

# Operating and Financial Review

## Consolidated Financial Statements

### As of June 30, 2009

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## 1. RESULTS OF OPERATIONS FOR THE HALF-YEAR ENDED JUNE 30, 2009

### 1.1 GENERAL CONTEXT

The first half of 2009, in the same way as the second half of 2008, was marked by the financial crisis and its impact on economic activity and particularly:

- marked fluctuations in monetary parity, changing the contributions of businesses located outside the euro zone and particularly in Eastern Europe;
- a fall in energy and CO<sub>2</sub> emission allowance prices;
- a substantial drop in recycled raw material prices compared to the first half of 2008;
- a slowdown in business compared to the first half of 2008, primarily impacting business volumes in the Environmental Services segment and also construction activities in the Water and Energy Services sectors;
- the difficult financial position of industrial economic players and, to a lesser extent, public authorities, with its knock-on effect on the performance of certain growth projects and the solvency of certain customers.

This poor economic climate affects Environmental Services businesses the hardest. The difference compared to the first half of 2008 is even more pronounced by the fact that the economic downturn commenced after the summer of 2008.

Overall, revenue for the half-year ended June 30, 2009 is down by 0.8% (-1.0% at constant scope and exchange rates). The decrease in operating cash flow of 7.1% was mainly attributable to the Environmental Services segment (down by 23.2% compared to June 30, 2008), despite the implementation of a tailored cost-cutting plan.

### 1.2 BUSINESS ACTIVITY

- On January 21, 2009, Veolia Transport and RATP Développement formed a 50/50 joint venture to boost growth potential in Asia, primarily targeting China, South Korea and India. The joint venture was formed for an initial period of 20 years and will generate annual revenue of approximately €100 million (full-year basis), with a business objective of €500 million in 2013.
- On March 26, 2009, the consortium comprising Veolia Transport and its Moroccan partners won a 15-year contract to operate the collective transportation service for the Greater Rabat region, comprising 14 communes. This contract will commence in August 2009.
- On April 21, 2009, Veolia Water announced that Canal Isabel II, the public company in charge of water services in the Madrid area, awarded a contract for the management of Spain's biggest wastewater treatment plant (in terms of daily flows treated) to a consortium headed by Veolia Water. This 4-year contract, which has a 2-year extension clause, covers the operation and maintenance of the main treatment plant for Madrid. The contract represents estimated total revenue of approximately €16 million for Veolia Water.
- On May 19, 2009, Veolia Environmental Services announced the win by its subsidiary, Veolia Environmental Services (UK), of a 20-year waste management and recycling contract, following a public tender launched by the Merseyside Waste Disposal Authority (MWDA). MWDA is a public body representing five Merseyside district councils located in the north-west of Great Britain and including the city of Liverpool. The contract, which commences in June 2009, includes the development of a flagship materials recovery facility (MRF) at Gilmoor, Liverpool, with an annual capacity of 100,000 metric tons and a refurbishment program for existing infrastructure including improvements to the efficiency and yield of the Bidston MRF and the renovation and management of a network of 16 household waste recycling centers. The contract represents estimated total revenue of approximately £640 million (€710 million).

- On May 28, 2009, Veolia Water announced the signature with the public works authority of the city of Doha, the capital of Qatar, of a 7-year contract (with a 3-year extension clause) for the operation and maintenance of two wastewater treatment plants with a respective daily waste capacity of 112,000 m<sup>3</sup> and 12,000 m<sup>3</sup>. Once recycled, the wastewater will be reused for irrigation and agricultural purposes. This contract represents estimated total revenue of approximately €44 million.
- On June 23, 2009, Veolia Water announced the award by the Joint District Authority of the city of Chartres of a contract to build and operate the city's new wastewater treatment plant. When the plant comes into service (34 months after the launch of studies), it will have a treatment capacity of 164,000 population equivalent, which may be extended to a 200,000 population equivalent by the end of the contract. The design and construction of the plant will be contracted-out by Veolia Water to a consortium comprising OTV/Veolia Eau Solutions & Technologies (a subsidiary of Veolia Water and the lead company) and Ternois. This contract represents estimated total revenue of €156 million, including €54 million for construction activities and €102 million for the 20-year concession.

In July 2009, Veolia Transportation was informed of the decision not to renew the Melbourne contract (train network).

### **1.3 ACQUISITIONS AND DIVESTITURES**

No major acquisitions or divestitures were performed during the first half of 2009.

The following divestitures were in progress as of June 30, 2009:

- Veolia Environnement has announced that its subsidiary Veolia Transport has entered into exclusive discussions with the SNCF Group and the Eurotunnel Group which has submitted a firm bid to acquire the Veolia Cargo Company (in France and abroad). Veolia Transport will consider this bid carefully. If it is accepted, and after consulting the workers representation bodies and approval by the competent regulatory bodies, the disposal could take place by the end of 2009. Following these transactions, Veolia Environnement's indebtedness would be reduced by €95 million. These activities have also been reclassified as discontinued operations in the Group financial statements for the half-year ended June 30, 2009.
- Veolia Propreté has announced the signing of an agreement relating to the sale of the U.S. incineration activity (Montenay International), the objective being to complete this transaction before the end of the year given the approvals required from the competent regulatory authorities and the standard terms and conditions governing completion. This activity has also been reclassified as a discontinued operation in the Group financial statements for the half-year ended June 30, 2009.
- On June 24, 2009, Veolia Propreté announced that it had entered into exclusive discussions with the TFN Group with respect to the sale of Veolia Propreté Nettoyage et Multiservices (VPNM). This activity has not been reclassified as a discontinued operation in the financial statements for the half-year ended June 30, 2009, as it does not represent a cash-generating unit. The assets and liabilities of these activities are presented under the line items "Assets (liabilities) classified as held for sale" in the consolidated statement of financial position.

The above divestitures should be completed during the second half of 2009 and form part of the €1 billion divestiture program announced for 2009 by Veolia Environnement Group on March 6, 2009.

On July 23, 2009, the Group and the Caisse des Dépôts have decided to enter exclusive negotiations with a view to merging Transdev and Veolia Transport. The operation would take the form of a merger between Veolia Transport and Transdev, with the Caisse des Dépôts and Veolia Environnement each owning 50%. This parity would be achieved after analysis and valuation of the two companies, and subsequent adjustment of the financial structure. The planned merger is subject to reaching a definitive agreement, which is itself subject to approval by the regulatory authorities. This industrial project will give rise to a global leader in public passenger transport, with around €8 billion in pro forma revenues and 130,000 employees.

