

VEOLIA ENVIRONNEMENT
Form 6-K
September 25, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULES 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

September 24, 2003

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):

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

Paris, September 24, 2003

PRESS RELEASE

Results for the first half of 2003 and decisions on strategic refocusing

***Strategic refocusing on long-term contract business
within the North American water operations;
Reassessment of market value for other USFilter assets;
Sustained operating performance affected by exchange rate changes;
Control of debt and free cash flow generation confirmed ⁽¹⁾***

Excluding assets sold in 2002 and 2003⁽²⁾

Revenue	up 0.3% to 13,902 million (up 5.4% at constant exchange rates compared to the first half of 2002)
EBITDA⁽³⁾	1,820 million (up 2.5% at constant exchange rates compared to the first half of 2002)
EBIT⁽⁴⁾	883 million (down 2.3% at constant exchanges rates compared to the first half of 2002))
Consolidated Revenue	14,048 million compared with 14,970 million for the first half of 2002
Consolidated EBITDA	1,824 million compared with 1,951 million for the first half of 2002
Consolidated EBIT	884 million compared with 1,018 million for the first half of 2002
Extraordinary write-down of USFilter assets	2,232 million
Net income (loss) of	Net loss of 2,100 million compared with net income of 213 million at June 30, 2002
Net debt⁽⁵⁾	13,106 million compared with 13,066 million at December 31, 2002

⁽¹⁾ Free cash flow is defined as the net change in cash generated from operating activities before the change in securitized and discounted receivables, net of capital expenditures, financial investments and asset disposals.

⁽²⁾ These include certain USFilter assets sold in 2002 (Filtration & Separation, Plymouth, US Distribution) and Bonna Sabla in France also sold in 2002, as well as Surface Preparation Corp. (sale announced in July 2003).

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- (3) EBITDA = EBIT + depreciation, excluding goodwill amortization + renewal expense (150m at June 30, 2003 compared with 134m at June 30, 2002).
- (4) EBIT, the internal indicator for management purposes relating to the income statement, is the operating income (loss) before goodwill amortization and restructuring costs. It corresponds to the operating result as defined under Regulation 99-02 of the CRC, the French accounting regulations authority.
- (5) Net financial debt is defined as the sum of long-term debt and short-term borrowings less short-term receivables, long-term receivables, marketable securities, cash and cash equivalents.

The Veolia Environnement Board of Directors met on September 23, 2003, and approved the company's financial statements for the first half of the year.

The consolidated financial statements at June 30, 2003 show:

sustained operating performance in the company's main businesses, despite less favorable economic conditions. The water (excluding North America), waste management and energy services divisions achieved good results in the first half;

a decline in the contribution of USFilter's businesses to the company's results, particularly in the area of equipment sales;

the impact of exchange rate fluctuations (the US dollar fell 21% against the euro and the pound sterling fell 11% against the euro during the period), which had an aggregate negative impact of 43 million on EBIT;

the effects of a strict policy of control and selectivity of capital expenditures and financial investments, and control of working capital requirements. The company generated free cash flow of approximately 200 million, which allowed it to stabilize its debt after dividends.

2003 FIRST-HALF RESULTS

Consolidated revenue for the first half of 2003 reached 14,048 million. Excluding the assets sold in 2002 and 2003, consolidated revenue totaled 13,902 million, up 5.4% at constant exchange rates.

EBIT for the company reached 884 million. Excluding the assets sold in 2002 and 2003, EBIT reached 883 million, representing a 2.3% decrease at constant exchange rates. EBITDA reached 1,824 million. Excluding the assets sold in 2002 and 2003, EBITDA reached 1,820 million, up 2.5% at constant exchange rates.

Revenue: Growth in-line with targets

Exchange rate fluctuations had a negative impact of 705 million, of which 450 million is due to the change in the value of the US dollar (the average rate of the dollar against the euro was 1.115 for first-half 2003 compared with 0.885 for first-half 2002). The remainder was mainly due to Latin American currencies and the pound sterling. Internal growth, excluding assets sold in 2002 and 2003, was 5.2%.

