2013
Registration Document

Annual financial Report

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Annual Financial Report

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Registration Document: (i) the consolidated financial statements and the parent company financial statements for the 2012 fiscal year and the corresponding Statutory Auditor's report, included in Chapter 20, Sections 20.1 and 20.2, respectively, of Veolia Environnement's Registration Document for the 2012 fiscal year, filed with the Autorité des Marchés Financiers (AMF, the French stock market regulator) on March 21, 2013 under number D.13-0197 and (ii) the consolidated financial statements and the parent company financial statements for the 2011 fiscal year and the corresponding Statutory Auditor's report, included in Chapter 20, Sections 20.1 and 20.2, respectively, of Veolia Environnement's Registration Document for the 2011 fiscal year, filed with the AMF on March 21, 2012 under number D.12-0192.

AMF

This Registration Document was filed with the Autorité des Marchés Financiers (AMF, the French stock market regulator) on March 18, 2014, pursuant to Article 212-13 of its General Regulations. This Registration Document may be used in connection with a financial transaction if supplemented by a "Note d'opération" (offering circular) officially approved by the AMF.

This document has been prepared by the issuer under the liability of the signatories.

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Persons assuming responsibility for the Registration Document

1.1 Person responsible RFA

Mr. Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement(1).

1.2 Statement by the person responsible

I certify, after having taken all reasonable measures to ensure the accuracy thereof, that the information contained in this Registration Document is, to my knowledge, true and does not omit any information that could make it misleading.

I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide an accurate view of the financial condition and results of operation of the Company and all of the companies within its scope of consolidation, and that the management report contained in this document presents a faithful and accurate picture of the business, results and financial condition of the Company and the companies within its scope of consolidation, as well as the principal risks and uncertainties that they face.

I have obtained a letter (*lettre de fin de travaux*) from the Statutory Auditors indicating that they have verified the information relating to the Company's financial condition and the financial statements included in this document and that they have read this document in its entirety. This letter contains no observations.

The report of the Statutory Auditors on the financial information for the 2013 fiscal year presented in this Registration Document is included on page 392 of this Registration Document and contains the following observation: "*Without qualifying our opinion, we draw your attention to Note 1.1.4 to the consolidated financial statements, which sets out the changes in accounting methods pertaining to the application as of January 2013, of IFRS 10, 11, 12, IAS 28 Revised and IAS 19 Revised*.

There are no observations for the 2012 fiscal year in the letter (*lettre de fin de travaux*) by the Statutory Auditors.

The report of the Statutory Auditors on the historical financial information for the 2011 fiscal year presented in this Registration Document is included on page 386 of the 2011 Registration Document and contains the following observation: "*Without qualifying our opinion, we draw your attention to Note 1.1.5 to the consolidated financial statements, which sets out the correction of errors related to a series of accounting irregularities identified during the second quarter of the year and whose effects were apprehended in its accounts by your company in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors."*

Paris, March 18, 2014

The Chairman and Chief Executive Officer

Antoine Frérot

(1) Hereinafter the "Company" or "Veolia Environnement". Unless otherwise indicated, the term "Group" used in this document refers to Veolia Environnement and all its direct and indirect subsidiaries located in France or abroad.

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Persons responsiblefor auditing the financial statements

2.1 Statutory Auditors

KPMG SA

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Versailles regional auditors association)

Represented by Mr. Jean-Paul Vellutini and Ms. Karine Dupré.

1, Cours Valmy, 92923 Paris - La Défense Cedex.

Company first appointed by the Combined Shareholders' Meeting of May 10, 2007 and reappointed by the Combined Shareholders' Meeting of May 14, 2013 for a six-year term that will expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Ernst & Young et Autres

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Versailles regional auditors association)

Represented by Messrs. Xavier Senent and Gilles Puissochet.

1-2, Place des Saisons, Paris-La Défense 1, 92400 Courbevoie, France.

Company first appointed on December 23, 1999 and reappointed by the Combined Shareholders' Meeting of May 17, 2011 for a six-year term that will expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016.

2.2 Deputy Statutory Auditors

KPMG Audit ID

Immeuble le Palatin, 3, cours du Triangle, 92939 Paris-La Défense Cedex, France.

First appointed by the Combined Shareholders' Meeting of May 14, 2013 for a six-year term that will expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

AUDITEX

1-2, Place des Saisons, Paris-La Défense 1, 92400 Courbevoie, France.

Company first appointed on May 12, 2005 and reappointed by the Combined Shareholders' Meeting of May 17, 2011 for a six-year term that will expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016.

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Selected Financial Information RFA (*)

Figures presented in accordance with IFRS

(in € million)	12/31/2013[(1)]	12/31/2012 [(1)(3)]	12/31/2011[(1)(3)]
Revenue	22,314.8	23,238.9	22,482.4
Operating cash before changes in working capital	1,970.4	2,173.1	2,347.4
Operating income	490.5	711.3	572.0
Share of net income of equity accounted entities	178.7	(11.9)	(136.5)
Operating income after share of net income (loss) of equity accounted entities	669.2	699.4	435.5
Net income attributable to owners of the Company	(135.3)	404.0	(488.1)
Net income attributable to owners of the Company per share - Diluted *(in euros)*[(2)]	(0.29)	0.79	(0.99)
Net income attributable to owners of the Company per share - Non-diluted *(in euros)*[(2)]	(0.29)	0.79	(0.99)
Dividends paid[(4)]	355.5	353.8	586.8
Dividend per share paid during the fiscal year *(in euros)*	0.70	0.70	1.21
Total assets	36,242.1	38,476.7	41,067.3
Total current assets[(5)]	17,138.5	17,163.7	16,180.1
Total non-current assets	19,103.6	21,313.0	24,887.2
Equity attributable to owners of the Company	8,205.2	7,106.2	7,007.5
Equity attributable to non-controlling interests	1,478.2	1,391.4	1,532.8
Adjusted operating cash flow[(6)]	1,796.3	1,918.7	1,945.8
Adjusted operating income[(7)]	921.9	798.1	1,044.6
Adjusted net income attributable to owners of the Company	223.2	58.5	145.2
Net financial debt	8,176.7	10,821.9	12,696.1
Adjusted net financial debt[(8)]	5,451.7	7,836.9	9,160.4

(1) Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the income statements of:
- *discontinued operations in the course of divestiture, i.e. water activities in Morocco and global urban lighting activities (Citelum);*
- *discontinued operations divested, i.e. European wind energy activities divested in February 2013; the share of net income (loss) of the associate Berlin Water to December 2, 2013; regulated activities in the United Kingdom in the Water Division, divested in June 2012; solid waste activities in the United States in the Environmental Services Division, divested in November 2012; U.S. wind energy activities divested in December 2012; household assistance services (Proxiserve), divested in December 2011 and Environmental Services Division activities in Norway, divested in March 2011;*

are presented in a separate line, Net income (loss) from discontinued operations, for the years ended December 31, 2013, 2012 and 2011. Furthermore, the contribution of the Transdev Group was transferred to continuing operations for fiscal years 2013, 2012 and 2011.

(2) The weighted average number of shares outstanding at December 31, 2013, is 523.5 million (basic and diluted). Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year. Pursuant to IAS 33.19 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

(3) The consolidation standards IFRS 10 and IFRS 11 and the revised IAS 19 Employee Benefits standard provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for comparative periods have been represented accordingly.
Furthermore, pursuant to IFRS 5.28 and IAS 28.21, the Group amended, retrospectively, the presentation of its investment in Transdev Group, which has been transferred from "Securities classified as held for sale" to "Investments in joint ventures, equity accounted".

(4) Dividends paid by the parent Company.

(5) Including assets classified as held for sale of €4,698.9 million as of December 31, 2013, €1,276.0 million as of December 31, 2012, and €460.0 million as of December 31, 2011.

(6) Operating cash before changes in working capital as indicated in the Cash Flow Statement is composed of three components: adjusted operating cash flow consisting of operating income and expenses received and paid ("cash"), operating cash flow from financing activities including financial items, including cash financial income and expenses, and operating cash flow from discontinued operations composed of cash operating and financial income and expense items reclassified in net income from discontinued operations pursuant to IFRS 5.

(7) Including the share of net income (loss) of equity accounted entities.

(8) Adjusted net financial debt is equal to Net financial debt less loans and receivables to joint ventures.

(*) Definitions of the non-GAAP indicators appearing in the table are presented in Chapter 9, section 9.7.2 below.

Financial Annual Report elements are identified in this table of contents with the sign RFA

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Risk factors RFA

The Veolia Environnement Group, through its position as a major player in the Environmental sector and the diversity of its activities and establishments is exposed it to various types of risks: human, financial, industrial and commercial (see Section 4.1 below).

The global economic crisis (since the 2011 Annual Financial Report) has influenced the Company's risk profile, intensifying some of its risks (country risks, counterparty risks, customer failure, etc.). The Group deals with these risks through its risk management process (see Section 4.2 below) as well as through internal audits and internal controls (see Section 4.3 below). Special attention is also given to compliance with a set of ethics procedures and measures for the Group (see Section 4.4 below).

Furthermore, in 2011 the Group launched a plan to transform its organization by standardizing its processes, improving control of operations, and streamlining its structure. This new organization was implemented in 2013, with the transition from an organization by division to one structured by geographical areas (by country) (see Section 4.1.2.1).

The risks presented below are the main risks identified as significant, relevant and able to negatively impact the Group's operations and financial position as of the date of the filing of this Registration Document with the *Autorité des Marchés Financiers* (the French financial markets authority). However, other risks not presented or as yet unidentified could impact the Group, its financial position, reputation, outlook or the Company's share price.

- **Risks relating to the business environment in which the Group operates (see Section 4.1.1 below) :**
  - Market risks (see Section 4.1.1.1 below);
  - Risks relating to the retention of licenses, permits and authorizations and regulatory changes regarding health, the environment, hygiene and safety (see Section 4.1.1.2 below);
  - Risks relating to climate change (see Section 4.1.1.3 below);
  - Country risks (see Section 4.1.1.4 below);
- **Risks relating to conducting the Group's businesses (see Section 4.1.2 below) :**
  - Risks relating to changes in the Group's activities (see Section 4.1.2.1 below);
  - Risks relating to changes in the Company's markets (see Section 4.1.2.2 below);
  - Risks arising from human resource management (see Section 4.1.2.3 below);
  - Operational risks (see Section 4.1.2.4 below);
  - Legal, contractual and commercial risks (see Section 4.1.2.5 below);
  - Risks relating to the security of persons, tangible and intangible property, securities and information systems (see Section 4.1.2.6 below);
  - Risks relating to non-compliance with ethical rules (see Section 4.1.2.7 below).

4.1 Risks relating to the issuer

4.1.1 Risks relating to the business environment in which the Group operates

4.1.1.1 Market risks

Interest rate and foreign exchange risks

Within the framework of its operational and financial activities, the Group is exposed to market risks. Interest rates and foreign exchange fluctuations could have an impact on the Group's results. Veolia Environnement holds assets, earns income and incurs expenses and liabilities in a variety of currencies. The Group's financial statements are presented in euros; accordingly, when it prepares its financial statements, the Group must translate its foreign currency-denominated assets, liabilities, income and expense items into euros at applicable exchange rates. Consequently, fluctuations in the exchange rate of the euro against these other currencies can affect the value of these items in the financial statements, even if their intrinsic value is unchanged in the original currency. For example, an increase in the value of the euro may result in a decrease in the reported value, in euro, of the Company's investments held in foreign currencies. These fluctuations in interest rates may also affect the Company's future growth and investment strategy since a rise in interest rates may force Veolia Environnement to finance acquisitions or investments or refinance existing debt at a higher cost in the future.

At the end of 2013, net financial debt amounted to €8,176.7 million, with 31% at floating rates and 69% at fixed rates (see Chapter 20, Section 20.1, Note 28.2.1 to the consolidated financial statements below).

For information on the management of interest rate and foreign exchange risks, please refer to Section 4.2.2.1.1 below as well as Chapter 20, Section 20.1, Notes 28.2.1 and 28.2.2 to the consolidated financial statements below.

Counterparty risk

The Group's activities expose it to the risks of failure of its counterparties (customers, suppliers, partners, intermediaries, banks). Counterparty risk is the risk that an entity is unable to respect its financial commitments (debt repayment, breach of guarantees, offset under a derivative transaction, etc.). Counterparty risk for subsidiaries is limited to local deposits, settlement and account keeping banking activities, signature commitments and the continuation of confirmed credit facilities obtained from banks. Veolia Environnement counterparty risk is mainly associated with cash investments and positive market values on derivatives. Management rules require cash surpluses to be invested with monetary UCITS managers or in short-term notes and deposits with leading banks and financial institutions (banks and financial institutions with minimum credit ratings awarded by Moody's, Standard & Poor's or Fitch of A1/P1/F1 (short-term) and A2/A/A (long-term), unless justified). Counterparty risks on financial transactions are monitored constantly by the Company's middle office.

For information on the management of counterparty risk, please refer to Section 4.2.2.1.1 as well as Chapter 20, Section 20.1, Note 28.5 to the consolidated financial statements below.

Risks relating to the price of energy, commodities and recycled raw materials

The prices of the Company's supplies of energy and other commodities can be subject to significant variations and represent major operating expenses of the businesses, in particular diesel for waste collection activities, gas for activities relating to the supply of energy services, and electricity for activities relating to water treatment and distribution. Although most of the Company's contracts include price adjustment provisions that are intended to pass on any changes in the price of Company supplies, using, in particular, price indexing formulae, certain events such as a time delay between fuel price increases and the moment when the Company is authorized to increase its prices to cover the additional costs or a mismatch between the price-increase formula and the cost structure (including taxes), may prevent the Company from being fully protected against such increases. To the extent that the Company is unable to increase its prices sufficiently to cover such additional costs, a sustained increase in supply costs and/or related taxes could undermine the Company's operations by increasing costs and reducing profitability. Nevertheless, the large number of price indexing formulae in its contracts limits the Group's net sensitivity to such variations. In addition, the Company's sorting-recycling and trading businesses are particularly sensitive to fluctuations in the price of recycled raw materials (paper and ferrous and non-ferrous metal) and account for a substantial portion of its revenue. A significant and long-term drop in the price of recycled materials, potentially combined with the impact of the economic environment on volumes, could affect the Company's operating results. Group activities also include the production of electricity, particularly in France, Germany, the United Kingdom and central Europe. A significant portion of these sales concern so-called "unavoidable" production, co-generated with heat or resulting from the incineration of waste. In the initial years of service of an installation, the electricity produced is generally covered by guaranteed purchase tariffs pursuant to specific domestic regulations. At the end of this guaranteed tariff period, production is sold on the wholesale market and is exposed to fluctuations in the price of electricity. A significant and long-term drop in the market price of electricity in the countries concerned could, therefore, impact the Company's operating results. For more details on the hedging of risks arising from the prices of energy, commodities and raw materials and sensitivity to these risks, see also Section 4.2.2.1.1 and Chapter 20, Section 20.1, Note 28.2.3 below.

For information on the management of commodity risks, please refer to Chapter 20, Section 20.1, Note 28.2.3 below.

Risks arising from the European Union Emissions Trading Scheme (EU ETS) and greenhouse gas emission allowances

As an operator of combustion installations, the Group is exposed to the inherent risks of the EU ETS introduced by the European Union in 2005. Phase III of this system, covering the period from 2013 to 2020, involves in particular the elimination of free allocation of emission allowances in respect of electricity generation effective January 1, 2013 (with exemption of certain central European countries) and significantly reduces free allocation for heat generation. The overall objective is to achieve a 20% reduction in greenhouse gas emissions by 2020 (compared to 1990 levels). As a result, Dalkia has seen its emission allowances drop by 60% since January 1, 2013 compared with 2012 and has thus had to purchase a portion of the allowances necessary for its production.

In this context, Veolia Environnement's risk comes from two sources: first, the Group may produce higher levels of emissions than anticipated, either for technical or business-related reasons, which would require it to incur additional expenses, and second, the Group may not be able to adjust its pricing policy to pass on the full impact of the extra cost for purchasing allowances.

For information on the management of risks arising from the EU ETS, please refer to Section 4.2.2.1.1 below.

4.1.1.2 Risks relating to the retention of licenses, permits and authorizations and regulatory changes regarding health, the environment, hygiene and safety

The Company has incurred and will continue to incur significant costs and other expenditures to comply with its environmental, health and safety obligations and to manage its hygiene-related risks. In particular, these risks concern water emissions, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke emissions and gas emissions. While regulatory changes offer new market opportunities for the Group's businesses, they also generate a number of risks. In accordance with legal, regulatory and administrative requirements (see Section 6.3.1 below), including specific precautionary and preventive measures, the Company is required to incur expenditure and invest to ensure that the installations that it operates are in compliance or, when it has no investment responsibility, to advise its customers so that they undertake the necessary compliance work themselves. Failure by the client to meet its compliance obligations could be prejudicial to the Group as operator and adversely affect its reputation and growth capacity. Furthermore, regulatory bodies have the power to launch proceedings which could lead to the suspension or cancellation of permits or authorizations held by the Group or injunctions to suspend or cease certain activities. These measures may be accompanied by fines and civil or criminal sanctions which could have a significant negative impact on the Group's reputation, activities, financial position, results or outlook. If the Company is unable to recover this expenditure through higher prices, this could affect its operations and profitability. Environmental laws and regulations are constantly being amended and tightened and these amendments can generate significant compliance expenditure or investment which it is not always possible to foresee, despite watch systems implemented. For information on the management of health, environmental, hygiene and safety risks, please refer to Section 4.2.2.1.2 below.

4.1.1.3 Risks relating to climate change

Climate change from one year to the next may have an impact on the operating results of some of the Group's businesses. For example, Dalkia generates the majority of its results in the first and fourth quarters of the year, corresponding to periods in which heating is used in Europe, while in the water sector, household water consumption tends to be highest between May and September in the northern hemisphere. Accordingly, these two businesses and therefore the Group's earnings may be affected by significant deviations from seasonal weather patterns. For information on the management of risks relating to climate change, please refer to Section 4.2.2.1.3 below.

4.1.1.4 Country risks

Veolia Environnement generates over 49% of its revenue outside France, with activities centered mainly in Europe, the United States, China and Australia. In addition, the Group conducts business in certain emerging countries. In a complex and sometimes unstable international environment, risks relating to conducting business in certain countries affect the Company's financial position and results, even its reputation and outlook. In particular, given the nature of Veolia Environnement's activities and the long term nature of its contracts, the Company's results can partially depend on external operating conditions, whether the geopolitical, economic, social or financial situation or the level of development, working conditions and environmental conditions of a given country.

The Group's presence in certain countries in particular can generate or exacerbate certain risks for the businesses

The Group may be exposed to the political, economic or social instability of the country, making it difficult to carry out its activities. This risk could be reinforced in certain cases for companies of foreign origin exposed to nationalization or expropriation of private assets. Conducting business in certain countries can also expose the Group to risks tied to the general terms of doing business in the country for companies, and particularly foreign companies, such as a risk of non-payment or slower payment of invoices, sometimes aggravated by the absence of legal coercive measures, increased foreign exchange risk or restrictions on fund repatriation.

The lack or limited development of the legal and social infrastructures necessary to the conduct of economic activities, administrative delays, a lack of visibility of future regulatory or tax developments, a lack of qualified labor, as well as foreign exchange control measures and other adverse measures or restrictions imposed by governments are all factors which can, in certain countries, impact the conditions of Group operations. The Group can also be confronted with a worsening of the local environment tied to the conduct of its specific activities. The setting of public utility fees and their structure may depend on political decisions that can impede increases in fees for several years, such that they would no longer cover service costs and provide compensation for the Company. Major amendments to or the imperfect application of regulations, political opposition to the conduct of the Company's activities in public markets and local authority challenges to the application of contractual provisions could hold the Group back from obtaining or renewing certain contracts. The Company could be faced with the deterioration of the local economic, social or environmental conditions underpinning its activities, changing the economic balance of contracts, through an increase in unpaid household debts or a reduction in available environmental resources such as water or biomass. The Company may be unable to insure or hedge against these risks. Furthermore, the Group may find it is unable to defend its rights before a court of law in certain countries and particularly emerging countries, should it come into conflict with their governments or other local public entities. Unfavorable events or circumstances in certain countries may lead the Company to record exceptional provisions and/or impairments, which could have a significant adverse effect on Veolia Environnement's financial position, results and outlook.

The destabilization of a country can generate emergency situations and exceptional risks

In certain cases, the exacerbation of these risk factors can lead to the general political and economic destabilization of the country and even make it difficult for the Company to conduct business because of reduced security and stability. The Company's businesses can be the subject of acts of malice or terrorism. In this respect, Energy Services, Environmental Services or water distribution can be targets. In addition, certain Veolia Environnement employees work or travel in countries where the risks of occurrence of acts of terrorism or other acts with malicious intent can be temporarily or permanently high (see also Section 4.1.2.4 below). Very large-scale or repetitive natural disasters can also lead to the exceptional disorganization of external infrastructures (roads, means of communication) on which the Company depends for the conduct of its business and can cause damage to the infrastructures for which it is responsible. The Company could thus temporarily be unable to perform services according to the conditions defined by the contracts. Accordingly, despite the forward-planning and protection measures implemented by the Company and the insurance policies subscribed, the occurrence of these exceptional situations could affect the Company's results. For information on the management of country risks, please refer to Section 4.2.2.1.4 below.

4.1.2 Risks relating to the conduct of the Group's business

4.1.2.1 Risks relating to changes in the Group's activities

Risks relating to the strategic transformation plan and the Group savings plan

Since 2003, Veolia Environnement has implemented cost-cutting and efficiency plans to improve its operational performance. Furthermore, in 2011 the Group launched a plan to transform its organization – known as the "Convergence" plan – by standardizing its processes, improving control of operations, and streamlining its structure. These plans could take longer to implement than expected and, for the "Convergence" plan, involve higher costs for implementation than originally planned.

Risks relating to changes in the scope of activities

As announced within its strategic plan, the Company has performed transactions impacting its scope of activities and primarily asset sales and, to a lesser extent, acquisition and merger transactions, whose impact on business and profits could turn out to be less favorable than expected or detrimental to its financial position.

Risks relating to divestitures

At the end of 2011, the Group announced an ambitious transformation plan encompassing the refocusing of its activities and a reduction in the Company's net debt. To this end, the Group launched an extensive asset divestiture program, with an initial target of €5 billion for 2012 and 2013, which was raised to €6 billion at the end of 2012. This program is threefold: withdrawal from the Transportation business; divestiture of regulated Water activities in the United Kingdom and solid waste activities in the United States; and continued rationalization of the Group's geographical coverage. At the end of 2013, the financial objective of this program was fully met. Already in 2012, the Water divestitures in the United Kingdom and Environmental Services divestitures in the United States were completed. In 2013, the main sales concerned the disposal of the Group's holding in Les Eaux de Berlin, the sale of the Water business in Portugal, floating 35% of the shares of Sharqiyah Desalinisation Company, and the deconsolidation of virtually the whole Environmental Services business in Italy. With respect to the Transport business, the negotiation agreement with Caisse des dépôts et Consignations expired on October 31, 2013. Nevertheless, withdrawal from the Transport business is still an objective being pursued by the Company, which is continuing its discussions along these lines with Caisse des dépôts et consignations. On October 28, 2013, discussions between Veolia Environnement and EDF entered an advanced stage with a view to an agreement concerning their joint subsidiary Dalkia, an agreement that involved Veolia Environnement's acquisition of Dalkia International's activities and the sale to EDF of Dalkia's activities in France. The conditions under which the activities sold are hived off expose the Group to risks relating to the need to set up independent functional services in each activity, when those services were previously provided on a shared basis. These risks concern human resources, as certain individuals with significant expertise may leave the Company, and the means used to manage these functional services, such as methods, suppliers or IT tools. The main areas concerned are financial services, human resources (including the training campus), real estate and general services. In addition, planned divestitures may not be carried out within the forecast deadlines, may not achieve the expected valuation level, or may not be completed. Lastly, the business sales agreements include vendor warranties covering certain risks identified by the buyer. Their future occurrence and the resulting warranty calls could have financial consequences for the Group.

Risks relating to growth transactions

The Company has also conducted and may continue carrying out external growth operations, in any legal form whatsoever, particularly through acquisitions of businesses or companies or mergers of varying sizes, some of which are significant at Group level. These external growth operations involve numerous risks, including the following: (i) the assumptions underlying the business plans supporting the valuations may prove inaccurate, in particular with respect to synergies and expected commercial demand; (ii) the Company may fail to successfully integrate the companies acquired or merged and their technologies, products and personnel; (iii) the Company may fail to retain key employees, customers and suppliers of the companies acquired; (iv) the Company may be required or wish to terminate pre-existing contractual relationships, which could prove costly and/or be executed at unfavorable terms and conditions; (v) the Company may increase its indebtedness to finance these external growth transactions; and (vi) the Company may be forced to sell off businesses or limit the growth of certain businesses so as to obtain the necessary authorizations for carrying out these operations, particularly with regard to antitrust legislation. As a result, the expected benefits of completed or future acquisitions or other external growth operations may not be realized within the time periods or to the extent anticipated, or may impact the Company's financial position.

Liquidity risk

Liquidity risk corresponds to the Company’s ability to have enough financial resources to meet its commitments. The Company’s gross liquidity is defined as all available cash and confirmed bank lines. Net liquidity deducts current financing requirements from gross liquidity. The Group could be exposed to a liquidity risk and not have sufficient financial resources to meet its contractual commitments. For information on liquidity risk, please refer to Section 4.2.2.2.1 below and the description of loan arrangements as well as the tables in Chapter 20, Section 20.1, Note 28.4 to the consolidated financial statements. For information on the management of financial risks, please refer to Section 4.2.2.2.1 below.

4.1.2.2 Risks relating to changes in the Company’s markets

In response to structural changes affecting its markets and the competitive environment for its businesses, the Group is moving forward with its efforts to transform its organization, its cost structure, and its business.

The traditional municipal model (mainly involving public service concessions) is being sorely tested in the Group’s core geographies and is associated with risks in emerging markets. It may still present good opportunities but the Group’s offerings may be insufficiently competitive. The Company’s activities are carried out in a highly competitive environment, which may lead to non-renewals or the loss of contracts, limit access to new contracts, or significantly reduce profitability levels upon renewal. Large international companies, niche companies and companies whose overheads or profitability requirements are lower than those of Veolia Environnement serve each of the markets in which the Company competes. Another source of contract non-renewal may come from the desire of certain public authorities to assume once again the direct management of water or waste services (particularly under management contracts).

For information on the management of risks relating to changes in the Company’s markets and offerings, please refer to Section 4.2.2.2.2 below.

4.1.2.3 Risks arising from human resource management

Risks relating to employee health and safety

The labor-intensive requirements of the Group’s businesses, their nature, the wide geographical spread of Veolia Environnement’s employees in the field (in particular, on public roads and at customer sites), as well as difficult working conditions, make the management of employee health and safety particularly important. Despite the special attention paid by the Group to this issue (the question of risks arising from human resource management is dealt with in more detail in Section 4.2.2.2.3), the increase in the frequency and severity of work accidents and the increasing incidence of work-related illnesses constitute a risk.

Risks relating to availability of skills

The Group engages in highly diverse businesses, which require varied skills that constantly evolve to adapt to changes in environmental businesses. The need to constantly seek out new profiles, train staff in new techniques, and recruit and train managers in every country where the Group operates represents a risk if the Group is unable to mobilize in a timely manner the skills required at all of its locations. The current transformations within the Group increase the risk that certain key expertise will be lost if the Company is unable to identify and retain such individuals.

Risks relating to deterioration of the industrial relations climate

The transformation of the Group, reflected in its efforts to refocus on certain businesses and geographical areas, could cause the Company's industrial relations to deteriorate, negatively affecting productivity and, as a consequence, the Group's results. The Company's businesses, which it conducts on behalf of industrial companies and public authorities, consist very often of essential services that always require human labor. The Company cannot rule out the occurrence of labor disputes (strikes, go-slows, blocking access to sites or the destruction of property in extreme cases) that could disrupt business over a significant period of time. Such disputes could have a negative impact on the Company's financial position, results, outlook or reputation.

For information on the management of risks arising from human resource management, please refer to Section 4.2.2.2.3 below.

4.1.2.4 Operational risks

Third-party liability risks and particularly health and environmental risks in respect of past and present activities

The increasingly broad laws and regulations under which the Company operates expose it to greater risks of liability, particularly in environmental matters, including liability related to assets that Veolia Environnement no longer owns and activities that have been discontinued. In addition, the Company may be required to pay fines, repair damage or undertake improvement work, even when it has conducted its activities with care and in full compliance with operating permits. Some of Veolia Environnement's activities could cause injury to people (sickness, injury or death), business interruption or damage to the environment (including biodiversity), movable property or real estate. It is the Company's general policy to contractually limit its liability, implement the necessary prevention and protection measures, and to take out insurance policies that cover its main accident and operational risks (see Section 4.2.3 below). However, these precautions may prove to be insufficient, and this could generate significant costs for the Company. In addition, the Company's subsidiaries in France or abroad may, under environmental services outsourcing contracts, perform activities at certain environmentally sensitive sites known as high threshold Seveso sites (classified "AS" under the French "Installations Classified for the Protection of the Environment" (ICPE) system) or low threshold Seveso sites (or the foreign equivalent), operated by industrial customers (particularly petrochemical industry sites). In these instances, the Group must manage the provision of services with even greater care, given the more dangerous nature of the products, waste, effluents and emissions to be treated, as well as the close proximity of installations managed by the Group to customer sites. The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are often subject to the same level of stringent regulation. See also Chapter 6, Section 6.3.2 and Chapter 20, Section 20.1, Note 17 to the consolidated financial statements.

