

VEOLIA ENVIRONNEMENT

Form 6-K

October 13, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of October 2006

Commission File Number: 001-15248

VEOLIA ENVIRONNEMENT

(Exact name of registrant as specified in its charter)

36-38, avenue Kléber

75116 Paris, France

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

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The Veolia Environnement second update to the 2005 document de référence (the Reference Document) was filed with the Autorité des marchés financiers on September 26, 2006 under number D.06-0231-A02. 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

Second update

This update of the 2005 *document de référence* (the Reference Document) was filed with the *Autorité des marchés financiers* (AMF) on September 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, and supplemented by an update filed with the AMF on July 26, 2006 under number D.06-0231-A01.

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

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1. Persons assuming responsibility for the reference document and the financial statements audit

1.1 PERSON ASSUMING RESPONSIBILITY FOR THE INFORMATION INCLUDED IN THE DOCUMENT

Mr. Henri PROGLIO, Chairman and 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 and forward-looking 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. Reference is made in this letter to the statutory auditors' report on the half-year 2006 information, included in Chapter 20, paragraph 20.6.2 of this update, and to the statutory auditors' report on the forward-looking information included in chapter 13, paragraph 13.3 of the update.

The statutory auditors' report on the half-year 2006 information contains remarks on the change of accounting method applied retrospectively and for the first time by the Company, regarding the accountability of concessions according to the D12/D13/D14 draft interpretation of IFRIC (see chapter 20, paragraph 20.6.1, notes A.1.2 and A.1.3).

The statutory auditors' report on the forward-looking information contains the same remarks as the statutory auditors' report on the half-year 2006 information above concerning the application of the D12/D13/D14 draft interpretation of IFRIC applicable retrospectively and on the forward-looking statements for year ended 2006.

The statutory auditors' end-of-assignment letter concerning the first update of the 2005 reference document, dated July 26, 2006 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.

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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.

Chairman and Chief Executive Officer

Henri PROGLIO

1.3 STATUTORY AUDITORS

1.3.1 Principal statutory auditors

SALUSTRO REYDEL, Member of KPMG International

Statutory auditor, member of Compagnie Régionale de Paris

A company represented by Messrs. Bernard CATTENOZ and Bertrand VIALATTE,

1 Cours Valmy, 92923 Paris La Défense cedex.

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- 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.

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Appointed on December 18, 1995, with a term that was renewed at the general shareholders meeting held on April 27, 2001. The term was renewed for a period of 6 fiscal years, and will expire at the end of the general shareholders meeting called to approve the financial statements for the year ended December 31, 2006.

ERNST & YOUNG et AUTRES

Statutory auditors, member of Compagnie Régionale de Versailles

A company represented by Messrs. Jean BOUQUOT and Patrick GOUNELLE.

41 rue Ybry, 92576 Neuilly-sur-Seine cedex

Appointed on December 23, 1999 with a term that was renewed at the general shareholders meeting held on May 12, 2005. The term was renewed for a period of 6 fiscal years, and will expire at the end of the general shareholders meeting called to approve the financial statements for the year ended December 31, 2010.

1.3.2 Deputy statutory auditors

Monsieur Hubert LUNEAU

1 Cours Valmy, 92923 Paris La Défense cedex

Appointed on December 18, 1995, with a term that was renewed at the general shareholders meeting held on April 27, 2001. The term was renewed for a period of 6 fiscal years, and will expire at the end of the general shareholders meeting called to approve the financial statements for the year ended December 31, 2006.

AUDITEX

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

Appointed by the general shareholders meeting held on May 12, 2005, with a term of 6 fiscal years, which will expire at the end of the general shareholders meeting called to approve the financial statements for the year ended December 31, 2010.

1.4 OTHER INFORMATION

On July 26, 2006, Veolia Environnement filed with the *Autorité des Marchés Financiers* an update (number D.06-0231-A01) of the 2005 reference document filed on April 6, 2006 under number D. 06-0231.

Starting from January 1, 2006, the Company applies the draft interpretation related to the accounting treatment of concessions in the IFRS. The impact of this change in method on the consolidated financial statements for the year ended December 31, 2005 is described in a presentation dated July 27, 2006, available on the Company's website and in chapter 20, note B of this update, and the impact on the consolidated financial statements of June 30, 2006 in chapter 20, note C.

On August 2, 2006, Veolia Environnement published a press release related to the consolidated revenue as of June 30, 2006 (unaudited data) and, on August 7, 2006, the Company published in the *Bulletin des Annonces Légales Obligatoires* (Mandatory Legal Announcements Bulletin) its consolidated revenue for first half 2006 which amounts to 13,997.7 million.

On September 15, 2006, the company published a press release related to the half-year consolidated financial statements as of June 30, 2006 and on September 22, 2006 the Company published in the *Bulletin des Annonces Légales Obligatoires* its half-year consolidated financial statements.

2. Update of the 2005 reference document

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The information provided below updates and completes the Company's 2005 reference document filed with the *Autorité des marchés financiers* on April 6, 2006, pursuant to the provisions of Article 212-13, paragraph 4 of the general regulations of the AMF.

