

Press Release

Changé, September 12, 2016

Consolidated results as of June 30, 2016

Strong activity
Higher net income at constant scope
Financial strength maintained

H1 2016 growth: Consolidated contributed revenue: +4.9% (+3.4% at constant scope)

- 🌱 Solid markets, especially industrial
- 🌱 Brisk activity in waste treatment (regeneration, incineration and storage)

Strong consolidated results at constant scope

- 🌱 Operating performance maintained: COI at 5.8% of contributed revenue (5.7% at June 30, 2015)
- 🌱 Net profitability preserved: Group net income at 1.8% of contributed revenue (1.7% at June 30, 2015)

Effects of the change in consolidation scope: recent acquisitions in the process of integration

- 🌱 Contribution to consolidated revenue: +€3.1m
- 🌱 Contribution to Group net income €(1.4)m

Capital structure maintained

- 🌱 Solid net operating cash flow to finance higher CAPEX
- 🌱 Stable balance sheet ratios

Outlook for 2016

- 🌱 Consolidated contributed revenue at constant scope: moderate growth target confirmed
- 🌱 Current operating profitability (COI/contributed revenue) maintained relative to 2015, at constant scope and adjusted for positive non-recurring items in 2015.

At the Board of Directors meeting on September 7, 2016 which approved the financial statements as of June 30, 2016, Joël Séché declared:

“During H1 2016, Séché Environnement continued the expansion of its recovery and waste treatment businesses while simultaneously confirming its policy of acquisitions on high growth potential and high expertise niche markets.

The Group strengthened its position on the radioactivity risk management markets via the acquisition of HPS Nuclear Services, a specialist in radiation protection.

The resiliency of the markets, industrial in particular, led to solid organic growth in most businesses, strengthened by the contribution of acquisitions made in 2015 and in early 2016.

Séché Environnement posts high quality operating results. EBITDA rises noticeably at constant scope and the Group slightly increases its current operating profitability relative to H1 2015.

Over the coming months, the business performance should be confirmed in line with H1 activity, allowing the objective of moderate annual contributed revenue growth to be achieved. Against this backdrop, at constant scope, current operating profitability is expected to be maintained relative to last year, adjusted for the non-recurring items that contributed to high COI in 2015. Séché Environnement is confident about the outlook for higher profitability of newly consolidated businesses, which should boost the future growth of consolidated revenue. "

Consolidated financial statements as of June 30, 2016: principal trends

At June 30, 2016, Séché Environnement reported **consolidated Group net income of €2.4m** (vs. €3.6m the previous year).

While growth was substantial over the period and current operating profit at constant scope remained steady relative to the first half of 2015, this trend mainly reflects the negative contribution of recent acquisitions to Group profitability.

Consolidated contributed revenue¹ rose **+4.9%** to **€222.4m as of June 30, 2016** (vs. €212.0m the previous year). €3.1m represents the contribution of acquisitions made in the second half of 2015 in the medical waste segment and HPS Nuclear Services, acquired in March 2016. **At constant scope, the increase** in consolidated revenue came to **+3.4%** for the first half of the year.

Earnings before interest, tax, depreciation and amortization (EBITDA) came to €38.4m, up significantly relative to June 30, 2015: **+13.0%** on a reported basis and **+16.2% at constant scope**. This performance reflects the positive effects of growth on an organic basis strengthened by lower external charges attributable to the recognition of certain Category 2 expenses (MM&R²). It also includes the contribution of recently consolidated business activities in the amount of €(1.1)m. Gross operating profit reached 17.3% of contributed revenue on a reported basis and **18.0% of contributed revenue at constant scope** (vs. 16.0% at June 30, 2015).

Current operating income (COI) was down slightly (-6.5%) to €11.4m, due to negative scope effects. At constant scope, COI was up **4.1% to 5.8% of contributed revenue**, i.e. a current rate of return slightly higher than that for the first half of 2015 (5.7%).

