

The Veolia Environnement first update to the 2005 document de référence (the “Reference Document”) was filed with the Autorité des marchés financiers on July 26, 2006 under number D.06-0231-A01. The Reference Document has been registered with AMF and prepared by the issuer and engages the liability of the signatories. This document is a free translation that is made available to offerees outside of France pursuant to Article 19(3) of the Directive 2003/71/CE dated November 4, 2003.



2005 Reference Document First update



This update of the 2005 *document de référence* (the “Reference Document”) was filed with the *Autorité des marchés financiers* (AMF) on July 26, 2006, pursuant to Article 212-13, paragraph 4 of the general regulations of AMF. It supplements the 2005 Reference document of Veolia Environnement filed with the AMF on April 6, 2006 pursuant to Article 211-13 of its general regulations under no. D.06-0231.

The reference document and its updates may be used in connection with a financial transaction if supplemented by a *note d’opération* approved by the AMF.

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1. PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND STATUTORY AUDITORS

1.1 PERSON ASSUMING THE RESPONSIBILITY FOR THE INFORMATION

Mr. Henri PROGLIO, Chief Executive Officer of Veolia Environnement.

1.2 CERTIFICATION

To the best of our knowledge, after having taken all reasonable steps to this effect, all of the information in this update of the reference document is true and accurate; this document contains all the information necessary to enable investors to form an opinion as to the assets and liabilities, activities, financial position and financial results and future prospects of Veolia Environnement; this document does not omit any information that could make it misleading.

We have obtained an end-of-assignment letter (*lettre de fin de travaux*) from the statutory auditors, in which they mention that they have performed, according to the applicable French professional standards, the verification of the consistency of the information pertaining to the financial position and statements contained in this update with the historical financial information, and the reading of the entire reference document and its update.

The statutory auditors' end-of-assignment letter on this update does not contain any remarks.

The statutory auditors' end-of-assignment letter concerning the 2005 reference document, dated April 6, 2006, does not contain any remarks. In the letter, reference is made to the statutory auditors' report on the 2005 consolidated financial statements included in chapter 20 (pages 277 and 278) of the 2005 reference document, and the statutory auditors' report on forward-looking information included in chapter 13 (page 111) of the reference document.

The statutory auditors' report on the 2005 consolidated financial statements contains remarks concerning:

- the accounting treatment used by Veolia Environnement concerning concessions, which is not specifically specified in IFRS as adopted by the European Union;
- significant decisions and estimates adopted by the Company mainly concerning intangible assets and property, plant and equipment (notes 1.10, 4, 5 and 6), deferred tax assets (notes 1.19 and 12), retirement provisions and commitments (notes 1.13, 1.15, 19 and 35) and financial instruments (notes 1.14 and 34).

The statutory auditors' report on the forward-looking information contains remarks on the uncertainties existing regarding the interpretation and application of certain IFRS accounting standards, particularly those referring to the treatment of concessions, while waiting for the work of IFRIC to be completed.

The historical financial information appearing in the 2004 reference document and in its updates (filed with the Autorité des marchés financiers on May 25, July 29, and October 24, 2005) are incorporated by reference in the Veolia Environnement 2005 reference document, *i.e.*, the consolidated financial statements for the year ended December 31, 2004 (based on IFRS and on French accounting standards) and the consolidated financial statements for the year ended December 31, 2003 (based on French accounting standards). The statutory auditors' reports on this financial information appear in chapter 5, paragraph 5.2 (pages 182 and 183) of the Veolia Environnement 2004 reference document (2004 financial statements based on French accounting standards), in the update filed on May 25, 2004 (2004 financial statements based on IFRS) and in chapter 5, paragraph 5.2 (page 195) of the Veolia

Environnement 2003 reference document (2003 financial statements based on French accounting standards).

The statutory auditors' report on the 2004 consolidated financial statements contains remarks on:

- the change of accounting method presented in note 2 of the Notes to the consolidated financial statements referring to the consolidation of certain entities required by the provisions of CRC regulation no. 2004-03 of May 4, 2004;
- the accounting policies and methods presented in note 2 of the Notes to the consolidated financial statements referring to the presentation of income from sold activities, pursuant to paragraph 23100 of CRC regulation no. 99-02 of April 29, 1999;
- the estimates and assumptions presented by Veolia Environnement in preparing the consolidated financial statements, notably with respect to the depreciation of tangible and intangible long term assets, deferred tax assets and provisions for risks and charges, which are described in notes 2.14, 2.15, 2.18, 2.21 and 2.25 respectively of the notes to the consolidated financial statements¹.

The statutory auditors' report on the 2003 consolidated financial statements contains remarks concerning:

- the impact of the Spanish law of July 17, 2003 governing extra-statutory agreements related to voting rights and transfer of corporate rights on the consolidation method of Veolia Environnement's equity investment in FCC described in note 1.2.4 of the Notes to the consolidated financial statements;
- the estimates and assumptions made by Veolia Environnement in preparing the consolidated financial statements, notably with respect to the depreciation of tangible and intangible long term assets, deferred tax assets and provisions for risks and charges, which are described in notes 2.14, 2.15, 2.18, 2.21 and 2.25 of the Notes to the consolidated financial statements².

The Chief Executive Officer
Henri PROGLIO

1.3 STATUTORY AUDITORS

1.3.1 Principal statutory auditors

SALUSTRO REYDEL, Member of KPMG International
Firm represented by Mr. Bernard CATTENOZ
and Bertrand VIALATTE

3 Cours du Triangle, Immeuble Le Palatin, 92939 Paris La Défense

Nominated on December 18, 1995 and whose appointment was renewed by the general meeting of April 27, 2001 for a term of six fiscal years expiring at the end of the general meeting held to approve the financial statements of the year ended December 31, 2006.

¹ See also notes 3 and 4, and notes 17 and 15 of the Notes to the 2004 consolidated financial statements explaining the calculations made or describing the assumptions and information provided by Veolia Environnement.

² See also notes 1.2.1, 3 and 4, and notes 17 and 15 of the Notes to the 2003 consolidated financial statements explaining the calculations made or describing the assumptions and information provided by Veolia Environnement.

ERNST & YOUNG et AUTRES

Firm represented by Mr. Jean BOUQUOT
and Mr. Patrick GOUNELLE

41 rue Ybry, 92576 Neuilly-sur-Seine cedex

Nominated on December 23, 1999 and whose appointment was renewed by the general meeting of May 12, 2005 for a period of six fiscal years expiring at the end of the general meeting held to approve the financial statements of the year ended December 31, 2010.

1.3.2 Deputy statutory auditors

Mr. Hubert LUNEAU

3 Cours du Triangle, Immeuble Le Palatin, 92939 Paris La Défense

Nominated on December 18, 1995 and whose appointment was renewed by the general meeting of April 27, 2001 for a period of six fiscal years expiring at the end of the general meeting held to approve the financial statements of the year ended December 31, 2006.

AUDITEX

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

Appointed by the general meeting of May 12, 2005 for a period of six fiscal years expiring at the end of the general meeting held to approve the financial statements of the year ended December 31, 2010.

1.4 ADDITIONAL INFORMATION

On May 10, 2006, Veolia Environnement published a press release on its consolidated revenues as of March 31, 2006. On May 17, 2006, the Company also published the amount of our consolidated revenues for the first quarter 2006 (non audited IFRS data) which amounted to €7,161.6 million, in the *Bulletin des Annonces Légales Obligatoires* (Mandatory Legal Announcements Bulletin) .

2. UPDATE OF THE REFERENCE DOCUMENT

The information reported below updates and completes our 2005 reference document submitted on April 6, 2006 to the *Autorité des Marchés Financiers* (or “AMF”) in accordance with the provisions of article 212-13, 4° of the AMF’s General Regulations.

2.1 UPDATE OF CHAPTER 20 OF THE 2005 REFERENCE DOCUMENT³ – FINANCIAL INFORMATION ON THE ISSUER’S ASSETS, FINANCIAL POSITION AND RESULTS

Note 50 - Supplemental disclosures

The following information has been prepared to present supplemental disclosures required under U.S. Generally Accepted Accounting Principles (U.S. GAAP) and US Securities and Exchange Commission (SEC) regulations applicable to the Group.