Risks relating to design and construction activities

The Company carries out, particularly through Veolia Water Solutions & Technologies, turnkey design-build contracts, which are remunerated on a non-revisable fixed-price basis. The Company's earnings are often conditional on meeting performance objectives, and non-compliance with these objectives triggers penalties. The risks to which the Company is exposed under this type of contract are generally technical (design and choice of tailored versus tried-and-tested technology), operational (site management during the performance, acceptance and warranty phases or ability to use technology imposed by the customer) and economic (volatility of raw material prices, foreign exchange rates or commodities). In accordance with standard practice, to the extent possible, the Company seeks to hedge this risk contractually. The Company may, however, encounter difficulties over which it has no control, relating, for example, to the complexity of certain infrastructure, climate or economic risks or construction contingencies, the purchasing and ordering of equipment and supplies of commodities, or changes in performance schedules for some work. In certain cases also, the Company must integrate existing information or studies provided by the customer that may prove inaccurate or inconsistent or may be required to use existing infrastructure with poorly adapted operating characteristics. These difficulties and hazards may result in non-compliance with contractual performance indicators, additional expense, lost revenue and/or the application of contractual penalties that could negatively affect the Company's financial position, results or outlook. In addition, the Company and its subsidiaries generally have recourse to sub-contractors and suppliers in the performance of their contracts. While these subcontractors and suppliers are subject to a selection process and credit review, their failure could generate delays and significant additional costs without the ability to recover all costs incurred.

Risks relating to competition procedures and authorization procedures for the conduct of certain activities

In order to conduct its activities, Veolia Environnement is generally required to win a contract and sometimes to obtain, or renew, various permits or authorizations issued by regulatory authorities. Competition and/or negotiation procedures preceding the award of these contracts are often long, costly, complex and difficult to foresee the outcome. This is similarly the case for authorization procedures for activities with a large environmental footprint, which are often preceded by increasingly complex studies and public inquiries. The Company may invest significant resources in a project or tender bid without obtaining the right to perform the planned activity or receiving sufficient compensation to cover the cost of its investment, should it, for example, fail to obtain the permits and authorizations necessary to perform the activity or the necessary authorizations from antitrustauthorities. In addition, obtaining an authorization may require the Company, under certain conditions, to abandon certain growth projects. Such situations increase the cost of activities and, where the risk of failure appears substantial, may lead the Company to abandon certain projects. The extent and profitability of the Company's activities could be affected if such situations increase.

Emerging health or environmental risks

Risks may be undetectable, at a given time, because they are not completely identified due to the absence or lack of scientific data. Adverse effects could occur several years after the materialization of these risks. For information on the management of operational risks, please refer to Section 4.2.2.2.4 below.

4.1.2.5 Legal, contractual and commercial risks

Risks relating to long-term contracts

As the majority of the Company's activities are performed under long-term contracts this can hinder its ability to react rapidly and appropriately to new financially negative situations.

The initial circumstances or conditions under which the Company enters into a contract may change over time, which may result in adverse economic consequences. Such changes vary in nature and may or may not be readily foreseeable. Certain contractual mechanisms may help in addressing such changes and restoring the initial balance of the contract, but these may not be fully effective. The implementation of such mechanisms may be triggered more or less automatically by the occurrence of a given event (for instance, price indexing clauses), or they may require certain formalities or allow revision or amendment of the contract only with the agreement of both parties or of a third party. Accordingly, the Company may not be free to adapt its compensation to reflect changes in the Company's costs or demand, regardless of whether this compensation consists of a price paid by the customer or a fee levied on end users based on an agreed-upon scale. These constraints on the Company are exacerbated by the long-term nature of contracts. In all cases, and most particularly with regard to public service management contracts, the Company's actions must remain within the scope of the contract and ensure continuity of service. The Company cannot unilaterally and suddenly terminate a business that it believes to be unprofitable, or change its features, except, under certain circumstances, in the event of obvious misconduct by the customer.

Risk relating to the rights of public authorities

The rights of governmental authorities to terminate or modify the Company's contracts unilaterally could have a negative impact on its revenue and profits.

Contracts with public authorities make up a significant percentage of the Company's revenue. In numerous countries, including France, public authorities may amend or terminate contracts under certain circumstances unilaterally but with compensation paid to the co-contracting party. This may not be true in all cases and, even when compensation is due, the Company may not be able to obtain full compensation should the relevant public authority unilaterally terminate a contract.

Risks relating to the set-up of partnerships

The Group may be required to conduct its activities in France and abroad through partnerships with public authorities or private players. These partnerships offer a means of sharing the economic and financial risks associated with certain major projects or activities. While the partial loss of control granted in return for reduced capital exposure is managed contractually, changes in the project or activity concerned or the economic or political context, or a downturn in the economic position of the partner(s) could lead to conflict between the partners and in certain cases the rupture of the partnership. These situations, tied to the poor performance of a partnership, could have a significant impact on the Group's activities, financial position, results or outlook.

Significant litigation

In the ordinary course of its activities, the Company and/or its subsidiaries are involved in litigation, arbitration procedures and inquiries. Significant litigation involving the Company or its subsidiaries is described in Chapter 20, Section 20.4 below. For information on the management of legal, contractual and commercial risks, please refer to Section 4.2.2.2.5 below.

4.1.2.6 Risks relating to the security of persons, tangible and intangible property, securities and information systems

The protection of the Group's employees, activities and resources is subject to extremely strict constraints and particularly regulatory constraints, which expose the Group to legal liability. Given the nature of the Group's activities and its geographical spread, its employees, tangible and intangible property, securities and information systems could be the target of malicious or terrorist acts. For example, the distribution of drinking water is an activity of vital importance and a major public health consideration. Energy Services and Environmental Services as well as all industrial facilities managed by the Group could be targeted by criminal action. In addition, Veolia Environnement employees work or travel in countries where the political, geopolitical or social climate can occasionally expose them to criminal or terrorist acts or violent situations. Information systems are indispensable tools for carrying out the Group's operational activities and managing the functional departments (Finance, Human Resources, etc.) of the Company. The unavailability of information systems because of a disaster or a malicious intrusion involving one or more of these information systems could have major consequences on the quality or even the continuity of the service delivered internally and on the availability, integrity and confidential and strategic nature of the Group's data, and thus potentially have an impact on the activity of its customers. As a result, despite the numerous preventive and safety measures implemented by the Company and the insurance policies subscribed, the occurrence of such acts cannot be excluded and could adversely affect the Company's ability to continue in the activity, as well as its reputation, financial position or results. For information on the management of risks relating to the security of persons, tangible and intangible property, securities and information systems, please refer to Section 4.2.2.2.6 below.

4.1.2.7 Risks relating to non-compliance with ethical rules

Actions by employees, agents and representatives who do not comply with the Group's "Guide to Ethics" program (see Section 4.4.1 below) or the specific ethics codes that have been implemented, could expose the Group to civil or criminal penalties and adversely affect its reputation.

4.2 Risk management process within Veolia Environnement

4.2.1 Risk management organization

4.2.1.1 Implementation of a coordinated risk management system

Organization

Veolia Environnement builds long-lasting relationships with its customers particularly based on its capacity to manage risks delegated by them. The Group responds to this challenge, which is of fundamental importance to its development, by putting in place coordinated risk prevention and risk management systems. In order to strengthen the Group's ability to roll out a risk management policy for the Group in a comprehensive and uniform manner, in line with its strategy, the Group placed both the Risk and Insurance departments under the supervision of a single individual at the end of 2012. The Group Chief Risk and Insurance Officer reports to the Group's General Secretary, who is a permanent member of the Group's Executive Committee.

The Risk Department coordinates and serves as the entry point for all management of the Group's strategic risks by way of the established risk management procedures and retains its cross-functional focus, encompassing the network of risk managers, the operations under their responsibility, and the various functional departments, with aim of strengthening the ability of the entire Group to:

- **Identify and foresee:** ensure the progressive implementation of constant oversight of the Group's major risks so that no risk is overlooked or underestimated, and also to foresee changes in the nature or intensity of those risks;
- **Organize:** ensure that the main identified risks are addressed by the organization at the most appropriate level within the Group. Numerous operational risks are managed at the level of operating units, while others, which require specific expertise or are of a primarily transversal or strategic nature, are handled directly by Veolia Environnement;
- **Process:** ensure that the structure and resources employed effectively mitigate as far as possible identified risks, remaining consistent with the Company's values;
- **Raise awareness and inform:** the implementation of a coordinated risk management system is supported by campaigns to raise awareness about risk management among employees and also meets the need for disclosures concerning risks to the various financial and non-financial stakeholders.

The Insurance Department is responsible for protecting the Group's interests against insurable risks:

- by taking out common insurance policies to implement a coherent risk transfer and coverage policy designed to maximize economies of scale, while taking into account the specific characteristics of the Group's businesses and legal or contractual constraints; and
- by optimizing thresholds and the means for accessing the insurance or reinsurance markets through the use of appropriate deductibles.

The policy of covering risks through insurance is implemented in coordination with Veolia Environnement's overall risk management process. Implementation takes into account the insurability of risks associated with Veolia Environnement's activities, the availability of insurance and reinsurance coverage on the market and the premiums proposed compared with the level of coverage, exclusions, limits, sub-limits and deductibles.

The Group Chief Risk and Insurance Officer relies on the support of an international network of risk managers, now organized by country to take into account the Group's new organizational structure.

The risk network has developed a process for the identification and scoring of events that may prevent the Group from reaching its objectives. To this end, the Company and each of its entities have a detailed analysis and a summarized ranking of the main risks (in the form of a mapping of risks), drawn up on the basis of the main references available (in particular COSO II). The identified risks are assessed in terms of their impact and frequency, taking account of risk control measures. The "risk owners" are in charge of designing and implementing action plans in liaison with the risk managers responsible for their country and/or those of Veolia Environnement, so as to limit and manage risk exposures. The risk network contributes to the definition of the corresponding action plans and drives the whole process. It also is responsible for issuing alerts and overall coordination in relation to emerging risks (permanent monitoring).

The Group's Risk and Insurance Department work with all functional departments and particularly with the Internal Audit Department by contributing to the definition of its annual audit program. Reciprocally, the audits carried out serve to enhance risk assessments conducted within the Group. By conducting its verifications of the Company's key processes, the Internal Audit Department provides assurance that the internal control and risk management procedures have been implemented and are effective. Along these lines, audits of these procedures are regularly performed within the Group by the Company's Internal Audit Department. The main objective of these audits is to ensure the Group has the right risk management tools and processes (risk identification, implementation of action plans, updated risk mapping, deployment of the risk management function throughout the Group). The Group Risk and Insurance Department also closely works with the Internal Control Department, which is responsible for identifying, standardizing and improving the reliability of key processes used to produce the Group's financial information.

In 2013, the main actions put in place by the Risk and Insurance Departments and their joint network involved:

- Introduction of the new organization at Group level and the alignment of the network across all countries;
- Advancing efforts to identify and assess risks, drawing on a shared methodology;
- Continuing risk prevention and protection efforts in the operating units;
- Ongoing roll-out of Group programs.

4.2.1.2 Supervision of risk management system

The Audit and Accounts Committee of the Board of Directors. The Group Chief Risk and Insurance Officer presented an overview of the work carried out by the network under his supervision on two occasions in 2013 to the Audit and Accounts Committee of the Board of Directors. The first presentation examined the general risk management system and the updated mapping of the Group's risks. The second presentation examined the Group's policy with respect to insurance and the programs in place. These presentations were performed in the context of the 8th European directive, which requires the Board of Directors (through a specific committee) to seek assurance as to the effectiveness of the Company's risk management and internal control procedures.

The Group Risk Committee is the body responsible for validating and monitoring the effectiveness of action plans put in place to act on the major risks identified in risk mapping. It ensures the proper functioning of the risk management systems and supports them. It can also take a position on risks that it deems to be unacceptable within the context of the activities. In 2013, the composition of this committee was changed so that it now includes the members of the Group's Executive Committee, to ensure a more direct link between the Company's strategy and the risk management process. The Group Risk Committee, whose work is coordinated by the Group Chief Risk and Insurance Officer, is chaired by the Group's General Secretary. As 2013 was a transitional year, the Group Risk Committee met once in its new configuration. At this meeting, the Group risk mapping and the common methodology were presented and examined.

The year also saw the creation of risk committees in each country, which met to monitor and validate the the country's risk map.

The Risk and Insurance Committee is the body responsible for the organization and control of the Group's risk and insurance management processes, driving and monitoring major functional projects. Bringing together the Group Chief Risk and Insurance Officer, his two deputies as well as Dalkia's Head of Risk and Insurance, it meets every two weeks.

4.2.1.3 Roll-out of new security procedures within the Group

The deterioration in international security and the development of information and communication techniques compound the risks relating to the security of persons, property, securities and IT systems. In order to ensure the best possible proactive management of this issue, a Security Department, whose manager reports directly to the Chairman and Chief Executive Officer, takes charge of the identification, assessment and management of these specific risks. A network of security officers was established in 2013, covering all of the countries where the Group operates, in order to tailor the management of these risks to specific local conditions. The primary roles of this department are to avert security threats potentially affecting the Group and its employees and to manage violations possibly impacting employees, tangible and intangible property, securities and business continuity in France and abroad. It provides advice and assistance to country managers on security-related issues within the framework of current laws and regulations and is also responsible for coordinating the alert and crisis management systems.

The organization of crisis management at Veolia Environnement revolves around three separate but complementary arrangements that come together to deal rapidly and efficiently with any subnormal or critical situation that the Company or its entities may encounter.

The process begins with an alert system that functions 24 hours a day and is deployed across all the Company's locations. This is designed to move information quickly up the line to Veolia Environnement's Executive Management on any critical or delicate situation. The alert arrangements are regularly updated so as to correspond as well as possible to geographical and organizational changes in the Company worldwide. The system then moves into crisis management mode and, if the situation is critical enough, then operational cells can be quickly mobilized bringing together all the necessary functional skills and the departments concerned. Predetermined objective criteria are used to assess the seriousness of the situation. This process is constantly refined on the basis of feedback and post-crisis evaluations on each of the situations that have been managed. Finally, having drawn vital conclusions from the pandemic alert of 2008, Veolia Environnement decided to extend its business continuity plan at the head office essentially to take account of temporary unavailability of staff by drawing up a continuity plan to respond to the deterioration or unavailability of key material resources.

4.2.2 Details on risk management measures

4.2.2.1 Management of risks relating to the business environment in which the Group operates

4.2.2.1.1 Management of market risks

Interest rate and foreign exchange risk management

As a result of its operational and financial activities, the Group is exposed to risks, such as interest rate risk and foreign exchange risk. To avoid having to bear all of these risks, the Company implemented management guidelines relating to these uncertainties, in order to ensure better risk control. The Veolia Environnement Treasury Department is directly responsible for implementing and monitoring these measures. The Treasury Department is responsible for helping subsidiaries and their teams to identify and hedge exposure in different countries around the world. This department relies, in part, on a treasury management system, which allows for the continued monitoring of the principal liquidity indicators and all major financial instruments used at headquarters (interest rate/foreign exchange). The Middle and Back Office teams in the Finance Department control transactions and monitor limits, which ensures the security of transactions processed. Reports are produced daily, weekly and monthly, thus enabling Company's senior management to stay abreast of market trends and their effect on the Group's liquidity (current and forecast), the value of the Group's derivative portfolio and details of hedging transactions and their impact on the proportion of Group debt at fixed and floating rates. The interest rate risk management policy is decided centrally. The Group uses interest rate risk management tools available on the market, including interest rate swaps and options (see Chapter 20, Section 20.1, Notes 28.2.1 and 29.1 below). Foreign exchange risk is linked to the international business of the Group conducted outside the Eurozone, which generates cash flows in numerous currencies. As both income and expenses are usually in the currency of the country where the Group conducts business, the Group's exposure to exchange rate risk from service activities is relatively low. This risk is systematically hedged when it is certain (using currency futures) and on a case-by-case basis when uncertain (using options), generally when tenders are submitted. To manage foreign exchange risk associated with debt and financial receivables in the balance sheet, the Company has implemented a policy aimed at financing its subsidiaries in local currency, consisting of backing foreign currency-denominated financing by asset class (debts and receivables). For more information regarding foreign exchange risk, see Chapter 20, Section 20.1, Notes 28.2.2 and 29.2 below.

Counterparty risk management

The risk of counterparty default is assessed through changes in creditworthiness. As such, the Group distinguishes the counterparty risk relating to its operational activities, which generate receivables on customers, and the counterparty risk relating to investment and hedging activities, which lead to receivables on financial institutions. For more information on the management of risks relating to changes in the creditworthiness of the Group's customers and its financial counterparties, see also Chapter 20, Section 20.1.1, Notes 28.5.1 and 28.5.2 below respectively.

Management of risks relating to fluctuations in the price of energy, commodities and recycled raw materials

Most of the contracts entered into by the Company include clauses aimed at passing on any fluctuations in prices of energy, commodities and recycled raw materials to the Company's revenue sources, particularly by means of indexation formulae. Furthermore, the supply of energy may, in certain countries and for certain energy sources, be the subject of long-term supply contracts. It should be noted that this risk management is non-speculative, which means that the volumes purchased under these contracts correspond to those sold on to customers. For more information on the management of risks inherent in the price of energy and raw materials and, in particular, raw materials hedging instruments, please see Chapter 20, Section 20.1, Notes 29.3 (for hedging) and 28.2.3 (for risk management) to the consolidated financial statements below.

Management of risks arising from the European Union Emissions Trading Scheme (EU ETS) and greenhouse gas emission allowances

Very early on, Veolia Environnement embarked on actively managing its greenhouse gas emissions and allowances, by implementing an appropriate structure and creating a special-purpose legal entity to purchase, sell and price different types of greenhouse gas allowances. In addition, through its subsidiary Dalkia, the Group allocates a significant share of its investment each year to reducing greenhouse gas emissions. In particular, these investments are designed to modernize the Group's plants, which today are mostly either gas-fired (France) or coal-fired (central Europe), by transitioning to facilities using biomass or combining coal and biomass so as to increase energy recovery and reduce consumption. Also, Dalkia makes every effort to negotiate pricing schemes with its customers that enable it to recover its entire production costs, including the purchase at market prices of greenhouse gas emission allowances (see Chapter 20, Section 20.1, Notes 1.24, 28.2.3 and 29.3.2 to the consolidated financial statements below).

4.2.2.1.2 Management of risks relating to the retention of licenses, permits and authorizations and regulatory changes regarding health, the environment, hygiene and safety

The environment and health are at the heart of Veolia Environnement's concerns. Veolia Environnement is committed to providing full professional guarantees regarding the quality of its products and services, as well as compliance with security and environmental standards (especially relating to emissions in the air, water and soil). The risks facing the Group are particularly acute when it takes over installations, given that the Group is not always responsible for the necessary investment and customers have varying levels of awareness of these issues. Given the nature of Veolia Environnement's business, regulatory compliance efforts involving installations and services mainly concern air pollution (smoke from heat generation plants and waste incineration facilities, exhaust fumes from transportation vehicles and legionnaires disease), water quality (relating to wastewater treatment plants, the quality of drinking water and the disposal of wastewater and other effluents), the protection of ground soil and biodiversity, and health and safety support for staff. In order to manage better its environmental risks, the Group has implemented an "Environmental Management System" based on ISO 14001, which aims to constantly improve its environmental performance throughout the world. Monitoring regulatory compliance forms part of the Group's EMS requirements, in particular for high-priority installations and sensitive activities (see definition in Section 6.3 below). Moreover, in application of existing standards and taking account of the recommendations of internal and external experts, Veolia Environnement implements control, maintenance and improvement measures either directly or in collaboration with customers when they assume responsibility for investments relating to the installations. When Veolia Environnement designs new installations, it strives to meet technical specifications that are sometimes more stringent than current prevailing standards. For older installations, Veolia Environnement regularly carries out renovations on its own facilities and strongly recommends to the owners of facilities that they do the same. At European level, the REACH, CLP (Classification, Labeling, Packaging) and Biocides regulations are monitored and applied in accordance with the relevant timelines.

4.2.2.1.3 Management of risks relating to climate change

The risk relating to climate change is offset in certain cases, first by the variable compensation terms included in contracts, and second by the geographical coverage of the Group's businesses.

4.2.2.1.4 Management of country risk

The Group set up a country risk assessment unit within the Risk Department in response to increased uncertainty surrounding the international economic situation and the geographical refocusing of the Company's activities. The role of the country-risk unit is to assess country risk, encompassing all risks associated with a particular geographical region that could affect the conduct of the company's operations and expected results.

To meet this objective, the unit has the following duties:

- *Assessment of country risk:* based on information gathered reflecting the Company's issues (country context indicators and assessments provided by external sources of reference or, in certain cases, gathered directly from managers of the Company), the unit produces comparative maps as well as a country assessment (rating and qualitative information); these analyses incorporate not only indicators relating to geopolitical, legal and economic factors but also societal, social and environmental conditions;
- *Assessment of the Group's exposure to country risk:* using internal indicators (presence indicators and indicators taken fro- Group reporting packages), for comparison with country-risk indicators;
- *Informing management and raising awareness:* this is achieved through the distribution of the various analyses produced by the country risk unit and the provision of information on a dedicated intranet community.

This analysis is supplemented by the constant monitoring and analysis of the international security context by the Group Security Department (see Section 4.2.2.2.6 below).

4.2.2.2 Management of risks relating to the Group's business operations

4.2.2.1.1 Management of risks relating to the strategic transformation plan and the Group savings plan

Management of risks relating to the strategic transformation plan and the Group savings plan

A Group Transformation Department was created in July 2013. It ensures the governance, coordination and execution of the transformation program as well as the management of the savings plan. It organizes a network of officers within each functional department and each country to head up the operational roll out of the transformation projects.

Regular *reporting* of project implementation and on the progress of transformation measures enables the Veolia Environnement Executive Committee to adjust the project portfolio, priorities and resources on a real-time basis.

Management of risks relating to changes in the Group's scope of activities

In recent years the Group has sold a number of non-strategic assets. The transformation plan announced at the end of 2011 concentrated on refocusing the Group's activities and increasing financial flexibility. Debt reduction is a key component of the plan. To safeguard against the risks associated with these divestitures, and in particular the problem of reestablishing shared services, dedicated steering committees have been setup to identify the different issues, establish formal action plans and monitor implementation. Divestiture projects mobilize multi-disciplinary teams (finance, taxation, legal, HR, etc.) to ensure that all aspects of the divestitures are assessed and analyzed. They are also subject to review and approval by the Investment Committees. Since the implementation of the new structure, Regional Investment Committees have replaced Divisional Investment Committees. Three new Committees co-exist and supplement each another: at the Business Unit, Regional and Veolia Environnement levels. In a context of cost control, divestiture and debt reduction, Veolia Environnement ensures it is extremely selective in its strategic growth and investment choices. Whether internal growth or company acquisitions, development projects are subject to a comprehensive review during which all risks are studied and assessed. Financial profitability criteria and minimum return criteria, widely known and used throughout Veolia Environnement, are applied. The expected return is as a matter of course placed in the perspective of the risks assumed. As with disposals, development projects are validated in the above-mentioned Investment Committees. All aspects (strategic, technical, operational, financial, legal and human) of projects are reviewed on the basis of standardized and complete project reports.

Management of liquidity risk

The Financing and Treasury Department is responsible for the operational management of liquidity and financing. Major financing and cash surpluses are centralized in a bid to optimize liquidity and cash. The Group secures financing on international bond markets, international private placement markets and through commercial paper and bank loans (see also Section 4.2.2.1.1 above and Chapter 20, Section 20.1, Notes 28.4 below).

4.2.2.2.2 Management of risks relating to changes in the Company's markets and offerings

With respect to this category of risks, the Group carefully selects the projects it pursues in traditional markets, aims to develop innovative business models, and strategically orients its business towards the industrial market and emerging regions. The Group intends to persevere with the transformation of its cost structure (see Section 4.1.2.1 above) in order to restore its profitability and gain a greater competitive advantage *vis-à-vis* its competitors, all the while keeping costs associated with its reorganization under control. The transformation of the Group's organization and its business will allow Veolia to leverage its full potential in growth markets where its expertise sets it apart from its competitors and to become a preferred partner supporting the growth plans of its industrial and municipal customers.

To give the Group's growth strategy added impetus, the Innovation and Markets Department was created in 2013. Veolia Environnement has thus initiated the transformation of its business by implementing a strategic plan organized around the targeting of growth markets and high added-value service offerings: treatment of difficult pollution problems, solutions to optimize resource consumption, etc. The Group's aim is to be a preferred partner for the growth plans of its customers, by providing cutting-edge solutions to the most complex issues they face and through its dynamic and customer-centric offerings (performance-based payment terms for these solutions, innovative financing, etc.). This strategy, backed by a new sales and marketing approach, has been confirmed through recent Company successes involving energy performance contracts, integrated waste management offerings (collection, processing and recovery), and offerings aimed at optimizing resources in the water and wastewater treatment sectors as well as the improvement of the customer's operating performance.

The new sales and marketing approach is founded on the building of global partnerships and relies on a network of Major Accounts managers, the Group's outcome-based industrialized offerings, and the development of innovative business models, closely coordinated with the differing needs of customers in each geographical area and operating teams in the field. To support these new offerings, the Group continues to invest in Research and Innovation (see also Chapter 11, "Research and innovation, patents and licenses", below), now supervised by this new department. Research programs are geared to address the priority issues faced by customers and seek to enhance offerings based on the specific expertise and added value of the Group's operating teams.

4.2.2.2.3 Management of risks arising from human resources management

Management of the risk relating to employee health and safety

Given the nature of its operations and aware that strong performance in workplace health and safety is synonymous with increased performance for the company, Veolia Environnement has made Prevention, Health and Safety a daily concern in all its activities. The Group's approach to these issues is essentially shaped by the desire to protect the physical and mental well-being of its employees. A linchpin of transformation, Prevention, Health and Safety is the focus of a heightened commitment and continuous efforts. Veolia Environnement's professional risk prevention approach is based on the involvement of all managerial levels as well as a continuous improvement system allowing the Company to keep its commitments, achieve its objectives and implement the ideas appearing in the general policy declaration regarding health and safety in the workplace. In 2013, Veolia Environnement's Executive Management team reiterated the Company's commitments in this area. It is also expected that suppliers will take the required steps to guarantee the health, safety and wellness of their employees. Implementation of Veolia Environnement's Prevention, Health and Safety management system provides for the effective management of health and safety issues across all of the Group's entities. This system is founded on 6 pillars that are presented in detail in Chapter 17, Section 17.1.2 below. In 2012, as part of the strategic transformation plan, the transversal coordination of the Group's Prevention, Health and Safety policy was strengthened, through the Veolia Environnement steering committee which prepares, leads and assesses the performance of operating and forward-looking projects in these areas. Further details are presented in Chapter 17, Section 17.1.3.2 below. In addition, strengthening the involvement of European labor and management partners in the Group's Prevention, Health and Safety policy led to the signing of a "Letter of Commitment" between management and employee representatives. This commitment ensures the consistency of field initiatives in each country in Europe where Veolia Environnement operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health and improved communication with employees on health and safety topics.

Skills management

Given the transformation of the Group, the aging of the working population and the rapid development of technologies and working methods, Veolia Environnement has enhanced its forecasting capabilities with regard to skills management. The signature in France, on February 3, 2011, of the agreement on forward management of jobs and skills (GPEC in French) rounds out the 2004 agreement on the "development of skills and vocational training". Through this new agreement,Veolia Environnement focused its attention on foreseeing changes in its businesses in line with the transformation of the Group, supporting and encouraging career development and offering the right training solutions.

For example, the Human Resources Development and Career Management Department defines and promotes the Group's policies relating to mobility, career management, as well as talent sourcing and management across all of its operations. For further details on the training policy see Chapter 17, Section 17.1.3 below. Finally, this skills management is made operational through the work of the Campus and the various Training centers, which propose a diversified, offering and constantly tailor training sessions to the needs of the Group's businesses. For further details on the training policy see Chapter 17, Section 17.1.3.2 below. The Group's considerable efforts in the area of managerial development (identification and training of senior managers, roll-out of the Manager's Code of Conduct, manager engagement survey), and commitments given with respect to gender mix and internationalization serve to strengthen the loyalty and professionalism of Group managers (see also Chapter 17, Section 17.1.1 below).

Management of risks relating to deterioration of the industrial relations climate

Veolia Environnement attaches great importance to this aspect of its Human Resources policy and has set itself the challenge of making labor-management relations one of the major elements in staff cohesion and the Group's organizational and economic performance. Veolia Environnement's labor-management relations model aims first and foremost to create and maintain a relationship built on trust with its staff and their representatives *via* a policy of fair and coherent compensation, promotion within the Company, training, career and skills management that facilitates job progression and via constant enhancement of its health, safety and accident prevention policies.

The Group has enshrined these commitments in Group-wide agreements signed with all of the trade unions representing its employees: the December 2008 agreement on health, safety and accident prevention, signature of a letter of commitment by Executive Management and the Group's European works council on Prevention, Health and Safety, and the GPEC agreement of March 2011. These agreements are fleshed out and supplemented by over 1,200 local collective bargaining agreements signed at the Group's sites. On a European level, in October 2010 Veolia Environnement also renegotiated, modernized and reinforced the resources and functioning of the European works council and industrial relations in Europe. The Group's European works council worked with Executive Management to initiate exchanges relating to sustainable development and CSR in 2011, which continued in 2013. In February 2010, with a view to improving industrial relations, the Group signed an agreement on the quality and the development of relations with all the trade unions representing staff. Action and training plans are defined with players directly involved in labor-management relations and have been implemented since 2011. In this time of transformation, developing and structuring communication with employees is all the more crucial as it strengthens staff cohesion across the Group and ensures that the Group's employer and social responsibility commitments are upheld in a difficult economic context. Supporting employees during this change underlines the Group's desire to ensure their employability and promote internal mobility (for more details see Chapter 17, Section 17.1.5 below).

