



**VEOLIA ENVIRONNEMENT**  
(Established as a société anonyme in the Republic of France)

**EURO 12,000,000,000**  
**EURO MEDIUM TERM NOTE PROGRAMME**

This supplement (the “**Supplement**”) is supplemental to and must be read in conjunction with the base prospectus dated 1 August 2008 granted visa n°08-163 on 1 August 2008 by the *Autorité des marchés financiers* (the “**AMF**”) (the “**Base Prospectus**”), which has been prepared by Veolia Environnement (“**Veolia Environnement**” or the “**Issuer**”) with respect to its Euro 12,000,000,000 Euro Medium-Term Note Programme (the “**Programme**”). Unless otherwise defined, terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement has been prepared pursuant to article 16.1 of the Directive 2003/71/EC of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the “**Prospectus Directive**”) and article 212-25 of the AMF’s General Regulations for the purposes of incorporating the 30 June 2008 semi-annual results of Veolia Environnement as well as further additional information as set out in this Supplement.

In accordance with article 11 of the Prospectus Directive, this Supplement incorporates by reference and must be read in conjunction with the sections of the first update (filed with the AMF on 25 September, 2008 under number D-08-0172-A01, the “**Update**”) to Veolia Environnement’s *Document de Référence* 2007 filed with the AMF under no. D-08-0172 on 31 March, 2008, which are referred to herein. Certain sections of the English language version of the Update are also referred to herein, but it should be noted that this English language version has not been filed with the AMF and that it is a free translation only, referred to for the convenience of the reader.

Application has been made for approval of this Supplement to the AMF in France in its capacity as competent authority pursuant to article 212-2 of its General Regulations (*Règlement Général*) which implements the Prospectus Directive.

Copies of this Supplement and the document incorporated by reference are available without charge from the specified office of the Fiscal Agent or each of the Paying Agents, on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)), on the website of the Issuer ([www.veolia-finance.com](http://www.veolia-finance.com)), and from Veolia Environnement, 36-38 avenue Kléber, 75116 Paris.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.



In accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* (AMF), in particular articles 212-31 to 212-33, the AMF has granted to this Supplement its visa n°08-220 on 22 October 2008. This document may be used for the purposes of a financial transaction only if it is supplemented by final terms. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of “whether the document is complete and understandable, and whether the information it contains is consistent”. It does not imply that the AMF has verified the accounting and financial data set out herein. This visa has been granted subject to the publication of final terms in accordance with article 212-32 of the AMF’s General Regulations, setting out the terms of the securities to be issued.

## **1. PERSONS RESPONSIBLE FOR THE SUPPLEMENT**

### **1.1 Persons responsible for the Supplement**

Veolia Environnement, 36-38 avenue Kléber, 75116 Paris.

### **1.2 Declaration by persons responsible for the Supplement**

We declare, having taken all reasonable measures for this purpose and to the best of our knowledge, that the information contained in this Supplement is in accordance with the facts and that it contains no omission which could affect its import.

#### **Veolia Environnement**

36-38 avenue Kléber  
75116 Paris

duly represented by Henri Proglío  
Chairman of the Board and CEO

## **2. STATUTORY AUDITORS**

### **Statutory auditors:**

KPMG SA, member of KPMG international  
*Commissaire aux comptes*  
member of the *Compagnie régionale de Versailles*  
represented by Mr. Jay NIRSIMLOO and Mr. Baudouin GRITON  
1 cours Valmy, 92923 Paris La Défense Cedex

ERNST & YOUNG ET AUTRES  
*Commissaire aux comptes*  
member of the *Compagnie régionale de Versailles*  
represented by Mr. Jean BOUQUOT and Mr. Patrick GOUNELLE  
41 rue Ybry, 92576 Neuilly-sur-Seine Cedex,

