

Veolia Environnement S.A.

Full Analysis

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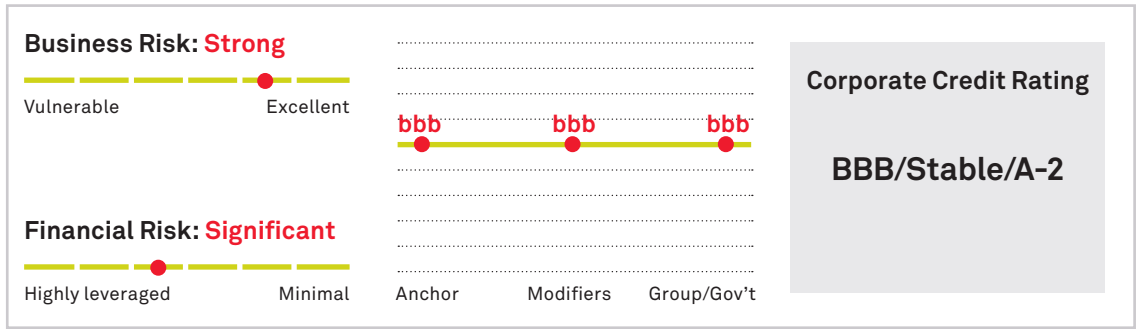
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Rationale

Business Risk

- Leading positions worldwide in water and waste management.
- Wide diversity in business, customers, contracts, and geography.
- Significant improvement in profitability, thanks to ongoing restructuring efforts.
- Large exposure to water concessions, which provide good cash flow visibility, despite material reduction of profitability in recent years given competitive renewal processes.
- Increasing contribution from growing and higher margin environmental services to industrial customers and related sensitivity to economic cycles.

Financial Risk

- Improved free operating cash flow generation in 2015-2016, with development of more asset-light models as well as stronger profitability.
- Track record of significant debt reduction over the past years.
- Financial policy of debt stabilization and neutral discretionary cash flows.
- Active debt management and sound liquidity.

Outlook: Stable

S&P Global Ratings' stable outlook on France-based Veolia Environnement S.A. reflects its anticipation that the group will continue improving credit metrics in the coming years, while self-financing its capital expenditures (capex) and dividends. It incorporates our projection that Veolia will post credit metrics commensurate with its 'BBB' rating on a sustainable basis, including an adjusted funds from operations (FFO)-to-debt ratio at or above 20% on average over 2017-2019 (20.1% at year-end 2016).

In light of the group's improved profitability and free cash flow, some rating headroom exists, including for bolt-on acquisitions.

Upside scenario

We do not exclude raising the ratings in the coming years, if Veolia continues to generate strong free operating cash flow before dividends, if the adjusted FFO-to-debt ratio sustainably rises to or above 25% and/or if we revise up our view of its business strength on the back of improved profitability and resilience. Ultimately any upgrade potential would also hinge on management's financial policy, especially as we believe that the group may use its financial headroom to further accelerate growth rather than materially strengthening its balance sheet from current levels.

Downside scenario

We currently see rating downside as remote given the positive profit track-record and management's financial discipline, including its debt-stabilization objective.

A negative rating action could, however, result from a larger debt-financed acquisition, without FFO-to-debt metrics reverting to 20%; or in case of unexpected and far-reaching adverse changes in Veolia's markets (notably in waste and industrials) or expansion into more volatile markets beyond currently announced plans.

Our Base-Case Scenario

Recent developments: Results for full-year 2016 and first-quarter 2017

Veolia's reported EBITDA increased by 2% to €3.1 billion (as adjusted for the International Financial Reporting Interpretations Committee [IFRIC] 12) in 2016 from the level in 2015 (or 4.3% at constant exchange rates). This reflects the group's good performance and significant cost-cutting, which mitigated the negative effects of cost inflation and renegotiations of French water concessions.

