

Consolidated Interim Financial Statements for the half-year ended June 30, 2007

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CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET ASSETS (€ million)	Notes	As of June 30, 2007	As of December 31, 2006
Goodwill	A.4	5,841.8	5,705.0
Concession intangible assets	A.5	2,440.5	2,345.6
Other intangible assets	A.6	1,328.9	1,379.8
Property, plant and equipment	A.7	8,153.7	7,918.7
Investments in associates	A.8	253.5	241.0
Non-consolidated investments	A.9	198.8	181.7
Non-current operating financial assets	A.10	5,094.6	5,133.4
Derivative instruments – Assets	A.11	234.4	201.6
Other non-current financial assets	A.12	606.7	637.5
Deferred tax assets		1,341.3	1,355.7
Non-current assets		25,494.2	25,100.0
Inventories and work-in-progress	A.13	791.3	731.8
Operating receivables	A.13	11,122.2	10,968.7
Current operating financial assets	A.14	344.0	326.2
Other short-term loans	A.15	311.4	205.3
Marketable securities	A.15	-	66.4
Cash and cash equivalents	A.16	3,688.5	2,658.0
Current assets		16,257.4	14,956.4
Assets of discontinued operations		60.7	67.3
Total assets		41,812.3	40,123.7

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES (€ million)	Notes	As of June 30, 2007	As of December 31, 2006
Share capital		2,077.6	2,063.1
Additional paid-in capital		6,714.3	6,641.2
Reserves attributable to equity holders of the parent		(4,644.2)	(5,102.2)
Income attributable to equity holders of the parent		493.0	758.7
Equity		4,640.7	4,360.8
Minority interests		2,296.5	2,192.6
Equity	A.17	6,937.2	6,553.4
Provisions and other non-current liabilities	A.18	2,017.2	2,196.6
Other non-current liabilities	A.18	-	207.3
Long-term borrowings	A.19	13,295.6	14,001.6
Derivative instruments – Liabilities	A.11	296.2	145.9
Deferred tax liabilities		1,566.0	1,504.9
Non-current liabilities		17,175.0	18,056.3
Operating payables	A.13	11,387.7	11,268.6
Current provisions	A.18	788.5	825.9
Short-term borrowings	A.20	4,763.6	2,904.1
Bank overdrafts and other cash position items		684.3	456.0
Current liabilities		17,624.1	15,454.6
Liabilities of discontinued operations		76.0	59.4
Total equity and liabilities		41,812.3	40,123.7

CONSOLIDATED INCOME STATEMENT

(€ million)	Notes	For the half-year ended June 30, 2007	For the half-year ended June 30, 2006 restated	For the half-year ended June 30, 2006	For the year ended December 31, 2006
Revenue	A.21	15,461.6	13,940.5	13,997.7	28,620.4
<i>o/w Revenue from third-party financing activities</i>		<i>174.5</i>	<i>175.1</i>	<i>175.1</i>	<i>351.0</i>
Cost of sales		(12,671.6)	(11,345.8)	(11,407.6)	(23,427.1)
Selling costs		(248.2)	(248.2)	(248.3)	(515.2)
General and administrative expenses		(1,280.7)	(1,252.5)	(1,253.2)	(2,611.2)
Other operating revenue and expenses		10.7	34.8	36.4	66.0
Operating income	A.22	1,271.8	1,128.8	1,125.0	2,132.9
Finance costs	A.23	(461.6)	(367.7)	(369.5)	(783.8)
Finance income	A.23	70.0	38.5	38.5	82.8
Other financial income (expense)	A.24	(11.3)	(20.1)	(20.1)	(34.0)
Income tax expense	A.25	(235.0)	(253.9)	(252.7)	(409.6)
Share of net income of associates	A.8 & A.26	10.7	4.0	4.0	6.0
Net income from continuing operations		644.6	529.6	525.2	994.3
Net income/(loss) from discontinued operations	A.27	(8.2)	49.6	54.0	0.6
Net income for the period		636.4	579.2	579.2	994.9
Attributable to minority interests	A.28	143.4	134.7	134.7	236.2
Attributable to equity holders of the parent		493.0	444.5	444.5	758.7
Net income attributable to equity holders of the parent per share *					
Basic		1.22	1.12	1.12	1.90
Diluted		1.21	1.10	1.10	1.89
Net income from continuing operations attributable to equity holders of the parent per share *					
Basic		1.24	0.97	0.98	1.90
Diluted		1.23	0.96	0.97	1.88

* All amounts have been restated retrospectively to take account of the July 2007 share capital increase.

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	Notes	For the half-year ended June 30, 2007	For the half-year ended June 30, 2006 restated	For the half-year ended June 30, 2006	For the year ended December 31, 2006
Net income for the period attributable to equity holders of the parent		493.0	444.5	444.5	758.7
Minority interests	A.28	143.4	134.7	134.7	236.2
Operating depreciation, amortization, provisions and impairment losses		836.2	807.3	807.3	1,831.0
Financial amortization and impairment losses	A.24	6.9	3.7	3.7	9.4
Gains (losses) on disposal and dilution		(68.3)	(33.6)	(33.6)	(73.3)
Share of net income of associates	A.8 & A.26	(10.7)	(4.0)	(4.0)	(6.0)
Dividends received	A.24	(6.5)	(7.8)	(7.8)	(9.7)
Finance costs, net	A.23 & A.27	391.6	331.0	331.0	701.0
Income tax expense	A.25 & A.27	235.0	202.1	202.1	357.1
Other		(11.3)	34.7	34.7	40.0
Operating cash flow before changes in working capital		2,009.3	1,912.6	1,912.6	3,844.4
Changes in working capital		(245.7)	(295.6)	(311.3)	(111.8)
Income taxes paid		(140.4)	(160.9)	(160.9)	(343.0)
Net cash from operating activities		1,623.2	1,456.1	1,440.4	3,389.6
Purchases of property, plant and equipment		(1,193.6)	(798.5)	(793.1)	(2,017.6)
Proceeds on disposal of property, plant and equipment		110.4	55.2	55.2	141.3
Purchases of investments		(276.9)	(251.4)	(251.4)	(1,291.5)
Proceeds on disposal of investments		65.1	170.8	170.8	206.7
New operating financial assets	A.10 & A.14	(151.6)	(169.2)	(158.9)	(360.6)
Principal payments on operating financial assets	A.10 & A.14	176.2	242.7	242.7	438.1
Dividends received		9.3	9.8	9.8	13.8
New long-term loans granted	A.12	(27.6)	(9.6)	(9.6)	(69.4)
Principal payments on long-term loans	A.12	25.1	52.2	52.2	29.2
Net decrease/(increase) in short-term loans	A.15	(10.5)	(65.5)	(65.5)	2.6
Sales and purchases of marketable securities		-	(9.9)	(9.9)	3.4
Net cash used in investing activities		(1,274.1)	(773.4)	(757.7)	(2,904.0)
Net increase/(decrease) in short-term borrowings	A.20	346.8	60.1	60.1	(239.2)
New long-term borrowings and other debt	A.19	1,078.3	590.6	590.6	1,997.2
Principal payments on long-term borrowings and other debt	A.19	(212.5)	(543.9)	(543.9)	(1,000.8)
Proceeds on issue of shares		102.0	121.6	121.6	246.5
Purchase of treasury shares		16.8	58.4	58.4	0.4
Dividends paid		(502.1)	(411.7)	(411.7)	(479.2)
Interest paid		(388.4)	(313.2)	(313.2)	(596.4)
Net cash from/(used in) financing activities		440.9	(438.1)	(438.1)	(71.5)
Cash and cash equivalents at the beginning of the year		2,202.0	1,829.3	1,829.3	1,829.3
Effect of foreign exchange rate changes		12.2	(9.2)	(9.2)	(41.4)
Cash and cash equivalents at the end of the year		3 004,2	2 064,7	2 064,7	2 202,0

Cash and cash equivalents	A.16	3,688.5	2,642.0	2,642.0	2,658.0
Bank overdrafts and other cash position items		684.3	577.3	577.3	456.0
Cash and cash equivalents at the end of the year		3,004.2	2,064.7	2,064.7	2,202.0

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(€ million)	As of June 30, 2007	As of December 31, 2006	As of June 30, 2006
Net income for the period	636.4	994.9	579.2
Actuarial gains or losses on pension obligations	120.3	25,6	47,1
Fair value adjustments on available-for-sale assets	(1.1)	(2.3)	-
Fair value adjustments on cash flow hedging derivative instruments	26.1	37.0	37.0
Foreign exchange gains and losses:			
on translation of the financial statements of subsidiaries drawn up in a foreign currency	(21.3)	(92.3)	(160.4)
on the net financing of foreign investments	(1.4)	(7.8)	(6.5)
Income and expenses recognized directly in equity	122.6	(39.8)	(82.8)
Total recognized income and expenses	759.0	955.1	496.4
Attributable to equity holders of the parent	605.0	712.2	372.0
Attributable to minority interests	154.0	242.9	124.4
Impact of changes in accounting policies on earnings undistributed as of January 1 (IAS1.96(d))	-	(15.3)	(15.3)

The notes are an integral part of the consolidated financial statements.

1 ACCOUNTING PRINCIPLES AND METHODS

1.1 BASIS OF PREPARATION AS OF JUNE 30, 2007

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 on interim financial reporting. They do not include all the disclosures required for full annual financial statements and must be read in conjunction with the Veolia Environnement (hereinafter referred to as the “Group”) financial statements for the year ended December 31, 2006.

The Veolia Environnement consolidated interim financial statements for the half-year ended June 30, 2007 were approved by the Board of Directors on August 29, 2007.

1.2 MAIN ACCOUNTING PRINCIPLES AND METHODS

The accounting methods adopted by the Group in the condensed consolidated interim financial statements are identical to those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2006.

In accordance with IAS 34, the income tax expense has been estimated using the effective tax rate method.

The financial statements for the half-year ended June 30, 2006 have been restated to take into account the application of the final version of the IFRIC 12 interpretation. These restatements only concern the consolidated statement of cash flow. The financial statements for the half-year ended June 30, 2006 have also been restated to comply with IFRS 5 to include the sale of the Danish business activities by the Transportation Division.

As of June 30, 2007, Veolia Environnement did not observe any significant impacts relating to the implementation of the following interpretations:

- IFRIC 7, *Applying the restatement approach under IAS 29 – “Financial reporting in hyperinflationary economies”*: has been applied by the Group as from January 1, 2007.
- IFRIC 8, *Scope of IFRS 2 – Share-based payment*: for Veolia Environnement, the application of which is mandatory as from January 1, 2007.
- IFRIC 9, *Reassessment of embedded derivatives*: applicable to the Group as from January 1, 2007.
- IFRIC 10, *Interim financial reporting and impairment*: adopted by the European Union in June 2007. This interpretation is applicable to the Group as from January 1, 2007.

Given developments in the Group, certain balance sheet account headings have been changed to enable a more relevant analysis of the financial statements. These changes had no impact on equity or net income.

