% | +10.7% | +9.4% | +11.9% |
| **Global Businesses** | -3.2% | +1.7% | -2.7% | +1.9% | -0.4% | +3.5% | -0.6% | +11.4% | +1.6% | +3.7% |
| **TOTAL** | +4.5% | +4.4% | +4.3% | +6.3% | +4.9% | +7.0% | +5.1% | +7.8% | +6.4% | +6.5% |
| **Total excl. Construction & Energy prices** | +5.9% | +4.1% | +4.7% | +5.0% | +4.9% | +4.6% | +5.3% | +5.1% | +6.4% | +5.4% |

* Like-for-like growth was +**1.8%** (impact of Bartin divestiture)

| | 2017 Q1 | 2017 Q2 | 2017 Q3 | 2017 Q4 | 2017 Year | 2018 Q1 | 2018 Q2 | 2018 Q3 | 2018 Q4 | 2018 Year |
|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA growth** | +0.9% | -0.2% | +4.8% | +5.2% | +2.7% | +5.3% | +6.4% | +9.4% | +8.4% | +7.3% |

- **Dynamics remain favorable in Q4**:
  - Improvement in France due to good waste volumes
  - Very strong growth outside of France, particularly in the Rest of the World : notably Asia +14%; construction activity slowdown in Africa Middle East and Australia
  - Global Business : strong increase in hazardous waste, lower Construction activity (-5%)
- **Excluding construction revenue and energy prices, growth accelerated in Q4 and was +5.4% at constant FX in 2018**

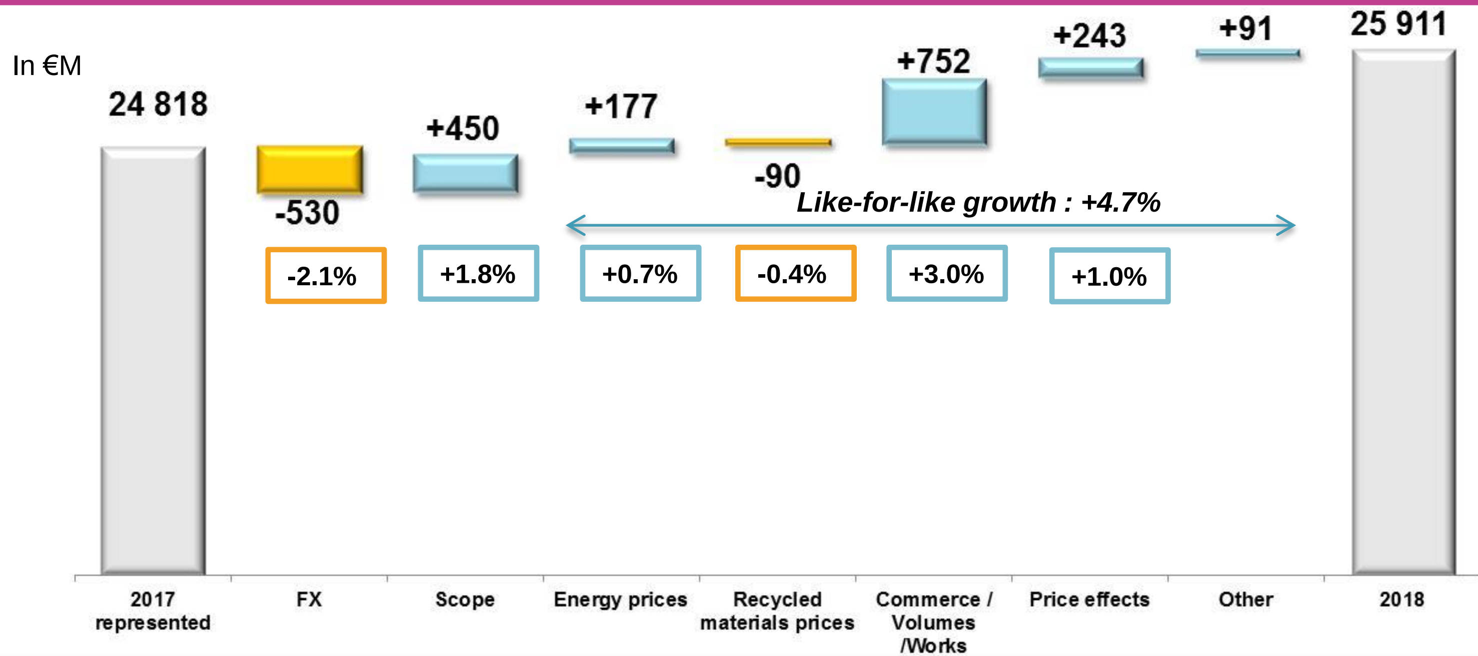
# Very strong revenue growth in 2018: +6.5% at constant FX (and +4.7% like-for-like) driven by international




| Variations vs. 2017 represented | Variation | Δ At constant FX |
|---|---|---|
| Global business | +2.4% | +3.7% |
| Rest of the World | +4.9% | +11.9% |
| Europe excl. France | +7.0% | +7.2% |
| France | +1.6% | +1.6% |
| **Total** | **+4.4%** | **+6.5%** |

* Including Other: €29M in 2017 and €30M in 2018

# Revenue of €25 911M, up +6.5% at constant FX and +4.7% like-for-like

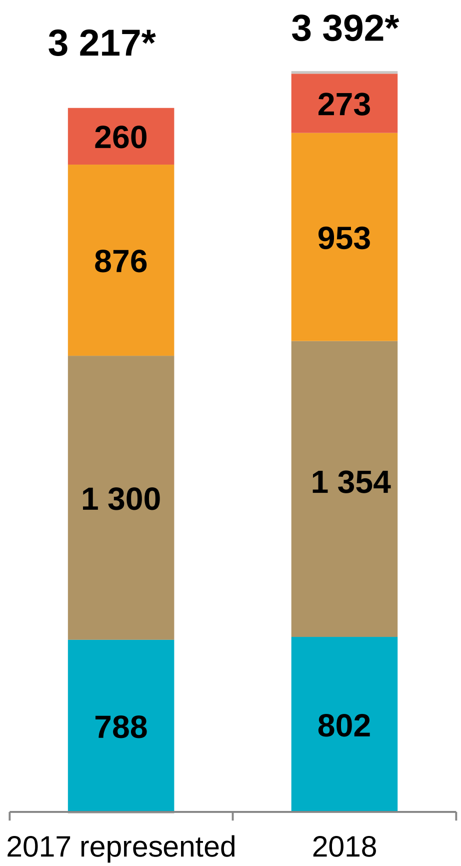



- **FX : -€530M** o/w -€180M Argentinian Peso, -€104M USD, -€75M Australian $, -€21M Sterling Pound
- **SCOPE : +€450M** o/w 2017 tuck-ins in Scandinavia, Germany and the Netherlands in Waste ( impact €248M). In 2018, integration of Grupo Sala in Columbia since May 1st (€87M), cogenerations in Slovakia since July 1st (€22M) and divestiture of Industrial Services in the US (-€169M impact)
- **ENERGY PRICES: +€177M** *(vs.-€40M in 2017):* Q4 in the continuity of the 9 months (+€130M at 30/09), with higher prices in Europe for +€132M (heat and electricity in Central Europe and Germany, higher electricity prices in the UK) and in the US for +€43M (mostly heat and electricity in Q1, very cold)
- **Recycled materials prices : -€90M** *(vs. +€102M in 2017)* **:** o/w papers -€117M, close to 30/09 (stabilization of prices ; neutral impact in Q4)
- **CONTINUED VERY FAVORABLE VOLUMES/COMMERCE : +€752M *(vs. +€540M in 2017)***
  - **Volumes and Weather : +€335M** thanks to WASTE VOLUMES mostly (+€252M, with very strong volumes in all our geographies) - WATER VOLUMES: -0.7% in France, offset by Central Europe (+0.9%) - WEATHER (ENERGY) -€28M *(vs. +€11M in 2017)* : very mild Q2 in Central Europe.
  - **Commerce : +€309M** : strong growth international (Asia, Latam, US) and in Global Business : Toxic waste, multi utility industrial contracts (VIGS)
  - **Construction : +€108M** *(+€39M in 2017)* : (+€76M in Q1, -€28M in Q2, +€113M in Q3, -€53M in Q4) : growth mostly in Northern Europe, Asia, Africa Middle East, but higher project selectivity at VWT (towards less construction and more technology/services) .
- **PRICE EFFECTS : +€243M** *(+€204M in 2017)* **:** tariff increases in Latin America, notably Argentina

# EBITDA of €3 392M, up +7.3% at constant FX (1/2)

*Continued improvement in operational performance*

EBITDA in €M

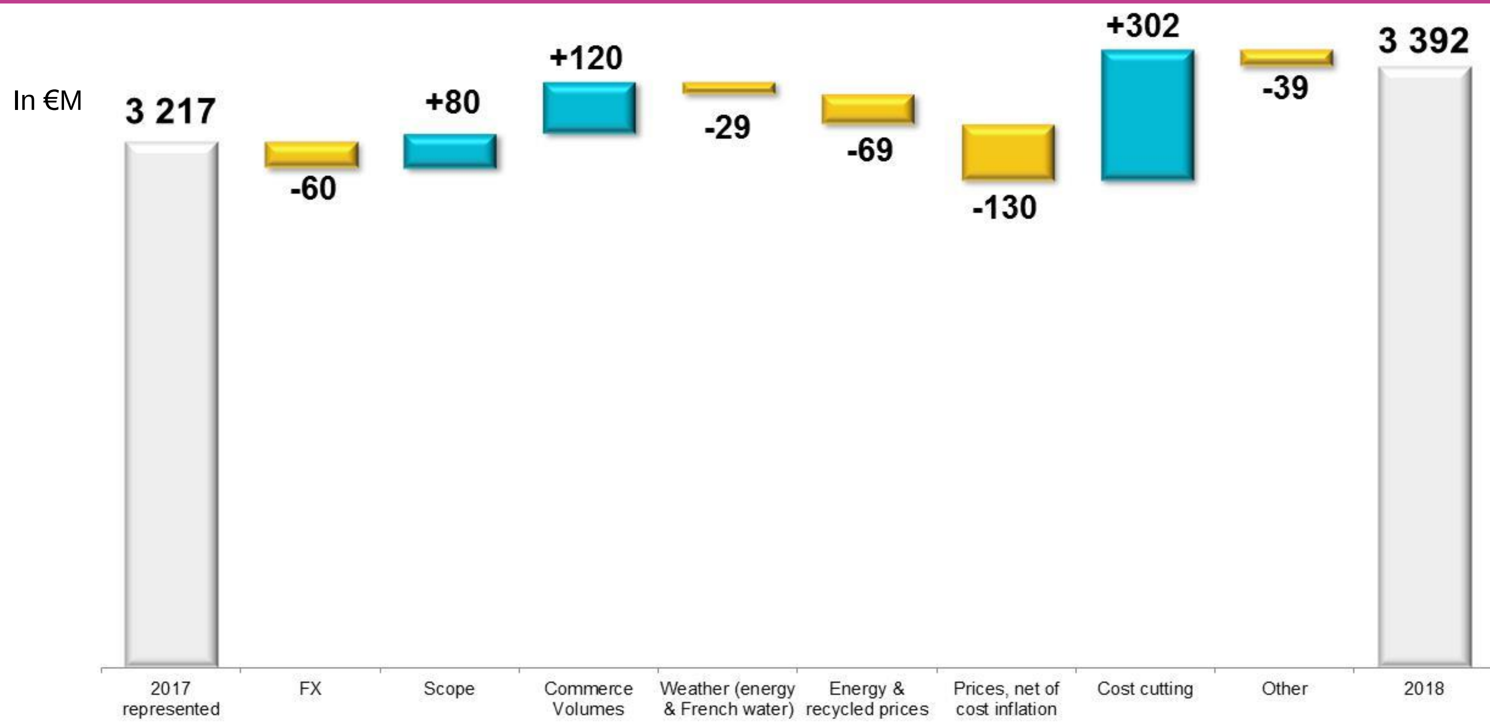



| Variations vs. 2017 represented | Variation | Δ At constant FX |
|---|---|---|
| **Global business** | +5.0% | +6.8% |
| **Rest of the World** | +8.8% | +15.3% |
| **Europe excl. France** | +4.1% | +3.9% |
| **France** | +1.7% | +1.7% |
| **Total** | **+5.4%** | **+7.3%** |