4.2.2.2.4 Management of operational risks

Management of health and environmental third-party liability risks in respect of past and present activities

Faced with the systematic risk of being held jointly liable with its customers in the event of serious contamination or accidents, Veolia Environnement strives to satisfy its own obligations while helping to ensure that customers do the same. An analysis of the various industrial accident scenarios must be performed regularly at operating sites (waste treatment centers, landfill sites, incineration facilities, heat generation plants, drinking water production facilities, wastewater treatment plants, bus depots, etc.), enabling adapted prevention plans to be established and a business continuity plan to be developed. Given the nature and potential seriousness of all of the risks mentioned above, the Group has implemented three principal types of actions to help control and manage these risks:

- Firstly, the prevention of accidents that may damage property and as a consequence cause harm to people or the environment necessitates the implementation of procedures aimed at ensuring the compliance of installations and monitoring their operation; this is the aim of the roll-out of the environmental management system which may be accompanied by a certification approach (ISO 14001, sector guidance, etc.);
- Secondly, internal and external audits are conducted regularly to identify and prevent industrial risks (fire, machine breakdown, environmental damage, etc.);
- Thirdly, the Group has purchased insurance covering public liability and liability resulting from unavoidable or accidental pollution and has also taken out material damage policies (see Section 4.2.3 below).

All of these actions are implemented by the Group's operating units in coordination with the Legal, Technology and Performance, Sustainable Development and Insurance Departments. The activities also benefit from the support of the Research and Innovation Department, alongside the Legal Departments and Veolia Environnement's office in Brussels which monitors changes in regulation. In its Environmental Services, Water, and Energy Services activities, when the company provides services at a "Seveso" facility or its foreign equivalent, it actively participates in the implementation of health and safety measures at these sites. The application of more stringent regulatory standards for these sites requires Group employees to undergo specialized training, participate in health and safety committee meetings at industrial customers' sites and comply with the Major Accident Prevention Policies (MAPP) implemented by its customers. Seveso facilities are also subject to specific internal control measures that seek to prevent accidents and protect employees, the public and the environment. In addition to policies for the prevention of major accidents, there are also disaster recovery and operational plans that apply to these facilities, as well as crisis intervention measures coordinated with public authorities in the event of an accident. Based on its desire to apply safety protection rules and in anticipation of regulatory changes under consideration, the Company has decided to apply all or part of the Seveso regime at certain sites.

Management of emerging health and environmental risks

Believing that mere compliance with regulatory requirements is not sufficient to ensure adequate control of health and environmental risks, Veolia Environnement has also voluntarily implemented a number of measures based on strict prevention and control procedures as part of a global approach, particularly with respect to its multi-service contracts (for example, hazard studies, evaluation of impacts and checkpoint controls and inspections). The Group also actively monitors research on subjects like nanomaterials and nanotechnologies, emerging biological parameters, household toxicity, environmental consequences of climate change, etc. It develops research projects, alone or in partnership with research centers or French or foreign specialized bodies, on certain subjects that are deemed to be priorities.

4.2.2.2.5 Management of legal, contractual and commercial risks

Veolia Environnement places great importance on the management of legal risks given the nature of its business, environmental services, and an area subject to increasingly complex regulation. The Legal Departments of Veolia Environnement and each division help to ensure, on a daily basis, the adequate management of Veolia Environnement's legal risks. This is performed in liaison with operating teams in the field and in compliance with the Group's overall risk management process. The specific nature of Veolia Environnement's activities (management of local public services, multitude of geographical locations, representatives and counterparties) has led the Company to adopt legal compliance rules to guide its employees in their activities and in the preparation of legal documents and to ensure compliance with such rules. In particular, these rules cover the Group's legal structure and notably the delegation of powers and monitoring thereof, and the selection of corporate officers. They also cover the reporting of major litigation (litigation and dispute reporting procedure) and large operating contracts, antitrust law, ethics, standard contractual clauses, sponsorship and patronage and commercial intermediaries. They are accompanied in certain instances by training programs. The Legal Department set up (i) an "Ethics and Business Life" training program for 400 senior managers around the world in 2004–2005; (ii) a "Compliance with Antitrust Law" training program in France and abroad for several thousand managers, in operation since 2008; and (iii) at the end of 2009, an "Anticipating and Understanding Criminal Law Risk and Corruption Risk" program in France and abroad having delivered this training to around1,600 people to date. In January 2009, it published a "Guide to Compliance with Antitrust Law" and, in September 2010, a "Guide to Managing Business Criminal Law Risk". As a company with shares listed on the Paris and New York Stock Exchanges, Veolia Environnement is required to comply with rules concerning:

- Periodic and permanent market reporting: a Disclosure Committee supervises and controls the collection and communication of information regarding the Company's French "document de référence" and US Form 20-F (see Section 4.3.6 below);
- Corporate governance: notably regarding the composition and activities of the Board of Directors and its committees, relations between these entities and management, the provision of information to shareholders and the proper application of regulations and codes applicable to listed companies (see Chapter 16 below);
- Insider trading: to help prevent insider trading, Veolia Environnement has adopted a code of conduct governing trading in the Company's shares. Pursuant to this code, the Group's senior managers are deemed to be "permanent insiders" and trading by any of them in the Company's shares is prohibited, except during strictly defined periods and provided that they do not hold material inside information during such periods. These measures also cover so-called "occasional" insiders. The Company revised its code of conduct in 2006 to take into account new regulatory requirements applicable to issuers and their executives (including compilation of a list of named "insiders" and reporting trades in the Company's shares executed by certain members of management) and completed additional updates in 2007 and 2008.

4.2.2.2.6 Management of risks relating to the security of persons, tangible and intangible property, securities and information systems

Due to the nature of its businesses and the scope and diversity of its sites, Veolia Environnement pays close attention to all security issues that could threaten or adversely affect its employees, organizations or activities.

International security: travel authorization procedure and protection plans

In order to foresee and safeguard against international security risks, the Security Department constantly monitors and analyses the international security context in each of the countries where the Group operates. A risk mapping is prepared each month, which is distributed throughout the Group. A travel authorization procedure has also been implemented for high-risk countries. This procedure involves the case-by-case examination by the Security Department of all travel requests to those countries considered as presenting the highest level of risk. Each travel authorization is accompanied by specific security guidelines tailored to the risks associated with the country or countries in question and the traveler's profile.

In 2013, more than 1,600 such requests were submitted for examination by the Security Department. In the event of an unusual downturn in the situation, protection plans are formally documented for the most sensitive countries. In each of these countries, a Security Officer is identified. This individual serves as the Security Department's local representative and is the preferred point of contact for the country's diplomatic authorities. In order to deliver specific training to employees and inform them about security risks as well as the prevention and protection rules to be observed in high-risk countries, the Group developed an e-learning module in 2013, which is mandatory for any employees due to travel to these countries. Face-to-face training sessions are also organized.

Finally, the Security Department assists the Veolia Environnement Foundation in training employees volunteering for emergency missions.

Information system security

Veolia Environnement establishes an Information Systems Security Policy (ISSP), representing a minimum common basis applied by the various businesses and the functional networks of the Group. This ISSP encompasses:

- Terms and conditions of use (information system user charter);
- Infrastructure security (local and wide area networks, workstations, etc.);
- Security of application systems through compliance with prevailing standards and best practices (SOX, ISO 27002, ITIL, etc.).

This policy is periodically reviewed to ensure its consistency with trade practices and potential risks. A major review launched in 2012 resulted in the release of a new version in 2013.

4.2.3 Insurance

4.2.3.1 Policy relating to insurance

Veolia Environnement's policy relating to insurance involves (i) defining the global insurance coverage policy for the Group's activities particularly based on the expression of the needs of business units; (ii) selecting and entering into contracts with outside service providers (brokers, insurers, loss adjusters, etc.); (iii) establishing specialized consolidated business units in insurance or reinsurance services; and (iv) leading and coordinating the network of insurance managers of the main business units.

Main Group insurance policies third-party liability

The general third-party liability and environmental damage program was renegotiated on July 1, 2011, for the whole world (excluding the United States and Canada) for a period of three years. Initial coverage of up to €100 million per claim was subscribed. In the United States and Canada, several contracts cover third-party liability and environmental damage for Group subsidiaries, up to a maximum of US$50 million per claim and per year. For all Group subsidiaries worldwide, an insurance program provides excess coverage of up to €400 million per claim, in addition to the basic coverage of €100 million outside the United States and Canada, and of €450 million per claim in excess coverage over and above the basic coverage of US$50 million in the United States and Canada. This program encompasses liability resulting from environmental damage sustained by third parties as a result of a sudden and accidental event. Third-party liability coverage for terrorist acts is included in the general liability program set-up for three years on July 1, 2011, with coverage of up to €200 million per claim and per year, excluding the United States and Canada. Coverage for the United States and Canada is €150 million per claim and per year, in addition to coverage of US$50 million. Certain activities, such as maritime transport, automobile and construction, have their own specific insurance policies.

4.2.3.2 Property damage and business interruption

All Veolia Environnement subsidiaries are covered by property damage insurance policies, insuring the installations they own as well as those they operate on behalf of customers. The Group insurance program provides either "business interruption" coverage or "additional operating cost" coverage depending on each subsidiary's ability to use internal or external solutions to ensure service continuity. These policies contain standard insurance market terms. The Group's property insurance policy was renewed on January 1, 2013 for a period of three years. The level of premiums, deductibles and sub-limits for exceptional socio-political or natural events reflects the terms proposed, or sometimes required, by insurers in the markets in which the risk is underwritten. Group insurance coverage carries a limit per event of €350 million per claim. Some of this coverage includes additional sub-limits per claim or per year. On January 1, 2013, the Group also took out a new Construction-Comprehensive Assembly and Test insurance policy covering all worksite operations, throughout the world, and all subsidiaries.

4.2.3.3 Self-insurance and retained risks

For any insured claim or loss, Veolia Environnement remains liable for the deductible amount set out in the policy. This amount may range from several thousand euros to more than one million euros. The Group's self-insurance system is entirely based on its reinsurance subsidiary, Veolia Environnement Services-Ré, which retains a self-insured risk of €1.5 million per claim for the coverage of third-party liability risk and €2 million per claim for the coverage of property damage risks and resulting financial losses in the Water and Transportation businesses and €5 million per claim for the coverage of property damage risks and resulting financial losses in the Energy Services and Environmental Services businesses, thereby limiting the accumulation risk. For both property damage and third-party liability, Veolia Environnement Services-Ré has set up reinsurance contracts to limit its exposure to frequency risk (stop loss-type contracts). The insurance policy described above is constantly adapted in response to the ongoing appraisal of risks, market conditions and available insurance capacity. Veolia Environnement ensures that the main accidental and operating risks brought to its attention are covered by the insurance markets, when insurance is available on the market and it is economically feasible to do so.

4.3 Audit and internal control

4.3.1 Definition and objectives of internal control

The purposes of the internal control procedures in force within the Group are:

- To ensure that management acts fall within the framework defined by applicable laws and regulations, the corporate bodies and the values, standards and rules of the Company as well as the strategy and objectives defined by Veolia Environnement's Executive Management;
- To ensure that the accounting, financial and management information communicated to the Company's corporate bodies honestly reflects the activity and position of the Company and the Group.

The main objective of the internal control system is to prevent and manage the risks arising from the company's businesses and particularly the risks of errors or fraud in accounting and finance. Like any control system, however, no absolute guarantee can be provided that these risks are completely eliminated.

The scope of accounting and financial internal control includes the parent company and the companies consolidated in the Group's consolidated financial statements.

4.3.2 Organization and procedures relating to the development and processing of financing and accounting information

Organization

Until July 8, 2013, the Group was organized by divisions. On that date, a new organization was introduced in order to transition from an integrated structure to a structure by country. Accordingly, the Group's activities in each country where it operates are now brought together in a single business unit, with all business units across the Group applying the same organizational model.The principles behind this reorganization were described in a memorandum issued on July 23, 2013 by the Finance Department.

The Internal Control Department,which reports to the Department of Transformation and Finance Organization within the Group's Finance Department, is responsible for coordinating the work of functional departments in identifying, standardizing and improving the reliability of key processes used to produce the Group's financial information.

The Internal Control Department manages a network of internal control officers present in the business units. Its duties involve the definition and implementation of a framework for the control of transactions and operations in application of the risk management policy and on the basis of a guide to procedures widely disseminated and discussed throughout the Group.

Internal control relies initially on the effective management of all of the Group's business processes, including non-finance related processes (commercial, technical, human resources, legal and economic). The Internal Audit Department then conducts a rigorous appraisal of the application of the Group's rules.

All aspects of internal control, and especially financial and operational aspects, are essential to Veolia Environnement. The Group's ongoing objective is to maintain the right balance between the decentralization that is necessary for its service activities, the highest level of operational and financial control, and the dissemination of expertise and best practices. Accordingly, the integrated management system being rolled out is founded on Group management rules and internal control rules.

Within the **Corporate Finance Department**, the Financial Control Department is responsible for preparing the consolidated financial statements and financial documentation of the Group as well as defining and implementing the accounting principles. It coordinates the analytical reviews of the interim and annual closings. The following departments also provide support for the Financial Department when preparing the financial statements:

- the Management Control Department, created on July 23, 2013 as part of the transformation of head office functions, responsible for the budget procedure and its monitoring as well as the review of operations. It is also responsible for the definition and implementation of the Group's methods and management systems;
- the Business Development Department, which coordinates the financial aspects of work under the strategic plan in liaison with the Innovation and Markets Department;
- the Regional Financial Supervision Department, created on July 23, 2013 as part of the transformation of head office functions, serving as liaison between regional managers, the Corporate Finance Department and the Chief Financial Officers for each country (corresponding to business units).

The Internal Audit Department performs assignments in the entire Group, according to a charter and an annual program. The Internal Audit Department has a staff of 28 persons. The Audit Director reports to the Chairman and Chief Executive Officer of the Group. He attends meetings of the Audit and Accounts Committee and periodically presents to it an activity report summarizing procedures performed, the follow-up of recommendations as well as the annual audit program.

The objective of the Veolia Environnement Internal Audit Department is to appraise risk management, control and corporate governance processes and to contribute to their improvement through a systematic and methodical approach. This appraisal covers all aspects of internal control and in particular the accuracy and integrity of financial information, the effectiveness and efficiency of operations, the protection of assets and compliance with laws, regulations and contracts.

The Internal Audit Department operates based on two main mechanisms:

- The implementation of an annual audit program approved by the Company's Audit and Accounts Committee;
- A detailed and formal appraisal of internal controls prior to issuing the internal control report published each year, since fiscal year 2006, in accordance with the provisions of the 2002 Sarbanes-Oxley Act.

In 2006, the Group Internal Audit Department was certified by the French Audit and Internal Control Institute (IFACI). This certification, confirmed annually since then, relates to professional standards and benchmarks and attests to the Internal Audit Department's ability to fulfill its role.

Procedures

The financial statements come from the financial reporting system.

In addition to the Group procedures manual, broken down by process and accessible in French and English on the intranet and prior to each accounts closing, an instruction memorandum is sent by the Financial Control Department. It identifies all of the information necessary for preparing published financial documentation. It recalls the new accounting regulations and texts and details their application procedures. This note is sent to the business units and the regional managers.

Upon receipt of the financial statements, review meetings are organized between the Group Finance Department and the Finance Departments within the business units. Their purpose is to verify that the financial statements were prepared according to the rules, to understand changes in the main aggregates and indicators in relation to the previous accounting year and budget forecasts as well as to analyze the substantiation of the main balance sheet components. A consolidated reporting package is presented to the Executive Committee each month (with the exception of January, July and October 2013).

The Statutory Auditors also have access to the analysis performed by the Group Finance Department by participating in review meetings at Group and operations level.

Regulatory context

Over recent years, several laws have increased the reporting and internal control requirements of companies.

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, as amended by the Laws of July 3, 2008 and January 27, 2011, Veolia Environnement must report to shareholders in a report prepared by the Chairman of the Board of Directors and approved by the Board, on the make-up of the Board of Directors and the application of the principle of male/female parity, as well as the preparation and organization of its activities and the internal control and risk management procedures implemented by the Company. The report must provide detailed information relating to the procedures for the preparation and processing of accounting and financial information as well as the principles and rules adopted by the Board of Directors to determine the remuneration and benefits in kind granted to corporate officers and any limits placed by the Board of Directors the powers of the Chief Executive Officer. Since the Law of July 3, 2008, whenever a company voluntarily refers to a corporate governance code drafted by an outside association that represents corporations, the report must also indicate the provisions of such code which were not adopted and the reasons for such rejection. Finally, it must detail any specific procedures governing the participation of shareholders in Shareholders' Meetings.

The Report of the Chairman of the Board of Directors in application of Article L. 225-37 of the French Commercial Code, which will be presented to the Shareholders' Meeting of April 24, 2014, as well as the Report of the Statutory Auditors in application of Article L. 225-235 of the French Commercial Code, are annexed to this Registration Document.

In addition, as a company listed on the New York Stock Exchange (NYSE), Veolia Environnement is subject to the requirements of the US Sarbanes-Oxley Act of 2002 and in particular Article 404 on the adequacy of internal control over financial reporting. Since 2006 this law requires the Chief Executive Officer and the Chief Financial Officer of all US listed companies every year to attest to the existence of internal financial control procedures and give reasonable assurance as to the reliability of the process of preparing the financial statements.

As a French company listed in the United States, Veolia Environnement must comply with both the provisions of the French Commercial Code (Article L. 225-37) and those of the Sarbanes-Oxley Act.

In this context, Veolia Environnement launched a process in 2005, which enabled the Company to certify the efficiency of internal controls at Group level as of December 31, 2006. This assessment process has been repeated each year since then and is based primarily on the roll-out, for a scope representing approximately 70% of Group indicators, of an electronic application composed of self-assessment questionnaires and tests, which allow for the traceability of controls performed to be documented. This self-assessment is supplemented by controls performed by internal and external auditors.

This task, managed by the Internal Audit Department, has been implemented since July 2013 in concert with the operations or business units concerned and in close collaboration with the Statutory Auditors, under the supervision of the Audit and Accounts Committee of Veolia Environnement.

For this analysis, the following criteria are used: potential impact on internal financial control and level of dissemination (percentage of entities indicating a risk and verification of the materiality of the entities concerned where appropriate).

Legal requirements aside, this project resulted in key changes, in particular the appropriation of a stringent appraisal process appropriate for the Group's decentralized culture and organization, and a positive momentum strengthening not only rules but also the collective awareness of these issues.

4.3.3 Control duties of functional departments

The Group's new organization introduced on July 8, 2013 (see 4.3.2 above) also involved the combination of the head office functional departments with those of the Water and Environmental Services businesses.

The Group tax unit contributes to the definition of consistent procedures for the management of taxes within the Group. Organized by region, each including several countries, this unit is responsible for the application of tax procedures by a network of officers located in all the countries where the Group operates. The Group's Tax unit is closely associated with the closing process for the calculation of the tax expense.

The Financing and cash unit helps define management rules and procedures for the implementation of financing, the management of cash surpluses and the management of interest and foreign exchange rates within the Group. Organized by region, each including several countries, it is responsible for the application of these rules in all the Group's business units.

The Standards and Balance Sheet Valuation unit, which reports to the Financial Control Department, is responsible for defining Group accounting policies in compliance with IFRS and ensuring their correct application within the Group, both for standard transactions and transactions impacting the Company's assets. This unit is also responsible for monitoring, controlling, and valuing employee commitments and Group market transactions (middle-office and control of related financial risks).

The Development Department supervises mergers and acquisitions and controls investments and major projects.

The Department of Transformation and Organization is responsible, in application of the transformation plan, for implementing the reorganization of the finance function at the various levels of the Company and for providing assistance to the business units in setting up their procedures for internal control and the monitoring of financial performance.

The Group's control structures, previously organized by division, are now realigned by business unit.Several Group procedures have been reviewed and are now organized by country. An example is the investment selection procedure.

In each subsidiary, specific procedures can be put in place, particularly with respect to the activity or the composition of the share ownership of the Company.

4.3.4 Evaluation of internal control over financial reporting (Section 404 Sarbanes-Oxley Act)

Pursuant to US law and for the 2012 Annual Report (Form 20-F) filed in 2013 with the US Securities and Exchange Commission (SEC), the Company's Executive Management prepared an internal control assessment report concluding with reasonable assurance as to the reliability of the financial reporting and the preparation of financial statements according to IFRS. This assessment also resulted in a positive opinion from the statutory auditors. Each fiscal year, the Company implements action plans dealing with specific identified weaknesses.

The steering and coordination of internal control at Group level is performed by general management and the functional departments involved. The Risk Committee and the Disclosure Committee formed by general management also contribute to this.

In addition, at the end of 2011, Executive Management and the Finance Department decided to launch an action plan aimed at strengthening the effectiveness of operational control. A "process and control" function was made mandatory within the business units. A code of conduct for financial professionals was defined: this code particularly provides for all financial managers and Systems and Business Processes managers to report to both functional and hierarchical management and formally recalls the responsibility and autonomy of financial managers in the effective performance of their operation control function.

The deployment of this system accompanied by training to raise the awareness of financial and operational managers of the risk of fraud was finalized in 2012.

Finally, the Executive Committee decided to reinforce the Group's alert system by extending its application to all major countries and by ensuring its proper dissemination in all of the subsidiaries.

4.3.5 Reporting on fraud

Under a continuous improvement approach, reporting on fraud has been implemented since 2006. As part of this, the financial and operational managers of the Group's subsidiaries must inform the Audit Director and the Chief Financial Officer of any fraud that comes to their knowledge that would have direct or indirect accounting consequences. Two major categories of fraud must be reported: (i) misappropriation of assets, particularly tangible or financial, cash or revenue from the company to an employee or persons with a close relationship with an employee; this category relates to risks described as "transactional" in the internal control classification and (ii) the incorrect presentation of the company's consolidated financial statements; this category relates to "reporting risks" in the internal control classification.

The Audit and Accounts Committee is informed once annually, and more frequently if necessary, of any such identified fraud. The lessons learned from this information are incorporated into the definition of plans and the content of audit assignments.

4.3.6 Disclosure Committee

The Disclosure Committee was created by the Chairman of the Board of Directors and the Company's Chief Financial Officer on December 11, 2002. The meetings of the committee are chaired by the Chief Executive Officer.

In addition to the Chairman and Chief Executive Officer, the Disclosure Committee is composed of the members of the Company's Executive Committee, the Chief Financial Officers of the Energy and Transdev businesses, as well as the Group's main functional or operational managers.

According to its internal regulations, the main duties of the Disclosure Committee are to oversee the implementation of internal procedures for gathering and verifying information to be made public by the Company, to define the procedures for preparing and drafting reports and communications, to review information communicated and to approve the final version of draft reports and communications, in particular the Registration Document and the Form 20-F, that are to be filed with the French and U.S. stock exchange authorities, as well as the manner in which they are published, filed or registered.

The Disclosure Committee meets as often as is necessary to perform its duties and, in any event, at least twice a year. It meets first before the end of each year to organize and initiate the process of drafting the Registration Document and the Form 20-F for the year under review, and it meets again before the Form 20-F is filed with the US Securities and Exchange Commission (SEC) in order to approve the content of this report. If necessary, the committee may meet before the announcement of any significant events.

The Disclosure Committee met twice in 2013. At its meeting of April 11, it reviewed, among other things, the procedures for preparing and approving the Form 20-F before it was filed with the SEC on April 12, 2013, as well as the certificates required to be provided by the Chief Executive Officer and the Chief Financial Officer in accordance with US stock exchange regulations. At its meeting of November 19, 2013, the Disclosure Committee mainly reviewed recent regulatory developments that could have an impact on the communication and publication of information intended for the market, in particular through the Registration Document and Form 20-F, and initiated the process of gathering information and drafting the annual reports for the 2013 fiscal year.

4.3.7 Internal information and communication

The procedures developed by Veolia Environnement are disseminated on the Group intranet.

The CEOs and CFOs of the business units and Dalkia submit representation letters to Veolia Environnement's Executive Management attesting particularly to the accuracy of the financial and accounting information communicated to the Company and to their compliance with prevailing laws and regulations. In order to ensure consistency with the reporting of financial information for 2013 by business, internal "affirmation" letters attesting in particular to the accuracy of financial and accounting information reported to the Company and compliance with laws and regulations in force are also signed by the CFOs of the Water and Environmental Services businesses and by the Group's Financial Control Director and are submitted to the Group's Executive Management.

As specified in the first part of this report, the Audit and Accounts Committee of the Board of Directors works with the Statutory Auditors to examine the relevance and permanence of the accounting methods adopted for the preparation of the parent company and consolidated financial statements. It is regularly advised on the internal control system relating to financial and accounting information, the main procedures and measures implemented within this framework at Group level, as well as the content and implementation of the internal audit plan.

4.4 Ethics and compliance

Present in 48 countries around the world, Veolia Environnement is particularly attentive to compliance with values and rules of conduct relating to human and social rights set forth in international laws and treaties.

These values and rules of conduct must take into account the Group's cultural diversity and are also in keeping with its commitment to the protection of the environment. In addition, the Company makes every effort to promote these values and rules of conduct among all of its stakeholders.

4.4.1 Guide to Ethics

In February 2003, the Company implemented the "Ethics, Commitment and Responsibility" program, which was updated in 2004, 2008 and 2011. Further updated in 2013, it is now known as the "Guide to Ethics" program. The document produced under this program serves as a point of reference for all Company staff.

The Guide to Ethics is available on the Company's website and its intranet, lays out the Company's values, rules of conduct and actions, such as compliance with laws and regulations in the various countries where the Group operates, its commitments to social responsibility, solidarity and social equity, innovation, its customer focus, control of risks, the quality of information and corporate governance as well as its commitment to sustainable development.

In January 2014, a new communications campaign emphasizing the importance of the Guide to Ethics was launched, accompanied by its dissemination throughout the Group.

Since 2010, Veolia Environnement's Executive Management has entrusted the implementation and control of its ethics policy to the Group's Company Secretary, who chairs a steering committee for the Group's actions in the area of ethics. In addition, the Group's country managers serve as ethics officers for the countries under their supervision.

For several years, the Group has also implemented a number of internal procedures and measures, including the following:

- a Guide to Compliance with Antitrust Law, available in several languages;
- a Guide to Managing Criminal Law Risks Faced by Companies, available in several languages;
- a Purchasing Charter and a Purchasing Code of Conduct;
- an internal Group procedure for contracts with business intermediaries;
- a procedure for sponsorship and patronage actions;
- a procedure for fraud reporting;
- an internal procedure for the prevention and management of conflicts of interest.

The Company's approach involves training actions and campaigns to raise awareness among employees.

In 2004 and 2005, for example, the Company launched an awareness campaign under the title "Ethics and Business Life", which was rolled out to 400 senior managers in France and abroad.

In 2008 and 2009, Veolia Environnement continued these actions by carrying out a "Compliance with Antitrust Law" training program, in France and abroad, targeting more than 3,700 Group managers. Between 2010 and 2012, this program was repeated in several countries. In 2013, an e-learning version of this program, consisting of four modules, was introduced, aimed at 6,000 Group employees around the world.

In late 2009, the Company also designed a training program entitled “Anticipating and Understanding Criminal Law Risk and Corruption Risk”. This program has been rolled out within the Group to more than 2,700 individuals (including 850 managers in France) and has continued to be rolled out internationally since 2011 (Europe, Brazil, UAE, China, etc.).

In 2012, nearly 500 managers worldwide received training in strengthening fraud prevention and control.

4.4.2 Ethics Committee

In March 2004, an Ethics Committee was established by the Executive Committee to examine any issues or questions relating to ethics. This committee includes three to five members chosen by the Company’s Executive Committee. The Committee elects a chairperson from among its members, who does not hold any special rights other than a deciding vote in the event of a tie. Members of the Committee can be employees, former employees or people from outside the Company, chosen from among candidates with good knowledge of the Group’s businesses and a career situation guaranteeing independence of judgment and hindsight. The Committee’s decisions are made by a majority vote. Its members are subject to a strict obligation of independence and confidentiality and are not authorized to announce their personal position externally. In order to guarantee their freedom of judgment, they may not receive any instructions from Company’s Executive Management and cannot be removed during their term of office (four years, renewable).

The role of the Ethics Committee is to present recommendations regarding Veolia Environnement’s fundamental values. It also ensures that everyone has access to the Guide to Ethics. Any employee may refer any matter that concerns professional ethics to the Ethics Committee, which may also deal with such matters on its own initiative. "Ethics visits" can be performed at the Group’s operations. The goal of this approach is particularly to assess, through individual interviews with a sample of employees as representative as possible of the visited operation, the degree of ethical maturity of the employees, their knowledge of the Group’s values, ethical problems that they may encounter and the training that they receive from their hierarchy or give to their employees on the subject.

The Ethics Committee is also the last resort for alerts (“whistleblowing” actions) that cannot be expressed to operating management about breaches of rules of conduct, and particularly those detailed in the Group’s Guide to Ethics. The committee is vested with all the necessary authority to carry out this mission; it can thus hear from any employee of the Group, the Statutory Auditors and any third party. It can also request assistance from the Internal Audit Department or any other Company department or use the services of outside experts.

In 2013, the Committee reported on its work during the previous year, as it does annually, to the Audit and Accounts Committee and the Executive Committee.

5

Information relating to the issuer RFA

5.1 History and development of the Company

5.1.1 History of the Company

The Company traces its roots back to the creation of Compagnie Générale des Eaux by Imperial Decree on December 14, 1853. During the same year, Compagnie Générale des Eaux won its first public service concession for the distribution of water in the city of Lyon, France. The Company developed its municipal water distribution activities in France by obtaining concessions in Nantes (1854), Nice (1864), a 50-year concession for Paris (1860) and its suburbs (1869).

