



## PRESS RELEASE

30 October 2014

### SEPTEMBER 30, 2014 RESULTS

#### ROBUST OPERATING PERFORMANCE IN LINE WITH TARGETS DESPITE TOUGH EUROPEAN ECONOMIC ENVIRONMENT

- **Revenues: €10,491 million, up 1.2% on an organic basis, +2.2% organic growth in the 3<sup>rd</sup> quarter**
- **EBITDA: €1,965 million, +1.6% organic increase**
- **Net debt: €7,511 million; net financial debt to EBITDA<sup>1</sup> ratio of 2.86x**
- **Negative currency impact of -€169 million on revenues, -€65 million on EBITDA, +€142 million on net debt**

| In € million    | 30 September 2013, restated <sup>2</sup> | 30 September 2014 | Gross change | Organic change | FX change | Scope change |
|-----------------|--|-------------------|--------------|----------------|-----------|--------------|
| Revenues        | 10,595                                   | 10,491            | -1.0%        | +1.2%          | -1.6%     | -0.6%        |
| EBITDA          | 1,876                                    | 1,965             | +4.7%        | +1.6%          | -3.5%     | +6.5%        |
| EBITDA/revenues | 17.7%                                    | 18.7%             |              |                |           |              |

■ **SUEZ ENVIRONNEMENT generated revenues of €10,491 million, up 1.2% on an organic basis, in the first nine months of the year.** The Water Europe and International divisions grew respectively by +3.6% and +1.0% on an organic basis. The performance of the Waste Europe division, which registered a 0.3% decrease, was relatively stable, despite a macro-economic environment in Europe that remained tough, including strong pricing pressure in the Benelux and in Central Europe, and an increasing one in France.

**The organic growth reported for the 3<sup>rd</sup> quarter was +2.2%**, following growth of +1.2% in Q1 and +0.3% in Q2, thanks to a positive trend in the International, where all the regions reported growth.

■ **EBITDA at the end of September 2014 amounts to €1,965 million, an organic increase of +1.6%, which is stronger than the increase in revenues.** The EBITDA margin is 18.7% or 17.5% excluding the impact of the capital gain on the sale of CEM.

■ **The Group's net financial debt amounts to €7.5 billion<sup>3</sup>, compared with €7.8 billion at the end of September 2013.** The NFD/EBITDA<sup>1</sup> ratio is 2.86x, which is lower than the target of around 3x.

■ **Commenting on the third quarter results for 2014, Chief Executive Officer Jean-Louis Chaussade made the following statement:** "The good performance of our Water Europe and International business activities has enabled the Group to post solid results; the tougher macro-economic environment in Europe weighed on the performance of the Waste Europe division. Our business momentum has been efficient, and we booked major contracts, such as the sanitation contract for Nassau County in the United States, or the Environment Unit contract for the Greater Narbonne Urban Area. Furthermore, we acquired the remaining 24.14% interest in Agbar, while La Caixa Group now holds an interest of over 5% in our Group, strengthening our long-term shareholder base."

<sup>1</sup> Net financial debt to EBITDA ratio calculated on a 12-month rolling basis.

<sup>2</sup> 2013 revenues, EBITDA and net financial debt adjusted for the impact of the new IFRS 10 and 11 and for the new definition of EBITDA, as used by the Group as from 1 January 2014. The Group's share in the net income of equity associates at the end of September 2014 amounted to €218 million, including a capital gain of €129 million on the sale of CEM.

<sup>3</sup> In addition to the negative currency impact of €142 million, the Group's net debt at the end of September 2014 also included the €224 million proceeds from the sale of CEM, and the €299 million payment for the 24.14% interest in Agbar; it did not include the receipt of the forthcoming proceeds from the sale of the 14.5% interest in Aguas de Valencia, and of the 15% interest in Agües de Barcelona, which are scheduled in Q4.