* Including Other : -€7M in 2017 and +€10M in 2018

# EBITDA of €3 392M, up +7.3% at constant FX (2/2)

## *Continued improvement in operational performance*




- **FX -€60M** o/w -21M€ Argentinian Peso, -€12M USD, -€8M Australian $, -€3M Sterling Pound
- **Scope : +€80M :** mostly impact of 2017 tuck-ins in Northern Europe in Waste, and in 2018 of Grupo Sala in Colombia and Energy in Slovakia
- **Commerce/Volumes +€120M :** strong waste volumes and overall commercial dynamism
- **Adverse weather (Energy & Water) : -€29M** *(vs. +€19M in 2017),* o/w -€16M in heating (mostly Q2 in Central Europe) and -€13M due to lower volumes in French water in Q2
- **Energy and recycled materials prices : -€69M** *(vs. +€1M in 2017)* **. ENERGY: -€27M** (o/w higher coal prices in CEE : -€20M impact). **WASTE** : lower recyclate prices -€16M (o/w recycled papers -€20M) and higher fuel costs -€26M
- **Price cost squeeze : -€130M** *(vs. -€131M in 2017*) : higher indexation of water and waste contracts, offset by cost of factors increase, wage costs notably
- **Very favorable impact from cost reductions: +€302M *(vs. €255M in 2017)***

# Strong growth in Waste: +9.2% at constant FX (+4.9% like-for-like) to €9 599M

| | 2018 |
|---|---|
| Recycled raw materials prices | -1.0% |
| Volumes / activity levels | +3.6% |
| Price increases | +2.2% |
| Other | +0.1% |
| **Growth at constant scope & exchange rates** | **+4.9%** |
| *Scope effect* | *+4.3%* |
| **Growth at constant exchange rates** | **+9.2%** |
| *Currency effect* | *-3.0%* |

**+3.3% in H2**

- **France** : **Revenue of €2 558M (+3% at constant scope)**
  - Revenue up 3% thanks to very a good volumes/commerce trend (+5%) partially offset by lower recycled paper prices (impact -€60M)
- **UK / Ireland : Revenue of €1 814 M: +4.7%(1)**
  - Excellent PFI performance (average availability rate of 95% vs. 93% in 2017) with higher electricity prices; strong commercial dynamism and good levels of treated volumes. Limited impact of lower recycled paper prices
- **Northern Europe : Revenue of €1 375M: +17.1%(1)**
  - Good integration of 2017 tuck-ins; impact of lower recycled paper prices partially offset by good plastic recycling activity
- **North America : Revenue of 833M€, +6,2% at constant scope and FX** (divestiture of Industrial Services). Good performance of toxic waste and of sulfuric acid recycling (higher prices and volumes)
- **Latin America : Revenue of 428M€, +53.3%(1)** : higher tariffs and good volumes- Integration of Grupo Sala in Colombia
- **Asia : Revenue of €519M€, +44.9%(1) (o/w China +51%(1)) :** volume growth and new assets in toxic waste in China
- **Pacific : Revenue of 769M€, +3.7%(1)** : good volumes ; growth of industrial services
- **Toxic waste : Revenue of €1.1bn, +10%(1) :** higher volumes and prices; good performance of lubricant recycling

(1) At constant FX

# France : Continued good commercial momentum

| *In €M* | 2017 represented(1) | 2018 | Δ | Δ At constant scope |
|---|---|---|---|---|
| **Revenue, of which** | **5 415** | **5 499** | **+1.6%** | **+1.6%(2)** |
| *Water* | *2 946* | *2 941* | *-0.1%* | *-0.1%* |
| *Waste* | *2 469* | *2 558* | *+3.6%* | *+3.6%* |
| **EBITDA** | **788** | **802** | **+1.7%** | **+1.7%** |
| ***EBITDA margin*** | ***14.5%*** | ***14.6%*** | | |

- **WATER: Stable revenue, but improved profitability, *as announced***
  - **Stable revenue:** volumes slightly down yoy, offset by higher tariff indexations
    - Volumes : -0.7% (vs. +1% in 2017) down notably in the South of France
    - Commerce : good momentum
    - Tariff increases: +0.7% vs. +0.2% in 2017
  - **EBITDA up +4.8% :** adverse weather (-€13M) and price cost squeeze offset by the efficiency gains of the Plan «Osons 20/20» (+€55M, 1.9% of sales), including staff reductions

- **WASTE : very good volumes - Stabilization of the recycled paper price impact in Q4**
  - **Revenue up +3.6%**
    - Volumes-Commerce :+5% : continued strong commerce; very good volume levels, notably in waste treatment: incineration, sorting-recycling and landfills
    - Negative impact of the 25% drop in our recycled paper selling prices(3) of -€60M (-2.5%)
  - **EBITDA decrease due to the recycled paper price effect** (-€13M, stabilized in Q4) and higher fuel costs (-€16M impact yoy) partially compensated by solid treatment activity levels

(1) Proforma IFRS 5 & 9
(2) Like-for-like growth of +1.3%
(3) Average market prices (Copacel cat.1.05) down 38% in 2018

# Rest of Europe : good performance in all regions

| *In €M* | 2017 represented[1] | 2018 | Δ | Δ At constant scope |
|---|---|---|---|---|
| **Revenue, of which** | **8 504** | **9 096** | **7.0%** | **+7.2%[2]** |
| *Central & Eastern Europe* | *2 895* | *3 132* | *+8.2%* | *+7.8%* |
| *UK – Ireland* | *2 124* | *2 193* | *+3.2%* | *+4.1%* |
| *Northern Europe* | *2 490* | *2 718* | *+9.2%* | *+9.7%* |
| *Italy- Iberia* | *995* | *1 053* | *+5.8%* | *+5.8%* |
| **EBITDA** | **1 300** | **1 354** | **+4.1%** | **+3.9%** |
| ***EBITDA margin*** | ***15.3%*** | ***14.9%*** | | |

(1) Proforma IFRS 5 & 9
(2) Like-for-like growth of +3.6%
(3) At constant FX

- **Central and Eastern Europe: good performance, despite adverse weather**
  - **Revenue up +7.8%[3] o/w +5.2% like-for-like**: ENERGY : good performance despite adverse weather (-€36M impact) - WATER : tariff increases (Bulgaria, Romania, Slovakia) & good volumes (+1.1%) – Growth complemented by tuck ins (Waste in Hungary, and cogenerations in Slovakia)
    - ✓ WATER IN CZECH REPUBLIC : North Bohemia : transformation of the contractual scheme and extension for 15 years – In Prague, sale of a 49% stake in PvK
  - **EBITDA slightly down[3],** due to higher energy costs (e.g. coal price up +23% in Poland and +27% in CR) and unfavorable weather (-€16M)
- **UK- Ireland : Strong performance**
  - **Revenue : excellent plant operational performance of PFIs** (95% average availability vs. 93% in 2017), higher electricity prices; continued solid commercial activity and strong waste volumes. Overall limited impact of lower recycled paper prices
  - **EBITDA up +4.7%[3],** in line with revenue growth and efficiency gains
- **Northern Europe : growth driven by 2017 tuck ins and commercial wins**
  - **Revenue** : ENERGY GERMANY : favorable price effects but lower volumes. Sale of a 25% stake in BVAG for €146M. WASTE : good integration of 2017 acquisitions; lower recycled paper prices partially offset by good plastic recycling activity.
  - **EBITDA up 14.7%[3]** despite lower paper prices and higher fuel costs in the Waste business.
- **Italy- Iberia : good commercial momentum and enhanced profitability**
  - **Revenue :** resumption of revenue growth in **Italy** (+2.4%) with a high contract renewal rate with municipal and tertiary clients and new ambitions in industry. In **Iberia**, (revenue +11.6%), good commercial momentum, notably in energy efficiency
  - **EBITDA up +15.2%** , driven by revenue growth and cost savings.

# Rest of the World : Solid growth in all geographies

| *In €M* | 2017 represented[1] | 2018 | Δ | Δ At constant scope |
|---|---|---|---|---|
| **Revenue, of which** | **6 312** | **6 620** | **+4.9%** | **+11.9%[2]** |
| *Asia* | *1 568* | *1 790* | *+14.2%* | *+16.9%* |
| *Latin America* | *732* | *795* | *+8.7%* | *+38.2%* |
| *North America* | *2 048* | *2 036* | *-0.6%* | *+3.9%* |
| *Pacific* | *1 043* | *1 025* | *-1.8%* | *+5.4%* |
| *Africa Middle East* | *921* | *974* | *+5.7%* | *+7.8%* |
| **EBITDA** | **876** | **953** | **+8.8%** | **+15.3%** |
| ***EBITDA margin*** | ***13.9%*** | ***14.4%*** | | |

- **Asia: continuation of strong growth with Revenue and EBITDA up double digits**
  - **Chine** : Revenue of €726M up +13.3%[3] mostly from WASTE projects (Recycling in Hangzhou, hazardous waste incinerators in Changsha and Cangzhou) – ENERGY : Harbin DHN extension and pursuit of growth in industrial water and energy.
  - **Japan :** Revenue of €470M +7.7%[3] : strong performance in municipal water (new O&M contracts, Hamamatsu WW concession) and plastic recycling
  - **Korea :** Revenue of €274M +15.4%[3] : new industrial water contracts; higher waste volumes
- **Latin America : strong development, organic and through tuck-ins**
  - **Revenue and EBITDA sharply up[3]:** tariff increases, new contracts in Argentina, Colombia, Chili. Very good integration of Grupo Sala in Columbia (Revenue impact €87M ; EBITDA €20M)
- **North America** : **good performance**
  - **Revenue : ENERGY (+28%[3])** driven by excellent heating season in Q1 (higher energy prices and volumes), new contracts in energy efficiency (Du Pont), and the running of the biomass facilities in Canada - **WASTE +6.2%**[3] (excl. the IS divestiture), driven by good volumes and prices in regeneration services (sulfuric acid price up +56%) and strong hazardous waste - **WATER +7.4%[3]**
  - **EBITDA up +6.9%[3] :** good performances in Energy and cost savings
- **Pacific: good performance in Waste**
  - Good volumes and growth in industrial services
- **Africa Middle East :** growth driven by new contracts in Middle East and construction works in Marocco

(1) Proforma IFRS 5 & 9
(2) Like-for-like growth of +10.9%
(3) At constant FX

# Global Businesses: Strong hazardous waste

| *In €M* | 2017 represented[(1)] | 2018 | Δ | Δ At constant scope |
|---|---|---|---|---|
| **Revenue, of which** | 4 558 | 4 666 | **+2.4%** | **+3.7%[(2)]** |
| *Construction* | *2 951* | *2 841* | *-3.7%* | *-1.9%* |
| *Hazardous waste* | *1 035* | *1 142* | *+10.3%* | *+10.4%* |
| *Other (of which VIGS)* | *572* | *683* | *+19.4%* | *+20.5%* |
| **EBITDA** | **260** | **273** | **+5.0%** | **+6.8%** |
| ***EBITDA margin*** | ***5.7%*** | ***5.8%*** | | |

- **Construction slightly down**
  - **VWT : €1 607M, -6.2%[(3)]** :
    - ✓ Backlog down end 2018 (€1 876M, -4.7% vs. Dec. 2017), but expected to increase beginning 2019 with the signing of 2 desalination facilities in Saudi Arabia and Bahrain.
    - ✓ Progressive refocusing of VWT towards technology and services
  - **SADE : €1 234M, +4.5%[(3)] :** good level of activity in France in works and telecom services (renewal and extension of backlog) and on going downsizing outside France
- **Hazardous waste : excellent performance : very strong revenue and EBITDA growth**
  - **Revenue :** Toxic waste**:** volumes and prices sharply up; good performances of lubricant recycling (price increases) – Commercial wins in sludge treatment and industrial maintenance
- **Other :** of which **VIGS** (industrial utilities and on site services) **€449M** : +12.3%[(3)] : new contracts (o/w Arcelor Mittal in Fos, revenue of €30M/year over 15 years)

(1) Proforma IFRS 5 & 9
(2) Like-for-like growth of +2.3%
(3) At constant FX

# Current EBIT: +9.7% at constant FX

| In €M | 2017 published | 2017 represented[1] | 2018 | Variation vs. 2017 represented | Var. vs. 2017 represented at constant FX |
|---|---|---|---|---|---|
| **EBITDA** | **3 284** | **3 217** | **3 392** | **+5.4%** | **+7.3%** |
| Renewal expenses | -282 | -272 | -280 | | |
| Depreciation & Amortization (including principal payments on OFAs[1]) | -1 703 | -1 665 | -1 704 | | |
| Provisions, fair value adjustment & other[2] | +123 | +119 | +80 | | |
| Share of current net income of joint ventures and associates [3] | +98 | +98 | +116 | | |
| **Current EBIT** | **1 519** | **1 497** | **1 604** | **+7.1%** | **+9.7%** |

