

VEOLIA ENVIRONNEMENT
Form 6-K
March 17, 2005

**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**

March 16, 2005

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-_____)

Press Release

Publication of Fiscal Year 2004 Results (*)

**OBJECTIVES MET
STRATEGY CONFIRMED**

**Growth in EBIT of 13.5% at constant exchange rates
Significant increase in free cash flow to €694 million
Net debt reduced to below €10 billion
Recurring net income up 41%
Dividend increased by 23%**

- Consolidated revenue(**): €24.7 billion. Revenue for businesses under the new scope of consolidation up 4.4% at constant exchange rates
- EBIT (operating income) under the new scope of consolidation(**) of €1,616 million in 2004 from €1,437 million in 2003, up 13.5% at constant exchange rates
- Net income of €125 million compared with a net loss of €2,055 million in 2003 □ Recurring net income (after goodwill amortization) up 41% at €353 million
- Net debt reduced to €9.8 billion from €12.5 billion⁽¹⁾ at December 31, 2003
- Improved return on capital employed after tax of 8.3%, up from 7.0% in 2003
- Net dividend of €0.68 per share, an increase of 23%, to be proposed at the Annual General Meeting of the shareholders on May 12, 2005, representing a payout of €265 million .

The Board of Directors met on March 15, 2005 to examine and approve Veolia Environnement's financial statements for fiscal year 2004.

FURTHER EVIDENCE OF GROWTH IN CORE BUSINESSES

Veolia Environnement's revenue under the new scope of consolidation totaled €24,645 million for the year ended December 31, 2004, representing growth of 4.4% at constant exchange rates. Adjusted for the South Eastern rail franchise contract in the UK, terminated in November 2003, revenue grew by 6.3% . Consolidated revenue (**) amounted to €24,673 million compared with €28,603 million in 2003 (see the table in the appendices).

(*) See glossary of principal financial terms used herein, which is located in the Appendices.

(**) As of December 31, 2004, Veolia Environnement adopted paragraph 23100 of CRC Regulation 99-02, allowing companies to report their shares of the net income of businesses sold during the year on a separate line of the income statement. These businesses thus no longer contribute to the revenue or EBIT of the new scope of consolidation in fiscal year 2004. The new scope of consolidation excludes the North American assets sold in 2003 and 2004 (namely Surface Preparation, Everpure, Culligan and USFilter's equipment and short-term services activities) and FCC (leading Proactiva to be proportionally consolidated at 50% in 2004, in lieu of full consolidation).

(1) Including an adjustment to add back €325 million in securitized receivables in the Water division and €378 million for the Berlin Water SPV at January 1, 2004 in accordance with the French Financial Security Act (LSF) of August 1, 2003.

During 2004, Veolia Environnement finalized the sale of non-core businesses in the U.S. relating to its Water division, as well as the sale of its stake in B 1998 SL, the holding company controlling FCC. The strategic refocusing of the company on its long-term contract activities is now completed.

Moreover, the company continued its expansion, signing new contracts during 2004 in Europe (Zlin, Kladno-Melnik, Poznan and Lazio in the Water and Energy Services divisions), Asia (Guizhou, Hohhot and Weinan in the Water division) and the U.S. (Pontiac and Los Angeles in the Waste and Transportation divisions). In addition, Veolia Environnement strengthened its current positions through extensions to existing contracts (Richmond, Miami-Dade, Sheffield, Melbourne and Nice).

SOLID IMPROVEMENT IN EBIT (OPERATING INCOME)

EBIT under the new scope of consolidation totaled €1,616 million, up 12.4% from €1,437 million in 2003, which represented a rise of 13.5% at constant exchange rates. Consolidated EBIT amounted to €1,617 million in 2004 compared with €1,751 million in 2003. The 2003 figure includes the contribution from businesses sold in 2004.

The EBIT margin further improved to 6.6% in 2004 from 6% in 2003.

Each of Veolia Environnement's divisions contributed to the improvement in its 2004 operating performance.