In 2016 Veolia invested about €1.5 billion of capex and a sizable €0.9 billion of bolt-on acquisitions (including U.S.-based nuclear service provider Kurion and chemical treatment company Chemours). Positively, however, it also executed on its exit plan for Transdev, through a partial disposal to Caisse des Dépôts (CDC), with proceeds of €220 million and the repayment of a €345 million loan from Transdev to Veolia.

Notwithstanding a payout of about €0.5 billion of dividends, Veolia managed to stabilize its adjusted debt at about €12 billion, and to maintain adjusted FFO to debt reached 20.1% at year-end 2016 (20.6% in 2015). The difference with management's reported net debt of about €8 billion mainly consists of our adjustments for operating leases (€1.3 billion), pensions (€0.6 billion), and asset retirement obligations (€0.4 billion). We also consider the outstanding €1.5 billion hybrid instrument as debt (see table 3).

For the first quarter of 2017, EBITDA increased only by 1% year-on-year (notwithstanding benefits from change of scope), but the €3.3 billion-€3.5 billion guidance (before IFRIC 12 adjustment) was maintained for 2019.

Assumptions

- Organic revenue growth averaging 1%-2% over 2017-2019, driven by international activities and increasing industrial customers.
- EBITDA margin improving by 100-150 basis points over the same period, thanks to cost-cutting of €250 million in 2017 and €300 million in 2018 (after €245 million in 2016).
- Investments of about €2 billion per year, including some €600 million in bolt-on acquisitions.
- Ordinary dividends increasing by 10% in 2017, then by about 5% annually.
- Minimal equity content from 2016 for the hybrid bonds, compared with intermediate previously, given the lack of clarity about management's intention to replace the instrument or not at first call date in 2018.

Key Metrics

We forecast that over 2017-2019, Veolia will generate neutral or positive discretionary cash flow, and its adjusted debt level will remain fairly stable at approximately €12 billion, excluding foreign currency effects. In addition, we project that its adjusted FFO-to-debt ratio will exceed 20% over 2017-2019.

	2015A	2016A	2017E	2018E
EBITDA margin (%)	12.7	13.1	13-13.5	13.5-14
EBITDA, company definition (bil. €)	3.0	3.1	3.0-3.2	3.2-3.4
EBITDA* (bil. €)	3.3	3.3	3.3-3.5	3.4-3.6
FFO/debt* (%)	20.6	20.1	20.0-23.0	20.0-23.0

*As adjusted by S&P Global Ratings.
A--Actual. E--Estimate.

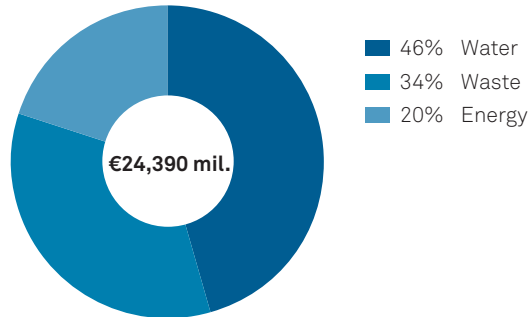
Company Description

Veolia provides a range of environmental services worldwide. It is involved in water (46% of 2016 revenues), waste solutions (34%), and energy services (20%) businesses (see chart 1). Veolia is listed on the Paris stock exchange and had a market capitalization of about €10.8 billion as of May 15, 2017.

The water business integrates drinking water and wastewater activities, such as water distribution, water and wastewater treatment, industrial process water, and manufacturing of water treatment equipment and technologies. The waste solutions business collects, processes, and disposes household, commercial, and industrial wastes. The energy services business produces renewable energy comprising heat and electricity produced from waste, and biomass as a source of fuel for power plants; heat from data centers, wastewater calories, and unavoidable energy from factories; and develops a range of energy management activities, including heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, and integration services for the management of buildings.