(1) Of which OFA reimbursements €135M vs. €148M in 2017
(2) Of which capital gains on industrial divestitures €11M (+€10M in 2017)
(3) Excluding capital gains on financial divestitures

- **D&A** (excl. OFA reimbursements) **of €1 569M** up +4.9% at constant FX, due mostly to tuck ins
- **Provisions :** mechanism for site remediation provisions structurally positive for Veolia; provision reversal of +€22M on lubricant recycling plants
- **Share on net income from JVs and associates**: **€116M** of which China €73M, up +19% at constant FX; €18M in the US of which a capital gain of €16M

# Current net income Group share up +13.3% at constant FX, and +14.7% excluding capital gains

| In €M | 2017 published | 2017 represented[(1)] | 2018 | Variation vs. 2017 represented | Var. vs. 2017 represented at constant FX |
|---|---|---|---|---|---|
| **Current EBIT[(1)]** | **1 519** | **1 497** | **1 604** | **+7.1%** | **+9.7%** |
| **Cost of net financial debt** | **-411** | **-410** | **-414** | | |
| Other financial income and expense | -143 | -141 | -148 | | |
| Income tax expense | -205 | -195 | -205 | | |
| Non-controlling interests | -137 | -137 | -162 | | |
| **Current net income – Group share** | **623** | **614** | **675** | **+10.0%** | **+13.3%** |
| **Current net income – Group share** *Excluding net financial capital gains[(2)]* | **616** | **607** | **679** | **+11.8%** | **+14.7%** |

(1) Including the share of current net income of joint ventures and associates of entities viewed as core Company activities
(2) Including related taxes and minorities

- **Cost of net financial debt of €414M, stable :** benefits from active debt management partly offset by non-euro denominated debt (linked to the widening of the euro/foreign currency rate spread)
  - *Gross cost of borrowing down from 3.04% to 2.91% due to bond debt refinancing*
  - *Sharp reduction in the global net financing rate ( including the cost of swapping native debt into foreign currency) , from 4.91% in 2017 represented to 4.18%.*
- **Other financial income and expense** include non cash charges related to the discounting back of provisions (-30M€), interest (cash) on concession liabilities of -€94M (stable Y-Y) and net financial capital gains (+€5M in 2018 vs. €8M in 2017)
- **Current tax rate of 22%**
- **Increase in non controlling interests :** mostly in Germany and Asia

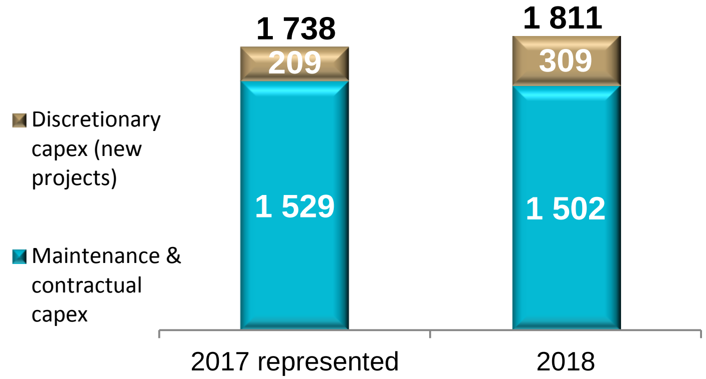
# Net income Group share up +15.5% at constant FX

| In €M | 2017 published | 2017 represented | 2018 | Variation vs. 2017 represented | Var. vs. 2017 represented at constant FX |
|---|---|---|---|---|---|
| **Current net income – Group share** | **623** | **614** | **675** | **+10.0%** | **+13.3%** |
| *Non current items, net of tax* | | | | | |
| Non current impairments | -51 | -51 | -38 | | |
| Restructuring charges | -143 | -143 | -109 | | |
| Net income from discontinued operations | +13 | +19 | -51 | | |
| Share of net income of equity-accounted entities (Transdev) | +23 | +23 | - | | |
| Other | -63 | -63 | -38 | | |
| **Net income – Group share** | **402** | **398** | **439** | **+10.5%** | **+15.5%** |

- **Net restructuring charges of -€109M :** of which -€10M in French Water (covered mostly by the reversal of the provision), -€45M at VWT, -€13M for Sade etc.
- **Net income from discontinued operations :** includes the full write-off of our capital employed in Gabon for -€46M

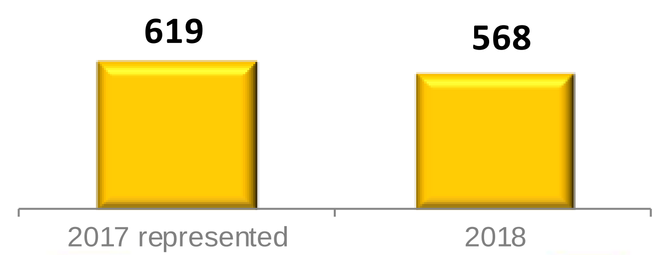
# Net FCF after growth capex of €568M

- **Gross industrial capex up +4.2% to €1 811M**
  - Maintenance €789M (3.0% of revenue)
  - Growth contractual capex €713M, stable
  - Discretionary capex sharply up to €309M

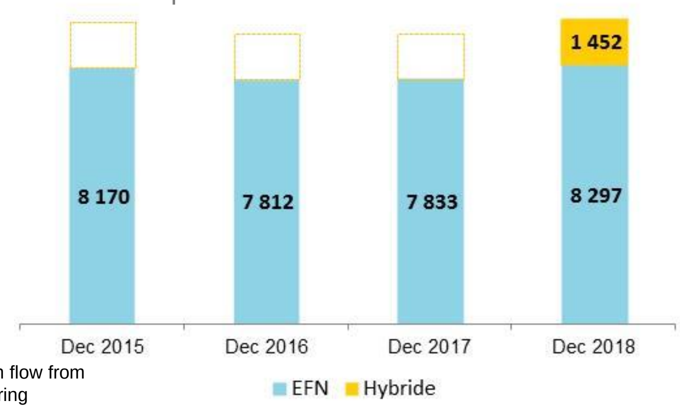



- **Net FCF[1] (including growth capex and cash restructuring charges) of €568M :**
  - EBITDA increase of +€175M
  - Another WCR reduction of €62M (despite strong revenue growth), after €115M in 2017
  - Increase in net capex by €103M

FCF net [1]




- **Net financial debt of €9 749 M**
  - Includes €1 452M of hybrid repayment
  - **€307M in net financial investments** (vs. €418M in 2017), mainly in Waste (Columbia, India) and Energy (Slovakia)
  - **Stable leverage ratio Dec. 31, 2018 including hybrid : 2.87x**




(1) Net free cash flow corresponds to the free cash flow of continuing operations, i.e. the sum of EBITDA, dividends received, operating cash flow from financing activities, and the variation of operating working capital, less net industrial investments, net interest expense, tax expense, restructuring charges, other non current expenses and renewal expenses.

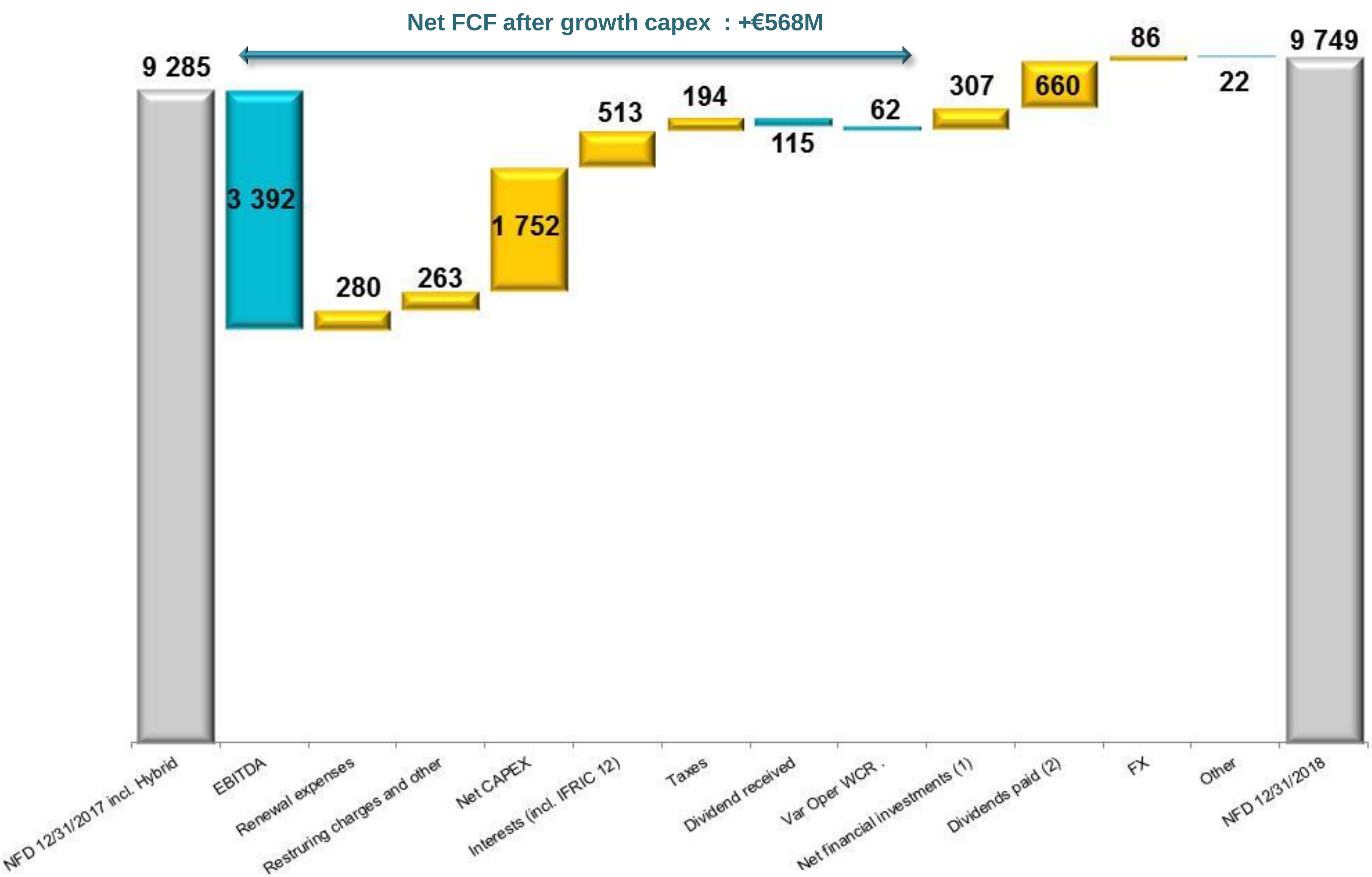
# 4% increase in gross industrial capex

- **Maintenance capex of €789M,** representing 3% of revenue, vs. €822M in 2017

- **Contractual capex on the existing portfolio of €713M, stable (€707M in 2017)**

- **Discretionary growth capex sharply up, to €309M vs. €209M in 2017,** mainly :
    - *In France : €34M mostly in Waste: construction of the WTE facility in Troyes, modernization of sorting and recycling centers etc..*
    - *In Europe: €59M, capex associated with new connections to water and district heating networks in Central Europe, increase in our plastic recycling capacity…*
    - *Rest of the World: €207M, of which €176M in Asia:*
        - Development of treatment capacity in industrial water (Sinopec mostly)
        - Construction of 6 hazardous waste treatment facilities in China and Singapore
        - Energy : extension of the district heating network in Harbin, and capex associated with our new industrial contracts in Korea and China

# Evolution of Net Financial Debt
# Net FCF : +€568M




(1) Financial investments of -€786M net of financial divestitures +€479M
(2) Of which -€66M : hybrid coupon

# 2019 outlook

- **2019 Objectives :**
  - ✓ **Continuation of sustained revenue growth**
  - ✓ **More than €220M in cost savings**
  - ✓ **EBITDA between €3.5bn and €3.6bn(1)**
- **Dividend growth in line with that of current net income**

(1) At constant FX (based on rates at the end of 2018) and excluding the impact of IFRS 16