## **2. ACCOUNTING AND FINANCIAL INFORMATION**

### **2.1 DEFINITIONS AND ACCOUNTING CONTEXT**

The term “internal growth” encompasses growth resulting from:

- the expansion of an existing contract, notably resulting from an increase in prices and/or volumes distributed or processed;
- new contracts;
- the acquisition of assets attributed to a particular contract or project.

The term “external growth” encompasses growth through acquisitions (performed in the period or which had only partial effect in the prior period), net of divestitures, of entities and/or assets deployed in different markets and/or containing a portfolio of more than one contract.

Total operating cash flow before changes in working capital, as presented in the Cash Flow Statement, comprises three components: operating cash flow from operating activities consisting of operating income and expenses received and paid (“cash”), operating cash flow from financing activities including cash financial items relating to other financial income and expenses and operating cash flow from discontinued operations comprising cash operating and financial income and expense items classified in net income from discontinued operations pursuant to IFRS 5.

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

Net income (expense) from discontinued operations is the total of income and expenses, net of tax, of businesses sold or in the process of being sold, in accordance with IFRS 5.

In addition, the Group uses a number of non-GAAP indicators for management purposes, which provide relevant information on the operating and financial performance of the Group. These indicators can be defined as follows:

- net financial debt represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt;
- recurring operating income and recurring net income attributable to equity holders of the parent correspond respectively to operating income and net income attributable to equity holders of the parent adjusted for impairment of goodwill, negative goodwill recognized in profit or loss and certain other items defined as non-recurring. 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;

- free cash flow is equal to cash generated (total operating cash flow plus repayments of operating financial assets) net of the cash component of the following items: (i) changes in operating working capital, (ii) share capital transactions (changes in share capital, dividends paid and received), (iii) investment net of divestitures (including the change in receivables and other financial assets), (iv) net interest paid and (v) income tax paid.
- Net investment as presented in the statement of change in net financial debt includes capital expenditure net of industrial asset disposals (purchases of intangible assets and property, plant and equipment net of disposals), financial investment net of financial disposals (purchases of financial assets net of disposals, including the net debt of companies entering or leaving the scope of consolidation), new operating financial assets, principal payments on operating financial assets and share capital increases subscribed by non-controlling interests.

#### Accounting context

The accounting policies adopted for the preparation of the financial statements for the first half of 2009 are unchanged compared to fiscal year 2008.

Pursuant to IFRS 5:

- the income statement for the half-year ended June 30, 2008 has been restated to present the impact of the following in Net income from discontinued operations:
  - the divestiture of Clemessy and Crystal by the Energy Services Division in December 2008;
  - the transfer to discontinued operations of the freight business in the Transportation Division and of the waste-to-energy business in the United States in the Environmental Services Division; balance sheet assets and liabilities of these two cash-generating units were transferred to “Assets classified as held for sale” and “Liabilities classified as held for sale”, respectively;
- in accordance with the reciprocal purchase and sale agreement signed on December 19, 2008 between Suez Environnement and Veolia Environnement, completion of which is expected in 2009, certain assets jointly held with Suez were also reclassified in the balance sheet in “Assets classified as held for sale” and “Liabilities as held for sale”;
- all assets and liabilities of Veolia Propreté Nettoyage et Multiservices (VPNM) companies were transferred to “Assets classified as held for sale” and “Liabilities classified as held for sale” as of June 30, 2009.

## 2.2 REVENUE

### 2.2.1 Overview

Half-year ended June 30, 2009 (€ million)	Half-year ended June 30, 2008 restated (€ million)	Change 2009/2008	Internal growth	External growth	Foreign exchange impact
<b>17,426.9</b>	17,565.7	-0.8%	-1.0%	+1.2%	-1.0%

At June 30, 2009, the company recorded consolidated revenue of €17,426.9 million versus €17,565.7 million at June 30, 2008, a slight decline of 0.8% compared to the first half of 2008. The change in recycled raw material prices accounts for 1% the decline of revenue. Three of the four business segments (representing nearly 75% of revenue) demonstrated good resilience to the current environment.

Revenue in Environmental Services continued to decline in the second quarter (lower volumes and prices of recycled raw materials). Growth in engineering-construction and works in the Energy and Water divisions also began to slowdown at the end of the period. In addition, revenue in Energy was impacted by the decline in energy prices in the second quarter, particularly in France.

At constant scope and exchange rates, revenue declined by 1% in the first half of 2009. Revenue from Europe (outside France) in Water, together with more favorable weather conditions and a rise in energy prices in Dalkia during the first few months of the year, did not completely offset the decline in revenue from Environmental Services (decline of 10.3% at constant scope and exchange rates), mainly due to the economic slowdown.

External growth amounted to 1.2% (€219.3 million). The share of revenue generated outside France rose €10,460.6 million representing 60.0% of the total compared to 58.5% of the restated figure at June 30, 2008.

The negative impact of foreign exchange linked to the evolution of the average exchange rates in the first half of 2009 as compared with the first half of 2008 was €(180.1) million. This was essentially due to the depreciation against the euro of the pound sterling for a negative impact of €(172.7) million, the Central European currencies (mainly in the Czech Republic and Poland) for a negative impact of €(135.4) million and the currencies of Northern Europe (mainly Norway and Sweden) for a negative impact of €(78.1) million. These were partially offset by a stronger U.S. dollar against the euro (with a positive impact of €210.6 million).

### 2.2.2 Revenue by operating segment

(€ million)	Half-year ended June 30, 2009	Half-year ended June 30, 2008 restated	Change 2009/2008
<b>Water</b>	6,234.8	5,987.7	<b>+4.1%</b>
<b>Environmental Services</b>	4,502.4	5,014.9	<b>-10.2%</b>
<b>Energy Services</b>	3,717.0	3,676.2	<b>+1.1%</b>
<b>Transportation</b>	2,972.7	2,886.9	<b>+3.0%</b>
<b>Revenue</b>	17,426.9	17,565.7	<b>-0.8%</b>
<b>Revenue at 2008 exchange rates</b>	<b>17,607.0</b>	<b>17,565.7</b>	<b>+0.2%</b>

**WATER**

Half-year ended June 30, 2009 (€ million)	Half-year ended June 30, 2008 (€ million)	% Change 2009/2008	Internal growth	External growth	Foreign exchange impact
6,234.8	5,987.7	+4.1%	+3.0%	+0.7%	+0.4%

- In **France**, revenue declined by 0.2%, excluding changes in scope, due to a slight fall in volumes produced (-1%) and zero growth in engineering works.
- **Outside France**, excluding Veolia Eau Solutions & Technologies, revenue rose by 2.7% (1.5% at constant scope and exchange rates). Slower growth was essentially due to the end of construction for several BOT (Build Operate & Transfer) and DBO (Design Build & Operate) contracts. In Europe, growth of 0.9% at constant scope and exchange rates included strong revenue in Germany, which offset the end of construction for a BOT contract in the UK and a slight decline in volumes. At constant scope and exchange rates, revenue in the Asia-Pacific region was up by 1.5% (10.9% at current exchange rates). Revenue was up by nearly 14% in Asia, mainly due to an increase in engineering works and contract extensions in a number of Chinese cities as the construction for the Gold Coast contract (a desalination contract in Australia) came to conclusion. In North America, revenue grew by 9.5% at constant scope and exchange rates, mainly because of a larger volume of engineering works and the start-up of the new Milwaukee contract.
- **Veolia Eau Solutions & Technologies** posted revenue of €1,244.5 million, an increase of 12.7% at constant scope and exchange rates, driven by work on Design and Build contracts, mainly in the municipal sector and particularly in the Middle East. Revenue was nevertheless affected by slower growth due to the current economic downturn.

