

# Press release

Paris, December 14, 2015

## INVESTOR DAY: PRESENTATION OF 2016-2018 GROWTH PLAN OBJECTIVES<sup>1</sup>

### TWO MAIN OBJECTIVES FOR 2018:

- NEAR-DOUBLING OF NET FREE CASH FLOW TO AROUND €1 BILLION
- CURRENT NET INCOME – GROUP SHARE OF MORE THAN €800 MILLION

### 2016-2018 OUTLOOK:

- THE GROUP EXPECTS A PROGRESSIVE INCREASE IN REVENUE GROWTH TO ACHIEVE AVERAGE ANNUAL REVENUE GROWTH BETWEEN 2% AND 3%, BASED ON THE CURRENT ECONOMIC ENVIRONMENT
- AVERAGE ANNUAL EBITDA GROWTH OF AROUND 5% PER YEAR
- MORE THAN €600 MILLION IN COST SAVINGS OVER THE 2016-2018 PERIOD

### DIVIDEND POLICY<sup>2</sup> ENVISIONED BY THE BOARD OF DIRECTORS:

- A RETURN TO DIVIDEND GROWTH BEGINNING WITH THE 2015 FISCAL YEAR : €0.73 PER SHARE, PAID IN CASH, COMPARED TO €0.70 PER SHARE PAID FOR THE 2014 FISCAL YEAR
- 2016-2018: AROUND 10% DIVIDEND GROWTH PER YEAR

**Antoine Frérot, Veolia's Chairman and CEO indicated:** *“Our 2011-2015 transformation plan was a complete success. It has allowed Veolia to refocus on the most promising markets, to establish a more integrated and efficient organization and to restore margins. We now begin a new plan for the 2016-2018 period which is based on a return to growth, with in particular an improved balance between municipal and industrial client activities, including stronger growth outside of Europe, all while further improving operational efficiency. Our 2018 objectives are ambitious: Revenue should grow by more than €2 billion during the period, current net income should exceed €800 million and net free cash flow should nearly double to €1 billion. Confidence in our plan allows the Group to return to a dividend growth policy beginning this year, with the 2015 fiscal year dividend expected to be €0.73 per share, and annual dividend growth around 10% per year expected for the next three years.”*

<sup>1</sup> Based on non-audited Veolia estimates

<sup>2</sup> Subject to approval at Annual General Shareholders Meetings

- Veolia is holding an investor day today, where management will present the details of the company's new strategic plan for the 2016-2018 period. The plan is based on two main drivers: revenue growth via an improved balance between municipal and industrial client activities, including stronger growth outside of Europe, and continued improvement in operational efficiency.

- Progressive increase in revenue growth, to achieve 2% to 3% average annual revenue growth between now and 2018.

The Group expects a progressive increase in revenue growth, supported by the acceleration of Free Cash Flow generation, which will be mainly allocated to development.

- In the Municipal market, Veolia will continue to address municipalities' needs, both in developed and emerging countries. The Group expects average annual revenue growth of around 2% in this market.
- Within the industrial market, Veolia expects average annual revenue growth of around 5%, with growth efforts concentrated on six priority segments (oil, gas and chemical sectors, mining, metals and power sectors, the food, beverage and pharmaceutical sectors, as well as the hazardous waste, dismantling and circular economy markets).
- Cumulative cost savings of more than €600 million over the 2016-2018 period
  - The current effort in terms of cost savings is expected to be maintained, with a cumulative cost savings objective of more €600 million, including €200 million for 2016.
  - Cost savings are expected to be derived in the following manner: 45% from operational performance, 35% from purchasing optimization and 20% from reduction of SG&A costs.
- 2018 EBITDA is expected to be around €3.5 billion versus approximately €3 billion estimated for 2015
- EBITDA growth, further reductions in financing costs and stabilization of the tax rate below 30% should allow Veolia to achieve current net income – group share greater than €800 million in 2018, compared with more than €550 million estimated for 2015.
- As a result of EBITDA growth and higher capex of between €1.6 billion and €1.7 billion per year, net Free Cash Flow in 2018 should almost double to around €1 billion.
- Envisioned dividend policy for the 2015-2018 period
  - Given expected Free Cash Flow generation and double digit growth in current net income per share, the Board of Directors expects to propose a return to dividend growth:
    - Beginning in 2016, in association with the 2015 fiscal year: a dividend increase to €0.73 per share compared with €0.70 per share paid for the 2014 fiscal year.
    - Beginning with the 2016 fiscal year, around 10% annual dividend growth.