Pursuant to European regulation 1606/2002 dated July 19, 2002 relative to the adoption of international accounting standards, the consolidated financial statements of the Group at year end December 31, 2005 have been prepared in accordance with IFRS (International Financial Reporting Standards), which differ in certain respects from U.S. GAAP. As disclosed in note 1, all standards and interpretation applied by the group have been adopted by the EU. There are no differences between IFRS adopted by European Union as of December 31, 2005, as applied by the Group, and IFRS issued by the International Accounting Standards Boards (IASB) as of the same date.

The SEC has adopted an accommodation permitting eligible foreign private issuers for their first year of reporting under IFRS to file two years rather than three years of statements of earnings and changes in shareholders’ equity prepared in accordance with IFRS. The financial year 2005 is Veolia Environnement’s first year of reporting under IFRS and as a result the reconciliation of net earnings and shareholders’ equity to U.S. GAAP, statement of financial position and statement of earnings covers the financial year 2005 and the comparable financial year 2004.

Note 50A. Summary of significant differences between US GAAP and IFRS

The principal differences between IFRS and U.S. GAAP as they relate to the Group are discussed in further detail below.

FIRST TIME ADOPTION OF IFRS

The Group has elected to apply certain provision of IFRS 1 that generated some differences with US GAAP.

Goodwill: Businesses sold by Vivendi Universal

Upon forming the Group in 1999, Vivendi Universal sold some subsidiaries and affiliates to the Group. According to previous GAAP, these transactions were at market value which, in some cases, resulted in the creation of additional goodwill. In accordance with provision of IFRS 1, the Group has elected not to restate business combinations prior to January 1, 2004.

³ The format of this reference document follows that set forth in Annex I of European Regulation n° 809/2004, adopted pursuant to European Directive 2003/71/EC.

Under U.S. GAAP, transfers of assets among entities under common control, including transfers of operating subsidiaries, are recorded at the predecessor's historical cost basis.

Other intangible assets acquired in business combinations

Under IFRS, market shares, which were recognized under previous GAAP, are reclassified as goodwill on January 1, 2004. They were not amortized under previous GAAP.

According to Statement of Financial Accounting Standards (SFAS) 141, market shares have been reclassified as goodwill as of January 1, 2002.

Net investment in a foreign entity

As permitted by IFRS 1, the Group has elected to reverse as at January 1, 2004 the accumulated foreign Currency Translation Adjustment (CTA) on foreign investments, including the fair value net of tax of the hedging instruments classified in net investment hedge, against retained earnings, as part of retained earnings. Consequently, the gain or loss on subsequent disposal excludes CTA that arose before the date of transition to IFRS.

Under US GAAP, such exemption does not apply and the reclassification made under IFRS 1 has been reversed to maintain historical amounts.

Pensions

Under IFRS, the Group has elected the exemption under IFRS 1 for immediate recognition of actuarial gains and losses in equity as of January 1, 2004 through equity. Under US GAAP, such exemption does not apply and the entry recorded under IFRS has been reversed to maintain historical amounts.

PRINCIPAL ACCOUNTING DIFFERENCES BETWEEN IFRS AND U.S. GAAP RELATING TO THE GROUP

Amortization of goodwill

Since January 1, 2004, in accordance with IFRS 3, the Group no longer amortizes goodwill.

Under US GAAP, goodwill is no longer amortized since January 1, 2002. This timing difference resulted in differences in book value of goodwill.

Impairment of goodwill

As required under both IFRS and US GAAP, the Group reviews the carrying value of the long-lived assets, including goodwill and other intangibles assets with indefinite life at least annually. Under IFRS, goodwill and other intangible assets with indefinite life are tested for impairment as part of a cash generating unit or a group of cash generating units which correspond to the new organization of the Group adopted in 2005.

Under US GAAP, the Group tested for impairment goodwill at the level of the reporting unit. Since 2000, the year of Veolia Environnement's creation, and the end of 2003, Veolia Environnement was organized into five divisions and consequently into five operating segments: Water, Waste Management, Energy Services, Transportation and FCC (a group specialized in public works and in the production of cement, proportionally consolidated under primary GAAP and accounted for under the equity method under U.S. GAAP).

The analysis by reporting unit was driven by the presence of US Filter and FCC until the sale these units. Both entities had been recently acquired (respectively 1999 and 1998) by Vivendi Universal, had specific risk profits and were subsequently sold in 2004. Therefore, in the Water division, Veolia Environnement identified two reporting units: (i) USFilter, an industrial group that produced water-related equipment for private and commercial customers and which was managed separately from the rest of the Group, and (ii) Water - Rest of the World, the business of which consisted mostly of managing concessions on behalf of public customers. Veolia Environnement identified three other reporting units, Waste Management, Energy Services and Transportation, which had homogenous business lines given their management of concessions on behalf of public clients. Finally, Veolia Environnement identified Latin America as a reporting unit relating to activities that Veolia Environnement consolidates, in respect of which FCC was the second shareholder. Accordingly, depreciation tests by reporting unit reflected this reality.

Following the sale of US Filter and FCC in connection with Veolia Environnement's strategy to refocus on concessions, Veolia Environnement underwent a major internal reorganization in 2004 and 2005 on the basis of operating units, mainly organized around a dual analysis through geographical zones and reporting segment. The group considers that these operating units coincide with the reporting unit definition as set forth in FAS142:

- the operating unit is one level below an operating segment (water, waste, energy, transportation)
- each operating unit has its own chief operating officer
- at the level of each operating unit, there are similar contractual arrangements and operating methods with public authorities which are the main clients
- the operating unit constitutes a business for which discrete financial information is available and segment management regularity reviews the operating results of the operating unit.

The financial statements for the year ended December 31, 2005 are the first one published since the reorganization implemented starting from 2004 is completed.

Given the completion in 2005 of the Group's operating reorganization in 2004, Veolia Environnement considered the impairment test for 2004 on the basis of reporting unit definitions that the Group applies for 2005. As a result, the US GAAP net income and shareholder's equity in 2004 have been restated by an amount of EUR69.3 million as a consequence of the impairment of Transportation North Europe and Energy Netherlands (see Note 50D).

Tangible assets

Under IFRS, each part of a tangible asset with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Every component identified is depreciated according to its own useful life.

Under US GAAP, part or components of tangible assets are not depreciated separately but over the life of the assets. Subsequent costs identified as a component of a main asset are expenses.

Commitments to Maintain and Repair Assets

Under IFRS, the Group recorded the assets related to concession and affermage contracts on a separate line of the balance sheet, "Publicly-owned utility networks". These assets are amortized or depreciated over their useful life in accordance with IAS 38 on intangible assets or IAS 16 on property, plant and equipment. In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed through public service contracts. In the case of publicly-owned utility networks

accounted for in accordance with IAS 38, resulting maintenance and repair costs are analyzed in accordance with IAS 37 and, where appropriate, a provision for maintenance and repair costs is recorded when it is more likely than not that the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Under US GAAP, the assets related to concession and affermage contracts are recorded as tangible assets. For maintenance and repair expenditures, the Group applies the expensed as incurred method instead of the components approach, which may lead it to capitalize and depreciate these expenditures separately.

Under US GAAP, the Group applies the expensed as incurred method for maintenance and repair expenditures.

Assets for site restoration

Under IFRS, reserves for site restoration are discounted at the rate in effect at the balance sheet date.

Under US GAAP and according to SFAS 143, these obligations are discounted at the rate in effect when the liability was initially recognized.

Arrangements containing a lease

Under IFRS, the Group has elected the early application of IFRIC 4 “Determining whether an arrangement contains a lease” in advance on January 1, 2004. Certain industrial contracts, Build, Operate & Transfer (BOT) contracts, incineration contracts and co-generation contracts have been considered as containing a lease that is accounted for as a financial lease in accordance with IAS 17. Consistent with IFRIC 4 the determination and the accounting of the financial asset as of January 1, 2004 has been made retrospectively.

Under US GAAP, Emerging Issues Task Force (EITF) 01-08 “Determining Whether an Arrangement Contains a Lease”, is effective prospectively for contracts entered into or significantly modified after January 1, 2004.