Financial income, at €(5.6)m vs. €(6.9)m confirms the improving trend under the influence of a lower borrowing costs (effects of refinancing in 2014 and 2015), and, for the period, the absence of non-recurring charges linked to anticipated financing in 2015.

After tax, **Group net income** stood at €2.4m (vs. €3.6m). **At constant scope**, it came to €3.8m, **up 5.6%** over the first half of 2015, i.e. 1.8% of contributed revenue (vs. 1.7% at June 30, 2015).

The financial position confirms the strength of the company and reflects balance sheet ratios that are holding steady, with **gearing** (net financial debt/equity of **1.15x** and leverage (net financial debt/EBITDA) of **2.95x**.



¹ Reported consolidated revenue excluding IFRIC 12 revenue and damages and compensation awards, net of variable charges, levied to cover the costs incurred to ensure the continuity of the Public Service during asbestos removal work at the Strasbourg-Sénerval incinerator.

² MM&R: Major Maintenance and Repair

Analysis of the consolidated financial statements at June 30, 2016

At June 30 In €m	2015	In %	2016	In %	Gross change	Change at constant scope
Contributed revenue	212.0	100%	222.4	100%	+4.9%	+3.4%
EBITDA	34.0	16.0%	38.4	17.3%	+13.0%	+16.2%
COI	12.2	5.7%	11.4	5.1%	-6.5%	+4.1%
Operating income	12.4	5.9%	10.5	4.7%	-15.8%	-
Financial income	(6.9)	-	(5.6)	-	-	-
Net income cons. ^{ted} companies	4.2	2.0%	2.7	1.2%	-35.7%	+2.6%
Net income (Group)	3.6	1.7%	2.4	1.1%	-33.3%	+5.6%

Robust business growth

-  Contributed revenue: +3.7% at constant scope and exchange rates
-  Good level of activity across all divisions

On June 30, 2016, Séché Environnement reported consolidated revenue of €230m, up 3.1% relative to revenue reported on June 30, 2015 (€223.2m).

Restated revenue under IFRIC 12, representing total investments made on behalf of the local authorities on assets under concessions, i.e., €1.4m at June 30, 2016 (vs. €3.0m the previous year), revenue excluding IFRIC 12 stands at €228.6m (vs. €220.2m on June 30, 2015) reflecting an increase of +3.8% for the period.

It should be noted that revenue also included damages and compensation used, net of savings on variable charges, to cover the costs incurred to ensure the continuity of the Public Service during asbestos removal at the Strasbourg-Sénerval incinerator. At June 30, 2015, the total amount of these indemnities not contributing to margin stood at €6.2m (vs. €8.2m the previous year).

Net of these indemnities and revenue under IFRIC 12, **consolidated contributed revenue** came in at €222.4m (vs. €212.0m as of June 30, 2015), reflecting a **significant rise of +4.9%**.

Contributed revenue for the period includes €2.4m in earnings generated by DASRI activities (medical waste) coming into the scope of consolidation as of October 1, 2015, and €0.7m in earnings generated by HPS Nuclear Services since March 1, 2016.

Over the period, revenue growth registered a negative exchange effect of €0.5m. **At constant scope and exchange rates**, contributed revenue growth **was up 3.7%**.

Consolidated business activity experienced steady growth over the first two quarters of the period but it was mainly driven by the HW division.

In particular:

- the **HW division** enjoyed sustained growth over the period with revenue of €139.6m, up +8.8% on a constant activity basis and **+6.8% at constant scope and exchange rates**. Performance delivered by most Waste Recovery and Treatment businesses was strong. Meanwhile, as expected, the company's Services businesses benefited when the lost ground reported last year in Decontamination activities was made up. **Internationally**, revenue came to €11.2m, down -5.9% at constant exchange rates and down -10.3% at current exchange rates. This difference reflects the refocusing of the Spanish subsidiary, Valls Quimica (Regeneration), on activities with higher value added, as well as the non-linear nature of PCB business activities in Latin America (spot contracts).
- The contributed revenue reported by the **NHW division** was down slightly (-1.1% to €82.3m), mainly due to a sharp drop-off in Decontamination activities in the second quarter of 2015, while Waste Treatment activities confirmed their relative strength.