## **BREAKDOWN OF THE GROUP'S ACTIVITY AT THE END OF SEPTEMBER 2014**

| <b>Revenues in € million</b> | <b>30 September 2013, restated</b> | <b>30 September 2014</b> | <b>Gross change</b> | <b>Organic change</b> | <b>FX change</b> | <b>Scope change</b> |
|------------------------------|------------------------------------|--------------------------|---------------------|-----------------------|------------------|---------------------|
| Water Europe                 | <b>3,285</b>                       | <b>3,356</b>             | +2.1%               | +3.6%                 | -2.3%            | +0.8%               |
| Waste Europe                 | <b>4,810</b>                       | <b>4,708</b>             | -2.1%               | -0.3%                 | +0.3%            | -2.1%               |
| International                | <b>2,494</b>                       | <b>2,425</b>             | -2.8%               | +1.0%                 | -4.3%            | +0.5%               |
| Other <sup>4</sup>           | <b>6</b>                           | <b>2</b>                 | -                   | -                     | -                | -                   |
| <b>TOTAL</b>                 | <b>10,595</b>                      | <b>10,491</b>            | -1.0%               | +1.2%                 | -1.6%            | -0.6%               |

**SUEZ ENVIRONNEMENT** posted revenues of €10,491 million at 30 September 2014, or a gross -1.0% decrease (-€105 million) compared with 30 September 2013. This change breaks down as follows:

■ **Organic change of +1.2% (+€130 million):**

- Revenues in the Water Europe division rose by +3.6% or €120 million, primarily due to the positive effect of higher water prices, and to the development of "new services".
- The Waste Europe division's revenues were almost stable (-0.3% or -€14 million). They benefited from a +1% increase in the treated waste volumes, thanks to the commissioning of additional capacity. However, revenues were affected by a decrease in the prices of secondary raw materials (paper & cardboard and metals), electricity and services.
- The International division's revenues increased by +1.0% (+€25 million) and by +5.7% excluding Degrémont, the activity of which decreased, thanks to sustained growth in the regions where the Group operates.

■ **A negative exchange rate of -1.6% (-€169 million)**, which was mainly due to the depreciation of the Chilean peso (-€75 million) and the Australian dollar (-€62 million) against euro.

■ **A scope effect of -0.6% (-€66 million):**

- Water Europe: +€27 million, primarily linked to the acquisition of Aguas de Sabadell in August 2013;
- Waste Europe: -€103 million, as a result of the sale of some facilities in the United-Kingdom in September 2013;
- International: +€13 million, primarily as a result of the acquisitions made in the industrial water business (IWM, Process Group);
- Miscellaneous: -€3 million.

SUEZ ENVIRONNEMENT generated 27% of its revenues outside Europe over the first three quarters of 2014.

Therefore, SUEZ ENVIRONNEMENT **is maintaining its objectives<sup>5</sup> for 2014.**

<sup>4</sup> R+I Alliance, HQ

<sup>5</sup> Assuming GDP growth of 1% in the euro zone in 2014, within a stable accounting and tax framework compared with 01.01.2014, and at constant exchange rates.



## **PERFORMANCE BY DIVISION**

### **WATER EUROPE**

| <b>In € million</b> | <b>30 September 2013, restated</b> | <b>30 September 2014</b> | <b>Gross change</b> | <b>Organic change</b> | <b>FX change</b> | <b>Scope change</b> |
|---------------------|------------------------------------|--------------------------|---------------------|-----------------------|------------------|---------------------|
| Revenues            | <b>3,285</b>                       | <b>3,356</b>             | +2.1%               | +3.6%                 | -2.3%            | +0.8%               |

The Water Europe division posted organic growth of +3.6% (+€120 million). This strong performance was due to higher water prices, notably in Chile and Spain, to the momentum of the new businesses activities (+11%) and, to a lesser extent, to an overall increase in volumes.

