VEOLIA ENVIRONNEMENT
Form 6-K
August 05, 2013

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 August 2013

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 x Form 40-F o

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 o No x

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

PRESSE RELEASE

Paris, August 5, 2013

FIRST HALF 2013 RESULTS[1]

Continued steady implementation of the Company's strategy
Adjusted operating income[2] increased 28% to €539 million
Adjusted net income of €131 million compared to €18 million in first half 2012
2013 objectives confirmed

Performance in line with the path to recovery and profitable growth:

- Improvement in the year-over-year revenue trend in Q2 2013 (-1% in Q2 after -3% in Q1 2013 at constant consolidation scope and exchange rates)
- Resilience of Q2 2013 adjusted operating cash flow: +0.5% at constant exchange rates, excluding restructuring costs, after a 7.0% decline in Q1 2013
- Adjusted operating income increased 28% to €539 million
- Adjusted net income was €131 million versus €18 million for the first half of 2012

Positive impacts of the implementation of the Company's transformation plan:

- Reduction in net financial debt to €10.0 billion at June 30, 2013
- Net cost reductions of €74 million in the first half of 2013
- New geographical organization since July 2013
- Continued commercial success with industrial clients and in growing geographies
- Reinforcement in progress of Veolia operations in Latin America

Key first half 2013 figures[3]

Revenue: €11.1 billion	Divestments: €292 million
Adjusted operating cash flow: €930 million	Positive Free Cash Flow: +€556 million
Adjusted operating income: €539 million	Net financial debt: €10.0 billion
Adjusted net income: €131 million	Adjusted net financial debt: €6.7 billion
Net income: €4 million	Adjusted leverage ratio: 3.1x

Antoine Frérot, Veolia Environnement Chairman and Chief Executive Officer, commented: "First half 2013 results reflect the initial impacts of the Company's strategy that has been in place for the last 18 months. They show that the Company is fully on the charted path to recovery and profitable growth. Operational risk management due to refocusing and productivity efforts contributed to a significant improvement in adjusted operating income, which increased 28%, despite an unfavorable economic environment. On a commercial basis, we have been successful, with several significant contracts awarded to Veolia within our targeted development areas, in particular with industrial clients. In view of the progress achieved during the first half of 2013, we are confident in our ability to achieve our medium- and long-term objectives."

1 The 2013 interim closure was marked by the early adoption of IFRS 10, 11 and 12 with effect from January 1, 2013. The adoption of these standards had a significant impact on the presentation of the Consolidated financial statements, resulting in the end of the proportionate consolidation method in favor of the equity accounting of joint ventures. The Group therefore re-presented the accounts for the half-year ended June 30, 2012 accordingly. In addition to assure the comparability of periods, first half 2012 results have been re-presented for divestments completed or in process, see page 13.

2 Including the share of adjusted net income of joint ventures and associates

3 See definitions on page 14 for accounting terms utilized in this press release

Revenue of €11,074 million compared to re-presented €11,448 million for the first half ended June 30, 2012

- o Water: revenue declined 3.7% at constant consolidation scope and exchange rates to €5,000 million

  The Operations business was stable at constant consolidation scope and exchange rates: favorable indexation, but temporary slowdown in construction activity in certain contracts, lower volumes and contractual erosion in France. Good performance in Central and Eastern Europe operations as well as due to new contracts commencing in the United States.

  Technologies and Networks (-10.4% at constant consolidation scope and exchange rates): Completion of Design & Build contracts outside of France and unfavorable weather impacts in France. Bookings increased 23%.

- o Environmental Services: revenue declined 3.0% at constant consolidation scope and exchange rates to €3,985 million. Marked improvement in Q2 year-over-year trend (-1.4% in Q2 versus -4.6 % in Q1).

  Continued unfavorable impact related to prices and volumes of recycled raw materials

  Impact of volumes / activity levels reduced to -1.1% in the first half of 2013 compared to -3.5% in Q1.

