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# Press release

Changé, France, September 5, 2017

## Consolidated results at June 30, 2017

## A positive first half 2017

**Good activity level in the first half of 2017** — **Contributed revenue: € 252.6m up +13.6% gross** (+4.6% at constant scope)

- Buoyant Industrial markets
- Stable Local Authority markets
- Contribution of external growth achieved over the period

**Solid operating results**

- Confirmed gross operating income: **EBITDA: €43.0m up +11.8% gross** (+4.0% at constant scope, i.e. 17.2% of contributed revenue)
- Good current operating performance: **Current operating income: €13.6m up +18.6% gross** (16.5% at constant scope, i.e. 5.4% of contributed revenue)

**Net income up sharply** — **Net income (Group share): €3.7m up +52.1% gross** (+79.0% at constant scope, i.e. 1.5% of contributed revenue)

**Financial structure serving internal and external growth**

- Net cash from operating activities financing high industrial CapEx
- Trend in net financial debt in relation with acquisition strategy

**Outlook for 2017 confirmed**

- Modest growth in consolidated contributed revenue at constant scope
- Stable current operating profitability at constant scope

At the Board of Directors' meeting held on September 4, 2017 to approve the consolidated financial statements at June 30, 2017, Chairman & CEO Joël Séché declared:

*"The consolidated results for the first half confirmed the relevance of our growth strategy, which is based on a proactive industrial investment policy to deploy capacities on new markets and business lines, and on targeted acquisitions, which offer us new development levers, specifically internationally.*

*During the first half, our Group has successfully integrated three companies in France, positioned on recovery and treatment of non-hazardous waste and has therefore strengthened its commercial presence in the regions of Brittany and Loire.*

*Internationally, our Group has doubled its revenue as it successively acquired companies in hazardous waste treatment activities and in service activities to industrials.*

*At the same time, the Group showed solid organic growth, particularly on its industrial markets, and our operating income grew appreciably over last year, illustrating the good performance of the various scopes of activity over the period.*

*The financial situation is well-controlled, in service of our internal and external growth strategy. Recurring cash from operating activities financing sustained industrial maintenance and development investments.*

*In an always promising industrial market environment, in the second half we will see the ramp-up of several of our major projects, with the startup of the iconic LEN energy supply contract in the Laval heating network, while the implementation of synergies within recently integrated subsidiaries should increase their contribution to our results.*

*These positive factors allow Séché Environnement to confirm its targets of growth and profitability for 2017."*

## Commentary on the consolidated financial statements at June 30, 2017

In the first half of 2017, Séché Environnement confirmed its internal growth momentum and conducted a proactive acquisition policy, carrying out significant external growth operations in France on the non-hazardous waste markets and Internationally on the hazardous waste markets.

**In France**, Séché Environnement acquired three companies in western France (grouped into Séché Environnement Ouest –SEO-), thus increasing its presence in materials recovery, energy recovery, and non-hazardous final waste treatment[1].

**Internationally**, Séché Environnement made two acquisitions in a row in the hazardous waste treatment business lines in Latin America (Chile: SADN and Peru: Befesa Peru, now Taris) and in the service businesses, with the acquisition of the Spanish company Solarca, a specialist in chemical cleaning of industrial facilities[2].

**Across its historic scope**, Séché Environnement confirmed solid organic growth, driven by the momentum of the Hazardous Waste (HW) division, which benefits from the robust performance of the industrial markets, while the Non-Hazardous Waste (NHW) division was more stable, sustained by recurrent contracts with Local Authorities.

In this favorable climate, the **contributed revenue**[3] stood at **€252.6m**, marking a **significant increase of +13.6%** over June 30, 2016. Restated for the scope effect resulting from the acquisitions made over the period, **contributed revenue at constant scope** was **€232.6m**, up by **+4.6%** over the first half of 2016.

Over the period, Séché Environnement generated solid operating income, reinforced by good business performance and structural cost control. Thus, **current operating income** (COI) stood at **€13.6m, up by 18.6%** gross (+16,5% at constant scope), for a current operating margin of **5.4%** of contributed revenue (vs. 5.1% one year earlier).