1.3 TRANSLATION OF FOREIGN SUBSIDIARIES FINANCIAL STATEMENTS (IAS 21)

The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated interim financial statements were as follows:

Period-end exchange rate (one foreign exchange rate = €xx)	As of June 30, 2007	As of June 30, 2006	As of December 31, 2006
U.S. Dollar	0.7405	0.7865	0.7593
Pound Sterling	1.4837	1.4449	1.4892
Czech Koruna	0.0348	0.0351	0.0364
Average exchange rate (one foreign exchange rate = €xx)	Average rate Half-year ended June 30, 2007	Average rate Half-year ended June 30, 2006	Average rate Fiscal Year 2006
U.S. Dollar	0.7496	0.8085	0.7918
Pound Sterling	1.4802	1.4519	1.4665
Czech Koruna	0.0354	0.0352	0.0354

2 USE OF MANAGEMENT ESTIMATES IN THE APPLICATION OF GROUP ACCOUNTING STANDARDS

The preparation of the consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. Future results could differ significantly from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

In preparing the consolidated interim financial statements, the significant judgments made by management when applying Group accounting methods and the main sources of uncertainty with respect to estimates were identical to those disclosed in the consolidated financial statements for the year ended December 31, 2006.

3 SIGNIFICANT EVENTS

- On April 27, 2007, Veolia Environnement announced the conclusion of an agreement with The Blackstone Group and Apax Partners to acquire Sulo for an enterprise value of €1,450 million (including financial debt). With revenues of €1.3 billion in 2006, Sulo is the second largest waste management operator in Germany and the market leader in the collection of municipal waste and packaging.
- On May 31, 2007, the Waste Management Division announced the signature of an agreement to take control of TMT in Italy, the Termomeccanica Ecologica subsidiary specialized in waste management and treatment. The transaction concerns 75% of the shares based on an enterprise value (100%) of €338 million.
- On June 12, 2007, the Energy Services Division signed an agreement to purchase the privately-owned U.S. company Thermal North America, Inc., the largest portfolio of district heating and cooling networks in the United States, for an enterprise value of USD788 million.
- On June 27, 2007, the subscription period for the €2.6 billion share capital increase with retention of preferential subscription rights, announced by Veolia Environnement on June 12, 2007, was successfully closed. The share capital increase totaled €2,581,469,688 (including additional paid-in capital) and 51,941,040 new shares with a par value of €5 each were issued. As from July 10, 2007, the total number of shares comprising the share capital of Veolia Environnement amounted to 467,469,360 shares.

4 GOODWILL

Goodwill breaks down as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Gross carrying amount	5,936.6	5,799.6
Cumulative impairment losses	(94.8)	(94.6)
Net carrying amount	5,841.8	5,705.0

As of **June 30, 2007**, cumulative impairment losses mainly relate to goodwill from the Transportation Division in Scandinavia (€70 million in 2004).

Movements in the net carrying amount of goodwill by Division during the **half-year ended June 30, 2007** are as

follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Water	2,040.4	2,028.6
Waste Management	2,318.9	2,294.0
Energy Services	919.2	839.2
Transportation	563.3	543.2
Goodwill	5,841.8	5,705.0

The €136.8 million increase in goodwill is mainly attributable to the impact of changes in the scope of consolidation in the amount of €135.9 million and foreign exchange losses of €27.8 million.

The changes in the scope of consolidation mainly relate to the following acquisitions:

- Energy Services: €69.0 million, including the acquisition of Pannon Power (Hungary) for €33.7 million and EKO (Czech Republic) for €8.7 million,
- Waste Management: €38.4 million, including the acquisition of Ecocycle (VES Canada) for €12.8 million.

5 CONCESSION INTANGIBLE ASSETS

Movements in the net carrying amount of concession intangible assets during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Gross carrying amount of concession intangible assets	3,604	3,461.2
Amortization and impairment losses	(1,164.1)	(1,115.6)
Net carrying amount of concession intangible assets	2,440.5	2,345.6

Concession intangible assets by Division break down as follows:

(€ million)	As of June 30, 2007			NCA as of Dec. 31, 2006
	Gross carrying amount	Amortization and impairment losses	Net carrying amount	
Water	2,550.9	(724.5)	1,826.4	1,766.4
Waste Management	350.9	(101.9)	249.0	265.1
Energy Services	667.8	(326.1)	341.7	292.9
Transportation	-	-	-	-
Other	35.0	(11.6)	23.4	21.2
Concession intangible assets	3,604.6	(1,164.1)	2,440.5	2,345.6

The increase in the net carrying amount of concession intangible assets is mainly attributable to additions in the amount of €149.2 million (including €96.9 million by the Water Division and €43.5 million by the Energy Services Division), partially offset by disposals in the amount of €8.5 million and charges to amortization of €76.3 million.

6 OTHER INTANGIBLE ASSETS

Other intangible assets break down as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Intangible assets with an infinite useful life, net	21.4	34.6
Intangible assets with a finite useful life, gross	2,795.7	2,749.4
Amortization	(1,488.2)	(1,404.2)
Intangible assets with a finite useful life, net	1,307.5	1,345.2
Intangible assets	1,328.9	1,379.8

Movements in the net carrying amount of other intangible assets during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Intangible assets with an infinite useful life, net	21.4	34.6
Fees paid to local authorities	671.0	672.4
Contractual rights	322.6	377.5
Purchased software	122.2	126.8
Purchased customer portfolios	29.7	22.0
Other purchased intangible assets	134.3	93.9
Internally developed intangible assets	27.7	52.6
Intangible assets with a finite useful life, net	1,307.5	1,345.2
Other intangible assets	1,328.9	1,379.8

The €50.9 million decrease in other intangible assets is mainly due to charges to amortization of €93.1 million, partially offset by additions of €54.4 million (including €31.5 million in the Water Division and €9.3 million in the Waste Management Division) and by changes in the scope of consolidation for €13.8 million (including €12.7 million in the Waste Management Division, Cleanaway Asia).

7 PROPERTY, PLANT AND EQUIPMENT

Movements in the net carrying amount of property, plant and equipment during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Gross carrying amount of property, plant and equipment	17,671.4	16,912.0
Depreciation	(9,517.7)	(8,993.3)
Net carrying amount of property, plant and equipment	8,153.7	7,918.7

The €235.0 million increase in property, plant and equipment is a result of the following items:

- **Additions** of €773.6 million (including €276.6 million by the Waste Management Division, €271.2 million by the Transportation Division and €156.7 million by the Water Division);
- **Disposals** of €62.6 million (including €39.2 million by the Waste Management Division and €12.6 million by the Transportation Division);

- **Foreign exchange losses** of €15.9 million (primarily €7.9 million in the Waste Management Division);
- The impact of **changes in scope of consolidation** for €165.1 million (mainly in the Energy Services Division: acquisitions of Pannon Power for €69.4 million, EKO for €23.7 million and Sinesco for €18.6 million); and
- Charges to depreciation of €582.7 million.

Property, plant and equipment by Division break down as follows:

(€ million)	As of June 30, 2007			NCA as of Dec. 31, 2006
	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	
Water	4,381.0	(2,133.0)	2,248.0	2,258.2
Waste Management	7,288.1	(4,187.4)	3,100.7	3,104.3
Energy Services	2,199.7	(1,143.8)	1,055.9	955.9
Transportation	3,652.2	(1,983.9)	1,668.3	1,518.6
Other	150.4	(69.6)	80.8	81.7
Property, plant and equipment	17,671.4	(9,517.7)	8,153.7	7,918.7

The breakdown of property, plant and equipment by class of assets is as follows:

(€ million)	As of June 30, 2007			NCA as of Dec. 31, 2006
	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	
Land	1,383.3	(516.9)	866.4	846.4
Buildings	2,750.1	(1,275.1)	1,475.0	1,312.1
Technical facilities	6,684.1	(3,713.6)	2,970.5	3,342.5
Rolling stock	4,677.1	(2,747.1)	1,930.0	1,787.7
Assets under construction	433.1	(1.7)	431.4	398.0
Other	1,743.7	(1,263.3)	480.4	232.0
Property, plant and equipment	17,671.4	(9,517.7)	8,153.7	7,918.7

8 INVESTMENTS IN ASSOCIATES

The principal investments in associates are as follows:

	% holding		Share of equity		Share of net income	
	06/30	12/31	06/30	12/31	06/30	06/30
	2007	2006	2007	2006	2007	2006
Fovarosi Csatomazasi Muvek	25.00%	25.00%	98.9	95.4	1.3	2.3
TIRU	24.00%	24.00%	13.7	13.6	0.9	0.3
EED ES Tersege Vizikozmu KFT (1)	20.80%	20.80%	5.2	5.1	-	-
Nishihara Environment Technology Inc.	20.00%	20.00%	4.6	3.7	1.2	-
CICG	41.97%	41.97%	5.6	5.9	(0.3)	0.1
Southern Water investments Limited (2)	-	-	-	-	-	1.3
KVW Investment Co Ltd Hohhot	49.00%	49.00%	5.5	5.5	0.2	0.4
Shanghai Laogang Landfill	30.00%	30.00%	5.3	5.5	0.3	0.4
Ta Ho Onyx Yunlin (3)	33.30%	33.30%	2.5	3.7	(1.0)	-
Cie Méridionale de Participations (4)	45.00%	45.00%	12.5	12.4	0.1	-
Cie Méridionale de Navigation (4)	45.00%	45.00%	32.3	28.0	4.3	-
Other amounts < M€5 in 2006 and 2007			67.4	62.2	3.7	0.5

Investments in associates			253.5	241.0	10.7	5.3
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- (1) EED ES Tersege Vizikozmu KFT (Hungary): company entered the scope of consolidation in 2006 via the Water Division.
- (2) Southern Water investments Limited: company sold in 2006. The share of net income as of June 30, 2006 in the amount of €1.3 million was recognized in net income from discontinued operations.
- (3) Ta Ho Onyx Yunlin: company accounted under the equity method during 2006 (previously not consolidated) due to the low probability of the completion of the purchase by the partner of the company given the termination of the contract by the county of YUNLIN (Taiwan).
- (4) Cie Méridionale de Participations & Cie Méridionale de Navigation: companies entered into the scope of consolidation in 2006 via the Transportation Division.

9 NON-CONSOLIDATED INVESTMENTS

Pursuant to IAS 39, non-consolidated investments are classified as available-for-sale and, as such, recognized at fair value. Unrealized gains and losses are taken directly to equity, except for unrealized losses considered long-term which are expensed in the Income Statement.

Movements in non-consolidated investments during **the half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Net non-consolidated investments	198.8	181.7

The increase in non-consolidated investments is mainly related to the purchase of stakes in the companies holding the Harbin contract at Dalkia (€9.6 million), Touriscar (€6.0 million) and Mumbai (€4.7 million) in the Transportation Division.

10 NON-CURRENT OPERATING FINANCIAL ASSETS

Operating financial assets comprise financial assets resulting from the application of IFRIC 12 on accounting for concession contracts and from the application of IFRIC 4.

