

Electrifying Times

In buying up Electrabel...

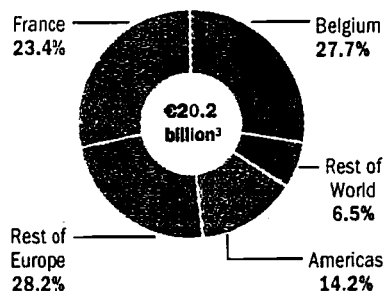
Electrabel's key markets¹

COUNTRY	ELECTRICITY SALES ²	EMPLOYEES
Belgium	75,938 GWh	11,187
Netherlands	30,724	833
Italy	10,355	1,068
Poland	8,003	1,473
Germany	7,271	150
France	5,429	78
Hungary	4,459	449
Luxembourg	2,789	19

¹Figures as of Dec. 31, 2004 ²In gigawatt hours ³Accounted under IFRS rules

Suez is bolstering its biggest region

Revenue contribution, first-half 2005



Source: the companies

Suez Yields to Heat, Will Buy Electrabel

Utility to Pay €11.2 Billion For 49.9% Amid Pressure From U.S. Fund Manager

By BRIAN LAGROTTERIA

Dow Jones Newswires

PARIS—French utility group Suez SA said it would pay €11.2 billion in cash and shares to acquire the 49.9% of Belgian power company Electrabel it doesn't own, after months of resisting investor pressure to do so.

Suez's move comes after a nine-month campaign by activist U.S. fund

Change of Heart

Despite Suez's assertion it was happy with 50.1% of Electrabel, the prospect of the firm getting away forced Suez's hand. Article on page M3.

manager Eric Knight, who had exhorted Suez either to buy the rest of Electrabel or sell its stake, and had taken legal action against the two companies in Belgium.

Mr. Knight, whose Knight Vinke Asset Management holds stakes in both companies, argued that Suez's partial ownership of the Belgian utility hurt both companies' valuations. Suez's chief executive, Gerard Mestrallet, had brushed aside Mr. Knight's arguments as "fallacious."

Asked yesterday why he decided to go ahead with the deal now, after months of dismissing it as a bad idea, Mr. Mestrallet told reporters at a news conference: "I said that we were comfortable with 50%, and that was true. But we're even more comfortable with more than 50%."

Mr. Knight said he would temporarily suspend legal action against the companies in the Brussels Commercial Court. In a statement, he added that the buyout was "long overdue and offers both companies the opportunity to redefine their core activities and improve their respective inefficient balance-sheet structures."

The deal will enable Suez to simplify its unwieldy corporate structure and capture the €1.77 billion cash flow of its biggest asset. At the moment, Suez reaps only dividends from Electrabel. Last year, they accounted for about 22% of Suez's €1.8 billion net profit.

In Paris, Suez shares rose €1.54, or 7%, to close at €23.54. In Brussels, Electrabel shares rose €26.10, or 6.7%, to €415.70. Suez said it would offer €322 and four of its own shares for each Electrabel share, giving the deal a current market value of about €416. Electrabel shares have risen 31% since Mr. Knight began his campaign last December.

Mr. Mestrallet said the deal was in part prompted by the consolidation of Europe's energy market. He pointed to the recent partial privatization of French natural-gas utility Gaz de France SA and the

Please Turn to Page A8, Column 1