## 2018 Outlook

	2015 estimates	2018 perspectives
Revenue	~ €25 billion	> €27 billion
EBITDA	~ €3 billion	~ €3.5 billion
Current net income – Group share	> €550 million	> €800 million
Net Free Cash Flow*	> €500 million	~ €1 billion

\* Before dividends, assuming capex of €1.6 billion - €1.7 billion per year and at constant net financial debt

A slide presentation will be available via the site <http://www.finance.veolia.com> beginning at 1:15 pm CET and the investor day presentation can be followed via webcast by clicking on either of the following links:

- English version: <http://edge.media-server.com/m/go/VeoliaID2015/lan/en>
- French version: <http://edge.media-server.com/m/go/VeoliaID2015>

*Definitions of the key financial indicators mentioned can be found at the end of this press release.*

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**Veolia** group is the global leader in optimized resource management. With over 179,000 employees\* worldwide, the Group designs and provides water, waste and energy management solutions that contribute to the sustainable development of communities and industries. Through its three complementary business activities, Veolia helps to develop access to resources, preserve available resources, and to replenish them. In 2014, the group Veolia supplied 96 million people with drinking water and 60 million people with wastewater service, produced 52 million megawatt hours of energy and converted 31 million metric tons of waste into new materials and energy. Veolia Environnement (listed on Paris Euronext: VIE) recorded consolidated revenue of €24.4 billion\* in 2014. [www.veolia.com](http://www.veolia.com)

*(\*) 2014 pro-forma figures including Dalkia International (100%) and excluding Dalkia France*

### **Important Disclaimer**

Veolia Environnement is a corporation listed on the Euronext Paris. This investor day presentation and any related documents ("Documents") contain "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and French securities regulations to which Veolia Environnement is subject.

The purpose of these Documents is to describe the strategy that Veolia intends to pursue in the coming years, and some of the financial objectives and targets that result from this strategy. As a result, the information in these Documents includes "forward-looking statements," and readers are cautioned to keep this in mind as they review these Documents.

Readers should also be aware that certain figures in these Documents are non-audited estimates for 2015 results (\*) or objectives for future years. Moreover, these Documents contain "non-GAAP financial measures" which might be defined differently from similar financial measures made public by other groups. They should not replace GAAP financial measures prepared pursuant to IFRS standards.

The estimates and objectives in these Documents are based on current assumptions regarding the 2015 results and future market conditions, as well as targets set by management. While Veolia believes that these assumptions and objectives are reasonable, we cannot guarantee their accuracy and the future performance of the group which may not achieve the results indicated. In particular, we might not realize the objectives in these Documents for reasons such as the following:

- We might not be able to realize the market developments that we are hoping to make and if we do, the results may be lower than we currently expect.
- We might not be able to achieve the cost and/or operational efficiency targets described in this document. This would be the case, for example, if the synergies from our organizational structure turn out to be lower than we expect, or if we are not able to implement some or all of the planned actions.
- Market and economic conditions may vary, in some cases significantly, compared to the assumed conditions that we used for purposes of determining our objectives and targets.

In addition to these risks, we urge investors to take note of the other risks described in the documents we have previously filed with the Autorité des Marchés Financiers (French securities regulator "AMF"), particularly those discussed in the Risk Factors section of our Registration document filed with the AMF on March 21, 2015 and updated on September 22, 2015 ([www.veolia.com](http://www.veolia.com)).

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Veolia's outlook and strategy may change at any time in response to the risks mentioned above or other risks that are currently unknown to us. Other than as required by the law, we are not obligated to and do not undertake to provide updates to or revisions of any forward-looking statements made in these Documents or in any Veolia Environnement public filing, whether as a result of new information, future events, or otherwise.

(\*) the 2015 definitive results will be submitted for approval to the Veolia board of directors on February 24, 2016 and publicly released on February 25, 2016.

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## **DEFINITIONS**

- Net financial debt (NFD) represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt.
- Net free cash flow corresponds to free cash flow from continuing operations, i.e. the sum of EBITDA, dividends received, operating cash flow from financing activities, and changes in operating working capital, less net industrial investments, current cash financial expense, cash taxes paid, restructuring charges and renewal expenses.
- EBITDA comprises the sum of all operating income and expenses received and paid (excluding restructuring costs, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.
- Current EBIT is calculated by deducting the following items from operating income:
  - Goodwill impairments of fully controlled subsidiaries and equity-accounted entities,
  - Restructuring charges,
  - Capital gains on financial divestments, which will now be considered as an item within net finance costs,
  - One-time and/or significant impairment of non-current assets (PP&E, intangible assets and operating financial assets),
  - Impacts relating to the application of IFRS 2 *Share-based payment*,
  - Share acquisition and disposal costs.
- Current Net Income comprises the sum of the following items:
  - Current EBIT,
  - Current net finance cost items,
  - Other current financial income and expenses, including capital gains or losses on financial divestitures (of which gains or losses included in the share of net income of equity-accounted entities),
  - Current tax items, and
  - Minority interests (excluding the portion of minority interests relative to non-current items in the income statement).