Financial Instruments

Under IFRS, the option to convert the convertible bond into ordinary shares is initially classified separately as an equity instrument. The Group first determines the carrying amount of the liability component of the convertible bonds by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. The financial debt is accounted for at amortized cost.

Under US GAAP, the convertible bond is classified as financial debt for the entire amount.

Share-based payments

Under IFRS, the fair value of plans at grant date is recorded as an expense against equity at the date the employee or the counter-party renders service. According to IFRS2, only grants of shares and share options that were granted after 7 November 2002 and for which rights were not vested at 1 January 2005 are evaluated in personal costs.

Under US GAAP, the Group has adopted the disclosure-only provisions of FAS 123 and compensation costs are recognized using the intrinsic value method in accordance with Accounting Principle Board opinion No. 25, Accounting for stock issued to employees and Financial Accounting Standards Board (FASB) Interpretation No 44. These statements define plans relating to the grant or sale of common shares to employees as compensatory if such plans are not open to substantially all employees or do not require the employee to make a reasonable investment in the shares, usually defined as no less than 85% of the market value at the grant date. If a plan is deemed to be compensatory, Accounting Principles Board (APB) Opinion No. 25 requires the compensation arising from such plans be measured based on the intrinsic value of the shares granted or sold to employees. For fixed plans compensation is the difference between the exercise price of the stock option and the market value of the corresponding shares at the grant date. For compensatory stock option plans, compensation is recognized in the period for which the relative service is performed.

Pension Plans

Minimum liability adjustments

Under IFRS, no minimum liability adjustment has to be recognized.

Under US GAAP, if the accumulated benefit obligation exceeds the fair value of plan assets by an amount in excess of any accrued or prepaid pension cost reported, the employer shall recognize in the statement of financial position a liability that is at least equal to the unfunded accumulated benefit obligation. If an additional minimum liability is recognized an equal amount shall be recognized as an intangible asset, provided that the asset shall not exceed the amount of unrecognized prior service cost. If an additional liability required to be recognized exceeds unrecognized prior service cost, the excess shall be reported as a reduction of equity.

Actuarial gains and losses

Under IFRS, the Group has decided to apply IAS19 (revised) as of January 1, 2005 and, thus, actuarial profits and losses are allocated to equity.

Under US GAAP, amortization of an unrecognized net gain or loss shall be included as a component of net pension cost for a year if, as of the beginning of the year that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the fair value of plan assets.

PRINCIPAL PRESENTATION DIFFERENCES BETWEEN IFRS AND U.S. GAAP RELATING TO THE GROUP

Use of the Proportionate Consolidation Method

Under IFRS, the Group has decided to retain the proportionate consolidation method, in accordance with IAS 31. This method is used for investments in jointly controlled companies, where the Group and other shareholders have agreed to exercise joint control through a mutual agreement between the partners. Under the proportionate consolidation method, the Group recognizes assets, liabilities, equity, revenues and expenses of subsidiaries to the extent of its interest in the Group ownership.

Under U.S. GAAP, when the Group does not exercise control over a subsidiary, but shares joint control over the entity, the Group uses the equity method to account for its investment. Summarized financial information for those investments accounted for under the proportionate consolidation method is included in note 40.

This difference in accounting policy has no effect on either net income or shareholders' equity.

Commitments to purchase minority interests

Under IFRS, commitments granted by the Group to shareholders of certain of its fully consolidated subsidiaries to purchase their minority interest are reported, in accordance with IAS 32, as a financial liability at the present value of the purchase consideration. In the absence of guidance provided by IFRS 3 on business combination, the Group records the difference arising on initial recognition of these options, between the carrying amount of the minority interests and the present value of the purchase consideration through goodwill.

Under US GAAP, commitments to purchase minority interests are not recorded as a liability except if their fair market value is negative. In this case, any potential losses are recorded through income and classified as financial liabilities in the statement of financial position under US GAAP

This difference in accounting policy has no effect on either net income or shareholders' equity but has a presentation effect on short term and long term financial liabilities and goodwill.

Income taxes

Under IFRS, the Group recognizes deferred tax assets on net operating loss carry forward or on temporary differences only when it is probable that the recovery of the related deferred tax asset will be realized.

Under U.S. GAAP, deferred tax assets are recognized for deductible temporary differences and net operating loss carried forward and are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized in a reasonable period of time.

This difference in accounting policy has no effect on either net income or shareholders' equity but has a presentation effect on gross, net deferred tax assets.

Note 50B. New accounting standards in the United States effective in 2006

On December 16, 2004, the Financial Accounting Standard Board ("FASB") issued Statement No. 123 (revised 2004) "Share-Based Payment". SFAS 123 (R) requires all share-based payments to employees to be measured at the fair value of the award. The statement was initially to be effective in the first interim or annual reporting period beginning after June 15, 2005. On April 21, 2005, the Security and Exchange Commission adopted an amendment to rule 4-01(a) of regulation S-X regarding the compliance dates for SFAS No. 123 (R). The commission's new rule allows companies to implement this statement at the beginning of their next fiscal year. As a result, our Group plans to adopt SFAS 123 (R), using the modified-prospective method under which compensation cost is recognized from the effective date on January 1, 2006 in connection with all share-based payments granted, modified or settled after January 1, 2006 as well as for any awards that were not fully vested as of January 1, 2006. The Group is currently assessing the impact of adopting SFAS 123 (R).

In December 2004, the FASB issued SFAS No. 153 "Exchanges of Non monetary Assets", an amendment of APB opinion No. 29. SFAS 153 requires that exchanges of productive assets should be accounted for at fair value, unless neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or the transaction lacks commercial substance. SFAS 153 is effective for the period beginning January 1, 2006. The Group is currently assessing the impact of adopting SFAS 153.

In June 2005, the FASB issued SFAS No. 154 “Accounting Changes and Error Corrections”, a replacement of APB No. 20 “Accounting Changes” and FASB Statement No. 3 “Reporting Accounting Changes in Interim Financial Statements”. SFAS 154 applies to all voluntary changes in accounting principle and also to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective on January 1, 2006.

In November 2005, the FASB issued FASB Staff Position (“FSP”) FAS 115-1 “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments”. The FSP provides guidance on determining when investments in certain debt and equity securities are considered impaired, whether that impairment is other-than-temporary, and on measuring such impairment loss. The FSP also includes accounting considerations subsequent to the recognition of an other-than temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The FSP is effective January 1, 2006. The Group is currently assessing the impact of adopting this FSP.

In February 2006, the FASB issued SFAS No. 155 “Accounting for Certain Hybrid Instruments - an Amendment to FASB Statements No. 133 and 140”. SFAS 155 permits fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with SFAS 133. Among other things, the statement also establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. The statement is effective for all financial instruments acquired or issued after January 1, 2007. The Group is currently assessing the impact of adopting this standard.