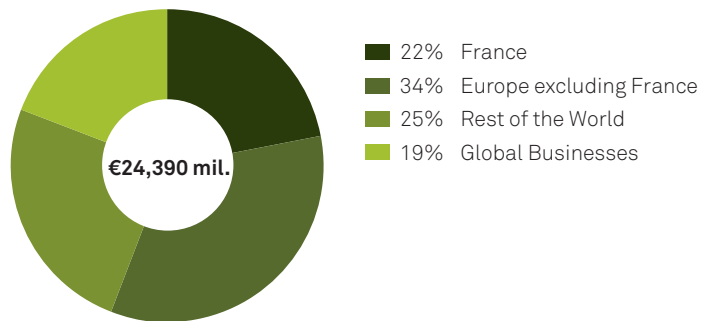
At year-end 2016, Veolia had revenues of €24.4 billion and EBITDA of €3 billion. Veolia organizes its activities primarily by geographic locations (see charts 2 and 3). Conversely, Global Businesses, as the name indicates, encompasses operations that need to be managed globally, including engineering and construction activities, as well as management of toxic waste.

Chart 1 - Veolia Environnement S.A. 2016 Revenue By Segment



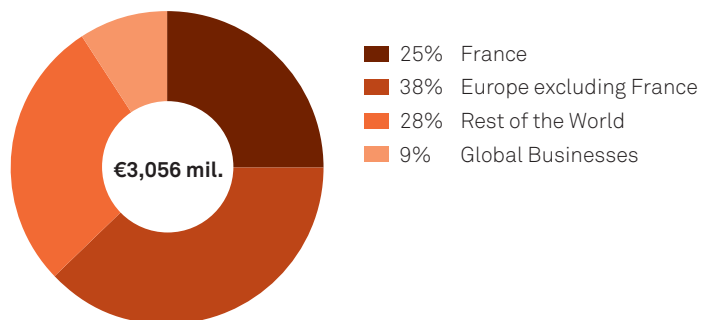
Source: S&P Global Ratings.

Chart 2 - Veolia Environnement S.A. 2016 Revenue By Geography



Source: S&P Global Ratings.

Chart 3 - Veolia Environnement S.A. 2016 EBITDA By Geography



Source: S&P Global Ratings.

Business Risk: **Strong**

Leading worldwide positions in water and waste management

Our assessment of Veolia's strong business risk profile is supported by its leading worldwide positions in water and waste management, based on its strong franchises in local markets across Europe, the U.S., and Southeast Asia. The group manages thousands of contracts, with a wide range of customers. Veolia notably provides drinking water to over 100 million people worldwide and collects waste for 39 million people through the management of about 600 waste treatment sites. Veolia also manages about 550 heating and cooling networks and, on behalf of its customers, supervises energy management for over 2,000 industrial sites.

Except French competitor Suez Environment, no group has this degree of global coverage nor the leading positions in local markets, which are often fragmented. In our view, environmental services groups have strong structural growth drivers globally, including demographic growth, rising environmental concerns translating into more demanding regulations, and accelerating urbanization among others. We also believe that circular economy and energy efficiency efforts from both municipal and industrial clients are megatrends that Veolia is well positioned to capture.

Recurring and stable revenues from long-term contracts

Veolia has a high share of recurrent revenues from long-term contracts with local governments, which bears little volume and performance risk, and confers predictability to group earnings. Veolia derives about one-half of its EBITDA from local governments, typically under public service delegation contracts especially for water distribution and treatment, or for cooling and heating networks. In its core domestic market, Veolia typically operates under long-term operations and maintenance contracts, whereby it operates assets, owned and financed by local authorities, and collects a tariff from customers. These contracts typically

Major Contracts Won In 2016

Municipal Sector

- Signing of a new contract for the Hertfordshire PFI in the U.K. (30-year term and a total value of £1 billion).
- A concession for water and wastewater treatment services throughout Armenia (€800 million contract over 15 years).
- Extension of the management and operating agreement for wastewater collection and treatment facilities in Milwaukee, Wisconsin, in the Midwestern U.S. (\$500 million over 10 years).
- The construction and operation of a waste-to-energy plant in the Troyes region of France (expected cumulative revenue of €240 million over 25 years).
- Renewal of the Camden collection and recycling contract (expected cumulative revenue of £169 million over eight years).

