



PRESS RELEASE

26 October 2011

3rd QUARTER 2011
CONTINUING GOOD PERFORMANCE OF ACTIVITY
MELBOURNE CONTRACT DIFFICULTIES & ADJUSTED 2011 OBJECTIVES

- **Revenue: €10,978m, with 8.3% sustained growth at constant forex, growing in all divisions**
- **EBITDA: €1,845m, +9.3% at constant forex, EBITDA margin improving at 16.8%**
- **Net financial debt: €7,790m, net financial debt/EBITDA¹ ratio of 3.1x**
- **Adjusted 2011 objectives to take into account the Melbourne contract, dividend maintained at 0.65€ per share for 2011 fiscal year**

In € million	30/09/2010	30/09/2011	Total change	Constant forex change	Organic change
Revenue	10,135	10,978	8.3%	8.3%	6.0%
EBITDA	1,690	1,845	9.2%	9.3%	2.2%
EBITDA / Revenue	16.7%	16.8%			

▪ **At 30 September 2011, SUEZ ENVIRONNEMENT posted revenue of €10,978m with sustained growth of +8.3%, both in water and waste.** The Group continued its commercial development with new contracts won in the water business at Hyères (France), L'Eliana (Spain), Algiers (Algeria), Prague (Czech Republic) and with Renault in waste recycling. It benefited from activity linked to the acquisition of WSN (Australia) completed in January 2011.

▪ **EBITDA for the nine months ended 30 September 2011 rose +9.2% to €1,845m** and up +2.2% organically, buoyed by this good level of activity and cost savings achieved under the COMPASS plan, but was impacted by difficulties on the Melbourne contract in the 3rd quarter 2011 for €80m. **Net of the cumulated impact to date on this contract, EBITDA would stand at €1,977m at 30 September 2011, up 18.0% and with an EBITDA margin of 18.3%.**

▪ The Group is building a big seawater desalination plant in Melbourne, in partnership with Thiess. Construction started in August 2009 and is progressing under unfavourable weather and social conditions, which deteriorated further in the 3rd quarter 2011. After a full review of the project progress with the Leighton Group, SUEZ ENVIRONNEMENT accordingly posted a total charge of €185m² in its 3rd quarter financial statements at Current Operating Income level.

▪ **The Group's net financial debt stands at €7,790m.** The Group continued its selective investments programme and, at 30 September 2011, posted a net financial debt/EBITDA¹ ratio of 3.1x before a €391m drop in net debt resulting from the sale of 70% of the Bristol Water regulated business on 5 October 2011.

▪ **Commenting on these results, Jean-Louis CHAUSSADE, Chief Executive Officer, stated:** "At 30 September 2011, SUEZ ENVIRONNEMENT results, excluding the deterioration of the Melbourne project, are above the forecasts on which the Group had built its annual objectives, with operating performance that continued to improve in the 3rd quarter. We have recorded the effects arising from the Melbourne contract difficulties and are adjusting our 2011 objectives. Our water and waste businesses are well oriented, growing strongly and well positioned."

¹ Net Financial Debt / EBITDA, calculated over a rolling 12 month period

² To be added to the €52m accounted in the 1st semester 2011



BREAKDOWN OF ACTIVITY AT 30 SEPTEMBER 2011

Revenue In € million	30/09/2010	30/09/2011	Total change	Constant forex change	Organic change
Water Europe	2,996 ³	3,114	+3.9%	+3.7%	+3.0%
Waste Europe	4,363	4,809	+10.2%	+10.2%	+9.7%
International	2,764 ³	3,049	+10.3%	+10.5%	+3.7%
Other ⁴	12	6	-	-	-
TOTAL	10,135	10,978	+8.3%	+8.3%	+6.0%

SUEZ ENVIRONNEMENT revenue year to date 30 September 2011 was €10,978m, up +8.3% gross variation (+€843m) compared to 30 September 2010. This change breaks down as follows:

■ **Growth at constant forex of +8.3% (+€843m), i.e.:**

▪ **Organic growth of +6.0% (+€612m) coming from three divisions:**

- Water Europe division revenues grew (+€90m, +3.0%), both for Lyonnaise des Eaux and Agbar, buoyed by price increases, new business development and increased works activity in France.
- Waste Europe division revenues grew sharply (+€425m, +9.7%), mainly in material and energy recovery activities and thanks to commercial development.
- International division revenues grew (+€103m, +3.7%) with very strong business in waste in Australia and to a lesser extent in North America. Degremont was down -0.9% due to the difficulties encountered in Melbourne.
- **Excluding Melbourne, the Group's organic growth was +7.1%.**

▪ **Scope impact of +2.3% (+€230m):**

- Water Europe +€20m, with the impact of the Agbar takeover mid-2010.
- Waste Europe +€21m, due to the development of metal recycling activities.
- International +€188m, with the acquisition of WSN in Australia.