- o Energy Services: revenue increased 4.4% at constant consolidation scope and exchange rates to €1,972 million

  Higher energy prices and favorable weather effects

Adjusted operating cash flow of €930 million compared to re-presented €1,006 million for the half year ended June 30, 2012

- o Water: decline of 3.2% at constant exchange rates, with stability in the Operations business
- o Environmental Services: decline of 6.7% at constant exchange rates, including trend improvement in Q2
- o Energy Services: quasi-stable despite the end of gas cogeneration contracts

Significant growth in adjusted operating income: 29.2% growth at constant exchange rates to €539 million, versus re-presented €419 million for the half year ended June 30, 2012 due to:

- o Significant contribution of joint ventures and associates, mainly due to Dalkia International, including a favorable base effect from €89 million in write downs of receivables and accrued expenses in Italy in the first half of 2012
- o The positive impact of the cost reduction plan, net of implementation costs
- o The benefit of the closure of the defined benefit pension plan for senior executives

Adjusted net income attributable to owners of the Company: €131 million in the first half of 2013 compared to re-presented €18M for the same period ended June 30, 2012

- o Adjusted net income benefitted from the significant increase in adjusted operating income.

- Net income for the first half of 2013 amounted to €4 million compared to €162 million for the same period ended June 30, 2012, and was impacted by goodwill impairments in the Environmental Services division in Germany, restructuring charges associated with the voluntary employee departure plan at VE SA and costs associated with the early buyback of bonds in order to optimize the Company's cash position.

Reduction in net financial debt: €10.0 billion at June 30, 2013 versus re-presented €10.8 billion at December 31, 2012. Adjusted net financial debt amounted to €6.7 billion at June 30, 2013 versus re-presented €7.8 billion at December 31, 2012.

FIRST HALF 2013 RESULTS4

After a difficult start to the year, operating performance was resilient, though contrasted in the first half of 2013, despite lower activity levels in Europe.

The Group accelerated the implementation of its strategy through a transformation and cost reduction plan and a vast program to optimize its asset portfolio.

Transformation and cost reduction plan

On July 8, 2013, as part of the transformation of Veolia Environnement, the new organizational structure of the Group was announced, continuing the strategy implemented for the last two years to establish Veolia Environnement as "The Industry Standard for Environmental Solutions" due to its expertise in major environmental issues in the Water, Environmental Services and Energy Services sectors.

This new organization is based on two major advances: a country-based organization for Water and Environmental Services placed under the authority of a single director per country and the creation of two new functional departments: one dedicated to Innovation and Markets, the other to Technology and Performance.

With the exception of globally integrated French activities and Dalkia, business operations will now be brought together within each country, with country directors in charge of both the Water and Environmental Services businesses. The integrated and direct Group management, under the operational authority of the Chief Operating Officer, will be organized around nine regions regrouping several countries, representing the first level of resource allocation.

A specific entity will group together businesses with global specialties and primarily global markets.

Dalkia, a joint subsidiary of Veolia Environnement and EDF, will retain its current organization for now, but will eventually be included in the new organizational structure.

Over and above the annual Efficiency plan, the 2015 net cost reduction objective (Convergence Plan) was increased in May 2013 to €750 million from the prior €470 million target, compared to 2011. This €280 million increase breaks down as follows: €70 million in respect of increased mutualization and IT efforts, €100 million in respect of purchasing and €110 million associated with transversal efficiency projects in the businesses and headquarters.

Asset portfolio optimization policy

The Group continued to implement its strategy with in particular:

- the divestiture of Eolfi's European activities on February 28, 2013, following the signature of a memorandum of understanding with Asah on January 21, 2013, for a share value of €23.5 million; and
- the divestiture of the Veolia Water subsidiary in Portugal (Compagnie Générale des Eaux du Portugal – Consultadoria e Engenharia) on June 21, 2013, to Beijing Enterprises Water Group, for an enterprise value of approximately €91 million; and

- the initial public offering on the Oman stock exchange of 35% of the shares of Sharqiyah Desalinisation Company on June 29, 2013. Following listing, this entity is equity accounted as of June 30, 2013. The impact on Group net financial debt is -€88.9 million.
- Overall, financial divestitures (enterprise value) and industrial divestitures totaled €292 million in the half-year ended June 30, 2013.