Industrial Sector

- Awarded significant water treatment contract in China for Yanshan Petrochemicals, a subsidiary of SINOPEC (for a duration of 25 years and expected cumulative revenue of around €3 billion).
- Acquisition of Nuon Energie und Service GmbH, which owns and operates two industrial park facilities in Germany.
- Won contract to operate a combined heat and electricity production plant in Porvoo, Finland.

have a maturity of eight to twenty years for municipalities, depending notably on their capital intensity. For industrials, contracts are generally shorter (three to ten years). Water consumption and demand are not cyclical, but are secularly and gradually declining (by around 1% per year in France) due to improving consumption efficiencies and reduction in network losses, which remains manageable for the group. Veolia's risks are further mitigated by automatic indexation clauses covering the main variable costs. Moreover, heating networks have little sensitivity to economic cycles and most contracts have pass-through arrangements, albeit with some time lag.

Little to no growth from European operations

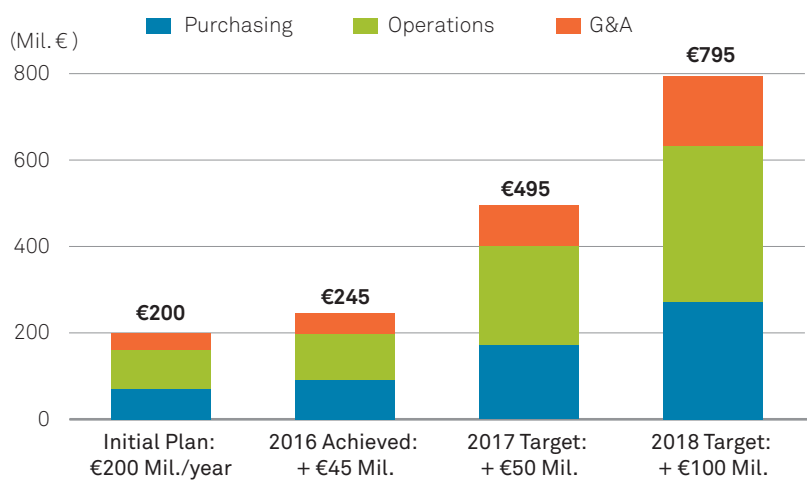
The aforementioned credit strengths are partly offset by structural pressure on profitability in core European mature markets. Over 2010-2015, Veolia’s revenue growth (at constant consolidation scope and exchange rates) has been weak, ranging between negative 1.8% and 2.0%, pressured by the weak macroenvironment in Europe. Moreover, persisting dull economic conditions alongside low private and public spending in Europe have accentuated volume erosion in water and waste and increased price pressure from local governments. In addition, the growing expertise of local authorities, intense competition, and regulatory changes reducing the maximum duration of contracts, have translated into significant tariff cuts in renegotiations of water contracts in France. Yet, now that most of the large water concession contracts in France have been renegotiated, we do not expect any further pronounced deterioration in revenues from these activities, but rather only a slight erosion over the next two years due to low indexation and a gradual decline in volumes.

We also see the group’s waste activity as exposed to economic cycles, fuel, and prices of recyclates, and the energy business’ exposure to weather conditions and energy prices, which together bring a degree of volatility to group earnings and cash flow generation. In addition, a regulatory push by EU countries to develop environmental-friendly sorting and recycling solutions, rather than burning or landfill, which traditionally had higher margins, has also reduced Veolia’s margins in the past years.