**Net income (Group share)** rose sharply to **€3.7m (+52.1%** gross and +79.0% at constant scope), although financial income was dragged down by the increase in average net financial debt for the period.

The **financial situation** is well-controlled, and its trend essentially reflects the effects of the acquisitions made by the Group during the period:

- **net cash flow** grew in line with revenue **(+12.9%)** to reach **€35.8m.** It financed **industrial investments** that remained brisk (net industrial investments paid: **€27.2m** ex IFRIC) due to investments in development projects (€11.0m);
- **net financial debt** rose to **€342.4m** (vs. €279.0m at December 31, 2016) in relation with the acquisitions made during the first half (€72.4m).

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[1] *See Press Release from January 19, 2017*
[2] *See Press Releases of March 29 and April 3, 2017*
[3] *Contributed revenue: revenue published net 1/ of IFRIC 12 revenue (investments made on disposed assets and booked as revenue pursuant to IFRIC 12) and 2/ benefits and compensation paid to Sénerval, net of variable cost savings, to cover costs incurred to maintain continuity of Services to Local Authorities during the asbestos removal work on the incinerator.*

## Analysis of the consolidated financial statements at June 30, 2017

| At June 30<br>In €m | 2016 | As a % | 2017 | As a % | Change (gross) | Change (constant scope) |
|---|---|---|---|---|---|---|
| **Contributed revenue** | **222.4** | ***100%*** | **252.6** | ***100%*** | ***+13.6%*** | ***+4.6%*** |
| EBITDA | 38.4 | *17.3%* | 43.0 | *17.0%* | *+11.8%* | *+4.0%* |
| **COI** | **11.4** | ***5.1%*** | **13.6** | ***5.4%*** | ***+18.6%*** | ***+16.5%*** |
| Operating income | 10.5 | *4.7%* | 12.8 | *5.1%* | *+21.1%* | *+72.4%* |
| Financial income | (5.6) | - | (7.1) | - | - | - |
| Taxes | (2.1) | - | (1.5) | - | - | - |
| Net income of consolidated companies | 2.7 | *1.3%* | 4.2 | *1.6%* | *+48.0%* | *+72.4%* |
| **Net income (Group share)** | **2.4** | ***1.1%*** | **3.7** | ***1.5%*** | ***+52.1%*** | ***+79.0%*** |

**At June 30, 2016, EBITDA did not recognize the annual expense of +€0.8m resulting from the change in the property tax basis, recognized in the second half of 2016 but fully recorded in the first half of 2017 pursuant to IFRIC 21. Restated for this effect, EBITDA would stand at 16.9% of contributed revenue at June 30, 2016.*

### Continued growth

- Solid business activity at the divisions
- Appreciable contribution of newly-integrated business

At June 30, 2017, Séché Environnement reported **consolidated revenue** of **€266.7m**, up **15.9%** relative to revenue reported at June 30, 2016 (**€230.0m**).

This revenue includes IFRIC 12 revenue representing €2.7m in investments made on disposed assets (vs. €1.4m one year earlier).

It also recognizes €11.4m (vs. €6.2m at June 30, 2016) in indemnities and compensation paid to Sénerval, net of savings on variable charges, to cover the costs incurred to ensure the continuity of the Services to Local Authorities business during asbestos removal at the Strasbourg-Sénerval incinerator.

Net of IFRIC 12 revenue and damages paid to Sénerval, **contributed revenue** stood at **€252.6m**, vs. €222.4m at June 30, 2016, **up 13.6%** over the period.

This revenue includes €20.0m in contributions from companies acquired during the first half of 2017 and integrated in the consolidation scope as of January 1st, 2017.