Water (excluding assets sold in 2002 and 2003): revenue 3.7%, including internal growth at constant exchange rates of 2.5%

Internal growth, excluding assets sold in 2002 and 2003, for the water businesses in the first-half 2003 reflects contrasting situations in the company's different regions.

In France, revenue from water services increased 3.7%. Outside France (excluding the United States and Latin America), revenue rose by over 20%. In the United States, revenue in dollars increased 4.1%, but was impacted by the fluctuation in exchange rates.

Revenue: Growth in-line with targets

Overall growth was affected by the slowdown in business in Latin America and by a decline in revenue from Veolia Water Systems of around 16%.

Waste management: revenue -4.4%, including internal growth at constant exchange rates of 4.5%

Internal growth can be analyzed as follows:

In France, a good level of business activity continued and led to growth of 6.4%.

Outside France, total revenue growth, on a like-to-like basis and at constant exchange rates, was 3.7% excluding Latin America (Proactiva).

Energy services: revenue +4.4%, including internal growth at constant exchange rates of 5.5%

Internal revenue growth for energy services remained buoyant at 5.5%, this growth being achieved during the first quarter.

In France, revenue rose 1.3%. Most of the growth was recorded in the first quarter due to exceptional weather conditions.

Outside France, revenue increased 12.6%.

Transportation: revenue +6.8%, including internal growth at constant exchange rates of 9.0%

In France, growth of 4.1% was due to buoyant business in the intercity segments. Outside France, growth was 12.1%.

FCC (Veolia Environnement s Share): +13.3%, including internal growth of 13.0%

Internal growth of 13% was generated by municipal services and construction.

EBIT: sustained level of operating performance in Water, excluding the United States, Waste and Energy Services

Water: 402 million. Excluding assets sold in 2002 and 2003, EBIT of 401 million compared with 425 million at June 30, 2002, stable at constant exchange rates

In France, improved productivity and continued high volumes allowed for a good level of profitability to be maintained.

Excluding the United States, EBIT from businesses outside France increased considerably, due in particular to the improved profitability of the Berlin contract and the effects of the most recent contracts in the Czech Republic, Germany and Asia.

The very positive performance in Europe and Asia (with EBIT growth of over 10%) offset the fall in EBIT from USFilter which was affected by low margins for equipment sales in a difficult market; and the effects of the startup of some contracts in the Services segment.

Including assets sold in 2002 and 2003, EBIT in Water was 402 million.

Waste management: EBIT of 179 million compared with 195 million, up 5% at constant exchange rates and excluding Proactiva

Businesses in France confirmed the trend of margin recovery during the first half 2003.

FCC (Veolia Environnement s Share): +13.3%, including internal growth of 13.0%

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Outside France, the profitability of the Northern European businesses improved by around 37%, driven by good results in the UK (new contracts in municipal and industrial waste) and in Central Europe. In North America, business in solid waste offset the slowdown in the industrial waste business. The fall in volumes in Asia had a negative impact on earnings in that region. Finally, the contribution from operations in Latin America was slightly negative.

Energy services: EBIT of 179 million compared with 162 million, up 12% at constant exchange rates

The stability of EBIT in France is in line with the increase in business during first-half 2003. Commercial developments, favorable price changes and the success of cogeneration compensated for weak performance in the engineering activity.

Outside France, the strong increase in EBIT (+54%) is the result of recent expansion in the Baltic states, Poland and Italy. In addition, the favorable weather conditions in Eastern Europe and Siraam's expansion in Italy led to positive results.

Transportation: EBIT of 41 million compared with 55 million, down 27% at constant exchange rates

In France, earnings continued to develop favorably.

Outside France, EBIT was considerably affected by the difficult situation with certain markets and contracts (especially in the UK) during the first half.

FCC: EBIT of 119 million compared with 117 million, up 2.1% at constant exchange rates

FCC's increased EBIT is due to the good performance of municipal services.

