

# Press Release

Paris, 9 November 2023

## KEY FIGURES AT 30 SEPTEMBER 2023

(non audited IFRS data)

### ANOTHER QUARTER OF STRONG RESULTS GROWTH THANKS TO RIGOROUS GROUP MANAGEMENT

9 MONTH EBITDA UP BY +7.7 %<sup>(1)</sup> AND CURRENT EBIT UP BY +14.2 %<sup>(1)</sup>

### STRONG NET FREE CASH FLOW GENERATION AT 30 SEPTEMBER LEADS TO DECREASE IN NET FINANCIAL DEBT

2023 TARGETS FULLY CONFIRMED, WITH EBITDA<sup>(1)</sup> GROWTH AT THE TOP END OF THE RANGE OF +5% to +7% AND LEVERAGE RATIO NOW EXPECTED BELOW 2.9x<sup>(2)</sup>

- 9-MONTH REVENUE OF €33 161 M SHARPLY UP BY +10.7 %<sup>(1)</sup> DRIVEN BY STRONG COMMERCIAL MOMENTUM AND PRICE INCREASES
  - GROWTH OF +4.6 %<sup>(1)</sup> EXCLUDING ENERGY PRICES, SIMILAR TO H1
- 9-MONTH EBITDA OF €4 793 M STRONGLY UP BY +7.7 %<sup>(1)</sup> THANKS TO CONTINUED OPERATIONAL EXCELLENCE AND DELIVERY OF THE SUEZ SYNERGIES, AHEAD OF TARGET
  - €131 M OF SYNERGIES IN 9 MONTHS, ALMOST OUR FULL YEAR OBJECTIVE, LEADING TO €277 M OF CUMULATED SYNERGIES SINCE THE ACQUISITION OF SUEZ, AHEAD OF OUR OBJECTIVE OF MORE THAN €280 M CUMULATED AT THE END OF 2023 AND OF €500 M OVER 4 YEARS
  - €284 M OF EFFICIENCY GAINS IN 9 MONTHS AHEAD OF OUR ANNUAL TARGET OF €350 M
- 9-MONTH CURRENT EBIT<sup>(2)</sup> SHARPLY UP BY +14.2 %<sup>(1)</sup>, TO €2 518 M
- STRONG NET FREE CASH FLOW GENERATION IN Q3 AND DECREASE OF NET FINANCIAL DEBT TO €18.9BN<sup>(2)</sup>
- 2023 TARGETS FULLY CONFIRMED, AND IMPROVEMENT OF LEVERAGE RATIO NOW EXPECTED BELOW 2.9x<sup>(2)</sup>
  - EBITDA ORGANIC GROWTH<sup>(1)</sup> EXPECTED AT THE TOP END OF THE +5% TO +7% RANGE
  - CURRENT NET INCOME GROUP SHARE AROUND €1.3 BILLION<sup>(2)</sup>

<sup>1</sup> at constant scope and forex

<sup>2</sup> Excluding Suez purchase price allocation

**Estelle Brachlianoff, Group CEO, commented :** “After an excellent first half with strong growth, Veolia continued its momentum in the third quarter with solid growth in activity and earnings, at rates comparable to those seen in the first half of the year. EBITDA at 30 September was up by 7.7% and current EBIT by 14.2%. This very strong performance is underpinned by solid fundamentals such as our resistance to inflation, thanks to the indexation of 70% of our contracts to cost increases, our very low exposure to macroeconomic conditions, and our geographical positioning, with close to 40% of sales outside Europe, including almost \$5 billion on a yearly basis in the United States.

*The rigorous management of all our activities, as well as the exemplary delivery of synergies following the merger with Suez, are bearing fruit, and synergies are even well ahead of plan, as we reached our annual target in 9 months.*

*This quarter, Veolia once again demonstrated its ability to take advantage of the strong potential of the environmental services market, driven by growth in demand and tighter regulations, particularly on decarbonisation, water savings and pollution control. This commercial momentum was illustrated in the third quarter by the award of a €2 billion contract in Hong Kong, which will save 10 million tonnes of carbon, and record order intake of €3.1 billion in water treatment technologies, in which we are the leader.*

*These fundamentals - tight management and unique positioning - mean that we can look to the future with confidence and determination, fully confirming our 2023 targets and now aiming for leverage of less than 2.9x at the end of the year, just 18 months after the acquisition of Suez.”*

### **Detailed figures at 30 September 2023**

- **Revenues** for the first nine months of 2023 totalled €33,161 million, up 10.7% on a like-for-like basis compared with the first nine months of 2022.
- Excluding the impact of energy prices, sales rose by 4.6%, after 5.2% at 30 June 2023.
- **All our businesses recorded solid growth.**
  - **Water** Operations revenue rose by 7.7% (compared with 8.6% in H1), thanks to price indexations in all regions, strong commercial momentum in Asia and in Africa Middle East, a solid works activity, more than offsetting slightly lower volumes due to unfavorable weather in France, Spain and the US. The Water Technologies businesses performed well, up 6.1% to €4,135m, with Water Technologies order intake at a record €3.1bn at 30 September.
  - Revenues in the **Waste** business were on a par with the first half, rising by 3.1% (compared with 3.3% in H1). It benefited from a slightly positive commerce/volume/works effect (+0.7%), and price increases that remained favorable (+4.6%), more than offsetting the impact of the fall in recycled materials prices (-2.9% on sales) seen in France, Germany and Northern Europe.
  - **Energy** revenue was up +30.4% (compared with +41.3% in H1), with the end of the heating season in Q3. The strong growth is due to positive price effects (+27.3%), reflecting the rise in energy costs (pass through), mainly in Central and Eastern Europe. The climate effect, unfavorable over the first nine months of 2023, amounted to -0.7% on sales.