In 1980, Compagnie Générale des Eaux reorganized its water activities by bringing together all of its design, engineering and operating activities relating to drinking water and wastewater treatment facilities within its subsidiary Omnium de Traitement et de Valorisation (OTV). At the same time, Compagnie Générale des Eaux expanded its business during the 1980s with the acquisition of Compagnie Générale d'Entreprises Automobiles (CGEA), (which would become CONNEX and ONYX, and later Veolia Transport and Veolia Propreté) and Compagnie Générale de Chauffe and Esys-Montenay (which would merge to become Dalkia). It also began significant international expansion.

In 1998, Compagnie Générale des Eaux changed its name to "Vivendi" and renamed its main water subsidiary "Compagnie Générale des Eaux".

In April 1999, in order to better distinguish the separate existence of its two main businesses, communications and environmental services, Vivendi created "Vivendi Environnement" to conduct all of its environmental management activities, which were then conducted under the names Vivendi Water (water), ONYX (environmental services), Dalkia (energy services) and CONNEX (transportation).

On July 20, 2000, Vivendi Environnement shares were listed on the Premier Marché of Euronext Paris, which became the Eurolist of Euronext Paris on February 21, 2005 and has been NYSE Euronext Paris since January 1, 2008.

In August 2001, Vivendi Environnement shares were included in the CAC 40, the main equity index published by Euronext, and in October 2001 were listed in the form of American Depositary Receipts (ADR) on the New York Stock Exchange.

From 2002 to 2004, Vivendi Universal, progressively decreased its stake in the Company through successive disposals and dilution and, by December 2004, held only 5.3% of the Company's shares. Since July 6, 2006, Vivendi has not held any shares in Veolia Environnement (see Chapter 18, Section 18.2 below).

In April 2003, the Company changed its name to Veolia Environnement.

Between 2002 and 2004, Veolia Environnement undertook a major restructuring in order to refocus on its core environmental services activities. This process was completed with the sale of various US subsidiaries in the Water business and of Veolia Environnement's indirect interest in Fomento de Construcciones y Contratas (FCC), a Spanish company whose activities include construction and cement activities.

In November 2005, Veolia Environnement rolled out a new brand policy aimed at increasing consistency between the Group's Divisions at that time, the visibility of the Company, and strengthening the identity and common culture of Veolia Environnement around its service values. The Water, Environmental Services and Transportation businesses are now united under a single brand, "Veolia", combined with a name describing their business. The Company's Energy Services business primarily operates under the brand "Dalkia" (see Chapter 6, Section 6.2.5 below).

On May 4, 2010, the Caisse des Dépôts et Consignations and Veolia Environnement concluded their agreement on the Transdev-Veolia Transport combination by the creation of a 50/50 joint venture combining Transdev and Veolia Transport.

As part of this transaction, Veolia Transport and Transdev were transferred by their shareholders to the newly created joint venture, Veolia Transdev. Prior to completing the transaction, Caisse des Dépôts et Consignations subscribed to a €200 million capital increase by Transdev.

Following completion of the combination, Veolia Environnement became the industrial operator of the new entity and Caisse des Dépôts et Consignations a long-term strategic partner.

On March 3, 2011, the transaction was effectively completed:

- following authorization of the combination by the relevant antitrust authorities and approval by the French Ministry of the Economy of the privatization of Transdev;

- following the final amendments to the shareholders' agreement in order to simplify measures regarding the governance of the new entity.

On December 6, 2011 in Paris, during the Investors' Day, the Group presented its strategic plan and midterm outlook founded on the refocusing of its activities and business portfolio and encompassing €6 billion in asset disposals over the next two years, the concentration of activities on the three main business lines (Water, Environmental Services and Energy Services) and the sale of regulated Water activities in the United Kingdom and solid waste activities in the United States. These activities were divested on June 28, 2012 and November 20, 2012, respectively.

On March 30, 2012, Veolia Environnement and Caisse des dépôts et consignations signed an agreement for negotiation that envisions the transfer of Veolia Transdev's 66% shareholding in SNCM to Veolia Environnement. In addition, on October 22, 2012, they entered into an agreement under which they undertook to negotiate the terms of a capital increase by capitalization of existing shareholders loans following which Caisse des Dépôts et Consignations would hold 60% of Veolia Transdev share capital and assume exclusive control and Veolia Environnement would retain a 40% stake. Veolia Environnement's stake would then be reduced to 20% in the two years following the completion of this transaction, under conditions negotiated in good faith.

Operations envisaged by the agreements in March and October 2012 were impossible to realize before the expiration date of these last ones: therefore VE, Caisse des Dépôts et Consignations and Transdev have signed on July 9, 2013 a new agreement extending till October 31 2013 the end date to realize these operations. Sale of SNCM to VE could not be done before October 31, 2013 and these agreements have been superseded. Nevertheless discussions continued and on December 16, 2013 an agreement was signed to continue respective loans and realize an increase in capital.

5.1.2 General information regarding the Company

Corporate Name and Registered Office

Since April 30, 2003, the name of the Company is Veolia Environnement. The Company's abbreviated name is VE.

The Company's registered office is located at 36/38, avenue Kléber, 75116 Paris.

The telephone number is (33) 1 71 75 00 00.

Legal Form and Applicable Law

Veolia Environnement is a French *société anonyme à conseil d'administration* (limited liability company with a Board of Directors) subject to the provisions of Book II of the French Commercial Code.

Date of Incorporation and Term

The Company was incorporated on November 24, 1995, for a term of 99 years beginning on the date of its registration in the Trade and Companies Registry, i.e. for a term lasting until December 18, 2094.

Trade and Companies Registry

The Company is registered in the Paris Trade and Companies Register under number 403 210 032. The Company's APE business code is 7010 Z.

5.2 Investments

Total Group industrial investments, financial investments (enterprise value), new operating financial assets and transactions with non-controlling interests (partial purchases where there is no change in control) amounted to €1,738 million in 2013, compared with represented €2,653 million in 2012 and represented €1,942 million in 2011.

In response to the economic climate, the Group adopted a selective investment policy in 2013, without jeopardizing industrial investments that are contractually required or necessary to maintain industrial equipment.

A detailed description of investments made in 2013, as well as their financing, is set forth in Chapter 9, Section 9.1.2 (General context) and Section 9.3.3 (Net investment flows) and Chapter 20, Section 20.1, Note 5 (Concession intangible assets), Note 7 (Property, plant and equipment), Note 11 (Non-current and current operating financial assets) and Note 39 (Reporting by operating segment) to the consolidated financial statements.

Veolia Environnement's investment strategy seeks to defend the Group's strong positions in geographic areas with solvable environmental demands and to develop the Group's positions in high-growth markets, particularly with industrial clients. Besides these qualitative attributes, the quantitative profitability of the Group's investment choices (primarily internal profitability rate, time-weighted return on investment, return on capital employed) is taken into consideration.

Veolia Environnement makes certain growth investments (financial and industrial investments) in order to capture new markets, win new contracts, increase capacity, or extend its services. Some investments in particular may be made over several years, primarily in certain types of concession arrangements. Veolia Environnement also makes financial investments in companies carrying contracts, particularly as part of privatizations and targeted acquisitions. All of these investments are carefully reviewed by the Commitment Committee in order to ensure they comply with the Group's standards of profitability, financial structure and risk.

The Group also carries out maintenance-related industrial investments consisting in the renovation and/or maintenance of existing infrastructure so as to extend its lifespan or improve efficiency.

In both cases, industrial investments are spread over a large number of entities and are subject to budget authorizations.

Major external growth investment projects over the last three years were as follows:

- In 2013, the acquisition of the 50% stake held by Fomento de Construcciones y Contratas (FCC) in Proactiva Medio Ambiente. The amount of this transaction was €150 million for the proportionate share of equity interest acquired (€238 million in enterprise value at 50%) and means that the Group now holds 100% of the share capital of Proactiva;
- In 2012: acquisition of a 49% stake in Azaliya for an enterprise value of €458 million, in the Water business.

Finally, the Group is often subject to numerous types of price adjustment clauses as part of its divestitures and acquisitions activities. As of the date of this Registration Document, none of these price adjustment clauses are likely to have a material impact at Group level.

As of the date of the filing of this Registration Document, no material external growth transactions are planned, apart from the transaction with EDF involving Dalkia. Based on current discussions, EDF would be taking over all of Dalkia's activities in France, whereas the activities of Dalkia International would be taken over by Veolia Environnement. Under this transaction, Veolia Environnement would make a cash payment to EDF to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities. The amount of this cash payment, estimated at €550 million, is likely to be adjusted to take account of the definitive structure of the transaction and the cash position of Dalkia SAS as of December 31, 2013.

6

BUSINESS OVERVIEW

6.1 Main business activities

6.1.1 General description of Veolia Environnement

Veolia Environnement is a global reference in the environmental services sector(1), offering a comprehensive range of services and with the expertise necessary to define a service offering tailored to individual customer needs, whether the supply of water, the treatment and recovery of municipal or industrial effluent, waste collection, processing and recycling, the supply of heating and cooling services or the optimization of industrial processes.

Veolia Environnement's operations are conducted through three divisions: Veolia Eau (Water), Veolia Energie (Dalkia, Energy Services) and Veolia Propreté (Environmental Services). Through these divisions, Veolia Environnement currently provides drinking water to 94 million people and treats wastewater for 62 million people in the world, processes nearly 52.1 million tons of waste, satisfies the energy requirements of hundreds of thousands of buildings for its industrial public authority and private individual customers. Veolia Environnement also develops service offering combining several Group businesses, either through several individual contracts or by combining services within a multi-service contract.

The following table breaks down Veolia Environnement 2013 consolidated revenue by geographical market and division, after elimination of inter-business transactions.

Following the application of standards IFRS 10, 11 and 12, the Group's joint ventures are consolidated using the equity method. Therefore, their revenue (and the revenue of the main joint ventures, which are Dalkia International, water concessions in China and Transdev Group) are not included in the table below.

2013 Revenue

(in € million)	Water	Environmental Services	Energy Services	Other	Total consolidated
Europe	**7,420.6**	**6,159.0**	**3,479.5**	**213.4**	**17,272.5**
• of which France	4,365.7	3,288.3	3,479.5	170.1	11,303.6
• of which Germany	1,007.8	961.0	0.0	0.0	1,968.8
• of which the United Kingdom	311.7	1,676.7	0.0	0.0	1,988.4
• of which other European countries	1,735.4	233.0	0.0	43.3	2,011.7
United States	**784.7**	**637.9**	**277.0**	**0.0**	**1,699.6**
Rest of the world	**2,016.6**	**1,278.6**	**0.0**	**47.5**	**3,342.7**
• of which the Middle East	250.2	114.0	0.0	0.0	364.2
• of which Oceania	166.5	785.6	0.0	0.0	952.1
• of which Asia	883.7	189.3	0.0	1.0	1,074.0
• of which Rest of the world	716.2	189.7	0.0	46.5	952.4
TOTAL	**10,221.9**	**8,075.5**	**3,756.5**	**260.9**	**22,314.8**

(1) Unless otherwise indicated, information and statistics presented herein regarding market trends and Veolia Environnement's market share relative to its competitors have been estimated by Veolia Environnement based on information publicly available (particularly revenue figures published by competitors).

6.1.2 Veolia Environnement's strategy

Faced with a changing global environment presenting new challenges, Veolia Environnement continues its transformation.

In the light of the major environmental and social challenges facing large cities and large industrial companies, Veolia Environnement - the number one global player in the environmental services sector - is continuing its transformation by offering expert solutions on growth markets and adapting its models on its traditional markets.

While the global population is constantly growing (it is projected to reach 9 billion in 2050) and the centers of economic growth have shifted toward emerging countries, in which cities play a central role, water demand is rising twice as fast, especially in high water stress areas. Access to water is becoming a critical issue for the growth of economies and cities and its management is a strategic challenge for some industries (such as oil, gas and mining). At the same time, while the availability of energy resources and raw materials is diminishing and their cost is rising, energy efficiency and the circular economy are taking on crucial importance for industry and for cities. In addition, the growing complexity of managing environmental issues (pollution becoming increasingly difficult to treat, management of increasingly rare resources, new regulations, etc.) in both rapidly growing and mature countries presents major opportunities that form part of a selective development policy for Veolia Environnement.

In mature regions, the economic downturn and regulatory changes (European Directive on concessions, Olivet Commune Order in France), together with the desire of some public authorities to take over the direct management of water and waste services, are putting increased pressure on prices and causing a temporary reduction in infrastructure investments. In this context, Veolia Environnement gives priority to optimizing its operations, controlling its costs and developing attractive business models (remuneration based on the performance of its solutions, innovative financing schemes, etc.) for public authorities and industrial companies seeking new dynamics.

The transformation of its organizational structure and business model should enable Veolia Environnement, The Industry Standard for Environmental Solutions - the benchmark company for sustainable development - to exploit its competitive advantage on growth markets, where its expertise sets it apart, and become a partner of sustainable development. The Group draws on a global network of operators, engineers and technical experts working with cities and industrial companies according to the highest performance standards. Present in 48 countries, with platforms in emerging countries and a simplified, refocused organizational structure, Veolia Environnement deploys best practices along with complete and integrated water, waste and energy service offerings aimed at addressing environmental challenges more effectively.

In 2013, Veolia Environnement continued its transformation policy, guided by an ambition restated by the Board of Directors at its meeting on December 11, 2013:

- become the benchmark companyon major environmental markets;
- balance its business activities between municipal and industrial customers, so that the Company generates at least 50% of revenue with industry compared with 35% today;
- generate more than 50% of revenue in growth markets, which currently account for only one-third of business;
- develop innovative business models;

The continuation of this transformation policy draws on a strategic plan structured around the following key areas:

- stepping up business refocusing and reducing debt;
- simplifying and tightening the organizational structure;
- continuing the cost reduction program;
- targeting profitable growth opportunities.

Armed with greater financial flexibility and focused on the provision of high added-value service and technology solutions, Veolia Environnement has reorganized itself into a more agile, flexible company, with the aim of being better able to meet the challenges facing the planet and to seize profitable growth opportunities.

Stepping-up business refocusing and debt reduction measures

The disposal program has been successfully completed. An ambitious divestment program worth €4.7 billion (compared with an adjusted target of €5 billion, mainly as a result of changes to accounting rules requiring the consolidation of joint ventures by the equity method) was carried out over the 2012-2013 period. This program led to 15 transactions being carried out with an enterprise value of more than €10 million and 8 transactions worth more than €50 million.

These large-scale transactions modified the Group's profile and fulfilled a dual purpose:

- accelerating the reduction of net financial debt to €8.2 billion at the end of 2013;
- restricting permanent operations (with employees and capital employed of over €5 million) to 48 countries.

As of the end of 2013, the main priority for Veolia Environnement is to restore profitability and generate free cash flow after divestitures, by accelerating cost savings, improving performance and managing investments, at every level of the organization.

Simplifying and tightening the organizational structure

At the end of 2013, Veolia became an integrated group with a separate organizational structure for each country. The agreement with EDF, signed in November 2013, will also enable Dalkia International to be incorporated into this new structure in 2014. The legal merger of the head offices in Paris will further tighten the organizational structure, making it more geared toward operations.

The Group's new organizational structure was deployed through 415 executive managers, appointed worldwide:

- implementation of all managers and managerial lines;
    - new Executive Committee, 8 regional managers, 31 country managers;
    - Group functional managers (N and N-1), including the Innovation and Markets Department, which is responsible for defining and implementing the Group's strategy, and the Technical and Performance Department, which is responsible for identifying and deploying the best operational standards at every level of the organization;
    - priority global key account managers;
- implementation of a separate organizational framework for each country;
- implementation of the Group's main operating procedures (operational command, budgetary control, reporting and internal control).

Cost reduction program

At the end of 2013, the cost reduction program was in line with the Group's targets. It achieved cost savings generating a positive impact on operating income of €178 million, net of implementation costs (compared with a revised target of €170 million).

The target for the end of 2015 has been revised upward to €750 million, compared with €470 million originally of which 80% is related to operating income due to different restatement of joint-ventures.

The savings arise in the short-term from the reduction of administrative, functional and operating costs, but also in the long-term, from the transformation of the organizational structure.

Targeting profitable growth opportunities

Faced with the structural adjustment of its markets and the competitive environment for its activities, the Group has to select its projects on traditional markets carefully, offer innovative business models and focus its activities on growing industrial markets and regions. In order to accelerate the Group's growth strategy, the Innovation and Markets Department, created in 2013, has devised and launched the implementation of a strategic plan that consists of targeting growth markets, offering high added-value services, a network of Key Account Managers and research and innovation programs, which also fall under the responsibility of this new department and address customers' priority environmental issues.

The aim is to become a partner of our customers' sustainable growth, by offering them cutting-edge solutions to their most complex problems and services based on attractive business models (remuneration based on the performance of its solutions, innovative financing schemes, etc.).

The effectiveness of this strategy was shown by the commercial success the Company enjoyed on its chosen markets in 2013, which made Veolia a successful company on growth markets:

- twenty-year industrial contract in Australia to treat water from coal gas wells;
- ten-year municipal contract in Saudi Arabia to design, build and operate the country's largest ultrafiltration and reverse osmosis drinking water production plant;
- five-year municipal contract in the United Kingdom to renovate drinking water production and wastewater treatment facilities in London and the Thames Valley;
- thirty-year contract in Canada for the construction and operation (and funding in partnership with Fengate Capital Management Ltd) of the largest biomass plant in North America;
- etc.

The Group strives to thoroughly and methodically identify the sectors offering the greatest potential for its activities, remaining attentive to the issues faced by its industrial and municipal customers and its operators in all regions and at all levels of the organization.

Seven key growth areas have thus been identified as Veolia Environnement's chosen competitive arenas:

A. The circular economy;
B. Innovative solutions for cities;
C. The treatment of difficult types of pollution;
D. Dismantling;
E. The agri-food industry;
F. The mining industry;
G. The oil and gas industry.

The circular economy aims primarily to implement solutions to extend the life of resources, in response to the increasing scarcity of resources and the volatility of raw material prices (which are at record levels). This trend is driven by regulation that increasingly favors recovery and recycling and by changing behavior and consumption modes.

In this context, Veolia can offer alternative raw material resources and help secure its customers' supplies, help them optimize their operating costs, improve processing yields by recovering certain by-products and ensure that the growth of its industrial and municipal partners follows the principles of sustainable development (for example the Triade project in France producing recycled plastics with a purity rate of 99%, the construction of a biomass plant in Canada recovering waste from the local forestry industry, and the implementation in Germany of a renewable energy loop from wastewater treatment).

Innovative solutions for cities cover new models of urban optimization, in response to aging infrastructures, the need for technical expertise on complex environmental issues, funding requirements, and the need to improve the productivity and efficiency of public services.

In this context, Veolia offers cutting-edge technical solutions and adapts its business models (performance contracts, partnerships for financing infrastructures, etc.) to showcase its technical know-how as the world's largest provider of environmental services (e.g. the models in Washington DC, Rialto, New York and Stadtwerke).

Difficult forms of pollution undergo a risk awareness process (covering the health, ecological and environmental risks) and increasingly stringent regulation that only a small number of operators are currently able to master: management of hazardous waste, soil decontamination, radioactivity, etc.

Veolia has a global network of experts and resources it can mobilize rapidly, and a complete range of services for the treatment of hazardous waste in accordance with the highest standards and with the support of cutting-edge research programs (e.g. partnership with the FAO to manage the problem of outdated pesticides stored in Europe and Africa, supporting the British government for the destruction of Syria's chemical weapons).

The dismantling of multiple industrial facilities at cycle end requires complete solutions with the highest operational standards (oil rigs in the North Sea and the Gulf of Mexico, nuclear reactors, petrochemical plants in Europe).

Veolia offers strategies to reduce the volumes to be treated and turnkey management for the dismantling of certain facilities: inventory and characterization of the items to be dismantled, demolition, recovery or disposal of waste (e.g. strategic agreement with the CEA (the French Alternative Energies and Atomic Energy Commission) for the dismantling and remediation of nuclear facilities, creation of a treatment process in the United Kingdom for the dismantling of offshore platforms).

The agri-food industry, which is the world's largest (13% of world revenue), must respond to the population explosion, especially in high water stress areas, and the increasingly stringent demands of consumers and industry stakeholders in terms of environmental and social responsibility.

Veolia allows agri-food manufacturers to adopt an approach designed to reduce their environmental impact through the management of their water and energy cycles and the recovery of their by-products, and to improve their economic performance by reducing the supply of certain resources (e.g. production of green energy and steam from wastewater in the Netherlands, design, construction and operation of a bio-refinery to treat waste and recycle wastewater from a distillery and produce energy).

The mining industry, the sector that consumes the second-largest quantity of water (equivalent each year to the domestic consumption of the United States) must expand its fields of exploration in water stress areas (70% of the projects of the six largest mining operators) to compensate for the depletion of the most easily-accessible ores. To guarantee the sustainability of its production, the sector must now limit its environmental footprint by turning waste into a resource, avoiding conflicts with local populations concerning access to water, and avoiding groundwater pollution.

Veolia can secure water and energy supplies and improve the processing yields of mining operators through the recovery of by-products. By reducing their environmental footprint and applying a proactive social responsibility and sustainability development approach to their operations, Veolia helps enhance their legitimacy and the continuity of their operations (e.g. the design of a new potash production process in western Canada and the development of a unique copper recovery solution in Chile).

Finally, **the oil and gas industry** is exploring new resources to be exploited in a sustainable way. Although the unconventional extraction of oil and gas is booming, unconventional extraction techniques require 10 to 20 times more water than conventional techniques and generate higher operation and production costs. In addition, these industries must address growing concerns about the risks they pose to health, safety and the environment.

In this context, Veolia is able to secure the water resources needed for operation and production, help optimize oil and gas fields by recovering by-products, and help limit its customers' reputational risk (e.g. overall management of waste on refinery sites in the United States, development in Canada of a solution achieving environmental performance of close to zero liquid discharges into the natural environment, recycling of process water in the United States to enhance oil well production).

To support this strategy, the Group has devised a new commercial strategy. This strategy is based on the development of global partnerships that place the value provided to our major customers at the forefront, a network of Key Account Managers that coordinate local commercial initiatives, the industrialization of the deployment of best bids to our municipal and industrial customers and the development of innovative business models, in constant liaison with the regions and operators.

6.1.3 Description of Veolia Environnement's main businesses

6.1.3.1 Water

Veolia *Environnement,* through Veolia Eau-Compagnie Générale des Eaux, is the world's leading provider[(1)] of water services (supply of drinking and process water, *wastewater* treatment) to public authorities and industrial companies. In addition, Veolia Eau, through its subsidiaries Veolia Water Solutions & Technologies and SADE, is one of the world's leaders in the design of technological solutions and the construction of structures for the performance of such services. Veolia Eau provides drinking water to more than 94 million people and supplies 62 million people with wastewater services. Thanks to its 350 technologies, it can offer local authorities and industrial companies solutions combining productivity, resource savings and a reduced environmental footprint.

(1) Source: PinsentMasons Water Yearbook 2012-2013

As of December 31, 2013, Veolia Eau had 83,154 employees around the world[1]. The company has a strong presence in France for historical reasons, but also in Europe (United Kingdom, Germany and Belgium), the Czech Republic, Hungary, Bulgaria, Slovakia and Romania to name only those countries hosting our main activities. The Asia-Pacific region (mainly China, Korea, Japan and Australia) also remains an important development objective, with the signing of a number of major contracts with municipal and industrial customers over the past several years. Veolia Eau also has a presence in the United States through its contracts for the operation and maintenance of water and wastewater treatment plants, such as its contract with the city of Milwaukee, through performance contracts (for example with New York City, Washington, Winnipeg, Pittsburgh, etc.) and through its numerous contracts with industrial companies operating in various sectors (mining, oil, gas, etc.). Finally, Veolia Eau is present in the Middle East and Africa and primarily in Niger and Gabon. Thanks to its network of research centers in France and abroad coordinated by Veolia Environnement, Veolia Eau has mastered numerous major technologies, tools and expertise within the water sector. Veolia Eau is therefore able to offer highly-skilled services in the areas of quality water production (particularly control of sanitation factors for the production of drinking water), optimization of plants and networks, the recovery of raw materials or products contained in effluents, the reuse of treated effluents and preservation of the natural environment.

Combined with its strong local presence and considerable experience in providing services to municipal and industrial customers, Veolia Eau's technical expertise is a significant advantage in the extremely competitive water services market.

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of Veolia Eau, after elimination of inter-business transactions.

Water

(in € million)	**As of December 31, 2013**	**As of December 31, 2012 represented**[*(2)(3)]	**Change 2013/2012**
Revenue	10,221.9	10,696.2	-4.4%
Operating income[(1)]	316.5	419.3	-24.5%

(1) Including the represented share of income (loss) of joint ventures and associates for the year ended December 31, 2013.

(2) In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the Income Statements of activities in Morocco in the course of divestiture and of regulated activities in the United Kingdom (divested in June 2012) and the share of net income of the joint-venture Eaux de Berlin until December 2, 2013, are presented in a separate line, Net income from discontinued operations.

(3) The standards on consolidation IFRS 10 and IFRS 11 and the revision of revised IAS 19, "Employee benefits", stipulate retrospective application to the periods open starting from January 1, 2013. Consequently, the financial statements presented for the comparative years have been restated.

Overview of the Water business

Through a geographical structure featuring a strong local presence, Veolia Eau designs, builds and manages water services and wastewater treatment and recovery services for local authorities and industrial customers on five continents. Contracts are generally long-term and range from ten to twenty years in length and potentially up to fifty years with certain local authorities in China, and from three to ten years with industrial customers. These contracts take various forms, tailored to the needs and goals of the customer, and may include public-private partnerships, BOT (Build, Operate & Transfer) contracts, DBO (Design*, Build & Operate) contracts* or concessions in France, etc. They are generally contracts that involve the operation, design or construction of installations, with the customer usually remaining the owner of the assets and retaining responsibility over the pricing policy and investment under municipal contracts. Changes in legislation and needs have enabled Veolia Environnement to integrate more elaborate mechanisms into its contracts allowing it to share in the added value (productivity gains, level of services, efficiency criteria, etc.). Public authorities often rely on Veolia Eau to manage customer relations and the Group is constantly improving the efficiency of its services and specific information systems. In certain countries where public authorities have sought to either implement new water and wastewater treatment systems or to improve the functioning of existing ones, Veolia Eau offers feasibility studies and technical assistance, which may include master plans, coordination and acceptance of projects, network modeling and financial analysis.

(1) Employees managed as of December 31, 2013

Activities on behalf of Public Authorities and Industrial Customers

The main focus of Veolia Environnement's water business is on water and wastewater management services for public authorities and industrial customers. Veolia Eau provides integrated services that cover the entire water cycle, taking account of resource-related challenges. Its activities include the management and operation of large-scale water production and treatment plants and, where appropriate, the recovery and/or recycling of wastewater. Veolia Eau also offers local authorities' customer relations management services, encompassing billing services and call centers, etc. Veolia Eau and its subsidiaries have provided water services to public authorities for more than 150 years under long-term contracts tailored to the local environment and requirements.

Veolia Eau's tried-and-tested expertise in the treatment and recovery of industrial water allows it to offer industrial customers performance-based operating contracts satisfying the expectations of customers wishing to optimize production costs while reducing their environmental footprint.

Technological Solutions for the Treatment of Water and Networks

Through its Technology and Network activities, Veolia Eau develops technological solutions and designs and builds the infrastructures necessary to provide water services on behalf of public authorities and industrial and service sector customers. In addition, Veolia Water Solutions & Technologies designs, assembles, manufactures, installs and operates modular standardized and semi-standardized equipment, which is both reliable and high-performing, designed to treat water for specific uses. A local technical assistance network is available at all times for the upkeep, maintenance and customer service of these installations. Veolia Eau treats groundwater, surface water, brackish or seawater, wastewater and refined sludge. Thanks to the combination of physical, chemical and biological treatments, Veolia Eau has developed a comprehensive range of specific solutions for the purification of water or the reduction or elimination of impurities in effluents. The recycling/reuse systems installed by Veolia Eau provide customers with the ability to circulate part or all of their treated water back into production processes, thereby reducing water consumption, operating costs and environmental impacts.

Through its subsidiary, SADE, Veolia Eau designs, builds, renews and recovers urban and industrial drinking water and wastewater networks and related infrastructures, in France and around the world.

Key factors

The key factors that may influence the activities of Veolia Eau are of a technical, contractual and economic nature. They mainly concern the following success factors:

- the key factors potentially impacting the "service contracts with public authorities and industrial customers" business are, from an economic point of view, trends in volumes billed (particularly changes in weather conditions that can impact domestic water consumption), the ability to obtain, within the planned time-period, price increases in line with Group objectives and the ability to implement cost cutting programs. From a technical point of view, the ability to satisfy service commitments negotiated with the customer or regulator and, from a commercial point of view, the ability to renew existing contracts under satisfactory terms and conditions in a highly competitive environment, are also essential. The company's ability to control costs and impose favorable conditions in its contracts for the sharing of risks and benefits are key success factors, particularly in the operating business in France.

The following table presents annual revenue generated by main French municipal contracts which are to be renewed or renegotiated during the period 2013 to 2020:

City	Revenue in 2012 *(in € million)*	Contract expiry date
Toulouse - Water treatment	51	2020
Toulouse - Drinking water	41	2020
Montpellier	21	2014
Toulon	20	2019

- the Engineering and Technological Solutions business is potentially affected, at an economic level, by the rate of projects launched by public authorities and certain major industrial companies (and thus in particular the economic environment), as trends in demand levels have a direct impact on the order book. Continued technological leadership in tender bids and the ability to manage constraints and master technical solutions in the performance of contracts, are determining factors. Finally, at a contractual level, meticulousness in the negotiation and performance of contracts are also key factors in this sector (particularly the ability to meet deadlines and cost budgets).

Description of activities in 2013

Revenue for the Water business fell 2.2% at constant consolidation scope and exchange rates (-4.4% at current consolidation scope), mainly as a result of the downturn in the Construction business, the slowdown in the Technology and Network activities and the contractual erosion in France, which were partially offset by the favorable impact of price rises related to indexing in France and Central and Eastern Europe.