Successful implementation of operating efficiencies and cost-cutting drives material improvement in profitability and EBITDA growth

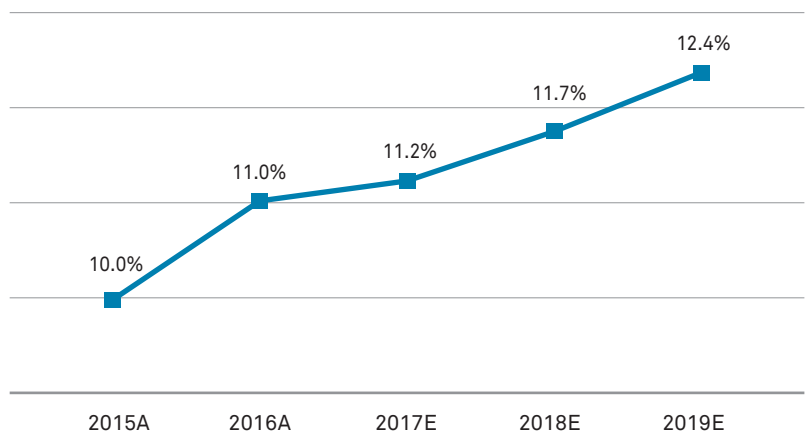
Veolia has materially improved its financial position, cost base, and group structure over recent years, thanks to significant asset disposals and more than €800 million of cost-cutting in 2012-2015 (or €200 million per year). The group continues to have a strong focus on operating efficiency for the coming two years (2017-2018), with a new plan to cut costs by at least €800 million by 2018 (target revised upwards in 2017, from €600 million previously).

Chart 4 - Cost Savings Initial Plan



Source: S&P Global Ratings.

Chart 5 - EBITDA Margin Evolution



Source: S&P Global Ratings.

The new plan will likely be derived mostly from enhanced operational efficiency (45%), followed by purchasing policy optimization (35%) and reduction of selling, general, and administrative costs (20%). We view favorably management’s track record in carrying out such plans. The group achieved cost cuts of €245 million in 2016, compared with the initially planned €200 million. In addition, we think Veolia’s leaner group structure and management organization facilitates better control of business units and cash flow circulation within the group.

Growth strategy targets high-value services and products, and a rebalancing of the customer base toward industrials

A global trend we see is that industrials in all business sectors seek to outsource environmental services that are not part of their

Full Analysis: Veolia Environnement S.A.

core businesses. Veolia's strategy is to increase the contribution of its industrial customers and to move toward more high-value services and products, while prioritizing asset-light models in certain circumstances to preserve cash flows and better share risks. We expect the share of industrial customers to represent about one-half of revenues going forward. We also think that the group's positioning toward these more complex and higher added-value services enables improved margins, better resource allocation, and less competition. Veolia's numerous commercial successes, notably in strategic growth markets (oil and gas, circular economy, hazardous pollution, dismantling, and innovative solutions for cities), underpin the company's growth strategy and pipelines and support our

expectations of low-single-digit organic revenue growth annually. We also expect growth will be enhanced by bolt-on acquisitions to complement the company's geographic footprint and/or the range of expertise, as was the case in 2016 when it acquired Kurion (for \$350 million) and the sulfuric acid divisions of Chemours (\$325 million). We expect these bolt-on acquisitions will be prudently financed with Veolia's operating cash flows and proceeds from disposals of noncore assets. At the same time, we also see Veolia's strategic adjustment toward emerging markets and industrial clients as somewhat dilutive of its business risk profile. This is notably because it exposes the group to more commercial and contractual risks, compared with water activities and heating businesses with municipalities.