■ **Neutral forex impact of +€1m**, due to the appreciation of the Australian dollar (+€47m), the Chilean peso (+€9m) and the Swedish Crown (+11m€), partially offset by the depreciation of the British Pound (-€11m) and the U.S. dollar (-€35m).

■ During the first 9 months of the year, SUEZ ENVIRONNEMENT generated 72% of its revenue in Europe. The portion achieved internationally outside of Europe represents 28% versus 27% at December 31, 2010, with strong growth especially in the Asia-Pacific region.

³ OIS is included in the International division

⁴ R+I Alliance, HQ



PERFORMANCE BY DIVISION

WATER EUROPE

In € million	30/09/2010	30/09/2011	Total change	Constant forex change	Organic change
Revenue	2,996 ⁵	3,114	+3.9%	+3.7%	+3.0%

The Water Europe division posted organic growth of +3.0% (+€90m).

■ **Lyonnaise des Eaux grew organically by +3.1% (+€49m).**

Revenues in France rose with an increase in sales of new services, the favourable change in works activity and a rise in price indices. Volumes of drinking water sold declined -1.5%, in line with the historical trend. The Group won contracts in Hyères (€70m, 12 years), Angers (€20m, 6 years) and Corbeil-Essonnes (€40m, 10 years) during the quarter. The activities of Safège, Ondeo Italia and Eurawasser also increased.

■ **Agbar posted organic growth of +2.9% (+€41m).**

Volumes of water sold and prices were increasing both in Spain and Chile, although works activity was down in Spain. Agbar won the contract of l'Eliana (Valencia, €55m, 25 years) during the quarter, and on 5 October 2011, sold 70% of the regulated business of Bristol Water in the United Kingdom to Capstone Infrastructure Corporation for €152m, representing a premium of 23% compared to the RCV⁶ and a multiple of 20 times its net result. The Group remains a major operational shareholder retaining a 30% interest in the regulated business, which will be consolidated under the equity method, and an operating contract will ensure continuity of Bristol Water offer, which will benefit from the know-how and technology developed by the Group. Bristol Water posted revenue of €116m for the year ended 31 March 2011.

WASTE EUROPE

In € million	30/09/2010	30/09/2011	Total change	Constant forex change	Organic change
Revenue	4,363	4,809	+10.2%	+10.2%	+9.7%

The Waste Europe division posted organic growth of +9.7% (+€425m). Similar to the end of June 2011, this growth was due mainly to Sorting & Recycling activities, which grew organically by 31%, driven mainly by an increase in secondary raw material prices, which level eroded slightly since September 2011. The other activities in the Waste Europe division also rose with volumes remaining strong, including the start of new contracts and new treatment tools, although business was weaker in the United Kingdom, where the economic situation deteriorated.

■ **SITA France grew organically by +10.4% (+€252m)** benefiting mainly from price and volume increases in the Sorting & Recycling business. Other activities also improved, both in services and treatment. SITA France continued its commercial development in sorting and recycling thanks to new contracts with big industrial groups such as Renault (€240m, 12 years), Magnetto (€85m, 7 years) and Myriad (€20m, 3 years).

■ **The United Kingdom / Scandinavia region posted organic growth of +6.7% at end of September 2011 (+€56m).** Growth is still driven by the Sorting & Recycling activity, although overall volumes treated were down due to a depressed macro-economic situation. In Scandinavia, revenue was up in both Sweden and Finland. The quarter was marked by new industrial and commercial contracts, such as Carillion (€14m, 3 years).

⁵ OIS is included in the International division

⁶ GBP 310 million Regulated Capital Value as of March 31st 2011



■ **The NEWS⁷ region posted organic growth of +10.6% (+€117m)** year to date 30 September 2011. As elsewhere, growth was due mainly to the Sorting & Recycling activity with prices and volumes rising sharply. Services are growing due to increased industrial and commercial volumes, and other treatment activities are up overall boosted by new EVI and Baviro energy recovery units in the Netherlands. SITA NEWS continued its commercial development winning new contracts, such as Limburg.net (€10m, 5 years) and McDonald's (€21m, 3 years).

INTERNATIONAL

In € million	30/09/2010	30/09/2011	Total change	Constant forex change	Organic change
Revenue	2,764 ⁸	3,049	+10.3%	+10.5%	+3.7%

The International division grew organically by +3.7% (+€103m).

■ **Degrémont revenues declined organically by -0.9% (-€11m)**, due to Melbourne contract difficulties. Excluding Melbourne, revenues grew organically by +8.8% thanks to contract contributions in France (Cannes and Bordeaux) and in the Middle East (Rusafa). The engineering backlog remains at a high level at €1.2bn. Degrémont signed a number of construction and operating contracts, such as Prague (€67m), and started the Adelaide contract in Australia under good conditions.