Movements in the net carrying amount of non-current operating financial assets during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Gross carrying amount	5,100.6	5,139.4
Impairment losses	(6.0)	(6.0)
Non-current operating financial assets	5,094.6	5,133.4

The movements in new operating financial assets during the **half-year ended June 30, 2007** mainly concern:

- new operating financial assets for €150.1 million:
 - new Water Division contracts in Oman Sur for €20 million;
 - increase in financial receivables for pre-existing contracts (mainly in the Water Division for €93 million).
- transfer of non-current operating financial assets amounting to €182.5 million to current assets (in particular energy – cogeneration services).

The breakdown of non-current operating financial assets by Division is as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Water	3,766.2	3,667.0
Waste Management	703.8	716.6
Energy Services	519.4	651.0
Transportation	105.2	98.8
Non-current operating financial assets	5,094.6	5,133.4

11 DERIVATIVE INSTRUMENTS ACCOUNTING POSITION

In the course of its operating and financing activities, the Group is exposed to the following market risks: interest rate risk, foreign exchange risk, counterparty risk, commodities risks, liquidity risk and equity risk.

In order to reduce its exposure to these risks, Veolia Environnement centralizes the management of these financial risks in order to ensure better control. Activities are based on the management rules detailed in the internal manual “Rules governing financing/treasury management and related risks” widely distributed to Group entities. These rules are based on the principles of security, transparency and effectiveness.

Veolia Environnement uses various derivative instruments to reduce and manage its exposure to fluctuations in interest rates, exchange rates and commodity prices, not all of which qualify for hedge accounting. All these derivatives are recognized in the balance sheet at fair value.

The fair value of derivative instruments recognized in the balance sheet breaks down as follows:

(€ million)	As of June 30, 2007		As of December 31, 2006	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	68.0	199.0	80.9	77.4
Fair value hedges	1.7	146.6	45.2	16.3
Cash flow hedges	15.8	28.1	6.8	48.4
Derivatives not qualifying for hedge accounting	50.5	24.3	28.9	12.7
Foreign exchange derivatives	53.6	57.3	56.5	42.7
Net investment hedges	46.3	4.9	42.0	4.3
Derivatives not qualifying for hedge accounting	7.3	52.4	14.5	38.4
Other derivative instruments including commodity derivatives	112.8	39.9	64.2	25.8
Total derivative instruments	234.4	296.2	201.6	145.9

Movements in fair value hedges are offset economically by movements in long-term borrowings (see Note 18).

12 OTHER NON-CURRENT FINANCIAL ASSETS

Movements in the carrying amount of other non-current financial assets during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Other non-current financial assets (gross)	687.0	708.5
Impairment losses	(80.3)	(71.0)
Other non-current financial assets (net)	606.7	637.5

13 WORKING CAPITAL REQUIREMENTS

Changes in net working capital requirements ("WCR") during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Inventories and work-in-progress (net)	791.3	731.8
Operating receivables (net)	11,122.2	10,968.7
Operating payables (net)	11,387.7	11,268.6
Net changes in WCR	525.8	431.9

Net WCR includes the "operating" WCR (inventories, trade receivables, trade payables and other payables and operating receivables), the "tax" WCR (current income tax receivables and payables). The €93.9 million increase is related to the increase in "operating" WCR, changes in the scope of consolidation as well as a decrease in tax WCR.

Operating receivables are treated as loans and receivables for accounting purposes. Short-term commercial receivables and payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Securitization program in France

Veolia Environnement, via one of its Water Division subsidiaries, performed securitization operations on its receivables in an amount of €544.0 million net of discounts as of June 30, 2007, compared to €397.6 million as of December 31, 2006.

Assignment of receivables

No amount was recognized in respect of the assignment of discounted receivables (Daily) as of June 30, 2007.

In the Energy Services Division, receivables were definitively sold to third parties for €31 million as of June 30, 2007, compared to €108 million as of December 31, 2006 and €100 million as of June 30, 2006.

14 CURRENT OPERATING FINANCIAL ASSETS

Movements in the net carrying amount of current operating financial assets during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Gross carrying amount	344.0	326.2
Impairment losses	-	-
Current operating financial assets	344.0	326.2

Movements in operating financial assets during the **half-year ended June 30, 2007** are due to:

- principal repayments (€156.3 million including €67.0 million by the Water Division and €68.9 million by Dalkia);
- transfer of non-current assets to current assets in an amount of €182.5 million.

Movements in current operating financial assets by Division are as follows:

(€ million)	June 30, 2007	Dec. 31, 2006
Water	98.7	163.5
Waste Management	42.4	26.0
Energy Services	181.9	120.1
Transportation	21.0	16.6
Current operating financial assets	344.0	326.2

15 OTHER CURRENT FINANCIAL ASSETS AND MARKETABLE SECURITIES

Movements in other current financial assets during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Gross carrying amount: * Other current financial assets * Marketable securities	470.8	{ 363.3 67.2
Impairment losses	(159.4)	(158.8)
Other current financial assets (net)	311.4	271.7

As of June 30, 2007, other current financial assets (net) are mainly comprised of the non-group portion of loans and current accounts, asset pre-financing in the Transportation Division as well as marketable securities.

16 CASH AND CASH EQUIVALENTS

Movements in cash and cash equivalents during the **half-year ended June 30, 2007** are as follows:

(€ million)	As of June 30,	As of December 31,
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	2007	2006
Cash at bank and in hand	1,339.4	1,263.8
Cash equivalents	2,349.1	1,394.2
Cash and cash equivalents	3,688.5	2,658.0

The €1,030.5 million improvement in cash and cash equivalents as of June 30, 2007 was primarily due to the increase in cash management investment funds held by Veolia Environnement SA following the €1 billion bond issue in May 2007 (maturity date of 05/2022, fixed rate of 5.125%).

17 EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ million)	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to equity holders of the parent	Minority interests	Total equity
As of January 1, 2006	407,872,606	2,039.4	6,499.1	(452.7)	(4,452.1)	212.3	(55.8)	3,790.2	1,888.0	5,678.2
Issue of share capital of the parent company	991,894	4.9	29.0	-	-	-	-	33.9	-	33.9
Elimination of treasury shares	-	-	-	56.1	14.8	-	-	70.9	-	70.9
Share options	-	-	-	-	6.8	-	-	6.8	-	6.8
Third party share in share capital increases by subsidiaries and changes in consolidation scope	-	-	-	-	-	-	-	-	114.3	114.3
Parent company dividend distribution	-	-	-	-	(336.3)	-	-	(336.3)	-	(336.3)
Third party share in dividend distributions by subsidiaries	-	-	-	-	-	-	-	-	(75.4)	(75.4)
Foreign exchange translation adjustments	-	-	-	-	-	(151.9)	-	(151.9)	(15.0)	(166.9)
Fair value adjustments	-	-	-	-	-	-	35.7	35.7	1.3	37.0
Actuarial gains (losses) on pension obligations	-	-	-	-	43.6	-	-	43.6	3.5	47.1
Net income for the period	-	-	-	-	444.5	-	-	444.5	134.7	579.2
Other changes	-	-	-	-	15.8	-	-	15.8	(3.7)	12.1
As of June 30, 2006	408,864,500	2,044.3	6,528.1	(396.6)	(4,262.9)	60.4	(20.1)	3,953.2	2,047.7	6,000.9

As of January 1, 2007	412,626,550	2,063.1	6,641.2	(479.6)	(3,986.7)	144.6	(21.8)	4,360.8	2,192.6	6,553.4
Issue of share capital of the parent company	2,901,770	14.5	73.1	-	-	-	-	87.6	-	87.6
Elimination of treasury shares	-	-	-	16.8	(0.1)	-	-	16.7	-	16.7
Share options	-	-	-	-	1.9	-	-	1.9	-	1.9
Third party share in share capital increases by subsidiaries and changes in consolidation scope	-	-	-	-	-	-	-	-	23.3	23.3
Parent company dividend distribution	-	-	-	-	(419.7)	-	-	(419.7)	-	(419.7)
Third party share in dividend distributions by subsidiaries	-	-	-	-	-	-	-	-	(82.4)	(82.4)

Foreign exchange translation adjustments		-	-	-	-	(18.3)	-	(18.3)	3.0	(15.3)
Fair value adjustments		-	-	-	-	(1.6)	22.6	21.0	3.0	24.0
Actuarial gains (losses) on pension obligations		-	-	-	107.0	-	-	107.0	13.3	120.3
Net income for the period		-	-	-	493.0	-	-	493.0	143.4	636.4
Other changes		-	-	-	(11.6)	(2.9)	(0.6)	(9.3)	0.3	(9.0)
As of June 30, 2007	415,528,320	2,077.6	6,714.3	(462.8)	(3,816.2)	127.6	0.2	4,640.7	2,296.5	6,937.2

The dividend distribution per share was €1.05, €0.85 and €0.68 in 2007, 2006 and 2005, respectively.

17.1 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

17.1.1 Share capital:

Share capital increases:

As of June 30, 2006, the share capital was increased by €31.7 million (including additional paid-in capital) following the exercise of share options.

In addition, the share capital was increased by €2.2 million (including additional paid-in capital) following the issue of subscription warrants.

Between the 1st January 2007 and June 30, 2007, Veolia Environnement's share capital was increased by €87.6 million (including additional paid-in capital) following the exercise of share options.

Number of shares outstanding:

412,626,550 shares were outstanding as of December 31, 2006 and 415,528,320 as of June 30, 2007 (including treasury shares).

17.1.2 Offsetting of treasury shares against equity:

As of June 30, 2006, 2,282,778 shares with a net carrying amount of €70.9 million were sold as part of transactions reserved for employees. At the same date, the Group held 13,707,464 treasury shares.

As of June 30, 2007, 109,259 shares were sold for €4.1 million and subscription rights to treasury shares were sold for €12.6 million. At the same date, the Group held 15,145,049 treasury shares.

17.1.3 Share options:

In accordance with IFRS 2, expenses of €6.8 million in the first half of 2006 and €1.9 million in the first half of 2007, respectively, were recognized in respect of share option plans granted to employees.

17.1.4 Appropriation of net income and dividend distribution:

A dividend distribution of €419.7 million was paid out of 2006 net income attributable to equity holders of the parent of €758.7 million. The residual balance of €339.0 million was transferred to Veolia Environnement's consolidated reserves.

17.1.5 Foreign exchange translation reserves:

In the first half of 2006, negative translation differences of €151.9 million (portion attributable to equity holders of the parent) concerned the fall in the U.S. dollar in the amount of €87.1 million.

Accumulated foreign exchange translation reserves as of June 30, 2006 are positive: €60.4 million (portion attributable to equity holders of the parent), including €35.9 million in respect of the Korean won, €26.8 million in respect of the pound sterling, €20.2 million in respect of the Czech koruna and negative €38 million in respect of the U.S. dollar.

In the first half of 2007, negative translation differences of €17.0 million (portion attributable to equity holders of the parent) concerned the U.S. dollar in the amount of €16.6 million.

Accumulated foreign exchange translation reserves as of June 30, 2007 are positive: €127.6 million (portion attributable to equity holders of the parent), including €27.5 million in respect of the Korean won, €56.7 million in respect of the pound sterling, €44.1 million in respect of the Czech koruna and negative €62.5 million in respect of the U.S. dollar.