Table 1 - Veolia Environnement S.A. Peer Comparison

Industry Sector: Energy	Veolia Environnement S.A.	ENGIE SA	A2A SpA	Hera SpA
Ratings as of June 2, 2017	BBB/Stable/A-2	A-/Negative/A-2	BBB/Stable/A-2	BBB/Stable/A-2
(Mil. €)	--Average of past three fiscal years--			
Revenues	25,400.3	70,402.7	4,999.3	4,378.8
EBITDA	3,229.7	11,586.7	1,093.1	862.9
Funds from operations (FFO)	2,368.7	8,485.1	831.1	618.3
Net income from cont. oper.	367.1	(864.0)	86.0	184.0
Cash flow from operations	2,317.3	9,194.4	753.7	599.3
Capital expenditures	1,649.2	6,159.7	344.7	358.6
Free operating cash flow	668.2	3,034.8	409.0	240.7
Discretionary cash flow	281.7	(232.9)	290.7	98.1
Cash and short-term investments	4,064.7	8,938.0	527.3	575.7
Debt	11,980.7	45,090.9	4,063.0	3,135.2
Equity	8,287.9	48,343.0	3,236.3	2,508.0
Adjusted ratios				
EBITDA margin (%)	12.7	16.5	21.9	19.7
Return on capital (%)	6.3	5.7	5.1	8.8
EBITDA interest coverage (x)	4.7	6.1	7.1	6.0
FFO cash int. cov. (X)	6.0	10.5	7.7	4.7
Debt/EBITDA (x)	3.7	3.9	3.7	3.6
FFO/debt (%)	19.8	18.8	20.5	19.7
Cash flow from operations/debt (%)	19.3	20.4	18.5	19.1
Free operating cash flow/debt (%)	5.6	6.7	10.1	7.7
Discretionary cash flow/debt (%)	2.4	(0.5)	7.2	3.1

Financial Risk: **Significant**

Improving credit metrics

We assess Veolia's financial risk profile as significant, given the group's material debt (albeit significantly down from levels three to five years ago). We benchmark Veolia's financial risk profile against our standard volatility table because we believe the contribution of Veolia's long-term concessions from French water activities and heating businesses will continue to decline. In our view, they will represent less than one-half of revenues, while environmental services to industrials will grow and rebalance the customer portfolio equally between municipalities and industrials.

We forecast that its adjusted FFO-to-debt ratio will exceed 20% over 2017-2019 (20.1% at year-end 2016), and we expect the ratio to improve in the next two years on the back of increasing EBITDA, improving financing costs, and broadly stable debt.

Existing hybrid equity content set to minimal

Our assessment of the equity content of the company's €1.5 billion hybrid bonds was reset to minimal last year, to reflect a lack of clarity about management's intention to replace the instrument or not at the time of the first call date in April 2018. This follows management's statements last year that the instrument may no longer be considered useful in view of the company's reduced leverage and given our expectations that credit metrics could improve further as Veolia implements its strategic plan.

Control of cash flows after dividends and debt stability

We view the group's financial discipline, particularly with regards to its improved free cash flow generation since 2015, and notably 2016, as credit supportive. This now allows for self-funding of investments (including bolt-on acquisitions) and dividends. We forecast that in 2017-2019, Veolia will generate neutral or positive discretionary cash flow, and its adjusted debt will remain fairly stable, excluding foreign currency effects.

Prudent and proactive liability management

Management's prudent and proactive liability management further supports our view of the group's financial risk profile. This is reflected by the group's recently issued bonds, including €650 million issued in March 2017 with a coupon of 0.7% maturing in 2022 and a second €650 million tranche with a coupon of 1.5% maturing in 2026. This also includes €500 million maturing in 2029 and €600 million maturing in 2023, both issued in October 2016, with respective coupons of 0.9% and 0.3%. In addition, the group has access to diverse instruments and markets, it issued a €700 million convertible bond in March 2016, and it was the first French company to issue a Panda bond in Greater China.

