Séché environnement

Séché global solutions

Press release

Changé, March 3, 2014

Consolidated results for 2013

Solid organic growth: revenue up 5.7% on an organic basis
- Strong recurring revenue
- Contribution of business developments carried out in 2012

EBITDA stable at €78.6m (17.7% of revenue excluding IFRIC 12)
- Weaker mix effects
- Influence of one-off factors: low availability of Strasbourg-Sénerval; rainfall, etc.

Net income of consolidated companies: €13.1m, up 45.6% relative to 2012 (adjusted for Hime)
- Consolidated net income (Group share): €8.7m after taking into account the losses (€-3.8m) of discontinued activities (Hungaropec – application of IFRS 5)
- Dividend maintained at €0.95 per share[1]

Solid financial position
- Improvement in operating cash flow and net debt under control
- Debt ratios unchanged from 2012

Outlook
- EBITDA growth: contribution of Strasbourg-Sénerval; optimization of facilities …
- Continued concession investments (€20m) for consolidated Capex of €60m
- Stable debt ratios

Commenting on these results[2], Joël Séché said: *"2013 was an atypical year because of the number of non-recurring items that affected our results.*
We suffered from the prolonged unavailability of the Strasbourg-Sénerval facilities, while exceptional rainfall during the year increased the cost of leachate treatments. Both these factors weighed on EBITDA growth. In addition, the renegotiation of the public service delegation contract for the Pau incinerator at the municipal authority's request, coupled with the requested application of the Olivet decree, had an unexpected impact on current operating income. Lastly, our decision to terminate our activities in Hungary because of persistent difficulties in this country had a direct impact on net income.
Despite these adverse one-off factors, Séché Environnement's fundamentals remain solid and continue to improve. Growth was vigorous during the year despite the macroeconomic environment and, as we had foreseen, operating profitability began to improve in the second half of the year. The Group's financial position remains very healthy, with unchanged balance-sheet ratios despite heavy investment in our principal public service delegation contracts.
In 2014, in a macroeconomic environment not conducive to generating strong growth, the Group's priority is to continue the gradual improvement in its operating profitability".

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[1] *Proposal by the Board of Directors conditional on its approval by the AGM on April 25, 2014.*
[2] *At the Board of Directors' meeting of February 28 2014 during which the accounts at December 31, 2013 were closed.*

Comments on consolidated results at December 31, 2013[3]

Audited consolidated data in €m

At December 31	2012 adjusted*	2013	Gross change	Organic change**	% revenue excl. IFRIC12
Consolidated revenue (reported)	439.0	469.1	+6.9 %	+7.3 %	
Revenue excluding IFRIC 12-	**423.0**	**444.0**	**+5.0 %**	**+5.7 %**	**100.0%**
EBITDA	78.8	78.6	-0.3 %	-	17.7%
Current operating income	**37.3**	**32.7**	**-12.3 %**	**-**	**7.4%**
Net income of consolidated companies	(73.1)	13.1	ns	-	3.0%
Group net income	(82.4)	8.7	ns	-	2.0%
Cash flow	66.7	66.0	-1.0%	-	14.8%
Net debt	223.6	225.4	+0.8%	-	-

* Pursuant to IFRS 5 on discontinued operations
** At constant scope and exchange rates[4]

As at December 31, 2013, Séché Environnement generated consolidated net income (Group share) of €8.7m, compared with a net loss of €(82.4)m a year earlier. In 2012, this result included a negative impact from Hime of €82.3m (net of tax).

The Group's activity was solid in 2013, with revenue excluding IFRIC 12 up by 5.0% (+5.7% on an organic basis). In a sluggish macroeconomic environment, the Group generated strong recurring activity, boosted by the contribution of business developments carried out at the end of 2012.

This business growth made it possible to stabilize EBITDA at around its 2012 level of €78.6m, even though operating income was hit by the weak availability of the Strasbourg incinerator (€-2.5m) and by significant additional treatment costs linked to exceptional rainfall during the year (€-2.7m).

The modification of the terms of the public service delegation contract for the Pau incinerator led to the recording of an exceptional provision of €-2.8m. This weighed on Current Operating Income (COI), which fell by 12.3% compared with 2012.

The Net Income of Consolidated Companies, representative of the performance of companies under operating control, jumped by 45.6% compared with 2012 to €13.1m (vs. €9.0m in 2012 excluding the impact of Hime).

Séché Environnement generated solid operating cash flow even though Capex was high in 2013 (€56.6m) because of the scale of concession investments (€25.4m).

The Group consequently has a healthy financial position, and its balance-sheet ratios were stable at December 31, 2013 compared with a year earlier.

[3] *Comparative data for 2012 are restated for the application of accounting rule IFRS 5 on discontinued operations*
[4] *Scope changes:*
- *Unwinding of the investment ins Saur, with no accounting impact in 2013;*
- *Full consolidation of Tree and Triadis Béziers in the full year and consolidation by the equity method of Gerep and Sogad (application of IFRS 10, 11 and 12).*

Detailed analysis of 2013 financial statements

Stable EBITDA

- Weakening of mix effects
- Influence of one-off factors

EBITDA was stable year-on-year **at €78.6m** vs. €78.8m at December 31, 2012.