- EBIT for the **Water** division amounted to €830.3 million (€743.2 million in 2003). The 12.2% increase at constant exchange rates was attributable to the strong performances posted in Europe and Asia and at Veolia Water Systems.
- EBIT for the **Waste** division came to €455.8 million (€382.5 million in 2003), a rise of 22.4% at constant exchange rates due to active management of the contract portfolio and business growth in France, efficiency gains and strong performances in Northern Europe and in the United States;
- EBIT for the **Energy Services** division rose by 7.8% at constant exchange rates to €295.8 million (€274.4 million in 2003) following an improvement in the French engineering businesses and solid international expansion, especially in Italy and Eastern Europe.
- EBIT for the **Transportation** division advanced by 12.5% at constant exchange rates to €103.3 million (€92.6 million in 2003), due primarily to the positive impact of the Boston contract and the new Melbourne contract.

EBITDA under the new scope of consolidation amounted to €3,313 million in 2004, up from €3,101 million in 2003, representing an increase of 7.8% at constant exchange rates. The EBITDA margin rose to 13.4% in 2004, compared to 13.0% in 2003. The Veolia 2005 efficiency plan garnered €116 million in net recurring savings, which are reflected in EBIT in 2004.

The total savings from the Veolia 2005 efficiency plan amounted to €126 million in 2004. This amount includes a reduction of €10 million to financial and tax items. Accordingly, the company continues to have an objective of at least €300 million in annual recurring savings beginning in 2006.

STRONG INCREASE IN FREE CASH FLOW □ NET FINANCIAL DEBT REDUCED BY 22%

Cash flow from operations totaled €2,707 million, slightly above the 2003 level of €2,701 million despite the impact of asset disposals and currency fluctuations. **Based on the new scope of consolidation, cash flow from operations increased by 11%.**

Together with an improvement in working capital requirements and continued tight control of capital expenditures, which were reduced to €2,753 million in 2004 from €2,930 million in 2003, the increase in cash flow from operations led to a strong rise in free cash flow. **Free cash flow amounted to €694 million in 2004, up from €168 million in 2003. Free cash flow after the dividend payment totaled nearly €300 million.**

Non-core asset disposals (North American assets sold in 2004 and FCC) led to a further decrease in debt of €2,423 million.

Net debt was thus reduced from €12.5 billion(1) at December 31, 2003 to €9.8 billion at December 31, 2004.

LOWER FINANCING COSTS

Net financial expense decreased from €750 million in 2003 to €635 million in 2004. The 2003 amount was affected by several non-recurring items, in particular an impairment loss recognized on USFilter's financial assets.

Financing charges dropped from €624 million in 2003 to €602 million in 2004, reflecting the decrease in net debt. The average interest rate on borrowings is 4.6% .

NON-RECURRING ITEMS

Non-recurring items yielded a net charge of €228 million. They included a charge of €208 million in respect of the businesses sold during 2004, primarily due to tax charges of €233 million.

RECURRING NET INCOME

Excluding non-recurring items, consolidated net income amounted to €353 million in 2004, up from €250 million in 2003. Taking into account the average number of shares outstanding during 2004, recurring net income per share amounted to €0.88 in 2004 compared with €0.62 in 2003, an increase of 42%.

Including non-recurring items, the company's consolidated net income totaled €125 million in 2004, compared with a net loss of €2,055 million in 2003.

IMPROVEMENT IN ROCE AFTER-TAX

Veolia Environnement's ROCE after-tax advanced to 8.3% in 2004 from 7.0% in 2003, primarily as a result of the greater maturity of the contract portfolio and, to a lesser extent, savings realized under the Veolia 2005 efficiency plan. Veolia Environnement thus achieved its target of a ROCE after-tax of 8% one year earlier than it had anticipated.

Payment of a dividend of €0.68 per share, representing an increase of 23%, will be proposed at the Annual General Meeting of the shareholders on May 12, 2005.

(1) Including an adjustment to add back €325 million in securitized receivables in the water division and €378 million for the Berlin Water SPV at January 1, 2004 in accordance with the French Financial Security Act (LSF) of August 1, 2003.

Following the Board of Directors' meeting, Veolia Environnement Chairman Henri Proglio said:

"Veolia Environnement's strong performance demonstrates a significant improvement, which is ahead of schedule. These good results were achieved thanks to the strategic choices we made in recent

years.