# 2018 Annual Results

# IFRS 16 Impacts

**Claude Laruelle, CFO**

# IFRS 16 key takeaways

- **IFRS 16 : Leases**
  - *Implemented from 01/01/2019*
  - *Objective :* **provide an economic approach of all lease contracts** (operating lease similar to financial lease) in financial statements of the lessee, and provide a better comparability whatever the financing option taken (acquisition or leasing)
  - *Main leases are :* land and buildings, transport, equipment
  - *2018 results* are published pre IFRS 16 but main impacts are explained here below

- **Implications for Veolia**
  - *Full retrospective method :* Recalculation of the right of use and the financial debt as if IFRS16 had been implemented since the beginning of the contracts
  - *Accounting treatment :*
    - Assets: Book an amortizable asset (=right of use). Liabilities : Financial debt : present value of the discounted leases
    - P&L: amortization of the asset and interest charge recognition (decreasing)

- **Higher EBITDA: elimination of the rental charge offset by D&A and interest expense**
- **Increased D&A in current EBIT**
- **Increased interest expense**
- **~ Neutral in current net income**
- **Higher capex**
- **Recognition of a financial debt**
- **Increased capital employed, slightly dilutive on ROCE**

# Main impacts on 2018 financials (1/2)

## P&L

| | |
|---|---|
| ○ **Revenue** | no impact |
| ○ **EBITDA** | annual rental charge eliminated<br>**=> ~+€0.4bn** |
| ○ **Current Ebit** | annual rental charge eliminated and amortization charge recognized<br>**=> +€40-50M** |
| ○ **Financial result** | interest expense corresponding to the financial debt<br>**=> - €40-50M** |
| ○ **Current net income** | non significant, will depend on average contract maturity |

# Main impacts on 2018 financials (2/2)

## Balance Sheet

- **Net assets** (right of use) — **~ +€1.6 bn**
- **Net financial debt** — **~ +€1.7 bn**
- **Shareholders equity** — **~ -€0.1 bn**

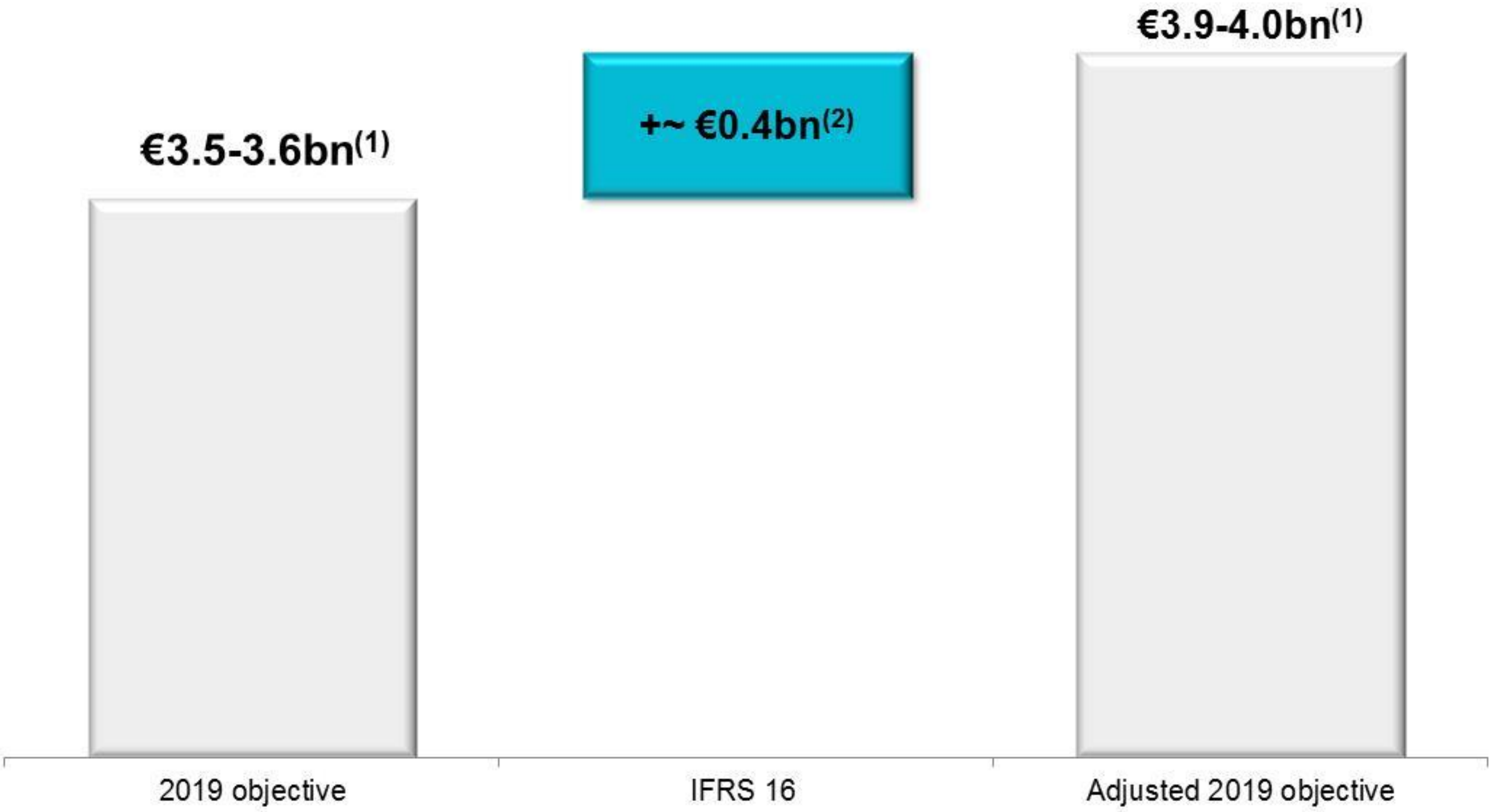
## Statement of Cash Flows

- **Capex** — **~ +€0.3 bn** *(variable depending on contract renewal)*
- **Net FCF** — NS

## Key ratios

- **Leverage** — **Slight increase : from 2.87x to 2.98x**
- **After tax ROCE** — **Dilution : from 8.8% to 8.2%**

# 2019 EBITDA Objective including IFRS 16




(1) Based on rates at the end of 2018
(2) Based on the portfolio of contracts at the end of 2018

# 2018 Annual Results

# 2019 Roadmap

**Estelle Brachlianoff, COO**

## Growth and Efficiency

# 2019 : Focus on execution

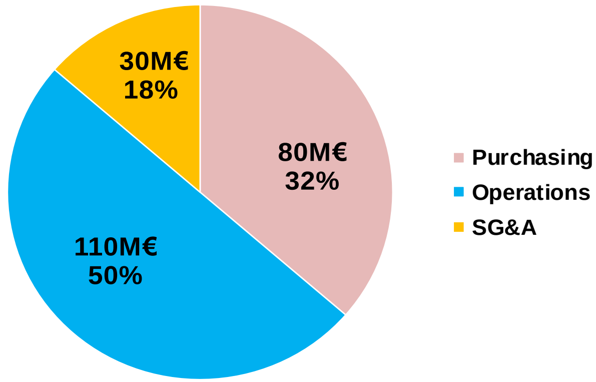
- **Efficiency plan : beyond cost reduction, reinforcement of operational efficiency**
  - Cost reduction as well as overall operational efficiency
  - Centrally monitored and audited

- **Growth : focus on maximizing impact and differentiation**
  - Selective financial criteria and clear governance for all new investments and M&A (TRI ≥ WACC + 4%, ROCE ≥ WACC after 3 years, payback <7 years)
  - Priority given to maximize Veolia differentiation & proven value creation
  - Systematic post investment review

- **Focus on execution delivery and leverage on Group's strengths**
  - Management by performance
  - Focus on sharing operational excellence and duplication of best practices
  - Digital as a key tool for Efficiency and Growth

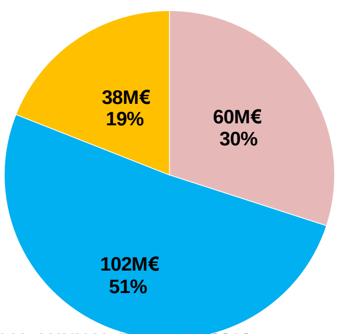
# 2019 : Continued Efficiency
## Reinforcement of actions taken over the past 3 years

**2019**
**More than €220M in cost savings**

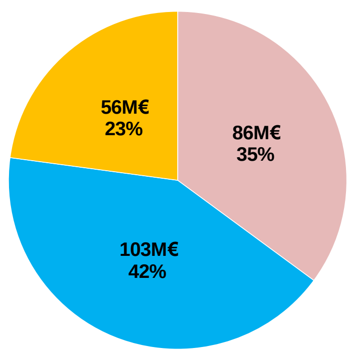



**2016-2018 : annual target of €200M, increased to : €245-250-300M**

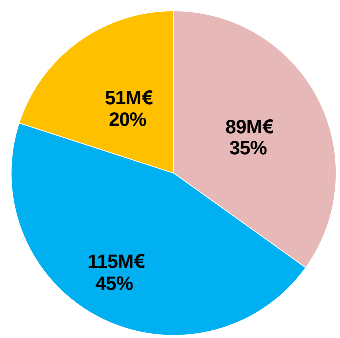
**2012-2015**
**€200M per year**



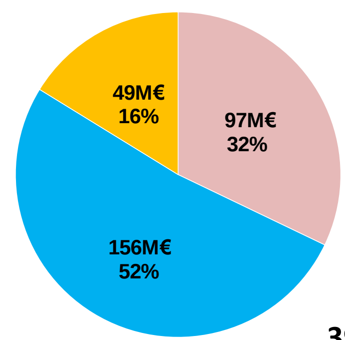

**2016**
**€245M**




**2017**
**€255M**




**2018**
**€302M**



# 2019 : Continued Efficiency
## Reinforcement of actions taken over the past 3 years

**After €800M in 3 years (2016-2018), cost savings objective of €220M in 2019:**

- *Continued optimization of structural costs*
  - Reduction in G&A
  - Real estate, IT, travel etc.

- *Purchasing: Enhancement of local actions*
  - Purchasing managed by HQ (25%) : vehicles, truck fleet, framework contracts
  - Purchasing managed by BUs (75%) **:** Optimization of sub contracting (network works, maintenance, logistics, mobile equipment), chemical products etc.

- *Reinforcement of operating efficiency actions*
  - Systematic review of poor performing sites/contracts
  - Targeted actions for high stake assets
  - Large roll out of proven methods of improvement
  - Digital as a tool for improving operational performance
    - ✓ *Eg: real time monitoring*
  - Expansion of the « Operators Priorities » efficiency plan with an action plan by site, covering 80% of Revenue

# Efficiency in Operations: intensify the process

## Objective: to sustain and enrich the dynamics of continuous improvement of performance

**Main levers of operational efficiency drawn in our plan :**

- Contract / entity recovery
- Turnover improvement
- Technical performance optimization
- Organizations efficiency
- Reduction of external expenses

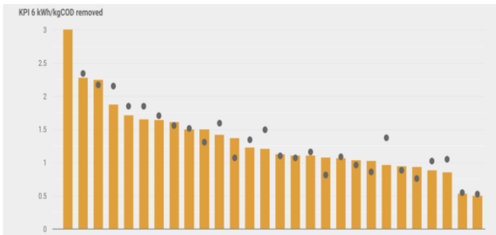
**Target : 2200 sites** across 45 countries

**A panel of methods to fully use these levers in the BUs :**

- Systematic review of the **worst performing sites / contracts**, dedicated action plans
- Targeted action experts to improve the technical performance of **assets with high stakes**

**Eg : WWTP**

**electricity consumption**




- Broader deployment of proven **improvement methods**: *lean management*, and *asset management* for industrial sites
- Using digital as an operational performance tool
- Expansion of the "*Operators priorities*" approach with 1 action plan per site, covering 80% of sales

# 2019 Growth drivers

## Strengthening and deployment of our traditional businesses

- *Municipal water*
  - France : No major renewal in 19. Nîmes Water and waste water. Operational start of the new contract in Bordeaux.
  - Japan: Hamamatsu waste water treatment concession
- *Eau: technology and networks*
  - Desalination back with 2 contracts signed recently (Um Al Quwain & Al Dur 2)
  - Develop new technologies and recurring sales, reducing construction
- *Local loops of energy*
  - DHN extensions in Poland