■ **North America posted organic growth of +4.9% (+€23m)** with an increase in the regulated business at United Water. Prices are up following the different rate cases obtained, most recently in September 2011 in Delaware. The volumes sold are down as a result of unfavourable weather episodes.

■ **Asia-Pacific posted organic growth of +13.1% (+€73m)** driven mainly by waste activities in Australia. Growth in China also benefited from the good level of activity at SITA Waste Services and volume increases in water.

■ **The CEMME⁹ region had organic growth of +2.9% (+€17m)**. Revenues in Morocco benefited from price and volume increases. In water in Central Europe, growth came from higher prices. SUEZ Environnement renewed the management contract of Alger (€105m, 5y).

MELBOURNE CONTRACT

■ Degrémont, in partnership with Thiess (Leighton Group, leading civil engineering firm in Australia), won a 30-year contract in July 2009 for the construction and operation¹⁰ of a big seawater desalination plant in Australia with capacity of 450,000 m³ per day and representing revenue of €1.6bn for the Group.

■ The construction project started in August 2009. It has been progressing, for some months, under unfavourable weather and social conditions, which deteriorated further in the 3rd quarter 2011, including notably new disruptions due to labour actions and persistent low workforce productivity. To date, physical completion of the plant is at 81%.

■ The Group is very focused on the project's management to finish it as soon as possible. It believes it has not to bear all additional costs and has valid claims, including extension of time and 'force majeure' claims. Degrémont and its partner Thiess intend to vigorously defend their rights, to obtain an extension of time and a compensation for the finalization of the construction.

⁷ Waste activities in Benelux and Germany

⁸ OIS is included in the International division

⁹ Central Europe, Mediterranean and Middle East

¹⁰ Degrémont and Thiess are 35% / 65% partners respectively for construction and 60% / 40% partners for operation



■ However, after a full review of the progress of the project with the Leighton Group, SUEZ ENVIRONNEMENT has taken into account the deterioration of the situation over the third quarter and updated its view of the margin at completion. For this reason, the Group recognized an additional charge in 3rd quarter 2011 of €185m¹¹, of which €80m are in EBITDA and Free Cash Flow.

2011 OBJECTIVES

■ Excluding the deterioration of the Melbourne contract, SUEZ ENVIRONNEMENT results at end of September 2011 are above the forecasts on which the Group had built its annual objectives. In addition, the Group will benefit in 2011 from:

- increased cost-optimization efforts: the objective of the COMPASS for 2011 is thus raised from €100m to €120m for the year.
 - the sale of a controlling interest in Bristol Water Group on 5 October 2011. This transaction generates a capital gain net of taxes of €40m and will reduce the Group's debt by €391m.
- All these items, as described above, will affect the Group's 2011 objectives by €(80)m for EBITDA and Free Cash Flow, and €(125)m for Net Income Group share.
- Given the satisfactory evolution of the businesses current result and the solid balance sheet, the Board of Directors will propose to maintain the dividend at 0.65€ per share for 2011 fiscal year.

NEXT COMMUNICATION:

- 8 February 2012: Publication of 2011 annual results

¹¹ To be added to the €52m accounted in the 1st semester 2011



APPENDIX

Geographical breakdown of revenues

Revenue	30/09/2010		30/09/2011		Total change	
	€m	% of total	€m	% of total	€m	%
Europe	7,633	75.3%	7,879	71.8%	246	3.2%
France	3,748	37.0%	3,957	36.0%	209	5.6%
Spain	1,401	13.8%	1,139	10.4%	-262	-18.7%
UK	638	6.3%	706	6.4%	68	10.6%
Other Europe	1,845	18.2%	2,077	18.9%	231	12.5%
North America	620	6.1%	624	5.7%	4	0.6%
Australia	560	5.5%	728	6.6%	168	30.1%
Sub-total	8,812	86.9%	9,230	84.1%	418	4.7%
Rest of world	1,322	13.0%	1,748	15.9%	426	32.2%
TOTAL	10,135	100.0%	10,978	100.0%	843	8.3%

SUEZ ENVIRONNEMENT

Natural resources are not infinite. Each day, SUEZ ENVIRONNEMENT (Paris: SEV, Brussels: SEVB) and its subsidiaries deal with the challenge of protecting resources by providing innovative solutions to industry and to millions of people. SUEZ ENVIRONNEMENT supplies drinking water to 91 million people, provides wastewater treatment services for 61 million people and collects the waste produced by 50 million people. SUEZ ENVIRONNEMENT has 79,554 employees and, with its presence on five continents, is a world leader exclusively dedicated to water and waste management services. In 2010, SUEZ ENVIRONNEMENT, a subsidiary owned 35.8% by GDF SUEZ, achieved revenues of 13.9 billion euros.

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