Table 2 - Veolia Environnement S.A. Financial Summary

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2016	2015	2014	2013	2012
Rating history	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Negative/A-2	BBB/Negative/A-2	BBB+/Negative/A-2
(Mil. €)					
Revenues	25,305.4	25,867.7	25,027.8	26,480.8	29,769.0
EBITDA	3,312.1	3,288.1	3,088.9	2,920.6	3,507.7
Funds from operations (FFO)	2,485.6	2,460.7	2,159.8	1,937.0	2,233.5
Net income from continuing operations	383.1	450.2	268.0	(162.6)	7.7
Cash flow from operations	2,553.3	2,214.2	2,184.5	2,020.6	2,347.4
Capital expenditures	1,412.5	1,570.7	1,964.3	1,698.1	2,713.7
Free operating cash flow	1,140.8	643.5	220.2	322.5	(366.3)
Dividends paid	454.9	477.3	227.3	183.0	546.6
Discretionary cash flow	685.9	166.3	(7.1)	139.5	(912.9)
Debt	12,340.1	11,964.1	11,637.8	11,850.3	14,113.9
Preferred stock	(1,468.0)	(772.0)	(735.1)	(735.1)	0.0
Equity	7,408.5	8,731.3	8,724.0	8,881.5	9,081.2
Debt and equity	19,748.6	20,695.4	20,361.8	20,731.9	23,195.1
Adjusted ratios					
EBITDA margin (%)	13.1	12.7	12.3	11.0	11.8
EBITDA interest coverage (x)	5.2	5.4	3.8	3.1	3.4
FFO cash int. cov. (x)	6.4	6.7	5.3	4.1	3.9
Debt/EBITDA (x)	3.7	3.6	3.8	4.1	4.0
FFO/debt (%)	20.1	20.6	18.6	16.3	15.8
Cash flow from operations/debt (%)	20.7	18.5	18.8	17.1	16.6
Free operating cash flow/debt (%)	9.2	5.4	1.9	2.7	(2.6)
Discretionary cash flow/debt (%)	5.6	1.4	(0.1)	1.2	(6.5)
Net Cash Flow / Capex (%)	143.8	126.3	98.4	103.3	62.2
Return on capital (%)	6.2	6.1	6.7	5.1	5.5
Return on common equity (%)	4.8	5.4	3.2	(2.1)	0.1
Common dividend payout ratio (un-adj.) (%)	136.2	113.7	97.5	(117.7)	7,098.7

Liquidity: **Strong**

We assess Veolia's liquidity as strong. According to our projections, sources of funds will exceed uses by more 1.5x over the next 12 months and by more than 1.0x in the subsequent 12-24 months. In addition, we believe that the group's good access to capital markets, proactive liability management, and solid relationships with banks support its liquidity position. The group's debt is not subject to financial covenants.

Principal Liquidity Sources

- About €5.5 billion in available cash or highly liquid money market funds as of Dec. 31, 2016. We understand that these material cash amounts need to be balanced against an equally high level of commercial paper of €2.8 billion (at year-end 2016).
- Nearly €4 billion of available committed credit lines maturing beyond 12 months, including a €3 billion multicurrency syndicated loan maturing in 2021.
- Our forecast of annual cash flow from operations of about €2.5 billion.

Principal Liquidity Uses

- Debt repayment of about €1.3 billion and commercial paper standing at about €2.8 billion. 2018 debt maturities are €0.5 billion (excluding the hybrid as its redemption is optional).
- Our estimate of €1.9 billion in annual investments, including about €500 million in bolt-on acquisitions.
- Dividends of about €550 million annually.

Debt Maturities

As of Dec. 31, 2016 (Mil. €):

- 2017: 1,275
- 2018: 472
- 2019: 598
- 2020: 431
- 2021: 1,338
- Thereafter: 4,833

Ratings Score Snapshot

Corporate Credit Rating: BBB/Stable/A-2

Business Risk: **Strong**

- Country risk: Low
- Industry risk: Low
- Competitive position: Strong

Financial Risk: **Significant**

- Cash flow/Leverage: Significant

Anchor: bbb

Modifiers:

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Strong (no impact)
- Management and governance: Fair (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

Reconciliation

Table 3 - Reconciliation Of Veolia Environnement S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts

