VEOLIA ENVIRONNEMENT
Form 6-K
October 15, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of October 2008

Commission File Number: 001-15248

VEOLIA ENVIRONNEMENT

(Exact name of registrant as specified in its charter)

36-38, avenue Kléber

75116 Paris, France

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yeso No x

If Yes marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

This is a free translation into English of Veolia Environnement s update of its 2007 document de reference (the Reference Document) filed by Veolia Environnement with the French Autorité des marchés financiers on September 25, 2008 and is provided solely for the convenience of English speaking readers.

Update of the 2007 Reference Document

This update of the 2007 Reference Document was filed with the *Autorité des marchés financiers* (AMF) on September 25, 2008, pursuant to Article 212-13, paragraph IV, of the AMF s General Regulations. It supplements the 2007 Reference Document of Veolia Environnement filed with the AMF on March 31, 2008 under number D.08-0172. The reference document and its update may be used in connection with a financial transaction if supplemented by an offering memorandum (a *note d opération*) approved by the AMF.

TABLE OF CONTENTS

1. Persons Assuming Responsibility for the Reference Document

1.1 Person Assuming Responsibility for Information Contained Herein

Mr. Henri PROGLIO, Chairman and Chief Executive Officer of Veolia Environnement (hereinafter referred to as the Company or Veolia Environnement).

1.2 Certification

I certify that to the best of my knowledge and after having taken all reasonable measures to ensure the accuracy thereof, all of the information contained in this update is true and that such update does not omit any information liable to rendering it misleading.

I certify that to my knowledge the condensed financial statements for the past half-year were established in accordance with applicable accounting standards and present a reliable representation of the assets, financial condition and results of the company and of all of the companies included in its scope of consolidation, and that the half-year activity report appearing in Chapter 9 presents a reliable depiction of the significant events that occurred during the first six months of the fiscal year and their impact on the financial statements, of the main transactions between related parties, as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

The statutory auditors have provided me with a letter indicating that they have completed their work (*lettre de fin de travaux*), and stating that they have verified the consistency of the information relating to the financial condition and financial statements contained in this update and that they have read the entire update. There were no observations noted in this letter.

The forecasted financial information presented in this update was subject to a report by the statutory auditors. Such report can be found in Chapter 13, paragraph 13.2 of this update.

Chairman and Chief Executive Officer

Henri PROGLIO

2. Persons Responsible for Auditing the Financial Statements

2.1 Principal Statutory Auditors

KPMG SA

Member of KPMG International

Commissaire aux comptes, Member of the *Compagnie régionale de Versailles*

A company represented by Mr. Jay NIRSIMLOO and Mr. Baudouin GRITON,

located at 1 Cours Valmy, 92923 Paris La Défense Cedex, France.

This company was appointed at the Combined General Shareholders Meeting held on May 10, 2007 as a replacement for Salustro Reydel, for a term of six fiscal years expiring at the end of the General Shareholders Meeting called to approve the financial statements for the fiscal year ending December 31, 2012.

Ernst & Young et Autres

Commissaire aux comptes, Member of the *Compagnie régionale de Versailles*

A company represented by Mr. Jean BOUQUOT and Mr. Patrick GOUNELLE,

located at 41, rue Ybry, 92576 Neuilly-sur-Seine Cedex, FRANCE.

This company was appointed on December 23, 1999, with a term that was renewed at the Combined General Shareholders Meeting held on May 12, 2005 for a term of six fiscal years expiring at the end of the General Shareholders Meeting called to approve the financial statements for the fiscal year ending December 31, 2010.

2.2 Deputy Statutory Auditors

Mr. Philippe MATHIS

Located at 1 Cours Valmy, 92923 Paris La Défense Cedex, FRANCE.

Mr. Philippe MATHIS was appointed at the Combined General Shareholders Meeting held on May 10, 2007 for a term of six fiscal years expiring at the end of the General Shareholders Meeting called to approve the financial statements for the fiscal year ending December 31, 2012.

AUDITEX

Located at Tour Ernst & Young, Faubourg de l Arche, 92037 La Défense Cedex, FRANCE.

This company was appointed at the Combined General Shareholders Meeting held on May 12, 2005, for a term of six fiscal years expiring at the end of the General Shareholders Meeting called to approve the financial statements for the fiscal year ending December 31, 2010.

3. Selected Financial Information[1]

Data in IFRS

(in millions)	**06/30/2008**	**12/31/2007**	**06/30/2007**	**12/31/2006**	**12/31/2005**
Revenue from ordinary activities	18,091.7	32,628.2	15,461.6	28,620.4	25,570.4
Operating income	1,305.7	2,496.9	1,271.8	2,132.9	1,892.9
Net income attributable to the group	500.5	927.9	493.0	758.7	622.2
Net income per diluted share attributable to the group (in)	1.09	2.13	1.21	**1.89	**1.56
Net income per non-diluted share attributable to the group (in)	1.09	2.16	1.22	**1.90	**1.57
Dividends paid by the Company	553.5	419.7	419.7	336.3	265.4
Dividend per share paid during the fiscal year (in)	1.21	1.05	1.05	0.85	0.68
Total assets	47,126.0	46,306.9	41,812.3	40,123.7	36,381.0
Total current assets	17,440.5	17,214.0	16,257.4	14,956.4	13,544.5
Shareholders equity attributable to the group	7,394.0	7,612.9	4,640.7	4,360.8	3,790.2
Minority interests	2,494.4	2,577.8	2,296.5	2,192.6	1,888.0
Operating cash flow*	2,151.0	4,178.3	2,012.4	3,850.1	3,518.4
Recurring operating income	1,300.1	2,469.2	1,235.8	2,222.2	1,903.6
Recurring net income attributable to the group	497.5	933.2	481.9	762.0	630.2
Net financial debt	16,332.3	15,124.5	15,200.2	14,674.9	13,870.6

* *Operating cash flow = cash flow from continuing operations before tax and financial elements.*

*** The diluted and undiluted net earnings per share were recalculated on a retrospective basis in accordance with the IAS 33 accounting standard. In both cases, the July 2007 capital increase was taken into account.*

[1] The terms appearing in the table (other than operating cash flow) are defined in Chapter 9, paragraph 9.2.1 of the Reference Document and in Chapter 9, paragraph 9.2.1 of this update.

9. Operating and Financial Review

9.1 Results of operations for the first half of 2008

9.1.1 General context

The Group s strategy of developing environmental businesses through long-term contracts enabled it, once again, to record a marked increase in activity, with a 17% rise in revenue based on current exchange rates (19.5% at constant exchange rates).

The rise is attributable to the steady level of organic growth and the contribution of acquisitions carried out in 2007 and in early 2008. It results from the growth of all group activities and specifically the substantial increase in engineering and construction activities in the water sector (seawater desalination) and recent acquisitions in Europe, the Group s main market. It is also related to the pursuit of the development strategy and particularly the acquisition of the Bartin group (effective in February 2008), active in waste recycling and recovery and, in the energy sector, the acquisition of the Praterm group in Poland in February 2008.

Group operating results (operating cash flow and operating income) are also up. However, they were affected by the appreciation of the euro against certain currencies in countries where the Group has a significant presence (United States, United Kingdom and the Asia zone) and the sharp increase in prices of oil products (average price of a barrel increasing from $63.3 in the first half of 2007 to $110.3 in the first half of 2008), even though this is for a significant part passed on over time through contractual indexation formulas. Lastly, the contribution of certain acquisitions and recent developments (Germany) did not meet expectations.

These cyclical events do not call into question the Group s strategy and its outlook for the medium term. The Group has implemented a new cost-cutting plan (Veolia 2010) and is conducting a review of its asset portfolio. These actions should help improve Group profitability by 2010.

9.1.2 New commercial successes within growth markets

New contracts:

Several major contracts were won during the first half of 2008:

In January 2008, Veolia Eau won two installation contracts in Dubai for the treatment and recycling of briny wastewater, via its subsidiary Veolia Water Solutions & Technologies, for a total estimated amount of 22.4 million in terms of the Group share.

At the end of January 2008, Veolia Eau won a contract in Nantes for the modernization of a wastewater treatment facility attributed to a business grouping. The contract represents a total of approximately 29 million, of which 13.7 million for the segment carried out by Veolia Eau.

In February 2008, Veolia Eau won a contract for the modernization and extension of a Warsaw wastewater treatment plant as part of a consortium. The contract represents cumulative revenue estimated at   500 million, including   148 million for the Veolia Eau share.

On February 13, 2008, Veolia Propreté won a 25-year Private Finance Initiative (PFI) for the recycling of waste in the borough of Southwark (London) in the UK, representing revenue estimated at   900 million.

On March 17, 2008, Veolia Propreté won a 25-year PFI contract for the recycling of waste in the UK s West Berkshire district, representing cumulative revenue of   667 million.

On April 29, 2008, Veolia Eau, via its subsidiary Veolia Water AMI, was awarded the first delegated water management contract in Saudi Arabia. The six-year contract represents estimated aggregate revenues of   40 million.

On May 19, 2008, Veolia Eau, via OTV, a subsidiary of Veolia Water Solutions & Technologies, was awarded two major contracts with the *Syndicat interdépartemental pour l assainissement de l agglomération parisienne* (SIAAP). The two contracts represent total cumulative revenues of   224.1 million over the term for the Veolia Eau portion

On June 9, 2008, Veolia Eau was awarded a new contract in India covering the design, construction and operation of a drinking water treatment plant in the city of Nagpur, representing estimated cumulative revenues of   24 million.

On June 12, 2008, Veolia Transport won the management contract for the urban bus network of the city of Bilbao, Spain (400,000 inhabitants). The contract has a term of 8 years with an additional two years under option and represents estimated cumulative revenues of   305 million over the first eight years.