Note 50C. Reconciliation of shareholders’ equity and net income to U.S. GAAP

The following is a summary reconciliation of shareholders’ equity as reported in the consolidated balance sheet to shareholders’ equity as adjusted for the effects of the application of U.S. GAAP for the years ended December 31, 2005 and 2004, and net income as reported in the consolidated statement of income to net income as adjusted for the effects of the application of U.S. GAAP for the years ended December 31, 2005 and 2004 (in millions of euros).

| | At December 31, | |
|--|------------------------|---------------------------|
| | 2005 | 2004⁽¹⁾ |
| Shareholders’ equity as reported in the consolidated balance sheets..... | 3,802.6 | 3,222.8 |
| Adjustments to conform to U.S. GAAP: | | |
| Goodwill, net of amortization | (988.1) | (1,020.4) |
| Goodwill impairment | (16.2) | 0.2 |
| Tangible assets components..... | (180.9) | (138.8) |
| Tangible assets amortization..... | 12.1 | 6.6 |
| Commitments to maintain and repair assets | 139.5 | 163.2 |
| Assets retirement obligations..... | 16.1 | 15.2 |
| Other reserves | 20.9 | 17.9 |

| | | |
|--|----------------|----------------|
| IFRIC 4 / EITF 1.08 analysis | (121.0) | (94.7) |
| Financial instruments | 1.7 | 11.0 |
| Pensions plans and stock options | 295.8 | 149.7 |
| Others | (43.3) | (50.9) |
| Tax effect of above adjustments and income tax reserve | (106.3) | (26.3) |
| U.S. GAAP Shareholders' Equity | <u>2,832.9</u> | <u>2,255.5</u> |

(1) As restated. See Note 50D.

| | <u>At December 31,</u> | |
|---|------------------------|---------------------------|
| | <u>2005</u> | <u>2004⁽¹⁾</u> |
| Net income/(loss) attributable to equity holders of the parent as reported in the consolidated statements of income | 623.0 | 391.5 |
| Adjustments to conform to U.S. GAAP: | | |
| Goodwill, net of amortization | 35.7 | (48.5) |
| Goodwill impairment | (5.1) | 78.6 |
| Effect of disposal of business on intangible assets | | 94.6 |
| Cumulative Translation Adjustment included in gain/loss on disposal of business | | (47.4) |
| Tangible assets components | (38.1) | (16.0) |
| Tangible assets amortization | (4.3) | (17.1) |
| Commitments to maintain and repair assets | (2.9) | (1.7) |
| Assets retirement obligations | 0.0 | 16.6 |
| Other reserves | 4.5 | (2.1) |
| IFRIC 4 / EITF 1.08 analysis | (6.5) | 6.0 |
| Financial instruments | (7.5) | (43.7) |
| Pensions plans and stock options | 6.2 | 7.5 |
| Others | 3.4 | (20.0) |
| Tax effect of above adjustments and income tax reserve | (52.7) | (253.0) |
| U.S. GAAP Net Income attributable to equity holders of the parent | <u>555.7</u> | <u>145.2</u> |

(1) As restated. See Note 50D.

Basic and Diluted Earnings Per Share

For U.S. GAAP purposes, basic earnings per share are computed in the same manner as basic earnings per share under IFRS, i.e., by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if all securities and other contracts to issue ordinary shares were exercised or converted. Net income represents the earnings of the Group after minority interests. The computation of diluted earnings per share is as follows (except earnings per share, in millions of euros or millions of shares):

| | At December 31, | |
|--|-----------------|---------------------|
| | 2005 | 2004 ⁽¹⁾ |
| Net income U.S. GAAP attributable to equity holders of the parent..... | 555.7 | 145.2 |
| Weighted average number of shares | | |
| Outstanding-basic | 390.4 | 397.3 |
| Dilutive effect of: | | |
| Shares issuable on exercise of dilutive options..... | 2.0 | - |
| Weighted average number of shares | | |
| Outstanding-diluted..... | 392.4 | 397.3 |
| Earnings per share: | | |
| Basic..... | 1.42 | 0.37 |
| Diluted | 1.42 | 0.37 |

(1) As restated. See Note 50D.

Note 50D. Restatement of the 2004 net income and shareholder's equity as prepared under US GAAP

As explained under Note 50A paragraph "Impairment of goodwill", given the completion in 2005 of the Group's operating reorganization in 2004, Veolia Environnement considered the impairment test for 2004 on the basis of reporting unit definitions that the Group applies for 2005. As a result, the US GAAP net income and shareholder's equity in 2004 have been restated by an amount of €69.3 million as a consequence of the impairment of Transportation North Europe and Energy Netherlands.

These adjustments decreased previously reported US GAAP income per share by €0.17.

Note 50E. Comprehensive income

The concept of comprehensive income does not exist under IFRS. In U.S. GAAP, SFAS 130 "Reporting comprehensive income" and concept statement 6 define comprehensive income. It mainly includes, net of tax impact (in millions of euros):

- net income,
- minimum pension liability adjustments (MLA),
- unrealized gains and losses on investment securities classified as "available for sale" and on derivatives classified as cash flow hedge,
- foreign currency translation adjustments.

| | Comprehensive Income | Accumulated foreign translation | Accumulated unrealized gains (losses) on equity securities and hedging instruments | Minimum liability adjustments | Accumulated other comprehensive income |
|---|-------------------------|---------------------------------------|--|----------------------------------|--|
| Net income 2004 restated(U.S. GAAP) | 145.2 ⁽¹⁾ | | | | |
| Other comprehensive income 2004, net of tax (U.S. GAAP): .. | 81.6 | | | | |
| Including: | | | | | |
| foreign currency translation adjustments | 112.5 | 112.5 | | | 112.5 |
| gain arising during the period on equity securities | 5.8 | | 5.8 | | 5.8 |
| unrealized losses on hedging derivatives..... | (36.7) | | (36.7) | | (36.7) |
| deferred income taxes..... | (3.0) | | (2.1) | (0.9) | (3.0) |
| MLA..... | 3.0 | | | 3.0 | 3.0 |
| Comprehensive income for the year ended December 31, 2004 (U.S. GAAP)..... | 226.8 | (617.1) | (93.2) | (1.5) | (711.8) |
| Net income 2005 (U.S. GAAP) | 555.7 | | | | |
| Other comprehensive income 2005, net of tax(U.S. GAAP): | 245.3 | | | | |
| Including: | | | | | |
| foreign currency translation adjustments | 263.8 | 263.8 | | | 263.8 |
| loss arising during the period on equity securities | (2.0) | | (2.0) | | (2.0) |
| unrealized gain on hedging derivatives..... | 29.6 | | 29.6 | | 29.6 |
| deferred income taxes..... | 11.3 | | 4.6 | 6.7 | 11.3 |
| MLA..... | (57.4) | | | (57.4) | (57.4) |
| Comprehensive income for the year ended December 31, 2005 (U.S. GAAP)..... | 801.0 | (353.3) | (61.0) | (52.2) | (466.5) |

(1) As restated. See Note 50D.

Note 50F. Change in shareholder's equity

| | |
|--|--------------|
| December 31, 2003⁽¹⁾ | 2,378 |
| Net U.S. GAAP income 2004 | 145 |
| CTA | 113 |
| Dividend and net income appropriation..... | (218) |
| Capital increase..... | 25 |
| Stock based compensation | - |
| Change in treasury shares | (160) |
| Change in fair value of derivative..... | (37) |
| MLA | (3) |
| Other | 13 |
| December 31, 2004⁽¹⁾ | 2,256 |
| Net U.S. GAAP income 2005 | 556 |
| CTA | 264 |
| Dividend and net income appropriation..... | (265) |
| Capital increase..... | 47 |
| Stock based compensation | - |
| Change in treasury shares | 9 |
| Change in fair value of derivative..... | 30 |
| MLA | (57) |
| Other | (7) |
| December 31, 2005 | 2,833 |

(1) As restated. See Note 50D

Note 50G. Restructuring costs (according to IFRS consolidation scope)

Provisions for restructuring by segment details as follows (in millions of euros):