--Fiscal year ended Dec. 31, 2016--

Veolia Environnement S.A. reported amounts										
(Mil. €)	Debt	Share-holders' equity	Revenues	EBITDA	Operating income	Interest expense	EBITDA	Cash flow from operations	Dividends	Capital Expenditures
Reported	13,350.5	7,749.2	24,390.2	2,687.8	1,075.4	405.4	2,687.8	2,568.7	521.7	1,353.5
S&P Global Ratings' adjustments										
Interest expense (reported)	--	--	--	--	--	--	(405.4)	--	--	--
Interest income (reported)	--	--	--	--	--	--	--	--	--	--
Current tax expense (reported)	--	--	--	--	--	--	(193.5)	--	--	--
Trade receivables securitizations	413.7	--	--	--	--	4.1	(4.1)	(81.2)	--	--
Operating leases	1,307.6	--	--	362.9	85.6	85.6	277.3	277.3	--	--
Debt-like hybrids	1,468.0	(1,468.0)	--	--	--	68.8	(68.8)	(68.8)	(68.8)	--
Postretirement benefit obligations/ deferred compensation	570.4	--	--	10.7	10.7	20.1	(5.5)	(7.5)	--	--
Surplus cash	(5,309.2)	--	--	--	--	--	--	--	--	--
Share-based compensation expense	--	--	--	4.7	--	--	4.7	--	--	--
Dividends received from equity investments	--	--	--	93.2	--	--	93.2	--	--	--
Deconsolidation / consolidation	101.0	--	714.0	154.0	79.0	18.0	136.0	153.0	2.0	59.0
Asset retirement obligations	417.8	--	--	--	--	41.0	(35.0)	7.4	--	--
Non-operating income (expense)	--	--	--	--	165.4	--	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	--	(496.9)	--	--
Non-controlling Interest/ Minority interest	--	1,127.3	--	--	--	--	--	--	--	--
Debt - Guarantees	25.3	--	--	--	--	--	--	--	--	--
Debt - Fair value adjustments	(5.0)	--	--	--	--	--	--	--	--	--
Revenues - Other	--	--	201.2	201.2	201.2	--	201.2	--	--	--
EBITDA - Other	--	--	--	(202.4)	(202.4)	--	(202.4)	--	--	--
D&A - Other	--	--	--	--	(91.4)	--	--	--	--	--
OCF - Other	--	--	--	--	--	--	--	201.2	--	--
Total adjustments	(1,010.4)	(340.7)	915.2	624.3	248.1	237.6	(202.2)	(15.4)	(66.8)	59.0
S&P Global Ratings' adjusted amounts										
Adjusted	12,340.1	7,408.5	25,305.4	3,312.1	1,323.5	643.0	2,485.6	2,553.3	454.9	1,412.5

Full Analysis: Veolia Environnement S.A.

Veolia reports under International Financial Reporting Standards (IFRS). Aside from the standard adjustments related to operating leases (€1.3 billion), asset retirement obligations (€0.4 billion), and pensions (€0.6 billion), we adjust reported figures as of Dec. 31, 2016, as follows (see table 3 above):

- We proportionally reconsolidate the 30% stake in Chinese concessions given its importance for the group. This stake is currently consolidated as equity as a result of IFRS 11.
- We add back €201 million to revenues and depreciation for the repayment of operating financial assets, net of discontinued operations.
- We deduct €202 million from EBITDA related to IFRIC 12 accounting treatment. Rather than treat the concessions with a fixed payment as a “liability/lease,” we see it as a fundamental part of the asset light business model. It also implies however that we reduce the payment from EBITDA, rather than splitting it into depreciation and interest component as per IFRIC 12.
- We add back €414 million to debt related to securitization of trade receivables.
- We add €1.5 billion to debt, corresponding to the full amount of the hybrid debt, which we consider as having minimal equity content.

Related Criteria

- Methodology For Linking Long-Term And Short-Term Ratings, April 10, 2017
- Standard & Poor’s National and Regional Scale Mapping Tables, Jan. 19, 2016
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
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Full Analysis: Veolia Environnement S.A.

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Details (as of June 2, 2017)

Veolia Environnement S.A.

Corporate Credit Rating	BBB/Stable/A-2
Commercial Paper <i>Local Currency</i>	A-2
Junior Subordinated	BB+
Senior Unsecured <i>Greater China Regional Scale</i>	cnA
Senior Unsecured	BBB
Short-Term Debt	A-2

Corporate Credit Ratings History

06-May-2015	BBB/Stable/A-2
15-Nov-2013	BBB/Negative/A-2
10-Oct-2012	BBB+/Negative/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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