Major acquisitions and divestitures:

The Group also proceeded with the following acquisitions:

On November 19, 2007, Veolia Propreté announced the signature of an agreement for the acquisition of the entire share capital of Bartin Recycling Group, a company specializing in the collection and recovery of industrial waste and in particular the recycling of ferrous and non-ferrous metals. The transaction represents an investment of 189.9 million in terms of the enterprise value and was finalized on February 13, 2008. The acquisition s contribution to Group revenue for the period ended June 30, 2008 amounts to 136 million.

In February 2008, following a takeover bid launched on December 17, 2007, Dalkia became the majority shareholder in Praterm, a heat production and distribution company in Poland, with a stake of 97.9%. This transaction will further strengthen Dalkia s positioning in this country, where it already owns two of the largest heating networks in Poznan and Lodz. The operation represents an investment of 117 million for Dalkia in terms of the enterprise value (Group share). The Praterm contribution to Group revenue for the period ended June 30, 2008 amounts to 16 million (Group share).

In February 2008, Veolia Cargo, a subsidiary of Veolia Transport specialized in rail freight transport, signed an agreement relating to the acquisition of Rail4Chem, a railway company specialized in international rail freight transport. Owned by four private shareholders, Rail4Chem generated revenues of more than 80 million in 2007. The acquisition was finalized on April 18, 2008 for an investment of 40 million in terms of the enterprise value.

The Group sold the ship *Jean Nicoli* for 105 million in the first half of 2008. The ship, which was owned by Veolia Transport, had been leased to the SNCM in the context of a public service delegation.

9.2 Accounting and financial information

9.2.1 Definitions and accounting context

The term **organic growth** includes growth resulting from:

the expansion of an existing contract, particularly resulting from an increase in prices and/or volumes delivered or processed,

new contracts,

the acquisition of operating assets attributed to a particular contract or project.

The term **external growth** includes growth through acquisitions (those occurring during the current financial year and those with a partial impact on the past year), net of divestitures, of entities and/or assets used in one or more markets and/or that hold multiple contracts.

Net financial debt represents gross financial debt (long-term borrowings, short-term borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt.

Net finance costs represent the cost of gross financial debt, including related gains and losses on interest rate and foreign exchange hedges, less income on cash and cash equivalents.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses sold or in the process of being sold, in accordance with IFRS 5. It is equal to the net income (loss) generated in the period by the assets and liabilities reported in the balance sheet headings, Assets of discontinued operations and Liabilities of discontinued operations.

Recurring net income attributable to equity holders of the parent is defined as follows: recurring portion of operating income + recurring portion of financial items + recurring portion of the share of net income of associates + recurring portion of net income attributable to minority interests + recurring portion of the income tax expense. An accounting item is non-recurring if it is unlikely to recur during each period and if it substantially changes the economics of one or more cash-generating units.

Accounting context

The accounting policies used to approve the financial statements for the first half of 2008 have not changed in relation to the fiscal year 2007 financial statements.

9.2.2 Revenue

9.2.2.1 Overview

As of June 30, 2008 (in millions)	As of June 30, 2007 (in millions)	% change 2008/2007	of which internal growth	of which external growth	of which currency effect
18,091.7	15,461.6	17.0%	11.1%	8.4%	(2.5)%

Veolia Environnement s consolidated revenue at June 30, 2008, was 18,091.7 million, up 17.0% (+19.5% at constant exchange rates), versus 15,461.6 million at June 30, 2007.

Internal growth of 11.1% was driven by the strong commercial development in all Group activities and boosted by the start-up of engineering and construction contracts in the Water division. The increase of energy prices within the Energy division contributed approximately 189 million in revenue.

External growth of 8.4% was primarily led by the contribution from acquisitions completed by Veolia Environmental Services (the waste management division) in Germany, Italy and France (for a total revenue contribution of 718 million euros), by Veolia Energy in the United States (revenue contribution of 172 million euros) and Veolia Water mainly in the United Kingdom and Japan (for a total revenue contribution of approximately 148 million euros).

The share of recorded revenue outside France totaled 10,416.2 million, or 57.6% of the total at June 30, 2008 versus 54.5% at June 30, 2007

The negative impact of exchange rate movements for 391.3 million primarily reflects the depreciation of the US dollar for - 195.3 million and the pound sterling for - 194.6 million, partially offset by the appreciation of the Czech crown for + 63.7 million.

9.2.2.2 Revenue by division

(million)	**As of June 30, 2008**	As of June 30, 2007	% change 2008/2007
Water	5,987.7	5,220.7	14.7%
Environmental Services	5,085.4	4,195.9	21.2%

Energy Services	4,049.1	3,320.7	21.9%
Transportation	2,969.5	2,724.3	9.0%
Revenue	**18,091.7**	**15,461.6**	**17.0%**
Revenue at 2007 exchange rates	**18,483.0**	**15,461.6**	**19.5%**

WATER

As of June 30, 2008 (in millions)	As of June 30, 2007 (in millions)	% change 2008/2007	of which internal growth	of which external growth	of which currency effect
5,987.7	5,220.7	14.7%	12.8%	3.8%	(1.9)%

I**France**, organic growth was 3.3%[2], supported by a wider offering of services and by growth in the engineering works business that offset the decline in volumes in production due to the weather conditions during the second quarter of 2008.

Outside France, excluding Veolia Water Solutions & Technologies, revenue increased 19.0% (up 15.2% at constant consolidation scope and exchange rates). In Europe, growth of 15.1% benefited from the new unregulated activities in the water business acquired in the United Kingdom and price increases in the Czech Republic and the provisional admission of the Brussels facility. Business was brisk in the Africa/Middle East region, increasing 22.7% at constant consolidation scope and exchange rates, mainly due to the BOT contract for Oman Sûr (Build, Operate and Transfer). In Asia-Pacific, robust growth of 36% at constant consolidation scope and exchange rates, was mainly driven by the start-up of new industrial and municipal contracts in China (Lanzhou, Haikou, etc.), by the increase in volumes and the expansion of the Shenzhen concession as well the Gold Coast contract and the Sydney desalination contract in Australia. In the United States, 5.6% growth at constant exchange rates was primarily due to the start-up of the Milwaukee contract and the good level of engineering works activities in Indianapolis.

---

[2] Excluding subsidiaries and foreign construction establishments.

Veolia Water Solutions & Technologies, achieved revenue of 1,095.1 million, an increase of 29.5% at constant consolidation scope and exchange rates, largely due to strong, sustained growth in the Design and Build municipal and industrial business, in particular in the Middle East.

ENVIRONMENTAL SERVICES

As of June 30, 2008 (in millions)	As of June 30, 2007 (in millions)	% change 2008/2007	of which internal growth	of which external growth	of which currency effect
5,085.4	4,195.9	21.2%	8.5%	18.2%	(5.5)%

In France, revenue increased 15.5% (7.3% on a constant consolidation scope), driven by the good performance of the non-hazardous household and industrial waste management (new contracts in incineration) activities, as well as the paper sorting, recycling and trade business and the acquisition of Bartin Recycling Group, finalized in February 2008.

Outside France, all geographical regions contributed to the 8.6% organic growth. Despite the economic slowdown, growth was strong in North America (up 10.8% at constant consolidation scope and exchange rates) due to the increase in prices in the solid waste activity that offset lower in volumes, the good performance of the hazardous waste and industrial services businesses in the United Kingdom (up 7% at constant consolidation scope and exchange rates), in particular due to the impact of new integrated contracts. In Asia, the development of recent contracts significantly contributed to the 19.8% organic growth in the region. Lastly, in the Pacific region, growth of 22.9% (up 17% at constant consolidation scope and exchange rates) resulted from a substantial increase in the waste collection and treatment business (residual waste landfills) and industrial services.

External growth of 18.2% primarily reflected the acquisition of Sulo in Germany (consolidated since July 2, 2007) for a contribution to revenue of 523 million, VSA Tecnitalia (formerly TMT) in Italy for a contribution of 38 million, as well as the activities of Bartin Recycling Group in France (consolidated since February 2008) for a contribution of 136 million.

(1) excluding foreign engineering works subsidiaries and establishments

ENERGY SERVICES

As of June 30, 2008 (in millions)	As of June 30, 2007 (in millions)	% change 2008/2007	of which internal growth	of which external growth	of which currency fluctuation
4,049.1	3,320.7	21.9%	13.4%	8.5%	0%

In France, revenue increased 15.5% at a constant consolidation scope led by the increase in energy prices, better weather conditions than in the first half of 2007 despite average temperatures during the 2008 winter remaining above their thirty-year average, and the good commercial growth recorded by specialization subsidiaries (particularly facilities).

Outside France, total growth was 30.1%, including 10.6% at constant consolidation scope and exchange rates, due to the increase in energy prices and to better but contrasting weather conditions in the various geographic regions.

External growth of 8.5%, mainly reflects the acquisition of Thermal North America Inc. in the United States at the end of 2007, which contributed 172 million to revenue, as well as to a lesser extent, Praterm in Poland and smaller companies in Central and Southern Europe.

TRANSPORTATION

As of June 30, 2008 (in millions)	As of June 30, 2007 (in millions)	% change 2008/2007	of which internal growth	of which external growth	of which currency fluctuation
2,969.5	2,724.3	9.0%	8.7%	2.5%	(2.2)%

In **France** revenue rose 6.7% at a constant consolidation scope, led by the ongoing increase in business in the urban and interurban networks.

Outside France, revenue grew 10.2% (up 9.9% at constant consolidation scope and exchange rates), and reflected the full impact of the division s developments in North America, in Germany (new contracts) as well as robust growth in Australia.

External growth was 2.5%, primarily reflecting the acquisition of People Travel Group in Sweden in 2007.