**ENVIRONMENTAL SERVICES**

Half-year ended June 30, 2009 (€ million)	Half-year ended June 30, 2008 restated (€ million)	Change 2009/2008	Internal growth	External growth	Foreign exchange impact
4,502.4	5,014.9	-10.2%	-10.3%	+1.4%	-1.3%

The economic downturn is affecting the volume of solid and hazardous waste collected and processed from industrial and, to a lesser extent, municipal clients. This decline in volumes is offset only marginally by positive price effects in some segments and in some regions. The revenue of the recycling business is in sharp decline, with prices of recycled materials substantially lower in the first half of 2009 than in the same period of 2008.

Compared to the same period of last year, the stronger decrease in revenue during the second quarter year-over-year than in the first quarter year-over-year was due mainly to the relative drop in the sale of recycled materials – paper and metals – (despite volumes being sequentially higher in the second quarter as compared with the first quarter of 2009). In the second quarter of 2008, pricing for recycled materials was also particularly high as compared with the second quarter of 2009. This decrease is also due to the decline in industrial services (despite being up in the first quarter), particularly in the UK, Germany and in the United States.

- In **France**, revenue decreased by 13.1% at constant scope on account of the decline in volumes due to the economic slowdown and the fall in prices of recycled materials.

- **Outside France**, internal growth declined by 9.0%. Most regions were affected by the economic downturn. In Germany, revenue was down by 18.3% in particular due to the decrease in volumes and prices in the paper business, lower industrial waste volumes and the decline in some sectors, such as industrial cleaning. In North America, revenue decreased by 10.5% at constant scope and exchange rates with a decline in volumes processed in all businesses. In Asia-Pacific, revenue was down by 9.8% at constant scope and exchange rates, with a decline in industrial services and industrial waste in particular. In the UK, revenue was relatively flat at constant scope and exchange rates as the multi-annual municipal waste management contracts and the ramp-up of integrated contracts offset the decline in industrial waste and landfill volumes.

## ENERGY SERVICES

Half-year ended June 30, 2009 (€ million)	Half-year ended June 30, 2008 restated (€ million)	Change 2009/2008	Internal growth	External growth	Foreign exchange impact
3,717.0	3,676.2	+1.1%	+2.3%	+1.4%	-2.6%

- Revenue increased by 1.1%, mainly as a result of higher energy prices in the first quarter (+€57 million), more favorable weather conditions in the first half, particularly in France (+€48.3 million), and continued business development, particularly outside France, despite a decline in engineering works. The negative currency impact of €(97) million was mainly due to the weakness of Eastern European currencies.
- In **France**, revenue was down by 2.6% on account of the decline in engineering works in some regions as well as the negative impact of energy prices in the second quarter, in spite of slightly more favorable weather than in the first half of 2008.
- **Outside France**, overall growth in revenue amounted to 4.7% (7.1% at constant scope and exchange rates) due to higher energy prices, particularly in Central Europe, more favorable weather conditions and continued business development.
- External growth of 1.4% was mainly due to the acquisition of a cogeneration plant (Digismart) in Estonia in the first quarter of 2009, the acquisition of Praterm in Poland during the first quarter of 2008 as well as minor acquisitions completed in 2008.

## TRANSPORTATION

Half-year ended June 30, 2009 (€ million)	Half-year ended June 30, 2008 restated (€ million)	Change 2009/2008	Internal growth	External growth	Foreign exchange impact
2,972.7	2,886.9	+3.0%	+2.4%	+2.0%	-1.4%

- Revenue **in France** advanced by 1.7% at constant scope, driven by upward price adjustments, new contracts (Epernay, Royan, La Rochelle...), including those in airport related transportation, and the full year effect of acquisitions made in 2008, despite the conclusion of the Bordeaux contract on May 1st, 2009 and lower passenger traffic at SNCM.
- **Outside France**, revenue was up by 2.3% (+2.8% at constant scope and exchange rates), reflecting the full impact of business development in North America and revenue growth in Australia at constant exchange rates.
- External growth of 2.0% was due to recent acquisitions in Asia (Hong Kong and Nanjing Zhongbei tramways in China) in addition to acquisitions in France and the United States.

### 2.2.3 Revenue by geographical area

(€ million)	<b>Half-year ended June 30, 2009</b>	Half-year ended June 30, 2008 restated	Change 2009/2008 (year-end exchange rates)	Change 2009/2008 (constant exchange rates)
France	<b>6,966.3</b>	7,289.8	-4.4	-4.4
United Kingdom	<b>1,320.5</b>	1,464.9	-9.9	+1.5
Germany	<b>1,487.0</b>	1,548.8	-4.0	-4.0
Other European countries	<b>3,403.2</b>	3,441.7	-1.1	+4.6
United States	<b>1,520.1</b>	1,338.3	+13.6	-1.8
Oceania	<b>622.6</b>	738.7	-15.7	-4.7
Asia	<b>701.0</b>	561.1	+24.9	+12.1
Rest of the world (including the Middle East)	<b>1,406.2</b>	1,182.4	18.9	+19.7
<b>Revenue</b>	<b>17,426.9</b>	<b>17,565.7</b>	<b>-0.8</b>	<b>+0.2</b>

Revenue trends have been impacted by the economic crisis, the effects of which vary however between geographical areas, primarily depending on the Group's business mix and the weight of the Environmental Services business.

#### France

Total revenue fell by 4.4% in the half-year ended June 30, 2009. The Environmental Services business reported a decrease of 11.4% in France (-13.2% at constant scope), due to a reduction in volumes processed and sold and a drop in the price of secondary raw materials (paper and metal), partially offset by an increase in collection and incineration prices. The Transportation and Water businesses reported stable revenue during the period, or a slight increase. Finally, the decrease in Energy Services revenue is mainly due to a reduction in public works activities.