Consolidated data in €m

At June 30	2015	2016	Gross change	Organic change
Hazardous Waste (HW) Division	128.3	139.6	+8.8%	+6.8%
Non-Hazardous Waste (NHW) Division	83.7	82.8	-1.1%	-1.1%
Contributed revenue	212.0	222.4	+4.9%	+3.7%
Compensation for diverted waste	8.2	6.2	-	-
IFRIC 12 revenue	3.0	1.4	-	-
Consolidated revenue (reported)	223.2	230.0	+3.1%	+1.9%

At June 30, 2015, revenue at constant exchange rates was €211.5m reflecting a foreign exchange effect of (€0.5m) for the period.

Strong operating results

- 🌱 EBITDA came in at 18% of contributed revenue at constant scope (vs. 16.0% at June 30, 2015)
- 🌱 COI came in at 5.8% of contributed revenue at constant scope (vs. 5.7% at June 30, 2015)

EBITDA rose sharply to €38.4m i.e. 17.3% of contributed revenue (vs. €34.0m i.e. 16.0% of contributed revenue the previous year. This increase reflects:

- a €2.6m increase in the contribution from growth on an organic basis and positive mix effects;
- a €2.9m decrease in external charges linked to the recognition of certain Category 2 expenses ("MM&R") as investments that had been booked as expenses in the first half of 2015;
- the negative €(1.1)m contribution of recently acquired businesses (Séché Healthcare, HPS).

At constant scope, EBITDA was up **+16.2%** and gross operating margin increased to **18.0% of contributed revenue** as of June 30, 2016, compared to 16.0% the previous year.

COI stands at €11.4m (5.1% of contributed revenue) (vs. €12.2m (5.7% of contributed revenue as of June 30, 2015)). This change notably reflects an increase in depreciation and amortization expense (+€4.6m of which +€2.5m as depreciation of MM&R and +€0.4m related to the new sorting center at Changé) as well as the €(1.3)m negative contribution of businesses recently coming into the scope of consolidation.

At constant scope, COI was up **+4.1%** and current operating margin slightly increased relative to the first half of 2015, to **5.8% of contributed revenue**.

Operating income reflected the drop in COI and some one-off negative charges, such as those linked to the perimeter integration of newly purchased companies. It stood at €10.5m at June 30, 2016 vs. €12.4m the previous year.

Improvement in financial income

- 🌱 Cost of net financial debt down
- 🌱 Absence of early refinancing expenses

Financial income came out to **€(5.6)m** compared to €(6.9)m at June 30, 2016. It increased thanks to the **lower cost of net debt**, which was 3.35% for the first half of 2016 compared to 4.40% for the same period last year, thanks to bond debt refinancing in May 2014 and senior bank debt refinancing in May 2015. Financial performance also reflects the absence of the charge linked to early refinancing in May 2015 (€1.2m).

Change in net income (Group share)

- 🌱 Increase in Corporate Tax: +50% to €2.1m vs. €1.4m
- 🌱 Improvement in the share of net income from associates

After Tax, income from consolidated companies stood at €2.8m (vs. €4.2m the previous year). The share in the profit or loss of associates included the contributions of SOGAD, GEREP, Laval Energie Nouvelle (LEN) and Kanay. This result reflects an improvement of €0.2m relative to June 30, 2015, ending the period at €(0.2)m at June 30, 2016.

Consolidated net income (Group share) stood at **€2.4m** (1.1% of contributed revenue). **At constant scope**, consolidated net income for the period (Group share) was **€3.8m i.e. 1.8% of contributed revenue** (vs. €3.6m, i.e. 1.7% of contributed revenue as of June 30, 2015).