| | Change in scope of consolidation and other | Additions charged to operating income | Utilization | Reversal | Dec. 31, 2004 | Change in scope of consolidation and other | Additions charged to operating Income | Utilization | Reversal | Dec. 31, 2005 |
|---|---|--|---------------|--------------|------------------|---|---|---------------|--------------|------------------|
| Water | (5.4) | 23.2 | (19.3) | (3.9) | 27.3 | 2.3 | 7.2 | (19.5) | (0.4) | 16.9 |
| Other activities | 13.3 | 22.9 | (17.9) | (3.5) | 27.3 | 2.3 | 7.2 | (19.5) | (0.4) | 16.9 |
| Employee termination costs | 13.3 | 22.9 | (17.9) | (3.5) | 27.3 | 2.3 | 7.2 | (19.5) | (0.4) | 16.9 |
| United States Filter Corporation | (8.4) | 0.3 | (1.4) | (0.4) | — | — | — | — | — | — |
| Employee Termination costs | (1.1) | 0.3 | (1.4) | — | — | — | — | — | — | — |
| Lease Termination cost | (4.3) | — | — | (0.4) | — | — | — | — | — | — |
| Other restructuring costs | (3.0) | — | — | — | — | — | — | — | — | — |
| USFI—Benelux | (5.0) | — | — | — | — | — | — | — | — | — |
| Employee termination costs | (5.0) | — | — | — | — | — | — | — | — | — |
| Lease termination costs and other costs | — | — | — | — | — | — | — | — | — | — |
| USFI--Other locations | (5.3) | — | — | — | — | — | — | — | — | — |
| Employee termination costs | (5.3) | — | — | — | — | — | — | — | — | — |
| Energy | 4.7 | 6.2 | (6.7) | (1.4) | 11.1 | 3.9 | 1.6 | (7.3) | (0.2) | 9.1 |
| Employee termination costs | 4.7 | 3.6 | (4.7) | (0.2) | 9.2 | 2.1 | 1.2 | (5.9) | (0.1) | 6.5 |
| Other restructuring costs | — | 2.6 | (2.0) | (1.2) | 1.9 | 1.8 | 0.4 | (1.4) | (0.1) | 2.6 |
| Waste Management | (1.3) | 6.4 | (14.9) | (0.2) | 4.6 | 1.1 | 1.0 | (2.3) | (0.8) | 3.6 |
| Employee termination costs | (1.3) | 6.4 | (5.4) | (0.2) | 4.6 | (3.3) | — | (0.8) | (0.5) | — |
| Other restructuring costs | — | — | (9.5) | — | — | 4.4 | 1.0 | (1.5) | (0.3) | 3.6 |
| Transportation | — | 2.0 | (1.7) | (0.2) | 3.2 | — | 1.2 | (1.7) | (0.4) | 2.3 |
| Employee termination cost | — | 2.0 | — | (0.2) | 2.4 | — | 1.2 | (1.2) | (0.1) | 2.3 |
| Other restructuring costs | — | — | (1.7) | — | 0.8 | — | — | (0.5) | (0.3) | — |
| Total | (2.0) | 37.8 | (42.6) | (5.7) | 46.2 | 7.3 | 11.0 | (30.8) | (1.8) | 31.9 |

Water

In 2004, the Water division sold “Consumer and Commercial” and “Equipment short-term contracts” activities of USFilter. Consequently there is no more restructuring costs in relation with these units.

In 2003, considering the decline of the activity in the Netherlands, Veolia Water Systems launched a downsizing program in the company Rossmark to take place in 2004, concerning 40 employees of whom 14 are executives for a total estimated cost of EUR5.0 million. In 2004, all the plans launched in 2002 (residual restructuring in the UK) and 2003 and relating to USFilter (VWSTI and Rossmark) are included in other activities column “change in scope of consolidation” for an amount of EUR10.3 million. The plans were carried out for a total cost of EUR7.5 million with the termination of 118 employees including 49 executives and the closure of 3 sites in France. The plans in France, the UK and in Rossmark have been partially completed in 2005 with the termination of 74 additional employees and the closure of one site for a total cost of 3.1 million. The remaining provision amounted to EUR2.2 million as of December 31, 2005 compared to EUR4 million as of December 2004. In addition, following the acquisitions performed in Germany in 2004 and the transfer to VWS of North American operational entities from US Filter, 2 restructuring plans have been launched to reorganize those activities from amount of EUR4.1 million as of December 2004. In Germany, the plan is made of the closure of 3 sites and the termination of 66 employees for a total cost of EUR2.0 million. At the end of 2004, 1 site was already closed and 21 employees terminated. In 2005, the plan in Germany has been totally completed with the termination of 31 additional employees and the closure of one site. In North America, for 2005, the plan has been partially completed with the termination of 30 additional employees and the remaining provision amounted to 1.1MEUR as of December 31, 2005.

For Apa Nova Bucuresti, a plan has been presented to and accepted by personnel representatives at the end of 2004 to face a trend of declining volume in water consumption. This plan aims at a reduction of 250 white and blue collars between 2005 and 2006. Accordingly, an additional reserve of EUR3.1 million has been booked in 2004. In 2005, 148 employees were terminated for a total cost of EUR1 million. The plan is expected to be totally completed in 2006 and the remaining provision amounted to EUR2.6 million as of December 31, 2005.

In 2003, Berliner Wasserbetriebe (BWB), a joint venture held at 50% and accounted for under the proportional method, implemented a restructuring plan for adaptation to future market demands, by optimising processes and realigning the organization. Restructuring reserves are booked on an annual basis, according to the number of people accepting to enter the plan that is spread over several years. The potential number of employees concerned is 970. Termination costs for 147 employees were booked in 2003 for an amount of EUR10.0 million (at 100%). Employee termination costs of EUR2.0 million were used in 2003. In 2004, 136 new employees decided to join the plan. A related reserve of EUR16 million (at 100%) was thus accrued. Employee termination costs of EUR4.2 million were used in 2004. In 2005, 117 new employees decided to join the plan. A related reserve of EUR 9.6 million (at 100%) was thus accrued. Employee termination costs of 15.2 million were used in 2005.

In the US, after the divestiture of USfilter, water treatment activities have been reorganized and a restructuring plan was launched in the first half of the year 2004. The plan is made of the termination of 111 employees of whom 85 executives and for a total cost of EUR1.6 millions. At the end of 2004, 54 employees were already terminated and the remaining part of the plan has been completed in 2005.

Energy

In 2003, Dalkia International implemented restructuring plans to integrate recent acquisitions including DBU in the Netherlands, Pec Poznan in Poland and Giglio in Italy. These restructuring plans amount to a

total of EUR5.8 million in termination costs for 215 employees of whom 26 are professional, other restructuring costs amount to EUR2.5 million, mainly utilized in 2004.

In 2004, further to the acquisition of a power plant in Poznan in Poland, Dalkia International implemented a restructuring plan for EUR4.7 million recognized in column “change in scope”, of which EUR3.0 million have been utilized in 2005. This plan consists in termination costs for 210 employees. Additional restructuring plans were launched in DBU (Netherlands) for EUR3.1 million covering miscellaneous costs, the reserve utilized in 2005 amounted to 1.4 million.

In 2005, during the acquisition of a plant in Lodz in Poland, Dalkia International implemented a restructuring plan for EUR2.5 million recognized in column “change in scope”. This plan consists in termination costs for 150 employees. Dalkia BV and Dalkia PLC recognize additional provision for, respectively, EUR0.8 million and EUR0.3 million.

Waste management

Onyx as part of a program to reduce its overhead costs has implemented a reorganization of its IT services. The reserve amounted to EUR6.5 million as of January 1, 2004 and has been fully utilized over the course of 2004.

At the end of 2003, Onyx decided to change its north american management, which led to a reserve of EUR5.2 million for employee termination costs. This reserve was fully used in 2004.

Reserve as at December 31, 2005 is relative to minor restructuring plans. The major of them amounts to EUR1.5 million for a plant of Valnor in France, covering contract termination costs.

Transportation

In Germany, Connex implemented a new restructuring plan in 2004 in connection with the reorganization by region and moving out of the headquarters. This plan amounts to EUR2.7 million, consisting in termination costs of 100 employees, of whom 6 were executives. The reserve utilized in 2005 amounted to 1.3 million.

The reorganization of the Swedish activities led to an additional provision of EUR1.2 million in 2005, of which EUR0.3 million were already utilized.

Note 50H. Stock based compensation

Veolia Environnement stock option plans

Under US GAAP, the Group accounts for stock-based compensation based upon the provisions of APB Opinion No. 25. Pro forma information, as if Veolia Environnement applied SFAS 123, is presented in note 50K. Under IFRS, compensation expense has been recorded based upon the fair value measured at the grant date. In accordance with the transitional provisions of IFRS 2 an expense has only been recorded for those plans granted after November 7, 2002 and for which the rights had not vested as of January 1, 2005.

The compensation expense recorded by the Group under IFRS was EUR16.2 million and EUR6.8 million for the years ended December 31, 2005 and 2004 respectively. Under US GAAP, the expense recorded by the Group was EUR3.2 million and EUR0.7 million for the years ended December 31, 2005 and 2004 respectively.