**At constant scope**, **contributed revenue** stood at **€232.6m**, reflecting **organic growth of +4.6%** for the period.

| As of June 30, | 2016 | | 2017 | | | |
|---|---|---|---|---|---|---|
| | €m | % of revenues | €m | % of revenues | Change (gross) | Change (organic) |
| HW division | 139.6 | 60.7% | 163.1 | 61.2% | +16.8% | +7.8% |
| NHW division (excl. IFRIC 12 and compensation) | 82.8 | 36.0% | 89.5 | 33.5% | +8.1% | -0.8% |
| **Total contributed revenue** | **222.4** | **96.7%** | **252.6** | **94.7%** | **+13.9%** | **+4.6%** |
| IFRIC 12 revenue | 1.4 | 0.6% | 2.7 | 1.0% | - | - |
| Revenue from diversion compensation | 6.2 | 2.7% | 11.4 | 4.3% | - | - |
| **Total consolidated revenue** | **230.0** | **100.0%** | **266.7** | **100.0%** | **+15.9%** | **+7.3%** |

*At constant exchange rates, contributed revenue at June 30, 2016 would be €222.4m, illustrating the lack of a significant foreign exchange effect for the period.*

In the first half of 2017, the waste recovery and treatment divisions showed contrasting trends. The HW division saw strong momentum, and the NHW division had recurring activities:

- At June 30, 2017, the **Hazardous Waste (HW) division** posted revenue of **€163.1m**, an increase of **+16.8%** from 2016 (€139.6m). The division benefited from the integration of subsidiaries acquired in Chile, Peru, and Spain, totaling €12.6m. **Excluding this scope effect**, the division's activity rose by **+7.8%**:
  - ✓ In **France**, revenue was **€139.0m**, reflecting **growth of +8.2%** for the period. The division benefited from strong activity in most of its business lines (specifically incineration, driven by volume effects), while storage activities were penalized by a decline in volumes of contaminated soil (strong base effect in the first half of 2016);
  - ✓ **Internationally**, the division's revenue stood at **€24.1m,** up **+116.1%** over one year. **At constant scope**, revenue internationally was **€11.6m,** up by **+4.5%** over the previous year, due to good performances by PCB markets in Latin America.
- The **Non-Hazardous Waste** (NHW) division posted contributed revenue of **€89.5m** at June 30, 2017, an increase of **+8.1%** over the previous year (€82.8m). In France, the division benefited from the consolidation of SEO for €6.6m and, to a lesser extent, the consolidation of NHW activities of SADN in Chile, for €0.9m.

  **At constant scope**, the division's contributed revenue was **€82.1m**, confirming the renewal of its contracts with Local Authorities; the slight downturn **(-0.8%)** came essentially from the arbitrage carried out in favor of Hazardous Waste within the Salaise 3 incinerator.

## Increasing EBITDA (earnings before interest, tax, depreciation and amortization)

- Stable gross operating income at constant scope

- Positive contribution from external growth

In the first half of 2017, **EBITDA** stood at **€43.0m**, **17.0% of contributed revenue**, (vs. €38.4m one year earlier, an increase of **+11.8%** gross).

This trend is the result of:

| | |
|---|---|
| ➢ the gross margin's contribution, in line with organic growth | +€2.7m |
| ➢ the change in overhead and structural charges | €(0.3)m |
| ➢ the property tax increase | €(0.8)m |
| ➢ the scope effect | +€3.0m |

EBITDA is impacted by the change in the property tax basis booked in second half of 2016 but fully recorded in the first half of 2017, pursuant to IFRIC 21.

With comparable methods, EBITDA at June 30, 2016 would stand at 16.9% of contributed revenue, demonstrating the solidity of gross operating income over the first half of 2017.

**At constant scope**, EBITDA stood at **€40.0m** up **+4.0%**, to **17.2% of contributed revenue**. The scope effect reflects a contribution in line with expectations for the SEO perimeter, a gradual ramping-up of the LatAm perimeter and for Solarca, the reduced activity in the first half related to projects postponed in Europe.

## Good current operating income

- Sustained current operating income within the historical scope
- Slightly positive contribution from newly-consolidated activities

The Group generated **€13.6m** in **current operating income** (5.4% of contributed revenue) vs. €11.4m at June 30, 2016 (5.1% of contributed revenue).

The increase in COI (**+18.6%** gross and +16.5% at constant scope) is primarily due to the EBITDA trend, with the effects of amortization and provisions offsetting each other due to the one-off reduction in provisions for rehabilitation and 30-year monitoring provisions.

The scope effect (+€0.2m) came essentially from the contribution of the SEO branch.