## Development of new high value added activities:

- *Dry waste - Recycling*
  - Many projects landing in Europe around alternative fuel derived from waste (RDF)
  - Targeted acquisitions in plastic with focus on high end complex resin and certain geographies
  - Market share gain in C&I collection with digital tools (double-digit inflation YOY growth in UK and Germany)
- *Hazardous waste*
  - New treatment plants to open in China and Singapore
  - New geographies : 1st plant of its kind in the Middle East just signed with SADARA - Latam focused on medical waste
- *Building energy efficiency*
  - Market share development leveraging on our Hubgrade digital platform. High ambition in South Europe and Middle East
- *Industrial utilities and on site services*
  - Organization adapted to maximize opportunities across all specialties (total waste management, CHP, industrial water and effluents)
- *Newer Offers*
  - Opening of our ship breaking facility in China; food in Malaysia ; monitoring and managing energy needs (electricity storage and flexibility) using our experience in Elsmere Port

# Digital to help deliver efficiency and growth

## Digital Employees
*Simplifying the life of employees*

- Flexible / Agile Working
- Collaborative culture
- Embarking everybody in digital
- Central Function Efficiency

## Digital Customers
*Simplifying the life of customers*

- Improving sales efficiency
- Provide visibility and simplify interactions with customers
- Provide visibility and simplify interactions with end-consumers
- Selling more

## Digital Operations
*Optimising our operations*

- Monitoring KPIs
- Optimising asset performance
- Digital field operations
- Asset Management & Maintenance
- Safety

## Digital Offers
*Enhancing existing offers and creating new ones*

- Platform to match offer and demand of our services
- Services leveraging the Hubgrade concept performance without O&M
- Service “just in time” / responding to emergencies
- Revisiting business models

# Examples : Use of digital as a performance tool

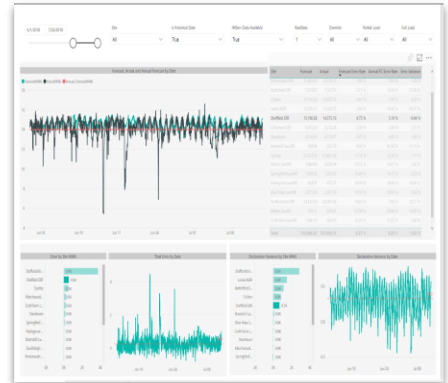
- ***Hubgrade :*** smart control centres (16 worldwide) with more than 300,000 smart sensors that trace customer data in real time. The data are analysed by experts and consumption drift treated remotely or by sending a team on the spot
  *Example: Italy, 5-10% saving in cost and energy*

- ***Power Forecast :*** predictive algorithm for the energy production of our plants (eg waste incinerators) to optimize the sale of electricity on the grid and to generate efficiency gains for operational teams
  *Example: United Kingdom, €1M of annual savings*

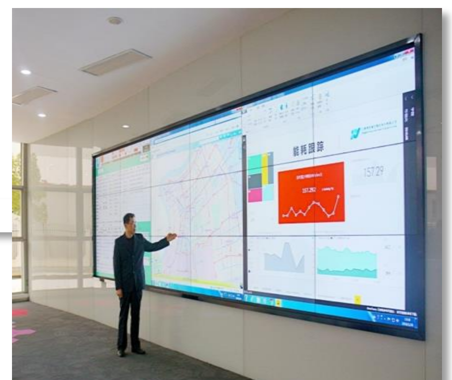
- ***Non-revenue water :*** reducing the volume of non-invoiced water through the introduction of intelligent sensors (e.g. *Narrow Band IoT*), electronic invoicing and payment, to which are added new technologies such as augmented reality for valve management and artificial intelligence on call centres
  *Example: Pudong, 10% reduction in volume "non-revenue water" and ~ 7 M € savings over 4 years*

- ***C&I waste collection:*** visibility of the data to internalize, densify the truck routes and improve the operational and financial performance *Example: UK, 4% increase in turnover per tour*

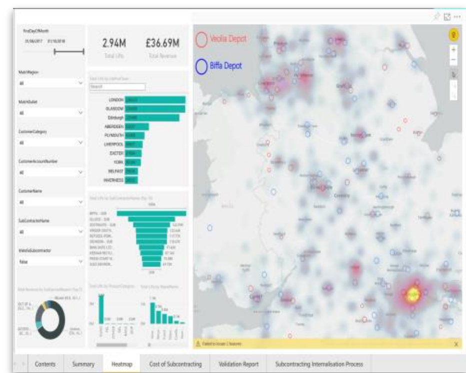

*Hubgrade*



*Power Forecast*



*Non-revenue water*




*Collection densification*

# Appendices

# Appendix 1 : Main represented figures(1) for the full year ended December 31, 2017

| In €m | December 2017 published | IFRS 5 Adjustment(3) | IFRS 9 Adjustment | December 2017 represented |
|---|---|---|---|---|
| Revenue | 25,124.6 | -306.2 | 0.0 | 24,818.4 |
| EBITDA | 3,284.1 | -63.6 | -3.4 | 3,217.1 |
| Current EBIT(2) | 1,519.4 | -18.7 | -3.4 | 1,497.3 |
| Operating income | 1,284.8 | -18.7 | -3.4 | 1,262.6 |
| Current net income - Group share | 622.6 | -5.2 | -3.8 | 613.6 |
| Net income - Group share | 401.6 | 0.0 | 0.0 | 397.7 |
| Gross industrial investments | -1,738 | 0 | 0 | -1,738 |
| Net free cash flow | 655 | -38 | -1 | 619 |
| Net financial debt | -7,841 | 0 | 8 | -7,833 |

(1) Non audited figures

(2) Including the represented share of current net income of joint ventures and associates for the full year 2017

(3) In order to ensure the comparability of periods, the published accounts ending December 31, 2017 have been represented for the reclassification of the Group's activities in Gabon into "Net income (loss) from discontinued operations" in accordance with the application of the IFRS 5 standard.

# Appendix 1 : Main represented figures for the full year ended December 31, 2017[1] - Revenue by segment

| *In €m* | December 2017 published | IFRS 5 Adjustment | IFRS 9 Adjustment | December 2017 represented |
|---|---|---|---|---|
| France | 5,414.5 | 0.0 | 0.0 | 5,414.5 |
| Europe excluding France | 8,504.4 | 0.0 | 0.0 | 8,504.4 |
| Rest of the World | 6,618.6 | -306.2 | 0.0 | 6,312.4 |
| Global businesses | 4,558.3 | 0.0 | 0.0 | 4,558.3 |
| Other | 28.8 | 0.0 | 0.0 | 28.8 |
| **Revenue** | 25,124.6 | -306.2 | 0.0 | 24,818.4 |

(1) Non audited figures

# Appendix 1 : Main represented figures for the full year ended December 31, 2017[1] - EBITDA by segment

| *In €m* | December 2017 published | IFRS 5 Adjustment | IFRS 9 Adjustment | December 2017 represented |
|---|---|---|---|---|
| France | 788.3 | 0.0 | 0.0 | 788.3 |
| Europe excluding France | 1,305.0 | 0.0 | -4.6 | 1,300.4 |
| Rest of the World | 938.3 | -63.6 | 1.2 | 875.9 |
| Global businesses | 259.8 | 0.0 | 0.0 | 259.8 |
| Other | -7.2 | 0.0 | 0.0 | -7.2 |
| **EBITDA** | 3,284.1 | -63.6 | -3.4 | 3,217.1 |

(1) Non audited figures

# Appendix 1 : Main represented figures for the full year ended December 31, 2017[1] – Current EBIT by segment

| *In €m* | December 2017 published | IFRS 5 Adjustment | IFRS 9 Adjustment | December 2017 represented |
|---|---|---|---|---|
| France | 152.4 | 0.0 | 0.0 | 152.4 |
| Europe excluding France | 701.5 | 0.0 | -4.6 | 697.0 |
| Rest of the World | 553.3 | -18.7 | 1.2 | 535.8 |
| Global businesses | 155.6 | 0.0 | 0.0 | 155.6 |
| Other | -43.4 | 0.0 | 0.0 | -43.4 |
| **Current EBIT** | 1,519.4 | -18.7 | -3,4 | 1,497.3 |

(1) Non audited figures

# Appendix 2: Currency movements

| Main currencies<br>1 € = xxx foreign currency | 2018 | 2017 | Δ 2018 vs. 2017 |
|---|---|---|---|
| US dollar | | | |
| Average rate | 1,181 | 1,129 | +4,4% |
| Closing rate | 1,145 | 1,199 | -4,7% |
| UK pound sterling | | | |
| Average rate | 0,885 | 0,876 | +0,9% |
| Closing rate | 0,895 | 0,887 | +0,8% |
| Australian dollar | | | |
| Average rate | 1,580 | 1,473 | +6,8% |
| Closing rate | 1,622 | 1,535 | +5,4% |
| Chinese renminbi yuan | | | |
| Average rate | 7,806 | 7,620 | +2,4% |
| Closing rate | 7,884 | 7,823 | +0,8% |
| Czech crown | | | |
| Average rate | 25,645 | 26,328 | -2,7% |
| Closing rate | 25,724 | 25,535 | +0,7% |

The **average rate** applies to the income statement  and the cash flow statement
The **closing rate** applies to the balance sheet

# Appendix 3: Quarterly revenue by segment

| In €M | 1st quarter 2018 | | | | 2nd quarter 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX |
| France | 1 303 | 1 311 | +0.6% | +0.7% | 1 361 | 1 345 | -1.1% | -1.3% |
| Europe excl. France | 2 275 | 2 443 | +6.9% | +3.3% | 1 959 | 2 074 | +6.7% | +1.6% |
| Rest of the World | 1 569 | 1 612 | +14.7% | +14.4% | 1 498 | 1 579 | +13.2% | +11.6% |
| Global Businesses | 1 037 | 1 045 | +3.5% | +2.6% | 1 167 | 1 140 | -0.6% | -2.3% |
| Other | 7 | 8 | - | - | 10 | 7 | - | - |
| **Group** | **6 191** | **6 419** | +7.0% | +5.4% | **5 995** | **6 145** | +5.1% | +2.6% |

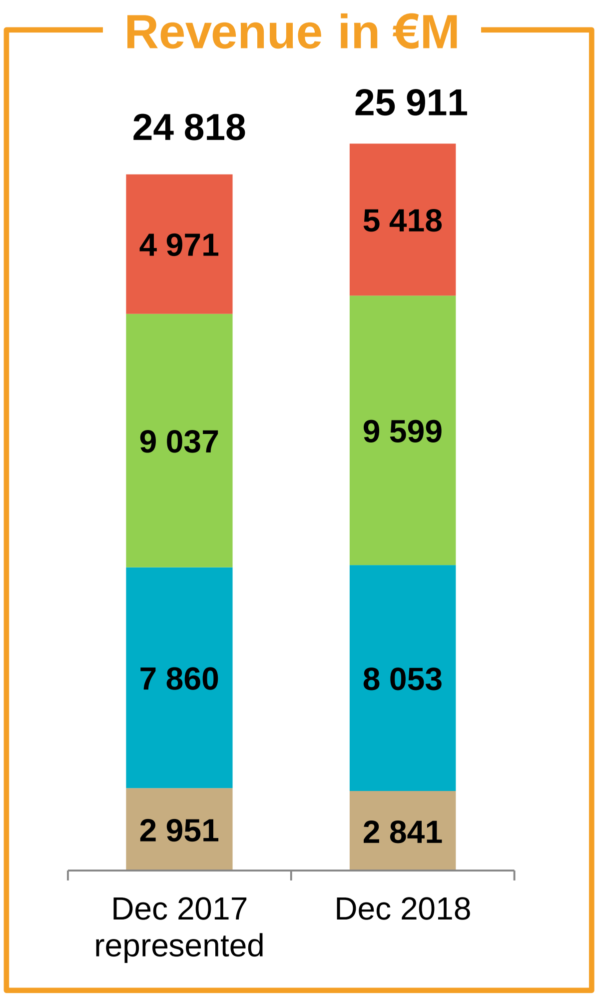
| In €M | 3rd quarter 2018 | | | | 4th quarter 2018 | | | | Year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX |
| France | 1 373 | 1 409 | +2.6% | +2.5% | 1 378 | 1 434 | +4,1% | +3,2% | 5 415 | 5 499 | +1,6% | +1,3% |
| Europe excl. France | 1 870 | 2 001 | +7.4% | +3.5% | 2 401 | 2 578 | +7,9% | +5,8% | 8 504 | 9 096 | +7,2% | +3.6% |
| Rest of the World | 1 518 | 1 634 | +10.7% | +9.7% | 1 726 | 1 794 | +9,4% | +8,2% | 6 312 | 6 620 | +11,9% | +10.9% |
| Global Businesses | 1 036 | 1 146 | +11.4% | +10.1% | 1 318 | 1 334 | +1,6% | -0,1% | 4 558 | 4 665 | +3,7% | +2,3% |
| Other | 7 | 7 | - | - | 4 | 9 | - | - | 29 | 30 | - | - |
| Group | **5 805** | **6 197** | +7.8% | +6.0% | **6 827** | **7 150** | +6,3% | +4,8% | **24 818** | **25 911** | +6,5% | +4,7% |