9.2.2.3 Revenue by geographical area

(million)	**As of June 30, 2008**

		As of June 30, 2007	% change 2008/2007	% change 2008/2007 (constant exchange rates)
France	**7,675.6**	7,035.8	9.1%	9.1%
United Kingdom	**1,464.9**	1,450.9	1.0%	14.4%
Germany	**1,610.6**	1,016.7	58.4%	58.4%
Other European countries	**3,449.2**	2,911.0	18.5%	15.8%
United States	**1,408.8**	1,285.1	9.6%	24.8%
Oceania	**738.7**	577.5	27.9%	29.0%
Asia	**561.1**	424.5	32.2%	42.9%
Rest of the world (including the Middle East)	**1,182.8**	760.1	55.6%	59.3%
Revenue	**18,091.7**	**15,461.6**	**17.0%**	**19.5%**

France

Growth in France reached 9.1% due to weather conditions in the first half of 2008 that were more favorable for energy services than was the case in the first half of 2007. Conversely, Veolia Eau benefited from continued vigorous growth in engineering and construction work and Veolia Energie from order books in the specialized businesses (particularly installations). The growth of Veolia Propreté is related to the increase in solid and toxic waste tonnage collected and treated under high value-added service contracts. Veolia Transport benefited from sustained activity growth in intercity transit systems in the Greater Paris region.

United Kingdom

Excluding the foreign exchange impact, growth stood at 14.4%. Activity benefited from the step-up in new contracts in the Environmental Services activity, commercial development and smaller acquisition from Veolia Energie and the acquisition of non-regulated activities of the Thames Water by Veolia Eau.

Germany

Revenue growth in Germany totaled 58.4% and was primarily attributable to the acquisition of the Sulo Group by Veolia Propreté, increased sales under the Braunschweig contract (Veolia Eau), and the organic growth of railway activities (Veolia Transport).

Other European countries

Revenue growth of 18.5% was mainly due to the expansion of Veolia Energie in Southern Europe, the acquisition of VES Tecnitalia by Veolia Propreté in Italy and the growth of Veolia Eau and Veolia Energie activities in Central Europe.

United States

Revenue growth of 24.8%, excluding the foreign exchange impact, was particularly strong across all Veolia Propreté activities and in Veolia Transport, with the full effect of recent developments and the impact of the acquisition of Thermal North America Inc. by Veolia Energie at the end of 2007.

Oceania

The 27.9% revenue growth in Oceania was driven by Veolia Eau contracts in Australia (Gold Coast and desalination plant in Sydney), all the Veolia Propreté activities, particularly the Woodlaw contract, the acquisition of TDU in Australia by Veolia Energie and the increase in revenue under the Veolia Transport Melbourne contract.

Asia

Growth of 32.2% in Asia was mainly driven by Veolia Eau and attributable to recent developments (contracts in China and acquisitions in Japan) and, to a lesser extent, by Veolia Propreté and Veolia Energie with the start-up of new contracts.

Rest of the world (including the Middle East)

Revenue growth of 59.3% was marked by the steady growth of Veolia Eau activities in North Africa and new contracts won by this division in the Middle East.

9.2.3 Other income statement items

9.2.3.1 Operating income and operating cash flow

The change in operating income and recurring operating income is as follows:

	Operating income					**Recurring operating income**			
	As of June 30, 2008	As of June 30, 2007	% change	Currency fluctuation	% change (constant exchange rates)	**As of June 30, 2008**	As of June 30, 2007	% change	% change (constant exchange rates)
Water	599.0	576.1	4.0%	(10.8)	5.8%	597.0	574.4	3.9%	5.8%
Environmental Services	404.2	389.1	3.9%	(29.1)	11.4%	404.8	389.1	4.0%	11.5%
Energy Services	293.8	259.7	13.1%	9.4	9.5%	290.4	250.9	15.7%	11.9%
Transportation	63.4	73.3	(13.5)%	0.5	(14.2)%	62.6	47.8	31.0%	29.9%
Unallocated	(54.7)	(26.4)		-	-	(54.7)	(26.4)	-	-
Total	**1,305.7**	**1,271.8**	**2.7%**	**(30.0)**		**1,300.1**	**1,235.8**	**5.2%**	

Total at 2007 exchange rates	**1,335.7**	**1,271.8**		**5.0%**	**1,330.1**	**1,235.8**		**7.6%**

The 30 million negative foreign exchange impact is primarily due to the depreciation of the pound sterling for - 26.1 million, mainly in the Water and Environmental Services divisions, the US dollar for - 10.9 million, essentially in Environmental Services, partially offset by the revaluation of the Czech crown for + 12 million, particularly in Energy Services.

Operating income is as follows for the periods ended June 30, 2008 and 2007:

As of June 30, 2008 (million)	Recurring items	Non recurring items Impairment losses	Other	Total
Water	597.0	2.0		599.0
Environmental Services	404.8		(0.6)	404.2
Energy Services	290.4	3.4		293.8
Transportation	62.6	0.8		63.4
Holding companies	(54.7)	-		(54.7)
Total	**1,300.1**	**6.2**	**(0.6)**	**1,305.7**

As of June 30, 2007 (million)	Recurring items	Non recurring items Impairment losses	Other	Total
Water	574.4	1.7	-	576.1
Environmental Services	389.1	-	-	389.1
Energy Services	250.9	8.8	-	259.7
Transportation	47.8	12.6	12.9	73.3
Holding companies	(26.4)	-	-	(26.4)
Total	**1,235.8**	**23.1**	**12.9**	**1,271.8**

On a constant exchange rate basis, operating income rose 5.0%, while growth in recurring operating income totaled 7.6%.

The change in operating cash flow is as flows:

	Operating Free Cash Flow **As of** **June 30, 2008**	As of June 30, 2007	% change 2008/2007	constant exchange rates
Water	904.0	866.7	4.3%	6.2%
Environmental Services	714.9	677.6	5.5%	12.0%
Energy Services	432.1	359.1	20.3%	16.8%
Transportation	145.7	129.5	12.5%	13.4%
Holding companies	(45.7)	(20.5)	-	-
Total	**2,151.0**	**2,012.4**	**6.9%**	
Total at 2007 exchange rates	**2,200.3**	**2,012.4**		**9.3%**

WATER

Operating income for the Water division stood at 599.0 million for the first half of 2008, compared to 576.1 million for the first half of 2007, for growth of 4.0%. On a constant exchange rate basis, operating income rose 5.8%. Operating cash flow amounted to 904.0 million for the period ended June 30, 2008, compared to 866.7 million for the period ended June 30, 2007, for a growth rate of 6.2% on a constant exchange rate basis.

The foreign exchange impact on operating income and operating cash flow was negative for - 10.8 million and - 16.5 million respectively, and mainly involved the pound sterling.

In France, productivity improvement efforts, the development of new services and the good level of activity in the engineering works business drove growth in operating income despite a slight decline in volumes delivered.

Outside France, the increase was affected by the acquisition of unregulated activities in the United Kingdom, solid activity in Germany through the BVAG contract and the provisional admission of the Brussels facility. The improvement in Gabon operations also contributed to the increase in operating income.

Lastly, Veolia Water Solutions & Technologies reported an improvement in its operating income.

The operating margin (operating income/revenue ratio) decreased by one basis point from 11.0% in 2007 to 10.0% in 2008, primarily due to a very rapid growth of the engineering and construction activities, which have a lower margin and are less capital intensive.

ENVIRONMENTAL SERVICES

Operating income for the Environmental Services division increased by 3.9% (and 11.4% at constant exchange rates), increasing from 389.1 million for the first half of 2007 to 404.2 million for the first half of 2008.

Operating cash flow amounted to 714.9 million for the period ended June 30, 2008, compared to 677.6 million for the period ended June 30, 2007, for a 12.0% increase at constant exchange rates.

Higher fuel prices not yet passed on to customers had a negative impact of 15 million on both operating cash flow and operating income for the Environmental Services division, mainly in France.

Outside France, the negative foreign exchange impacts on operating income and operating cash flow mainly concern, respectively, the US dollar for (10.9) million and (18.7) million, and the pound sterling for (15.1) million and (21.9) million.

The growth in operating cash flow benefited from the good contribution businesses in North America, the United Kingdom and the Asia-Pacific region.

The contribution from acquisitions over the course of the past 12 months to operating cash flow amounted to 64.7 million for the period ended June 30, 2008, mainly due to the acquisition of Sulo.

The operating margin (operating income / revenue) declined from 9.3% in 2007 to 7.9% in 2008. The change is primarily explained by the impact of recent acquisitions, higher fuel prices and a lower contribution in terms of the euro in the United Kingdom and the United States, where margins are higher.

ENERGY SERVICES

Operating income for the Energy Services division stood at 293.8 million in the first half of 2008, compared to 259.7 million in the first half of 2007, an increase of 13.1%. The increase was 9.5% on a constant exchange rate basis.

Operating cash flow amounted to 432.1 million for the period ended June 30, 2008, compared to 359.1 million for the period ended June 30, 2007, for an increase of 16.8% at constant exchange rates.

Foreign exchange impacts on operating income and operating cash flows are positive at 9.4 million and 12.4 million respectively and mainly concern the Czech crown for 7.1 million and 8.8 million.

In France, the growth in operating income benefited from higher energy prices, following slightly more favorable weather conditions in 2008, compared to 2007. However, the contribution of CO2 operations to operating income was lower for the first half of 2008. Outside France, the increase in operating cash flow and operating income reflects the positive impact of energy prices, mainly in Central Europe, and the impact of the acquisitions of Thermal North America in the United States, Praterm in Poland and other acquisitions in Central Europe.

The operating margin (operating income / revenue) decreased from 7.8% for the period ended June 30, 2008 to 7.3% for the period ended June 30, 2007, mainly in relation to the positive change in energy prices offset by lower net income on the CO2 disposal operations.

TRANSPORTATION

Operating income for the Transportation division stood at 63.4 million for the period ended June 30, 2008 (62.6 million in recurring operating income) compared to 73.3 million for the period ended June 30, 2007 (47.8 million in recurring operating income). The increase in recurring operating income at constant exchange rates was 29.9%.

Operating cash flow stood at 145.7 million for the period ended June 30, 2008, compared to 129.5 million for the period ended June 30, 2007, for an increase of 13.4% at constant exchange rates.

Higher fuel prices not yet passed on to customers had a negative impact of 21 million on both operating cash flow and operating income for the Transportation division.