Group pension plan assets were invested as follows as of December 31, 2005 and December 31, 2004, by asset category are as follows:

| | 2005 | 2004 |
|---------------------|------|------|
| Equity securities | 48% | 42% |
| Debt securities | 36% | 37% |
| Insurance contracts | 11% | 14% |
| Cash | 5% | 6% |

| | Pension Benefits | | Other Benefits | |
|---|------------------|----------------|----------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| Funded status of plan | (436.7) | (313.0) | (22.3) | (24.0) |
| Unrecognized actuarial loss | 296.0 | 172.2 | 1.9 | 5.8 |
| Unrecognized actuarial prior service cost | 35.4 | 36.3 | 7.7 | 7.6 |
| Others | (74.0) | (37.4) | — | (13.4) |
| Accrued benefit cost under US GAAP | (179.3) | (141.8) | (12.8) | (24.0) |

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for those pension plans with accumulated benefit obligations in excess of plan assets were EUR664.0 million, EUR531.5 million and EUR251.2 million as of December 31, 2005 and EUR458.9 million, EUR377.5 million and EUR157.0 as of December 31, 2004.

The allocation of the projected benefit obligation of EUR1,099.3 million and the accumulated benefit obligation of EUR896.7 million by area is as follows: at the end of 2005, EUR655.6 million and EUR542.8 million in the United Kingdom, EUR321.2 million and EUR249.3 million in France and EUR122.5 million and EUR104.6 million in other countries.

The fair value of plan assets in France amounted to EUR71.3 million at the end of 2005. The Group's domestic plan assets are invested principally in insurance companies' funds. The expected long-term rates of return on these assets are directly based on historical returns. Contributions paid to these plan assets are essentially discretionary contributions without contractual or legal requirements. The accumulated benefit obligation for domestic plans was EUR249.3 million as of December 31, 2005.

The fair value of plan assets in the United Kingdom amounted to EUR569.3 million at the end of 2005. These assets are invested essentially in equities and bonds through a trustee structure. The expected long-term rate of return on these assets are based upon statistical returns and observed market performances over a long-term basis. The accumulated benefit obligation for these plans was EUR542.8 million as of December 31, 2005.

Amounts recognized in the balance sheet consist of (in millions of euros):

| | Pension Benefits | | Other Benefits | |
|---|------------------|----------------|----------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| Accrued benefit liability (including MLA) | (319.0) | (267.9) | (12.8) | (24.0) |
| Prepaid benefit costs | 139.7 | 126.1 | — | — |
| Net amount accrued for under US GAAP | (179.3) | (141.8) | (12.8) | (24.0) |
| Intangible assets | 21.4 | 16.3 | — | 7.6 |
| Net amount recognized under US GAAP | (157.9) | (125.5) | (12.8) | (16.4) |

Net accruals in US GAAP can be compared with balances determined under IFRS as follows:

| | Pension Benefits | | Other Benefits | |
|--|-------------------------|----------------|-----------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net amount accrued for under US GAAP | (179.3) | (141.8) | (12.8) | (24.0) |
| Changes in scope | (104.9) | (73.0) | (3.6) | (2.6) |
| Minimum liability adjustments | 74.0 | 37.4 | — | — |
| Recognition of actuarial gains and losses through shareholders' equity | (349.6) | (177.3) | (1.0) | 9.7 |
| Net amount accrued for under IFRS | (559.8) | (354.7) | (17.4) | (16.9) |

Net periodic cost under U.S. GAAP was as follows (in millions of euros):

| | Pension Benefits | | Other Benefits | |
|--|-------------------------|-------------|-----------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| Service cost | 37.9 | 47.6 | 0.4 | 0.4 |
| Interest cost | 43.6 | 38.6 | 1.2 | 1.5 |
| Expected return on plan assets | (35.5) | (33.9) | — | — |
| Amortization of unrecognized prior service costs | 2.5 | 0.9 | 0.5 | 0.2 |
| Amortization of actuarial net loss (gain) | 11.1 | 7.9 | 0.2 | 0.6 |
| Amortization of net transition obligation | — | (6.4) | — | — |
| Curtailments/Settlements | (4.4) | (0.9) | — | (6.8) |
| Others | 2.6 | (3.5) | — | — |
| Net periodic benefit cost under US GAAP | 57.8 | 50.3 | 2.2 | (4.1) |

The Group expects to contribute EUR30.1 million to its pension and postretirement benefit plans in 2006. Expected future benefit payments are as follows (in millions of euros):

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011-15 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Expected future benefit payments | 51.3 | 40.1 | 44.5 | 46.2 | 47.4 | 331.0 |

Actuarial assumptions - US GAAP

The following are weighted-average assumptions used to determine benefit obligation at December 31, 2005 and December 31, 2004:

| | Pension Benefits | | Other Benefits | |
|--|-------------------------|-------------|-----------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| Discount rate | 4.5% | 5.0% | 5.8% | 5.6% |
| Expected rate of compensation increase | 3.3% | 3.8% | — | — |

The following are weighted-average assumptions used to determine benefit obligation at December 31, 2005 and December 31, 2004:

| | Pension Benefits | | Other Benefits | |
|--|-------------------------|-------------|-----------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| Discount rate | 5.0% | 5.4% | 5.8% | 5.6% |
| Expected return on plan assets | 6.4% | 6.6% | — | — |
| Expected rate of compensation increase | 3.8% | 3.8% | — | — |
| Expected residual active life (in years) | 14.8 | 15.0 | 9.0 | 12.4 |

Note 50J. Goodwill and other intangible assets

The goodwill under US GAAP amounts to EUR 3,419 million in 2004 and EUR 3,817 million in 2005.

The indefinite-lived assets under US GAAP amount to EUR 90 million in 2004 and EUR 89 million in 2005.

The definite-lived assets under US GAAP amount to EUR 927 million in 2004 and EUR 1,252 million in 2005.

The impairments under US GAAP recognized in 2004 amount to EUR 74 million and to EUR 23 million in 2005.

Note 50K. Pro-forma information

a) Veolia Environnement stock option plans

Veolia Environnement applies the intrinsic value method to account for compensation cost associated with options granted to employees (see Note 50H).

The average fair value of Veolia Environnement options granted in 2004, 2003 and 2002 was EUR6.56, EUR5.09 and EUR15.3 respectively, using the Binomial option pricing model with the following assumptions for the grants:

| Veolia Environnement | 2004 | 2003 | 2002 |
|-------------------------------|-------------|-------------|-------------|
| Expected life (in years)..... | 7.5 | 7.23 | 7.50 |
| Interest rate..... | 3.40% | 3.90% | 4.33% |
| Volatility..... | 21.45% | 22.67% | 30.00% |
| Dividend yield..... | 2.1% | 1.00% | 1.00% |

Pro forma net income and basic earnings per share are presented below, as if compensation cost for stock options awarded under these plans had been determined based on the fair value at the dates of grant.

b) Pro forma net income and basic earnings per share

Veolia Environnement's pro forma net income and basic earnings per share are calculated as follows (in millions of euros, except per share data):

| (EUR millions) | At December 31, | |
|---|------------------------|-----------------|
| | 2005 | 2004 (1) |
| Net income (loss) under US GAAP as reported | 555.7 | 145.2 |
| Include: total stock based-employee compensation expense determined under APB25 for all awards net of related tax effects | 1.9 | 0.3 |
| Deduct: total stock based-employee compensation expense determined under fair value based method for all awards, net of related tax effects | (14.8) | (17.0) |
| Deduct: net income of discontinued operations | — | 225.7 |
| Pro forma net income (loss) | <u>542.8</u> | <u>354.2</u> |
| Net income (loss) basic earning per share | 1.42 | 0.37 |
| Net income (loss) diluted earning per share | 1.42 | 0.37 |
| Net income (loss) pro forma per share..... | 1.39 | 0.89 |
| Net income (loss) pro forma diluted per share..... | 1.38 | 0.89 |

(1) As restated. See note 50A paragraph "Impairment of goodwill"

Note 50L. Subsequent events

On April 10, 2006, we sold our interest in Southern Water to Southern Water Capital Limited, the current majority shareholder in Southern Water.