Conversely, the contribution from the cement business fell due to the stoppage of one of the furnaces during the first quarter.

NET FINANCIAL EXPENSE

Net financial expense was 451 million compared with 379 million at June 30, 2002. The non-recurring financial result includes a provision of 72 million relating to the write-down of certain financial assets held by USFilter. Excluding this non-recurring element, the net financial expense amounts to 370 million. The cost of financing was 314 million versus 316 million at June 30, 2002, reflecting a net interest rate for first-half 2003 of 4.28%. This rate is in line with the average interest rate at December 31, 2002 of 4.25%.

NET INCOME

Recurring net income totaled 133 million, compared with 216 million at June 30, 2002.

This reduction is explained in particular by the disposal of non-core businesses in 2002 and the negative effect of exchange rate fluctuations.

The net loss for the company was 2,100 million, down from the first half of 2002 mainly due the impact of the write-down of assets at USFilter (cf. infra).

CASH FLOW FROM OPERATIONS AND DEBT

Cash flow from operations was 1,346 million, compared with 1,439 million at June 30, 2002. The cumulative negative impact of disposals and exchange rate fluctuations on cash flow from operations was 129 million.

Capital expenditures for growth and financial investments were 663 million at June 30, 2003 compared to 1,138 million at June 30, 2002. The total amount of capital expenditures and investments was 1,260 million, down approximately 28% compared with the first half of 2002. The company was therefore able to self-finance all its investments and generate positive free cash flow. **Net debt remained stable at 13.1 billion compared to net debt at December 31, 2002.**

Disposals amounted to 139 million at June 30, 2003.

STRATEGIC REFOCUSING

Given the developments of the first half, the company examined the new market outlook and its strategy in the Water business in the United States. Although a recovery in the equipment sector is expected in the second half of the year due to the seasonal nature of this business, the outlook for an improvement in margins remains subject to the evolution of the U.S. economic environment and the new competitive environment. Within the services sector, the strategic analysis has led to the differentiation of two distinct areas of activity:

- short term contracts with satisfactory profitability, but which are linked either directly or indirectly to equipment sales,

- services under long term contracts, which are fully consistent with the activities of Veolia Environnement. Despite the recent changes in the competitive environment, which affects the short-term evolution of this sector, the prospects for growth in this market remain considerable.

As a result, the company has decided, in its Water business, to:

- refocus in North America on services carried out under long-term operating contracts for both municipal customers (around 80% of existing contracts) and industrial customers (around 20% of existing contracts);

- to proceed with the disposal of the "Consumer and Commercial" business (Culligan and Everpure);

- to proceed with the disposal of the Equipment and Short-term Services businesses;

- to reassess the market value of all of USFilter's assets and to record an extraordinary write-down of 2.2 billion ⁽¹⁾ (\$2.5 billion) in respect of the net book value of these assets.

Following this write-down, the net book value of USFilter in the consolidated accounts of Veolia Environnement is 2.0 billion.

⁽¹⁾ Not including the potential impact of the exchange rate in the case of a disposal.

This strategic decision reflects Veolia Environnement's intent to concentrate its efforts on developing the company's expertise in municipal outsourcing services and long-term contracts for both municipal and industrial companies, and on developing synergies between its various divisions. These measures will enable the company to gain additional financial flexibility to take advantage of commercial opportunities in Europe, the United States and Asia, thereby accelerating its growth.

VEOLIA ENVIRONNEMENT S NORTH AMERICAN BUSINESSES

After completion of the planned disposals, Veolia Environnement will have the following operations in North America across three of its divisions:

Waste management: with targeted 2004 revenue of approximately \$1.5 billion, Onyx provides comprehensive waste services across the value chain and has strong regional coverage in the Mid-West and the East.

Water: with targeted 2004 revenue of approximately \$0.6 billion from long-term operating contracts with both municipal customers and industrial customers, where it has a market share of over 40% in outsourcing services (1). The order book is valued at over \$3.5 billion.