In France, the unfavorable impact due to the end of the reduction to social contribution costs and to higher fuel prices was partly offset by the increase in business in the urban and interurban networks, improvement in productivity and capital gains on asset disposals.

Outside France, despite the unfavorable impacts arising from higher fuel prices, operating cash flow and operating income benefited from the significant turnaround in operations following certain contractual renegotiations in Germany and a sound contribution from other Central European countries, the United States and Australia. The difficult operating conditions in the

Netherlands should improve over the second half subsequent to the contractual renegotiations currently underway.

The operating margin (recurring operating income / revenue) increased from 1.8% for the period ended June 30, 2007 to 2.1% for the period ended June 30, 2008.

HOLDING COMPANIES

The decline in costs during the first half of 2008 is due to the activity s growth and the step-up in mutualization projects.

9.2.3.2 Net finance costs

(million)	**As of June 30, 2008**	As of June 30, 2007
Income	74.9	70.0
Expense	(501.2)	(461.6)
Finance costs, net	**(426.3)**	**(391.6)**
Other financial income and expenses	**(9.4)**	**(11.3)**

The increase in net finance costs reflects:

the increase in average net financial debt;

the increase in the financing rate due to tensions in the interbank markets and the extension of the average debt maturity following long-maturity issues in pound sterling.

The financing rate (defined as the ratio of net finance costs, excluding fair value adjustments to financial instruments not qualifying for hedge accounting, to average net financial debt for the period) increased from 5.27% in the first half of 2007 to 5.41% in the first half of 2008. This rate takes into account the settlements of interest rate options. Adjusted for these operations, the financing rate would have amounted to 5.66%.

9.2.3.3 Income tax expense

The Group s consolidated net income tax expense for the first half of 2008 amounts to 226.5 million, compared to 235.0 million for the period ended June 30, 2007.

Compared with the net income of continuing operations adjusted for this tax expense and related earnings, the apparent income tax rate was 26.0% in the first half of 2008, compared to 27.0% in the first half of 2007.

The change in the tax expense for the period ended June 30, 2008 is attributable to:

An improved outlook for the use of ordinary tax losses of the U.S. tax group, which should generate an additional deferred tax credit equivalent to the amount used in the first half;

A better outlook for the use of ordinary tax losses of the French tax group following the elimination of certain risks.

9.2.3.4 Share of net income of associates

The item decreased from 10.7 million for the period ended June 30, 2007 to 9.0 million for the period ended June 30, 2008.

9.2.3.5 Net income (loss) from discontinued operations

The net loss from discontinued operations decreased from 8.2 million for the period ended June 30, 2007 to 1.8 million for the period ended June 30, 2008. It concerns the Transportation activity in Denmark, which was sold in 2007.

9.2.3.6 Net income for the year attributable to minority interests

Net income for the year attributable to minority interests stood at 150.2 for the period ended June 30, 2008, compared to 143.4 million for the period ended June 30, 2007. The line item primarily concerns minority interests from subsidiaries in the Water division (63.6 million), the Environmental Services division (12.8 million), the Energy Services division (68.2 million) and the Transportation division (4.9 million).

For the period ended June 30, 2007, net income for the year attributable to minority interests represented 143.4 million. The line item mainly concerned minority interests from subsidiaries in the Water division (60.5 million), the Environmental Services division (10.0 million), the Energy Services division (65.4 million) and the Transportation division (6.9 million).

9.2.3.7 Net income for the year attributable to equity holders of the parent

Net income for the year attributable to equity holders of the parent amounted to 500.5 million for the period ended June 30, 2008, compared to 493.0 million for the period ended June 30, 2007. Recurring net income for the year attributable to equity holders of the parent amounted to 497.5 million for the period ended June 30, 2008, compared to 481.9 million for the period ended June 30, 2007.

Given the weighted average number of shares outstanding totaling 457.2 million for the period ended June 30, 2008 and 398.7 million for the period ended June 30, 2007, earnings per share attributable to equity holders of the parent stood at 1.09, compared to 1.22 for the period ended June 30, 2007 (adjusted for the share capital increase in July 2007). Recurring net income per share stood at 1.09 for the period ended June 30, 2008, compared to 1.19 for the period ended June 30, 2007 (adjusted for the share capital increase in July 2007).

Recurring net income for the period ended June 30, 2008 was determined as follows:

Half-year ended June 30, 2008

(million)	Recurring	Non recurring	Total	Comments
Operating income	1,300.1	5.6	1,305.7	2.3.1
Net finance costs	(426.3)	-	(426.3)	2.3.2
Other financial income and expenses	(9.4)	-	(9.4)	2.3.2
Income tax expense	(226.5)	-	(226.5)	2.3.3
Share of net income of associates	9.0	-	9.0	2.3.4
Net income from discontinued operations	-	(1.8)	(1.8)	2.3.5
Minority interests	(149.4)	(0.8)	(150.2)	2.3.6
Net income attributable to equity holders of the parent	**497.5**	**3.0**	**500.5**	

Recurring net income for the period ended June 30, 2007 was determined as follows:

Half-year ended June 30, 2007

(million)	Recurring	Non recurring	Total	Comments
Operating income	1,235.8	36.0	1,271.8	2.3.1
Net finance costs	(391.6)	-	(391.6)	2.3.2
Other financial income and expenses	(6.7)	(4.6)	(11.3)	2.3.2
Income tax expense	(232.2)	(2.8)	(235.0)	2.3.3
Share of net income of associates	10.7	-	10.7	2.3.4
Net income from discontinued operations	-	(8.2)	(8.2)	2.3.5
Minority interests	(134.1)	(9.3)	(143.4)	2.3.6
Net income attributable to equity holders of the parent	**481.9**	**11.1**	**493.0**	

Recurring net income increased by 3.2% from 481.9 million to 497.5 million.

9.3 Financing

Net financial debt is as follows:

(million)	**As of June 30, 2008**	As of June 30, 2007
Net financial debt at opening	**(15,125)**	**(14,675)**
Cash flow from operation	**2,163**	**2,009**
Income taxes paid	(168)	(140)
Change in operating working capital requirements	(249)	(246)
Net cash from operating activities	**1,746**	**1,623**
Capital expenditures	(2,316)	(1,715)
Principal payments on operating financial assets	194	176
Proceeds on disposal	260	181
Change in other financial receivables	(106)	(13)
Net cash from investing activities	**(1,968)**	**(1,371)**
Dividends paid	(726)	(501)
Interest paid	(369)	(320)
Change in capital	(105)	119
Other changes (o/w exchange rates)	215	(75)
Change in net financial debt	**(1,207)**	**(525)**
Closing net financial debt	**(16,332)**	**(15,200)**

Net cash from operating activities increased from 1,623 million for the period ended June 30, 2007 to 1,746 million for the period ended June 30, 2008. The increase is essentially due to an improvement in the cash flow from operating cash flow.

Net cash used in investing activities amounted to 1,968 million for the period ended June 30, 2008, compared to 1,371 million for the period ended June 30, 2007. The 597 million increase compared to 2007 was mainly related to investments in the Bartin group companies in France for 189 million regarding Environmental Services, the Praterm group in Poland for 119 million with respect to Energy Services and an increase in capital expenditure for 131 million offset by the sale of the *Jean Nicoli* ship for 105 million concerning Transportation.

9.3.1 Cash flow from operation

Cash flow from operating totaled 2,163.2, including 2,151.0 million in operating cash flow (compared to 2,012.4 million for the period ended June 30, 2007) and 12.2 million in financial cash flow (compared to (3.1) million for the period ended June 30, 2007).

9.3.2 Operating working capital requirement

The operating working capital requirement remained relatively stable for the period ended June 30, 2008 compared to June 30, 2007, increasing from (245.7) million in 2007 to (249.1) million in 2008, primarily as a result of activity growth. This was reflected in a significant increase in trade receivables for Environmental Services, particularly in inventories. In the construction activity, several advances received at the end of 2007 with respect to major projects were used in the first half. These negative impacts were partially offset by the positive impact arising from the settlement of the Water division s drainage receivables for the first half (Berlin contract).

9.3.3 Investments / Divestitures / Capital increases

9.3.3.1 Investments

(million)	Industrial investments (1)		Financial investments (2)		New operating financial assets	
	As of June 30, 2008	As of June 30, 2007	**As of June 30, 2008**	As of June 30, 2007	**As of June 30, 2008**	As of June 30, 2007
Water	479	390	91	51	136	114
Environmental Services	464	358	273	88	28	8
Energy Services	183	175	178	117	35	11
Transportation	196	289	45	21	2	19
Other	28	7	6	2	17	-
TOTAL	**1,350**	**1,219**	**593**	**279**	**218**	**152**

(1) Including assets purchased under finance leases
(2) Excluding cash and cash equivalents of companies acquired

Industrial investments

Industrial investments (excluding assets purchased under finance leases) totaled 1,220.5 million for the first half of 2008, compared to 1,194 million for the first half of 2007, for an increase of 3.5%.

Industrial investments including assets purchased under finance leases totaled 1,350 million is as follows:

Water, for 479 million (+23% compared to 2007), including 186 million in growth investments and 293 million in maintenance-related investments (230 million in 2007);

Environmental Services, for 464 million (+30% compared to 2007), including 97 million in growth investments and 367 million in maintenance-related investments. The increase in capital expenditure mainly reflects the growth of the Environmental Services division and the impact of 2007 acquisitions;

Energy Services, for 183 million (+4.6% compared to 2007), including 83 million in growth investments and 100 million in maintenance-related investments;

Transportation, for 196 million (-32% compared to 2007), including 46 million in growth investments and 150 million in maintenance-related investments. Investments for the period ended June 30, 2007 included the acquisition of the ship *Jean Nicoli*;

Maintenance-related investments totaled 912 million (or 5% of revenue), compared to 742 million for the first half of 2007.

Financial investments

Financial investments, including the 155 million net debt of companies acquired in the first half of 2008, totaled 748 million in the first half of 2008, compared to 344 million in the first half of 2007.

