



Samora Advies
Ms Adri Nieuwhof

Paris, May 22nd, 2006

Dear Ms Nieuwhof,

In reply to your mails exchanged with Mr Portnoi, Chairman of the Ethics Committee of Veolia Environment, I am pleased to advise you of the following

The construction and operation of a new Light Rail system in Jerusalem was awarded through an international tender process that started in early 2000 and to which a number of European companies responded.

Currently Connex's (Veolia Transport) main interest lays in the future operation of the Light Rail that will not begin before 2009. Connex has a shareholding of 5 % in the Consortium chosen through this tender, alongside Alstom and several local companies. Connex is marginally involved in the Consortium and the current construction of the line.

From the beginning of its involvement Connex has of course checked, in accordance with the Corporate Social Responsibility guidelines observed by Veolia Environnement, the environmental, economic and social added-value of the project. We specifically satisfied ourselves that the design of the system did not present any risk of discrimination among the various population groups in the area. In this respect we reached the conviction that the planned Light Rail will greatly improve connections between the city of Jerusalem and the predominantly Arab towns located north of Jerusalem. The Light Rail network, when in operation, will greatly facilitate public transportation in the Jerusalem area to the benefit of the whole local population. We are also satisfied that the legal process undertaken by the local authorities to procure the land necessary for the building of the Light Rail does not present any aspect of discrimination or unfair treatment.

Between 2000 and the end of 2005, Connex (Veolia Transport) has not been aware of any challenge to the project as a part of a wider political and legal dispute between the Israeli Government and the Palestinian National Authority regarding the Jerusalem area. In fact the PNA conveyed no negative view of the project to Connex (Veolia Transport) before January 6th, 2006.

Since then, Connex (Veolia Transport) has initiated an assessment process focused on:

- The search for independent legal opinions in order to increase our understanding of the situation in accordance with International Public Law.
- Discussions with NGOs and Governmental organizations (both in France and Internationally) in order to gather, compare and combine the assessments of a wide range of stakeholders and to seek elements of guidance relevant to this issue.

We intend of course to understand the issue with the Palestinian and the Israeli governmental organizations, but this dialogue has been postponed due to the electoral process that has just taken place in Palestine.

Your can rest assured that Connex and Veolia Environnement are taking this matter very seriously in accordance with our Corporate Social Responsibility commitments.

We want to thank you for the concern you expressed and we will of course keep you informed of the results of our consultations and of any decision that may be taken by our company at the end of the assessment that we are currently undertaking

Yours sincerely



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