#### United Kingdom

Revenue growth was 1.5%, excluding foreign exchange impacts, thanks to the step-up of new integrated contracts in the Environmental Services sector and despite a drop in volumes in excess of 10% (collection and waste storage centers). The decrease reported by the Water businesses followed the completion of a construction site in the non-regulated activities sector. The Energy Services sector reported stable revenue.

#### Germany

The 4.0% decrease in revenue was due to the marked drop in activity levels in the Environmental Services sector (fall in the price of raw materials and particularly paper and reduction in industrial and commercial waste collection volumes). Water activities performed well and particularly the Braunschweig contract and the Transportation Division had a good organic growth.

#### Other European countries

Despite the fall in volumes and the price of recycled raw materials in the majority of countries where the Environmental Services Division is present (particularly Norway), revenue growth of 4.6% at constant exchange rates was supported by activity growth (price effect and favorable weather conditions) in the Energy Services sector in Baltic countries and Central Europe (Czech Republic and Poland). The Transportation and Water sectors (completion of the Brussels contract) reported a slight decrease.

### United States

The 1.8% fall in revenue at constant exchange rates is marked by the decrease in activities in the Environmental Services sector due to the economic climate (decrease in volumes across all activities, partially offset by price increases). Growth in other sectors is due to the impact of new contracts in the Transportation and the start-up of the Milwaukee wastewater treatment contract in the Water sector. Activity in the Energy Services sector was penalized by the negative effect of falling gas prices.

### Oceania

Revenue fell 4.7% at constant exchange rates due to a reduction in Environmental Services activities in Australia and the completion of construction work at the desalination plant on the Gold Coast in the Water sector.

### Asia

Revenue growth in Asia of 12.1% at constant exchange rates is mainly attributable to the Water sector and recent developments in China and to a lesser extent to the Transportation and Energy Services sectors, with the start-up of new contracts, primarily in China.

### Rest of the world (including the Middle East)

Revenue growth of 19.7% at constant exchange rates is mainly due to increased construction activity in the Water sector in the Middle East and the development of Proactiva in South America (primarily the new Guyaquil concession contract).

## 2.3 OTHER INCOME STATEMENT ITEMS

### 2.3.1 Operating income and cash flow

Operating cash flow amounted to €1,977.5 million at June 30, 2009 compared with €2,127.8 million at June 30, 2008, a decline of 7.1% at current exchange rates and 4.9% at constant exchange rates. This decline was due to lower performance in the waste management business, despite the cost-cutting efforts across its global operations due to the economic downturn and the decline in sales. At the Group level, this decline was limited by:

- a greater resilience of the other businesses to the economic downturn;
- the implementation of the “Efficiency 2010” plan, with an impact of €101 million at June 30, 2009.

To ensure the comparability of the periods, the accounts at June 30, 2008 have been restated:

- by the amount of income from the disposals of Clemessy and Crystal in the Energy division in December 2008, according to IFRS 5 which is presented in the income statement in the line item “net income from discontinued operations”;
- by the reclassification into discontinued operations of the Freight operations in the Transport division and the Waste-to-Energy operations in the Environmental Services division in the United States; in the balance sheet, assets and liabilities of these two cash-generating units are reclassified under the line item “assets and liabilities classified as held for sale.”

The total negative currency impact of €(46.3 million) on operating cash flow was mainly due to the depreciation against the euro of the pound sterling (€29.0 million), primarily in the Water and Environmental Services divisions, and to the currencies in Central Europe (€31.5 million), particularly in the Energy division. This was partially offset by a stronger U.S. dollar against the euro (€21.1 million), mainly in the Environmental Services segment.

The decrease in operating cash flow breaks down as follows:

	OPERATING CASH FLOW			
	Half-year ended June 30, 2009	Half-year ended June 30, 2008 restated	Change	
			Current exchange rates	Constant exchange rates
Water	910.4	904.1	0.7%	2.7%
Environmental Services	539.7	702.6	-23.2%	-22.4%
Energy Services	414.2	423.6	-2.2%	2.4%
Transportation	159.9	142.3	12.4%	14.5%
Holding companies	(46.7)	(44.8)		
<b>Operating cash flow from operating activities</b>	<b>1,977.5</b>	<b>2,127.8</b>	<b>-7.1%</b>	
<b>Operating cash flow from operating activities at 2008 exchange rates</b>	<b>2,023.8</b>	<b>2,127.8</b>		<b>-4.9%</b>
Operating cash flow from financing activities	8.1	12.2		
Operating cash flow from discontinued operations	(1.2)	23.2		
<b>Total operating cash flow</b>	<b>1,984.4</b>	<b>2,163.2</b>	<b>-8.3%</b>	

Operating income amounted to €1,000.8 million for the half-year ended June 30, 2009, compared to €1,292.2 million for the half-year ended June 30, 2008. This takes into account the variation in operating cash flow, a write-down of operating financial assets in Italy in the environmental services business for €(35) million, as well as a negative impact of €(32) million as compared to June 30, 2008, due to the reduction in the discount rate on provisions for site rehabilitation.

Recurring operating income amounted to €1,000.8 million versus €1,287.2 million at June 30, 2008.

The change in operating income and recurring operating income breaks down as follows:

	Operating income				Recurring operating income			
	Half-year ended June 30, 2009	Half-year ended June 30, 2008 restated	% Change	% change at constant exchange rates	Half-year ended June 30, 2009	Half-year ended June 30, 2008 restated	% Change	% change at constant exchange rates
Water	596.4	599.0	(0.4)	+3.1	596.4	597.0	(0.1)	3.4
Environmental Services	134.3	396.9	(66.2)	(65.4)	134.3	397.5	(66.2)	(65.4)
Energy Services	248.4	286.6	(13.3)	(8.1)	248.4	283.8	(12.5)	(7.2)
Transportation	77.7	63.0	23.4	+24.9	77.7	62.2	25.0	26.4
Holding companies	(56.0)	(53.3)			(56.0)	(53.3)		
<b>Total</b>	<b>1,000.8</b>	<b>1,292.2</b>	<b>(22.5)</b>	<b>(19.4)</b>	<b>1,000.8</b>	<b>1,287.2</b>	<b>(22.2)</b>	<b>(19.1)</b>
<b>Total at 2008 exchange rates</b>	<b>1,040.9</b>	<b>1,292.2</b>			<b>1,040.9</b>	<b>1,287.2</b>		

Operating income for the half-years ended June 30, 2009 and June 30, 2008 breaks down as follows:

June 30, 2009 (€ million)	Recurring items	Non-recurring items		Total
		Impairment losses	Other*	
Water	596.4	-	-	596.4
Environmental Services	134.3	-	-	134.3
Energy Services	248.4	-	-	248.4
Transportation	77.7	-	-	77.7
Holding companies	(56.0)	-	-	(56.0)
<b>Total</b>	<b>1,000.8</b>	<b>-</b>	<b>-</b>	<b>1,000.8</b>

\* Primarily negative goodwill recognized in profit or loss.