The 2008 financial investments totaling 748 million (including the net debt of acquired companies) are as follows:

155 million in the Water division (compared to 37 million in 2007). The main financial investments concern the acquisition of Biothane (Solutions and Technologies) for 44.4 million and an additional interest in Askhelon in Israel for 91.1 million;

317 million in the Environmental Services division (compared to 86 million in 2007). The main financial investments concern the acquisition of Bartin Recycling Group for 189 million as well as various other investments in Europe;

202 million in the Energy Services division (compared to 191 million in 2007). The main financial investments concern the acquisition of Praterm for 117 million;

75 million in the Transportation division (compared to 26 million in 2007). The main financial investments concern the acquisition of Rail4Chem for 40 million.

New operating financial assets (IFRIC 12 and IFRIC 4 receivables)

New operating financial assets total 218 million in the first half of 2008, compared to 152 million in the first half of 2007 and are as follows:

136 million in the Water division, for an increase of 22 million, mainly attributable to the Oman Sur BOT for 19 million;

28 million in the Environmental Services division, for an increase of 20 million;

35 million in the Energy Services division, for an increase of 24 million;

2 million in the Transportation division, for a decrease of 17 million.

9.3.3.2 Divestitures

Divestitures (including net indebtedness) totaled 260 million and mainly comprised the sale of the *Jean Nicoli* ship in the Transportation division in the amount of 105 million.

Principal payments on operating financial assets totaled 194 million in the first half of 2008, compared to 176 million in the first half of 2007.

9.3.4 External financing

9.3.4.1 Agency ratings

As of June 30, 2008, Moody s and Standard & Poor's rated VE SA as follows:

	Short-term	Long-term	Perspective	Recent events
Moody s	P-2	A3	Stable	In April 2008, Moody s confirmed the ratings awarded to Veolia Environnement on Ju
Standard and Poor's	A-2	BBB+	Stable	In April 2008, Standard and Poor s confirmed the rating awarded to Veolia Environne

(end of the structural subordination on September 26, 2007)

9.3.4.2 Refinancing policy

Veolia Environnement pursued an active refinancing policy in the first half of 2008, aimed at strengthening its financial position and maintaining debt maturities.

The main debt facilities maturing in the first half of 2008 and either redeemed or refinanced were as follows:

600 million Berlin acquisition debt maturing on January 15, 2008;

300 million EMTN issue (series 20) maturing on February 15, 2008;

700 million balance of the EMTN issue (series 1) maturing on June 27, 2008.

In addition, Veolia Environnement launched the following new bond issues for a total euro equivalent of 1,702 million as of June 30, 2008:

On January 8, 2008, Veolia Environnement reopened the GBP-denominated series 24 bond issue maturing in 2037 in the amount of GBP 150 million, bringing the total bond amount to GBP 650 million (euro equivalent of 820 million as of June 30, 2008);

On March 14, 2008, Veolia Environnement reopened the EUR-denominated series 21 bond issue maturing in 2017 in the amount of 140 million, bringing the total bond amount to 1,140 million;

On April 1, 2008, Veolia Environnement issued for the first time the series 15 corporate bond issue indexed to European inflation and maturing in 2015, in the amount of 275 million, bringing the total bond amount to 875 million;

Due to the strengthening of the Group s long-standing presence in the United States through the acquisition of TNAI (Energy Services division) in 2007, Veolia Environnement issued, on May 21, 2008, SEC-registered fixed-rate bonds totaling US$1.8 billion (euro equivalent of 1,142 million as of June 30, 2008) in three tranches (US$700 million maturing in 5 years, US$700 million maturing in 10 years and US$400 million maturing in 30 years). This first ever issue by VE on the US bond market will improve the balance between long-term cash flows generated in the US and local debt in US dollars.

No major bank financing was set up during the first half of 2008.

9.3.4.3 Group liquidity position

(million)	**As of June 30, 2008**	As of June 30, 2007
Undrawn banking lines :	**5,025.0**	**5,025.0**
Non-current undrawn syndicated loans *	4,000.0	4,000.0
Non-current undrawn credit lines	500.0	850.0
Current undrawn credit lines	525.0	175.0
Cash and cash equivalents	**2,771.5**	**3,115.6**
Total	**7,796.5**	**8,140.6**

** Maturing April 20, 2012*

As of June 30, 2008, Veolia Environnement had a total liquidity of 7.8 billion, including cash in the amount of 2.8 billion.

9.3.4.4 Net financial debt structure

As of June 30, 2008, the net financial debt structure was as follows:

(million)	**As of June 30, 2008**	As of June 30, 2007
Non current borrowings	15,498.5	13,948.0
Current borrowings	2,694.2	3,805.0

Bank overdrafts and other cash position items	698.5	459.4
Sub-total borrowings	**18,891.2**	**18,212.4**
Cash and cash equivalents	(2,771.5)	(3,115.6)
Offset of fair value gains(losses) on hedging derivatives	212.7	27.7
Net financial debt	**16,332.4**	**15,124.5**

9.3.4.5 Maturity of long-term borrowings

Group long-term borrowings fall due as follows as of June 30, 2008:

(million)	Total	Amounts falling due in		
		2 to 3 years	4 to 5 years	More than 5 years
Bond issues	**10,501.3**	77.2	2,530.2	7,893.9
Bank borrowings	**4,997.2**	1,527.3	1,126.2	2,343.7
Non current borrowings	**15,498.5**	**1,604.5**	**3,656.4**	**10,237.6**

9.4 Forecast and 2009-2010 outlook

9.4.1 2008 Trends

The first half of the year was marked by a challenging economic and financial environment and by the progressives increased contribution of acquisitions and projects completed in 2007 and in early 2008.

In view of the results reported in the first half of the year and within the current economic and monetary conditions, Veolia Environnement expects, at current exchange rates, revenue growth of more than 12% and growth in cash flow from operations of approximately 6% for the full year 2008.

Nevertheless, these forecasts may be affected according to the change in certain external parameters:

- Currency parities ;
- Fuel costs ;
- Average climatology ;
- Economic situation in the United States and in Europe.

9.4.2 2009 2010 Outlook

Within this context, Veolia Environnement has set an objective to improve the profitability and to achieve an after-tax Return on Capital Employed (ROCE) of 10% at the end of 2010 as compared with an expected ROCE of between 9% and 9.5% in 2008.

This objective is set against the following elements and actions:

- The progression of organic growth and the improved contribution of recent acquisitions;
- The implementation of an accelerated and strengthened cost reduction plan with an objective of 400 million in total cost savings over two years (2009 2010), with a full year savings contribution in 2011;
- An asset rotation program aimed at disposing at least 1.5 billion in assets by the end of 2009, of which 1 billion in disposals are to be completed or committed before the end of 2008;
- A heightened selectivity of investments (in the range of 5 billion euros in 2008 and 4.5 billion in 2009);
- The evolution of the Company s organization favoring a geographic approach to increase the shared activities and support services and the pooling of capabilities, with an objective of reducing costs and maximizing commercial and operational efficiencies.

Taking into account this outlook, Veolia Environnement currently expects an increase of 10% in its dividend per share payable in 2009 for the fiscal year 2008.

Please also refer to Chapter 13 *infra*.

12. Trends and Recent Developments

12.1 Trends

Events that are reasonably likely to influence Veolia Environnement s prospects for the current financial year were disclosed by the Company on June 19, 2008 and are set forth in paragraph 12.2 below and in Chapter 13, paragraph 13.1 infra.

12.2 Recent Developments

Veolia Environnement

On May 6, 2008, Veolia Environnement published a press release on its consolidated revenues as of March 31, 2008.

The Company filed its US annual report (Form 20-F) for fiscal year 2007 with the US Securities and Exchange Commission on May 7, 2008.

On June 3, 2008, Veolia Environnement announced the signing of a contract with Artenius, a subsidiary of the chemical group known as La Seda de Barcelona. This contract covers the construction and operation of the production plant for all utilities (steam, electrical power, demineralised water, industrial gases, treatment of effluents) at its Sines work site in Portugal, where the group decided to build a production plant yielding 700,000 tons of terephthalic acid (PTA) per year, a raw material used in manufacturing polyester (PET). La Seda de Barcelona is the European leader and ranked third in the world in the polyester packaging sector. This contract, entered into for a term of 15 years, represents an estimated 850 million in cumulative revenues.

On June 19, 2008, Veolia Environnement confirmed that it should be exceeding its revenue growth objectives for 2008, which had initially been set at 10%. It is understood that the sustained level of organic growth and the contribution of acquisitions made in 2007 and early 2008 largely compensated for the negative impact of the depreciation of most currencies against the Euro. Should the current value of the European currency against the principal currencies stay at the same level, it would reduce the contribution of the business activities conducted outside of the Euro zone, an area in which the group carries out more than a third of its business activities and generates more than a third of its operating income (in particular in the United States, the United Kingdom, and Asia), and have an impact on its operating income and operating cash flow. These aggregate figures will also be impacted by the increase in the price of oil products, even though this increase is mostly distributed, with a time lag, across the contractual indexation formulas. As such, Veolia Environnement announced that the growth of its operating cash flow on the basis of current exchange rates should settle around 6% as compared with 2007 and that the growth of the net income attributable to the group objective of 10% could be difficult to reach in 2008 without, however, calling into question the medium term growth and performance prospects.

On August 7, 2008, Veolia Environnement published its half-year results as of June 30, 2008. These half-year results are characterised by the strong growth in business activities and a good resilience in operating performances. Veolia Environnement announced that it launched a plan to reduce its costs and an asset rotation program in order to improve the profitability of its business activities and a strengthened selectiveness with respect to investments. In addition, on August 8, 2008, the Company made its half-year financial report at June 30, 2008 available to the public and filed this report with the French *Autorité des marchés financiers*.