In addition, further divestment transactions are expected to be completed before December 31, 2013. These activities are classified in discontinued operations as of June 30, 2013:

- on March 7, 2013, an agreement was signed with the British investment fund Actis for the sale of water, wastewater and electricity concession activities in Morocco;

4 The 2013 interim closure was marked by the early adoption of IFRS 10, 11 and 12 with effect from January 1, 2013. The adoption of these standards had a significant impact on the presentation of the Consolidated financial statements, resulting in the end of the proportionate consolidation method in favor of the equity accounting of joint ventures. The Group therefore re-presented the accounts for the half-year ended June 30, 2012 accordingly. In addition to assure the comparability of periods, first half 2012 results have been re-presented for divestments completed or in process, see page 13.

- on May 9, 2013, an agreement was signed by Veolia ES Special Services and Harkand Global Holdings Limited (US fund) for the sale of Marine Services;
- during the second quarter of 2013, negotiations with the Land of Berlin were initiated to determine the terms of the Group's full withdrawal from the Berlin water contract.

Furthermore, together with its co-shareholder, the Caisse des dépôts et consignations, Veolia Environnement continues to prepare its withdrawal from Transdev Group by tailoring its industrial strategy, transferring SNCM to Veolia Environnement, targeting the balance sheet structure and refinancing strategy. As part of negotiations on changes to Transdev Group's share ownership structure, at the beginning of July 2013, Veolia Environnement and Caisse des dépôts et consignations announced the extension of their October 22, 2012 agreement until October 31, 2013. Progress with the Group's withdrawal from the Transportation business is reflected as of June 30, 2013 by the retention of Transdev Group's activities (excluding SNCM) in discontinued operations. The reference value of the joint venture remains unchanged from December 31, 2012, at €400 million for 100%.

REVENUE AND BUSINESS DEVELOPMENT5

Revenue (€ millions)					
Half-year Ended June 30, 2013	Half-year ended June 30, 2012 re-presented	%Change 2013/2012	Internal growth	External growth	Foreign exchange impact
11,073.8	11,448.3	-3.3%	-2.0%	-0.3%	-1.0%

Revenue

Veolia Environnement consolidated revenue declined 2% at constant consolidation scope and exchange rates (-3.3% at current consolidation scope and exchange rates) to €11,073.8 million for the half-year ended June 30, 2013 compared with re-presented revenue of €11,448.3 million for the half-year ended June 30, 2012, while showing some resilience in the second quarter of 2013. The second quarter contraction at constant consolidation scope and exchange rates was limited to -1%, compared with -3% in the first quarter of 2013.

This decrease breaks down as follows:

- in the Water division, a reduction in construction activity, partly offset by the positive price impact in France and in Central Europe;
- in the Environmental Services division, a difficult macro-economic environment led to a decline in recycled raw material prices and volumes and a drop in activity levels, primarily in Europe;
- growth in Energy Services division revenue (approximately €58 million compared with re-presented revenue for the half-year ended June 30, 2012), due to favorable weather conditions and energy prices in a difficult commercial environment.

Changes in consolidation scope negatively impacted 2013 first-half revenue by €33.2 million, including +€15.9 million in the Water division (primarily the impact of full consolidation of Azaliya from August 2, 2012) and -€52.4 million in the Environmental Services division (primarily due to the divestiture of activities in Switzerland and the Baltic countries in 2012).

The foreign exchange impact of -€109.1 million primarily reflects the appreciation of the euro against the Japanese yen (-€35.5 million), the UK pound sterling (-€32.0 million), the Australian dollar (-€14.6 million) and the US dollar (-€11.3 million).