# Appendix 4 : Quarterly revenue by business

| In €M | 1st quarter 2018 | | | | 2nd quarter 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX |
| Water | 2 554 | 2 562 | +3.5% | +3.8% | 2 702 | 2 625 | -0.7% | -1.2% |
| Waste | 2 155 | 2 268 | +9.6% | +4.3% | 2 223 | 2 420 | +12.0% | +6.0% |
| Energy | 1 483 | 1 589 | +9.0% | +9.9% | 1 070 | 1 100 | +5.3% | +5.2% |
| Group | **6 191** | **6 419** | +7.0% | +5.4% | **5 995** | **6 145** | +5.1% | +2.6% |

| In €M | 3rd quarter 2018 | | | | 4th quarter 2018 | | | | Year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX | 2017 represented | 2018 | Δ at cst FX | Δ at cst scope & FX |
| Water | 2 574 | 2 715 | +6.0% | +6.2% | 2 981 | 2 991 | +0.6% | +0.2% | 10 811 | 10 894 | +2.3% | +2.1% |
| Waste | 2 263 | 2 407 | +7.9% | +4.1% | 2 396 | 2 503 | +7.5% | +5.4% | 9 037 | 9 599 | +9.2% | +4.9% |
| Energy | 968 | 1 075 | +12.4% | +10.2% | 1 450 | 1 655 | +16.1% | +13.4% | 4 971 | 5 418 | +11% | +10% |
| Group | **5 805** | **6 197** | +7.8% | +6.0% | **6 827** | **7 150** | +6.3% | +4.8% | **24 818** | **25 911** | +6.5% | +4.7% |

# Appendix 5 : Revenue of €25 911M, up +6.5% at constant FX and +4.7% like-for-like
## *Analysis by business (1/2)*




| Variations vs. 2017 represented | Variation | Δ At constant FX | Δ At constant scope and FX |
|---|---|---|---|
| **Energy** | +9.0% | +11.0% | +10.0% |
| **Waste** | +6.2% | +9.2% | +4.9% |
| **Water & Wastewater** | +2.5% | +3.8% | +3.5% |
| **Water, Technology and Works** | -3.7% | -1.9% | -1.6% |
| **Total** | **+4.4%** | **+6.5%** | **+4.7%** |

# Appendix 5 : Revenue of €25 911M, up +6.5% at constant FX and +4.7% like-for-like
## *Analysis by business (2/2)*

- **WATER and WASTEWATER: Revenue up +3.8% at constant FX and +3.5% like-for-like to €8 053M**
  - **Volumes/commerce : +0.7%**
    - France: volumes down 0.7% (vs. +1% in 2017) - good commercial dynamics
    - Central Europe : volumes up +1.1%
    - Continued growth in industrial water in Asia and in the US
  - **Price effects (+1.1%) :** Increases in Central Europe and in Latin America, improvement in France (+0.7% vs. +0.2% in 2017)

- **WATER – Technology and Works: Revenue down 1.9% at constant FX to €2 841M: refocusing and restructuring underway**
  - **VWT : €1 607M, -6.2% at constant FX**:
    - Backlog down end 2018 (€1 876M, -4.7% vs. Dec. 2017), but expected to increase beginning 2019 with the signing of 2 desalination facilities in Saudi Arabia and Bahrain.
    - Progressive refocusing of VWT towards technology and services
  - **SADE : €1 234M, +4.5% at constant FX :** good level of activity in France in works and telecom services and on going downsizing outside France

- **WASTE : Strong revenue growth : +9.2% at constant FX and +4.9% like-for-like to €9 599M**
  - **Scope : +€386M (+4.3%):** mainly Northern Europe and Columbia, partially offset by the divestment of IS in the US
  - **Volumes/commerce : +€324M (+3.6%)**
    - Volumes up : mainly in France, the UK, Asia and Hazardous waste
    - Commerce: high renewal rate of contracts and numerous new gains (Northern Europe, Latam and Hazardous waste)
  - **Price effects : +2.2%** notably in Latam, Asia and in the UK
  - **Lower recycled materials prices : -1% (-€90M)** , mostly paper

- **Strong growth in ENERGY : Revenue up +11% at constant FX and +10% like-for-like to €5 418M**
  - **Unfavorable weather effect : -€28M (-0.6%)** in particular in Q2 in Central Europe
  - **Volumes / Commerce/Works: +€333M (+6.7%)** higher energy volumes in Central Europe and the US; new energy efficiency contracts of which: Spain, US, Africa Middle East and VIGS
  - **Energy price effects : +€116M (+2.3%) :** higher heat and electricity prices in Europe and in the US

# Appendix 6: Net investments by segment

| 2018 (in €M) | Maintenance | Contractual capex(1) | Discretionary growth capex(1) | *(1) Of which new OFAs* | TOTAL GROSS CAPEX | *Industrial divestments* | TOTAL NET CAPEX |
|---|---|---|---|---|---|---|---|
| France | 176 | 151 | 34 | *44* | **361** | -29 | **332** |
| Europe excluding France | 305 | 339 | 58 | *69* | **702** | -14 | **688** |
| Rest of the World | 180 | 193 | 207 | *45* | **580** | -5 | **575** |
| Global Businesses | 109 | 29 | 10 | *1* | **148** | -11 | **137** |
| Other | 19 | 1 | - | - | **20** | - | **20** |
| **TOTAL 2018** | **789** | **713** | **309** | ***159*** | **1 811** | **-59** | **1 752** |

| 2017 represented (in €M) | Maintenance | Contractual capex(1) | Discretionary growth capex(1) | *(1) Of which new OFAs* | TOTAL GROSS CAPEX | *Industrial divestments* | TOTAL NET CAPEX |
|---|---|---|---|---|---|---|---|
| France | 182 | 178 | 12 | *23* | **372** | -15 | **357** |
| Europe excluding France | 315 | 275 | 93 | *56* | **683** | -30 | **653** |
| Rest of the World | 197 | 229 | 104 | *30* | **530** | -27 | **503** |
| Global Businesses | 103 | 25 | - | *3* | **128** | -16 | **112** |
| Other | 25 | - | - | - | **25** | -1 | **24** |
| **2017 represented** | **822** | **707** | **209** | ***112*** | **1 738** | **-89** | **1 649** |

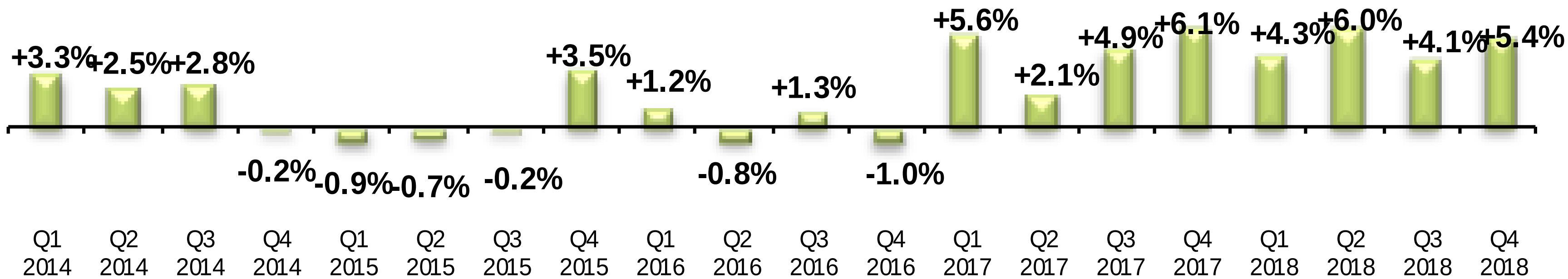
# Appendix 7- Continued pre-tax ROCE improvement

| | Average capital employed (in €M) | | | | Pre-tax ROCE (in %) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 represented | 2018 | 2015 | 2016 | 2017 represented | 2018 |
| France | 1 824 | 1 790 | 1 716 | 1 659 | 11.0% | 7.4% | 8.9% | 6.9% |
| Europe excluding France | 7 012 | 6 812 | 6 820 | 7 107 | 8.7% | 10,3% | 10.0% | 10.1% |
| Rest of the world | 4 099 | 4 309 | 4 346 | 4 492 | 9.8% | 9.3% | 10.6% | 11.7% |
| Global businesses | 968 | 1 088 | 1 185 | 1 197 | 8.8% | 12.4% | 12.6% | 11.6% |
| **TOTAL** | **13 677** | **13 649** | **13 607** | **13 991** | **9.4%** | **10.0%** | **10.3%** | **10.6%** |

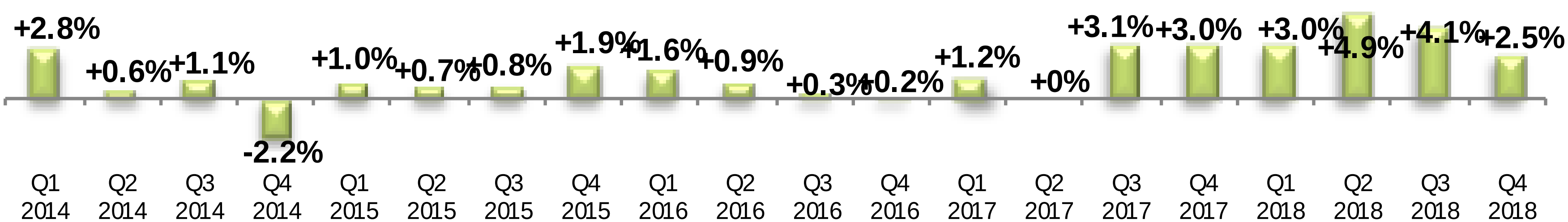
**Pre-Tax ROCE** = Current EBIT before share of net income of equity-accounted entities / Average capital employed, including operating financial assets and excluding investments in joint ventures and associates