Veolia Eau

On April 29, 2008, Veolia Eau announced that its Veolia Water AMI subsidiary secured a contract with the Water and Electrical Power Ministry of the Kingdom of Saudi Arabia for providing the treatment and distribution of drinking water and the gathering of waste water for the city of Riyad, the Kingdom s capital. This represents not only the first delegated management contract for water services in Saudi Arabia, but also one of the largest contracts in terms of the number of people attended to (4.5 million inhabitants), and of the length of the drinking water (10,000 km) and waste water (4,500 km) networks entrusted to the management of Veolia Eau in the world. This contract, the term of which is 6 years, represents total cumulative revenues estimated at approximately 40 million.

On May 19, 2008, OTV, a subsidiary of Veolia Eau Solutions & Technologies, secured two important engineering and contruction contracts with SIAAP (*Syndicat Interdépartemental pour l Assainissement de l Agglomération Parisienne* or Interdepartmental Syndicate for the Sanitation of the Paris Urban Area). Representing groups of companies on both projects, Veolia Eau will be responsible for ensuring compliance with DERU standards (*Directive sur les Eaux Résiduaires Urbaines*, or Directive on Urban Waste Water) of the Seine Aval wastewater treatment plant (located in Achères), the largest wastewater treatment site in Europe. The second contract concerns the design and construction of the second tranche of the Seine Grésillons wastewater treatment plant. This project aims to triple this plant s treatment capacity. Both of these contracts represent total cumulative revenues for the period estimated at 224.1 million for Veolia Eau s portion of such projects.

On June 9, 2008, Veolia Eau announced that it secured a contract in India for the design, construction, and operation of a drinking water treatment plant with a capacity of 240,000 m3/day for the city of Nagpur (2.5 million inhabitants) in the State of Maharashtra. The construction phase for this plant will span across a period of 30 months and will be followed by a period of 15 years during which Veolia Eau will operate the plant. This contract represents cumulative revenues estimated at 24 million.

On July 30, 2008, Veolia Eau announced that it signed a contract with the Abu Dhabi Water and Electricity Authority (ADWEA) covering the financing, design, construction, and operation of two new wastewater treatment plants for the cities of Abu Dhabi and Al Ain in the United Arab Emirates. The ADWEA is also part of the financing of this project, as well as Besix, a Belgian group responsible for the civil engineering portion of the construction of both plants and which will be involved in one third in the operation of the plants. After an initial two and a half year construction period, Veolia Eau will be in charge of the operation of both wastewater treatment facilities for a period of 22.5 years. The contribution of this project to Veolia Eau s consolidated revenues is estimated at 364 million over the course of 25 years.

Veolia Transport

On June 12, 2008, Veolia Transport announced that the municipal authorities of Bilbao (Spain) entrusted it with the management, as of August 1, 2008, of the urban bus network of their city, the population of which is approximately 400,000 inhabitants. The contract, signed for a term of 8 years with an option to extend for an additional two years, should generate cumulative revenues estimated at approximately 305 million over the course of the first 8 years.

On September 2, 2008, Veolia Transport announced that NordWestBahn (NWB), its German subsidiary, will as of December 2010 manage the entire regional express network that connects the states of Bremen and Lower Saxony in Germany. The term of this contract is 11 years and covers the operation of four rail lines totalling 270 kilometers in length that will service a population of 660,000 inhabitants. This contract will generate cumulative revenues estimated at 500 million over the period.

13. Profit Forecasts or Estimates

13.1 Forecasts

The first six months of the 2008 fiscal year were highlighted by a difficult economic and financial climate and by gradual impact of the acquisitions and projects completed in 2007 and in early 2008.

Given this context, and taking into account in particular the evolution of the Euro as compared with the other main currencies and the increase in the price of oil products, the Company announced in a press release dated June 19, 2008 that it would be difficult to reach a growth of the net income attributable to the group of 10% for 2008, without calling into question the medium term growth and performance prospects. However, in light of the results observed at the end of June and under current economic and monetary conditions, Veolia Environnement expects, at current exchange rates, to post revenue growth higher than 12% and operating cash flow growth of approximately 6% for 2008 as a whole.

These objectives are based principally on the following assumptions: (i) exchange rate parity determined at the Group level and interest rate fluctuations (ii) treated or distributed volume estimates based in particular on historical experience, (iii) estimates relating to annual price adjustments on long-term contracts, (iv) estimates as to changes in market prices in certain segments of the Waste Management activity, (v) impact of the policy to control operating costs and impact of their evolution, (vi) price of energy, (vii) weather conditions, and (viii) effect of the development of existing contracts and impact of recent commercial developments and of acquisitions. Such projections could possibly be modified according to the evolution of certain external parameters such as the change in monetary parities and in the cost of fuels, the average climatology and the economic conditions in the United States and in Europe. In addition, certain of these data, assumptions and estimates result from or are based upon, in whole or in part, conclusions or decisions of the management bodies of Veolia Environnement and its subsidiaries, which may change or be modified in the future.

The profit forecasts, statements and prospective information are in particular based on data, assumptions and estimates mentioned above and considered to be reasonable by Veolia Environnement. These prospective statements are dependent on facts and circumstances that should occur in the future. They do not constitute historical data and cannot be interpreted as guarantees of future results. By their nature, these data, assumptions and estimates, as well as the elements used to determine such statements and prospective information, may not occur, and could possibly change or be modified. In addition, the materialisation of certain risks described in Chapter 4 (Risk factors) of the 2007 Reference Document could possibly have an impact on the Group s business activities and its ability to attain the projections, statements, and prospective information set forth above.

13.2 Statutory Auditors Report on Profit Forecasts

This is a free translation into English of the statutory auditor s report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To M. Henri Proglio, CEO of Veolia Environnement,

In our capacity as Statutory Auditors and in compliance with the EU Regulation N° 809/2004, we hereby report on the profit forecasts of Veolia Environnement, which is included in section 13 (section 13.1) of its update of the 2007 document de reference registered by the French stock exchange regulatory body (AMF) on September 25, 2008.

These forecasts and underlying significant assumptions were prepared under your responsibility, in accordance with the EU Regulation N° 809/2004 and the relevant CESR guidance.

It is our responsibility to express our conclusion, pursuant to Appendix 1, paragraph 13.2 of the EU Regulation N° 809/2004, as to the proper compilation of forecasts.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (compagnie nationale des commissaires aux comptes). Our work consisted in an assessment of the preparation process for the forecasts, as well as the procedures implemented to ensure that the accounting methods applied are consistent with those used for the preparation of the historical financial information of Veolia Environnement. We also gathered all the relevant information and explanations that we deemed necessary to obtain reasonable assurance that the forecasts have been properly compiled on the basis stated.

It should be noted that, given the uncertain nature of forecasts, the actual figures are likely to be significantly different from those forecast and that we do not express a conclusion on the achievability of these figures.

We conclude that:

- The forecasts have been properly compiled on the basis stated;
- The accounting methods applied in the preparation of these forecasts are consistent with the accounting principles adopted by Veolia Environnement

This report is issued for the sole purpose of the update of the 2007 document de reference and the public offering, in

France and any other EU country - realised on the basis on the prospectus registered with the French Stock Exchange regulatory body (AMF). It may not be used in any other context.

Paris-La-Défense and Neuilly-sur-Seine, September 25, 2008.

The Statutory Auditors

French original report signed by

KPMG Audit		ERNST & YOUNG et Autres	
Department of KPMG SA			
Jay Nirsimloo	Baudouin Griton	Jean Bouquot	Patrick Gounelle

13.3 Objectives and Future Outlook[3]

Objectives and future outlook for 2009-2010

Within the context stated in paragraph 13.1 above, Veolia Environnement has set as its objective to improve its profitability and to reach a rate of return on its employed capital (ROCE) of 10% after taxes by the end of 2010 as compared with an expected ROCE between 9 and 9.5% in 2008.

This objective is set according to the following elements and actions: (i) the increase in organic growth and the improvement of the contribution of recent acquisitions, (ii) the implementation of an accelerated and amplified program for the reduction of costs in the total amount of 400 million over the course of 2 years (2009-2010) with an impact in the full year 2011, (iii) an assets rotation program based on the disposals of at least 1.5 billion by the end of 2009, of which 1 billion completed or undertaken before the end of 2008 (iv) a strengthened selectiveness with respect to investments, relating to amounts of approximately 5 billion in 2008 and 4.5 billion in 2009, and (v) a change in the organisation of the Group setting favoring, on a geographical basis, the availability of support services to all business activities and the pooling of expertise, in order to reduce costs and to promote greater commercial and operating efficiency.

Given these objectives, the Company plans to increase the dividend per share paid out in 2009 with respect to 2008 by 10%.

Prospective information set forth in this paragraph is uncertain and is likely to evolve or to be modified, and should not be used to establish profit forecasts or estimates.

[3] These objectives are not part of the prospective information subject to the statutory auditors report appearing in paragraph 13.2.

17. Employees Human Resources

17.3 Stock Option Plans

17.3.3 Company Stock Option Plans

The following table outlines the share subscription and purchase plans as of September 1, 2008:

	Subscription Options 2007 Plan	**Subscription Options 2006 Plan**	**Subscription Options 2004 Plan**	**Subscription Options 2003 Plan**	**Subscription Options 2002 Plan**	**Subscription Options 2001 Plan**
	N° 7	**N° 6**	**N° 5**	**N° 4**	**N° 3**	**N° 2**
Date of the Shareholders Meeting	05/11/2006	05/12/2005	05/12/2004	04/25/2002	06/21/2000	06/21/2000
Date of the Management Board Meeting or Board of Directors Meeting	07/17/2007	03/28/2006	12/24/2004	03/24/2003	01/28/2002	02/08/2001
Total number of options originally allocated	2,490,400	4,044,900	3,341,600	5,192,635	4,413,000	3,462,000
Total number of shares originally granted	2,490,400	4,044,900	3,341,600	5,192,635	4,413,000	3,462,000
Total number of shares after legal adjustments	2,490,400	4,110,406*	3,392,012*	5,164,390*	4,657,903*	3,578,039*

A plan of options to purchase shares (Plan #1) granted to managers and employees of the Veolia Environnement Group had been implemented following a decision dated June 23, 2000 of the Management Board acting pursuant to the authorization granted by the Company s General Shareholders Meeting dated June 23, 2000. These options could be exercised between June 24, 2003 and June 23, 2008 for an exercise price of 31.41, following adjustments to take into account transactions having affected the Company s share capital. As of the expiration date of the plan, a total number of 457,962 shares had been acquired by managers and employees of the Group following the exercise of such stock options.