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<i>million</i>	12/31/2005		06/30/2005		30/06/2005
	06/30/2006	adjusted ⁽¹⁾	12/31/2005	adjusted ⁽¹⁾	
Recurring operating income	1,125.0	1,897.6	1,903.6	955.0	948.3
Net income Group share	444.5	622.2	623.0	316.9	319.1
Diluted earnings per share	1.12	1.59	1.59	0.81	0.81
Basic earnings per share	1.13	1.59	1.60	0.81	0.82
Net recurring income Group share	377.0	628.7	627.4	317.1	318.6
Cash flow from operations	1,909.7	3,522.7	3,668.1	1,728.3	1,786.9
Dividends paid per VE share	336.3	265.4	265.4	265.4	265.4
Dividend per share	0.85	0.68	0.68	0.68	0.68
Total assets	36,529.9	36,381.0	36,309.4		
Total current assets	14,430.4	13,883.2	13,540.0		
Shareholders' equity Group share	3,953.2	3,790.2	3,802.6		
Shareholders' equity - minority shareholders	2,047.7	1,888.0	1,890.9		
Net debt	13,818.3	13,870.6	13,870.6		

⁽¹⁾ The group decided to apply, from January 1, 2006, the D12/D13/D14 draft interpretations related to the accounting treatment of concessions in IFRS. To ensure data comparability, the 2005 financial statements were adjusted for the impact of this change in method.

Chapter 9 Activity Report**9.1 REVIEW OF OPERATIONS DURING THE FIRST SIX MONTHS OF 2006****9.1.1 Continued expansion while ensuring compliance with major financial ratios**

A number of major contracts were won during the first six months of 2006:

- n At the beginning of the year, the Water Division was awarded a contract for the management of water services by the Prostějov Water Company, the public water utility responsible for this region of Central Moravia. This 25-year contract represents total revenue of over 122 million.
- n At the end of January, the Water Division signed a major partnership agreement with a subsidiary of Sinopec, China's leading oil refining company. Under this agreement, the two entities created a joint venture to be managed by the Water Division, that will operate facilities to collect, treat and recycle industrial wastewater from the Yanshan site (in the suburbs of Beijing). This joint venture will generate estimated total revenue of 580 million.

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- n On February 9, the Water Division won the wastewater services management contract for the city of Ajman (United Arab Emirates). This 27-year contract represents total revenue of approximately 187 million.

- n On March 7, the Waste Management Division won the operations and maintenance contract for a Waste-to-Energy plant for non-hazardous waste in Ilan County in north-eastern Taiwan. This contract is expected to generate total revenue of 44 million over a 20-year period.

- n On March 16 and 29, 2006, the Transportation Division won two urban and adapted transport contracts in the United States. The first contract is with Orange County in California, and will come into force on July 1, 2006. With a term of five years, it represents total revenue of approximately 137 million. The second contract concerns the city of Mesa in Arizona. Signed for an eight-year term, it represents total revenue of approximately 145 million.

- n On April 12, 2006, following an international call for tenders, the Water Division won the contract for the turnkey supply of a new seawater desalination plant in Bahrain. Worth a total of approximately 275 million, the first two units of the plant will be brought online over the period April to November 2007.

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n In May 2006, the Water Division won Slovakia's first two international calls for tenders. Both contracts have a term of 30 years. The first contract concerns the central region of Slovakia and represents total revenue over the period of 1.3 billion; the second contract concerns the region of Poprad in the north of Slovakia and represents total revenue over the period of 500 million.

n On June 19, 2006, following a call for tenders, the Water Division won the contract to design, build and operate a wastewater treatment plant for Rockland County in the State of New York. This contract represents total estimated revenue of 35 million.

n In June 2006, the Water Division won a contract to upgrade the Bayswater water treatment plant, one of Australia's largest power stations. The contract represents total revenue of approximately 42.7 million.

n On June 29, 2006, the Energy Services Division won two public-private partnership contracts in Italy for the construction and management of hospitals. With terms of 15 and 30 years respectively, these contracts are expected to generate estimated operation and maintenance revenue of 211 million.

The Group strengthened its leader position in its markets through a number of targeted acquisitions, generating both growth and cost economies of scale:

n On January 2, 2006, the Transportation Division purchased Shuttleport in the United States (airport shuttle services) for 28.4 million.

n In May 2006, the Waste Management Division purchased Biffa Belgium, n°4 in the Belgian waste market, for a consideration of 66 million, thereby strengthening its prospects for growth in Northern European and Benelux. Annual revenue of this company is estimated at 85.5 million.

n The most significant transaction took place on June 30, 2006, with the acquisition by the Waste Management Division of Cleanaway Holdings Limited for a consideration of 859 million. This company is a major operator in the United Kingdom in municipal and industrial waste collection and integrated waste management services. Annual revenue is estimated at 684 million. This acquisition should be finalized during the second half of 2006.

Finally, the Group continued to apply its growth strategy in new activity sectors, directly related to its areas of expertise:

n On March 21, 2006, the Waste Management Division announced the launch of a second CDM (Clean Development Mechanism) project in Alexandria, Egypt, following its first CDM project in Brazil. Together, these two CDM projects increase total credits generated to 4.4 million metric tons of CO² equivalent.

n On May 31, 2006, Veolia Environnement, Butler Capital Partners and CGMF signed agreements on the takeover of Société Nationale Maritime Corse Méditerranée (SNCM). These agreements form part of the partial privatization operation decided by the French government at the beginning of 2005, and the plan to turn the company around, based notably on the prior recapitalization of the company by the French State. Completion of the transaction is contingent on European Commission approval under rules governing state aid and the awarding of the public service license for Marseille-Corsica crossings. Veolia Environnement will hold 28% of the share capital of the company. This transaction will significantly strengthen the Transportation Division's position as an operator of ferry services, which it has been developing over recent years in high-growth markets in northern Europe.

9.1.2 Asset refinancing and review

The Group continued its asset review program during the first six months of the year, and performed several full or partial disposals, without affecting its operating capacities:

- n During the first quarter of 2006, the Energy Services Division sold a 34% stake in the company that manages the Lodz contract to IFM (Industry Funds Management) for a consideration of 69.9 million.

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