# Appendix 8: Quarterly waste revenue and volumes

Quarterly revenue growth at constant scope & FX




Y-Y Quarterly volume trends

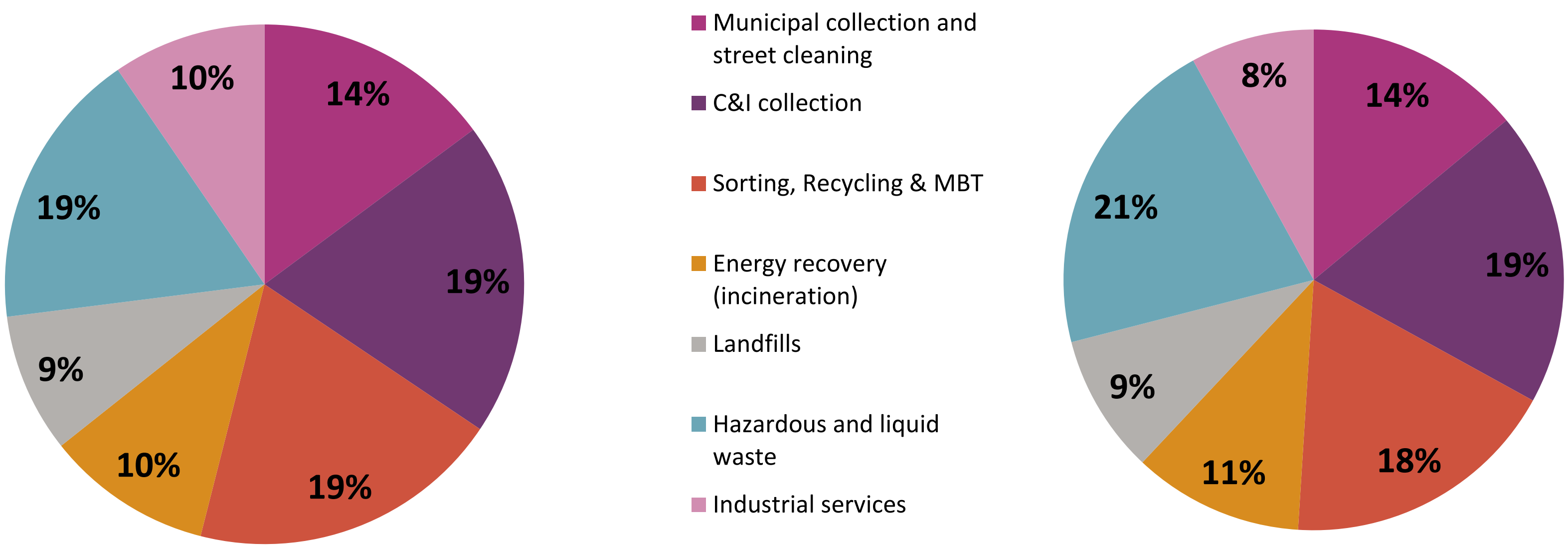


# Appendix 9: Waste – Breakdown of revenue by activity

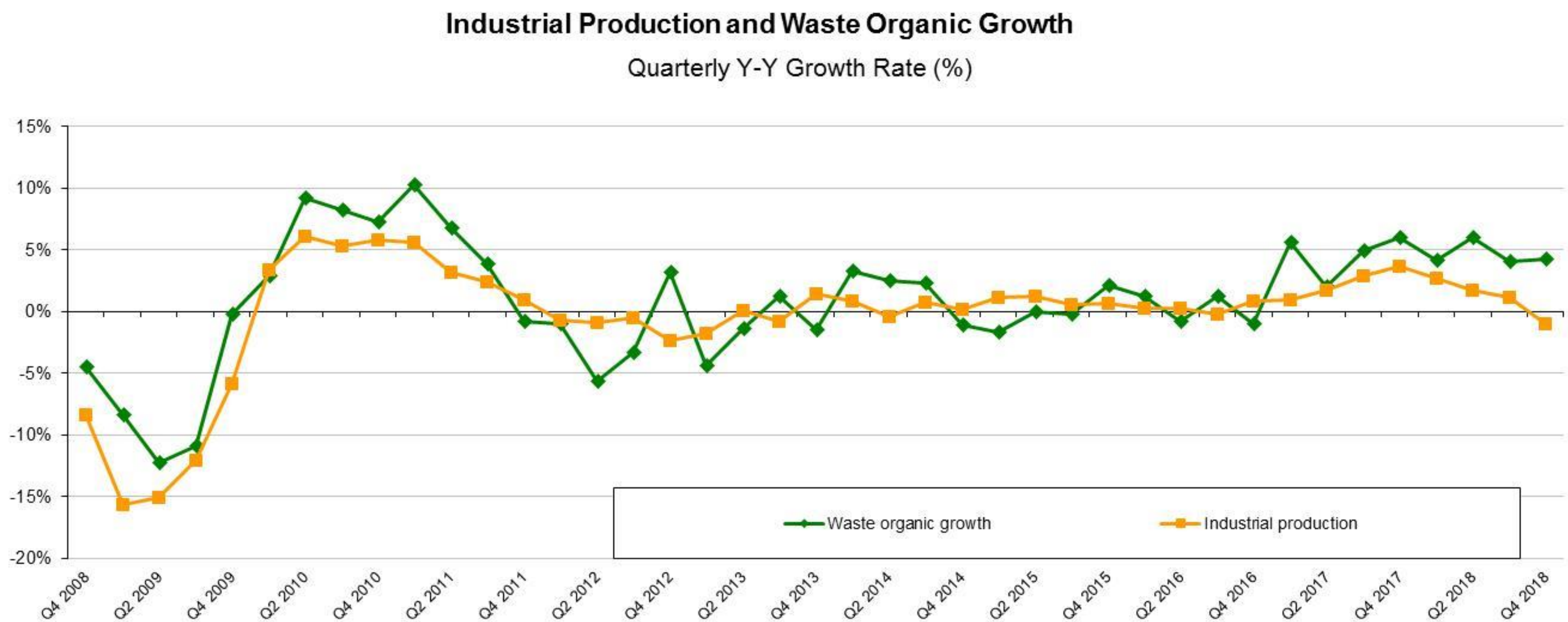
**Another increase in Hazardous Waste from 19% to 21% and decline in Industrial services from 10% to 8%**

**2017 Revenue : €9 036M**

**2018 Revenue : €9 609M**



# Appendix 10: Waste – Revenue vs. Industrial Production

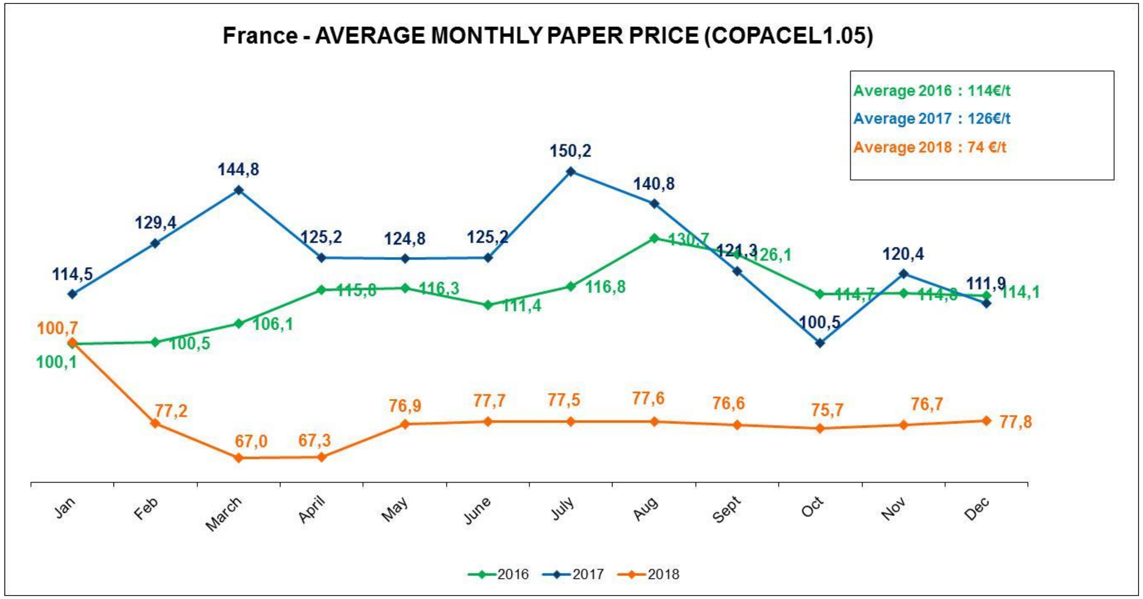



Weighted average industrial production indices for 4 key countries including SARP & SARPI : France, UK (excluding PFI), Germany, North America (excluding US Solid Waste and WTE)

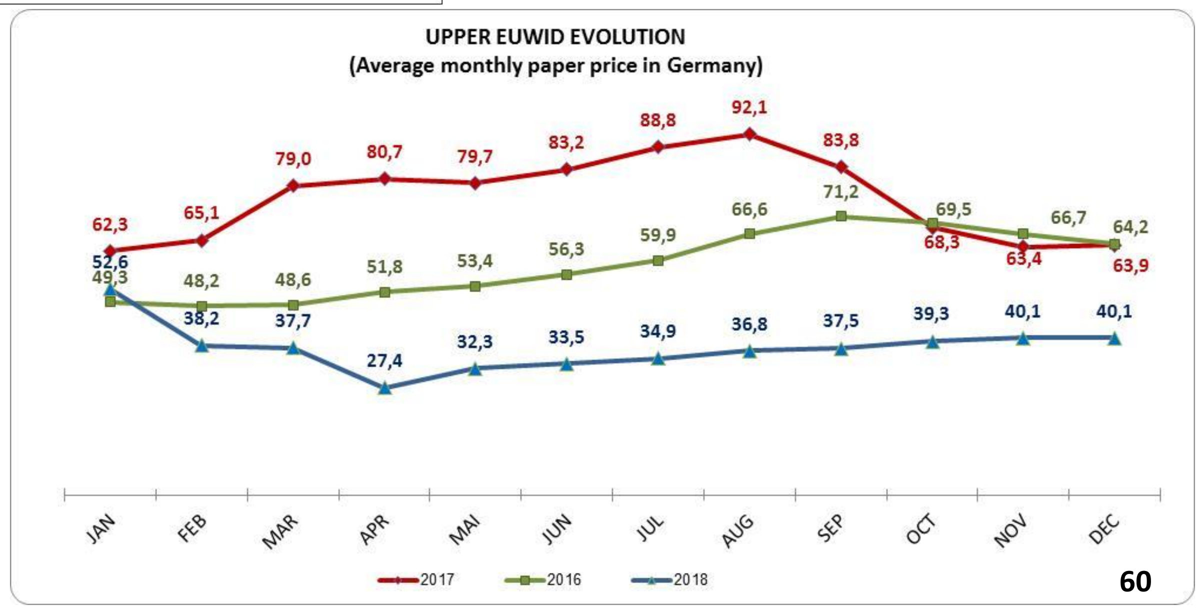
**Sources:** Until November: OECD for France, Germany, USA & UK
December 2018: OECD for the US

# Appendix 11: Recycled paper : market prices (1/2)

France

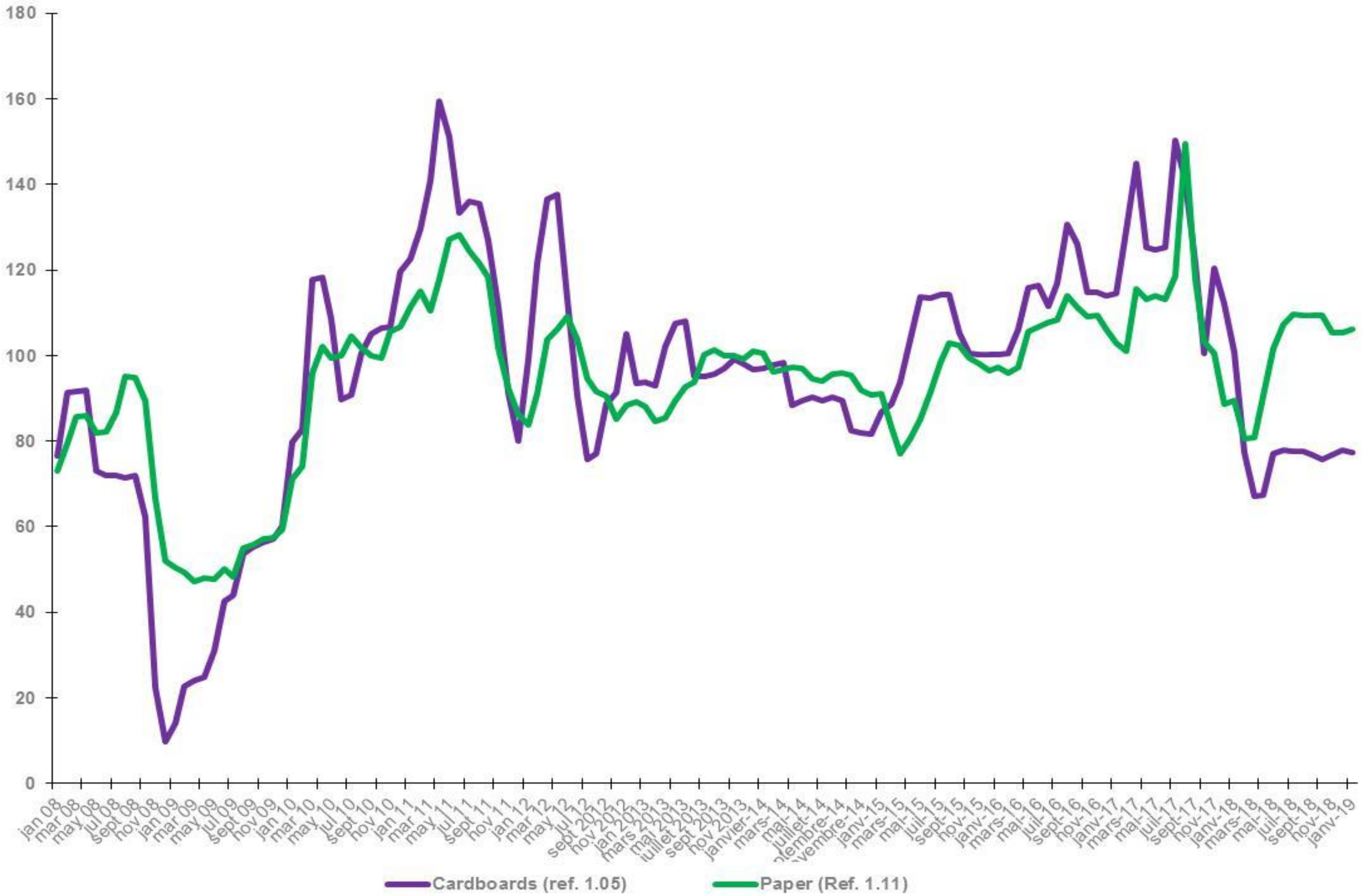



Germany



# Appendix 11: Waste – Evolution of raw materials prices (paper & cardboard)(2/2)

**Evolution of raw materials prices (€/t)**



# Appendix 12: Statement of cash flows

| En M€ | 2017 represented | 2018 |
|---|---|---|
| **EBITDA[(1)]** | **3 217** | **3 392** |
| Net industrial investments | -1 648 | -1 752 |
| WCR variation | +115 | +62 |
| Dividends received | +81 | +115 |
| Renewal expenses | -272 | -280 |
| Restructuring and other non current charges | -138 | -263 |
| **Operating Free Cash Flow** | **1 355** | **1 274** |
| Taxes paid | -218 | -194 |
| Interest paid | -424 | -419 |
| Interest on concession liabilities | -94 | -94 |
| **Net Free Cash Flow before dividends, acquisitions & financial divestments** | **619** | **568** |
| Dividends paid[(2)] | -648 | -660 |
| Net financial investments[(3)] | -418 | -307 |
| Other | +119 | +12 |
| **Cash generation** | **-329** | **-387** |
| Impact of exchange rates | +270 | -86 |
| Other[(4)] | +37 | -1 443 |
| *Variation of net financial debt* | *-22* | *-1 916* |
| **Opening net financial debt** | **7 812** | **7 833** |
| **Closing net financial debt** | **7 833** | **9 749** |