For information on the potential dilution related to share subscription options and free shares, please refer to Chapter 21, paragraph 21.1.5 *infra*.

18. Principal Shareholders

18.1 Shareholders of Veolia Environnement as of June 30, 2008

The table below shows the number of shares and percentage of share capital and corresponding voting rights held by the shareholders known to Veolia Environnement as of June 30, 2008. To the best of the Company s knowledge, no shareholder other than those listed below directly or indirectly held approximately 4% or more of the Company s shares or voting rights as of the date of this update and the Company has not received any declarations of the crossing of thresholds by shareholders other than those mentioned under the table below.

Shareholders as of June 30, 2008	Number of shares	Percentage of share capital	Number of voting rights	Percentage of voting rights
Caisse des Dépôts et Consignations (1)	47,231,314	10.01	47,231,314	10.34
Capital Research Global Investors (2)	32,438,090	6.88	32,438,090	7.10
Groupe Groupama (3)	26,302,060	5.58	26,302,060	5.76
EDF (4)	18,287,428	3.88	18,287,428	4.00
Veolia Environnement (5)	15,130,906	3.21	0	0
Public and other investors	332,372,958	70.45	332,372,958	72.79
Total	**471,762,756**	**100.00**	**456,631,850**	**100.00**

(1) *According to the declaration of the Caisse des Dépôts et Consignations to the Company. To the Company s knowledge, the most recent declarations on the crossing of thresholds and on intentions of the Caisse des Dépôts et Consignations occurred on December 19, 2006 (Décision et Information AMF n°206C2344 dated December 22, 2006). The Caisse des Dépôts et Consignations declared that it was acting alone and that it may purchase additional shares based on market conditions, but that it did not intend to take control over the Company.*

(2) *Capital Research and Global Investors (Capital Research) is a management company acting on behalf of its clients (U.S. mutual funds). Based on Capital Research s declaration to the US Securities and Exchange Commission dated February 11, 2008. To the Company s knowledge, Capital Research s most recent declaration on the crossing of thresholds is dated January 9, 2007 (Décision et Information AMF n°207C0072, dated January 10, 2007).*

(3) *According to Groupama s declaration to the Company. To the Company s knowledge, Groupe Groupama s most recent declaration on the crossing of thresholds is dated December 30, 2004 (Décision et Information AMF n° 205C0030 dated January 7, 2005).*

(4) *According to the records on registered shareholders as of June 30, 2008 established by Société Générale (institution acting as account manager). To the Company s knowledge, EDF s most recent declaration on the crossing of thresholds is dated December 30, 2002 (Euronext opinion (avis) n° 2002-4424 dated December 31, 2002). EDF declared that it held 16 155 492 Veolia Environnement shares as of that date. EDF further declared that, in accordance with the terms of the November 24, 2002 amendment to the agreement dated June 24, 2002 and described in Chapter 18, paragraph 18.2 of the 2007 Reference Document, that the acquisition of the Company shares represented a financial investment for EDF, that it did not seek to influence the Company s management, and that it would exercise the voting rights with the sole aim of increasing the value of its investment.*

(5) *Number appearing in the monthly declaration of transactions carried out by Veolia Environnement with respect to its own securities. This declaration was filed with the Autorité des marchés financiers (French market authority) on July 8, 2008.*

The voting right that is attached to the shares is proportional to the portion of the share capital that they represent. Each share gives the right to one vote. There are no double voting rights.

To the best of the Company s knowledge, there are no commitments linking one or more other shareholders of the Company and there are neither clauses of shareholder agreements or other agreements to which the Company is a party that could possibly have a significant impact on the price of its security, nor a shareholder agreement or other agreement of this nature to which one of the Company s significant non-listed subsidiaries is a party other than the one concluded with EDF mentioned in Chapter 22 and Chapter 20, paragraph 20.1, notes 41 and 43 of the consolidated financial statements included in the 2007 Reference Document as well as in Chapter 20, paragraph 20.6 (note 26 of the half-year consolidated financial statements) of this update.

No third party exercises control over Veolia Environnement and to the best of the Company s knowledge, there are no agreements the implementation of which might, at a later date, result in a change of control or a takeover of the Company.

20. Financial Information concerning the Assets, Financial Position, and Results of the Issuer

20.3 Dividend Distribution Policy

20.3.1 Dividends paid out in the past five fiscal years

(in euros)	**2003**	**2004**	**2005**	**2006**	**2007**
Gross dividend per share	* 0.825/0.605	0.68	0.85	1.05	1.21
Net dividend per share	0.55	** 0.68	*** 0.85	*** 1.05	1.21
Dividend tax credit	* 0.275/0.055	n/a	n/a	n/a	n/a
Amount of dividends distributed (excluding the tax credit)	**217,917,234**	**265,417,221**	**336,340,679**	**419,701,966**	**553,459,872**

n/a : not applicable.

* *The dividend tax credit is equal to 0.275 per share for shareholders who are corporate bodies benefitting from the parent-subsidiary regime (the regime mère-fille) and who are physical persons, and equal to 0.055 per share for shareholders who are corporate bodies that do not benefit from the parent-subsidiary regime.*

** *Individual shareholders will benefit from a 50 % discount on the amount of such dividends.*

*** *Individual shareholders will benefit from a 40 % discount on the amount of such dividends.*

The distribution of a dividend of 1.21 per share, for each of the Company shares granting dividend entitlement as of January 1, 2008, was decided on by the Combined Shareholders Meeting dated May 7, 2008. The dividend coupon was detached from the share on May 22, 2008 (ex date) and paid starting on May 27, 2008 based on the number of shares entitled to dividend on the night of May 26, 2008 (record date).

As of December 31, 2007, the share capital was composed of 470,719,806 shares, including 15,120,654 treasury shares. The total distribution amount has been adjusted according to the total number of new shares created following the exercise of share subscription or share purchase options and of treasury shares held by Veolia Environnement at the date of payment, it being specified that the treasury shares do not benefit from dividend entitlement.

20.3.2 Dividend Distribution Policy

The Company s dividend policy is determined by its Board of Directors, which may consider a number of factors in setting such policy, including in particular the Company s financial performance and net income, as well as the dividends distribution policy of the main French and international companies within the same sector.

The Company cannot guarantee the amount of dividends that may be paid in respect of any given fiscal year. However, the Company plans to increase by 10 % the dividend per share paid out in 2009 with respect to 2008 (please refer to paragraph 13.3 *supra*)[4] and a dividend distribution rate of more than 50 % of recurring net income.

20.4 Litigation

The most significant litigation involving the Company or its subsidiaries is described in chapter 20, paragraph 20.4 of the 2007 Reference Document and below.

Other than as described below, there are no other current or threatened legal, governmental or arbitral proceedings involving the Company or its subsidiaries that either had during the past twelve months or that may in the future have a material adverse effect on the results of operations or financial condition of the Company or the Group.

Sade

In April 2000, Sade, a subsidiary of Veolia Eau, and 40 other companies received notice from the French Competition Council of a complaint alleging anticompetitive agreements among these companies in respect of 44 public sector construction contracts in the Ile-de-France region (which includes Paris and its suburbs). These companies, including Sade, filed their responses to the complaint in September 2000. The Council filed a supplemental complaint in November 2001, which replaced its original complaint and reduced the number of construction contracts subject to scrutiny. The companies filed responses to the new complaint in January 2002. However, on October 26, 2004, the Council filed a second supplemental complaint, the stated objective of which was to clarify and supplement the information contained in the earlier complaints. In response to the report received in August 2005, Sade filed a response in October 2005 that contested the Council s complaint on the merits as well as based on irregularities in the complaint procedure that undermined its right to a proper defense, as well as the lack of proof of Sade s alleged anti-competitive behavior in

---

[4] This objective is not part of the profit forecast information that is subject to the Statutory Auditors Report appearing in paragraph 13.2 supra.

certain markets. On March 21, 2006, the Council retained complaints against Sade in respect of two markets, and imposed a fine of 5.4 million relating to this matter. Sade has accrued a reserve in its accounts to cover this litigation, and appealed this decision before the Paris Court of Appeals on June 16, 2006. Hearings of the Court of Appeals took place on March 26 and 27, 2008. On June 24, 2008, the Court decided that there were not grounds for sanctioning Sade. The 5.4 million fine was reimbursed to Sade by the French State on July 29, 2008. However, eleven companies appealed the decision of the Court of Appeals to the French Supreme Court which makes it impossible at this stage to determine the potential outcome for Sade.

Veolia Water North America Operating Services

In 2002, Veolia Water North America Operating Services (VWNAOS), a Company s subsidiary, entered into a ten-year contract with the city of Atlanta, representing annual revenues of US$10 million. This contract involves the operation of slurry and effluent treatment plants for the city, the maintenance and renovation of equipment engineering of equipment and the design and planning of a construction program for plant renovation. On June 19, 2006, VWNAOS brought an action against the city of Atlanta before the United States District Court, alleging the city s failure to respect its investment obligations, reimburse additional costs of operation and pay bills issued in consideration for services provided. VWNAOS estimates its damages to be at least US$25 million, excluding damages resulting from further adjustments which may arise over the course of the procedure. On July 10, 2006, the city of Atlanta unilaterally cancelled the contract and, in turn, brought an action against VWNAOS, alleging VWNAOS failure to fulfill certain of its obligations during the execution of the contract. The city is seeking indemnities of approximately US$35 million against VWNAOS and has also brought an action against Veolia Environnement directly in its capacity as VWNAOS s guarantor under the contract. In connection with this dispute, the city has drawn on the US$9.5 million bank guarantee issued to VWNAOS at the start of the contract. VWNAOS believes this move is unjustifiable. A discovery procedure allowing each party to request documents from the other began on September 1, 2006 and is closed at this stage. Veolia Environnement contests the city s claims and intends to defend itself vigorously. A trial date has not yet been set by the District Court. At this point in the procedure, the Company believes that this matter will not have a significant impact on its financial situation.

