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COMP/M.5934 - VEOLIA WATER UK AND VEOLIA VODA/ SUBSIDIARIES OF UNITED UTILITIES GROUP

SECTION 1.2

Description of the concentration

Nature of the Concentration

1. The proposed concentration concerns the acquisition by Veolia Water UK Plc (“VWUK”) and Veolia Voda SA (“VV”), which are both members of the Veolia Environnement SA group (“VE Group”) of certain businesses of United Utilities Group PLC (the “Target Business”) engaged in the UK in:
 - supplying outsourced contracting services to regulated providers of water and wastewater infrastructure and services; and
 - similar outsourced services to industrial and commercial users of water infrastructure and services; and
 - utility connections in the UK; and
 - the shareholdings of the Target Business in water operating concessions in Bulgaria, Estonia and Poland.

The Parties and their Areas of Activity

VE Group:

2. VE Group is a global provider of environmental management services, divided into four operating segments as follows: a waste services division, an energy services division, a transportation division and a water division.
3. VWUK is the VE Group entity which provides water and wastewater infrastructure and services in the UK and Ireland, including services outsourced to it by other infrastructure providers, and similar services to industrial and commercial customers, as well as utility connection services. VV is the part of the VE Group which, through a number of subsidiary companies, is active in providing water and wastewater infrastructure and services in Central and Eastern Europe.

Target Business:

4. The target companies, which in whole or part make up the Target Business, hold interests (often as part of consortia) in a number of operating companies and businesses.
5. In the UK, they provide outsourced contracting services consisting of the design, construction management, operation and maintenance and programmes to regulated water companies (i.e. those companies which hold exclusive licences to provide water and/or wastewater infrastructure and services to domestic, commercial and industrial consumers in defined geographical areas within the UK – these companies are the equivalent of “municipalities” providing water and wastewater services in other areas

of Europe); similar outsourced contracting of water and wastewater infrastructure and services by industrial and commercial clients (i.e. businesses who own or require such services in connection with the operation of their industrial or business processes, and who outsource those services); and utility connections services to developers of residential and commercial property.

6. In Bulgaria and Estonia they have interests in companies operating concessions for the municipal supply of water and wastewater infrastructure and services in Sofia and Tallinn.
7. Finally, they have a non-controlling financial investment in a company which holds a concession for the municipal supply of water and wastewater infrastructure and services in Poland.

Rationale

8. The intended acquisition of the Target Business conforms to VE Group's strategy of asset rotation, focussing on companies with significant organic growth potential. The proposed concentration will result in the acquisition of a portfolio of contracts in the UK providing the services described above. The intended acquisition of the entities with interests in Central Europe will further VE Group's strategy of growth in what it considers an important region of Europe.
9. For United Utilities PLC, this disposal of its non-regulated business is a result of its strategic decision to focus on the ownership and operation of its core water and wastewater assets in the UK.

The Markets

10. The transaction will result in an overlap of activities in the following markets:
 - the provision of outsourced services consisting of the design, construction management, and operation and maintenance to regulated water and wastewater companies (i.e. municipal customers);
 - the provision of outsourced water and wastewater infrastructure and services to industrial and commercial customers in the UK; and
 - the provision of utility connections services to developers of residential and commercial property in the UK.
11. VE Group will also acquire, as part of the transaction, concessions for the municipal supply of water and wastewater services in Estonia and Bulgaria. VE Group is not active in these markets.
12. Finally, although VE Group will acquire a financial investment in an undertaking which holds a municipal water and wastewater concession in Poland, it will not acquire control of this undertaking.
13. VE Group considers that the proposed concentration results in no affected markets.