(1) Including principal payments on operating financial assets
(2) In 2018: Dividends paid to shareholders (-€463M) , non-controlling interests (-€130M) and to hybrid holders (-€66M)
(3) Including acquisitions (-€786M) and divestments (+€479M) in 2018
(4) Including -€1452M of hybrid repayment

# Appendix 13: Net financing rate

- Cost of net financial debt up by €3M due to the increased cost of non-euro denominated debt in emerging countries and to a decrease in the interest rates on cash balances partially offset by active debt management

- Sharp improvement in the net financing rate, down from 4.91% in 2017 represented to 4.18% at 31/12/2018, relative to an average net debt of €9 909M
  - Gross cost of borrowing rate declined by 13 bps from 3.04% to 2.91% following recent refinancing of bonds due by new issuances in 2018 at very favorable rates.
  - Decrease in the interest rate on cash balances in euro, in a context of historically low interest rates

| In €M | 2017 represented | 2018 |
|---|---|---|
| Average gross debt (1) | 13 514 | 14 029 |
| *Gross cost of borrowing* | *3.04%* | *2.91%* |
| Average cash balance | 5 471 | 4 392 |
| *Interest rate* | *0.24%* | *0.11%* |
| Average bank overdrafts | 310 | 272 |
| **Average net financial debt(2)** | **8 353** | **9 909** |
| **Cost of net financial debt** | **-409.8** | **-413.8** |
| *Net financing rate* | *4.91%* | *4.18%* |
| ***Closing net financial debt(3)*** | ***7 833*** | ***9 749*** |
| ***Average cash balance excluding commercial paper*** | ***2 258*** | ***948*** |

(1) Excluding bank overdrafts

(2) Average net financial debt represents the average of monthly net financial debt figures over the period

(3) Net financial debt represents gross financial debt (non current and current financial debt and bank overdrafts), net of cash and cash equivalents, liquid assets and assets related to financing and including the revaluation of debt hedging derivatives. Liquid assets are financial assets consisting of funds or securities with initial maturity of more than three months, easily convertible into cash, and managed as part of a liquidity objective, while maintaining a low risk of capital.

# Appendix 14: Debt management (1/2)

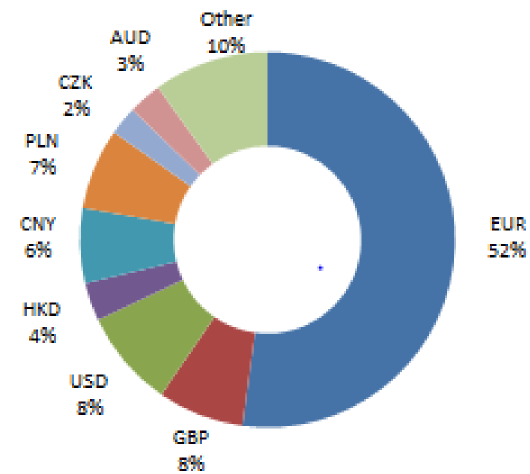
- Issuance in August 2018 of 1bn of renminbi (€127M) of bonds on the Chinese domestic market, maturity August 2019 (1 year), bearing a coupon of 4%
- Issuance in November 2018 of €750M bonds maturing in January 2030 (11 years) bearing a coupon of 1.94%.
- Arrival at maturity of a euro-denominated bond of €472M in May 2018
- Repayment of the hybrid bond in April 2018 (€1bn at 4.5% and GBP400M at 4.875%)
- Group liquidity : €8.7bn including €4 billion in undrawn confirmed credit lines (without disruptive covenants)
- Net Group liquidity: €3.9bn
- Average maturity of net financial debt: : 7.5 years at 31/12/18 vs. 9.2 years at 31/12/2017

**Net financial debt after hedges at December 31, 2018**

Fixed rate : 93%

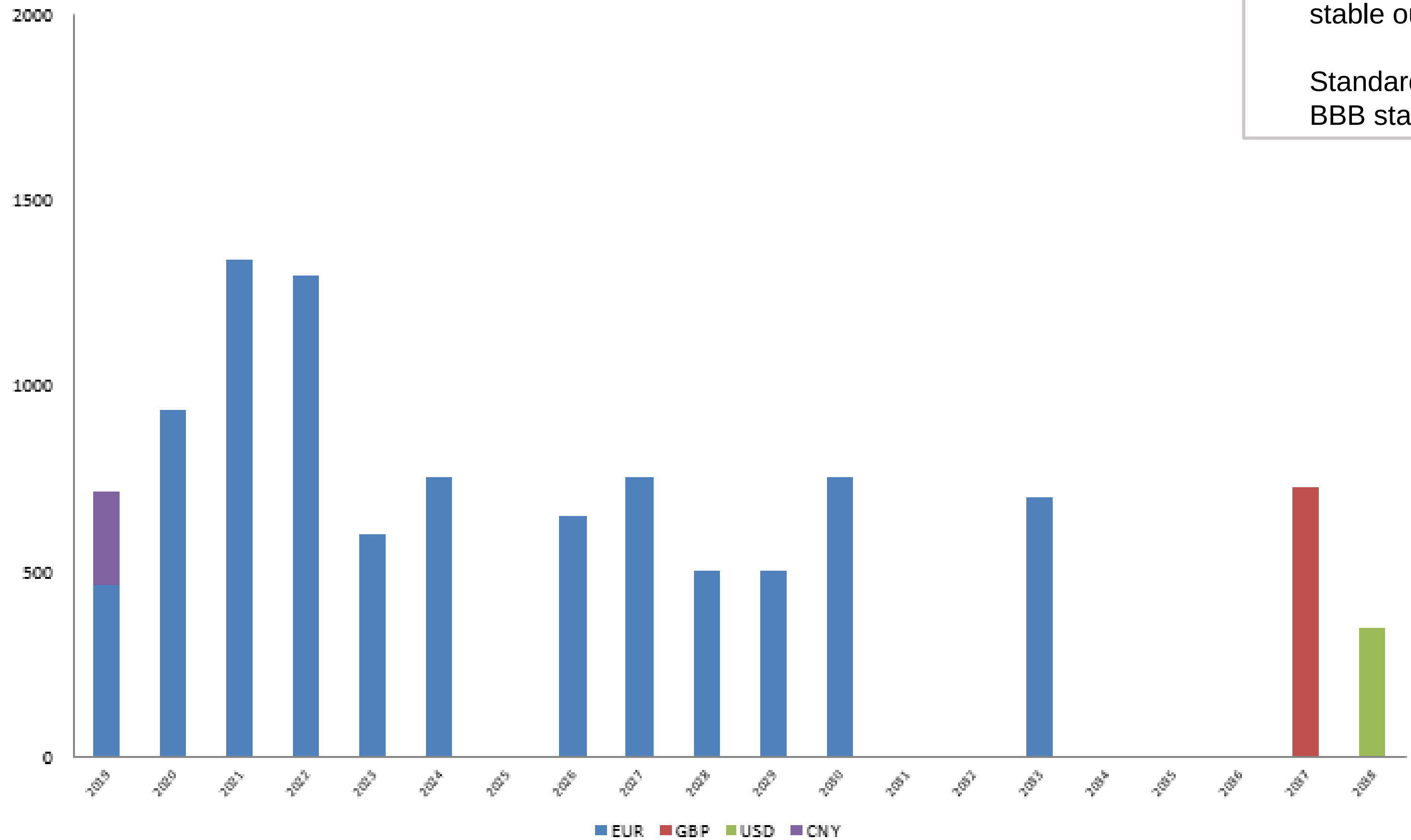
Variable rate : 7%

**Currency breakdown of gross debt (after hedges) at December 31, 2018**



# Appendix 14: Debt management (2/2)

**Veolia Bond Maturity Schedule**




**RATING**

Moody’s : P-2/ Baa1 stable outlook

Standard & Poor’s : A-2 / BBB stable outlook

This schedule includes the €750M EMTN issue of Jan. 2019 maturity 2024

# Appendix 15: Net liquidity

| *In €M* | December 2017 represented | December 2018 |
|---|---|---|
| **Veolia** | | |
| Syndicated credit lines | 3 000,0 | 3 000,0 |
| Bilateral credit lines | 925,0 | 925,0 |
| Lines of credit | 55,1 | 64,7 |
| Cash and cash equivalents(1) | 5 371,0 | 3 510,6 |
| **Total Veolia** | **9 351,1** | **7 500,3** |
| **Subsidiaries** | | |
| Cash and cash equivalents(1) | 1 067,9 | 1 238,7 |
| **Total Subsidiaries** | **1 067,9** | **1 238,7** |
| **Total Group liquidity** | **10 419,0** | **8 739,0** |
| **Current liabilities and bank overdrafts** | **4 815,9** | **4 838,2** |
| **Total net Group liquidity** | **5 603,1** | **3 900,8** |

(1) Including liquid assets and financing related assets included in net financial debt

# Appendix 16: Consolidated statement of financial position

| *In €M* | December 2017 represented | December 2018 |
|---|---|---|
| Intangible Assets | 9 408 | 9 691 |
| Property, Plant & Equipment | 7 294 | 7 857 |
| Other non-current assets | 3 525 | 3 324 |
| Operating financial assets *(current and non-current)* | 1 614 | 1 486 |
| Cash and cash equivalents | 6 264 | 4 557 |
| Other current assets | 10 174 | 10 677 |
| **Total Assets** | **38 279** | **37 592** |
| Capital *(including non-controlling interests)* | 8 634 | 7 144 |
| Financial debt *(current and non-current)* | 14 431 | 14 633 |
| Other non-current liabilities | 4 193 | 4 183 |
| Other current liabilities | 11 021 | 11 632 |
| **Total Liabilities & Shareholders Equity** | **38 279** | **37 592** |

# SUSTAINABLE DEVELOPMENT

# Our 9 commitments for sustainable development

1. SUSTAINABLY MANAGE NATURAL RESOURCES BY SUPPORTING THE CIRCULAR ECONOMY

2. CONTRIBUTE TO COMBATING CLIMATE CHANGE

3. PROMOTE AN ECO-FRIENDLY APPROACH TO CONSERVE BIODIVERSITY

4. BUILD NEW MODELS FOR RELATIONS AND VALUE CREATION WITH OUR STAKEHOLDERS

5. CONTRIBUTE TO LOCAL DEVELOPMENT

6. SUPPLY AND MAINTAIN SERVICES CRUCIAL TO HUMAN HEALTH AND DEVELOPMENT

7. GUARANTEE A HEALTHY AND SAFE WORKING ENVIRONMENT

8. ENCOURAGE THE PROFESSIONAL DEVELOPMENT AND COMMITMENT OF EACH EMPLOYEE

9. GUARANTEE RESPECT FOR DIVERSITY AND HUMAN AND FUNDAMENTAL SOCIAL RIGHTS WITHIN THE COMPANY

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