Transportation: with targeted 2004 revenue of approximately \$0.3 billion mainly due to the increased impact of the Boston contract (around \$200 million per year for five years) and a growing regional presence in the bus and rail sectors.

In total, the company s targeted 2004 revenue in this region is close to \$2.4 billion.

(1) Source: *Public Works Financing*, March 2003

OUTLOOK

The performance of the company s businesses and the strategic decisions to be implemented over the coming months allow Veolia Environnement to look ahead to the coming years with confidence.

For 2003, the excellent level of water volumes sold in France and the rest of Europe during the summer and positive developments in contracts outside France, especially in transportation, are expected to help improve the financial performance, subject to changes in economic conditions and exchange rate fluctuations.

The disposal of a substantial part of the US water activities will clarify the company s business model and improve its risk profile. The disposals announced will reduce net debt to around 11 billion. The additional financial flexibility will give the company the means to take advantage of commercial opportunities in Europe, North America and Asia and thereby accelerate the growth of its businesses while controlling its level of indebtedness.

Veolia Environnement s medium-term growth targets for its core businesses are from 4% to 8% per year. The policy of taking a selective approach to projects, the maturity of contracts (J curve) and the efficiency plan implemented throughout the company (with targeted savings of at least 300 million by the end of 2005) will contribute to a gradual improvement in the after tax return on capital employed, which is expected to reach between 8% and 9% in 2005.

Important Disclaimer:

Veolia Environnement is a corporation listed on the NYSE and Euronext Paris. This press release contains forward-looking statements within the meaning of the provisions of the U.S. Private Securities Litigation Reform Act of 1995, including, without limitation, those set forth under Veolia Environnement s North American Business and Outlook above. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside our control, including but not limited to: the risk of suffering reduced profits or losses as a result of intense competition, the risk that changes in energy prices and taxes may reduce Veolia Environnement s profits, the risk that governmental authorities could terminate or modify some of Veolia Environnement s contracts, the risk that Veolia Environnement s compliance with environmental, health and safety laws and regulations may become more costly in the future and Veolia Environnement may incur liability under these laws and regulations, and the risk that currency exchange rate fluctuations may negatively affect Veolia Environnement s financial results and the price of its shares, as well as the risks described in the documents Veolia Environnement has filed with the U.S. Securities and Exchange Commission. Veolia Environnement does not undertake, nor does it have, any obligation to provide updates or to revise any forward-looking statements. Investors and security holders may obtain a free copy of documents filed by Veolia Environnement with the U.S. Securities and Exchange Commission from Veolia Environnement.

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All our press releases can be found on our Web site: <http://veoliaenvironnement-finance.com>

KEY FIGURES AT JUNE 30, 2003

In millions of	30/06/2003	30/06/2002	(delta) exchange rate 30.06.2002/30.06.03	<u>Current</u>	<u>Constant</u>
Reported revenue		14 048	14 971	-6,2%	-1.2%
of which revenue ⁽¹⁾ excluding assets sold in 2002 and 2003		13 902	13 858	+0,3%	+5.4%
Reported EBITDA		1 824	1 951	-6,5%	-1.8%
of which EBITDA ⁽¹⁾ excluding assets sold in 2002 and 2003		1 820	1 864	-2,4%	+2.5%
Reported EBIT		884	1 018	-13,1%	-8.9%
of which EBIT ⁽¹⁾ excluding assets sold in 2002 and 2003		883	947	6,8%	-2.3%

⁽¹⁾ Excluding assets sold in 2002 and 2003. Filtration and Separation Group, Plymouth, US Distribution as well as Bonna Sabla, sold in 2002 and Surface Prep.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in millions of euros)

	June 30, 03	June 30, 03
Revenue	14,048.0	14,970.5
EBIT	884.3	1,018.2
Amortization of goodwill and intangible assets with an indefinite useful life (recurring and non-recurring)	(2,266.8)	(158.5)
Restructuring costs	(9.1)	(5.7)
Operating income/(loss)	(1,391.6)	854.0
Net financial expense	(451.1)	(379.2)
Other income and expense	(33.5)	(60.5)
Income tax	(137.8)	(167.7)