June 30, 2008 restated (€ million)	Recurring items	Non-recurring items		Total
		Impairment losses	Other*	
Water	597.0	-	2.0	599.0
Environmental Services	397.5	-	(0.6)	396.9
Energy Services	283.8	-	2.8	286.6
Transportation	62.2	-	0.8	63.0
Holding companies	(53.3)	-	-	(53.3)
<b>Total</b>	<b>1,287.2</b>	<b>-</b>	<b>5.0</b>	<b>1,292.2</b>

\* Primarily negative goodwill recognized in profit or loss

## WATER

Operating cash flow was €910.4 million for the half-year ended June 30, 2009 versus €904.1 million for the half-year ended June 30, 2008, an increase of 2.7% at constant exchange rates.

Recurring operating income was €596.4 million for the half-year ended June 30, 2009, compared to €597.0 million for the half-year ended June 30, 2008, an increase of 3.4% at constant exchange rates.

In France, operating cash flow was relatively flat despite lower volumes compared to 2008 and a slowdown in engineering works in the current economic downturn, largely due to further productivity improvements.

Outside France, the operating cash flow increase was most pronounced in Asia, driven by lower structural and business development costs. In Europe, improvements were largely linked to the strong contribution from Germany. Operating cash flow at Veolia Water Solutions & Technologies declined due to a slowdown in the business and lower margins on contracts for industrial clients (particularly sales of solutions).

The impact of the Efficiency Plan was €36.6 million for the half-year ended June 30, 2009.

The operating margin (ratio of operating cash flow to revenue) declined from 15.1% for the half-year ended June 30, 2008 to 14.6% for the half-year ended June 30, 2009.

## ENVIRONMENTAL SERVICES

Operating cash flow was €539.7 million for the half-year ended June 30, 2009 compared to €702.6 for the half-year ended June 30, 2008, a decrease of 22.4% at constant exchange rates.

Recurring operating income amounted to €134.3 million for the half-year ended June 30, 2009 versus €397.5 million for the half-year ended June 30, 2008, a decline of 65.4% at constant exchange rates.

The current economic situation, characterized by a decline in the volumes of mainly industrial and hazardous waste processed and the fall in prices of recycled materials (paper and metals) compared to the first half of 2008, has had a significant impact on the operating performance of the segment in all its main markets (France, United Kingdom, Germany, Australia and United States). The first positive effects of the adaptation plan (€45 million impact in the first half of 2009), the Efficiency Plan (€25 million in the first half of 2009) and the favorable impact of the fall in fuel prices have only partially offset the impact of the economic downturn.

Operating income also included a €35 million impairment charge on assets in Italy, as a result of a business plan review in connection with ongoing contractual negotiations. Operating income is also negatively impacted by €32 million, as compared to June 30, 2008, by a reduction in the discount rate applied to provisions for site rehabilitation – a swing from a €16 million positive impact in the first half of 2008 to a €(16) million negative impact in the first half of 2009.

The operating margin (ratio of operating cash flow to revenue) declined from 14.0% at June 30, 2008 to 12.0% for the half-year ended June 30, 2009.

## **ENERGY SERVICES**

Operating cash flow reached €414.2 million for the half-year ended June 30, 2009, versus €423.6 million for the half-year ended June 30, 2008, an increase of 2.4% at constant exchange rates.

Recurring operating income amounted to €248.4 million for the half-year ended June 30, 2009 versus €283.8 million for the half-year ended June 30, 2008, a decrease of 7.2% at constant exchange rates.

Operating cash flow benefited from higher energy prices in Central Europe, from slightly more favorable weather conditions and from the impact of the Efficiency Plan (€21 million at June 30, 2009). Sales of CO<sub>2</sub> quotas made a lower contribution than in the first half of 2008 and the decline in engineering works had a negative impact on some business units, particularly in Italy.

The operating margin (ratio of operating cash flow to revenue) decreased from 11.5% for the half-year ended June 30, 2008 to 11.1% for the half-year ended June 30, 2009.

## **TRANSPORTATION**

Operating cash flow amounted to €159.9 million for the half-year ended June 30, 2009 versus €142.3 million for the half-year ended June 30, 2008, an increase of 14.5% at constant exchange rates.

Recurring operating income was €77.7 million for the half-year ended June 30, 2009 compared to €62.2 million for the half-year ended June 30, 2008, a rise of 26.4% at constant exchange rates.

Higher operating cash flow was due to improved profitability of some insufficiently profitable contracts, productivity gains and the resilience of the business, particularly in France and Northern Europe.

The net gains in hedges against the fall in fuel prices were estimated at €2 million at June 30, 2009, compared to June 30, 2008. The Efficiency Plan had an impact of €15 million at June 30, 2009.

The operating margin (ratio of operating cash flow to revenue) increased from 4.9% for the half-year ended June 30, 2008 to 5.4% for the half-year ended June 30, 2009.

### 2.3.2 Net finance costs

(€ million)	Half-year ended June 30, 2009	Half-year ended June 30, 2008 restated
Income	47.0	74.7
Costs	(425.8)	(498.2)
<b>Net finance costs</b>	<b>(378.8)</b>	<b>(423.5)</b>
<b>Other financial income and expenses</b>	<b>(29.2)</b>	<b>(5.7)</b>

The fall in net finance costs is due to:

- the decrease in floating interest rates, notably for euro and pound sterling;
- partially offset by an increase in average net financial debt and the lengthening of debt maturity.

The financing rate (defined as the ratio of net finance costs, excluding fair value adjustments to instruments not qualifying for hedge accounting, to average monthly net financial debt for the period) fell from 5.41% in the first half of 2008 to 4.47% in the first half of 2009.

These rates take account of the settlement of interest rate options. Adjusted for these transactions, the financing rate is 4.47 % compared to 5.68% in the half-year ended June 30, 2008. This decrease reflects the marked drop in short-term interest rates, at a time when the Group entered into several euro floating-rate swaps at the end of 2008 and at the beginning of 2009.

### 2.3.3 Income tax expense

The consolidated income tax expense of the Group for the half-year ended June 30, 2009 is €196.8 million compared to €221.7 million for the half-year ended June 30, 2008.

As a percentage of net income from continuing operations restated for this income tax expense and the net income of associates, the effective tax rate is 33.2% for the first half of 2009 compared to 25.7% for the first half of 2008.