In connection with the development of its activities in Central and Eastern Europe, Veolia Transportation signed a contract with EBRD (European Bank of Reconstruction and Development) in December 2005 to acquire a 35% interest in the holding company that manages activities in this region. The holding company will conduct a share capital increase in order to allow Veolia Transportation to acquire its stake. This transaction is subject to the approval of the Bundeskartellamt.

On March 31, 2006, Butler Capital Partners, Veolia Transportation and CGMF signed an agreement for the takeover of the Societe Nationale Maritime Corse Mediterranee (SNCM), a state-owned company providing ferry services mainly between mainland France and Corsica. The agreement is part of a turnaround plan that was first decided on by the French government at the beginning of 2005. This agreement and finalization of the transaction remain subject to the approval of the European Commission under rules governing state aid. SNCM's share capital is expected to break down as follows by the end of 2006: Butler Capital Partners (38%), Veolia Transportation (28%), French government (25%) and SNCM employees (9%). Veolia Transportation has developed ferry services for several years in Scandinavian countries and expects SNCM to generate new growth opportunities in the Mediterranean basin.

Chapter 20.4 – Judicial and arbitration proceedings

The most significant legal disputes involving the Company or its subsidiaries are described in pages 316 to 319 of the 2005 reference document. There are no other government, legal or arbitration proceedings, including any proceedings that we are aware of, which is pending or could threaten, have or has had in the past 12 months, any material impact on the Company's financial situation or earnings and/or that of the Veolia Environnement group.

The information about the litigation concerning the companies Veolia Eau-Compagnie Générale des Eaux and SADE (2005 reference document, chapter 20.4, pages 316 and 317) have been updated in the following manner:

Veolia Water – Compagnie Générale des Eaux

On February 15, 2006, Aquatraitement Energies Services (« AES ») filed claims against two subsidiaries of Veolia Eau, Veolia Water and Seureca Overseas, before the Commercial Court of Paris (*Tribunal de Commerce de Paris*). AES claimed, in particular, from Veolia Water and Seureca Overseas the sum of 150 million euros in respect of damages and interest resulting from, according to AES, the loss of potential consulting revenues following Veolia Water's decision not to respond to a call for tenders initiated by the relevant Abu Dhabi authorities for the construction of a sea water treatment facility. On June 2, 2004, Veolia Water and Seureca Overseas had signed with AES two consulting contracts, pursuant to which AES was to produce consulting studies regarding commercial strategy and public relations. According to the terms of these contracts, AES would be eligible to receive fees based on the amount of the contracts awarded, as a result of its intervention, to either of Veolia Water and Seureca Overseas. In December 2004, these two contracts were terminated by Veolia Water and Seureca Overseas, as a result of the discovery of actions taken by certain managers of AES that were considered to be fraudulent (*dolosive*) by Veolia Water and Seureca Overseas, so as to vitiate the consent given by them at the time of the signature of the contracts. In the context of the procedure initiated by AES, Veolia Water and Seureca Overseas have filed their defense pleadings with the Commercial Court of Paris on June 28, 2006. These pleadings seek to obtain a dismissal of the claims made by AES. AES is expected to

file supplemental pleadings in response with the Tribunal de Commerce of Paris during October 2006. The Company believes that the AES claim has neither legal basis, nor economic justification and accordingly has not accrued a reserve in respect of the potential outcome.

SADE

In April 2000, SADE, a subsidiary of Veolia Water, and 40 other companies received notice from the French Competition Council of a complaint alleging anticompetitive agreements (*entente anticoncurrentielle*) among these companies in respect of public bids for 44 public sector construction contracts in the Ile-de-France department, which includes Paris and its suburbs. These companies, including SADE, filed answers 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 to 32 contracts. The companies filed an answer 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, using the observations provided in October 2005, again contested, on the one hand, the cogency of the complaints alleged against it and, on the other hand, the regularity of the procedure, notably regarding the basis of non-respect of the rights of the defense as well as regarding the absence of proof of SADE’s supposed anti-competitive behavior in certain markets. On March 21, 2006, the Competition Council nonetheless upheld the complaints against SADE regarding two markets, and condemned SADE to pay a fine of €5.4 million. SADE, which has accrued a reserve in its accounts to cover the litigation, appealed this decision before the Paris Court of Appeal (*Cour d’appel de Paris*) on June 16, 2006.

Furthermore, starting from an analysis of approximately forty public works markets of diverse nature concluded from 1996 to 1998 in the department of the Meuse, eleven companies, including SADE, were criticized all at once for participating in an advance distribution of these markets and for exchanging information in before the deposit of submissions. In a decision given on June 9, 2005, the Competition Council upheld against SADE the complaint regarding the exchange of information, for one market attributed to a competitor, and condemned SADE to pay a fine of €5 million that SADE has since paid. SADE appealed this decision before the Paris Court of Appeal, but the latter upheld the Competition Council’s decision in a decision given on April 25, 2006. SADE appealed this decision before the French Supreme Court (*Cour de cassation*) on May 24, 2006.

Veolia Water North America Operating Services

In 2002, Veolia Water North America Operating Services (“VWNAOS”), subsidiary of the Company, entered into a 10-year contract with the City of Atlanta representing approximately USD10 million in annual revenues. This contract pertains to the operation of treatment facilities for the City’s sludge and effluents, the maintenance and the renewal of the civil engineering equipment, and the design and realization of a work program to rehabilitate the facilities. On June 19, 2006, VWNAOS brought suit against the City of Atlanta, based principally on the non-respect by the City of Atlanta of its investment obligations, the non-reimbursement of excess operating costs and the non-payment of the invoices issued in counterpart to the services rendered by VWNAOS. On July 10, 2006, the City of Atlanta unilaterally terminated the contract and in turn filed a lawsuit against VWNAOS, making reference to VWNAOS’s default on certain of its obligations regarding the execution of the contract.

Chapter 20.5. - Significant changes in the financial or commercial situation

No significant changes in the Company’s financial or commercial situation have arisen since the end of the 2005 fiscal year.

2.2 OTHER INFORMATION

Chapter 12 – Information on trends

12.1 Trends

The Company confirms the trends and forecast concerning its activities which figure in the 2005 reference document in chapter 6, paragraphs 6.1 and 6.2.

No significant deterioration/decline has affected Veolia Environnement's forecast since the end of the 2005 fiscal year and the Company has no knowledge of any event that could be reasonably suspected to significantly influence its forecast for the current fiscal year.

12.2 Recent Developments

Veolia Eau

On April 10, 2006, Veolia Environnement sold its interests in Southern Water to Southern Water Capital Limited, the current majority shareholder of Southern Water. Veolia Environnement came to the conclusion that this minority position (with a maximum of 25% for regulatory reasons) does not allow the group to optimize its investment.

In April 2006, Veolia Eau, the Water Division of Veolia Environnement, was awarded the contract for the turnkey supply of a new seawater desalination plant in Bahrain. The contract, worth USD 336 million (i.e. about €275 million), was won following an international call for tenders. Start-up of the plant will take place from April 2007 until November 2007.

In May 2006, Veolia Eau won the first two international calls for tenders issued by local authorities in Slovakia. They cover all water services in the center of Slovakia (the Banska Bystrica district) and in the north of the country (the Poprad district). The first contract was awarded by the Banska Bystrica water company (StVS), the public company that covers the central region of Slovakia. It includes water production and distribution, wastewater collection and treatment, and customer relations. The 30-year contract is worth annual revenue of approximately €43 million, for a cumulative total of approximately €1.3 billion over the period. The second contract was awarded by the Poprad water company (PVS), the operating company that manages the water and wastewater services of the city and region of Poprad in the north of Slovakia. This contract also covers water production and distribution, wastewater collection and treatment and customer relations, and is also for 30 years. It is worth annual revenue of €17 million, for a cumulative total of approximately €500 million over the period.

In June 2006, Veolia Water North America, after a call for tender, was awarded a contract to design, build and operate a wastewater treatment plant for Rockland County in the State of New York. It is the first design, build & operate contract for a greenfield wastewater treatment plant awarded in this state. The contract will generate estimated total revenues of nearly 35 million euros (USD 45 million).