■ **Agbar registered strong organic growth of +7.7% (+€121 million).**

The water activity benefited from favourable price indexation formulas in Chile (+7.2%) and Spain (+2.9%<sup>6</sup>), as well as from a satisfactory increase in volumes in both countries: +3.0% in Chile and +0.1% in Spain. The “new services”, with a growth of 8% over the nine months, also contributed to this result. Furthermore, Agbar pursued its commercial development in the 3<sup>rd</sup> quarter by signing the Roses contract (€35 million, 15 years), the Viladecans contract (for the construction of hydraulic infrastructure as part of a consortium with ACSA and Construcciones Rubau), and an extension of the Zaragoza contract (involving smart meters), following the Canal de Navarra contract (€70 million, 30 years) in the first half.

■ **Lyonnaise des Eaux’s organic growth was stable, or -0.1% (-€1 million).**

In France, the boom in “new services” continued, with a growth of +15%. The price indexation effect remained positive (+1.1%) with a gradual decline in the indices over the year, in line with the inflation trend. The 1.3% decrease in volumes was partly related to unfavourable weather conditions in July and August. Lastly, works activities went down as expected.

Lyonnaise des Eaux’s sales momentum was demonstrated once again in 2014 via the award and renewal of many contracts, including Versailles-Saint Cloud (around €250 million, 12 years), Cayenne (€34 million, 12 years) and Les Clayes-sous-Bois (€12 million, 10 years).

### **WASTE EUROPE**

| <b>In € million</b> | <b>30 September 2013, restated</b> | <b>30 September 2014</b> | <b>Gross change</b> | <b>Organic change</b> | <b>FX change</b> | <b>Scope change</b> |
|---------------------|------------------------------------|--------------------------|---------------------|-----------------------|------------------|---------------------|
| Revenues            | <b>4,810</b>                       | <b>4,708</b>             | -2.1%               | -0.3%                 | +0.3%            | -2.1%               |

The Waste Europe division reported stable organic growth of -0.3% or -€14 million as at the end of September 2014. There was a positive +1.0% impact from the treated volumes thanks to the commissioning of new facilities. Within a macro-economic background that remained weak overall, the division was affected by a negative pricing effect relating to secondary raw materials (including metal and paper & cardboard, which decreased by 5% and 7% respectively compared with 2013), electricity in Continental Europe, and lastly to services, due to increasing competitive pressure. In addition, the end of some construction contracts (Suffolk and Clermont-Ferrand) reduced revenues by €73 million.

■ **Organic growth in France was flat, at -0.4% (-€11 million).**

This stability was primarily due to an increase in the recovered waste volumes, thanks to the commissioning of the Clermont-Ferrand energy from waste plant, and to an increase in the volumes of ferrous metals treated, which offset the downward trend in the tonnage eliminated. In addition, the unfavourable trend in price for electricity continued to weigh on results. Conversely, there was strong momentum in business volumes, including the award of the management contracts for the waste-to-energy recovery units in Massy (€540 million, 20 years) and Le Havre (€283 million, 16 years) and the waste treatment contract for the Greater Narbonne Environmental Unit (€202 million, 20 years).

■ **The United-Kingdom & Scandinavia Region posted organic growth of +1.7% (+€16 million).**

The waste treatment business activities in the United Kingdom expanded, primarily due to the commissioning of the South Tyne & Wear energy from waste plant (€825 million, 25 years), the West London PFI transfer stations, the substitute fuel production plant for Cemex and the wood-burning plant for RWE. Furthermore, it is worth noting that the ongoing schedule for construction of the energy from

<sup>6</sup> Excluding increase in local taxes and third party revenue; the total tariff increase amounts to +6.6%



waste plants is in line with expectation. The volumes sent to landfill in the waste disposal businesses, where the environment remains competitive, increased, but primarily involved inert waste with a lower value-added.

■ **The Benelux & Germany region experienced an organic slowdown of -1.3% (-€14 million).**

The waste-to-energy recovery units are operating at full capacity, but remain affected by price decreases, primarily relating to the power generated. The waste sorting and recycling activity experienced a significant increase in volumes. Competition in the waste collection activity nonetheless remains intense, and is putting pressure on the price of services, especially in the Netherlands.