## Positive trend in Operating Income

- Effect of the capital gain on LEN disposal
- Impact of the corporate merger

**Operating income** stood at **€12.8m** (**5.1% of contributed revenue**) at June 30, 2017, vs. €10.5m (4.7% of contributed revenue) at June 30, 2016, up by **+21.1%** gross (+20.4% at constant scope), relating to the trend in current operating income (+€1.9m), with the capital gain generated from the disposal of 33% of the capital in LEN[4] (+€1.2m) being partially offset by €(0.8)m in corporate merger costs and €(0.2)m in miscellaneous expenses. The scope effect contributed +€0.1m to the increase in OI.

*[4] LEN: Laval Energies Nouvelles, the company that has the concession contract on the heating network for the city of Laval*

## Burdened financial income

- Stable cost of debt
- Effect of the increase in average net debt:

Financial income was **€(7.1)m** at June 30, 2017, vs. €(5.6)m as of June 30, 2016. This change is primarily due to the increase in average debt over the period, with the **annualized debt rate** staying **virtually stable, at 3.38%** in the first half of 2017 vs. 3.35% over the same period in 2016.

In addition, this result was impacted in the amount of €(0.4)m by the foreign exchange income carried by companies included in the consolidation scope during the first half of 2017.

## Sharp increase in Consolidated net income (Group share)

- Decrease in the tax expense
- Improvement in the share of net income of affiliates

**Net income of the consolidated companies** stood at **€4.2m** at June 30, 2017, showing a change of **+48.0%** gross (+72.4% at constant scope) compared to the figure at June 30, 2016 (€2.7m). This increase (+€1.5m) was due to the change in operating income (+€2.3m), and financial income in the amount of €(1.5)m, and the change in the tax burden in the amount of €(0.6)m.

The share of net income of affiliates was primarily composed of the income of the SOGAD, GEREP, and Kanay companies. This balance was insignificant in the first half of 2017 due to the improvement in profitability of Kanay, in connection with the growth in its business (it stood at €(0.2)m over the same period in 2016).

In view of these elements, at June 30, 2017, Séché Environnement took in **€3.7m** in **net income (Group share) - a sharp increase: +52.1%** gross (+79.0% at constant scope), **1.4%** of contributed revenue (vs. 1.1% of contributed revenue over the same period in 2016).

## Well-controlled financial situation

- Good cash flows from recurring operating activities absorbing the increase in CapEx
- Financial structure reflecting the acquisition strategy

**Net cash flow** grew in line with revenue **(+12.9%)** to reach **€35.8m.** It covers **net industrial investments paid out** over the period (**€27.2m** ex IFRIC).

**Recognized industrial investments** stood at **€32.6m** for the first half of 2017. Excluding concession investments, own investments totaled €29.9m (vs. €23.5m one year ago), of which €11.0m for investments related to projects to develop materials and energy recovery and increase the capacities of platform tools.

**Financial investments** primarily involved external growth operations, with €72.4min net cash disbursed for acquisitions.

**Net financial debt** stood at **€342.4m** (vs. €279.0m at December 31, 2016): this trend mainly reflects the effect of external growth operations for the period.

**Gearing** (NFD/equity) came out to **1.5x** (vs. 1.2x at December 31, 2016) and **leverage** (NFD/EBITDA) to **3.5x** (vs. 3.1x at December 31, 2016), for covenants brought to 1.6x and 3.7x for the period from June 30, 2017 to June 30, 2018.

## Outlook for 2017

For 2017, Séché Environnement is anticipating a **plan to carry out industrial investments amounting to around €62m**, of which around €4m for the new scope and sustained development investments (€21m) mainly allocated to expanding its capacities in recovery and treatment and to improving its productivity.

Séché Environnement should see a number of significant recovery and treatment facilities become fully operational, such as its sorting center in Changé (NHW), the new Salaise 4 platform (HW), and, most important, the energy production unit at the Changé site (startup of the LEN contract).

### Good level of activity confirmed, but strong basis for comparison in the second half

**In France**, Séché Environnement will rely on the momentum of its industrial contracts (65% of its contributed revenue) and the recurrence of its contracts with Local Authorities to keep growing:

- The HW division should see robust activity, but its growth in the second half should suffered from a strong basis in the fourth quarter, specifically in storage activities.
- The NHW division should benefit from some recovery facilities (sorting center at Changé, startup of the LEN contract, etc.) becoming fully operational, and from synergies with the SEO branch.