The decrease in the income tax expense in the half-year ended June 30, 2009 was due to:

- the capitalization of tax losses reflecting the forecast offset of these losses in the amount of the half-year net income reported by the U.S. tax group;
- the lower tax expense incurred by the French tax group due to the fall in net income attributable to the economic environment, particularly in the Environmental Services sector;
- tax losses not capitalized in the absence of their foreseeable offset (Italy and Germany in the Environmental Services sector, China in the Water sector), generating a significant increase in the tax rate compared to the first half of 2008.

For the financial year-end 2009, the tax rate might be higher than the one as of June 30, 2009 due to the non capitalization of tax losses from certain subsidiaries of the Group.

### 2.3.4 Share of net income of associates

The share of net income of associates decreased from €9.0 million for the half-year ended June 30, 2008 to €6.6 million for the half-year ended June 30, 2009.

### 2.3.5 Net income (loss) from discontinued operations

A net loss from discontinued operations of €(56.4) million was reported for the half-year ended June 30, 2009 compared to a net income of €0.4 million for the half-year ended June 30, 2008.

The net loss from discontinued operations for the half-year ended June 30, 2009 is mainly due to fair value adjustments to freight activities (Veolia Cargo) in the Transportation sector and the results of the incineration activity in the United States in the Environmental Services sector.

### 2.3.6 Net income for the period attributable to non-controlling interests

Net income for the period attributable to non-controlling interests is €125.9 million for the half-year ended June 30, 2009 compared to €150.2 million for the half-year ended June 30, 2008. This line items mainly concerns minority shareholders in subsidiaries in the Water Division (€72.6 million), the Environmental Services Division (-€2.6 million), the Energy Services Division (€55.1 million) and the Transportation Division (€-0.4 million).

The fall in net income for the period attributable to non-controlling interests is mainly due to:

- the decrease in net income reported by the Energy Services sector in France and Italy;
- the decrease in net income reported by the Environmental Services sector in Italy.

### 2.3.7 Net income for the period attributable to equity holders of the parent

Net income attributable to equity holders of the parent for the half-year ended June 30, 2009 is €220.3 million, compared to €500.5 million for the half-year ended June 30, 2008. Recurring net income attributable to equity holders of the parent is €276.5 million for the half-year ended June 30, 2009, compared to €497.9 million for the half-year ended June 30, 2008 (restated of discontinued operations).

Given the weighted average number of shares outstanding of 464.2 million as of June 30, 2009 and 462.0 million as of June 30, 2008 (adjusted for the share dividend distribution performed in 2009), earnings per share attributable to equity holders of the parent entity is €0.47 for the half-year ended June 30, 2009, compared to €1.08 for the half-year ended June 30, 2008. Recurring net income per share is €0.60 for the half-year ended June 30, 2009, compared to €1.08 for the half-year ended June 30, 2008.

Recurring net income for the half-year ended June 30, 2009 breaks down as follows:

<b>Half-year ended June 30, 2009 (€ million)</b>	<b>Recurring</b>	<b>Non-recurring</b>	<b>Total</b>
Operating income	1,000.8	-	1,000.8
Net finance costs	(378.8)	-	(378.8)
Other financial income and expenses	(29.2)	-	(29.2)
Income tax expense	(196.8)	-	(196.8)
Share of net income of associates	6.6	-	6.6
Net loss from discontinued operations	-	(56.4)	(56.4)
Non-controlling interests	(126.1)	0.2	(125.9)
<b>Net income attributable to equity holders of the parent</b>	<b>276.5</b>	<b>(56.2)</b>	<b>220.3</b>

Restated recurring net income for the half-year ended June 30, 2008 breaks down as follows:

<b>Half-year ended June 30, 2008 (restated)</b> (€ million)	Recurring	Non-recurring	Total
Operating income	1,287.2	5.0	1,292.2
Net finance costs	(423.5)	-	(423.5)
Other financial income and expenses	(5.7)	-	(5.7)
Income tax expense	(221.7)	-	(221.7)
Share of net income of associates	9.0	-	9.0
Net income from discontinued operations	-	0.4	0.4
Non-controlling interests	(147.4)	(2.8)	(150.2)
<b>Net income attributable to equity holders of the parent</b>	<b>497.9</b>	<b>2.6</b>	<b>500.5</b>
<b>Published net income attributable to equity holders of the parent</b>	<b>497.5</b>	<b>3.0</b>	<b>500.5</b>

### 3. FINANCING

The increase in net financial debt breaks down as follows:

	<b>As of June 30, 2009</b>	As of June 30, 2008
<b>Opening net financial debt</b>	<b>(16,528)</b>	<b>(15,125)</b>
<b>Operating cash flow before changes in working capital *</b>	<b>1,984</b>	<b>2,163</b>
Gross investments	(1,664)	(2,322)
Principal payments on operating financial assets	263	194
Divestitures (including changes in consolidation scope)	211	266
<b>Net investment flows</b>	<b>(1,190)</b>	<b>(1,862)</b>
Income taxes paid	(218)	(168)
Changes in working capital	(114)	(249)
(Increase)/decrease in receivables and other financial assets	62	(106)
Dividends paid	(402)	(726)
Net interest paid	(347)	(369)
Share capital increase/reduction	59	(105)
<b>FREE CASH FLOW</b>	<b>(166)</b>	<b>(1,422)</b>
Effect of foreign exchange rate changes and other	(133)	215
<b>Increase in net financial debt</b>	<b>(299)</b>	<b>(1,207)</b>
<b>Closing net financial debt</b>	<b>(16,827)</b>	<b>(16,332)</b>

\* including operating cash flow from financing activities of €8 million.

#### 3.1 OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL

Operating cash flow before changes in working capital totaled €1,984.3 million for the half-year ended June 30, 2009 (see section 2.3.1), including €1,977.5 million from operating activities (compared to €2,127.8 million for the half-year ended June 30, 2008, restated), €8 million from financing activities (compared to €12.2 million for the half-year ended June 30, 2008) and negative €(1.2) million from discontinued operations (compared to €23.2 million for the half-year ended June 30, 2008, restated).