Movements in foreign exchange translation reserves (attributable to equity holders of the parent and minority interests)

(€ million)	Total	Attributable to equity holders of the parent
As of December 31, 2006	195.0	144.6
Exchange differences on the translation of the financial statements of subsidiaries drawn up in a foreign currency	(21.3)	(17.1)
Exchange differences on the net financing of foreign investments	(1.4)	(0.1)
Movements during the first six months of 2007	(22.7)	(17.0)
Exchange differences on the translation of the financial statements of subsidiaries drawn up in a foreign currency	216.5	169.4
Exchange differences on the net financing of foreign investments	(44.2)	(41.8)
As of June 30, 2007	172.3	127.6

Breakdown by currency of foreign exchange translation reserves attributable to equity holders of the parent

(€ million)	As of December 31, 2006	Movement	As of June 30, 2007
U.S. Dollar	(45.9)	(16.6)	(62.5)
Pound Sterling	60.4	(3.7)	56.7
Korean Won	32.6	(5.1)	27.5
Chinese Yuan	(4.1)	(0.7)	(4.8)
Czech Koruna	68.8	(24.7)	44.1
Canadian Dollar	1.9	6.7	8.6
Australian Dollar	1.0	10.7	11.7
Swedish Krona	1.5	(6.2)	(4.7)
Norwegian Krona	(0.6)	6.2	5.6
Hungarian Florin	3.4	3.9	7.3
Polish Zloty	5.2	2.5	7.7
Romanian Leu	13.9	7.8	21.7
Mexican Peso	1.6	1.9	3.5
Egyptian Pound	0.4	(0.3)	0.1
Hong Kong Dollar	8.2	(7.2)	1.0
Other currencies	(3.7)	7.8	4.1
Total	144.6	(17.0)	127.6

17.1.6 Fair value reserves:

Fair value reserves, attributable to equity holders of the parent, are negative in the amount of €55.8 million as of January 1, 2006, €21.8 million as of December 31, 2006 and positive in the amount of €0.2 million as of June 30, 2007.

As of June 30, 2007, fair value reserves mainly include fair value adjustments to interest-rate derivatives hedging floating-rate borrowings and to a lesser extent, fair value adjustments to available-for-sale securities.

Movements in fair value reserves (attributable to equity holders of the parent and minority interests):

(€ million)	Total	Attributable to equity
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		holders of the parent
As of December 31, 2006		
Fair value adjustments on available-for-sale assets	0.7	0.1
Derivative instruments – cash flow hedges	(23.1)	(21.9)
Fair value reserves as of December 31, 2006	(22.4)	(21.8)
Other changes:		
Fair value adjustments on available-for-sale assets	(1.1)	-
Derivative instruments – cash flow hedges	26.1	22.0
Other adjustments during the first half of 2007	25.0	22.0
As of June 30, 2007		
Fair value adjustments on available-for-sale assets	(0.4)	0.1
Derivative instruments – cash flow hedges	3.0	0.1
Fair value reserves as of June 30, 2007	2.6	0.2

17.2 MINORITY INTERESTS

A breakdown of the movements in minority interests is presented in the statement of changes in shareholders' equity.

18 PROVISIONS AND OTHER NON-CURRENT LIABILITIES, CURRENT PROVISIONS

As of June 30, 2007, the heading “Provisions and other non-current liabilities” includes the following items:

(€ million)	As of June 30, 2007	As of December 31, 2006
Non-current provisions	1,996.5	2,196.6
Other non-current liabilities	20.7	207.3
Provisions and other non-current liabilities	2,017.2	2,403.9

Other non-current liabilities were reclassified to other liability headings, in particular operating payables.

In accordance with IAS 19, provisions maturing after more than one year are discounted. Discount rates used are as follows:

	As of June 30, 2007	As of December 31, 2006
Euros	5.25%	4.40%
U.S. Dollars	6.35%	5.75%
Pound Sterling	5.75%	5.00%
Swiss Francs	3.35%	2.85%

Pursuant to IAS 37, provisions maturing after more than one year are discounted. Discount rates are as follows:

	As of June 30, 2007	As of December 31, 2006
Euros		
2 to 5 years	4.86%	4.37%
6 to 10 years	5.34%	4.60%
After 10 years	5.56%	5.20%
U.S. Dollars		
2 to 5 years	5.34%	5.20%
6 to 10 years	5.86%	5.36%
After 10 years	6.06%	5.86%
Pound Sterling		
2 to 5 years	6.12%	5.60%
6 to 10 years	6.25%	5.56%
After 10 years	6.09%	5.60%

Movements in provisions during the **first half of 2007** are as follows:

(€ million)	Non-current		Current		Total	
	As of June 30, 2007	As of December 31, 2006	As of June 30, 2007	As of December 31, 2006	As of June 30, 2007	As of December 31, 2006
Provisions excl. pensions and other employee benefits	1,375.2	1,447.6	788.5	825.9	2,163.7	2,273.5
Provisions for pensions and other employee benefits	621.3	749.0	-	-	621.3	749.0
Total	1,996.5	2,196.6	788.5	825.9	2,785.0	3,022.5

The decrease in provisions for pensions and other employee benefits is mainly due to the change in discount rates, notably in the United Kingdom.

The decrease in provisions excluding pensions and other employee benefits is mainly due to the €79.5 million decrease in the provision for losses to completion on long-term contracts in connection with the modification from the purchase accounting for SNCM.

19 LONG-TERM BORROWINGS

Long-term borrowings

(€ million)	As of June 30, 2007	As of December 31, 2006
Bonds	8,272.5	8,417.5
Other long-term borrowings	5,023.1	5,584.1
Long-term borrowings	13,295.6	14,001.6

Long-term bonds break down by maturity as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Veolia Environnement SA:		
Publicly offered or traded issuances (EMTN) (a)	7,478.5	7,588.6
Private placements (US market) (b)	295.7	309.1
Water:		
Three Valleys bond issue (c)	291.0	292.1
Waste Management:		
Montgomery bond issue (d)	58.0	59.5
Tyseley bond issue (e)	54.4	57.8
Other < €50 million	94.9	110.4
Bonds	8,272.5	8,417.5

- (a) As of June 30, 2007, bonds issues under the European Medium Term Notes (EMTN) Program totaled €8,825.5 million, including €7,478.5 million maturing in more than one year. The negative impact of the fair value remeasurement on long-term borrowings was €139.3 million. During the first half of 2007, Veolia Environnement issued notes under its EMTN program for a euro equivalent of €1,200.0 million (recognized in the balance sheet at amortized cost of €1,187.9 million), which break down as follows:
- €1 billion at a fixed-rate of 5.125%, maturing in May 2022. The amortized cost of the issue as of June 30, 2007 is €987.8 million.
 - €200 million at a floating rate (3-month Euribor+0.05%), maturing in August 2008. The amortized cost of the issue as of June 30, 2007 is €200.1 million. Given its maturity, this bond issue is recorded in short-term borrowings.
- In addition, on May 30, 2007, Veolia Environnement fully redeemed the €491 million bond issue performed in 2005. Given its maturity, this bond issue was recorded in short-term borrowings as of December 31, 2006. Finally, two bond issues have been reclassified in short-term borrowings given their maturity:
- a €700 million bond issue maturing on June 27, 2008,
 - and a €300 million bond issue maturing on February 15, 2008.
- (b) As of June 30, 2007, €295.7 million (including -€11.2 million related to remeasurements) remained outstanding on the private placement performed in the United States in 2003 (USPP). This bond issue comprises five tranches:
- Tranches A, B and C, maturing January 30, 2013, of €33 million (fixed-rate interest of 5.84%), £7 million (fixed-rate interest of 6.22%) and US\$147 million (fixed-rate interest of 5.78%) respectively,
 - Tranche D, maturing January 30, 2015, of US\$125 million, bearing fixed-rate interest at 6.02%,
 - Tranche E, maturing January 30, 2018, of US\$85 million, bearing fixed-rate interest at 6.31%.
- (c) The €200 million bond issue performed by the Water Division's U.K. subsidiary, Three Valleys, in July 2004 bearing interest at 5.875%, is recognized as of June 30, 2007 at amortized cost for a euro equivalent of €291.0 million. This bond matures on July 13, 2026.
- (d) The U.S. Dollar bond issue, bearing interest of 5.0%, was performed to finance the Montgomery plant near Philadelphia (Pennsylvania) in the United States. This redeemable loan was recognized as of June 30, 2007 at amortized cost for a euro equivalent of €58.0 million, and the final repayment is due on November 1, 2014.
- (e) This pound sterling bond issue, bearing interest at 6.6675%, was performed to refinance the incineration plant in Birmingham (UK). This redeemable loan was recognized as of June 30, 2007 at amortized cost for a euro equivalent of €54.4 million, and the final repayment is due on July 30, 2018.

Breakdown of bond issues by main component:

Operation (€ million)	Final maturity	Currency	Nominal in € million	Interest rate	Amortized cost restatement	Revaluation	Net carrying amount	Effective interest rate before hedging	Effective interest rate after hedging
Series 7	02/01/2012	EUR	1,000	5.88%	(6)	(37)	957	6.02%	6.34%
Series 8	04/29/2009	CSK	23	Pribor 3M + 0.67%	-	-	23	3.29%	3.29%
Series 9	04/23/2010	CSK	21	Pribor 3M + 0.67%	-	-	21	3.43%	3.43%
Series 10	05/28/2013	EUR	1,000	4.88%	(6)	(42)	952	5.00%	4.82%
Series 10 a	05/28/2018	EUR	750	5.38%	2	(22)	730	5.35%	4.96%
Series 12	11/25/2033	EUR	700	6.13%	(6)	-	694	6.19%	6.19%
Series 13	03/04/2009	USD	20	Libor USD 3M + 0.55%	-	-	20	4.80%	4.80%
Series 14	06/30/2015	USD	37	4.69%	(1)	(2)	34	4.99%	5.83%
Series 15	06/17/2015	EUR	600	1.75%	22	-	622	3.71%	3.71%
Series 17	02/12/2016	EUR	900	4.00%	(6)	(23)	871	4.09%	4.24%
Series 18	12/11/2020	EUR	600	4.38%	(8)	(13)	579	4.50%	4.65%
Series 21	01/16/2017	EUR	1,000	4.38%	(12)	-	988	4.52%	4.52%
Series 23	05/24/2022	EUR	1,000	5.13%	(12)	-	988	5.24%	5.24%
Total publicly offered issuances			7,651		(33)	(139)	7,479	n/a	n/a
USPP EUR 2013	01/30/2013	EUR	33	5.84%	-	-	33	5.89%	5.89%
USPP GBP 2013	01/30/2013	GBP	10	6.22%	-	-	10	6.27%	6.27%
USPP USD 2013	01/30/2013	USD	109	5.78%	(1)	(4)	104	5.83%	6.52%
USPP USD 2015	01/30/2015	USD	93	6.02%	-	(4)	89	6.06%	6.43%
USPP USD 2018	01/30/2018	USD	63	6.31%	-	(3)	60	6.35%	6.52%
Total private placements			308		(1)	(11)	296	n/a	n/a
Three Valleys bond issue	07/13/2026	GBP	297	5.88%	(6)	-	291	6.05%	6.05%
Montgomery bond issue	11/01/2014	USD	58	5.00%	-	-	58	3.40%	3.40%
Tyseley bond issue	07/30/2018	GBP	67	6.68%	(13)	-	54	9.50%	9.50%
Selchp (49%) bond issue	12/31/2021	GBP	35	7.14%	(4)	-	31	7.39%	7.39%
MBM Chicago Biosolids bond issue	11/01/2023	USD	36	5.93%	-	-	36	5.93%	5.93%
Total main bond issues			8,452		(57)	(150)	8,245	n/a	n/a