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Net income/(loss) before equity and minority interests	(2,014.0)	246.6
Share in net earnings of companies accounted for by the equity method	25.8	24.8
Minority interests	(112.0)	(58.6)
Net income/(loss)	(2,100.2)	212.8
Non-recurring net loss	(2,232.8)	(3.4)
Recurring net income	132.6	216.2

RECURRING NET INCOME

(in millions of euros)

	Recurring	Non-recurring	Total
EBIT (operating result)	884.3	-	884.3
Restructuring costs	-	(9.1)	(9.1)
Goodwill amortization	(113.4)	(2,153.4)	(2,266.8)
Net financial expense	(369.8)	(81.3)	(451.1)
Other income and expense	-	(33.5)	(33.5)
Share in net earnings of companies accounted for by the equity method	25.8	-	25.8
Minority interests	(112.0)	-	(112.0)
Income taxes (35.43%)	(182.3)	44.5	(137.8)
Total	132.6	(2,232.8)	(2,100.2)

BALANCE SHEET CONSOLIDATED ASSETS

(in millions of euros)

	June 30, 03	Dec. 31, 02
Intangible assets	3,045.9	3,904.9
Goodwill	4,506.8	6,152.8
Tangible assets	14,430.0	14,540.8
Financial assets	1,858.2	1,969.5
Of which long-term financial receivables	399.8	512.4
TOTAL FIXED ASSETS	23,840.9	26,568.0

Total current operating assets	11,926.9	12,320.3
Short-term financial receivables	772.8	487.5
Marketable securities	195.9	260.6
Cash and equivalents	3,198.2	2,381.9
TOTAL ASSETS	39,934.7	42,018.4

BALANCE SHEET CONSOLIDATED LIABILITIES
(in millions of euros)

	June 30, 03	Dec 31, 02
Shareholders' equity (after income for the year)	3,667.0	6,329.6
Minority interests	2,597.8	2,585.2
Subsidies and deferred income	1,422.5	1,413.4
Provisions	2,962.0	2,946.1
Long-term debt	12,986.3	12,913.0
Other long-term liabilities	400.0	427.5
LONG-TERM CAPITAL	24,035.6	26,614.8
Accounts payable	11,212.3	11,607.7
Short-term debt	4,686.8	3,795.9
Of which bank overdrafts	781.4	746.3
Total current liabilities	15,899.1	15,403.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	39,934.7	42,018.4