■ **The Central Europe Region reported an organic decrease of 2.8% (-€4 million).**

In Poland, new rules relating to the award of municipal waste collection contracts have been introduced, which has resulted in a change in the market and increased competition from local operators. The measures taken by the Group helped alleviate the negative effects of this change. Lastly, the Poznan energy from waste plant project is progressing as expected.

## INTERNATIONAL

| In € million | 30 September 2013, restated | 30 September 2014 | Gross change | Organic change | FX change | Scope change |
|--------------|-----------------------------|-------------------|--------------|----------------|-----------|--------------|
| Revenues     | 2,494                       | 2,425             | -2.8%        | +1.0%          | -4.3%     | +0.5%        |

The International division registered a satisfactory performance in all regions; the engineering activity, which is more volatile by nature, increased during the quarter, but is still lagging versus the first nine month of 2013.

■ **Africa/Middle-East/India reported very strong organic growth of +9.3% (+€44 million).**

This increase was primarily due to the expansion of business activities in Morocco, due to an increase in prices and volumes at Lydec, and to strong growth in the Waste division, due to the operation of new contracts such as in Meknes, Tangier or Casablanca. Moreover, the Group scored a number of major commercial successes over the first nine months, including a multi-service contract in Mumbai in India (€31 million, 5 years), and a skills transfer contract in Baku in Azerbaijan (€22 million, 5 years), among others.

■ **The Asia-Pacific Region posted organic growth of +4.7% (+€35 million).**

Australia benefited from a positive pricing effect and from an increase in the volumes collected. In China, the waste activities remained on a positive trend, primarily thanks to a sharp increase in volumes. In addition, the Group displayed a commercial momentum that was characterised by the signature of the contract to build and operate a hazardous waste-to-energy recovery plant in Nantong in China (€575 million, 30 years) and the waste collection contract in Port Stephens in Australia (€34 million, 10 years).

■ **North America posted satisfactory organic growth of +3.6% (+€16 million).**

United Water's regulated activities benefited from price increases that were primarily achieved in New Jersey and Delaware. Volumes have been stable since the beginning of the year, despite a rainy spring and summer on the East Coast of the United States. United Water has stood out recently by being awarded a very significant contract by the County of Nassau in New York State in order to operate 3 wastewater plants supplying 1.2 million of people (around €905 million, 20 years). In addition, United Water, in a consortium with KKR, signed a contract with the city of Middletown, Pennsylvania, to operate a system of drinking and waste water (around €225m, 50 years). The Group is also developing its Waste activities in Canada, where it has been awarded a contract to operate a waste sorting and composting unit in Edmonton (€54 million, 5 years).

■ **Degrémont experienced an organic decline of -8.2% (-€69 million).**

Following a 13.5% contraction in its business in the first half of 2014, Degrémont returned to positive growth in the third quarter (+3.4%). The industrial waste water business is continuing to develop, due to the successful integration of Industrial Water Management in France, and of Process Group in Australia. In addition, the Group was awarded the Reduc contract (onshore oil platform) in Brazil. Degrémont's construction activity backlog increased by 5% compared with the end of December 2013. It includes the new contracts awarded over the period, such as the Mirfa contract (Abu Dhabi, €146 million, 7 years) for the construction and management of a reverse osmosis unit, and the Al Amerat contract (Oman, €25



million), for the design, construction and operation of a waste water treatment plant over a period of two years.

## **GOVERNANCE**

The Board of Directors noted Olivier Pirotte's resignation from his office as a Director; this resignation was the result of the sharp decrease in GBL's interest in SUEZ ENVIRONNEMENT Company. The Board of Directors warmly thanks Olivier Pirotte for his contribution to the Board and to its Committees.

Furthermore, pursuant to the terms of the agreement entered into with the La Caixa Group on 17 July this year, the Board noted that "La Caixa" Group has held over 5% of SUEZ ENVIRONNEMENT COMPANY'S shares and voting rights since 7 October, and confirmed the appointment of Isidro Fainé, the Chairman of "La Caixa" Group. Accordingly, Isidro Fainé has become a Director of SUEZ ENVIRONNEMENT COMPANY and a member of the Board's Strategy Committee.