### 3.2 NET INVESTMENT FLOWS

Net investments by operating segment (€ million)	Half-year ended June 30, 2009	Half-year ended June 30, 2008	Year ended December 31, 2008
Water	364	643	1,208
Environmental Services	344	750	1,323
Energy Services	216	318	583
Transportation	189	120	354
Net investments not allocated	20	26	88
<b>Total net investments</b>	<b>1,133</b>	<b>1,857</b>	<b>3,556</b>
<b>Cash flow statement</b>			
Capital expenditure net of grants	(1,168)	(1,236)	(2,781)
Proceeds on disposal of intangibles assets and PP&E	137	197	330
Purchases of investments	(124)	(542)	(801)
Proceeds on disposal of financial assets	58	47	361
New operating financial assets	(240)	(203)	(507)
Principal payments on operating financial assets	263	194	358
Assets purchased under finance lease*	(9)	(130)	(134)
Borrowings relating to investments and divestitures of a financial nature	(107)	(189)	(408)
Capital increase subscribed by non-controlling interests	57	5	26
<b>Total net investment</b>	<b>(1,133)</b>	<b>(1,857)</b>	<b>(3,556)</b>

\* including operating financial assets in the amount of €(3) million.

#### 3.2.1 Gross Investments

(€ million)	Capital expenditure (1)		Financial investment (2)		New operating financial assets		Total gross investment	
	Half-year ended June 30, 2009	Half-year ended June 30, 2008	Half-year ended June 30, 2009	Half-year ended June 30, 2008	Half-year ended June 30, 2009	Half-year ended June 30, 2008	Half-year ended June 30, 2009	Half-year ended June 30, 2008
Water	347	479	46	91	135	136	528	706
Environmental Services	352	464	5	273	42	28	399	765
Energy Services	171	183	36	178	35	35	242	396
Transportation	269	196	56	45	6	2	331	243
Other	35	28	4	6	24	17	63	51
<b>Total</b>	<b>1,174</b>	<b>1,350</b>	<b>147</b>	<b>593</b>	<b>242</b>	<b>218</b>	<b>1,563</b>	<b>2,161</b>

(1) including assets financed by a finance lease

(2) excluding cash and cash equivalents of companies acquired

Given the economic context, the Group has adopted a restrictive investment policy substantially reducing financial investments, but without putting into question capital expenditure of a contractual nature or necessary for industrial activities.

### **Capital expenditure**

Capital expenditure (excluding assets financed by a finance leases) totaled €1,167.8 million for the first half of 2009, compared to €1,220.5 million for the first half of 2008, representing a decrease of 4.3%.

Capital expenditure including assets financed by a finance lease totaled €1,174 million and breaks down as follows:

- €347 million in the Water Division (down by 27.6% compared to the first half of 2008), including €132 million in growth investments and €215 million in maintenance-related investments (€293 million in the first half of 2008). Growth investments in the first half of 2009 mainly concerned concession assets in France, China and Morocco and regulated activities in the United Kingdom.
- €352 million in the Environmental Services Division (down by 24.1% compared to the first half of 2008), including €77 million in growth investments and €275 million in maintenance-related investments (€367 million in the first half of 2008). Growth investments in the first half of 2009 mainly concerned integrated contracts in the United Kingdom.
- €171 million in the Energy Services Division (down by 6.6% compared to the first half of 2008), including €79 million in growth investments and €92 million in maintenance-related investments (€100 million in the first half of 2008).
- €269 million in the Transportation Division (up by 37.2% compared to the first half of 2008), including €26 million in growth investments and €243 million in maintenance-related investments (€149 million in the first half of 2008). Investments for the period ended June 30, 2009 included the acquisition of the Jean Nicoli boat for €75 million (SNCM). Investment levels take account of the increased use of operating leases.

Maintenance-related investments totaled €858 million in the half-year ended June 30, 2009 (4.9% of total revenue), compared to €912 million for the half-year ended June 30, 2008 (5.2% of total revenue).

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

New operating financial assets totaled €242 million in the first half of 2009, compared to €218 million in the first half of 2008 and break down as follows:

- €135 million in the Water Division, stable on the first half of 2008 and mainly comprising new operating financial assets under the Berlin contract and certain investments in Asia (China and Korea) and the Middle East (Oman Sur);
- €42 million in the Environmental Services Division, representing an increase of €14 million;
- €35 million in the Energy Services Division, stable as the first-half of 2008;
- €6 million in the Transportation Division, representing an increase of €4 million;
- €24 million for Other business, primarily concerning a multi-utilities industrial project in Portugal.

### **Financial investments**

Financial investments, including the net debt of companies acquired of €101 million as of June 30, 2009, totaled €248 million in the first half of 2009, compared to €748 million in the first half of 2008. As of June 30, 2009, financial investments mainly comprise the acquisition of a cogeneration plant in Estonia (Digismart) in the Energy Services sector for €72 million.

### 3.2.2 Principal payments on operating financial assets and Divestitures

Principal payments on operating financial assets totaled €263 million in the first half of 2009 (including €124 million in the Water Division and €82 million in the Energy Services Division), compared to €194 million in the first half of 2008.

No major divestitures were performed in the half-year ended June 30, 2009.

### 3.2.3 Operating cash flow from operating activities – Net investment (including non-controlling interests share capital increases)

Operating cash flow from operating activities including cash flow of discontinued operations – Net investment (€ million)	Half-year ended June 30, 2009	Half-year ended June 30, 2008 restated	Year ended December 31, 2008 restated
Water	546	262	613
Environmental Services	207	(35)	9
Energy Services	198	113	188
Transportation	(42)	25	(65)
Other	(66)	(71)	(148)
<b>Total operating cash flow from operating activities including cash flow of discontinued operations – Net investment</b>	<b>843</b>	<b>294</b>	<b>597</b>

## 3.3 OTHER CHANGES

### 3.3.1 Working capital

Working capital requirements totaled €(114) million in the first half of 2009, compared to €(249) million in the first half of 2008. This decrease in requirements on the first half of 2008 includes the positive impact of the settlement of Berlin drainage receivables in the Water Division in the amount of €157 million.

Despite a marked downturn in the economic environment in the first half of 2009, the Group continued efforts to improve its management of working capital requirements, with the ongoing implementation of specific, tailored action plans (France, Morocco, Italy, etc.). The marked improvement on the same period last year also reflects the slowdown in activity.

Given the nature of its activities and its customers and in particular the ongoing nature of its businesses, the Group does not expect increased credit risks as a result of the financial crisis to have a material impact on its operating receivables.

Overall, Group credit risk in respect of operating financial assets and operating receivables has not significantly changed compared to December 31, 2008.

### 3.3.2 Decrease in receivables and other financial assets

The decrease of €62 million is mainly due to the reduction in the non-group share of loans to Dalkia International and its subsidiaries granted by the Group in 2009.

### 3.3.3 Dividends paid

Dividends paid include dividends paid by the parent company of €231 million (€553 million net of the share dividend distribution of €322 million) and dividends paid to non-controlling interests.