The successful refocusing of our business on long-term contracts allows us to clearly illustrate our ability to generate continuous improvements to profitability, a central element of our business model. This improvement is driven by the increasing maturity of our contracts and the enhancement of our services offering. Moreover, the continued success of each of our businesses creates further momentum for our development and underscores the synergies across the company.

Our increased profitability, which has been strengthened by the efficiency gains, provides further evidence of Veolia Environnement's ability to generate free cash flow and to continue its growth and development within the framework of our rigorous financial standards.

OUTLOOK

The successful completion of Veolia Environnement's strategic refocusing on its long-term, environmental service contracts and the sustained improvement in its operating performance have enabled the company to pursue further expansion while enhancing profitability.

Based on these results and the market outlook, Veolia Environnement has set the following objectives for 2005: revenue growth of between 5% and 7%, a double-digit rise in operating income and a further increase in free cash flow (before major new expansion projects and after payment of the dividend). The company also continues to have an objective of €300 million in annual recurring savings beginning in 2006 from the Veolia 2005 efficiency plan.

In the medium term, Veolia Environnement expects further growth and higher profitability one-year ahead of its previous objective (ROCE after-tax objective of over 10% in 2007). In addition, the company has an objective of a double-digit increase in the dividend payment in the coming years.

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. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors and uncertainties include in particular risks related to the ability of Veolia Environnement to complete its divestiture transactions as a result of customary conditions precedent and closing adjustments, 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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Available from March 16th to March 21st, 2005

CONSOLIDATED FINANCIAL STATEMENTS**CONSOLIDATED INCOME STATEMENT**

(in millions of euros)

	2004	2003
Revenue	24,673.3	28,603.0
Revenue under the new scope of consolidation	24,644.6	23,821.5
A EBIT (operating income)	1,616.9	1,750.9
EBIT under the new scope of consolidation	1,615.8	1,437.7
B Restructuring costs	-51.0	-93.3
A-B Operating income before goodwill amortization	1,565.9	1,657.6
Goodwill amortization (1)	-253.3	-2,424.5
Operating income /(expense) after goodwill amortization	1,312.6	-766.9
Cost of financing	-602.1	-623.7
Other financial income and expense	-32.9	-126.2
Net financial expense	-635.0	-749.9
Operating income /(expense) less net financial expense before equity and minority interests	677.6	-1,516.8
Other income and expense	-57.3	-62.4
Income /(expense) before tax	620.3	-1,579.2
Income tax	-182.4	-274.4
Net income /(expense) before equity and minority interests	437.9	-1,853.6
Share in net earnings of companies accounted for by the equity method	22.4	44.4
Minority interests	-127.1	-245.5
Net income/(loss) for continuing operations	333.2	-2,054.7
Income from discontinued activities	-207.8	-
Net income/(loss)	125.4	-2,054.7
Net earnings per undiluted share (in €)	0.31	-5.13
Net earnings per diluted share (in €)	0.31	-5.13
Recurring net income	353	250
Recurring net income per share (€)	0.88	0.62
Average number of shares (in millions)	400.436	400.323

(1) Recurring and non-recurring goodwill amortization

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BALANCE SHEET □ CONSOLIDATED ASSETS

(in millions euros)

	2004	2003
Intangible assets	1,859.3	2,749.1
Goodwill	3,558.5	4,238.4
Tangible assets	13,844.0	14,419.2

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Financial assets	1,193.9	1,814.1
<i>of which long-term financial receivables</i>	417.2	409.9
Total fixed assets	20,455.7	23,220.8
Current operating assets	10,101.0	11,500.7
Short-term financial receivables	394.7	457.9
Marketable securities	1,678.1	1,202.6
Cash and equivalents	3,635.1	2,538.4
Total current assets	15,808.9	15,699.6
Total assets	36,264.6	38,920.4

BALANCE SHEET □ CONSOLIDATED LIABILITIES

(in millions of euros)	2004	2003
Shareholders equity (company's share)	3,563.2	3,574.8
Minority interests	2,055.4	2,679.8
Subsidies and deferred income	1,397.8	1,475.0
Provisions	2,673.4	2,913.9
Long-term financial debt	10,801.4	12,586.4
Other long-term liabilities	273.6	399.3
Long-term capital	20,764.8	23,629.2
Accounts payable	10,379.6	11,464.5
Short-term financial debt	5,120.2	3,826.7
<i>of which bank overdrafts</i>	510.1	685.4
Total current liabilities	15,499.8	15,291.2
Total shareholders equity and liabilities	36,264.6	38,920.4