Lastly, the Board of Directors appointed Anne Lauvergeon as a Director and member of the Board's Appointments and Remuneration Committee, on the recommendation of the Appointments and Remuneration Committee.

Following these changes, the Board of Directors consists of 17 Directors, half of whom are independent. 35% of the Board's members are women, and 30% are non-French Directors.

## **NEXT RELEASES**

- **25 February 2015:** publication of the 2014 annual results.

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## APPENDIX

### REVENUE BY GEOGRAPHY

| In €m                                   | 9M 2013<br>adjusted | 9M 2014       | % 9M<br>2014  | Δ 14/13      |
|---|---------------------|---------------|---------------|--------------|
| <b>FRANCE</b>                           | <b>3 859</b>        | <b>3 825</b>  | <b>36.5%</b>  | <b>-0.9%</b> |
| Spain                                   | 1 156               | 1 272         | 12.1%         | 10.0%        |
| UK                                      | 695                 | 688           | 6.6%          | -1.0%        |
| Others Europe                           | 1 886               | 1 870         | 17.8%         | -0.8%        |
| <b>EUROPE (excluding France)</b>        | <b>3 737</b>        | <b>3 830</b>  | <b>36.5%</b>  | <b>2.5%</b>  |
| North America                           | 635                 | 620           | 5.9%          | -2.4%        |
| South America                           | 605                 | 553           | 5.3%          | -8.5%        |
| Oceania                                 | 788                 | 735           | 7.0%          | -6.8%        |
| Asia                                    | 274                 | 249           | 2.4%          | -9.2%        |
| Others International                    | 697                 | 679           | 6.5%          | -2.6%        |
| <b>INTERNATIONAL (excluding Europe)</b> | <b>2 999</b>        | <b>2 835</b>  | <b>27.0%</b>  | <b>-5.5%</b> |
| <b>TOTAL</b>                            | <b>10 595</b>       | <b>10 491</b> | <b>100.0%</b> | <b>-1.0%</b> |

### IFRS 10 & 11 AND CHANGE OF DEFINITION

RESTATED YTD SEPTEMBER 2013 FIGURES<sup>(1)</sup>

(In € million)

|                 | YTD Sept.<br>2013<br>indicators | IFRS 10 & 11<br>impacts &<br>change of<br>definition | YTD Sept.<br>2013<br>restated<br>indicators |
|-----------------|---------------------------------|--|---|
| <b>REVENUE</b>  |                                 |  |   |
| WATER EUROPE    | 3,261                           | +24  | 3,285                                       |
| WASTE EUROPE    | 4,871                           | -61  | 4,810                                       |
| INTERNATIONAL   | 2,683                           | -189   | 2,494                                       |
| OTHER           | 5                               | +1   | 6   |
| <b>TOTAL</b>    | <b>10,820</b>                   | <b>-225</b>  | <b>10,595</b>                               |
| <b>EBITDA</b>   | <b>1,859</b>                    | <b>+17</b>   | <b>1,876</b>                                |
| <b>NET DEBT</b> | <b>7,820</b>                    | <b>-35</b>   | <b>7,785</b>                                |

(1) Non audited figures



## **SUEZ ENVIRONNEMENT**

Natural resources are not infinite. SUEZ Environnement (Paris: SEV, Brussels: SEVB) and its subsidiaries commit to meeting the challenge of protecting resources by providing innovative solutions to millions of people and to industries on a daily basis. SUEZ Environnement provides 92 million people with drinking water, 65 million people with waste water treatment services, and collects waste from some 52 million people. SUEZ Environnement has 79,219 employees and, with its presence on five continents, is a world leader exclusively dedicated to water and waste management services. SUEZ Environnement generated total revenues of EUR 14.6 billion in 2013.

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