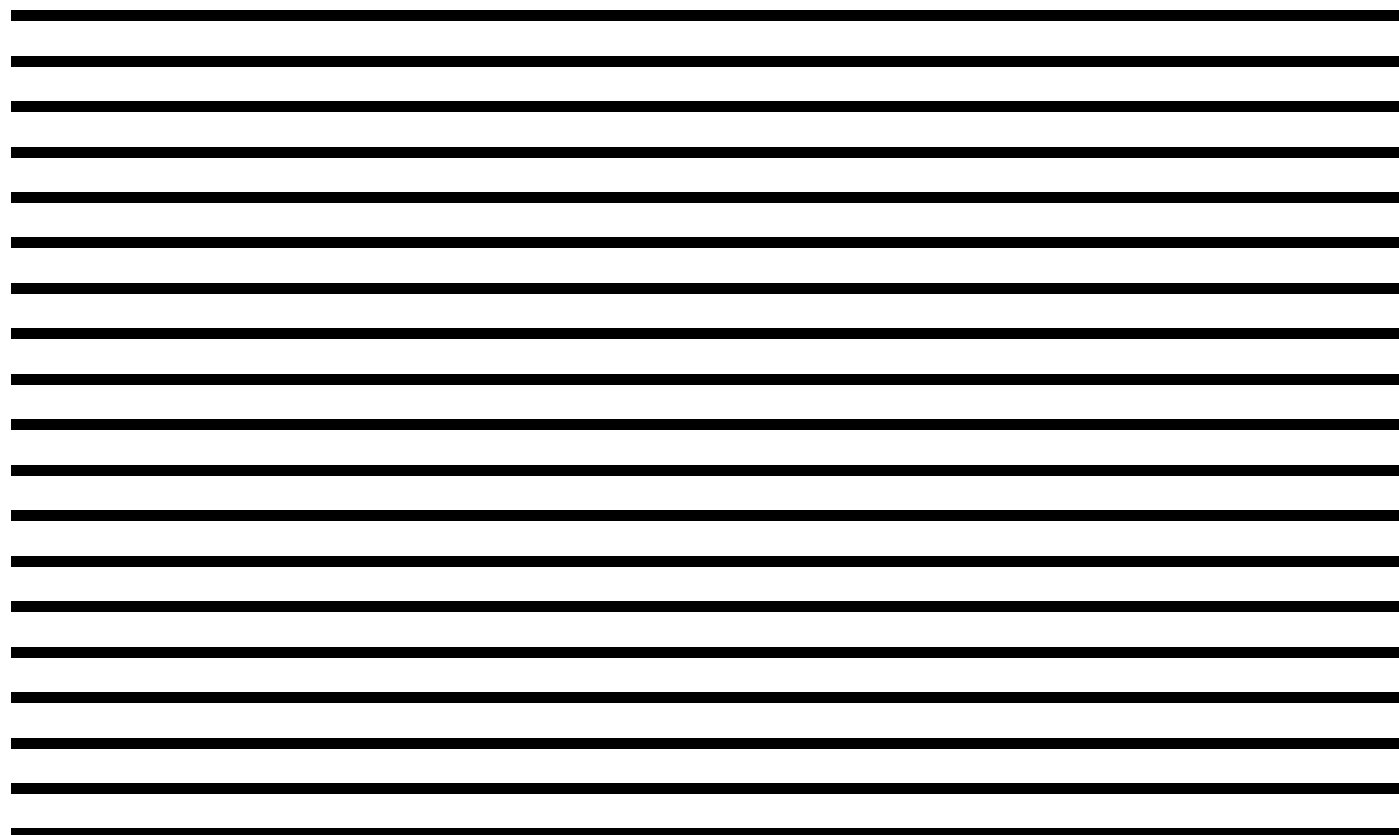
CONSOLIDATED CASH FLOW STATEMENT

(in millions of euros)	June 30, 03	Dec. 31, 02	June 30, 02
Cash flow from operations	1,346.3	2,779.8	1,439.2
Change in working capital requirement*	(214.6)	(463.1)	(817.6)
Net change from operating activities	1,131.7	2,316.7	621.6
Capital expenditures	(1,014.2)	(2,603.4)	(1,107.7)
Financial investments	(197.4)	(1,130.7)	(642.9)

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(in millions of euros)	June 30, 03	Dec. 31, 02	June 30, 02
Disposals	117.3	1,771.5	555.4
Change in financial receivables	(298.2)	(152.2)	249.4
Other	61.8	6.2	12.5
Net change from investment activities	(1,330.7)	(2,108.6)	(933.3)
Change in debt	1,398.6	(1,708.0)	(92.3)
Increase in capital	6.1	1,554.1	14.2
Dividends	(276.7)	(300.0)	(242.6)
Other	(0.1)	(115.8)	(41.8)
Net change from financing activities	1,127.9	(569.7)	(362.5)
Cash and cash equivalents at beginning of period	1,635.6	2,089.3	2,089.3
Impact of currency exchange and other	(147.7)	(92.1)	(382.5)
Cash and cash equivalents at end of period	2,416.8	1,635.6	1,032.6

* of which the change in securitized and discounted receivables: - 158m at June 30, 2003 vs. - 381m at June 30, 2002 (and - 223m at Dec. 31, 2002)



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: September 24, 2003

VEOLIA ENVIRONNEMENT

By: /s/ Jérôme Contamine
Name: Jérôme Contamine
Title: Chief Financial Officer