On June 22, 2006, Veolia Eau was awarded the contract for the upgrade of one of Australia's largest power stations, the Bayswater water treatment plants, by Macquarie Generation, Australia's largest electricity generating company. The contract, worth a total amount of approximately €42.7 million, is for the optimization of long-term water treatment requirements of the Bayswater Power Plant (situated 250 km north of Sydney) and water sustainability in the nearby Lake Liddell.

On June 26, 2006, Veolia Water was awarded a five-year performance contract with a three-year extension option by OWSC (Oman Wastewater Services Company) to assist in the management of wastewater services in Muscat, which has a population of 700,000. OWSC is a public company given responsibility by the Omani government for all wastewater services in Muscat, the capital of the sultanate of Oman pursuant to a 30-year concession agreement with the Government of Oman for the acquisition, development and operation of Muscat's wastewater collection and treatment system.

In July 2006, the Angers-Loire Métropole Communauté d'Agglomération (Metropolitan Community) awarded a design and build contract for the new wastewater treatment plant for the town of Angers to a subsidiary of Veolia Eau, OTV France and its partners. This contract, worth a total of around 55 million euros (almost 21 million euros for the share of work going to Veolia Eau), includes demolition of the existing plant and construction of a completely new plant. Construction of this new plant was awarded to a consortium composed, notably, of OTV France (Veolia Water), leader of the consortium.

Veolia Environnemental Services

On May 15, 2006, Veolia Propreté announced the purchase of Biffa Belgium for €45 million, saying that the acquisition had strengthened its prospects for growth in Northern Europe and Benelux. As a subsidiary of Severn Trent, Biffa Belgium is N°4 in the Belgium waste market with revenues of €5.5 million in 2005.

At the end of June 2006, Veolia Propreté started a 26-year PFI (Private Finance Initiative) agreement covering the integrated management of municipal waste in Nottinghamshire, a county some 200 km north of London. The initiative is worth an estimated total of €1.2 billion over the full term. The agreement sets an ambitious target of reaching 52% materials recovery and recycling by 2020. It also calls for increasing agricultural recycling and energy recovery by developing alternative solutions to landfilling, in line with European Union directives and the British government's statutory targets.

On June 30, 2006 Veolia Environnement announced the purchase, via its waste management Division (Veolia Propreté), of Cleanaway Holdings Limited ("Cleanaway UK") from Brambles Industries Limited and Brambles Industries plc for approximately €359 million. This price is subject to potential adjustments linked to the changes in Cleanaway UK's debt between the date of the signing and the date of completion of the transaction. The acquisition will further establish Veolia Environnement as a leading provider of waste management solutions for industrial, commercial and municipal clients in the UK. With €684 million turnover, Cleanaway UK is a major operator in England and Wales in municipal and industrial waste collection and integrated waste management services. The transaction is subject to merger approval by the EU competition authorities.

Dalkia

On June 29, 2006, the subsidiary of Dalkia International in Italy, Siram, won, thanks to its participation in two business groups, two public-private partnerships contracts for the construction and management of the Cona and Careggi hospitals in Ferrara and in Florence, respectively. These contracts plan for the construction and management of the new cogeneration plant for the Careggi hospital in Florence and for the construction and management of the Cona hospital in Ferrara, as well as the operating of the energy installations for a period of 15 and 30 years, respectively, which represents for Dalkia total operating and maintenance estimated revenues of €211 million over the period covered by the contracts.

Veolia Transport

In March 2006, Veolia Transportation North America, an American subsidiary of Veolia Environnement won the contract for the urban and adapted transport system (transportation for disabled or sick persons) of Orange County, California. The five-year contract will come into force on July 1, 2006, representing cumulative sales of around \$170 million. Veolia Transportation North America also announced at the end of March 2006 that it had been awarded the contract for urban and adapted transport system in Mesa, Arizona. The eight-year contract represents estimated accrued revenue of \$180 million.

Butler Capital Partners, Veolia Transport and CGMF signed agreements on the takeover of SNCM (“Société Nationale Maritime Corse Méditerranée”) on May 31. The agreements come under the framework of the operation to open up SNCM’s share capital, as decided by the French government at the beginning of 2005, and the plan to turn the company around. The main basis for the plan is that the government will recapitalize SNCM before its takeover. The agreement and finalization of the operation remain subject to a termination clause relating to the agreement of the European Commission under rules governing state aid and to the delegation of public service for Marseille-Corsica maritime transportation. The new shareholders have committed to sell 9% of the shares to employees; the share capital will approximately break down as follows by the end of the year: Butler Capital Partners, 38%; Veolia Transport, 28%, French government, 25%; employees, 9%.

On July 5, 2006, Veolia Transport announced that in 2010 it will be operating the first metro line in Bombay, India. This first metro line will be 11 kilometers long and serve 12 stations in the city’s rapidly growing northern suburbs. It will connect the two north-south rail lines that go into the city center. Under the terms of the contract, construction is scheduled to take four years, followed by operation for over 30 years. This is the first stage in the plan to develop a metro system that will have nine lines and cover 146 kilometers.

Chapter 14 – Management and supervisory bodies, and general management

14.1 - Board of Directors

Composition of the board of directors and the positions the directors fulfilled outside of the Company

Director Jacques Espinasse’s mandate, which came to term at the end of the Company’s mixed ordinary and extraordinary general assembly on May 11, 2006, was not renewed.

At the suggestion of the board of directors and after consulting with the nominations and compensation committee, the general assembly on May 11, 2006 named Mr. Jean-François Dehecq Company director for a period of six years, ending at the end of the general assembly called to approve the accounts of the fiscal year ending December 31, 2011.

The following table shows information relating to Mr. Jean-François Dehecq: age, date of first nomination and of expiration of mandate held within the Company, principal duty fulfilled outside of the Company as well as the positions held within all other companies over the past five years.

| | Principal position held outside the Company – other positions | Other professional experience and positions during the 5 last years |
|--|--|---|
| <p><u>Jean-François Dehecq</u> (66)</p> <p>First nomination: 11/05/2006</p> <p>Expiration of mandate: 2012</p> <p>Principal position held within the company : Director of Veolia Environnement</p> | <p>Principal position held outside the company: Chief Executive Officer of Sanofi-Aventis</p> <p>Other positions and offices held:</p> <p>In France: Director of Air France Director of Finance and Management Director of the Société Financière des Laboratoires de cosmétologie Yves Rocher, Director of the Agence Nationale de la Recherche, Member of the supervisory board of the Agence de l’Innovation Industrielle, Président of the Association Nationale de la recherche Technique, Member of the Fondation Française pour la Recherche sur l’Epilepsie</p> <p>Abroad: Vice-President of EFPIA (European Federation of Pharmaceutical Industries and Associations), Member of the IEPMA Council (international Federation of Pharmaceutical Manufacturers Associations).</p> | <p>Director of Pechiney Member of the supervisory board of Balmain, President of the Conservatoire national des Arts et Métiers President of the EFPIA (European Federation of Pharmaceutical Industries and Associations) Member of the Council France of INSEAD</p> |

Biographical information of directors

Jean-François Dehecq is a graduate from the Ecole Nationale des Arts et Métiers. After having served as professor of Mathematics in the Lycée Catholique Saint-Vincent de Senlis from 1964 to 1965, he became a trainee in the Scientific Research of the Nuclear Propulsion department of the Army. In 1965 he joined the Société Nationale des Pétroles d’Aquitaine (SNPA, ex Elf Aquitaine). Serving in the economic department from 1965 to 1969, he became director attaché from 1969 to 1970, and then from 1970 to 1971 an operating engineer at the Lacq Factory, a major gas site in France. In 1973, he became executive officer of Sanofi, an important pole in the Elf Aquitaine Group. From 1982 to 1988, he was vice chief executive officer of Sanofi and then chief executive officer starting in February 1988. In 1999, he became the chief executive officer of Sanofi Synthelabo. In 2004, he organized the Sanofi-Aventis merger. Today, Mr. Jean-François Dehecq is the chief executive officer of Sanofi-Aventis.

INVESTOR RELATIONS

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WEBSITES

General information about the Company:

www.veoliaenvironnement.com

Financial information:

www.veolia-finance.com

Direct access to the general information section for private shareholders:

www.actionnaires.veolia.com