Breakdown of other long-term borrowings by main component:

(€ million)	As of June 30, 2007	As of December 31, 2006
BWB and SPE debts (a)	1,753.0	2,067.1
Finance lease obligations (b)	700.9	866.1
Syndicated credit in CZK (c)	348.2	363.8
Cogevolt (d)	253.1	358.8
Aquiris (e)	174.2	164.2
Put options	336.8	276.0

Delfluent (f)	111.9	102.3
Local authority borrowing annuities (g)	84.0	101.1
Shenzhen (h)	97.5	97.5
Redal (i)	95.7	97.3
Other < €100 million	1,067.8	1,135.3
Other long-term borrowings	5,023.1	5,584.1

(a) The Berliner Wasser Betriebe ("BWB") debt consists of two lines :

- The debt borne by the operating companies of €1,142.7 million as of June 30, 2007, compared to €1,148.7 million as of December 31, 2006.
- Acquisition debt of €600.0 million as of June 30, 2007, including €300.0 million which was reclassified into short-term borrowings given its January 2008 maturity.

Special purpose entity (SPE) debt totals €310.3 million as of June 30, 2007, compared to €318.4 million as of December 31, 2006.

- (b) As of June 30, 2007, finance lease obligations fall due between 2007 and 2031. Depending on the currency, fixed interest rates are between 2.90% and 12.09% and floating interest rates are indexed to EONIA, euro T4M (average monthly yield on the money market) and euro TAM (annualized money market rate) or their equivalent for financing in other currencies.
- (c) This CZK 12 billion syndicated credit facility arranged by Komerční Banka, Crédit Lyonnais and ING Bank in favor of Veolia Environnement refinances the five-year CZK 8 billion syndicated credit facility negotiated in November 2003. It includes a five-year tranche of CZK 8 billion (maturing July 29, 2010) and a seven-year tranche of CZK 4 billion (maturing July 27, 2012). As of June 30, 2007, this syndicated credit facility had been drawn down in the amount of CZK 10 billion (€348.2 million euro equivalent).
- (d) This securitization of future receivables was organized to finance cogeneration installations in the Energy Services Division. The debt reflects payments due in respect of the amortization of future receivables over the period to May 2012. The average fixed rate of interest payable on this debt is 5.42%.
- (e) This financing carried by Aquiris in respect of the North Brussels wastewater treatment plant construction project was secured in December 2006. It comprises two credit lines bearing floating-rate interest. As of June 30, 2007, the lines had been drawn down in the amount of €174.2 million.
- (f) Three floating-rate financing lines carried by Delfluent BV in respect of the Hague wastewater treatment plant construction project. One of these lines is repayable in full on maturity in 2009, while the other two lines, maturing 2030, are redeemable loans. As of June 30, 2007, the lines had been drawn down in the amount of €111.9 million.
- (g) The Group assumes certain fee obligations to local authorities under public service contracts. Local authority borrowing annuities as of June 30, 2007 total €84.0 million.
- (h) This financing which concerns the comprehensive water management contract for the town of Shenzhen is carried by Beijing Capital VW Invest. Co and is consolidated (50%) as of June 30, 2007 in the euro equivalent of €97.5 million. This Chinese yuan redeemable loan matures in June 2022 and bears interest to November 22, 2010 at a fixed-rate of 6.93% (revisable every six years).
- (i) The Redal (Marocco) non-redeemable loan maturing December 31, 2018 totals €95.7 million as of June 30, 2007.

Long-term borrowings break down by original currency (before swap transactions) as follows (amortized cost or fair value):

(€ million)	As of June 30, 2007	As of December 31, 2006
Euro	10,911.1	11,542.0
U.S. Dollar	567.0	558.2
Pound Sterling	515.8	554.0
Czech Koruna	415.7	447.1
Chinese Yuan	189.5	183.8
Korean Won	56.9	60.8
Polish Zloty	85.7	64.7
Norwegian Krona	38.6	37.9

Australian Dollar	12.6	17.4
Other	502.7	535.7
Long-term borrowings	13,295.6	14,001.6

The €631 million decrease in euro-denominated long-term borrowings during the first six months of 2007 is mainly due to:

- the €1,000 million bond issue offset by the transfer to short-term borrowings of:
 - the EMTN Series 1 bond issue in the amount of €700 million,
 - the EMTN Series 20 floating-rate bond issue in the amount of €300 million,
 - the Cogevolt debt in the amount of €106 million,
 - the Berlin acquisition debt (RWE portion) in the amount of €300 million,
- repayment of the SNCM finance lease obligations in the amount of €31 million.

The €38 million decrease in pound sterling-denominated long-term borrowings during the first six months of 2007 is primarily explained by the transfer to short-term borrowings of finance lease obligations relating to VES Onyx in the amount of €22 million and Cleanaway in the amount of €13 million.

The €31 million decrease in Czech koruna-denominated long-term borrowings during the first six months of 2007 is mainly explained by the transfer to short-term borrowings of the Dalkia Ceska Republika bond issue in the amount of €27 million.

Breakdown of long-term borrowings by maturity as of June 30, 2007:

(€ million)	Amount	Maturity of long-term borrowings		
		1 to 3 years	3 to 5 years	More than 5 years
Bond issues	8,272.5	113.4	999.4	7,159.7
Bank loans	5,023.1	2,301.7	1,244.6	1,476.8
Long-term borrowings	13,295.6	2,415.1	2,244.0	8,636.5

Undrawn credit lines

As of June 30, 2007, the main undrawn credit lines were as follows:

- undrawn “multi-purposes” short-term credit lines of €150 million,
- undrawn “multi-purposes” medium-term credit lines of €925 million,
- medium-term syndicated loan in the amount of €4 billion with a maturity of April 20, 2012.

20 SHORT-TERM BORROWINGS

Movements in short-term borrowings during the **half-year ended June 30, 2007** (amortized cost or fair value) are as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Short-term borrowings	4,763.6	2,904.1

Short-term borrowings total €4,763.6 million as of June 30, 2007, compared to €2,904.1 million as of December 31, 2006. This increase is mainly due to:

- the transfer of EMTN Series 1 bonds, maturing June 27, 2008 and EMTN Series 20 bond, maturing February 15, 2008, with a euro equivalent value of €712.1 million and €300.0 million, respectively, from long-term borrowings to short-term borrowings;

- repayment of the EMTN Series 16 bonds in the amount of €491.0 million;
- the setting up of a €200 million bond issue maturing in August 2008;
- a €700.6 million movement in Veolia Environnement SA treasury notes.

As of June 30, 2007, short-term borrowings mainly concern:

- Veolia Environnement SA for €3,309.8 million (including treasury notes of €1,433.6 million, bond issues maturing within one year of €1,344.7 million, securitization program of €389.6 million and accrued interest on bonds of €134.8 million);
- the Water Division for €730.3 million (including the company carrying the Berlin contract for €462.5 million);
- the Energy Services Division for €430.4 million (including the short-term portion of the Cogevolt financing of €96.5 million);
- the Waste Management Division for €189.1 million;
- the Transportation Division for €75.7 million.

Short-term borrowings in respect of Group finance leases totaled €165.2 million as of June 30, 2007, compared to €131.3 million as of December 31, 2006.

21 REVENUE

Breakdown of revenue is as follows:

(€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Sales of goods and services rendered	14,462.4	13,563.3	13,620.5
Construction contracts	824.7	202.1	202.1
Revenue from operating financial assets	174.5	175.1	175.1
Total revenue	15,461.6	13,940.5	13,997.7

Sales of goods mainly concern construction business related to supply and wastewater treatment management in the Water Division and sales of products related to recycling activities in the Waste Management Division.

22 OPERATING INCOME

Operating income is calculated as follows:

(€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Revenue	15,461.6	13,940.5	13,997.7
Cost of sales	(12,671.6)	(11,345.8)	(11,407.6)
o/w: Impairment losses on goodwill and negative goodwill recognized in the income statement	23.1	0.5	0.5
Restructuring costs	(5.4)	(8.7)	(8.7)
Selling costs	(248.2)	(248.2)	(248.3)

General and administrative expenses	(1,280.7)	(1,252.5)	(1,253.2)
Other operating revenue and expenses	10.7	34.8	36.4
o/w: Capital gains and losses on disposal	10.7	18.1	19.6
Other	-	16.7	16.8
Operating income	1,271.8	1,128.8	1,125.0

Replacement costs total €187.8 million for the first six months of 2007, compared to €169.1 million for the first six months of 2006. All replacement costs for publicly-owned utility networks are considered in the cash flow statement as investments, irrespective of whether the utility network was originally financed by the concession holder.

Negative goodwill recognized in the Income Statement mainly relates to SNCM (€10.9 million) and Lotz (€8.8 million).

The impact of changes in the discount rates of provisions amounts to €14.9 million for the first six months of 2007, compared to €12.1 million for the first six months of 2006.

Personnel costs including employee profit-sharing total €4.9 billion for the first six months of 2007, compared to €4.3 billion for the first six months of 2006:

Personnel costs

(€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Employee costs	(4,790.7)	(4,295.4)	(4,336.0)
Profit-sharing	(74.2)	(30.7)	(30.7)
Share-based compensation (IFRS 2)	(1.9)	(6.8)	(6.8)
Personnel costs	(4,866.8)	(4,332.9)	(4,373.5)

23 NET FINANCE COSTS

The income and expense balances making up net finance costs are as follows:

(€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Finance income	70.0	38.5	38.5
Finance costs	(461.6)	(367.7)	(369.5)
Net finance costs	(391.6)	(329.2)	(331.0)

The increase in net finance costs is due to both the increase in average debt outstanding over the period and changes in the financing rate, defined as the ratio of net finance cost excluding changes in the fair value of non-hedging derivative instruments to average net financial debt. This rate stood at 5.27% for the first half of 2007, compared to 5.07% for fiscal year 2006 as a whole and 4.95% for the first half of 2006.

Finance costs include the impact of revaluing non-hedging derivative instruments. These movements, which are

calculated in accordance with IAS 39 and depend on market conditions at the end of the period, represented gains of €5.7 million as of June 30, 2006 and €0.7 million as of June 30, 2007.