### **Alternate auditors:**

Mr. Philippe MATHIS  
1 cours Valmy, 92923 Paris La Défense Cedex

AUDITEX  
Tour Ernst & Young, Faubourg de l'Arche, 92037 La Défense Cedex

### 3. SELECTED FINANCIAL INFORMATION

#### Selected historical financial information regarding the Issuer, presented in accordance with IFRS

<i>In millions of euros, except per share figures</i>	<b>June 30, 2008</b>	<b>December 31, 2007</b>	<b>June 30, 2007</b>
Revenue from ordinary activities	18,091.7	32,628.2	15,461.6
Operating income	1,305.7	2,496.9	1,271.8
Net income attributable to equity holders of the parent	500.5	927.9	493.0
Diluted earnings per share (in euros)	1.09	2.13	1.21
Basic earnings per share (in euros)	1.09	2.16	1.22
Dividends paid	553.5 (i)	419.7	419.7
Dividend per share distributed during the fiscal year (in euros)	1.21	1.05	1.05
Total assets	47,126.0	46,306.9	41,812.3
Total current assets	17,440.5	17,214.0	16,257.4
Equity attributable to equity holders of the parent	7,394.0	7,612.9	4,640.7
Minority interests	2,494.4	2,577.8	2,296.5
Operating cash flow (ii)	2,151.0	4,178.3	2,012.4
Recurring operating income (iii)	1,300.1	2,469.2	1,235.8
Recurring net income attributable to equity holders of the parent (iii)	497.5	933.2	481.9
Net financial debt (iv)	16,332.3	15,124.5	15,200.2

(i) Paid out of Fiscal-year 2007 net income

(ii) Operating cash flow = cash flow from continuing operations before tax and financial elements

(iii) “Recurring operating income” and “Recurring net income attributable to equity holders of the parent” are equal to operating income and net income attributable to equity holders of the parent, respectively, adjusted to exclude the impact of impairment charges and certain items that are “non-recurring.” An 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. We do not classify an item as “non-recurring” if the nature of the relevant charge or gain is such that it is reasonably likely to recur within two years, or there was a similar charge or gain within the prior two years

(iv) “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

## **7. INFORMATION ABOUT THE ISSUER**

### **7.1.5 Recent developments affecting the Issuer's solvency**

#### ***Veolia Environment and Mubadala launch a joint venture company to build a strategic partnership in the Middle East- North Africa region (MENA)***

Veolia Water and Mubadala have announced, on October 7, 2008, their intention to create a joint-venture company that will focus on the areas of water production and waste water collection and treatment in the Middle East and North Africa region. This announcement follows a decision by Abu Dhabi Investment and Business Development Company, Mubadala, and Veolia Water, to work together on municipal concessions and public private partnerships in the MENA region. The joint venture will be owned 51% by Veolia Water and 49% by Mubadala.

#### ***Veolia Environnement announces the acquisition of Ridgeline Energy in the United States***

On October 1, 2008, Veolia Environnement announced that it has acquired the US company Ridgeline Energy, a specialist in the development of wind energy projects, for a total amount of \$ 72 million (€48.6 million) which may be subject to a price adjustment for a 1,500 MW capacity that is ready to be built. This acquisition, which is part of Veolia Environnement's strategy of developing new business in areas complementary to its core business, enables Veolia Environnement to make a significant entry into the rapidly growing American wind energy market.

#### ***Veolia Water wins contracts for Australia's first private water recycling scheme to an industrial network***

On September 25, 2008, Veolia Water announced that it has signed (together with AquaNet Sydney Pty Ltd) a contract with the Sydney Water Corporation for the first private scheme for recycled water to a network of multiple industrial users in Australia. This contract, which is a build, own and operate project for the Rosehill and Camellia Recycled Water Plant (western Sydney), represents an estimated cumulated turnover of €122 million (AUD 200 million) over a 20 years period.

#### ***Veolia Transport wins contract to manage future regional express system in Bremen, Germany***

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.