### **Revenue growth by effect breaks down as follows:**

**The currency effect** was a negative €664 million (-2.2% of sales), mainly reflecting fluctuations in the US, Argentinean, Australian, British and Chinese currencies, partly offset by a rise in the Polish and Czech currencies.

**The scope effect** of -€183 million (-0.6%) mainly includes the impact of the remedies required by the European Commission and the UK Competition Market Authority, implemented in 2022 as part of the acquisition of Suez, as well as the impact of the disposal of Advanced Solutions (United States), completed on 23 February 2023. The effect of these disposals is offset by the adjustment of the first 17 days of 2022 in the Suez scope before the takeover (+400 million euros), and by the inclusion of Lydec (Morocco) in the scope.

**The Commerce / Volumes / Works effect** amounted to +676 million euros (+2.2%) thanks to good volumes in energy, a good level of works, and growth in our Water technology activities.

**The climate effect** was moderate, amounting to -110 million euros (-0.4%). The Energy business in Central and Eastern Europe suffered the impact of a milder winter than in 2022, while the Water business in Spain, the United States and France suffered the impact of a wet summer, which affected water volumes.

**The impact of energy and recycled materials prices** amounted to €1,548 million (+5.1%), driven by higher heat and electricity tariffs, mainly in Central and Eastern Europe. This increase was partially offset by lower prices for recycled materials in Europe.

**The price effect** was very favorable at €1,181 million (+3.8%), mainly due to price indexation mechanisms and increases in the price of the Group's services.

**Revenues at 30 September 2023 progressed across all operating segments compared with 30 September 2022:**

- **Revenues in France and Special Waste Europe** totalled €7,244 million, representing an organic growth of 2.2% compared with 30 September 2022:
  - Water France sales rose by 2.4% to €2,231 million, thanks to the positive impact of tariff revisions (+6.2%), which offset the return of Eaux du Grand Lyon to public ownership and volumes down 3.2% due to unfavorable weather conditions.
  - Sales by the Waste France business were stable at €2,183 million, as price revisions and the increase in the price of electricity sold were absorbed by the fall in the price of recycled materials and lower volumes.
  - The Special Waste Europe business was stable, with sales of €1,579 million, affected by the fall in oil prices, but offset by the increase in prices for hazardous waste treatment and liquid waste treatment.
  - SADE's sales rose by 5.5%, thanks to strong business in France.
  
- **Revenues in Europe excluding France** came to €13,708 million at 30 September 2023, up 16.3% organically, driven mainly by growth in the Energy business in Central and Eastern Europe.
  - In Central and Eastern Europe, revenue sharply increased by 29.4% to €8,099 million. Business in the region was particularly buoyant, driven by rising electricity prices and tariff revisions for heat (Poland, Hungary, Czech Republic, Slovakia and Germany), despite an unfavorable weather effect (-€42 million).
  - In Northern Europe, sales increased by 5.1% to €3,000 million. This increase was mainly due to sales in the United Kingdom, which rose by 5.6% on a like-for-like basis, as a result of good commercial development in the waste business, the favorable effect of electricity prices on incineration, and the start-up of new contracts in the energy business in connection with the launch of the UK government's decarbonisation plan.
  - On the Iberian peninsula, sales rose by 8.3% to €1,920 million, driven in particular by the water business in Spain, which benefited from buoyant construction activity and price increases. Water volumes were down slightly (-0.5% compared with 2022).
  - Italy posted sales of €689 million, down 14.0%, mainly as a result of lower energy prices, which had no impact on margins due to the equivalent fall in energy purchase costs and the indexation mechanism for sales prices.
  
- **Revenues in the Rest of the World** totalled €8,861 million, representing strong organic growth of 10.9% across all regions:
  - Revenues totalled €1,406 million in Latin America, up +28.2%, driven in particular by the effects of tariff indexation in Argentina, as well as by water activities in Chile, which benefited from the effect of tariff revisions.
  - In Africa and the Middle East, sales rose by 13.9% to €1,631 million, driven by new contracts in the Water division, the start-up of new waste management facilities, growth in energy services in the Middle East, and higher volumes in water contracts in Morocco.
  - In North America, sales rose by 6.1% to €2,495 million. Growth was mainly driven by sustained business in hazardous waste, with rate increases and a good mix of waste treated, and by rate increases in water, which offset a 1.2% fall in volumes in the regulated water business.