## 3.4 EXTERNAL FINANCING

### 3.4.1 Ratings assigned by rating agencies

As of June 30, 2009, Moody's and Standard & Poor's rated VE SA as follows:

	Short-term	Long-term	Outlook	Recent events
Moody's	P-2	A3	Negative	On March 26, 2009, Moody's confirmed the ratings assigned to Veolia Environnement on June 27, 2005, but downgraded the outlook from stable to negative.
Standard and Poor's	A-2	BBB+	Negative	On March 25, 2009, Standard and Poor's confirmed the ratings assigned to Veolia Environnement on October 3, 2005, but downgraded the outlook from stable to negative.

### 3.4.2 Refinancing policy

During the first half of 2009, Veolia Environnement continued to implement an active refinancing policy aimed at strengthening its financial base and maintaining the maturity of its debt.

The main debt lines maturing in the first half of 2009 and either repaid or refinanced were as follows:

- repayment of the euro-denominated syndicated loan in the amount of €800 million in April 2009;
- redemption of the EMTN series 8 bond issue of CZK 660 million (euro-equivalent of €22.1 million at historical exchange rates), maturing April 29, 2009;
- redemption of the EMTN series 13 bond issue of U.S.\$ 27 million (euro-equivalent of €22.2 million at historical exchange rates), maturing March 4, 2009.

In addition, Veolia Environnement completed new bond issues under the EMTN (Euro Medium Term Notes) program for a total euro-equivalent of €2,250 million as of June 30, 2009, as follows:

- On April 24, 2009, Veolia Environnement completed two bond issues:
  - o a €1,250 million bond issue bearing fixed-rate interest of 5.25% p.a. and maturing April 24, 2014,
  - o a €750 million bond issue bearing fixed rate interest of 6.75% p.a. and maturing April 24, 2019.
- On June 29, 2009, Veolia Environnement completed a €250 million bond issue bearing fixed-rate interest of 5.70% p.a. and maturing June 29, 2017 (series 27).

No material bank financing lines were negotiated during the first half of 2009.

### 3.4.3 Group liquidity position

Liquid assets of the Group as of December 31, 2008 and June 30, 2009 break down as follows:

(€ million)	As of June 30, 2009	As of December 31, 2008
<b>Veolia Environnement:</b>		
Undrawn MT syndicated loans *	3,705.3	2,890.3
Undrawn MT credit lines	875.0	575.0
Undrawn ST credit lines	100.0	350.0
Cash & cash equivalents	3,220.8	2,283.6
<b>Subsidiaries:</b>		
Other financial assets	-	-
Cash & cash equivalents	1,737.1	1,566.0
<b>Total liquid assets</b>	<b>9,638.2</b>	<b>7,664.9</b>
<b>Current debts and bank overdrafts and other cash position items</b>		
Current debts	3,041.2	3,219.7
Bank overdrafts and other cash position items	619.8	465.7
<b>Total current debts and bank overdrafts and other cash position items</b>	<b>3,661.0</b>	<b>3,685.4</b>
<b>Total liquid assets net of current debts and bank overdrafts and cash position items</b>	<b>5,977.2</b>	<b>3,979.5</b>

\* maturing April 20, 2012

As of June 30, 2009, Veolia Environnement had total liquid assets of €9.6 billion, including cash and cash equivalents of €5.0 billion.

Veolia Environnement cash surpluses (€3,220.8 million) are managed with a profitability objective close to that of the monetary market, while avoiding exposure to capital risk and maintaining a low level of volatility. Investment supports primarily comprise UCITS, negotiable debt instruments (certificates of deposit and commercial paper) and equivalents.

In 2009, the Group continued its policy of optimizing its liquidity position (cost and maturity). On April 20, 2009, VE SA renewed the partial drawdown of the multi-currency syndicated credit facility in the amount of €294.7 million (primarily PLN 983 million – euro-equivalent of €220.8 million as of June 30, 2009). The euro-denominated drawdown performed in October 2008 was repaid in the amount of €800 million.

Syndicated credit facility and bilateral credit line documentation does not contain any events of default tied to restrictive financial covenants (such as Debt Payout Ratios, Interest Coverage Ratios or rating triggers). Veolia Environnement may draw on the multi-currency syndicated credit facility at any time and all credit lines are confirmed.

The next major bond redemption will take place in February 2012 (€1 billion).

### 3.4.4 Net financial debt

Net financial debt as of June 30, 2009 breaks down as follows:

(€ million)	As of June 30, 2009	As of December 31, 2008
Non-current borrowings	18,343.8	17,063.9
Current borrowings	3,041.2	3,219.7
Bank overdrafts and other cash position items	619.8	465.7
<b>Sub-total borrowings</b>	<b>22,004.8</b>	<b>20,749.3</b>
Cash and cash equivalents	(4,957.9)	(3,849.6)
Fair value gains/losses on hedge derivatives	(219.5)	(371.5)
<b>Net financial debt</b>	<b>16,827.4</b>	<b>16,528.2</b>

### 3.4.5 Maturity of non-current borrowings

Group non-current borrowings fall due as follows as of June 30, 2009:

(€ million)	Amount	Maturing in		
		2 to 3 years	4 to 5 years	More than 5 years
Bond issues	<b>13,280.8</b>	1,037.2	2,940.9	9,302.7
Bank borrowings	<b>5,063.0</b>	1,732.3	794.0	2,536.7
<b>Non-current borrowings</b>	<b>18,343.8</b>	<b>2,769.5</b>	<b>3,734.9</b>	<b>11,839.4</b>

## 4. OUTLOOK

In the current economic environment, Veolia Environnement's priority for 2009 is to generate positive free cash flow after the payment of the dividend.

To attain this objective, the Group expects net investments of no more than €2 billion in 2009, including an asset disposal plan, confirmed at June 30, 2009, of €1 billion for fiscal year 2009. To date, the Group is engaged in advanced negotiations to dispose of certain assets in the waste management division in the U.S. and France and in the freight business of Veolia Transport. The objective is to finalize these divestitures by the end of 2009.

The operating and financial performance during the first half of the year and the advancement of the disposal program allow the Group to confirm its objectives set for 2009: to generate positive free cash flow after the payment of the dividend for fiscal year 2008 and to generate operating cash flow less net investments of around €2 billion at constant exchange rates.

This information is uncertain and subject to change. It does not constitute a profit forecast. Forward-looking information is based on the following items and actions:

- developments in the economic environment (monetary parity, raw material prices, activity levels in Europe and the United States) during the second half of 2009;
- exogenous factors (actions by anti-trust or regulatory bodies, client agreements, etc.) relating to the completion of divestiture operations in 2009.

A detailed description of risk factors can be found in Chapter 4.1 of the 2008 Reference Document, Risks relating to the issuer, as filed with the AMF.