24 OTHER FINANCIAL INCOME AND EXPENSES

(€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Loan income	10.9	14.8	14.8
Dividends	7.6	7.8	7.8
Foreign exchange gains (losses)	10.7	(7.4)	(7.4)
Financial provisions	(6.6)	(2.4)	(2.4)
Other income (expense)	(33.9)	(32.9)	(32.9)
Other financial income (expenses)	(11.3)	(20.1)	(20.1)

Other financial income (expenses) improved from a net expense of €20.1 million for the half-year ended June 30, 2006 to a net expense of €11.3 million for the half-year ended June 30, 2007. The improvement mainly results from foreign exchange gains.

25 INCOME TAX EXPENSE

Analysis of the income tax expense

The income tax expense breaks down as follows:

(€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Current income tax expense	(218.0)	(190.2)	(189.0)
France	(40.8)	(39.7)	(39.7)
Other countries	(177.2)	(150.5)	(149.3)
Deferred income tax expense	(17.0)	(63.7)	(63.7)
France	(25.2)	(57.4)	(57.4)
Other countries	8.2	(6.3)	(6.3)
Total income tax expense	(235.0)	(253.9)	(252.7)

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company, with effect from January 1, 2001 (five-year agreement, renewed in 2006). Veolia Environnement is liable to the French treasury department for the full income tax charge, calculated based on the group tax return. Any tax savings are recognized at Veolia Environnement SA level.

In the first half of 2007, the Group reports a net consolidated tax expense of €235.0 million (representing a current income tax expense of €218.0 million and a deferred income tax expense of €17.0 million) compared to a net consolidated tax expense of €253.9 million in the first half of 2006 (representing a current tax expense of €190.2 million and a deferred tax expense of €63.7 million).

In relation to net income from continuing operations restated for this tax expense and the share of net income of associates, the effective tax rate is 27.0% for the first half of 2007, compared to 32.6% for the first half of 2006.

This decrease is primarily due to the fact that the Group pays no income tax in the United States, given the significant tax deficits reported in the US, and a €22.0 million adjustment to deferred tax liabilities due to the decrease in the tax rate in the United Kingdom.

26 SHARE OF NET INCOME OF ASSOCIATES

The share of net income of associates increased from €4.0 million in the first half of 2006 to €10.7 million in the first half of 2007. This increase is mainly attributed to the recognition of the share of the net income of Compagnie Méridionale de Navigation in the amount of €4.3 million (shares held by SNCM).

27 NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS

Net income from discontinued operations decreased from €49.6 million for the half-year ended June 30, 2006 to a net loss of €8.2 million for the half-year ended June 30, 2007.

Net income from discontinued operations for the first half of 2006 was attributable to the proceeds from the sale of the Water Division's investment in Southern Water for €54.0 million and the treatment of the Transportation Division's Danish activities in accordance with IFRS 5 representing a loss of €4.4 million (disposal currently underway).

Net income from discontinued operations for the first half of 2007 solely relates to the treatment of the Transportation Division's Danish activities in accordance with IFRS 5 (discontinued operations).

Movements in net income from discontinued operations:

(€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Income/(loss) from discontinued operations	(8.2)	(3.1)	1.3
Capital gains and losses on disposal	-	2.1	2.1
Income tax expense	-	50.6	50.6
Net income/(loss) from discontinued operations	(8.2)	49.6	54.0

The main income statement items for discontinued operations for the **half-year ended June 30, 2007** are as follows:

(€ million)	Total
Revenue	50.5
Operating income/(loss)	(7.1)
Financial items	(1.1)
Income tax expense	-
Share of net income of associates	-
Minority interests	-
Net income/(loss) from discontinued operations	(8.2)

For the half-year ended June 30, 2007, a loss of €8.2 million was recognized in order to take into account the final elements of the negotiations with the new shareholder (€4.9 million) and the net income for the period (€3.2 million).

Breakdown of net income/(loss) from discontinued operations for the **half-year ended June 30, 2006**:

(€ million)	Southern Water (1)	Danish transportation activities (2)	Total
Income/(loss) from discontinued operations	1.3	(4.4)	(3.1)
Capital gains and losses on disposal	2.1	-	2.1
Income tax expense	50.6	-	50.6
Net income/(loss) from discontinued operations	54.0	(4.4)	49.6

(1) activity sold in 2006

(2) decision taken in 2006 by Group management to sell in 2007

The main income statement items for discontinued operations for the half-year ended **June 30, 2006** are as follows:

(€ million)	Southern Water	Danish transportation activities	Total
Revenue	-	57.2	57.2
Operating income	-	(3.8)	(3.8)
Financial items	-	(1.8)	(1.8)
Income tax expense	-	1.2	1.2
Share of net income of associates	1.3	-	1.3
Minority interests	-	-	-
Income/(loss) from discontinued operations	1.3	(4.4)	(3.1)

28 NET INCOME FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS

Net income attributable to minority interests for the half-year ended June 30, 2007 is €143.4 million, compared to €134.7 million for the half-year ended June 30, 2006. This amount is mainly attributable to the minority shareholders of subsidiaries in the Water Division (€60.5 million), the Waste Management Division (€10.0 million), the Energy Services Division (€65.4 million) and the Transportation Division (€6.9 million). This slight increase in the share of net income attributable to minority interests is due to the 49% investment held by third parties in the Gabonese activities, which reported a loss during the first six months of 2007.

29 OFF-BALANCE SHEET COMMITMENTS

Specific commitments given

Berlin contractual commitments (“Servitudes”)

Under the Berlin water contract, the Group may be obliged to purchase rights of passage for water pipes from landowners still not indemnified who have presented claims for payments. The cost to the Group could total €426 million (50%). In the event of acquisition of these rights by landowners, these rights would represent an element of the remuneration of the Berlin water contract by the Berlin Lander and would be recorded in operating financial assets in the Group balance sheet.

Breakdown by maturity of specific commitments given

(€ million)	As of December 31, 2006	As of June 30, 2007	Maturity

			Less than one year	One to five years	More than five years
Berlin Servitudes (50%)	426	426	75	347	4
Specific commitments given	426	426	75	347	4

Other commitments given

Other commitments given include neither collateral guarantees supporting borrowings nor specific commitments and contingencies described above.

Other off-balance sheet commitments given are as follows:

(€ million)	As of December 31, 2006	As of June 30, 2007	Maturity		
			Less than one year	One to five years	More than five years
Operational guarantees including performance bonds	4,043.6	4,283.5	846.8	2,093.0	1,343.7
Financial guarantees					
Debt guarantees	300.7	295.9	93.6	130.2	72.1
Warranty obligations given	448.6	441.7	49.9	280.7	111.1
Commitments given					
Obligations to buy	149.3	283.7	142.1	117.8	23.8
Obligations to sell	31.3	30.3	19.3	9.0	2.0
Other commitments given					
Letters of credit	904.5	1,012.3	427.2	581.7	3.4
Other commitments given	749.8	1,975.7	1,307.3	438.8	229.6
Other commitments given	6,627.8	8,323.1	2,886.2	3,651.2	1,785.7

Operational guarantees: in the course of their normal activities, the Group's subsidiaries give guarantees to their customers. If the company does not reach its specified targets, it may have to pay penalties. This commitment is often guaranteed by an insurance company, a financial institution, or the parent company of the Group. These guarantees included in the contract are performance commitments. The insurance company or the financial institution often requires counter guarantees from the parent company. The commitment is the amount of the guarantee anticipated in the contract and given by the parent company to the customer or the counter guarantee given by the parent company to the insurance company or to the financial institution.

Insurance companies have issued performance bonds in connection with the activities of the Group's US subsidiaries (operating guarantees, site restoration guarantees), which have been underwritten by Veolia Environnement up to a maximum amount of US\$1.4 billion (drawn US\$0.2 billion as of June 30, 2007).

Debt guarantees: these relate to guarantees given to financial institutions in connection with the financial debt of non-consolidated companies, equity associates, or proportionately consolidated companies.

Warranty obligations given: these include guarantees linked to the sale of Water activities in the United States in 2004 for €321.3 million and the sale of Water assets located in the UK for €29.7 million.

Obligations to buy: these include commitments given by Group companies to purchase shares in other companies or invest. As of June 30, 2007, these commitments mainly concerned the Transportation Division (€56 million), the Energy Services Division (€165 million), the Waste Management Division (€21 million) and the Water Division (€40 million).

Letters of credit: letters of credit delivered by financial institutions to Group creditors, customers and suppliers guaranteeing operating activities.

The impact of movements in the US dollar on off-balance commitments given is approximately negative €60 million and

mainly concerns the Water Division (€16 million) and Veolia Environnement (€31 million).

Other commitments given break down by Division as follows:

(€ million)	As of June 30, 2007	As of December 31, 2006
Water	3,528.6	3,253.2
Waste Management	946.9	876.7
Energy Services	637.1	543.0
Transportation	334.5	294.9
Proactiva	7.7	5.7
Holding	2,810.8	1,598.3
Other	57.5	56.0
Total	8,323.1	6,627.8

The increase in commitments given by the Water Division primarily comprises guarantees given in connection with the Lanzhou and Marafiq contracts.

The increase in commitments given by the Holding primarily comprises guarantees given in connection with the acquisitions of Sulo (€505 million) and Thermal North America Inc. (€583.5 million).

Litigation not already accounted for

The Group is subject to various litigation cases in the normal course of its business. Taking into account the uncertain nature of the outcome of such litigation, management considers, in accordance with IAS 37 criteria, that a provision is not necessary at the balance sheet date.

Commitments received

(€ million)	As of June 30, 2007	As of December 31, 2006
Guarantees received	1,278.7	951.3
Debt guarantees	228.9	171.0
Warranty obligations received	19.7	34.6
Other guarantees received *	1,030.1	745.7

* As of June 30, 2007: including €366.4 million relating to greenhouse gas emission rights for 2007 (compared to €87.8 million as of December 31, 2006).

Greenhouse gas emission rights

Trends in the first half of 2007 do not suggest that the Group will exceed its CO² emission quotas.

During the half-year ended June 30, 2007, there were no significant related party transactions except for the signing of a guarantee agreement with Société Générale in connection with the share capital increase described in the section on “Significant Events”. This agreement signed on June 11, 2007 and authorized by the Veolia Environnement Board of Directors on June 10, 2007 as a regulated agreement involving related parties led to the payment of €13.5 million to Société Générale.

31 SEGMENT REPORTING

Pursuant to IAS 14, Veolia Environnement provides primary information by business segment and secondary information by geographical area. The business segments are Water, Waste Management, Energy Services and Transportation.

The **Water segment** integrates drinking water and wastewater activities such as water distribution, water and wastewater treatment, industrial process water, and the manufacturing of water treatment equipment and systems.

The **Waste Management** segment collects, processes and disposes of household, trade and industrial waste.

The **Energy Services** segment includes heating production and distribution, energy optimization and related services, and electricity production.

The **Transportation** segment focuses on the operation of passenger transportation services.

