

Veolia Environnement acquires Cleanaway UK on June 30th, 2006

**cf. press release 30 june 2006
(<http://www.veolia-finance.com>)**



Strategic fit

- Core business in a consolidating and fast-growing market
- Good geographical complementarity
- Accelerates Veolia's organic growth
- Strong financial performance
- Synergy benefits



Key terms of the transaction

- Cash consideration of £595 million (€859 million), subject to adjustment for debt in the Cleanaway UK Group
- Estimated, after-tax, pension and environmental liabilities of £80 million (€115 million)
- 8.0x implied FV/LTM EBITDA before synergies
- Subject to regulatory approval by EU competition authorities
- Revenue £499m (Veolia Environnement), £485m (Cleanaway UK) ⁽¹⁾

⁽¹⁾ Calendarised to December year end



The UK waste sector — A fast-growing market

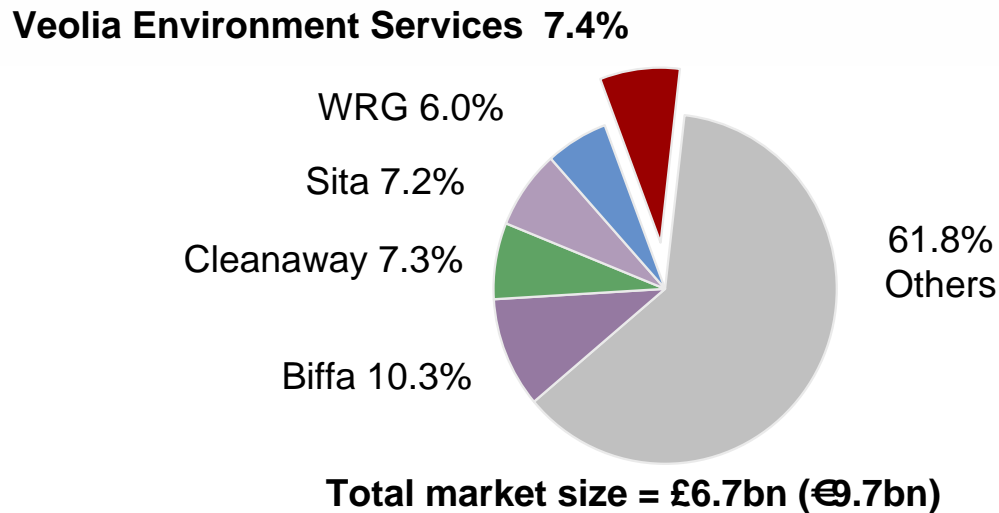
- Market size of around £6.7 billion (€9.7bn)



- Expected growth: >6% per annum in the near-term



Competitive Landscape – Estimated 4,500 players



Veolia Environmental Services:

- Ability to deliver a comprehensive range of services:
 - Collection, Recycling, Treatment and Disposal of municipal and hazardous & non-hazardous industrial waste
- Ability to provide Integrated Management Solutions
 - Strong position in the PFI market with recent successes
- Ability to grow faster than the market



Cleanaway UK

A major operator in municipal and industrial waste management sector

- £494 million (€684 million) revenues in 2005 (year ended June 30)
- Municipal & Industrial nationwide waste management activity
- 4 strategically located landfills
- Advanced Materials Recycling Facilities (“MRF”) at Greenwich and at Rainham
- Operator of state-of-the-art high-temperature hazardous waste incinerator
- Employs more than 7,000 employees





Acquisition of Cleanaway UK Accelerating Veolia's growth in an attractive UK market

- Complements municipal business with the addition of new services and contracts
- Doubles the size of the commercial dry waste business with enhanced geographic coverage and route density
- Complements portfolio of treatment and disposal facilities providing internationalisation benefits
- Increases recycling capacity
- Enhances offer for treatment capacity in high temperature incinerators
- Expansion of Integrated Management Solutions business



Significant natural synergies in all business lines

- Identified sources of cost synergies
 - Procurement savings
 - Route optimisation
 - Depots rationalisation
 - Central costs savings
- Pre-tax annual cost synergies of £26 million (€38 million) to be fully implemented by 2009
- Implementation costs of £6 million (€9 million) spread over first two years
- Revenue synergies in the near term



Financial impact

- The transaction meets Veolia's investment criteria:
 - Revenue growth above 6% in the medium term
 - Significant value creation: IRR at 3% above WACC
- Earnings accretive from year 1
- Limited impact on credit ratios