In France, the Veolia Eau operations business provides approximately 24 million residents with drinking water and 17 million with wastewater services. Public service delegated management contracts renewed in 2013 represent expected total cumulative revenue of €1.12 billion in a still highly competitive environment. Successes during the period include 35 new public service delegation contract wins, including 17 with local authorities changing from a local authority management model to public service delegation management. The main contracts renewals are detailed in the table below. These will be joined by the **renewal** of drinking water contracts for the Marseille Provence Métropole urban community and the Greater Lyon metropolitan authority, for which favorable decisions were taken by the local authorities in question and which are therefore subject to approval by the Prefecture.

Veolia Eau also lost some drinking water contracts, such as those in Valence, Nevers and Beaufort, and three wastewater treatment contracts in the Douai conurbation. In addition, two local authorities (Rennes and Nice Côte d'Azur) took decisions in 2013 announcing a return to a local authority management model in early 2015. However, this situation, which Veolia Eau has duly noted, does not rule out the possibility of the company providing the entities in question with its know-how through its services when this time comes.

In Europe, business showed growth (5.0% at constant consolidation scope and exchange rates and 3.8% at current consolidation scope), with good performances in Romania and the Czech Republic related to price rises and a positive change in volumes and prices in Germany. In the United Kingdom, business was adversely affected by construction contracts coming to an end. The win of the Thames Water contract, mentioned in the table below, should nonetheless also be noted.

Revenue in Asia-Pacific fell 1.4% at constant consolidation scope and exchange rates (-13.3% at current consolidation scope), owing to the decline in the Construction business in Korea and Japan. 2013 was nonetheless marked by commercial successes with companies in the Chinese petrochemical sector, and with the public authorities of Delhi in India and Hanamigawa in Japan. In the United States, the 5.3% increase at constant consolidation scope and exchange rates (2.0% at current consolidation scope) originated in good performance in terms of industrial contracts, particularly.

The Technology and Network business fell sharply by 7.5% at constant consolidation scope and exchange rates (-9.8% at current consolidation scope). Business was mainly affected by the completion of a number of Design and Build contracts in France and abroad, as well the smaller contribution made this year by the contract for the construction of the sludge incineration facility in Hong Kong. The activity of the SADE subsidiary was affected by adverse weather conditions in 2013, in France and Belgium. New orders nonetheless rose by 32% compared with December 2012 and amounted to around €3.3 billion at the end of 2013, mainly on the industrial market in the oil and gas sectors, but also with an upturn on the municipal market at the end of the year. A key example of this is the signature at the end of 2013 of a contract with Shell in Canada (Carmon Creek), for the supply of industrial water treatment equipment with a recycling rate of nearly 100%.

Major Contracts in 2013

The following table shows the major contracts signed in 2013 with either public authorities or industrial or service sector companies[(1)]:

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
France					
SIDECM (joint municipality water supply association for the Corniche des Maures area)	July	Renewal	12 years	150 million	Public service delegation contract for drinking water
USESA (water services union for the south of the Aisne department)	February	Renewal	15 years	79 million	Public service delegation contract for drinking water
Boulonnais Conurbation	April	Renewal	12 years	111 million	Public service delegation contract for drinking water
Nantes metropolitan authority	December	New	73 months	35 million*	Contract for the modernization and enlargement of the drinking water production unit
Asia					
Tianjin Bohua Petrochemical Company Limited	February	New	22 years	52 million	Industrial contract - construction, financing and operation of a demineralized water and cooling water production and sanitation water treatment unit.
Tianjin Bohai Chemical industry Company Ltd. Tianjin Soda Plant	November	New	21 years	50 million	Industrial contract for the operation and maintenance of a cooling system
Delhi Jal Board – India	March	New	15 years	231 million**	Upgrading work on a drinking water production unit and the distribution system, operation contract
Formosa Petrochemical Corporation – Taiwan	October	New	1 year	18 million	Contract for the modernization of a petrochemical wastewater treatment unit
Australia					
QGC Pty Limited	April	New	20 years***	518 million	Industrial contract - treatment of salt water from natural gas production
North America					
BASF Corporation	December	New	3 years****	17 million	Industrial contract - industrial cleaning services
Citgo Petroleum Corp.	July	Renewal	5 years	16 million	Industrial contract - oily sludge recovery
City of New Orleans	October	Renewal	1 year	9 million	Treatment facilities operation contract
State of New Jersey	May	Renewal	20 years	136 million	Heating and cooling system operation contract
Shell Canada Energy	December	New	3.5 years		Industrial contract - supply of industrial water treatment equipment with a recycling rate of nearly 100%

* *Total estimated revenue from the project: €65 million, of which Veolia's share: €35 million.*

** *Contract won on behalf of an equity accounted joint venture 51%-owned by Veolia.*

*** *20 year contract, with a 5-year extension option at the customer's discretion.*

**** *3-years extension option.*

(1) *Revenue expected under the contracts won in 2013 have been converted into Euros at the closing exchange rate as of December 31, 2013 and represent the portion due to Veolia Eau under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.*

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
South America					
CMPC - Brazil	August	New	2 years	54 million	Industrial contract - Design and construction of a unit for the treatment of wastewater for a paper producer
SEDAPAL, Servicio de Agua Potable y Alcantarillado, Lima, Peru	April	New	600 days	47 million	Optimization contract for the drinking water and sanitation water system
Europe					
Thames Water – United Kingdom	May	New	5 years*****	530 million	Design and construction of water pipes, sewers and water treatment facilities
Africa, Middle East					
Marafiq – Saudi Arabia	June	New	18 to 25 months	238 million	Contract for the design and construction of a sea water desalination unit
Shamal Az Zour Al Oula for the building, execution, operation and maintenance of the first phase of Az-Zour Power Plant KSC	December	New	3 years	328 million	Contract for the design and construction of a sea water desalination unit

***** *5 year contract, with a 5-year extension option at the City's discretion.*

Main acquisitions and divestitures in 2013

- disposal of 24.95% of Berlin Water (Berlin Wasser);
- disposal of the activities of Eau in Portugal;
- the sale of 19.25% of the Group's shares in Sharqiyah Desalinisation Company following the listing of 35% of this company's shares.

Following the creation, acquisition or consolidation of 18 companies and the liquidation, divestiture or transfer of 46 companies, the Water division (excluding Proactiva) comprised 706 companies as of December 31, 2013, compared with 734 in 2012.

6.1.3.2 Environmental Services

Veolia *Environnement,* through its subsidiary Veolia Propreté, is the number one reference in its sector(1), where it is involved in waste collection, recycling and processing and handles waste in all forms and at all stages of the waste cycle. Veolia Propreté manages liquid and solid waste, non-hazardous and hazardous waste from collection to recovery, on behalf of both industrial and service-sector customers, as well as local authorities.

As of December 31, 2013, Veolia Propreté had 61,095 employees worldwide(2).

Veolia Propreté is a partner of over 570,000 industrial and service-sector customers(3) and serves nearly 51 million residents on behalf of local authorities.

As of December 31, 2013, Veolia Propreté managed approximately 719 waste processing units (excluding landfill sites in the post-closure phase and soil decontamination plants).

(1) Sources: internal studies and Eurostat.

(2) Employees managed as of December 31, 2013, including joint companies and excluding Proactiva.

(3) The commercial figures appearing in Section 6.1.3.2 (number of customers, residents served, tonnage, etc.) do not include Proactiva, unless otherwise indicated.

The term of Veolia Propreté contracts usually depends on the nature of services provided, applicable local regulations and the level of industrial investment required. Collection contracts usually range from one to five years, while waste processing contracts can range from one year (for services provided on sites belonging to Veolia Propreté), to thirty years (for services involving the financing, construction, installation and operation of new waste processing infrastructures).

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of Veolia Propreté, after elimination of inter-business transactions.

Environmental Services

(in € million)	**As of December 31, 2013**	**As of December 31, 2012 represented(2)(3)**	**Change 2013/2012**
Revenue	8,075.5	8,512.0	-5.1%
Operating income(1)	189.3	315.5	-40%

(1) Including the represented share of income (loss) of joint ventures and associates for the year ended December 31, 2013.

(2) In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the Income Statement of solid waste activities in the United States (divested in November 2012) is presented in a separate line, Net income from discontinued operations.

(3) The consolidation standards IFRS 10 and IFRS 11 and the revised IAS 19 Employee Benefits standard provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for comparative periods have been represented accordingly.

Overview of Environmental Services

Veolia Propreté supplies environmental and logistical services, which include waste collection, waste processing, cleaning of public spaces, maintenance of production equipment, treatment of polluted soil, and management of waste discharge at industrial sites.

Downstream, Veolia Propreté conducts basic or more complex waste processing operations in order to eliminate pollutants and transform waste into a resource. Thus, Veolia Propreté:

- sorts and processes waste in order to create new raw materials, otherwise referred to as recycling or material recovery;
- transforms organic material into compost to be returned to the soil, otherwise referred to as composting or agricultural recycling;
- processes waste in the least damaging way possible, through landfill sites or incineration;
- produces electricity or heat using waste in landfill sites or incineration, otherwise referred to as waste-to-energy recovery.

The services referred to above fall into three major business sectors: environmental services and logistics for public authorities and industrial companies, sorting and recycling of materials, and waste recovery and processing through composting, incineration and landfilling.

Key factors

The key factors that may influence the activities of Veolia Propreté are of a technical, contractual and economic nature. They mainly concern the following success factors:

- a presence at all points of the waste value chain, from pre-collection through to processing and recovery, in an appropriate range of geographical areas at different stages of maturity, enabling the identification and control of innovative, tailored solutions for proposal to customers and setting the Group apart from the competition in the market;
- the management of risks relating to the protection of the environment and the safety of individuals and installations (see Chapter 4, Section 4.2.2.2 above);
- the quality of employee management in sectors which are often labor-intensive (limiting absenteeism and industrial action, developing skills and training);
- the ability to innovate using new technologies (processing, rolling stock) and processes (sorting-recycling), founded on an effective technology, regulatory and competition watch system;

- operating efficiency (purchases, sales, logistics, maintenance management) enabling the optimization of unit costs and the utilization rate of equipment, while ensuring the high level of quality required for products and services delivered;
- investment management in certain capital-intensive activities (selectivity, risk analysis, installation size);
- the quality of contractual management for long-term contracts (major clauses, price review formulae, guarantees and deposits, etc.) (see Chapter 4, Section 4.1.2.5 above);
- the management of economic and financial risks: ability to adjust to volume fluctuations, reduced exposure to volatility in raw material prices (fuel, materials sold such as paper and metals), customer risk, foreign exchange and interest rate risk (see Chapter 4, Section 4.2.2.1.1 above).

Environmental Services and Logistics for Public Authorities and Industrial Companies

Maintenance of Public Spaces and Urban Cleaning

Each day, Veolia Propreté provides urban cleaning services in many cities throughout the world, including London, Paris, Singapore and Dresden. Veolia Propreté also provides mechanized street cleaning and building facade treatment services.

Cleaning and Maintenance of Industrial Sites

Veolia Propreté provides cleaning services at the sites of its industrial and service sector customers, including cleaning of offices and maintenance of production lines.

In the industrial sector, cleaning services are extended to food-processing plants, and heavy industry and high-tech sites, where Veolia Propreté offers specialized cleaning services (high pressure or extreme high pressure cleaning). Veolia Propreté also offers cryogenic cleaning, and reservoir cleaning services using robots at refineries and petrochemical sites. Finally, Veolia Propreté has developed emergency services to treat site contamination in the event of an accident or other incident.

Liquid Waste management

Through its specialized subsidiary SARP, Veolia Propreté provides liquid waste management services that consist primarily of pumping and transporting sewer network liquids and oil residues to treatment centers.

Veolia Propreté has developed liquid waste management procedures that emphasize environmental protection, such as on-site collection and the recycling and reuse of water during the processing of liquid waste. Used oil, which is hazardous for the environment, is collected before processing and re-refining by a Veolia Environment Services subsidiary specializing in the management of hazardous waste.

Soil Decontamination

Land redevelopment and the expansion of residential and business areas may lead to the use of sites where the soil has been polluted through prior use. Veolia Propreté has specific techniques for treating difficult sites, which include treating polluted soil and rehabilitating temporarily inactive industrial areas, cleaning accidental spills and bringing active industrial sites into compliance with applicable environmental regulations.

Collection

In 2013, nearly 51 million people around the world benefited from Veolia Propreté's waste collection services. Veolia Propreté collects household waste through door-to-door pickup or through pickup at designated drop-off sites, and collects commercial and non-hazardous industrial waste. It maintains the cleanliness of green areas and carries away "green" waste. It also collects hazardous waste on behalf of its service sector and industrial customers, including hospital waste, laboratory waste and oil residue (ships, gas stations, etc.) and diffused hazardous waste.

Veolia Propreté also offers related services to its service sector and industrial customers, such as preliminary studies of future waste collection needs and waste tracking after collection.

Transfer and Regrouping of Materials

Waste of the same type is transported either to transfer stations in order to be carried in large capacity trucks, or to grouping centers where it is separated by type and then sorted before being sent to the appropriate processing center.

Hazardous waste is usually transported to specialized physical-chemical treatment centers, recycling units, special industrial waste incineration units or landfill sites designed to receive inert hazardous waste.

Sorting and Recycling of Materials

Veolia Propreté processes waste with a view to reintroducing such waste into the industrial production cycle.

Veolia Propreté's recycling activities generally involve the selective collection of paper, cardboard, glass, plastic, wood and metal that consumers either separate into different containers or mix with other recyclable materials.

Veolia Propreté recovers solid waste at its 271 sorting and recycling centers. These specialized centers separate the different components of complex waste, such as electric and electronic products and fluorescent lamps. Veolia Propreté works upstream in partnership with industrial customers and with the Group's research center to develop recycling activities. Recycled material is sold or distributed to intermediaries or directly to industrial customers.

Waste Recovery and Treatment through Composting, Incineration and Landfilling

Veolia Propreté has a wide range of treatment centers, comprising sorting and recycling centers, composting units, hazardous waste treatment centers, incineration units and landfill sites.

Composting and Recovery of Organic Material from Fermentable Waste

Veolia Propreté and Veolia Eau work together to recover sludge from wastewater treatment plants. At its 122 composting units, Veolia Propreté processes urban and industrial sludge, part of which is then reintroduced into the agricultural cycle through land spreading, with a related tracking service.

Incineration and Waste-to-Energy Recovery

Veolia Propreté operates 61 incinerators (MSWI), including 58 equipped with waste-to-energy recovery systems, which process non-hazardous solid waste (mainly urban waste).

Energy is generated from the heat created by incinerating waste at these plants. Veolia Propreté uses this energy to supply urban heating networks or sells it to electricity providers.

Landfilling and Waste-to-Energy Recovery

In 2013, Veolia Propreté had 97 non-hazardous waste landfill sites (excluding landfill sites for inert waste, in the post-operation phase and dedicated to waste-to-energy recovery). Veolia Propreté has developed expertise in processing waste through methods that reduce emissions of liquid and gas pollutants. In addition, 60 landfill sites have recovery systems to transform biogas emissions into alternative energies (including landfill sites in the post-closure phase).

Processing of hazardous waste

In 2013, Veolia Propreté had 24 incineration units for hazardous industrial waste, 63 processing units using physical-chemical and stabilization methods, 18 class 1 landfill sites and 36 specialized recycling centers.

The principal methods used for processing industrial hazardous waste are incineration (for organic liquid waste, salt water and sludge), solvent recycling, waste stabilization followed by processing at specially-designed landfill sites, and physical-chemical processing of inorganic liquid waste.

Through its specialized subsidiaries, SARP Industries and VES Technical Solutions (in the United States), Veolia Propreté has a worldwide network of experts, which has helped it become a world leader in the processing, recycling and recovery of hazardous waste.

Description of activities in 2013

The fall in revenue for the Environmental Services business at the end of December 2013, of 1.5% at constant consolidation scope and exchange rates (-5.1% at current consolidation scope) compared with end-December 2012 (restated), reflects the 1.5% fall in prices and volumes of recycled raw materials and the 1.1% drop in activity levels, mainly in municipal waste collection. However, the fall in material prices and volumes slowed down in the second half of the year.

In France, revenue fell by 2.7% at current and constant consolidation scopes, under the combined effect of adverse change in volumes and prices of materials (paper and metal) and falling activity levels (mainly in municipal and commercial waste collection), in a competitive environment. 2013 was nonetheless marked by commercial successes with the Greater Nancy metropolitan authority, Paris City Hall, Syctom (Paris metropolitan agency for household waste treatment) and the *Syndicat départemental d'élimination des déchets de l'Aube* (waste elimination association for the Aube department).

Internationally, revenue fell slightly by 0.7% at constant consolidation scope and exchange rates (-6.7% at current consolidation scope).

Revenue in Germany fell 7.8% at constant and current consolidation scopes, under the combined effect of lower material prices and volumes and adverse developments in the industrial sector. The signature of an industrial cleaning services contract with BP in Gelsenkirchen should nonetheless be noted.

Revenue in the United Kingdom rose by 3.1% at constant consolidation scope and exchange rates (-1.8% at current consolidation scope) and was driven by an increase in PFI contracts. These included the PFI waste contracts with Essex County Council and Brent Borough Council, which were renewed in 2013.

In North America (+1.5% at constant consolidation scope and exchange rates and -8.2% at current consolidation scope), revenue was boosted by sustained activity in hazardous waste and industrial sectors (petrochemicals and refining). In Australia, revenue increased by 1.1% at constant consolidation scope and exchange rates (-6.7% at current consolidation scope) and was driven by higher prices for commercial waste collection services.

Major Contracts in 2013

The following table shows the major contracts signed in 2013 with either public authorities or industrial or service sector companies [(1)]:

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
France					
Greater Nancy metropolitan authority	March	Renewal	7 years	98 million	Household waste management contract (sorting and collection)
Paris City Hall	November	Renewal	5 years	72 million	Contract for the door-to-door collection of household waste and equivalent and the provision of collection facilities
Paris SYCTOM (metropolitan agency for household waste treatment)	September	Renewal	3 years	62 million	Acceptance and disposal of non-hazardous waste from SYCTOM in NHW storage facilities
SDEDA (waste elimination association for the Aube department)	November	Renewal	4 years	28 million	Treatment, sorting and recovery of waste from the SDEDA
Arcelor-Mittal Méditerranée	March	New	3 years(1)	24 million	Industrial cleaning services contract
Europe (excl. France)					
Essex County Council – United Kingdom	March	Renewal	8 years(2)	141 million	Integrated waste management contract
Brent Borough Council – United Kingdom	November	Renewal	9 years(3)	151 million	Integrated waste management contract
BP Gelsenkirchen GmbH	July	New	3 years(1)	11 million	Industrial cleaning services contract
Asia					
National Environment Agency – Singapore	March	Renewal with extension of scope	8 years	127 million	Household waste collection contract
Australia					
Arrow Energy	October	New	3 years		Industrial contract - waste management and restoration of wells
Woodside petroleum	June	Extension of scope	3 years(5)	17 million	Industrial contract - waste management and storage tank cleaning
Westfield	October	Extension of scope	5 years	52 million	Integrated waste management contract
North America					
BP Products North America Inc. – United States	January	Renewal	1 year	11 million	Industrial cleaning contract
Chevron – United States	December	Renewal	5 years	44 million	Industrial cleaning contract
Tesoro Refining & Marketing Company LLC	May	Renewal	5 years	25 million	Industrial cleaning contract

(1) 3-year contract, with a 2-year extension option at the customer's discretion.
(2) 8-year contract, with a 5-year extension option at the customer's discretion.
(3) 9-year contract, with a 7-year extension option at the customer's discretion.
(4) 5-year contract, with a 5-year annual extension option at the customer's discretion.
(5) 3-year contract, with a 2-year extension option at the customer's discretion.

(1) Revenues expected under the contracts won have been converted into Euros at the closing exchange rate as of December 31, 2013 and represent the portion due to Veolia Propreté under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.

Main acquisitions and divestitures in 2013

Among the main changes in scope for the year, the most notable was the deconsolidation of almost all of the Group's Cleaning activity in Italy, following the certification of the "concordato preventio di gruppo" (CPG) (Group Restructuring Agreement).

Following the creation, acquisition or consolidation of 6 companies in 2012 and the liquidation, divestiture or merger of 15 companies, the Environmental Services division (excluding Proactiva) comprised 565 companies as of December 31, 2013, compared with 574 in 2012.

6.1.3.3 Energy Services

Veolia Environnement conducts its energy service activities *through* Dalkia, a global provider of energy services to companies and public authorities. Primarily in its role as a decentralized producer of thermal and electrical energy, Dalkia develops offerings in three strategic sectors: Heating and Cooling Systems, Industrial Utilities and Energy Services for Buildings. The Group seizes opportunities offered by the development of the energy market and the need to contain energy consumption. Dalkia is present at all stages of the energy chain from decentralized production to optimizing distribution and containing demand, to improve the performance of energy systems. Dalkia joins forces with its customers, helping them optimize their energy purchases and improve the efficiency of their installations both in terms of cost and Iic emissions and assists them with the transformation of their installations.

As of December 31, 2013, Dalkia had 43,135 employees, primarily in Europe.

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of the Energy Services Division, after elimination of inter-company transactions.

Dalkia is owned 66.0% by Veolia Environnement and 34.0% by EDF. In France, Dalkia conducts its business through Dalkia France, a 99.9% subsidiary of Dalkia, while abroad Dalkia conducts its business through Dalkia International, owned 75.8% by Dalkia and 24.2% by EDF. Dalkia International’s results are consolidated using the equity method in 2013.

Energy Services

(in € million)	**Year ended December 31, 2013**	**Year ended December 31, 2012(2)(3)**	**Change 2013/2012**
Revenue	3,756.5	3,852.0	-2.5%
Operating income(1)	190,5	110.0	73.2%

(1) Including the share in net profit or loss of joint ventures and affiliated companies

(2) In accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations", the income statements of discontinued operations in the course of divestiture, i.e. urban public lighting businesses worldwide (Citelum), are presented in a separate line, "Net income from discontinued operations".

(3) The standards on consolidation IFRS 10 and IFRS 11and the revision of IAS 19, "Employee benefits", stipulate retrospective application to the periods open starting from January 1, 2013. Consequently, the financial statements presented for the comparative years have been restated.

Therefore, following the application of IFRS 10 and 11, revenue from Energy Services comprises all the income from Dalkia France businesses and income from American businesses wholly-owned by the Group; Dalkia International is consolidated under the equity method.

Overview of Energy Services

Dalkia’s business is currently facing three major challenges: global warming and the need to reduce greenhouse gas emissions, the increase inthe price of fossil fuels and their eventual scarcity, and growing urban expansion and related industrial development.

Dalkia’s core business focuses on optimizing the use of all sources of energy at customer sites, industrial production sites, service-sector sites and in all types of buildings. Dalkia has progressively developed a range of activities based on energy and environmental efficiency: Heating and Cooling Systems, Industrial Utilities and Energy Services for Buildings.

Dalkia provides energy management services to public and private customers with which it forms long-term partnerships. Management contracts for the operation of urban heating or cooling networks are typically long-term, lasting up to 30 years, while contracts for the operation of thermal and multi-technical installations for public or private customers may have terms of up to 16years. Contracts to provide industrial utilities generally have shorter terms (six to seven years on average).

Dalkia proposes energy solutions encompassing the entire conversion cycle from the purchase of energies entering the site (fuel, gas, biomass, biogas), the construction of new installations or the modernization of existing installations, to the sale on the market of the electricity produced.

Dalkia has in this way developed expertise in the purchase and sale of energy in deregulated markets and is also active in the greenhouse gas allowance markets.

Whenever possible, Dalkia offers solutions to its customers using renewable or alternative energy sources such as geothermal energy, biomass (organic material), heat recovered from household waste incineration, “process” heat (heat produced by industrial processes) and thermal energy produced by co-generation projects. Energy sources are combined, wherever possible, to take advantage of the complementary nature of each source. In the biomass sector, Dalkia has considerably stepped-up its development by offering innovative services.

Heating and Cooling Systems

The development of urban networks has been a key growth driver for Dalkia in recent years and will continue to be the main contributor to Group growth over the next five years.

Dalkia is a leading European operator of large urban heating and cooling networks. Dalkia currently manages 770 urban and local heating and cooling networks worldwide, particularly in France, the United Kingdom, Eastern and Central Europe and Lithuania. Moreover, Veolia Energy operates networks in the United States where it has a strong market position. The networks operated by Dalkia provide heating, domestic hot water and air conditioning to a wide range of public and private facilities, including schools, health centers, office buildings and residences. In addition, the production plants often generate electricity sold to operators or on the market.

Industrial Utilities

The industrial market offers Dalkia substantial growth perspectives worldwide, in synergy with Veolia Environnement’s other divisions.

Dalkia is a leading provider of industrial utilities in Europe. Its strategy is based on its ability to roll-out an extensive and comprehensive range of services encompassing:

- optimizing industrial utilities: steam, electricity and compressed air;
- optimizing the use of process energy (aligning use with needs and identifying “unavoidable” energy sources and recoverable co-products);
- optimizing industrial building energy consumption;
- reducing greenhouse gas emissions.

Dalkia provides services at 4,263 industrial sites.

Energy Services for Buildings

Energy Services for Buildings consist of operating heating, domestic hot water and air conditioning systems to provide comfortable living and working environments, as well as improving the operation of existing systems to optimize their efficiency. Dalkia provides public, industrial and service sector customers with integrated Energy Services including plant design, construction and improvement, energy supply, and plant management and maintenance.

Dalkia provides customers with a wide range of technical services and is introducing an extensive range of services to satisfy customer expectations for reduced energy consumption and CO_2 emissions. This will profoundly change the energy services market over the coming years, through the development of offerings encompassing performance commitments.

Dalkia manages 163,000 energy installations worldwide.

Key factors

Dalkia's activities may be influenced by the following key factors, which are primarily of a technical, contractual or economic nature:

- public policies supporting the energy transition (energy efficiency, the development of renewable energy sources, etc.) and the reduction of pollutant emissions, together with regulation and contract mechanisms that can be of variable assistance to the development of added-value Energy Services (energy performance contracts, public-private partnerships, etc.);
- the development of the energy market, particularly in terms of the selling price of electricity and heating, accessibility and the cost price of fuels (and CO_2 quotas, etc.);
- urbanization dynamics and climatic variations from year to year, which can affect sales of heating and cooling;
- the economic situation and its influence on the activity levels of Dalkia's customers' industrial sites.

Description of activities in 2013

Dalkia's performance in 2013 varied sharply between each geographical region, while continuing to refocus on countries and activities (see main acquisition and divestitures, detailed below).

From a commercial point of view, for all of Dalkia's 17 largest entities, the contract portfolio recorded a slight decline of €13 million in 2013. This was due to loss of business, most significantly in France, and occurred despite a persistently high level of new business, particularly abroad.

Revenue generated by new contracts amounted to €278 million in 2013, of which 43% came from Energy Services for Buildings, 32% from Heating and Cooling Systems and 23% from Industrial Utilities. Around 70% of new contract revenue originated outside France. As a reminder, the new contracts signed by the largest entities represented revenue of more than €290 million in 2012.

2013 was a particularly difficult year in France, owing to fierce competition from both established operators and new competitors who asserted their energy positioning by changing their name.

The erosion of the contract portfolio, combined with a fall in the number of new contracts, lead to a decline in revenue of €160 million on an annualized basis. Contract losses were substantial in France in 2013, representing €273 million, of which €109 million related to the non-renewal of co-generation contracts. The volume of new business also declined, to €85 million compared with €145 million in 2012, as did the renewal rate for expiring contracts, which dropped to 69% compared with 75% in 2012.

Internationally, the biggest successes were in China, the Middle East, Poland, Canada and the Netherlands.

In China, in Harbin, 4 million m^2 of new buildings were connected to the network, increasing the connected surface area to 14,000,000 m^2 at the end of the heating season. In Jiamusi, an extra approximate surface area of 500,000 m^2 was connected.

In the Middle East, Dalkia won a three-year contract to provide multi-technical services for Abu Dhabi International airports.

In Poland, Dalkia signed new connections to its heating networks, generating additional annual revenue of €16.8 million and including the new Poznan City Center building complex.

In Canada, Dalkia will manage the design, operating, maintenance and wood residue supply/preparation of one of the country's largest biomass plants, at Fort Saint James, British Columbia. The plant will have an electricity capacity of 40 MW and will consume 307,000 tons of biomass each year. The contract should generate around €400 million of cumulative revenue over 30 years.

In the Netherlands, Dalkia took over a portfolio of 64 networks, the country's third-largest heating network portfolio. The networks will serve more than 62,000 individual customers and 1,240 businesses and non-residential buildings, including TCN Mediapark and the University of Twente. The assets will be transferred to an entity owned by Dutch pension fund service provider PGGM (80%) and Dalkia (20%), which will take care of the operations.

In a highly-competitive environment, Dalkia is seeking to forge new partnerships. In China, Dalkia signed a strategic alliance with Schneider Electric with a view to developing energy efficiency projects. Schneider Electric will provide technical solutions and Dalkia will manage the facilities and implement technical improvements. In Poland, Dalkia Polska signed a partnership with Siemens to develop joint energy efficiency projects in the public sector.

From an operational standpoint, in France, Dalkia launched the first integrated energy efficiency management center, known as the Dalkia Energy Savings Center (DESC). A specially-designed center equipped with a data processing system, the DESC contains, in one location and for a given area, all of Dalkia's expertise in managing the energy performance of buildings. Following the first DESC, at Paris-La Défense (the Group's operational headquarters), six more DESCs will be deployed in France by the end of 2014. Other DESCs will also be deployed in Belgium and the Middle East.

Dalkia also opened a number of large-scale facilities, such as a gasifier in Ziar (Slovakia) and biomass plants in Angers, Orleans, Rennes and Tours (France) and Cameron Bridge (Scotland, UK).