Financial strength maintained

- 🌱 Increase in CAPEX absorbed by Operating cash flows
- 🌱 Balance sheet ratios maintained

Booked industrial investment totaled for €24.9m, including €1.5m in investments under IFRIC 12, compared to €19.7m and €3.0m, respectively, for the first half of 2015.

This increase notably reflects the recognition of certain Category 2 expenses as CAPEX in the amount of €2.9m for HW incinerators (MM&R) booked as expenses in the first half of 2015 and the increase in development investment (capacity, productivity). Excluding investments under IFRIC 12, **booked industrial investment totaled 10.5% of contributed revenue** (vs. 7.9% the previous year).

Cash Flow rose sharply, in line with operating performance, to €31.7m (vs. €28.2m for the first half of 2015) and represents 129% of paid Capex (€24.5m, including €2.5m in short-term investments) compared to 108% the previous year.

Net bank debt³ stood at €273.0m as of June 30, 2016 (vs. €258.8m on December 31, 2015). The change in net bank debt mainly reflects the non-recurring change in WCR over the period in connection with contracts with local authorities. **Balance sheet ratios are maintained**, with **gearing** (Net Financial Debt/Equity) of **1.15x** (vs. 1.05x at June 30, 2015) and **leverage** (Net Financial Debt/EBITDA) of **2.95x** (vs. 3.03x a year earlier).

³ Net bank debt calculated based on the terms of the senior credit agreement

Outlook

Séché Environnement is positioned on the high value added waste recovery and treatment markets, within which, in France, it is recognized as a specialist in the treatment of highly complex waste. These markets are being driven by the opportunities created by regulations, which have imposed binding obligations on waste producers, whether manufacturers or local authorities, in the area of waste recovery and treatment.

Séché Environnement is benefiting from both **resilient markets** and **development opportunities** as it pursues a growth **strategy** based on four priority areas: the specialized **Treatment** of highly complex waste, the **Recovery** of scarce resources (businesses of the circular economy), the provision of **Services** to manufacturers and local authorities, and **International development**.

The implementation of this strategy relies on **targeted industrial investments** supplemented, where appropriate, by external growths to continually expand its offering in anticipation of regulatory changes and the needs of its customers.

Séché Environnement confirms **its investment plan of about €50m for 2016**, which will primarily focus on the development of its capacities in the recovery business and on improving its productivity (optimization of industrial processes and information systems).

For the 2016 reporting period, the group reaffirms its **target of modestly increasing its contributed revenue at constant scope**. The level of activity in the second half of 2016 is expected to remain close to that of the first half of the year but this will compare unfavorably with the strong baseline of the second half of 2015.

For 2016, Séché Environnement confirms that its **recurring operating profit (COI/contributed revenue) relative to 2015 will be maintained** at constant scope and adjusted for the one-time items that had propelled COI to high levels in 2015. In 2015, COI was boosted higher by one-off factors linked to the booking of MM&R (+€3.1m) and the absence of depreciation of the Changé sorting center (+€1.0m). Furthermore, the scope effect is expected to result in a negative contribution of €(2.0)m to 2016 COI.

Séché Environnement is fully confident in its ability to improve the contribution of newly integrated businesses to consolidated income in the future:

- in the company's medical waste businesses, launched sales campaigns have resulted in several major contracts, which should break even in operating terms in 2017.
- In the nuclear services segment, Séché Environnement is positioned on a future market with high value added growth potential but influenced by trends in a nuclear maintenance market that is currently less robust. Séché Energies is committed to redeploying its revenue to restore operational balance in the long run.

Upcoming press release

Consolidated revenue at September 30, 2016

October 24, 2016 (after market close)

Contacts

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About Séché Environnement

Séché Environnement is one of the leading players in the recovery and treatment of all types of waste in France, from both industry and from 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:

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

Based on 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 Euronext PEAPME 150 indexes.

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