CONSOLIDATED CASH FLOW STATEMENT

(in millions of euros)	2004	2003
A Cash and equivalents at beginning of year	1,853	1,636
Cash flow from operations	2,707	2,701
Change in working capital requirement	329	397
<i>of which is linked to operations</i>	341	151
<i>of which is linked to securitization program and Daily (discounting of receivables)</i>	-12	246

B Net change from operating activities	3,036	3,098
Capital expenditures	-2,315	-2,456
Financial investments	-334	-474
Disposal of industrial assets	315	226
Disposal of financial assets	1,815	494
Change in financial receivables	37	26
Purchase/sale of securities	-278	-928
<i>Including purchase of medium-term certificates of deposit issued by financial institutions</i>	-	-975
C Net change from investment activities	-760	-3,112
Change in debt	-615	740
Increase in capital	167	10
Dividends	-399	-309
Others	-183	-
D Net change from financing activities	-1,030	441
E Impact of currency exchange and other	26	-210
Cash and cash equivalents at end of year = A + B + C + D + E	3,125	1,853

APPENDICES
DETERMINATION OF FREE CASH-FLOW

(in millions of euros)	2004
Cash flow from operations	2,707
Change in working capital linked to operations	341
Disposal of industrial assets	315
Resources	3,363
Industrial investments	-2,315
Financial investments	-438(1)
Impact of consolidation scope and other	84
Use	-2,669
Free cash flow	694

(1) Excluding +€104 million of cash from acquired companies.

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APPENDICES

	2004 (in millions of euros)	2003 (in millions of euros)	% change 2004/2003
Revenue under the new scope of consolidation	24,644.6	23,821.5	+3.5%
Variation on the percent consolidation of Proactiva	+28.7	+79.0	
FCC	-	+2,964.5	
Assets sold in the U.S.	-	+1,738.0	
Consolidated revenue	24,673.3	28,603.0	

	2004 (in millions of euros)	2003 (in millions of euros)	% change 2004/2003
EBIT under the new scope of consolidation	1,615.8	1,437.4	+12.4%
Variation on the percent consolidation of Proactiva	+1.1	+0.8	
FCC	-	+275.3	
Assets sold in the U.S.	-	+37.4	
Consolidated EBIT	1,616.9	1,750.9	

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Glossary of Principal Financial Terms

New scope of consolidation: As of December 31, 2004, Veolia Environnement adopted paragraph 23100 of CRC Regulation 99-02, allowing companies to report their shares of the net income of businesses sold during the year on a separate line of the income statement. These businesses thus no longer contribute to the revenue or EBIT of

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the new scope of consolidation in fiscal year 2004. The new scope of consolidation excludes the North American assets sold in 2003 and 2004 (namely Surface Preparation, Everpure, Culligan and USFilter's equipment and short-term services activities) and FCC (leading Proactiva to be proportionally consolidated at 50% in 2004, in lieu of full consolidation).

EBIT: corresponds to operating income as defined in CRC regulation no. 99-02.

Recurring net income/(loss): EBIT + recurring portion of goodwill amortization and depreciation and of intangible assets with indefinite lives, net financial income/(expense), the share in earnings of companies accounted for by the equity method, minority interests + notional income tax. In 2004, the contribution to operating income made by divested assets was eliminated and the savings in financial expense deriving from the sale proceeds were recalculated on a full-year basis.

EBITDA: EBIT + allowances to depreciation, amortization and long-term provisions + renewal expenses

Net financial debt: Long-term financial debt + short-term financial debt - short-term financial receivables - long-term financial receivables - marketable securities - cash and cash equivalents.

Return on capital employed (ROCE): The relationship between the after-tax income from operations and the average capital employed by the relevant activities over the same period.

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: March 16, 2005

VEOLIA ENVIRONNEMENT

By: /s/ Jérôme Contamine

Name: Jérôme Contamine

Title: Senior Executive President and Chief Financial
Officer