Dalkia also continued its productivity efforts by reducing its maintenance costs in the Czech Republic, cutting its workforce and fixed costs in Poland, and optimizing its labor costs and purchase savings in Italy and Spain.

Finally, its financial results, which were in line with targets, benefited from the recovery in Italy, controlled investments and working capital requirements.

Major Contracts in 2013

The following table shows the major contracts signed in 2013 with either public authorities or industrial or service-sector companies*:

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
France					
Les Ulis (91)	May	Renewal	23 years	229.5 million	District Heating networks Modernization and operation of the heating network. Construction of a 10 MW biomass-fired heating plant.
Bio Springer – Maisons Alfort (94)	June	Renewal	12 years	109 million	Industrial Utilities Sale of steam through co-generation
Tremblay (93)	November	New	30 years	54.1 million	District Heating networks Public service delegation
Lille University Regional Hospital (CHRU) (59)	January	Renewal	12 years	110.4 million	District Heating networks Renegotiation of the primary contract with the CHRU, incorporating co-generation
Lens (62)	June	Renewal	20 years	74 million	District Heating networks Public service delegation
Louviers (27)	June	New	24 years	37.1 million	District Heating networks Network creation - Public service delegation
Munksjö (paper producer) in Arches (88) and Lalinde (24)	October	Renewal	12 years	190.2 million	Industrial Utilities Sale of steam through co-generation 1 contract per site
Dynacité (social housing) – Bourg en Bresse (01)	June	Renewal	10 years	99.9 million	Building Energy Services Energy performance contract
Nevers (Banlay district) (58)	July	New	20 years	26.9 million	District Heating networks Design, construction and operation of a heating network with renewable energy
Bluestar Silicones – Saint-Fons (69)	July	New	10 years	25.3 million	Industrial Utilities Design and construction of a 20 MW heating plant and supply of steam
Nîmes (30)	June	Renewal	25 years	134.2 million	District Heating networks Public service delegation - Operation of a heating network with renewable energy
High schools in the Midi-Pyrénées region	December	New	10 years	98.5 million	Building Energy Services Energy performance contract
Bayonne (64)	December	New	23 years	31.1 million	District Heating networks Public service delegation
Brest (29)	March	New	6 years	11.5 million	District Heating networks Densification of the Brest Métropole Océane (Urban Community of Brest) network
International					
Bratislava (Slovakia)	February	Renewal	27 years	1.08 billion	District Heating networks Heating and hot water supply for the Petržalka residential district Installation of 18 gas-fired co-generation engines
PSA – Sloveo – Trnava (Slovakia)	January	Renewal	4 years and 9 months	50 million	Building Energy Services Multi-technical and multi-service contract for the PSA Peugeot Citroën plant
Mariánské Lázně (Czech Republic)	June	Renewal	25 years	172.3 million	District Heating networks Heating supply. Installation of a biomass-fired heating plant and a steam turbine
Altia (wines and spirits) – Koskenkorva (Finland)	January	New	9 years and 10 months	44.3 million	Industrial Utilities Design, construction and operation of a 10 MW steam-fired plant, which will burn agricultural biomass
Port'Ambiente (Portugal)	September	Renewal	10 years	170 million	Industrial Utilities Operation of household waste treatment and recovery facilities
Saadiyat Island – Abu Dhabi (United Arab Emirates)	October	New	26 years and 2 months	104.7 million	District Cooling networks Increase in the power of a cooling plant to supply the new shopping mall Saadiyat Mall
Abu Dhabi international airport (United Arab Emirates)	April	New	3 years	33.9 million	Building Energy Services Multi-technical services for the international airports of Abu Dhabi and Al Ain, and the "Executive" airport of Al Bateen
Fort Saint James (Canada)	October	New	30 years	375.6 million	Design and operation of one of the largest biomass plants in Canada Electricity capacity: 40 MW

* *Revenues expected under the contracts won in 2013 have been converted into Euros at the closing exchange rate as of December 31, 2013 and represent the portion due to Dalkia, including Veolia Energy North America Holding, under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.*

Main acquisitions and divestitures in 2013

The Energy Services Division continued to refocus on its priority activities and regions in 2013.

Dalkia disposed of all of its businesses in Brazil: the *holding* company Dalkia Limitada and six subsidiaries were sold to the AXXON Group private equity fund in August 2013. Dalkia also disposed of all of its businesses in Chile in November 2013. The biomass co-generation plant was sold to its customer Masisa; Dalkia Chile and its two subsidiaries Esener and Conade were taken over by the management team. In Mexico, the Tamaulipas hospital PPP was sold to our partner Marhnos Turismo in December 2013. The sale of Dalkia SA de CV and two subsidiaries was finalized in early 2014.

Dalkia also continued its withdrawal from the Baltic countries, selling Dalkia Latvia andits five subsidiaries to the management team in December 2013.

In Germany, Dalkia sold the operational activities of Dalkia GmbH to Enercity Contracting, a subsidiary of Stadtwerke Hannover, in June 2013. The stake held by Dalkia GmbH in Hamburg Énergie Wärme GmbH was sold to our partner, the municipal company of Hamburg, in November 2013. Dalkia no longer has any operations in Germany.

Dalkia also sold KJ Technical Services Sdn Bhd (Malaysia) in April, Finpol Rohr Sp (Poland) in June, and its stake in Dafoo Facilities Management Cy (Macao) in September.

In France, Dalkia France's 24% minority stake in the Régaz-Bordeaux SEM (semi-public limited company) was sold to the OFI InfraVia fund in December.

Finally, in 2013, Dalkia refinanced its "CRE" projects with the disposal of companies owning co-generation plants: Biowatts Roseraie Énergie (BRE) in Angers, Orléans Biomasse Énergie and Rennes Biomasse Énergie.

In total, over the course of 2013, the Energy Services Division consolidated or purchased 34 companies, mainly to implement new projects in France and support international growth. 54 companies were sold, liquidated or merged (see *above).* At December 31, 2013, the Energy Services Division held 532 consolidated companies, including 285 foreign companies, compared with a total of 552 consolidated companies at December 31, 2012.

6.1.3.4 Other activities

6.1.3.4.1 Transportation

Transportation division activities continued as in previous years up until March 3, 2011, when Veolia Environnement and Caisse des Dépôts combined their respective transportation subsidiaries creating Veolia Transdev (now known as Transdev), held 50/50 by Veolia Environnement and Caisse des dépôts et consignations. Operational activities were merged in August and September 2011 and the new organizational structure was introduced in December 2011. On December 6, 2011, Veolia Environnement announced its decision to withdraw progressively from the Transportation business. Progress with this withdrawal process led Veolia Environnement to classify the Transportation business as a discontinued operation as defined by IFRS 5 (See Note 23 to the consolidated financial statements - Chapter 20.1 *below).* The agreement for negotiation signed on March 30, 2012 concerning the transfer to Veolia Environnement of Transdev’s 66% stake in SNCM, resulted in the reclassification of these activities in Veolia Environnement's continuing operations, as this sub-group was therefore excluded from the Transportation business divestment process. On October 22, 2012, Veolia Environnement and Caisse des dépôts et consignations signed an new agreement for negotiation under which Caisse des dépôts et consignations and Veolia Environnement would subscribe to a €800 million share capital increase by capitalization of existing shareholder loans. Following this transaction, Caisse des dépôts et consignations would hold 60% of the share capital of Transdev and would take exclusive control of that company. Veolia Environnement would retain a 40% shareholding. This agreement for negotiation became null and void on October 31, 2013. Accordingly, the Group modified the accounting presentation of its investment in the Transdev Group for the publication of its 2013 financial statements, transferring it from "Assets classified as held for sale" (discontinued operations) to "Investments in joint ventures" (continuing operations), accounted for using the equity method. Pursuant to IFRS 5.28 and IAS 28.21, the Group modified retrospectively the accounting presentation of its investment in 2012 and 2011. Given the Group's confirmed desire to continue its withdrawal from its Transportation activities, the Group's investment in the Transdev Group does not represent an extension of the Group's businesses within the meaning of the French Accounting Standards Authority's recommendation of April 4, 2013.

The core business of Transdev is passenger transportation services by road, rail and sea on behalf of national, regional and local authorities.

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of Transdev (2013).

Transport

(in € million)	Year ended December 31, 2013	Year ended December 31, 2012[(2)(3)]	Change 2013/2012
Revenue[(1)]	**6,606.1**	**6,797.2**	**-2.8%**
Operating income[(1) (2)]	**38.6**	**-291.1**	na

(1) Revenue and operating income exclude amounts in respect of discontinued operations (pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations").

(2) Including the represented share of income (loss) of joint ventures and associates.

(3) The consolidation standards IFRS 10 and IFRS 11 and the revised Employee Benefits standard provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for comparative periods have been represented accordingly.

Overview of the Transportation Business

Transdev mainly operates passenger transportation networks and regular services in accordance with public service specifications (covering schedules, routes and fare structures) set by the relevant public authorities (which generally retain ownership of the infrastructures, particularly in urban areas). Contracts are awarded following public tenders.

Transdev primarily conducts its business through the outsourced management of transportation activities, under conditions and structures that differ from one country to another due to varying legal and regulatory requirements, via fixed-term contracts (between two and twelve years or around thirty years for "concession" contracts) whose purpose, aside from the organization of services, is to determine the risks to be borne by the public authority and the transportation company and the remuneration of the transportation company. Moreover, in the case of certain contracts, and particularly for specialized school transportation services, Transdev is paid a flat fee for its transportation services and consequently does not bear the risks associated with lower receipts or decreased passenger use ("public procurement contracts" in France).

Transdev's activities fall into four main categories:

- mass road transportation (urban transport, urban beltway, inter-city and regional and other specific transportation services);
- mass rail transportation;
- individual shared transportation: taxis, limousines, airport shuttle services and regional and international tourist transportation;
- transportation management (passenger information services, clearing-houses, call centers).

Mass Road Transportation

Transdev operates a number of urban bus and rail networks, and provides customized transportation-on-demand services. Transdev covers the entire mobility chain from design to operating services (including personnel management, providing drivers and ticket inspectors and marketing efforts), as well as maintenance.

Through its subsidiary, Transamo, Transdev assists local authorities with the planning and steering of their public transportation projects, as well as the audit and optimization of transportation network operation and maintenance.

Transdev operates ferry and river shuttle services in tandem with its bus services in various urban areas, in France, the Netherlands, Australia and Sweden.

Passenger Rail Transportation

Transdev has been a rail operator for many years. It is currently present in seven countries and enjoys solid references in Europe and worldwide.

In Germany, Transdev is the leading private operator of regional rail services and operates lines in nine regions (including Marschbahn, S-Bahn Bremen, Mittelrhein Bahn, etc.). Transdev also operates open-access long-distance lines (InterConnex: Leipzig - Berlin - Rostock).

In Sweden, the rail link between Stockholm and Malmö is the first long-distance line operated by the private sector, with high-added-value services.

In the Netherlands, transportation services provided in the Limbourg Province encompass bus and rail networks, with joint design and management.

In France, Transdev manages several regional rail networks through contracts with local public authorities (Rhône department, Mulhouse, etc.).

Across the Atlantic, Transdev operates suburban rails networks in Miami and to the North of San Diego.

In Auckland, Transdev operates the suburban network of New Zealand’s largest city.

In South Korea, Transdev (through its JV with RATP DEV) operates line 9 of the Seoul metro.

Commercial transportation (B to C)

Transportation-on-demand

Under the SuperShuttle trade name, Transdev provides shared transportation services at 36 airports in the United States. In Europe, Transdev provides shuttle services at five airports (Roissy Charles de Gaulle, Orly, Beauvais, Arlanda and Schiphol), again primarily under its SuperShuttle trade name. Transdev provides taxi services in the United States, in particular in Baltimore, Denver, Kansas City, Jacksonville and Pittsburgh, as well as in London (United Kingdom) through its subsidiary, Greentomato.

Taxis services are also provided in the Netherlands through Connexxion Taxi services.

Tourism

Transdev also has a strong presence in the tourism sector and particularly in Greater Paris though its subsidiary, Visual.

Through its subsidiaries, Eurolines and Internorte, Transdev also transports passengers by coach on scheduled international routes serving over 600 cities throughout Europe.

Digital Transportation Management

Over recent years, digital information services for passengers have become essential to the management of mobility and a means of developing service use.

Transdev has developed and rolled-out internet and cell phone solutions (public transportation websites and cell phone applications), primarily through Cityway, but also in the Netherlands, Germany and the United States.

Transdev has also invested in innovative ticketing solutions, including Pass-Trams and VTD Pass multi-channel remote selling solutions, developed with the Near Field Communication cell phone technology in the BPass project rolled out in Nice.

Transdev continues to invest in its digital services to enhance the performance of its transport networks.

Description of activities in 2013

In 2013, the Transportation business (at 100%) reported revenue of €6,606.1 million. In France, in the urban transportation sector, Transdev renewed its public service delegation contracts with Toulon, Grenoble, Roanne, Albertville and Bar-le-Duc.

In 2013, Transdev renewed the operating contracts for urban and semi-urban bus services in the city of Toulon. In the Netherlands, the group renewed the operation of a bus network in Noord Brabant and the Ijsselmond regional network.

In Australia, Transdev won a new, seven-year contract for the operation of part of the Melbourne bus network. Moreover, the operation and maintenance of the Sydney tramway was extended for two years.

In Sweden, the group was awarded the contract to renew the "Oresund" rail network.

6.1.3.4.2 Multi-business contracts with industrial and service sector customers

Industrial outsourcing and integrated offerings

The industrial outsourcing market is seeing significant changes in the expectations of industrial companies. These changes are mainly driven by the multiplication of requests from technical and multi-services businesses, often accompanied by a demand for environmental optimization services. This market has a large service scope and offerings must be international, or at the very least continent-wide, as customers are adopting multi-site/multi-country approaches.

From an operational standpoint, the customer relationship is changing: the service provider becomes the customer’s sole contact and a dialog develops to seek solutions which satisfy the interests of both parties. By outsourcing the management of technical and multi-services to a specialist, the customer can refocus on its core business and benefit from best practices on delegated services. The combination of these two factors helps improve the performance and competitiveness of industrial sites.

By placing its business synergies, its know-how, its international spread and its solid industrial references at the service of industrial customers, Veolia Environnement has established itself as a reference in industrial markets for multi-business integrated offerings.

Competition

The main competitors in this market are of varied origin. Some of them are historical Facilities Management companies, such as the American group, Johnson Control International (JCI), whilst others are from the occupant services sector, such as Sodexo, Mitie, etc. These companies pursue and communicate on a strong *Facilities Management* development strategy and have launched acquisition plans to strengthen their position in technical services.

Environmental services companies have also moved towards the integrated services market. In 2011, the Vinci Group created Vinci Facilities, offering a comprehensive range of buildings services, occupant services and *facilities* management services under a single trade name. In 2012, GDF Suez group also moved in and launched the Cofely FM trade name.

Veolia Environnement Organizational Structure for the Provision of Multi-business services

Through its subsidiary Veolia Environnement Industries (VEI), the Group provides integrated solutions for industrial customers. Created in 1996, this cross-functional structure enables Veolia Environnement to better satisfy the expectations of customers who wish to outsource a range of services across several industrial sites to a single service provider.

Veolia Environnement Industries' offering combines the Group's services and skills in a single contract in order to enhance the overall competitiveness of customers' industrial sites. This competitiveness is achieved by emphasizing operational synergies between the various services - water, energy, discharge treatment and waste management - and providing technical and technological solutions to improve environmental performance.

In addition to economic performance, Veolia Environnement Industries also guarantees its customers uniform operational management of sites and operating processes, a unique and comprehensive reporting process to measure performance between sites, and the transfer of best practices between multiple sites belonging to one customer or one industrial sector.

Multi-business Contracts

The Group's activities in the multi-business market primarily consist of approximately fifteen major contracts, which together generate average annual revenue of approximately €502 million and which are expected to generate cumulative revenue over their remaining term of around €2.4 billion. The average term of these contracts is approximately 9 years.

Multi-business activities also have a strong international dimension, particularly when industrial customers invest in the construction of new factories abroad (“greenfield” sites). This is particularly the case for Arcelor in Brazil, PSA Peugeot Citroën in Trnava (Slovakia), Artlant in Sines (Portugal) and Renault in Tanger (Morocco).

Veolia Environnement Industries references give it a unique position in the industrial outsourcing market and include:

- solvent recycling combined with the sale of energy at the Novartis Balois sites;
- the design, construction and operation of the first automobile plant with zero carbon emissions and zero water discharges, for Renault in Tangier, which mobilized the expertise and know-how of the Group's various business lines;
- the ability to assist a leading pharmaceuticals customer throughout Europe applying the same standards, as demonstrated by the contracts with Bristol Myers Squibb (BMS), Novartis, etc.

Activities in 2013

Défense Environnement Services (DES), a joint venture between Veolia Environnement and DCNS, addresses the support function outsourcing needs of naval and port infrastructures. In 2013, DES signed a support and services contract with DCNS for the "Triumphant" nuclear submarine, for a term of 27 months and generating revenue of €3.9 million.

PSA Peugeot Citroën and Veolia Environnement Industries extended their multi-technical and multi-services contract for the production plant in Trnava, Slovakia, until December 31, 2017. As part of this contract extension, a study has already been launched into optimizing energy consumption and reducing the environmental footprint of the site. Cumulative revenue for the last five years amounted to €42.6 million.

Novartis and Veolia Environnement Industries extended their industrial utilities management contract for the production sites in Basel (Switzerland) for a minimum term of five years. Veolia oversees and optimizes the supply and management of water and energy fluids, and operates the largest European solvent distillation facility. Revenue for the next five years is estimated at €750 million.

As part of its environmental and economic performance initiative, Novartis sought to extend this integrated management model to fifteen of its largest sites. Veolia won the European Integrated Facility Management (IFM) call for tenders for the sites located in France, Italy, Spain and Ireland. Veolia will now manage all production support services. The contract was signed for a term of five years beginning on January 1, 2014, and represents cumulative revenue of €175 million.

6.2 Market overview

6.2.1 The market for environmental management services

Environmental management services provided by the Group include drinking-water treatment and distribution, wastewater treatment, waste management as well as energy services. This market also includes designing, building and, where applicable, funding the necessary installations to supply such services. These services are provided to industrial and service-sector companies, public authorities and private individuals.

The Company is setting up public-private and private-private partnerships aimed at providing comprehensive solutions to critical environmental and economic issues, in both "mature" and "emerging" countries and covering waste treatment and reduction, recycling of resources, energy savings and green energy production, drinking water production, the treatment and reuse of water and the reduction of pollutant emissions. Examples include the contract for the design, construction and operation of Saudi Arabia's largest ultrafiltration and reverse osmosis desalination plant between Marafiq (Saudi Arabia's largest national power and water utility) and Veolia Eau, the pneumatic waste collection contract between Grand Paris Seine Ouest and Veolia Propreté, and the contract managed by Veolia Eau in Nagpur, India, with the help of external funding (European funds, EBRD, etc.) where necessary.

Sensitivity to environmental challenges is now widespread among both public and private decision-makers. In the light of the challenges facing the planet, Veolia builds tailored solutions to address the demands, needs and issues of its customers, their stakeholders and local regulations.

Increasingly strict environmental performance requirements are being set for the **management of public services and utilities** reflecting the growing awareness of these issues of populations and public contractors. The latter (particularly cities, city groups and, increasingly, major conurbations and urban areas) are carrying out more and more studies on the environmental attractiveness of their areas and seeking to implement solutions designed to resolve major environmental issues. Veolia, the number one global player in the environmental services sector, contributes to a range of environmental and social innovation and incubation studies and programs. Through its partnerships, some of which are entirely dedicated to making energy savings and the recovery of resources, Veolia uses its unique know-how as an engineer and operator to address its customers' issues. Finally, although public sector management contracts are still mostly allocated service by service, owing to regulatory requirements on competition and the administrative and budgetary organizations of public sector customers, the Company has technology that sets it apart and allows it to offer a full range of environmental management services.

Increasingly, **industrial and service sector companies** are placing at the core of their projects a commitment to take tangible action to protect the environment and the creation of shared value with their stakeholders, which is a means of winning their stakeholders' approval and enhancing their own competitiveness. They are also seeking to build unified environmental management strategies - unrelated to their core businesses - by using a service provider able to mobilize multiple practical skills and offer a range of integrated services. The Company supports businesses in their industrial projects, in both emerging and mature regions, to help them design and build plants that have optimized environmental impacts or upgrade their existing sites by providing innovative technology. The service offerings are adapted to the evolving and often very specific needs of these customers and enable them to win the approval of their stakeholders, reduce the environmental footprint of their activities and improve their output and competitiveness (resource savings, treatment and recycling of by-products).

As set out in the *"Low Carbon and Environmental Goods and Services (*LCEGS)" report published in July *2013 by the UK Department for Business* Innovation and Skills, the market in which the Group operates represents annual equipment sales and services of €4,266 billion globally, broken down as follows:

- low carbon impact activities: €2,029 billion;
- renewable energy: €1,336 billion;
- environmental services: €901 billion.

According to this report, the average annual growth outlook for this market is 4%. Demand for outsourced and increasingly integrated environmental management services should expand and grow for the following reasons:

- a global environmental services market enjoying sustained growth (3.4% per annum to 2015 according to the above report);
- customer need for increased competitiveness and savings;
- as innovative technical solutions favorable to the environment are developed, the Group's expertise is sought to identify, design, control, build and operate them;
- faced with increasingly strict environmental standards and requirements, public and private players do not always have the necessary technical or operational resources that specialist professionals can mobilize to deal with environmental problems effectively and at minimum cost; they also seek the legal security offered by an operator that accepts responsibility for the management of these activities. Expertise in environmental regulations is a determining factor in the choice of operators and an advantage that sets Veolia Environnement apart from the competition;
- the need for the coordinated management of services entrusted by companies to service providers for a range of sites spread across one or several continents;
- in addition, public procurement, which now widely reflects a concern for sustainable development, must set exemplary standards with respect to commitments made at local and level. However, in a world that combines accelerated urbanization with demographic growth, major investment in environmental projects and services, as well as sustainable management, are needed in order to provide growing urban populations with adapted environmental services and replace existing environmental infrastructures.

Moreover, financial restrictions affecting all economic operators encourage public authorities and companies to seek the most cost-efficient solutions and lead them to consider outsourcing complex portions of their activities under comprehensive long-term contracts. They often seek to simplify the contractual process by entrusting the performance of highly varied services to a single partner, who is able to commit to performance levels and, where appropriate, finance all or part of the investments necessary. This presents numerous market opportunities for companies that are able to propose a wide range of integrated environmental management services.

Veolia Environnement believes that developments on the market and in the challenges facing the planet offer significant opportunities for the Group, which is able to provide high quality, innovative and depending on customer needs, integrated environmental management services in markets around the world.

6.2.2 Customers

Veolia Environnement provides environmental management services to a wide range of public authorities, industrial and service sector customers on all five continents.

Public authorities

Although the centers of economic growth are shifting from mature countries toward emerging countries, cities are playing a key role and the economic issues are becoming increasingly complex. The concessions market is being exhausted in historical regions and is risky in some emerging regions, yet the **traditional concession model** has not been abandoned by local authorities. It requires operations to be optimized and new services to be developed that emphasize expertise in environmental management. At the same time, **local authorities not served** by private operators are seeking new momentum in mature economies and are faced with growing urbanization that increases the need for essential services in emerging countries.

New business models for local authorities not served by private operators

Local authorities that take care of their own environmental management, or for which no service is organized, accounted for more than 80% of the global market at the end of 2013. The search for efficiency, competitiveness and attractiveness, the need to adapt to climate change and environmental complexity, the demands of populations, the varying willingness to entrust all or part of their services to a private operator and funding requirements are the issues with which these authorities must contend.

For some local authorities, in both emerging and mature countries, public services are a key factor in economic and social development that bring in massive investment in infrastructures together with **financial support** from private and public partners. This is the case in Rialto, California, which has aging infrastructures and needs to improve its services to enhance the appeal of the city against a backdrop of economic decline. The business model proposed **("Asset Co-Op Co")** is based on the Company's ability to attract private partners to meet investment requirements while guaranteeing operational performance. This way, the local authority can access funding to upgrade its infrastructures and accelerate its economic growth, while stabilizing its rates and maintaining ownership and control over its infrastructures.

For other local authorities, public services lie at the heart of city policy and they do not want to delegate services to a private operator. Nonetheless, they need to optimize their services (Water, Waste and Energy), choose between new investments and improve the integrated management of Water/Energy networks and customer relations. **The Peer-Performance Solutions (PPS)** developed by Veolia are aimed at public bodies in charge of services, as evidenced by the contract with New York City (advice and assistance with the implementation of efficiency gains).

Veolia is attentive to these local authorities, designing and deploying new offerings and innovative models aimed at addressing the issues faced by the authorities, their populations and businesses.

The traditional concession model

The economic slowdown in longer-established regions is putting the company's historical concession model to the test, with pressure on prices, a (temporary) reduction in infrastructure investments and falling volumes of water and waste. At the same time, changes to French and European legislation on the concessions system (Olivet Commune Order, Directive on concessions, etc.) is shortening the duration of contracts. Finally, the legitimacy of the private sector in the management of public services is sometimes called into question, while a number of local authorities are advocating a return to public management and services are commoditized.

Faced with pressure on this historical market, the Company is prioritizing the optimization of operations and the development of high added-value services focused on operational expertise. It is adjusting its partnerships to address the demands of public bodies (mainly local authorities): seeking quality and innovative solutions and striving toward efficiency, resource savings (water) and energy savings (in all services), recovering by-products and optimizing overall costs (by taking operational concerns into account from the design stage). In favorable regions where there exists real potential to optimize services and even to extend the scope of the concession, Veolia is considered a true partner by local authorities who are increasingly favorable to the concept of value-added service. This is illustrated by Veolia's contracts in Romania, which have transformed and restored the efficiency of two public services (Bucharest and Ploesti), greatly improved the quality of the service and achieved a high level of operational performance.

Industrial and Service Sector Companies

Industrial companies are faced with challenges that are critical to their growth: increasingly stringent regulations (greenhouse gas emissions), diminishing resources (water stress) in areas where their production sites are located, the acceptability of their activities, and the need to control production costs (raw materials used in processes).

They are seeking a partner able to take charge of all of these issues and provide them with solutions for sustainable, profitable growth. This is particularly true of the growth sectors identified as Veolia Environnement's chosen competitive arenas: namely the oil and gas, mining and agri-food industries.

For example, although the unconventional extraction of oil and gas is booming, unconventional extraction techniques require 10 to 20 times more water than conventional techniques. Similarly, 70% of the mining projects led by the "big six" are located in water-stressed areas; yet the mining industry is the sector that consumes the second-largest quantity of water (equivalent each year to the domestic consumption of the United States) and is encountering major difficulties accessing new resources as well as strong political and regulatory pressure.

Veolia Environnement offers industrial customers operating in sectors such as the transverse markets of the circular economy, dismantling (between 100 and 160 nuclear reactors will need to be dismantled in the next ten years) and the treatment of difficult forms of pollution a complete construction and/or services provision aimed at improving their competitiveness and their environmental and social impacts: facility upgrades, production of utilities needed for the industrial process (steam, industrial heating and cooling, process water, demineralized water, compressed air, etc.), consumption optimization, reuse of process water, limitation and recovery of by-products (wastewater treatment, waste recovery and recycling, competitiveness and sustainability of waste elimination channels), and enhanced approval from their stakeholders and local populations.

This is shown by the agreement with a mining company in Australia on the treatment of saltwater from natural gas production, the agreement with oil companies in North America relating to the recovery of oily sludge and the contract signed with a Dutch agri-food operator aimed at producing biogas from its organic waste.

6.2.3 Competition

Most markets for environmental services are very competitive and are characterized by increasing technological challenges due to changes in regulation, as well as the presence of experienced competitors.

Competition in each of the markets in which Veolia Environnement participates is based primarily on the quality of the products and services provided, as well as the suppliers’ reliability, customer service, financial position, technology, price, the financial structure of the contract, reputation and experience in providing services. Additional considerations include the ability to adapt to changing legal and regulatory environments, as well as the ability to manage employees accustomed to working for public authorities or non-outsourced departments of industrial or service sector companies. In each of the markets in which Veolia Environnement operates, its competitive advantages are its technological and technical expertise, its financial position, its geographical reach, its experience in providing and performing all environmental management services, its management of outsourced employees, and its ability to comply with regulatory requirements.

In the environmental services sector, Suez Environnement provides a range of services encompassing water and waste management. A new industrial innovation and performance department was also created in 2013 to coordinate these two activities under a single leadership. Suez' business model is based on the development of its historical business (water), which is still performing well, on a waste business that has suffered while awaiting a recovery in industrial activity, and on international growth.

Other competitors are originally from neighboring industrial sectors and are seeking to extend the scope of their business.

Water

Veolia Eau confirmed its role as leader in the water and wastewater treatment sectors[1], where its main competitor across all markets is Suez Environnement.

In national, regional and international markets, 2013 confirmed the growth in local competition (which paradoxically has started expanding internationally) from private, public and semi-public operators.

Historical municipal activities

The main competitors in France are Lyonnaise des Eaux (Suez Environnement), Saur, which was recapitalized in early July 2013 when Séché Environnement withdrew from Saur's capital, and, to a lesser extent, a number of smaller players (Cholton, Aqualter, Nantaise des Eaux).

In Spain, the Group's main competitors are Suez Environnement (through Aguas de Barcelona - Agbar and its new trade name Aqualogy - and Aguas de Valencia) and construction and public works companies such as Aqualia-FCC, ACS, Sacyr and Acciona. These companies are also focusing on an international development strategy to offset the sluggish national market.

In the rest of Europe (severely hit by the crisis), aside from Suez Environnement and Saur, competitors include the German companies Gelsenwasser and Remondis, and FCC-Aqualia, which has confirmed its interest in Central and Eastern Europe.