**Internationally** (10% of contributed revenue), the Group will continue to integrate the subsidiaries acquired early in the fiscal year, and is planning on a gradual ramping-up of its activities in Latin America (new processes at SADN in Chile, implementation of synergies between Taris and Kanay in Peru), while Solarca has an order book that should lead to a rebound in activity during the second half of the year.

For these reasons, Séché Environnement confirms its expectations for FY 2017, of **modest growth in contributed revenue** at constant scope, bolstered by the contribution from newly-consolidated activities.

### Current operating income profitability maintained

For 2017, Séché Environnement confirms that its **current operating income at constant scope will be stable** compared to 2016.

COI for subsidiaries consolidated in the first half of 2017 should amount to about €4m.

## Presentation of consolidated results as at June 30, 2017

*The presentation meeting on **Tuesday, September 6** will be live-streamed starting at **exactly 8:30 a.m.** on the Séché Environnement website.*

*To watch it, please click on the following link:*

*http://www.groupe-seche.com/EN/resultats_110.html*

## Next release

**Consolidated revenue at September 30, 2017** **October 24, 2017 after market close**

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## About Séché Environnement

***Séché Environnement** is one of France's leading players in the recovery and treatment of all types of waste, from both industry and local communities.*

***Séché Environnement** is the leading independent operator in France. It is uniquely positioned as a specialist in technical risk, at the center of the regulated waste treatment and recovery markets, which have high barriers to entry.*

*Its facilities and expertise enable it to provide high value-added solutions to its industrial and public authority clients, targeting the challenges of the circular economy and sustainable development requirements, such as:*

- *the material and energy recovery of hazardous and non-hazardous waste;*
- *all types of treatments for solid, liquid or gaseous waste (thermal, physical-chemical or radiation treatment);*
- *the storage of final hazardous and non-hazardous waste;*
- *eco-services such as decontamination, decommissioning, asbestos removal and rehabilitation.*

*Leveraging its extensive expertise, Séché Environnement has successfully developed its environmental services business lines in waste management outsourcing markets for its clientele of large communities and major industrial companies both in France and abroad.*

***Séché Environnement** has been listed on Eurolist by Euronext since November 27, 1997.*

*It is eligible for equity savings funds dedicated to investing in SMEs and is listed in the CAC Mid&Small and Enternext PEA-PME 150 indexes.*

# APPENDIX 1

## DEFINITION OF CONTRIBUTED REVENUE
## CONTRIBUTED REVENUE AT CONSTANT SCOPE

*Audited consolidated IFRS data - €M*

| At June 30 | | 2016 | 2017 |
|---|---|---|---|
| Revenue (reported) | | 230.0 | 266.7 |
| | IFRIC 12 revenue | 1.4 | 2.7 |
| | Compensation | 6.2 | 11.4 |
| Contributed revenue | | 222.4 | 252.6 |
| | Contribution of acquisitions | - | 20.0 |
| *of which:* | *SEO branch* | - | *6.6* |
| | *LatAm branch* | - | *4.6* |
| | *Solarca* | - | *8.8* |
| **Contributed revenue at constant scope** | | **222.4** | **232.6** |

- IFRIC 12 revenue: Investments in disposed assets and booked as revenue in accordance with IFRIC 12

- Compensation: Damages and compensation paid to Sénerval, net of variable cost savings, to cover operating losses sustained by Sénerval during the asbestos removal work and/or costs incurred to ensure service continuity.