#### ***Veolia Environnement announces an efficiency plan and an asset disposal program***

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 has 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 Environnement to hold an "Investor Day" on October 22, 2008***

Veolia Environnement will hold an "Investor Day" on October 22, 2008. At this meeting, the company will provide an overview of its outlook for the full-year 2008 within the context of the financial crisis and global economic slowdown.

In the Waste management business, Veolia Environnement has experienced a clear slowdown in business activity since the beginning of the summer. The effects of the economic slowdown (decline in tonnages both collected and treated) and the decrease in raw material pricing (paper, metals) have been particularly felt in the French and German business activities. In addition, certain elements have also weighed upon this year's profitability: Temporary shutdown and delay of certain incineration installations in Italy, and the implementation costs for the restructuring plan and the closure of a waste disposal facility in Germany.

In the Water business, the volumes of water sold in Europe over the course of the summer were below the 2007 levels. Additionally, in certain countries, expected tariff increases have been delayed.

Overall, Veolia Environnement expects 2008 operating cash flow to be between EUR 4,100 million and EUR 4,200 million, or approximately the same level as the operating cash flow generated in 2007, which totalled EUR 4,163 million<sup>1</sup>.

The implementation of the plan to control investments and an asset disposal program announced on August 7th of this year are now underway and have begun to produce an impact. They are expected to result in an amount of total investments, net of disposals, on the order of EUR 4 billion in 2008 as compared with EUR 6.1 billion in 2007. The company also underscores its solid financial stability characterized by a strong liquidity position, the absence of any significant bond maturities prior to 2012 and an average debt maturity of more than 9 years. The cost of borrowing in 2008 is expected to be in the range of 5.7% to 5.8%.

For 2009, Veolia Environnement confirms its objectives to generate cost savings of EUR 400 million over 2 years, of which EUR 180 million in cost savings is expected in 2009. The achievement of this plan will be reinforced by the following:

- improvement in the profitability of the recently acquired companies
- implementation of an investment reduction plan
- increase in the asset disposal program

Taking into account these actions, the company expects to generate positive free cash flow<sup>2</sup> in 2009.

## **7.2. Investments**

### **7.2.1. Principal investments made since the date of the last published financial statements**

Please refer to section 7.1.5 of this Supplement.

### **7.2.2. Main future investments**

Please refer to section 7.1.5 of this Supplement.

### **7.2.3. Sources of financing**

Please refer to Veolia Environnement's Update of the 2007 Reference Document, pages 15 to 19.

Please note this information can also be found in the English version of the Update, pages 14 to 17.

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<sup>1</sup> Operating cash flow from continuing operations (operating cash flow of €4,178 million less €15 million from discontinued operations)

<sup>2</sup> Net of all investments and disposals

## **10. TREND INFORMATION**

### **10.1 Material adverse changes**

Save as disclosed in section 7.1.5 of this Supplement, there has been no material adverse change in the prospects of the Issuer since 30 June 2008.

### **10.2 Further information**

Save as disclosed in section 7.1.5 of the Base Prospectus (19 June 2008 announcement) and section 7.1.5 of this Supplement, the Issuer is not aware of any event or circumstance which could reasonably affect its prospects for the current financial year.

## **15. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### **15.2 Legal and arbitration proceedings**

#### **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 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 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.

### **15.3 Significant change in the issuer's financial or trading position**

Save as disclosed in section 7.1.5 of this Supplement, there has been no significant change in the Issuer's financial or trading position since 30 June 2008.

### **15.4 Consolidated financial statements for the half year ended 30 June 2008**

Please refer to Veolia Environnement's Update of the 2007 Reference Document, pages 29 to 58.

Please note this information can also be found in the English version of the Update, pages 28 to 56.

## **16. ADDITIONAL INFORMATION**

### **16.1 Share capital**

As at the date of this Supplement, Veolia Environnement's share capital amounts EUR 2,362,682,240 shares and is divided into 472,563,448 fully paid-up shares with a par value of EUR 5 per share.