In the United States, the municipal operating contract market remains dominated by the Big Five (Veolia Water, American Water, CH2M Hill OMI, United Water and Severn Trent Services), although regional companies are gaining ground. The purely American companies, such as American Water and Aqua America, continued to consolidate their geographic positions.

In the North Africa and Middle East markets (regions still affected by considerable political instability), as well as in Latin America (Chile, Peru and Brazil), Veolia Eau is in competition with local (Sabesp in Brazil) and Spanish companies (Acciona, Aqualia, ACS) and is also facing Japanese (Mitsui, Marubeni, Mitsubishi, Sumitomo, etc.) and even Korean (LG/Inima, K-Water, etc.) trading companies, which are seeking to establish a position in stable, long-term activities.

China is also a strategic development region for Suez Environnement and for Asian companies, with growing competition from local companies (Beijing Capital, Shanghai Industrial, etc.) that are themselves expanding internationally (as seen by Beijing Enterprises Water's entry into Portugal), as well as Japanese and Singapore companies such as Hyflux, SembCorp and Moya Dayen, which are also present in the Middle East and North Africa (MENA) region.

Australia is a strategic growth area for Spanish (Acciona, ACS, Cadagua, Sacyr) and Asian (Hyflux, Mitsubishi and Marubeni) companies as well as for Suez (its 3rd pillar), particularly through Degrémont (which is focusing on, among other areas, water desalination and the mining sector).

The Group's seven priority growth areas

Veolia is the only industrial company able to offer water treatment solutions at all stages of the production chain of both conventional and unconventional (upstream, downstream) hydrocarbons (O&G); customers are all oil industry majors such as BP, Shell, Total, Chevron, ConocoPhilipps, PXP, Petrobras, Exxon, Ineos, etc.

Veolia's main global competitors on this sector are GE, Siemens et Degrémont Industry (Suez), and there are also a number of more specialized operators such as Cameron, Cetco, Exterran, Filterboxx, Aquatech and AquaPure.

On the unconventional O&G market (shale gas, etc.), competition is still relatively fragmented and focused on North America, which is currently offering the only opportunities, although substantial reserves have been identified in Europe, Asia, Australia and South America. This competition is comprised of engineering companies, service providers (Heckmann) and equipment suppliers (Ecosphere), as well as energy companies, especially in the United States, which is characterized by oil service operators (Schlumberger, Halliburton, Fractech, Baker Hughes), engineering companies (Worley Parsons, Kellog Brown Root, Mustang) and other subcontractors (Bechtel, Technip, Aker Solutions) operate.

There are no strong competitors specializing in both water and the mining industry. Aside from Degrémont Industry and GE, which has created a BU dedicated to this sector, Veolia faces competition from local and regional companies (Osmoflo, Praxa, Avenge, etc.).

On the equipment and engineering market, Veolia competes with more dominant operators such as Hatch, Golder and AMEC. At regional level, its competitors include Odebrecht in Brazil, Keyplan in South Africa, and Worley Parsons, which is now expanding beyond Australia. Other giants such as Bechtel, Mitsubishi, Samsung and Doosan are also taking an interest in this sector.

In the Food & Beverages sector, only Veolia and Suez Environnement are able to provide a comprehensive offering. Other more specialized and/or regional operators include GE, Siemens, Vinci, Remondis, Sodexo, Mitie, Envirochemie, Chriwa, Mitie, ISS, Johnson Controls, Idex, Paques, Waterleau, Aqua, Saur, and Nalco.

There are many companies operating on the dismantling market, owing to the variety of industrial infrastructures reaching the end of their cycle: oil rigs (Stork, Cape, Hertel, Bilfinger), petrochemical plants (Amec, AF Group, Aker Stord, Able UK) nuclear reactors (Areva, Onet, Bouygues, Vinci, Westinghouse, Amec, Nukem, Iberdrola, Ansaldo, Tractebel), and mobile equipment (ships, trains, airplanes) (Tarmac-SITA).

The transverse market of the circular economy - which encompasses both the municipal and industrial sectors - features the major recycling companies such as Veolia, Sita, Coved and Derichebourg, which stand alongside regional operators like Baudelet Environnement and Galloo, both in France and the rest of Europe.

Like Veolia, Suez Environnement is developing new municipal business models that are performance-based and require less investment capital, such as the models implemented in Bayonne (New Jersey, United States), which separates concession from operation, and Bangalore, in partnership with local operators.

Finally, Veolia has no real competition in cutting-edge technology sectors.

Environmental Services

Veolia Environnement's main competitors in this sector are Waste Management and Suez Environnement. The other competitors are regional players, or cover only part of the services offered by Veolia Propreté.

In Europe, where Veolia Propreté conducts the majority of its business, its principal competitors are Suez Environnement (acting through its subsidiary SITA), Remondis, FCC, Van Gansewinkel Group, Shanks and Urbaser. Remondis, a major player in Germany, is focused on Central and Eastern Europe.

In the Asia-Pacific region, the Group's main competitors are Suez Environnement and various local companies. In Australia, Transpacific is the main national competitor in a concentrated market. The Chinese market remains fragmented and primarily comprises local and regional players.

In industrial services, the main competitors are ORTEC, BUCHEN (Remondis) in Europe and Africa, together with domestic competitors in the US (Clean Harbor, Hydrochem) and Australia.

Energy Services

The energy services market combines a diversified range of services and has many different types of market players. Veolia Environnement, through its Energy Services division, therefore faces strong competition from primarily sector-specific players.

Only the group formed by the GDF-Suez merger, primarily with Cofely, has the ability to offer a diversified and comprehensive range of services with a strong international presence that is comparable to Dalkia's own presence and services. Cofely represents a major competitor, mastering a range of expertise similar to that of Dalkia. Competition remained very intense in 2013, particularly in France, with an aggressive policy to win market share.

Among sector-specific players, Dalkia faces the presence of large competitors such as Vattenfall, Fortum, Alpiq and EON, particularly in the local energy infrastructure sector.

In the service sector, competition takes many forms, and comes from specialized companies (in the areas of cleaning, food services, etc.) seeking to expand their offering to include energy services. Technical maintenance companies focusing on areas such as electrical installations are also increasingly forming partnerships with major construction and public works groups (Vinci, Bouygues) or groups specializing in facility management (SODEXO, JLL, etc.).

Equipment manufacturers (Schneider Electric, Siemens, Johnson Control) are playing an increasing role in smart buildings, as are IT service companies (Capgemini, etc.) and providers of IT energy management solutions.

Finally, the Company is faced with increasing competition from the historical base of municipally- and publicly-run companies and a trendtowards in sourcing among certain public and private customers.

6.2.4 Contracts

The variety of the business models implemented by the Group leads to diverse contract types tailored to suit local legal systems, customer types (public vs. private) and their requirements (in terms of financing and performance) and size. Veolia Environnement therefore strives to take its customers' expectations into account in its contract negotiations, implementing a partnership-based relationship attentive to the customer's issues, taking a shared approach aimed at improvement and productivity, and setting out clearly-defined commitments to performance and created-value sharing, all in accordance with regulatory transparency requirements from the initial bidding stage, throughout the implementation of the contract and upon its renewal, where applicable.

Contractual relations with local authorities on services for the local population ("public services" and those of general economic interest, for which the local authority is responsible), vary according to the local authority's level of involvement.

Most often, these public services fall under the responsibility of the competent local authorities that are directly involved in their management, according to various modes. They may operate the service themselves (direct or internal local authority management) with their own resources or those hosted by an internal company (or "in-house" under European regulations), or:

- call upon private companies, which operate the service on their behalf (in its entirety, for support assignments related to the service, or on a limited scope) and for which they are the customer base;
- transfer or "delegate" to a company (private, partially public or public) responsibility for operating all or part of the service, implementing the human, material and financial resources and, where applicable, designing, building and funding the facilities needed to operate the service.

In a less stringent regulatory environment, or where the public body chooses to entrust the organization of public services to a private operator that has the assets required to provide the services, the area's inhabitants can directly form the Company's customer base.

The variety of management approaches to public services thus gives rise to contractual mechanisms that Veolia Environnement adapts to suit each customer, depending on whether the company is entrusted with full responsibility for providing the public service and whether it has a financial and commercial relationship with end users. The contracts generally fall into one of three categories:

- contract for the design, construction and/or operation of installations, possibly including partial or total financing and an end-of-operations asset transfer clause (*Build, Operate*, *Transfer* (BOT), including financing, or *Design*, *Build*, *Operate* (DBO)including design but no financing);
- contract for assistance, consulting and subcontracting of all or part of the scope of the service, possibly including performance-based remuneration mechanisms;
- concession contracts.

Although some established models still dominate according to the country and the activities carried out by the Company, Veolia Environnement modifies its contractual models to address new issues faced by public authorities, providing them with innovative financing solutions and remuneration mechanisms based on the savings made. Contract terms vary according to the nature of the mission and are generally medium- or long-term. Long-term contracts generally include a periodic review of financial terms and conditions.

Partnerships with industrial and service sector businesses can also adopt a variety of contract types, including at the veryleast a service covering a limited scope, but potentially also the design, financing, construction and full operation of an installation. These contracts are customized as they are aimed at precisely addressing the specific issues facing each customer:

- outsourcing a group of services not included in its core business;
- exploring and implementing innovative or hi-tech solutions to address complex problems: e.g. reduction of greenhouse gas emissions and reuse of industrial water in the fields of decontamination, production materials recycling and eco-design;
- etc.

In most cases, the contracts set out performance targets on which the company's remuneration is partly based.

The Group is also very attentive to the economic balance of its contract portfolio, in particular when Veolia Environnement must finance the investments required under a contract. Given the complexity of management agreements and their long-term nature, Veolia Environnement possesses skills in contract analysis and control. The content of tender bids is arbitrated by the Group's Management Committee (for the most important bids) and by approval committees at the relevant level of the organizational structure. The Group's Legal and Financial Departments are involved in the negotiation and preparation of tender bids and contracts initiated by the Innovation and Markets Department and by the business units. The implementation of Veolia Environnement’s main contracts is verified. Each year, Veolia Environnement’s Internal Audit Department includes a review of the contractual and financial risks inherent in Veolia Environnement’s most significant contracts in its annual program.

6.2.5 Intellectual property - Company Dependence

Veolia Environnement owns a number of brands, including the Veolia brand. The Group applies a brand strategy that brings the "Water" and "Environmental Services" business lines together under a common brand name: "Veolia". The "Energy" business operates under the "Dalkia" brand name.

Innovation is a key factor in the growth and profitability of Veolia Environnement. It is a product of the know-how and expertise of the Group's business lines. The patent portfolio and developed expertise sets Veolia Environnement apart from the competition and participates in its reputation as a reference for environmental services. It capitalizes on this expertise primarily through the creation of technical, digital and IT tools that the Company seeks to protect using tailored methods.

In Veolia Environnement’s opinion, its business is not dependent on the existence or validity of any one or several of these patents nor on any contract covering one or more intellectual property right(s). Furthermore, the Company is not dependent on any customer, major license or industrial, commercial or financial supply contract.

6.2.6 Seasonality

Certain of the Company's businesses are subject to seasonal variations. Dalkia generates the bulk of its operating results in the first and fourth quarters of the year, corresponding to periods in which heating is used in Europe. In the Water sector, household water consumption and the related wastewater treatment services tend to be higher between May and September in the northern hemisphere, where Veolia Eau conducts most of its activities. Thanks to the diverse nature of Veolia Environnement’s operations and its worldwide presence, Group results are, in general, not significantly affected by seasonal variations.

6.2.7 Raw materials

Given Veolia Environnement’s business activities (Water, Environmental Services, Energy and Transportation), changes in the price of raw materials (mainly fuel and natural gas prices) and recycled materials (paper, cardboard, iron and non-ferrous metals) can have an effect on its different activities.

Fuel prices (mainly gas and coal) can be subject to significant fluctuations. Energy prices have fluctuated widely in the past few years. In 2013, the price of a barrel of North Sea Brent crude fluctuated around an average of US$110(down 2% compared with the average for 2012), in a range of between US$98 and US$120 per barrel. In Euros, the fall in the price of a barrel of Brent crude was even sharper (decline of 5% compared with the average for 2012). The decrease in the price of Brent crude oil not only had an impact on fuel prices, but also on gas prices (particularly in France, where changes in STS gas prices partly track petroleum prices with a three-month lag). Thus, average 2013 French gas prices decreased approximately €1.30/MWh compared with 2012 (decrease of 3%).

The general consensus among energy product analysts is, however, that energy prices will continue increasing in the long-term, due to the increasing scarcity of known oil reserves, a marked increase in extraction costs and the need to adopt new energy sources in response to growing environmental requirements. However, the timeline of this underlying trend is difficult to forecast, due to the limited visibility of market participants regarding economic growth. Therefore, the possibility of a drop in commodity prices cannot be excluded. In any event, as in recent years, energy prices should remain volatile in 2014.

The contracts entered into by Veolia Environnement generally include price review and/or indexation clauses, which enable it to pass on part of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

In the Environmental Services division, collection services involving non-hazardous solid and liquid waste are the most sensitive to fluctuations in fuel prices. However, for customers that have contracts with Veolia Environnement, indexing clauses in their contracts generally allow the Group to pass on a significant portion of increases in such costs through the prices charged. Approximately two-thirds of activities are covered contractually. For customers not bound by contract, increases in fuel costs are either fully or partially passed on through an increase in fees or negotiation.

In the Environmental Services divisions, the increase in fuel prices in 2013 compared with 2012 had a negative impact on fuel expenses of approximately €9 million in 2013, including the cost of swap hedging arrangements.

A significant portion of Environmental Services division revenue is generated by its sorting-recycling and trading businesses, which are particularly sensitive to fluctuations in the price of recycled materials (paper, cardboard, ferrous and non- ferrous metal). In 2013, annual averages for two representative price benchmarks (Revipap 1.05 for recycled paper and E40 for scrap metal) reported drops of 4% for recycled paper and 9% for scrap metal, compared with 2012 averages. The results of the Veolia Propreté division were therefore impacted in 2013 by the decrease in the price of recycled materials on 2012.

In the Energy Services business, given the long-term nature of contractual terms and conditions and the terms of supply agreements, changes in energy prices may have different impacts depending on the areas in which Dalkia intervenes. The overall impact on the Group's consolidated revenue was +€50 million in Energy Services.

Electricity production volumes sold on the wholesale market are sensitive to fluctuations in market prices, particularly in Central Europe and the United Kingdom. However, due to forward contacts hedging these activities, price fluctuations during the year will impact the Group’s account in part with a time delay.

In the other activities, as part of supply management and cost optimization measures, certain Group subsidiaries may be required, depending on their businesses, to contract forward purchases or sales of commodities (gas, electricity).

The Group also entered into long-term contracts for the purchase of gas, electricity and biomass in order to secure its supply chain. The majority of these commitments are reciprocal, with the third parties concerned required to deliver the quantities indicated in these contracts and the Group obliged to take them.

Finally, with respect to its building activities, particularly in the Water business, the Group may also purchase financial instruments to hedge against increases in the price of copper and zinc primarily.

For further information, please refer to Chapter 20, Section 20.1, Note 28.2.3 and Note 34 to the consolidated financial statements.

6.3 Environmental and employee regulation, policies and compliance

6.3.1 Environmental regulation

Veolia Environnement's businesses are subject to extensive, evolving and increasingly stringent environmental regulations, in particular in the European Union and also in North America and emerging countries.

Transversal regulations

Environmental regulation in European Union countries is primarily tied to European directives and regulations.

The majority of the Group's activities require operating permits or authorizations defining rules governing the operation of the installations. These operating permits are issued by public authorities pursuant to authorization procedures encompassing the performance of specific studies presenting, in particular, the environmental footprint of the installations.

The Group's activities are subject to a wide range of international, European and French regulations, the most important of which are presented below.

In Europe,

With regard to reducing pollution, Directive 2010/75/EU of November 24, 2010 on industrial emissions (known as the IED directive), sought to overhaul the 1996 Integrated Pollution Prevention and Control (IPPC) Directive and six sector-based directives. The scope of this directive has now been extended to new activities, and administrative permits should be issued on the basis of the implementation of "Best Available Techniques" (BAT) for reducing pollution and based on an integrated approach, taking into account emissions into air, water and soil, waste management and energy efficiency. Obligations to monitor emissions likely to contaminate soil and groundwater have been introduced (new emission limit values). The IED Directive also provides for the preparation of a "baseline report" on the state of the site before the installation starts its operations or before a permit for an installation is updated for the first time, and redefines site restoration obligations on the cessation of activities.

With respect to chemicals, Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which came into effect on June 1,2007, establishes a new European methodology for the management of chemicals, which is aimed at enhancing the knowledge of substances currently circulating within the European market. This regulation seeks to reduce the health and environmental risks associated with the manufacture and use of chemical substances. It introduces a range of procedures across Europe aimed at improving knowledge of the health and environmental risks associated with chemicals marketed, together with the management of these risks throughout the life cycle of the chemicals, in order to ensure better health, safety and environmental protection. It implies in particular for the Group, as a user and producer of such substances, the strengthening of cooperation and exchange of information with suppliers and customers. It also involves improving risk management at all stages of the life cycle of chemicals and strengthening the prevention of chemical risks concerning Group employees.

The relevant legal entities are in compliance with the schedule set by the Reach Regulationfor chemicals requiring registration within the Group. After the systematic pre-registration of all substances potentially concerned, and compliance with the first registration deadline, the next deadlines are being monitored along with changes to the regulation and updates to its appendices.

With respect to biocides, which are other chemical substances used by the Group, Directive 98/8/EC dated February 16, 1998 has been replaced, with effect from September 1, 2013, by EU regulation No. 528/2012 of the European Parliament and of the Council of May 22, 2012 concerning the availability and use of biocidal products on the market, to strengthen control of biocidal products and to harmonize authorization procedures.

With the same purpose as the REACH regulation, namely to ensure a high level of protection of human health and the environment as well as the free movement of chemical substances, Regulation (EC) No. 1272/2008 of the European Parliament and of the Council of December 16, 2008 on classification, labeling and packaging *(CLP),* whichcame into effect on January 20, 2009, harmonizes the existing provisions and criteria concerning the classification, packaging and labeling of dangerous substances with the adoption of the United Nation's Globally Harmonized System (GHS) of Classification and Labeling of Chemicals. To adapt its technical provisions, the CLP Regulation has been amended by Commission Regulation No 487/2013 dated May 8, 2013.

With respect to greenhouse gases in the atmosphere, their increase has led certain countries, as well as the international community, to implement regulatory measures in order to limit this trend.

At the international level, the Kyoto Protocol gave the European Union the objective of reducing greenhouse gas emissions in the European Union by 8% over the 2008-2012 period, compared with 1990 emission levels. Directive 2003/87/EC of October 13, 2003, and amending Council Directive 96/61/EC created an emission allowance trading system (EU ETS), which began in 2005 and resulted in the creation of national quota allocation plans (NAP), for a first trading period (2005-2007), and then for a second period (2008-2012) corresponding to the commitment period of the Kyoto protocol.

Directive 2009/29/EC of April 26, 2009 extended the EU ETS to cover a third period (2013-2020), which provides for a progressive reduction in allowances granted and new grant procedures.

The European Regulation No. 1031/2010 of November 12, 2010 established a scheme for auctioning greenhouse gas emission allowances for the 2013-2020 period. This regulation has been amended by EC Regulation 176/2014 of 25 February 2014 which introduced the postponing of 900 million tons of volumes to be auctioned between 2014-2016 and 2019-2020. This measure, called backloading, has been negotiated by the European Commission with the Parliament and European Council since mid-2011. The aim is to rebalance the greenhouse gas emission allowance trading system and boost an increase in the price of emission rights.

The European Commission's decision on December 15, 2010 defined rules for the free grant of allowances for the 2013-2020 period. Allocation calculation guidance was published in the first and second quarters of 2011. Operators filed the necessary data with the national authorities and performed preliminary calculations. The final allowances known only in end-2013 or early 2014 depending on the country. The first conformity check of the 3rd period will take place on April 30, 2014 for 2013.

With respect to biodiversity, based on the conclusions of the Convention on Biological Diversity, in May 2006, the European Commission implemented an action plan comprised of objectives aimed at halting the decline in biodiversity and measures enabling the achievement of objectives by the end of 2010. This action plan is based on an assessment of lost biodiversity in Europe and elsewhere in the world and measures already taken by the European Union to resolve this problem. In October 2009, the Conference of the Parties (COP) revised the Convention's strategic plan in order to define new targets for the 2010-2020 period: in particular the target of analyzing the services provided by ecosystems for human "well-being". On a global scale, the United Nations Convention on Biodiversity held in October 2010 in Nagoya (COP10), adopted the Nagoya protocol. This protocol provides, in particular, for the adoption of a strategic plan covering the 2011-2020 period, an agreement to create the IPBES (Intergovernmental Science-Policy Platform on *Biodiversity and Ecosystem Services*) and the mobilization of the necessary financial resources to implement the related strategy.

With respect to major risks, Directive 2012/18/EU dated July 4, 2012 on the control of major accident hazards involving dangerous substances (Seveso III) repealed the Seveso II Directive, with effect from June 1, 2015. It established new prevention rules primarily integrating the changes introduced by the CLP regulation.

With respect to energy efficiency, Directive 2012/27/EU of October 25, 2012 on energy efficiency sets a common framework of measures aimed at improving energy efficiency in the European Union by at least 20% by 2020. In particular, it proposes energy audits for large companies and efficiency measures at energy supply level.

In France, European regulations are enacted into law through legislative texts and regulations, codified in particular in the French Environmental Code and the Public Health Code.

An environment charter was promulgated by Constitutional Law No. 2005-205 of March 1, 2005. It has constitutional standing and forms part of the body of constitutional rules of French law, thus acknowledging the fundamental duties and rights relative to environmental protection.

The planning law aimed at implementing the Grenelle de l'environnement decisions, known as the Grenelle 1 Law of August 3, 2009 was supplemented by a law comprising national environmental commitments, known as the Grenelle 2 Law of July 12, 2010.

These laws seek to implement six major projects, which have significant implications for each of the Group's Activities. The construction, transportation, health and waste, water and biodiversity and energy sectors are all concerned, as is environmental governance and information transparency. A significant number of Grenelle 2 law application decrees are scheduled to complete the implementation of these measures. Accordingly, the decree of July 11, 2011 concerning greenhouse gas emissions reports and the territorial climate-energy plan, requires companies with more than 500 employees to prepare a greenhouse gas emissions report before December 31, 2012. This obligation also applies to the State and territorial authorities with a population of over 50,000.

In application of this law, the decree of April 24, 2012 clarified the non-financial reporting obligations of both listed and non-listed companies, and in particular disclosures to be provided on social and environmental issues and corporate commitments to sustainable development.

The law of July 16, 2013 containing various provisions to bring French law in line with European Union law on sustainable development (the DDADUE law) has been published. This law enacts six European directives into French law by adding the obligation for certain companiesto complete energy audits.

The majority of installations operated by the Group fall under the control of **the ICPE regime (Facilities Classified for Environmental Protection)**.

The order of January 5, 2012 enacted the IED Directive into law by creating a specific section numbered 3000 for installations covered by the ICPE classification. The conditions governing the installation and operations of these installations are set forth to ensure they are operated using Best Available Techniques (BAT) and with reference to the conclusions of these BATs. Account must also be taken of changes in the BATs. In addition, the Order clarifies the circumstances under which information provided by the operator for the review of the installation's authorization conditions, will be presented to a public inquiry. Decree No. 2013-374 dated May 2, 2013 amended the regulatory portion of the French Environmental Code for the enactment of the IED Directive into French law.

The most recent development concerning Classified Installations, since the creation of the registration regime in 2009, is the new financial guarantees regime extending the installations concerned by the requirement to constitute financial guarantees for the protection of sites in the event of cessation of activity and, where applicable, the implementation of accidental pollution management measures (Decree of May 3, 2012 and application orders).

Furthermore, Order No. 2012-34 dated January 11, 2012, which simplifies, reforms and harmonizes the provisions of administrative and judicial policies of the French Environmental Code, effective from July 1, 2013, introduced far-reaching changes in environmental policy by standardizing administrative policy tools and harmonizing criminal sanctions.

With respect to nuclear energy, two decisions by *Autorité de Sûreté Nucléaire*, the French nuclear safety authority (ASN Decision No. 2013-DC-052 of June 18, 2013 and Decision No. 2013-DC-0360 of July 16, 2013) have reinforced the legal regime applicable to basic nuclear installations (BNI) (also amended a Decision on 7 February, 2012) concerning environmental protection and transparency.

After the first Environmental Conference in September 2012 on ecological transition, a second Environmental Conference, held in September 2013, took stock of the actions implemented and defined five new pillars: the "circular economy", aimed at promoting recycling and waste recovery; employment and ecological transition; water policy; marine biodiversity; and education in the environment and sustainable development.

Water

Water and wastewater treatment activities are highly sensitive to regulation. In Europe and the United States, governments have enacted significant environmental laws at the European, national, and local level in response to public expectations regarding environmental protection and safeguarding water resources. The quality of drinking water and the treatment of wastewater are increasingly subject to regulation in emerging countries, which are progressively adopting WHO standards in their internal regulations.

At the international level, WHO directives on health and water are issued for countries to help them draft internal regulations governing the quality of water. These directives set guidelines for the quality of drinking water and emphasize the importance of the preventive management of health risks. Compliance with these recommendations guarantees the production of water which is safe for human consumption. The right of access to water is recognized by the majority of States, and access to clean water and sanitation was recognized by the United Nations as a human right on July 28, 2010.

At the European level, the guiding strategy underlying regulation is the supply of drinking water, which complies with regulations to attain good chemical and ecological quality as well as the good quantitative state of groundwater and surface water by 2015 (the abstraction of available resources must not exceed resource renewal capacity) and a wastewater treatment system that protects the receiving environment.

The quality of drinking water is strictly regulated by Directive 98/83/EC of November 3, 1998, on the quality of water intended for human consumption, which was enacted into French law in the French Public Health Code. In addition to quality control measures, this directive introduces the concept of evaluating risks on an on-going basis.

The objective of attaining a good chemical state of water by 2015 is the result of several European legislative texts, and particularly Directive 2000/60/EC of October 23, 2000 establishing a framework for Community action in the field of water policy (the "Water Framework Directive"), which concerns more generally the quality of water, whether above or below ground. The aim of Directive 2006/118/EC of December 12, 2006 on the protection of groundwater (daughter directive of the framework directive) is to ensure the good chemical and ecological quality of such water by 2015, through oversight and restrictions on chemical substances in water by this same date.

Directive 2008/105/EC of December 16, 2008 (another daughter directive of the framework directive) lays down environmental quality standards for 33 priority substances and 13 priority dangerous substances presenting a major risk for the environment or public health in the water sector. This directive was amended by Directive No. 2013-39 dated August 12, 2013, which adds 12 new priority substances. These texts provide for the elimination of priority dangerous substances in 2021 and other dangerous substances in 2028 from continental and coastal surface water.

To protect the receiving environment, the collection, treatment and discharge of urban, industrial and commercial wastewater is governed by Directive No. 91/271 of May 21, 1991 concerning urban waste-water treatment, as amended, the objectives of which were confirmed and extended by the water framework Directive.

The treatment of wastewater is also directly impacted by Directive 2008/56/EC of June 17, 2008, establishing a framework for community action in the field of marine environmental policy (the Marine Strategy Framework Directive), which seeks to protect and conserve the marine environment and thereby conserve the ecosystem. It also seeks to establish marine protected areas in order to contribute to achieving the healthy ecological condition of the European Union marine environment by 2020. European Directive 2006/7/EC dated February 15, 2006 concerning “bathing water”, imposes new restrictions on the oversight and management of bathing water and information provided to the general public.

Public authorities also impose strict regulations concerning industrial wastewater likely to be discharged into collection systems, as well as processed wastewater and sludge originating from urban water treatment installations. In this respect, Directive No. 2008/98/EC of November 19, 2008, which pertains to waste and repealing certain directives (the framework directive) classifies land treatment using sludge produced by wastewater treatment plants as a recovery operation.

Concerning radioactive substances in water for consumption, Council Directive No. 2013/51/EURATOM of October 22, 2013 laying down requirements for the protection of the general public's health with regard to radioactive substances in water intended for human consumption has been published.

Regarding flood risks, Directive No. 2007/60/EC of the European Parliament and of the Council of October 23, 2007 on the assessment and management of flood risks in Europe, which became effective on November 26, 2007, asks Member States to identify and establish maps of high-risk river basins and coastal areas and to produce management plans.

France has numerous laws and regulations governing the production of drinking water, the treatment of wastewater and water pollution, as well as numerous administrative agencies involved in the enforcement of those laws and regulations.

In addition, certain discharges, disposals, and other actions with a potentially negative impact on the quality of surface or ground water sources require authorization or notification. For instance, public authorities must be notified of any facility that pumps groundwater in amounts that exceed specified volumes, and French law prohibits or restricts the release of certain substances into water. Law No. 2006-1772 of December 30, 2006 on water and aquatic environments (LEMA) addresses EU requirements for high quality water and significantly modified French legislation on water, which also addresses EU water quality objectives for 2015. Accordingly, wastewater treatment plants of over 10,000 population equivalent (PE), and those of between 10,000 PE and 100,000 PE, must implement dangerous substance search and reduction measures several times a year. In addition, Water development and management plans (SDAGE) take specific account of this water quality objective and the Order of January 25, 2010 sets out a water quality oversight program.

The Grenelle 1 Law, enabled the implementation of a blue infrastructure to preserve the ecological continuity of surface water masses, which goes beyond qualitative and quantitative preservation of the resource. These objectives are taken into account in territorial planning, via town and water planning documents. With regard to health aspects, measures must be taken to protect drinking water catchment areas of strategic supply importance and water emissions of certain toxic substances should have been reduced by 2013.