This stability resulted from:

- the contribution of scope and foreign-exchange effects (+€0.6m);

- the €1.1m decrease in the contribution of the internal business scope, mainly because of the non-extension of spot contracts in PCB markets;

- the €0.3m increase in the contribution of the French business scope thanks to the weakening of adverse mix effects (€-3.5m in 2013 vs. €-9.4m in 2012), and despite the impact of non-recurring exogenous factors (€-1.0m).

  Among these non-recurring items, it is worth recalling that 2013 EBITDA was dented by the delayed availability of the Strasbourg incinerator (€-2.5m) and exceptionally heavy rainfall in western France throughout the year, which drove up the cost of leachate treatment (€-2.7m).

Current Operating Income: exceptional impact from the renegotiation of the public service delegation contract in Pau

COI amounted to €32.7m, or 7.4% of revenue excluding IFRIC 12, down from €37.3m a year earlier.

This €4.6m decrease resulted from:

- the exceptional impact of the modification, at the municipal authority's request, of the terms of the public service delegation contract for the Pau incinerator and the application of the Olivet decree (€-2.8m);
- the expected change in renewal expenses linked to the entry into the business scope during the full year of the Nantes-Alcéa incinerator (€-1.8m).

Financial income in line with expectations

Financial income stood at €(11.9)m compared with €(156.0)m at December 31, 2012. In 2012, financial income bore the weight of a net charge of €145.5m relating to Hime. Excluding this exceptional item, financial income would have come to €(10.6)m in 2012.

This change, in line with expectations, reflects the increase in average net debt over the year, which was not fully offset by the small drop in the cost of debt from 5.17% in 2012 to 5.10% in 2013.

Consolidated net income
- Reduction in corporate tax recognized (excluding the effect of Hime in 2012)
- Sharp improvement in the net Income of consolidated companies
- Recognition of losses on Hungaropec (€-3.8)m.

The corporate tax charge (excluding the effect of Hime) was lowered by €2.6m to €6.7m owing to the change in operating results.

The net Income of consolidated companies, which measures the performance of companies under operating control, **came to €13.1m, a sharp improvement (+45.6%)** relative to 2012 (+€9.0m adjusted for the impact of Hime).

Faced with the suspension of the activity of its Hungaropec facility and persistent difficulties with the Hungarian administration, Séché Environnement decided to discontinue its Hungarian operations.

The income from these discontinued operations is recorded on a separate line (IFRS 5) and totaled €(3.8)m, of which:
- an operating loss of €(1.4)m
- a €(2.4)m writedown of the net asset value

For this reason, **consolidated net income (Group share) came to €8.7m** compared with €(82.4)m in 2012.

Solid financial structure
- **Net debt under control despite strong concession investments**
- **Financial ratios maintained at a corporate level**

Concession investments ("IFRIC 12 investments") peaked in 2012 owing to public service delegation contracts at Strasbourg-Sénerval and Nantes-Alcéa.

The Group invested €56.6m (including €25.4m of concession investments) compared with €49.7m (including €17.2m of concession investments) in 2012.

As such, the Group's Capex remained under tight control at 7.0% of revenue excluding IFRIC 12 in 2013 compared with 7.7% of revenue excluding IFRIS 12 in 2012.

Cash flow was stable, in line with EBITDA, at €66.0m (vs. €66.7m in 2012).

Operating cash flow grew sharply to €21.4m (vs. €11.3m in 2012) thanks to tight control of the WCR and, above all, the tax gain (€11.1m) recorded in the full year on the reimbursement of advanced payments of 2012 corporate tax in 2012.

As a result, **net debt was under control at €225.4m** compared with €223.6m at December 31, 2012.

The Group has maintained ratios at a corporate level with gearing (net debt/shareholders' equity) stable at 0.71x shareholders' equity (versus 0.71x at December 31, 2012) and leverage (net debt/EBITDA) stable at 2.85x EBITDA (versus 2.78x at December 31, 2012).

Outlook

A specialist in the recovery and treatment of waste, especially hazardous industrial waste, Séché Environnement is a central player in high value-added markets with high entry barriers.

Amid a sluggish economic environment in 2014, and in a context of weak industrial production, especially in France, where the Group generates more than 95% of its revenue, Séché Environnement will capitalize on the solidity of its recurring activity with industrial and municipal customers and focus on improving the profitability of its facilities.

The reduction in mix effects (notably thanks to the stabilization of the contribution of PCB markets), the ramp-up of newly consolidated facilities and, above all, the full contribution of Strasbourg-Sénerval and its new heat network should enable the Group to continue the gradual improvement in its profitability that began in the second half of 2013.

In 2014, the Group foresees Capex of around €60m, including €20m of concession investments.

The gradual improvement in operating profitability, coupled with the return to a normalized Capex level, should allow the group to start cutting debt again in 2015 with the aim of achieving financial leverage of around 2.5x EBITDA in 2016.