BUSINESS SEGMENTS

Revenue by segment (€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Water	5,220.7	4,801.0	4,801.0
Waste Management	4,195.9	3,547.9	3,547.9
Energy Services	3,320.7	3,245.3	3,245.3
Transportation	2,724.3	2,346.3	2,403.5
Revenue as per consolidated income statement	15,461.6	13,940.5	13,997.7

Operating income by segment (€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Water	576.1	526.6	526.6
Waste Management	389.1	307.2	307.2
Energy Services	259.7	266.7	266.7
Transportation	73.3	74.0	70.2
Total business segments	1,298.2	1,174.5	1,170.7
Unallocated operating income	(26.4)	(45.7)	(45.7)
Operating income as per consolidated income statement	1,271.8	1,128.8	1,125.0

Assets by segment as of June 30, 2007 (€ million)	Water	Waste Manage- ment	Energy Services	Transpor- tation	Unallo- cated amounts	Total assets in the consoli- dated balance

						sheet
Goodwill, net	2,039.8	2,318.9	919.2	563.3	0.6	5 841.8
Intangible assets and property, plant and equipment, net	5,154.7	3,473.0	1,458.4	1,716.7	120.3	11,923.1
Operating financial assets	3,864.8	739.9	701.4	126.2	6.3	5,438.6
Working capital assets including deferred tax assets	5,414.9	2,831.2	2,988.4	1,424.1	596.2	13,254.8
Total segment assets	16,474.2	9,363.0	6,067.4	3,830.3	723.4	36,458.3
Investments in associates	134.6	42.9	24.2	51.8	-	253.5
Other unallocated assets					5,100.5 *	5,100.5
Total assets	16,608.8	9,405.9	6,091.6	3,882.1	5,823.9	41,812.3

* including assets held for sale in an amount of €60.7 million (Transportation).

Assets by segment as of December 31, 2006 (€ million)	Water	Waste Management	Energy Services	Transportation	Unallocated amounts	Total assets in the consolidated balance sheet
Goodwill, net	2,029.3	2,294.0	839.2	543.2	-0.7	5,705.0
Intangible assets and property, plant and equipment, net	5,142.5	3,492.1	1,309.5	1,570.0	130.0	11,644.1
Operating financial assets	3,830.5	737.0	771.1	115.4	5.6	5,459.6
Working capital assets including deferred tax assets	5,260.3	2,670.9	3,357.7	1,213.2	554.1	13,056.2
Total segment assets	16,262.6	9,194.0	6,277.5	3,441.8	689.0	35,864.9
Investments in associates	130.7	44.4	19.6	46.3	-	241.0
Other unallocated assets					4,017.8*	4,017.8
Total assets	16,393.3	9,238.4	6,297.1	3,488.1	4,706.8	40,123.7

* including assets held for sale in an amount of €67.3 million (Transportation assets for €42.3 million and Waste Management assets for €25 million).

Liabilities by segment as of June 30, 2007 (€ million)	Water	Waste Management	Energy Services	Transportation	Unallocated amounts	Total liabilities in the consolidated balance sheet
Provisions for contingencies and losses	973.0	733.6	468.9	463.4	146.1	2,785.0
Working capital liabilities including deferred tax liabilities	6,361.7	2,556.2	2,296.8	1,627.1	111.9	12,953.7
Other segment liabilities	15.2	0.5	0.1	4.9	-	20.7
Total segment liabilities	7,349.9	3,290.3	2,765.8	2,095.4	258.0	15,759.4
Other unallocated liabilities					26,052.9 *	26,052.9
Total liabilities	7,349.9	3,290.3	2,765.8	2,095.4	26,310.9	41,812.3

* including liabilities held for sale in an amount of €76.0 million (Transportation)

Liabilities by segment as of December 31, 2006 (€ million)	Water	Waste Management	Energy Services	Transportation	Unallocated amounts	Total liabilities in the consolidated balance sheet
Provisions for contingencies and losses	1,012.4	791.3	464.0	611.9	142.9	3,022.5
Working capital liabilities including deferred tax liabilities	6,238.8	2,548.9	2,524.1	1,361.0	100.7	12,773.5
Other segment liabilities	273.4	41.6	29.1	12.2	-3.1	353.2
Total segment liabilities	7,524.6	3,381.8	3,017.2	1,985.1	240.5	16,149.2
Other unallocated liabilities					23,974.5*	23,974.5
Total liabilities	7,524.6	3,381.8	3,017.2	1,985.1	24,215.0	40,123.7

* including liabilities held for sale in an amount of €59.4 million (Transportation)

Capital expenditure by segment (€ million)	Half-year ended June 30, 2007	Half-year ended June 30, 2006 restated	Half-year ended June 30, 2006
Water	390	356	353
Waste Management	358	227	225
Energy Services	175	113	113
Transportation	289	109	109
Other	7	10	10
Total segment capital expenditure	1,219	815	810

GEOGRAPHICAL AREA

Geographical breakdown of revenue

Half-year ended June 30, 2007 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Oceania	Asia	Rest of the world	Total
Water	2,478.3	633.1	279.8	664.4	278.6	119.7	319.2	447.6	5,220.7
Waste Management	1,635.9	77.9	889.6	471.5	645.7	200.4	87.1	187.8	4,195.9
Energy Services	1,859.2	30.0	226.5	1,058.2	6.6	35.2	15.6	89.4	3,320.7
Transportation	1,062.4	275.7	55.0	716.9	354.2	222.2	2.6	35.3	2,724.3
Revenue	7,035.8	1,016.7	1,450.9	2,911.0	1,285.1	577.5	424.5	760.1	15,461.6

Half-year ended June 30, 2007 restated (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Oceania	Asia	Rest of the world	Total
Water	2,346,1	639,2	258,9	591,9	320,6	52,4	227,9	364,0	4,801,0
Waste Management	1,535,9	73,4	469,3	369,4	674,0	193,1	78,7	154,1	3,547,9
Energy Services	1,903,2	33,6	210,8	1,006,9	6,1	-	11,6	73,1	3,245,3
Transportation	892,2	244,9	27,7	645,0	309,8	198,3	-	28,4	2,346,3
Revenue	6,677,4	991,1	966,7	2,613,2	1,310,5	443,8	318,2	619,6	13,940,5

Geographical breakdown of segment assets

As of June 30, 2007 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Rest of the world	Total
Water	5,153.7	4,328.9	1,836.7	1,803.7	552.6	2,798.6	16,474.2
Waste Management	3,268.7	98.3	2,486.8	893.1	1,806.2	809.9	9,363.0
Energy Services	3,212.5	79.7	203.6	2,400.2	15.7	155.7	6,067.4
Transportation	1,839.9	382.1	118.8	836.4	354.7	298.4	3,830.3
Segment assets	13,474.8	4,889.0	4,645.9	5,933.4	2,729.2	4,062.6	35,734.9

As of December 31, 2006 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Rest of the world	Total
Water	5,145.0	4,427.0	1,706.3	1,769.6	583.3	2,631.4	16,262.6
Waste Management	3,212.0	89.7	2,503.9	828.5	1,834.1	725.8	9,194.0
Energy Services	3,608.2	87.2	192.2	2,246.5	7.4	136.0	6,277.5
Transportation	1,640.3	348.5	96.6	774.2	354.4	227.8	3,441.8
Segment assets	13,605.5	4,952.4	4,499.0	5,618.8	2,779.2	3,721.0	35,175.9

Geographical breakdown of capital expenditure

Half-year ended June 30, 2007 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Rest of the world	Total
Water	208	10	56	34	9	73	390
Waste Management	148	2	40	55	70	43	358
Energy Services	99	5	6	58	2	5	175
Transportation	168	14	18	55	8	26	289
Other	3	-	-	-	-	4	7
Capital expenditure	626	31	120	202	89	151	1,219

Half-year ended June 30, 2006 restated (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Rest of the world	Total
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Water	201	15	40	27	5	68	356
Waste Management	74	3	24	25	69	32	227
Energy Services	66	2	4	35	1	5	113
Transportation	52	13	4	33	2	5	109
Other	5	-	-	-	-	5	10
Capital expenditure	398	33	72	120	77	115	815

32 SUBSEQUENT EVENTS

- On July 2, 2007, the Waste Management Division definitively acquired Sulo for an enterprise value of €1,450 million (including financial debt). With revenues of €1.3 billion in 2006, Sulo is the second largest waste management operator in Germany and the market leader for the collection of municipal waste and packaging. This acquisition had no impact on the consolidated financial statements for the half-year ended June 30, 2007. The Waste Management Division signed a sales agreement on July 29 with Plastic Omnium (manufacture of plastic containers) relating to the E.T branch of SULO for €142 million. This branch manufactures containers and does not provide waste management services. The company is not in a position to produce an opening balance sheet given the acquisition date and the fact that the acquired company's financial statements have been prepared in accordance with German GAAP and not IFRS.
- Veolia Environnement finalized its €2.6 billion (including additional paid-in capital) share capital increase on July 10, 2007. As of the same date, the share capital comprises 467,469,360 shares.
- On July 3, the Transportation Division signed an agreement to sell its Danish business activities for €27 million. The final sale will be completed on August 31.

33 MAIN SUBSIDIARIES

As of June 30, 2007, the Group consolidated 2,275 companies, of which the principal companies are:

Company and address	French company registration number (N° Siret)	Consolidation method	% holding
Veolia Environnement SA 36-38, avenue Kléber – 75116 Paris	403 210 032 00047	FC	100.00
Sense SAS rue Annette Bloch – 25200 Montbéliard	444 590 921 00052	FC	80.47

WATER

Veolia Water 52, rue d'Anjou – 75008 Paris	421 345 042 00012	FC	100.00
Veolia Water - Compagnie Générale des Eaux and its subsidiaries 52, rue d'Anjou – 75008 Paris	572 025 526 00029	FC	100.00

Including the following French companies:

Compagnie des Eaux et de l'Ozone 52, rue d'Anjou – 75008 Paris	775 667 363 01597	FC	100.00
Compagnie des Eaux de Paris 7, rue Tronson-du-Coudray – 75008 Paris	329 207 740 00047	FC	100.00
Société Française de Distribution d'Eau 7, rue Tronson-du-Coudray – 75008 Paris	542 054 945 00069	FC	99.86
Compagnie Fermière de Services Publics 3, rue Marcel Sembat – Immeuble CAP 44 – 44100 Nantes	575 750 161 00342	FC	99.11
Compagnie Méditerranéenne d'exploitation des Services d'Eau 12, boulevard René Cassin – 06100 Nice	780 153 292 00112	FC	99.72
Société des Eaux de Melun Zone Industrielle – 198/398, rue Foch – 77000 Vaux Le Pénil	785 751 058 00047	FC	99.28
Société des Eaux de Marseille and its subsidiaries 25, rue Edouard Delanglade – BP 29 – 13254 Marseille	057 806 150 00017	PC	48.84
Société des Eaux du Nord 217, boulevard de la Liberté – 59800 Lille	572 026 417 00244	PC	49.55
Société des Eaux de Versailles et de Saint-Cloud 145, rue Yves le Coz – 78000 Versailles	318 634 649 00053	PC	50.00
Sade-Compagnie Générale de Travaux d'Hydraulique and its subsidiaries 28, rue de la Baume – 75008 Paris	562 077 503 00018	FC	98.70
Veolia Water Solutions et Technologies l'Aquarène – 1, place Montgolfier – 94417 St Maurice Cedex	542 078 688 01065	FC	100.00
<i>Including the following foreign companies</i>			
Veolia Water UK Plc and its subsidiaries 37-41 Old Queen Street, London SW1H 9JA (UK)		FC	100.00
Veolia Water North America and its subsidiaries 14950 Heathrow Forest Parkway – Suite 200 Houston TX77032 Texas (United States)		FC	100.00
Veolia Wasser Deutschland GmbH Lindencorso Unter den Linden 21 – D 10 117 Berlin (Germany)		FC	100.00
Berliner Wasser Betriebe Neue Jüdenstrasse 1 – D10179 Berlin Mitte (Germany)		PC	24.95
Braunschweig Versorgungs AG GMBH Taubenstrasse 7 D-38 108 Braunschweig (Germany)		FC	74.90
Aquiris SA Avenue de Vilvorde 450 - 1130 Brussels (Belgium)		FC	96.50
Apa Nova Bucuresti Srl Strada Aristide Demetriade nr 2 , Sector 1, Bucharest (Romania)		FC	83.69
Veolia Voda 52, rue d'Anjou – 75 008Paris		FC	100.00
Prazske Vodovody A Kanalizace As 11 Parizska -11 000 Prague 1 (Czech Republic)		FC	99.89
Severoceske Vodovody A Kanalizace As 1 689 Pritkovska – 41 550 Teplice (Czech Republic)		FC	50.04
Shenzhen Water (Group) Company Ltd Water Tower, n°1019 Shennan Zhong Road – Shenzhen 518031 (China)		PC	25.0