In April 2008, two subsidiaries of the Company, Veolia Water North America Operating Services and Veolia Water Indianapolis (VWI), were named as defendants in two putative class action lawsuits filed in Indiana state courts, in which the plaintiffs have alleged that the meter-reading practices used by VWI for Indianapolis customers were inconsistent with VWI s contract with the local water authority and state consumer protection law. The plaintiffs have claimed that VWI billed customers on the basis of estimates of water usage, rather than actual usage, more frequently than the contract permitted, resulting in overcharges that, while later credited to the customers, deprived the customers of their money for a period of time. They have also claimed that the methodology used to estimate water usage was flawed and not approved under relevant regulations. The plaintiffs are seeking to certify a class of similarly situated residential water customers. VWI believes that its billing and meter reading practices complied with its contract and relevant laws and regulations, and that the claims of the plaintiffs are without merit. It intends to defend its interests vigorously. While the early stage of these lawsuits makes it impossible to determine the potential loss, the Company believes that these lawsuits will not materially and adversely affect its financial position or results.

Veolia Transport

On September 12, 2008, a commuter train operated by Connex Railroad LLC, a wholly-owned subsidiary of Veolia Transportation, on behalf of its client, Southern California Regional Rail Authority, collided with a Union Pacific freight train in Chatsworth, CA. The collision resulted in the death of 26 people and the injury of many more. An investigation into the facts and circumstances of the matter is underway and is being led by the National Transportation Safety Board, an agency of the U.S. government and related California state agencies. Veolia Transport is fully cooperating in this investigation. While the early stage of this investigation makes it impossible to determine the potential loss, the Company believes that any claims arising out of this matter will not materially and adversely affect its financial position or results.

Société Nationale Maritime Corse Méditerranée (SNCM)

On September 19, 2006, CMN and Corsica Ferries filed a complaint before the Competition Council alleging anti-competitive practices by SNCM, a company controlled by Veolia Transport which owns 28% of its share capital, the Corsican Regional Authority (*Collectivité Territoriale Corse*) and the Corsican Transportation Bureau (*l Office des Transports Corse*) intended to restrict or eliminate competition during the call for tenders for the Marseille-Corsica public transport delegation contract. In December 2006, the Competition Council held that the cartel claim against the Corsican Regional Authority, the Corsican Transportation Bureau and SNCM was inadmissible, and rejected claims regarding the excessive subsidies and crossed subsidies raised by Corsica Ferries. On the other hand, the Competition Council found that the global and indivisible offer of the SNCM was likely to constitute an abuse of dominant position. Although it relates to a call for tenders which was cancelled by a decision of the Conseil d Etat in December 2006, the Competition Council investigated the case and a hearing will take place on December 9, 2008.

Before the Competition Council, Corsica Ferries also contended that the CMN / SNCM grouping formed an anti-competitive cartel based on an unlawful pooling arrangement, that the grouping formed an abuse of a dominant position and that the size of the subsidy requested by the grouping in its tender suggested an abuse of a dominant position. The Competition Council dismissed Corsica Ferries claims concerning the grouping and pooling arrangements on April 6, 2007. Proceedings with respect to the claim of excessive subsidy are underway, but the Competition Council s investigation has been suspended pending a decision on the merits of the first case above.

The initial bid process was delayed by administrative court proceedings, ending in a decision by the Conseil d Etat in December 2006. Following this decision, the Corsican Regional Authority launched a second bid process and the contract was subsequently awarded to the CMN / SNCM group on June 7, 2007. Following a new complaint of Corsica Ferries with respect to this second bid process, its request for the cancellation of the decision awarding the contract to the CMN / SNCM group was dismissed by a decision of the administrative court of Bastia on January 24, 2008. Corsica Ferry appealed this decision.

Finally, the acquisition of 28% of the share capital of SNCM by Veolia Transport was conditioned upon the approval by the European Commission of the privatization conditions with respect to state aids. The French State was in charge of this process and filed its conclusions with the Commission on November 16, 2006 and April 27, 2007. The European Commission declared on July 8, 2008 that the amounts paid by the French State in connection with the privatization process do not constitute state aids. As of today, the decision of the Commission is not published.

20.5 Material Changes in Financial Condition or Commercial Position

There has been no significant change in the financial condition or commercial position of the Company since the close of the 2007 fiscal year.

Events that are reasonably likely to influence Veolia Environnement s prospects for the current financial year are set forth in Chapter 12, paragraph 12.2 and in Chapter 13, paragraph 13.1 *supra*.

20.6 Interim Financial Information

20.6.1 Consolidated Financial Statements for the half-year ended June 30, 2008

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET - ASSETS (million)	**Notes**	**As of June 30, 2008**	As of December 31, **2007**
Goodwill	4	7,190.9	6,913.2
Concession intangible assets	5	2,992.6	2,989.2
Other intangible assets	6	1,676.9	1,706.4
Property, plant and equipment	7	9,460.5	9,203.2
Investments in associates		304.5	292.1
Non-consolidated investments		242.1	256.1
Non-current operating financial assets	8	5,236.4	5,272.4
Non-current derivative instruments - Assets	23	187.7	123.7
Other non-current financial assets	9	896.8	746.0
Deferred tax assets		1,490.9	1,468.1
Non-current assets		**29,679.3**	**28,970.4**
Inventories and work-in-progress	10	1,039.2	839.4
Operating receivables	10	12,873.8	12,459.4
Current operating financial assets	8	399.9	355.2
Other current financial assets	11	292.1	330.0
Current derivative instruments - Assets	23	64.0	114.4
Cash and cash equivalents	12	2,771.5	3,115.6
Current assets		**17,440.5**	**17,214.0**
Assets classified as held for sale		6.2	122.5
Total assets		**47,126.0**	**46,306.9**

CONSOLIDATED BALANCE SHEET EQUITY AND LIABILITIES (million)	**Notes**	**As of June 30, 2008**	As of December 31, **2007**
Share capital		2,362.7	2,358.8
Additional paid-in capital		9,196.9	9,179.5
Reserves and retained earnings attributable to equity holders of the parent		(4,165.6)	(3,925.4)
Minority interests		2,494.4	2,577.8
Equity	**13**	**9,888.4**	**10,190.7**
Non-current provisions and other debt	14	2,189.5	2,138.9
Non-current borrowings	15	15,498.5	13,948.0
Non-current derivative instruments Liabilities	23	290.8	163.8
Deferred tax liabilities		1,846.5	1,794.7
Non-current liabilities		**19,825.3**	**18,045.4**
Operating payables	10	13,142.3	12,944.8
Current provisions	14	826.4	825.7
Current borrowings	16	2,694.2	3,805.0
Current derivative instruments Liabilities	23	46.2	34.0
Bank overdrafts and other cash position items		698.5	459.4
Current liabilities		**17,407.6**	**18,068.9**

Liabilities directly associated with assets classified as held for sale	4.7	1.9
Total equity and liabilities	**47,126.0**	**46,306.9**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(million)	**Notes**	**Half-year ended June 30, 2008**	Half-year ended June 30, **2007**	Year ended December 31, **2007**
Revenue	17	**18,091.7**	**15,461.6**	**32,628.2**
o/w revenue from operating financial assets		*181.4*	*174.5*	*345.1*
Cost of sales		(14,976.5)	(12,671.6)	(26,929.6)
Selling costs		(318.2)	(248.2)	(551.3)
General and administrative expenses		(1,503.6)	(1,280.7)	(2,757.0)
Other operating revenue and expenses		12.3	10.7	106.6
Operating income	**18**	**1,305.7**	**1,271.8**	**2,496.9**
Finance costs	19	(501.2)	(461.6)	(969.6)
Finance income	19	74.9	70.0	152.5
Other financial income and expenses	20	(9.4)	(11.3)	1.4
Income tax expense	21	(226.5)	(235.0)	(420.1)
Share of net income of associates		9.0	10.7	16.9
Net income from continuing operations		**652.5**	**644.6**	**1,278.0**
Net income from discontinued operations		(1.8)	(8.2)	(23.2)
Net income for the period		**650.7**	**636.4**	**1,254.8**
Minority interests	22	150.2	143.4	326.9
Attributable to equity holders of the parent		**500.5**	**493.0**	**927.9**
(in euros)				
Net income attributable to equity holders of the parent per share				
Diluted		1.09	1.21	2.13
Basic		1.09	1.22	2.16
Net income from continuing operations attributable to equity holders of the parent per share				
Diluted		1.09	1.23	2.19
Basic		1.10	1.24	2.21

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(million)	Notes	**Half-year ended June 30, 2008**	Half-year ended June 30, **2007**	Year ended December 31, **2007**
Net income for the year attributable to equity holders of the parent		500.5	493.0	927.9
Minority interests	22	150.2	143.4	326.9
Operating depreciation, amortization, provisions and impairment losses		917.3	836.2	1,816.7
Financial amortization and impairment losses		2.9	6.9	8.0
Gains (losses) on disposal and dilution		(39.3)	(68.3)	(173.5)
Share of net income of associates		(9.0)	(10.7)	(16.9)
Dividends received	20	(6.5)	(6.5)	(8.8)
Finance costs and finance income	19	426.3	391.6	817.1
Income tax expense	21	226.5	235.0	420.1
Other items		(5.7)	(11.3)	101.9
Operating cash flow before changes in working capital		**2,163.2**	**2,009.3**	**4,219.4**
Changes in working capital	10	(249.1)	(245.7)	(167.1)
Income taxes paid		(168.0)	(140.4)	(417.7)
Net cash from operating activities		**1,746.1**	**1,623.2**	**3,634.6**
Capital expenditure		(1,235.9)	(1,193.6)	(2,518.7)
Proceeds on disposal of intangible assets and property, plant and equipment				