



PRESS RELEASE

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SUEZ ENVIRONNEMENT ANTICIPATES FOR 2012 A STABILITY OF ITS REVENUE AND EBITDA

In an uncertain economic environment which became more difficult since the beginning of the year, SUEZ ENVIRONNEMENT undertook a review of its activities. The Group decided to include in its estimated accounts ending June, 2012, an additional provision of €85 million for the Melbourne desalination plant and recognised a €60 million¹ loss in the market value of its stake in Acea. Furthermore, the downward trend observed in Waste activities in the first quarter in Europe has accelerated in the second.

Consequently, SUEZ ENVIRONNEMENT decided, for 2012, to increase the Compass cost reduction target by €40 million and to reduce its total net investment by €100 million.

The Group anticipates for 2012 a stability of its revenue and EBITDA, compared to 2011². The other elements of the annual guidance remain unchanged.

Melbourne desalination plant

The construction of this plant, with a capacity of 450,000 m³ per day, began in August 2009, and experienced, notably in 2011, unfavourable weather conditions and low productivity which delayed construction by six months leading to drinking water production at mid-2012 and the plant takeover at the end of 2012.

Works on the plant are progressing since the beginning of 2012 and physical completion of the plant is now reaching 94%. The reverse-osmosis plant started up in May 2012 and the production of desalted water starts. The construction JV³ is mobilized to respect the deadlines.

However, the Group decided to book at the end of June an additional provision of €85 million, which will impact EBIT to cover:

- the costs for additional staffing to be maintained on site until the construction is completed for an amount of €35 million ;
- €50 million for various contingencies, in a complex local and contractual context.

SUEZ ENVIRONNEMENT and its partner, the Leighton Group, still believe that most of the cost overruns encountered to date are partly due to *force majeure* events and that they should not bear the totality of those costs. Therefore, the construction JV has submitted claims totalling more than AUD\$1 billion.

In addition, a standstill agreement was signed in June 2012 between the Construction JV and the project company Aquasure, its financing banks and its shareholders, that allows to finance the interim period until the plant is commissioned.

¹ Based on a share price at 27 June of 4.6€/share. The impairment will be updated, based on the share price as at 30 June 2012.

² Assuming macroeconomic and regulatory conditions are the same as in the first semester.

³ 65% Leighton Group and 35% SUEZ ENVIRONNEMENT.



Acea

SUEZ ENVIRONNEMENT has a 7.7% equity interest in Acea, a major Italian utility, listed on the Milan stock exchange.

Since Acea's share price fell by 35% since 30 June 2011, a loss of €60 million⁴ following marked to market valuation will be reflected in Income from Operating Activities for the first half of 2012 in accordance with Group accounting principles.

The Group is confident about the medium and long-term business growth prospects of water activities in Italy and intends to continue its partnership with Acea in Rome and Tuscany.

2012 outlook

Although Group's Water activities in Spain and France as well as the international division are growing since the beginning of the year, Waste Europe activities are declining as a direct consequence of the general degradation in the macroeconomic climate in that zone. Year-To-Date waste volumes treated in Europe were down by approximately -4% at end-May, versus -3% at end-March and we noted a stronger deterioration in the United Kingdom and Netherlands in the second quarter. Agbar keeps growing with higher prices and volumes in both Spain and Chile.

In this context, SUEZ ENVIRONNEMENT has put a specific action plan in place for 2012, to enhance its COMPASS cost optimisation target by €40 million⁵ and to reduce its net investment commitment for the year by €100 million⁶.

In an economic situation that has deteriorated compared to the assumptions used for the initial 2012 objectives, SUEZ ENVIRONNEMENT anticipates for this year a stability of its Revenue and EBITDA compared to 2011⁷. The other elements of the annual guidance (free cash flow, net debt to EBITDA ratio and dividend related to 2012) remain unchanged.

Taking into account the elements quoted above, the Group therefore anticipates a negative impact on its Net Income that will only be partially compensated by already booked capital gains and the effects to come of the action plan.

End-June 2012 estimates:

For the first half of 2012, SUEZ ENVIRONNEMENT forecasts:

- a Revenue of approximately €7.5 Bn€;
- an EBITDA of approximately €1,130 million ; and
- a Net Financial Debt of approximately 7,9 Bn€ after dividend payment.

Next communication

Publication of 2012 half-year results on 1st of August 2012 (Conference call)

⁴ Based on the share price at 27 June of 4.6€/share. The impairment will be updated, based on the share price as at 30 June 2012.

⁵ The savings generated by the COMPASS cost optimisation program for 2012 increased from €110M to €150M.

⁶ The total net investment package for 2012 was therefore reduced from €1.3bn to €1.2bn.

⁷ Assuming macroeconomic and regulatory conditions equivalent to those in the first half and a stability of commodities prices compared to actual levels.



SUEZ ENVIRONNEMENT

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