# APPENDIX 2

# SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## Income statement

| | June 2016 | | June 2017 | |
|---|---|---|---|---|
| **Revenue (reported)** | **230,040** | | **266,705** | |
| | | | | |
| **Contributed revenue** | **222,418** | *100.0%* | **252,570** | *100.0%* |
| | | | | |
| **EBITDA** | **38,422** | *17.3%* | **42,960** | *17.0%* |
| | | | | |
| **CURRENT OPERATING INCOME (COI)** | **11,433** | *5.1%* | **13,558** | *5.4%* |
| | | | | |
| **OPERATING INCOME** | **10,540** | *4.7%* | **12,764** | *5.1%* |
| | | | | |
| **FINANCIAL GAIN OR LOSS** | **(5,612)** | *-2.5%* | **(7,138)** | *-2.8%* |
| Taxes | (2,124) | -1.0% | (1,477) | -0.6% |
| **INCOME FROM CONSOLIDATED COMPANIES** | **2,804** | *1.3%* | **4,149** | *1.6%* |
| Share of income of affiliates | (192) | -0.1% | 6 | 0.0% |
| Discontinued operations | (160) | | (480) | |
| Minority interests | (15) | 0.0% | 32 | 0.0% |
| ***NET INCOME (Group share)*** | ***2,437*** | *1.1%* | ***3,707*** | *1.5%* |

## Balance sheet

| | December 2016 | June 2017 |
|---|---|---|
| NON-CURRENT ASSETS | 571,807 | 647,495 |
| CURRENT ASSETS (excluding cash and cash equivalents) | 200,589 | 201,623 |
| Cash and cash equivalents.......................................... | 16,732 | 25,843 |
| Assets held for sale | 437 | 291 |
| **TOTAL ASSETS ..................................................................................** | **789,565** | **875,252** |
| SHAREHOLDERS' EQUITY | 239,769 | 237,003 |
| OTHER EQUITY CAPITAL | 162 | 279 |
| FINANCIAL LIABILITIES | 329,783 | 401,769 |
| HEDGING INSTRUMENTS (LIABILITIES) | 659 | 490 |
| PROVISIONS | 23,082 | 25,553 |
| OTHER LIABILITIES | 195,674 | 209,867 |
| Liabilities intended for sale | 437 | 291 |
| **TOTAL LIABILITIES..................................................................** | **789,565** | **875,252** |

## Statement of cash flows

| | December 2016 | June 2017 |
|---|---|---|
| CASH FLOW before tax and financial expenses | 74,498 | 35,794 |
| Change in WCR | -16,092 | 15,361 |
| Income tax paid | -6,955 | 734 |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | **51,451** | **51,889** |
| Investments in tangible and intangible assets | -53,740 | -28,604 |
| Proceeds from disposals of fixed assets | 2,314 | 351 |
| Net financial investments | -818 | -335 |
| Net cash flow on acquisitions and disposals of subsidiaries | -1,516 | -70,007 |
| **NET CASH FROM INVESTMENTS** | **-53,760** | **-98,595** |
| Dividends paid to equity holders of the parent | -7,412 | 28 |
| Proceeds and repayment of borrowings | 3,445 | 64,008 |
| Interest paid | -8,871 | 6,198 |
| Other cash flow | 39 | 196 |
| **NET CASH FROM FINANCING** | **-12,798** | **58,034** |
| **CHANGE IN CASH FLOW FOR CONTINUED ACTIVITIES** | **-15,107** | **11,328** |
| **CHANGE IN CASH FLOW FOR DISCONTINUED ACTIVITIES** | **-2** | **123** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **-15,110** | **11,451** |
| Foreign exchange fluctuation | -158 | -85 |
| **CASH FLOW AT OPENING** | **30,453** | **15,185** |
| **CASH FLOW AT CLOSING** | **15,185** | **25,578** |

## Important notice

*This press release may contain information of a provisional nature. This information represents either trends or targets at the date of the press release's publication and may not be considered as results forecasts or as any other type of performance indicators. This information is by nature subject to risks and uncertainties which are difficult to foresee and are usually beyond the Company's control, which may imply that expected results and developments differ significantly from announced trends and targets. These risks notably include those described in the Company's Registration Document, which is available on its website (www.groupe-seche.com). This information therefore does not reflect the Company's future performance, which may differ considerably, and no guarantee can be given as to the achievement of these forward-looking figures. The Company makes no commitment on the updating of this information. More detailed information on the Company can be obtained on its website (www.groupe-seche.com), in the Regulated Information section. This press release does not constitute an offer of shares or a solicitation in view of an offer of shares in any country, including the United States. Distribution of this press release may be subject to the laws and regulations in force in France or other countries. Persons in possession of this press release must be aware of these restrictions and observe them.*