- Sales in Asia rose by 7.1% to €1,844 million, driven by growth in the energy business in China and in the water business, with the start-up of the Miyagi contract in Japan, as well as work carried out in Hong Kong, Taiwan and South Korea.
  - In the Pacific region, sales rose by 6.9% to €1,485 million, mainly due to a good commercial performance in industrial maintenance and the effect of tariff revisions and commercial gains in waste management.
- **Water Technologies** recorded sustained sales growth of 6.3% to €3,336 million, driven by growth at WTS in its Engineering Systems and Chemical Solutions businesses, and by growth at VWT in its Services and Technologies businesses.
- **Solid growth in EBITDA, to €4,793m from €4,533m** in the first nine months of 2022 combined, representing growth of **7.7% on a like-for-like basis**.
    - Exchange rate movements had a negative impact of -€65m (-1.4%), while changes in scope had a negative impact of -€23m (-0.5%).
    - The solid growth in EBITDA is the result of business growth of €82m (+1.8%), the efficiency programme net of contract renegotiations and of the gradual pass-through of cost increases into tariffs of €99m (+2.2%), and synergies from the acquisition of the Suez of €131m (+2.9%). Implementation of the synergies programme is well ahead of schedule, with the annual target already achieved in the first nine months. Climate had a negative impact of -€48m (-1.0%), while energy and recycled materials prices had a positive impact of +€84m (+1.8%).
  - **Strong growth of 14.2% in current EBIT to €2,518m, on a like-for-like basis**.
    - Exchange rate fluctuations had a negative impact of -€31m on current EBIT.
    - The increase in current EBIT on a like-for-like basis (+€324m) breaks down as follows:
      - Higher EBITDA (+€348m).
      - Depreciation, amortization and provisions (including repayments of operating financial assets) up by €54m on a like-for-like basis.
      - Like-for-like increase of €16m in the positive balance of capital gains on industrial disposals net of impairment, from €106m at 30 September 2022 to €129m at 30 September 2023.
      - A contribution from joint ventures and associates of €90m, compared with €105m in 2022, an increase of €8m on a like-for-like basis.
  - **Net debt of €18,881m<sup>(2)</sup>, down by €352m at 30 September 2023 compared with 30 June 2023**. Strong growth in free cash flow, to €435m in the third quarter, giving a cumulative total of €357m for the first nine months of 2023.
    - Net financial debt was €352m lower than at 30 June 2023. The currency effect compared with 31 December 2022 was an unfavorable €182m.
    - Net capital expenditure remains under control, at €2,532m.

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**In view of the very good 9M performance, our 2023 targets have been fully confirmed, with organic EBITDA growth at the upper end of the +5% to +7% range, and a leverage ratio now expected below 2.9x**

o Objectives 2023 <sup>(1)</sup>

- Solid organic growth of revenue
- Efficiency gains above €350m complemented by additional synergies for a cumulated amount of more than €280m end-2023, in line with the €500m cumulated objective.
- Organic growth of EBITDA at the upper end of the +5% to +7% range
- Current net income group share around €1.3bn<sup>(2)</sup>
- Confirmation of the EPS accretion<sup>(3)</sup> of around 40% in 2024
- Leverage ratio below 2.9x<sup>(2)</sup>
- Dividend growth in line with current EPS growth

(1) At constant scope and forex

(2) Before Suez PPA

(3) Current net income per share after hybrid costs and before PPA

#### ○ **Agenda**

<b>11 January 2024 :</b>	Deep dive Energy
<b>29 February 2024 :</b>	2023 Results and Strategy Day
<b>April 2024 :</b>	Deep dive USA
<b>Summer 2024 :</b>	Deep dive Water Technology and Innovation

## **About Veolia**

Veolia Group aims to become the benchmark company for ecological transformation. Present on five continents with nearly 213,000 employees, the Group designs and deploys useful, practical solutions for the management of water, waste and energy that are contributing to a radical turnaround of the current situation. Through its three complementary activities, Veolia helps to develop access to resources, to preserve available resources and to renew them. In 2022, the Veolia group provided 111 million inhabitants with drinking water and 97 million with sanitation, produced 44 terawatt hours of energy and recovered 61 million tonnes of waste. Veolia Environnement (Paris Euronext: VIE) achieved consolidated revenue of 42 885 million euros in 2022. [www.veolia.com](http://www.veolia.com)

## **Important disclaimer**

As the changes in the health crisis are difficult to estimate, we draw your attention to the “forward-looking statements” that may appear in this press release and relating to the consequences of this crisis which may affect the future performance of the Company.

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

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

## **Contacts**

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### **Media Relations**

Laurent Obadia - Evgeniya Mazalova  
Anna Beaubatie - Aurélien Sarrosquy  
Tél : + 33 (0)1 85 57 86 25  
Mail: [presse.groupe@veolia.com](mailto:presse.groupe@veolia.com)

### **Investor Relations**

Ronald Wasylec - Ariane de Lamaze  
Tél. : + 33 (0)1 85 57 84 76 / 84 80