APPENDICES

CONDENSED ANNUAL FINANCIAL STATEMENTS

Income statement

	December 2011 adjusted	December 2012 adjusted	December 2013	
Reported revenue	**420,564**	**439,671**	**469,082**	*6.7%*
Revenue excluding IFRIC12	**419,221**	**422,766**	**443,967**	*5.0%*
EBITDA	**96,499**	**78,808**	**78,610**	*17.7%*
CURRENT OPERATING INCOME (COI)	**56,888**	**37,278**	**32,658**	*7.4%*
OPERATING INCOME (OI)	**54,706**	**28,902**	**31,803**	*7.2%*
FINANCIAL INCOME	**8,519**	**(156,124)**	**(11,933)**	*-2.7%*
Tax	(19,465)	54,029	(6,747)	-1.5%
INCOME FROM CONSOLIDATED COMPANIES	**43,760**	**(73,193)**	**13,124**	*3.0%*
Share of income from associates	(28,326)	(9,606)	(556)	-0.1%
Net income of continued operations	**15,434**	**(82,799)**	**12,568**	*2.8%*
Net income of discontinued operations	250	26	(3,855)	-0.9%
NET INCOME FROM CONSOLIDATED COMPANIES	**15,684**	**(82,773)**	**8,713**	*2.0%*
Minority interests	172	396	(28)	0.0%
NET INCOME (Group share)	***15,856***	***(82,377)***	***8,685***	2.0%

Balance sheet

	December 2011 adjusted	December 2012 adjusted	December 2013
NON-CURRENT ASSETS	567,238	486,683	503,707
CURRENT ASSETS (excluding cash and cash equivalents)	144,760	171,721	172,067
CASH and cash equivalents	24,145	22,597	28,032
Assets held for sale	5,123	4,111	714
TOTAL ASSETS	**741,266**	**685,111**	**704,520**
SHAREHOLDERS' EQUITY	356,093	256,532	257,046
FINANCIAL DEBTS	216,639	246,154	253,418
HEDGING INSTRUMENTS (LIABILITIES)	3,795	4,051	1,928
PROVISIONS	19,339	14,642	16,695
OTHER LIABILITIES	144,420	163,246	174,720
Liabilities held for sale	980	486	714
TOTAL LIABILITIES	**741,266**	**685,111**	**704,520**

Statement of cash flows

	December 2011 adjusted	December 2012 adjusted	December 2013
CASH FLOW before taxes and financial expenses	86,560	66,743	66,023
Change in WCR	10,605	(3,866)	(912)
Income tax paid	(23,560)	(10,569)	11,093
NET CASH FLOW RELATING TO OPERATING ACTIVITIES	**73,605**	**52,307**	**76,204**
Tangible and intangible investments	(50,911)	(43,586)	(56,978)
Receipt/sale of fixed assets	1,607	2,648	2,083
Net financial investments	(91)	(675)	(1,099)
Cash net of acquisitions & sales of subsidiaries	(224)	(16,319)	(119)
NET CASH FLOW RELATED TO INVESTMENT ACTIVITIES	**(49,619)**	**(57,933)**	**(56,113)**
Dividends paid to parent company shareholders	(11,145)	(11,140)	(8,148)
Loans collected and redeemed	(24,423)	30,421	5,295
Interest paid	(6,854)	(14,986)	(11,359)
Other cash flows	(333)	26	(60)
NET CASH FLOW RELATED TO FINANCING ACTIVITIES	**(42,756)**	**4,322**	**(14,271)**
CHANGE IN CASH POSITION of continued activities	**(18,770)**	**(1,303)**	**5,820**
CHANGE IN CASH POSITION of discontinued activities	**44**	**(129)**	**(241)**
CHANGE IN CASH POSITION	**(18,726)**	**(1,433)**	**5,579**
Effect of exchange rate differences	(118)	(57)	(362)
OPENING CASH POSITION	**42,849**	**24,005**	**22,516**
CLOSING CASH POSITION	**24,005**	**22,516**	**27,733**

Next communication

Publication of revenue in the quarter ending March 31, 2014 April 29, 2014 after market close

Contacts

Séché Environnement

Manuel Andersen
Head of Investor Relations
+33 (0)1 53 21 53 60
m.andersen@groupe-seche.com

About Séché Environnement

Séché Environnement *is one of the leading players in the treatment and storage of all types of non-radioactive industrial and household waste in France, whether from industry or from local communities. Its facilities enable it to offer high-quality comprehensive solutions that incorporate all environmental requirements.*

Séché Environnement *is the leading independent operator in the country with a unique positioning at the hub of the high value-added waste recovery, treatment and storage markets.*

The Group offers integrated specialized services:

- *recovery or energy recovery of hazardous and non-hazardous waste;*
- *treatment (incineration, physical-chemical, etc.);*
- *storage of ultimate hazardous and non-hazardous waste*

It is actively developing its business on waste management outsourcing markets for its clientele of large communities and major industrial companies.

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

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