Shanghai Pudong VW Corporation Ltd 703 Pujian Road, Pudong New District, 200127 Shanghai (China)	PC	50.00
Changzhou CGE Water Co Ltd 12 Juqian Road – Changzhou (China)	PC	24.99
Kunming CGE Water Supply Co Ltd No262 Beijing Road - Kunming (China)	PC	24.99
Veolia Water Korea Co Ltd San 136-1, Ami-ri, Budal-Eup, Ichon-Shi, - GYONGGI-DO 467-701 (South Korea)	FC	100.00
United Water International Pty Ltd 65 Pirrama Road, Pymont NSW 2009 (Australia)	FC	95.00
Société d’Energie et d’Eau du Gabon BP 2187 – Libreville (Gabon)	FC	51.00
Veolia Water AMI 52 rue d’Anjou – 75 008 Paris	FC	100.00
Société des Eaux Electricité du Nord - Amendis 23 rue Carnot – 90 000 Tangier (Morocco)	FC	51.00
REDAL SA 6 Zankat El Hoceima, BP 161 – 10 000 Rabat (Morocco)	FC	100.00

Company and address	French company registration number (N° Siret)	Consolidation method	% holding
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ENERGY SERVICES

Dalkia – Saint-André 37, avenue du Mal de Lattre de Tassigny 59350 St André les Lille	403 211 295 00023	FC	66.00
Dalkia France 37, avenue du Mal de Lattre de Tassigny 59350 St André les Lille	456 500 537 00018	FC	65.94
Cogestar – Saint André 37, avenue du Mal de Lattre de Tassigny 59350 St André les Lille	404 324 097 00025	FC	65.94
Cogestar 2 – Saint André 33, place Ronde Quartier Valmy – 92800 Puteaux	431 951 540 00019	FC	65.94
Crystal S.A. – Saint André 37, avenue du Mal de Lattre de Tassigny 59350 St André les Lille	322 498 270 00014	FC	65.94
Citelum 37 rue de Lyon 75012 Paris	389 643 859 00019	FC	65.94
Clemessy and its subsidiaries 18, rue de Thann – 68200 Mulhouse	945 752 137 00212	FC	65.68

Including the following foreign companies

Dalkia PLC and its subsidiaries Elizabeth House – 56-60 London Road – Staines TW18 4BQ (U.K.)		PC	50.02
Dalkia NV and its subsidiaries 52 Quai fernand demets – 1070 – Anderlecht (Belgium)		PC	50.02
Siram, SPA and its subsidiaries Via Bisceglie, 95 – 20152 Milan (Italy)		PC	50.02
Dalkia Energia Y Servicios and its subsidiaries Cl Juan Ignacio Luca de tagna, 4 – 28 027 Madrid (Spain)		PC	50.02

Dalkia GmbH and its subsidiaries Carl-Ulrich-Strabe 4 - 63263 Neu Isenburg (Germany)	PC	50.02
Dalkia SGPS SA and its subsidiaries Estrada de Paço d'Arcos 2780 – 666 Paco d'Arços (Portugal)	PC	50.02
Dalkia Limitada and its subsidiaries Rua Fidencio Ramos, 223 – 13 andar, Vila Olimpia 4551-60 Sao Paulo SP (Brazil)	PC	50.02
Dalkia Polska and its subsidiaries Ul Kruczkowskiego 8 – 00 380 Warsaw (Poland)	PC	32.51
Zespol Elektrocieplowni w Lodzi and its subsidiary 5 J. Andrzejewskiej Street 90-975 Lodz (Poland)	PC	16.58
Dalkia Poznan Spolka UL. Swierzawska 18 – 60321 Poznan (Poland)	PC	25.78
Dalkia Poznan Zep and its subsidiaries UL Gdynska 54 – 60-960 Poznan (Poland)	PC	26.11
Dalkia AB and its subsidiaries Hälsingegatan 47 – 113 31 Stockholm (Sweden)	PC	50.02
Erakute and its subsidiaries Tartu mnt 16 10117 Tallinn (Estonia)	PC	50.02
Tallinna Kute Punane 36 13619 Tallinn (Estonia)	PC	50.02
Vilnius Energija V. Kudirkos g. 22, 2001 Vilnius (Lithuania)	PC	50.02
Dalkia Zrt. and its subsidiaries Budafoki út 91-93 – H-1117 Budapest (Hungary)	PC	49.83
Dalkia a.s and its subsidiaries Kutlíkova 17 – Technopol – 851 02 Bratislava 5 (Slovakia)	PC	50.02
C-Term and its subsidiaries Lenardova 6 – 852 39 Bratislava (Slovakia)	PC	50.02
Dalkia Ceska Republika and its subsidiaries 28.října 3123/ 152 – 709 74 Ostrava (Czech Republic)	PC	49.05

Company and address	French company registration number (N° Siret)	Consolidation method	% holding
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WASTE MANAGEMENT

Veolia Waste Management Parc des Fontaines – 163 / 169, avenue Georges Clémenceau 92000 Nanterre	572 221 034 00778	FC	100.00
Société d'Assainissement Rationnel et de Pompage and its subsidiaries (S.A.R.P.) 162/16 Energy Park IV – 162/166, boulevard de Verdun 92413 Courbevoie Cedex	775 734 817 00353	FC	99.55
SARP Industries and its subsidiaries 427, route du Hazay – Zone Portuaire Limay-Porcheville-78520 Limay	303 772 982 00029	FC	99.84
RENOSOL and its subsidiaries 162/16 boulevard de Verdun - Energy Park IV 92413 Courbevoie Cedex	334 516 895 000 11	FC	100.00
Paul Granjouan and its subsidiaries rue des abattoirs – 44023 – Nantes Cedex	867 800 518 000 13	FC	100.00
<i>Including the following foreign companies</i>			
Veolia ES Holding PLC and its subsidiaries Onyx house – 401 Mile end Road		FC	100.00

E34 PB – London (U.K.)		
Veolia ES Nottinghamshire Limited Onyx house – 401 Mile end Road E34 PB – London (U.K.)	FC	100.00
Cleanaway Ltd (U.K.)	FC	100.00
Veolia ES North America Corp. (United States)	FC	100.00
Veolia ES Solid Waste One Honey Creed Corporate Center – 125 South 84th Street – Suite 200 WI 53214 Milwaukee (United States)	FC	100.00
Veolia ES Australia Pty Ltd 280 Georges Street – Level 12 – P.O. Box H126 Australia Square - NSW 1215 – Sydney (Australia)	FC	100.00
Onyx Asia Pte Ltd 3 Temasek av 30-03 Centennial Tower – Singapore	FC	100.00
Marius Pedersen – Danemark and its subsidiaries Ørbaekvej 495863 Ferritslev (Denmark)	FC	65.00
Veolia ES Belgium NV and its subsidiaries Robert Schumanplein 6 BUS 5 1040 Brussels (Belgium)	FC	100.00

Company and address	French company registration number (N° Siret)	Consolidation method	% holding
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TRANSPORTATION

Veolia Transportation Parc des Fontaines – 163 / 169, avenue Georges Clémenceau 92000 Nanterre	383 607 090 00016	FC	100.00
Société Nationale Maritime Corse-Méditerranée (SNCM) 61 boulevard des Dames – 13002 Marseille (France)	775 558 463 00011	FC	28.29
C.F.T.I. (Compagnie Française de Transportation Interurbain) Parc des Fontaines – 163 / 169, avenue Georges Clémenceau – 92000 Nanterre	552 022 063 01075	FC	99.88
C.G.F.T.E. (Compagnie Générale Française de Transportations et d'Entreprises) Parc des Fontaines – 163 / 169, avenue Georges Clémenceau 92000 Nanterre	344 379 060 00082	FC	100.00
Veolia Eurolines and its subsidiaries		FC	99.99

Including the following foreign companies

CONNEX NORTH AMERICA (CNA) 2100 Huntingdon Avenue MD 21211 Baltimore (USA)		FC	100.00
Shuttleport Holdings LLC 2015 Spring Road – Suite 600 60523 Oakbrook – Illinois (United States)		FC	100.00
Super Shuttle International Inc, (United States)		FC	81.00
Connex GVI Inc 720 rue Trotter – St-Jean-sur-Richelieu, QC, J3B 8T2 (Canada)		FC	100.00
CONNEX GROUP AUSTRALIA PTY LTD Level 3, Flinders St Station, 223 Flinders St Melbourne, Victoria 3000, Australia		FC	100.00

CONNEX TRANSPORTATION AB Englundavagen 9 – Box 1820 – 17124 Solna (Sweden)	FC	100.00
Veolia Transportation Norge AS Klubbgaten 1 – N 4013 – Stavanger (Norway)	FC	100.00
CONNEX TRANSPORTATION UK LTD Waterloo Business Center – 117 Waterloo Road London SE1 8UL, (U.K.)	FC	100.00
Pullman Coachez Limited Unit 12 Crofty Ind Estate Penclawdd Swansea (U.K.)	FC	100.00
Dunn Line Plc The Coach Station Park Lane Basford - Nottingham	FC	100.00
Dunn Line Polska sp zoo Ul Hunitcza 1 – 81-212 – Gdynia (Poland)	FC	65.00
CONNEX VERKEHR GmbH Rödelheimer Bahnweg 31, 60489 Frankfurt, Germany	FC	100.00
Connex Transportation doo Croatia Nova cesta 60/1st floor – 10000 - Zagreb	FC	65.00

Company and address	French company registration number (N° Siret)	Consolidation method	% holding
PROACTIVA 216 Paso de la Castellana – 28046 Madrid (Spain)		PC	50.00

Consolidation method:

FC: Full consolidation – PC: Proportionate consolidation – EA: Equity affiliate