Business Development

The Group has enjoyed a number of commercial successes since January 1, 2013 including:

- On January 31, 2013, the city of Rialto and its concession company Rialto Water Services (RWS) awarded Veolia Water North America, a Veolia Water subsidiary, a contract to manage the city's water and wastewater systems. This 30-year contract will generate estimated cumulative revenue of €300 million.

- Veolia ES Singapore, a subsidiary of Veolia Environmental Services, was awarded a contract for the collection and management of municipal waste and recycling in the Clementi Bukit Merah district of Singapore. This 7½-year contract will generate estimated cumulative revenue of SGD 220 million (approximately €135 million at June 30, 2013 exchange rates).

5 See definitions on page 14 for accounting terms utilized in this press release

- On April 15, 2013, QGC, a wholly-owned subsidiary of BG Group, awarded Veolia Water a 20-year contract to manage the three water treatment plants at its coal gas production sites in the Surat Basin, in Queensland, eastern Australia. This contract will generate estimated cumulative revenue of €650 million and includes a 5-year extension option on expiry.

- On April 29, 2013, Dalkia announced the renewal of its management contract for heat generation and distribution installations in Bratislava's Petržalka district. This new 20-year contract will generate estimated cumulative revenue of €1.1 billion over the period 2019-2039.

- On May 15, 2013, Veolia Water won a €130 million contract to build three units for the treatment of raw water and wastewater for the Chilean pulp and paper producer, CMPC.

- On May 31, 2013, Thames Water, the UK's largest water and wastewater services company, selected a consortium comprising Veolia Water, Costain and Atkins to deliver a major tranche of its program of essential upgrades to water and wastewater networks and treatment facilities across London and the Thames Valley. The amount of work for Veolia Water could be worth as much as £450 million (€530 million) for the period 2015 to 2020.

- On July 2, 2013, Marafiq awarded Veolia Water a contract to design, build and operate the largest ultrafiltration and reverse osmosis desalination plant in Saudi Arabia. This contract will generate USD 310 million (€232 million) in revenue for the plant's design and construction and USD 92 million (€69 million) in revenue for its operation over 10 years, with an option to extend the contract for a further 20 years.

Acquisitions

The Group did not complete any major acquisitions during the first half of 2013.

On June 7, 2013, the Group signed an agreement with Fomento de construcciones y Contratas (FCC) to acquire FCC’s 50% stake in Proactiva Medio Ambiente. The transaction would amount to €150 million and will provide the Group with 100% of the share capital of Proactiva.

OPERATIONAL PERFORMANCE6

Changes in adjusted operating cash flow were as follows:

(€ millions)	Adjusted operating cash flow			
	Half-year ended June 30, 2013	Half-year ended June 30, 2012, re-presented	% change	% change at constant exchange rates
Water	430.3	446.3	-3.6%	-3.2%
Environmental Services	404.1	438.0	-7.8%	-6.7%
Energy Services	154.9	157.1	-1.4%	-1.2%
Other Segments	(59.3)	(35.0)	-69.4%	-69,4%
Adjusted operating cash flow	930.0	1,006.4	-7.6%	
Adjusted operating cash flow at 2012 exchange rates	936.7	1,006.4		-6.9%
Adjusted operating cash flow margin	8.4%	8.8%		

Adjusted operating cash flow declined 6.9% at constant exchange rates (-7.6% at current consolidation scope and exchange rates) to €930.0 million for the half-year ended June 30, 2013, compared with re-presented €1,006.4 million for the half-year ended June 30, 2012.

The decrease in adjusted operating cash flow in the first half of 2013 was impacted:

- in the Water division, by contractual erosion in France and a drop in profitability of German activities tied to adverse price effects, as well as a deterioration in the margin of the Hong Kong project in the Technologies and Networks business;
- in the Environmental Services division, by an unfavorable recycled raw material price differential in France and Germany and pressure on prices from industrial customers in a difficult competitive environment; and
- by the impact of the Veolia Environnement SA's voluntary employee departure plan.