In the wastewater treatment sector, the aim was to bring all treatment plants up to standard by the end of 2012 at the latest, and autonomous wastewater treatment is subject to strict regulation to protect the quality of the receiving environment, sanitary conditions and public health.

The Grenelle 2 Law application texts implement the objectives set out in the green and blue infrastructures and provide for the acquisition and restoration of 20,000 hectares of wetland by the water bodies. In addition, this law confirms the responsibilities of municipalities with regard to the distribution of drinking water and seeks to improve knowledge of networks and reduce network losses. A financial incentive system was introduced to underwrite these obligations.

With regard to wastewater treatment, the law clarifies and strengthens the supervisory role of territorial bodies for non-collective wastewater treatment and requires municipalities to draw up a collective wastewater treatment policy before the end of 2013.

Priority is given to organic farming in order to protect certain drinking water catchment areas of particular importance to current or future supply. In addition, the Decree dated October 10, 2011 implements actions plans to protect water against nitrate pollution from agricultural activity and the Order of December 19, 2011 sets key measures for the national action plan, amended in October 2013.

Violation of these laws is punishable by both civil and criminal law, and a company may even be found criminally liable.

In the United States, the main federal laws concerning the provision of water and wastewater treatment services are the Water Pollution Control Act of 1972, the Safe Drinking Water Act of 1974 and related regulations promulgated by the Environmental Protection Agency (EPA). These laws and regulations establish standards for drinking water and liquid discharges. Each U.S. state has the right to establish criteria and standards stricter than those set up by the EPA, and a number of states have done so.

Environmental Services

In many countries, waste processing facilities are subject to laws and regulations which require service providers to obtain permits from public authorities to operate most of their facilities. The permit process requires Veolia Environnement to complete environmental and health impact studies and risk assessments with respect to the relevant facility. Operators of landfill sites must provide specific financial guarantees (which typically take the form of bank guarantees) that cover in particular the monitoring and rehabilitation of sites for a period of 30 years after cessation of operating activities.

In addition, landfill sites must comply with a number of specific standards, and incineration plants are usually subject to rules that limit the emission of pollutants. Waste may also be subject to various regulations depending on the type of waste. For example, for sludge produced at wastewater treatment stations to be used in agriculture, it must comply with strict regulations relating to its content of organic materials and trace metals (heavy metals such as cadmium, mercury or lead). Moreover, the NFU 44-095 and NFU 44-051 standards strictly regulate the composting of material produced by the treatment of wastewater and compostable food and/or household waste.

At the European level, Directive 2008/98/EC of the European Parliament and of the Council of November 19, 2008 (the Waste Framework Directive) establishes a hierarchy of different waste management measures and favors (i) the prevention of production, primarily by requiring Member States to draft national programs, (ii) re-use, (iii) recycling, by defining new objectives to be attained by Member States by 2020, (iv) other forms of recovery and (v) safe disposal.

It also clarifies the concepts of recovery, elimination, end-of-waste status and by-products. The aim of this directive is to promote recycling, composting and waste-to-energy recovery of household waste.

With respect to ship recycling, Regulation (EU) No. 1257/2013 aims to better monitor ship recycling in accordance with hazardous waste standards.

With respect to the cross-border transportation of waste, regulation 1013-2006 dated June 14, 2006 on the transportation of waste took effect in July 2007. This legislation defines the conditions for the supervision and audit of waste transfers and specifies current procedures for the supervision of waste transfers for non-hazardous, recyclable waste.

Furthermore, through Directive No. 2003/87/EC dated October 13, 2003, the European Union implemented an allowance system for greenhouse gas emissions, targeting carbon dioxide only. Waste incinerators are excluded from this system.

In France, pursuant to the provisions of Articles L. 511-1 and seq. of the French Environmental Code relating to facilities classified for the protection of the environment, several decrees and ministerial and administrative orders establish rules applicable to landfill sites for hazardous and non-hazardous waste. These orders govern the design and construction of these waste processing centers, among other things. Hazardous waste is subject to strict monitoring at all stages of the processing cycle. It is tracked using a waste monitoring slip (*bordereau de suivi des déchets* - BSD).

Since July 1, 2012, producers/holders of non-hazardous waste, unless exempted, have a traceability requirements and must keep a chronological register in the same way as for hazardous waste.

Waste-to-energy centers are subject to numerous restrictions, including in particular limits on pollutant emission levels.

The Grenelle 2 Law provides, in particular, for a 7% reduction in household waste in five years, by encouraging actual waste tonnage to be taken into account in amounts charged to users.

In addition, it is planned to reduce waste elimination by the use of landfill sites and incineration while developing recovery sectors through sorting-at-source and the selective collection of organic waste.

This law strengthens and widens the Extended Producer Responsibility (EPR) scheme and specific recovery and associated processing sectors. Finally, the Grenelle 2 Law provides for the planning of construction and public works waste management and the performance of a pre-demolition appraisal.

The Waste Framework directive of November 19, 2008 was enacted into French law by Order No. 2010-1579 of December 17, 2010 containing various provisions to bring French laws in line with European Union laws on waste. This enactment clarified certain definitions, introduced a hierarchy of waste processing methods (reuse, recycle, recovery, removal) and clarified the responsibilities of producers and holders of waste.

Decree No. 2011-828 of July 11, 2011 brings into effect several measures adopted pursuant to the Grenelle 2 Law to improve prevention and waste management. It also completes the enactment of the waste framework directive and clarifies certain application conditions of Regulation No. 1013-2006 of June 14, 2006 on the cross-border transportation of waste.

With respect to end-of-waste status, Decree No. 2012-602 dated April 30, 2012 on the procedure for obtaining end-of-waste status sets out a procedure in accordance with European and domestic criteria: it is authorized by the Minister in charge of the environment for waste categories and by the prefect for specific waste recovered in a given installation.

The scope of application of site restoration financial guarantees has been extended to encompass the majority of installations classified as waste transit, grouping, sorting or treatment installations covered authorization or registration requirements for installations authorized since July 1, 2012. For existing installations as of July 1, 2012, financial guarantees must be progressively constituted from July 1, 2014, or July 1, 2019, depending on the relevant installations.

The main statutes governing Veolia Environnement's waste management activities in the United States include the Resource Conservation and Recovery Act of 1976, the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (also known as CERCLA or Superfund), and the Clean Air Act, all of which are administered either by the EPA, or state agencies to which the EPA delegates enforcement powers. Each state in which Veolia Environnement operates also has its own laws and regulations governing the production, collection and processing of waste, including, in most cases, the design, operation, maintenance, closure and post-closure maintenance of landfill sites and other hazardous and non-hazardous waste management facilities.

Energy Services

Veolia Environnement's energy-related activities in Europe (primarily the supply of energy services involving thermal and independent energy) are subject to the application of European regulations and national regulations (enactments of European directives) in order to limit and control environmental impact and risks.

At the European level, Directive 2001/80/EC of October 23, 2001 regulates the construction of large combustion plants. It requires compliance with national emission ceilings for certain atmospheric pollutants, such as sulfur dioxide, nitrogen oxides, dust and volatile organic components. This directive will be superseded by Directive 2010/75/EU of November 24, 2010 (IED Directive) on industrial emissions by January 1, 2016 at the latest. It imposes, *inter alia*, the systematic application of Best Available Techniques.

Pursuant to European Directive 2003/87/EC of October 13, 2003, which establishes an allowance trading scheme for greenhouse gas emissions in the European Union, as amended by Directive 2009/29/EC of April 26, 2009, combustion facilities with thermal output greater than 20 MW falling within the scope of the directive are recorded in the national plans for the allocation of allowances introduced in 2005 in all EU members States. On the other hand, Directive 2012/27/EU of October 25, 2012 on energy efficiency sets a common framework of measures aimed at improving energy efficiency in the European Union by at least 20% by 2020. It also proposes energy audits for large companies and efficiency measures at the energy supply level. Following the repeal of EC Regulation No. 2037/2000, European regulation No. 1005/2009 of September 16, 2009 requires the strict management of substances that destroy the ozone layer and, in particular, refrigerating fluids such as chlorofluorocarbon and hydro-chlorofluorocarbon that are used in cooling plants. Inter alia, it sets rules for the recovery and destruction of fluids and a timetable for the elimination of certain substances.

As a result of the Kyoto Protocol, EC Regulation no. 842/2006 of May 17, 2006 introduces strict management and traceability measures for fluorinated greenhouse gases for both HFC refrigerating liquids and SF6 electrical insulators. Two European regulations clarify leakage control measures for refrigeration equipment (EC Regulation No. 1516/2007 of December 19, 2007) and fire protection systems (EC Regulation No. 1497/2007 of December 18, 2007), installations and systems both containing fluorinated greenhouse gases.

Since 2002, European Directive 97/23/EC of May 29, 1997 (DESP) establishes design and manufacture requirements for pressure equipment and imposes an inspection of the compliance of this equipment and housing units.

The enactment of these European directives is organized by each Member State to meet the deadlines set in the document.

In France, this primarily means compliance with the law on installations classified for the protection of the environment.

Accordingly, Articles R.512-55 to R.512-66 of the French Environmental Code requires a periodic inspection by approved companies of certain installations classified as subject to reporting requirements. The conditions governing these periodic inspections are set out in application orders for the relevant installations. MASE certified installations are no longer required to perform these inspections.

In addition, the national environmental commitment law of July 12, 2010 (Grenelle 2) gives added impetus to the development of energy efficiency and renewable energies.

Under this law, companies must obtain operating authorizations, file returns and register information with the competent authorities and scrupulously comply with operating requirements. New legislation published in 2013 enacted this IED Directive, in particular for large combustion plants that require prior authorization (thermal output greater than 20 MW) with the Order of August 26, 2013 which imposes, inter alia, the application of Best Available Techniques (BAT). Besides, the review of the Order of July 25, 1997 for small combustion facilities subject to declaration (thermal power comprised between 2 and 20 MW), included, among other things: the integration of periodic control points and the possibility for spreading ash under combustion biomass boilers. Lastly, the Order of September 24, 2013 establishes the requirements relating to combustion facilities subject to the newly created registration requirements that concern the other combustion facilities. Decree No. 2007/737 dated May 7, 2007, which is integrated into the French Environmental Code, supplements EC Regulation No. 842/2006/EC of May 17, 2006 and regulates the conditions of the market release, use, recovery and destruction of substances used as refrigerating fluid in refrigeration or air-conditioning equipment. French legislation completed the legal arsenal with several other orders clarifying how to quantify fluid handling and covering the set-up of training and recovery sectors. The last one was Decree No. 2012-1304 dated November 26, 2012 amending section 1185, which now concerns installations that produce, use and store greenhouse gases (GHG) and substances that deplete the ozone layer (SACO). Pursuant to European Directive 97/23/EC of May 29, 1997, requirements governing pressure equipment were set-out in the Order of March 15, 2000, amended by the Order of January 31, 2011.

Lastly, with respect to its production linked to domestic hot water, the group is primarily concerned by European Directive 98/83/EC of November 3, 1998, which addresses the quality of water intended for human consumption. Eighteen Member States, including France, have taken the position that this directive applies to cold and hot water and to all types of management systems for the production and distribution of hot and cold water.

In relation to managing the risk of Legionnaires' disease, the World Health Organization published guidelines on the prevention of legionellosis risks in 2007 entitled, "*Legionella and the prevention* of *Legionellosis*". This was followed in 2011 by guidelines covering Water Safety in buildings.

At the European level, the European Working Group for Legionella Infections (EWGLI), with the support and approval of the European Commission, and based on the European Surveillance Scheme for Travel Associated Legionnaires' Disease (EWGLINET), published European guidelines for the control and prevention of travel-associated legionnaires' disease (EWGLI 2005). In general, texts of varying reach are issued in Europe and around the world by public health authorities and associations for the protection of workers. Very often, these texts are presented in the form of preventive recommendations, which take into account the physical-chemical and biological nature of water and prescribe corrective actions when certain indicators are present. Various professional associations have also issued their own guidelines for prevention.

In France, the Order of February 1, 2010 and its application circular on monitoring Legionnaires' disease in domestic hot water production facilities defines the management rules for such facilities. This order supplements a number of texts already covering the management of the risk of bacteriological development, such as *Legionellosis*, in domestic hot water networks.

With respect to the control of the risk of proliferation of *Legionnaires* diseasefrom cooling facilities through dispersion in an air flow (IREDEFA also called air coolers), these installations have been classified for environmental protection under section No. 2921 since 2004. Special provisions are set out in the newly published orders of December 14, 2013 for these installations, which are now subject to registration or declaration. These orders result from the amendment of section 2921, which raised the declaration threshold from 2,000 kW to 3,000 kW, the establishment of periodic inspections for installations subject to declaration and the creation of the registration system to replace the authorization system.

In Spain, decree (*real decreto*) 865/2003 dated July 4, 2003 establishes criteria for the quality of water and the frequency of inspection procedures, as well as for when action must be taken once certain limits are exceeded. A range of descriptive procedures set the action and liability framework. The Spanish standard-setting association has issued guidelines on the subject (100030IN).

In the United Kingdom, an Approved Code of Practice (ACOP L8) issued by the Health and Safety Executive is applicable in full and largely inspired similar procedures applicable in Flanders (Belgium), the Netherlands, Ireland and at EWGLI.

Italy and Portugal have partially adopted the ASHRAE guidelines, focusing preventive measures on the protection of tourists.

Similarly, regulations exist in Asia and the Pacific region and were inspired by texts in New Zealand and Australia.

In the United States, the Occupational Safety and Health Administration (OSHA) issues its own guidelines and action plans. The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) and the Cooling Technology Institute (CTI) have also issued recommendations. ASHRAE will publish Standard 188P (Prevention of Legionellosis Associated with Building Water Systems) in the near future.

6.3.2 Environmental policy and information (Articles L. 225-102-1 and R. 225-105-1 of the French Commercial Code)

Methodology and scope of for environmental reporting

The scope of environmental information covers all relevant activities over which the Group exercises operating control throughout the world. It therefore covers activities linked to the operation of public water and wastewater treatment services, all waste collection, transfer and processing activities as well as industrial cleaning and maintenance and energy services (heating and cooling systems, thermal and multi-technical installations, industrial utilities and facilities management). Within this scope, environmental information taken from the international environmental information system progressively rolled out since 2004 to over 1,700 entities, is fully consolidated.

This environmental reporting excludes operational activities relating to Industrial water facilities. For the engineering activities of Veolia Water Solutions & Technologies(specializing in engineering, design and construction of turnkey plants, and creating water treatment solutions) and SADE - CGTH (subsidiary specializing in network construction, renovation and maintenance), reporting is rolled out on a limited scope of indicators (greenhouse gas effect, water and energy consumption, and production of site waste).

Account is taken of changes in group structure (acquisitions, disposals, company creations or contract wins, changes in investments, divestitures) after a full year of operation.

The data collected cover the period between January 1 and December 31 of year N. Measurement and calculation procedures as well as inspection and audit rules are defined in the EnvironmentalReporting Protocol, available on the Veolia Environnement website: www.veolia.com.

Key environmental reporting figures	
Number of primary indicators	> 1100
Number of calculated indicators	>500
Number of indicators subject to external verification	>15
Based on reasonable assurance	9
Number of entities where data is entered	1,758
Average revenue of an entity where data is entered (in €m, relevant revenue)	13.5
Number of contributors worldwide	> 1000

The indicators mentioned by the symbol (√) are verified with a reasonable level of assurance by an independent third-party organization.

The information in the present section will be read together with Veolia Environnement’s 2013 Annual Report and Sustainable Development Report and its 2013 Corporate Social Responsibility Performance Digest for further information on the Group’s sustainable development policy and actions.

6.3.2.1 General environmental policy

The Group manages its environmental impacts using an EMS (Environmental Management System) since 2002 and reports them since 2004. The Group's EMS system is largely based on ISO 14001 and follows requirements guidelines reinforced in 2009, and structured around four levels of responsibility: Group, division, business unit and site. At each relevant level, it enables environmental impacts and compliance with regulations and in-house company requirements to be assessed. Objectives are set and resources and actions plans implemented to attain them. The system also covers the prevention of accidental pollution and defines the resources to be implemented in the event an accident nonetheless arises and ensures such resources are operational.

In 2011, Veolia Environnement undertook to implement an environmental management system covering 93% of revenue of relevant activities (including Veolia Transdev) by the end of 2014. The ongoing disposal of Veolia Transdev combined to deep changes operating within the group did not enable us to update this lead. This issue will be reconsidered in 2014, when defining the new environmental plan.

At the same time, the Group has changed its method of calculation to reinforce its requirements in terms of implementation. Only full implementations will be accounted for: ongoing implementations will not be included. The values have been recalculated based on the new method and show an increase in 2013 compared with 2012 and 2011.

	2011	2012	2013
Roll-out of an EMS *(in % of revenue covered)*	77%	80%	81%
- of which ISO 14001 certified *(in % of revenue covered)*	56%	62%	63%

Over and above this initial target, and given the specific nature of our activities, the main objectives of our environmental commitment are based on four priorities:

- Combating climate change by proposing solutions and services that avoid or reduce greenhouse gas emissions;
- Assessing, protecting and developing biodiversity, by contributing to work on characterizing ecosystem services and by deploying tools and actions aimed at their protection and improvement;
- Reducing pollution and protecting human health through the innovative implementation of the best abatement and treatment technologies to protect the quality of aquifers and other water resources, as well as the air;
- Conserving resources (energy and water as well as raw materials) by deploying techniques used to measure and reduce their consumption and replace or recover them, by making our processes more efficient and by developing alternative and renewable sources and resources.

The objectives of the 2012-2014 plan were defined based on the analysis of the materiality of the Group's environmental challenges for each of the priorities mentioned above.

In accordance with the requirements of its EMS, these objectives are applied to the entire Group scope and each entity must complete these general objectives, if relevant, with local objectives obtained from the analysis of the major environmental impacts identified on its scope.

Actions to train and inform employees about environmental protection

Employee training and information in environmental challenges represents an integral part of the resources managed by the EMS, including the preparation of environmental training plans. The Campus Veolia Environnement network provides business units with access to an environmental training offering, prepared at the request of the Group business committees (see Chapter 17, Section 17.1.3 below). This is supplemented by training sessions organized locally based on identified needs.

Furthermore, to inform Group employees on the major challenges facing society in line with international and political current affairs, the Sustainable Development Department organizes Sustainable Development Surveillance meetings five times a year, with presentations by leading specialists in the areas covered. E-learning tools are also provided within business units to raise the awareness of all employees. The Environment day is also an opportunity to organize awareness-raising events.

Resources dedicated to the prevention of environmental risks and pollutions

The Sustainable Development Committee chaired by the Secretary General and run by the Sustainable Development Department brings together representatives from functional departments and from the various business lines to decide on how Group implements sustainable development. It defines the strategic orientations and validates the environmental policy.

The EMS is run by an environmental steering committee made up of the players responsible for environmental issues in each business line and ensures the transmission of information and the coordination of action plans with countries.

Since 2007, a special team of internal environmental auditors, integrated into the Internal Audit Department in 2012 supervises the roll-out of the EMS within the business units.

In addition, Veolia Environnement's Risk Department is responsible for coordinating, identifying and assessing Group risks and particularly environmental risks and ensuring they are under control. It works, in particular, with a risk committee that meets under the Executive Committee. The Executive Committee, chaired by the Secretary General and coordinated by the risk and insurance director, validates and monitors the effectiveness of the action plans implemented with respect to the significant risks identified in the mapping (see Chapter 4, paragraph 4.2.1 supra).

Veolia Environnement has also implemented a warning procedure and a crisis management procedure, including for environmental issues. In particular, this encompasses Group division on-call and alert systems at national and international levels, enabling any necessary measures to be taken on a timely basis and at an appropriate level (see Chapter 4, Section 4.2.1 above). In application of these procedures no serious environmental incident was reported to the Group in 2013.

Given the nature of its services, investment in the prevention of environmental risks and pollution accounts for the large majority of Veolia Environnement's expenditures and investments. Veolia Environnement industrial investment amounted to €1,245 millionin 2013 (see Chapter 9, below) and includes growth and compliance investments. The Group also invested in employee training, certification programs and the implementation of the environmental management system (EMS). Its Research and Innovation budget was also renewed (see Chapter 11, below).

The Group is implementing a selective investment policy while preserving industrial investments or investments required by contractual commitments.

In the course of its activities, provisions for environmental risks primarily consist of provisions for site closure and post-closure costs (encompassing provisions for site restoration, the dismantling of installations and environmental risks). They totaled €564.9 million in 2013.

6.3.2.2 Climate change

Limiting greenhouse gas emissions

As part of its objective to combat climate change, the Group contributes to the overall reduction in greenhouse gas emissions, on the one hand by reducing them at the installations it manages (greenhouse gases not emitted as a result of some of the Group's operating methods), and by enabling third parties to avoid emissions as a result of its activities (primarily energy and materials recovery).

The following actions contribute to reducing greenhouse gas emissions:

For Energy activities, reduction of greenhouse gas emissions:

- proper use of energy transformation facilities (energy efficiency) resulting in less fuel consumed for the same energy output;
- using renewable and alternative energy instead of fossil fuels whenever possible (biomass, geothermal, solar, wind, etc.);
- optimum supply of energy services (integrated energy management) encouraging a more rational use of energy by consumers;
- combined production of heat and electricity (cogeneration).

For Environmental Services activities, reduction of GHG emissions:

- collection and treatment of biogas from landfill sites;
- on-site consumption of electricity and heat produced from waste incineration and biogas recovery;
- through other actions enabling the reduction of fuel and energy consumption.

For Water activities, reduction of greenhouse gas emissions:

- consumption of part of the production of heat and electricity from renewable sources; (biogas from sludge digestion, recovering the potential energy of water energy by using micro-turbines, heat pumps, etc.);
- production of energy from renewable sources drawn from energy generating operations managed by Veolia. Through other actions which enable to rationalize the consumption of energy by the infrastructures.

Actions undertaken to prevent emissions are as follows:

For Water activities, avoiding greenhouse gas emissions:

- sale of energy produced from renewable energy sources on site (biogas from sludge digestion, recovering the potential energy of water energy by using micro-turbines, heat pumps, etc.);

For Environmental Services activities, avoiding greenhouse gas emissions:

- through the sale of heat and electricity produced from the combustion of incinerated waste;
- through the sale of energy produced from biogas collected at landfill sites and anaerobic digestion plants;
- through the recycling of raw materials contained in waste;
- through the production of alternative fuels from waste.

In 2013, direct emissions from activities managed by the group stood at 34.9 million eq. tons. CO_2 (34.4 million eq. tons of CO_2 in 2012[(1)]). Created by industrial processes, facilities, equipment and vehicles that it manages - these are broken down as follows:

- 57%: CO_2 emissions from Dalkia's activities;
- 24%: Methane emissions contained in the biogas obtained from the fermentation of waste in landfills;
- 14%: CO_2 emissions from environmental services activities;
- 5%: CO_2 emissions from water activities;
- 0.4%: N_2O emissions from waste combustion.

Indirect emissions stood at 7.9 million tons of CO_2 equivalent (10.4 million tons in 2012). 52% are liked to electricity consumption, and 48% to the purchase of heat.

Total direct and indirect GHG emissions *(million tons CO_2 eq.) (V)* [(1)]	2011	2012	2013
Veolia Environnement	44.4	46.1	42.8
of which:			
direct emissions	37.9	35.7	34.9
indirect emissions	6.5	10.4	7.9
Water activities	3.5	7.7	5.1
of which:			
direct emissions	0.3	1.8	1.8
indirect emissions	3.2	5.9	3.3
Environmental services activities	16.7	13.5	13.5
of which:			
direct emissions	16.5	13.3	13.3
indirect emissions	0.2	0.2	0.2
Energy activities	24.1	25.0	24.2
of which:			
direct emissions	21.0	20.7	19.8
indirect emissions	3.1	4.3	4.4

(1) The Group has updated the GWP for methane and nitrous oxide by following the recommendations made by the IPCC in 2007. Thus, the GWP 25 (CH_4) and 298 (N_2O) were applied for the years 2011, 2012 and 2013.

The Group's emissions dropped slightly between 2012 and 2013. This is due to the stability of our direct emissions and a sharp drop in our indirect emissions due to the sale, in 2013 of electricity distribution businesses in Morocco.

As part of its 2012-2014 Environment Plan, the Group has defined objectives to reduce these two main sources of direct emissions, which represent 81% of its direct emissions:

- improve the carbon performance of combustion facilities by 15% from 2011 to 2014;
- reach a 66% methane capture rate in landfill sites in all countries (excluding Proactiva) by 2014.

(1) Greenhouse gas emissions linked to coolants are negligible with respect to Veolia Environnement's businesses (estimated at 1% of direct emissions. Source: Art 75 Veolia greenhouse gas emissions report, http://www.veolia.com/fr/article75.htm).

	2011	2012	2013	2014 target
Carbon performance of combustion facilities *(Metric tons of CO_2 emitted/thermal MWh produced)*	0.273	0.251	0.243	0.232
Evolution compared with 2011*(%)*	-	-8%	-11%	-15%
Methane capture rate in landfill sites under operation, global scope - *excluding Proactiva (%),*	61%	57%	61%	66%
Methane capture rate in landfill sites under operation, World *(%)*	50%	49%	52%	-

The carbon performance of combustion facilities improved by 11% compared to 2011. This improvement is due to:

- the reduction in coal and heating oil consumption in favor of gas, which has a lower carbon equivalent emission factor;
- the increased use of wood in the Veolia Énergie-Dalkia energy mix, especially in France. This result reflects the efforts made under the policy to expand the use of biomass that was developed in 2007 and implemented from 2008.

The methane capture rate of landfill sites in operation increased, demonstrating the Group's policy to create new extraction wells and to enhance the performance of existing facilities.

Adaptation to the consequences of climate change

The Group takes environmental requirements into account throughout its operational plants and implements solutions to support its customers.

At the business unit level, adaptation to climate change is integrated into the analysis of environmental risks and challenges performed locally, integrating relevant regulatory changes, resource availability identification of additional requirements/volumes and necessary process changes. Adapting to a possible change in the availability of resources, particularly water, could take place by developing and re-using treated wastewater and by improving the performance of the distribution network (see Chapter 6, Section 6.3.2.4 below).

At the Group level, adaptation to climate change is integrated into the risk mapping process covering all Company short- and medium-term risks. Climate change risks are identified considering resources, regulatory and market changes, purchases and economic risk.

Conclusions of assessments performed at the country/activity level and for the Group as a whole are presented to the Risk Committee, which implements the appropriate actions plans that contribute to an adaptation to climate change.

6.3.2.3 Pollution and waste management

Air emissions other than greenhouse gas emissions

Under its commitment to fight against pollution, the Group is committed to reducing its emissions below regulatory requirements by improving the treatment of air emissions and developing better technologies (treatment of incineration smoke by the Environmental Services business, low NOx or SOx emission combustion technologies in Dalkia) and reducing consumption and encouraging the use of cleaner fuels (low-sulfur fuel oil and coal, natural gas, LNG for combustion installations and vehicles and hybrid electric or bi-modal vehicles).

The main atmospheric emissions managed by the group (excluding GHG) are those of combustion facilities operated by Dalkia and those of waste incinerators.

	2011	2012	2013
SOx emissions(tons)		70,742	71,897
of which Dalkia thermal combustion facilities *(tons [(1)])*	-	70,009	71,164
of which waste incinerators *(tons)*	-	733	703
NOx emissions(tons)	-	48,836	49,050
of which Dalkia thermal combustion facilities *(tons)*[(1)]	-	42,000	42,308
of which waste incinerators *(tons)*	-	6,836	6,742

(1) For combustion facilities, the calculation of NOx/SOx emissions is based on the European Directive of October 23, 2001. These documents set the threshold values of emissions depending on the types of fuel and the power of the facilities; the values recommended for this method were applied to the 2012 value.

The management of atmospheric emissions linked to wasted treated in incinerators represents a public health challenge for the Group. To measure its overall performance on a global scale, the Environmental Services business has adopted the European Union's regulatory reference, which is the strictest.

	CO **Mg/Nm³**	**NOx** **Mg/Nm² (2)**	**SO_2** **Mg/Nm²**	**HCl** **Mg/Nm²**	**Dust** **Mg/Nm²**	**Dioxins** **ng/Nm²**
Average concentration of emissions of hazardous and non-hazardous waste incineration units	9.5	125.2	13,0	7.8	2.1	0,02
Threshold values for emissions in the European Directive(1)	50	200	50	10	10	0.1

(1) European Directive 2000/76/EC of December 4, 2000 enacted into French law by two orders of September 20, 2002. (Daily averages).
(2) For NOx, the standard depends on the flow rate: 200 mg/Nm3 for plants > 6 t/h and 400 mg/Nm3 for plants < 6 t/h.

In 2013, average global concentrations of emissions of hazardous and non-hazardous waste incineration units were lower than the threshold values of emissions for the European Union.

Water pollution

Veolia Environnement constantly strives to improve its performance in order to reduce the impact of water discharges from its activities. The main discharges from facilities operated by the Group are obviously related to its activity of collecting and/treating wastewater for local communities.

Veolia Environnement provides sanitation services to nearly 62 million people worldwide and collects 6.7 billion cubic meters of waste water 6 billion cubic meters are treated in the 3,442 urban wastewater treatment plants operated by the Group.

To ensure the efficient management of wastewater collection and treatment services, Veolia has developed a comprehensive approach to help public authorities whatever their size and the technical Issues and regulations involved. The guarantee of the success of a wastewater project involves clearly defined stages: assessment of needs, definition of a local strategy, guarantee of quality, measurement of service performance and, lastly, communication to residents about the impact of the service. Optimizing treatment process efficiency is of ongoing concern to Veolia Environnement both in terms of the operation of the facilities under its management and the development of new processes.

The average rates of abatement of pollution, expressed in BOD5 and COD, of wastewater treatment plants operated by the Group are of a very good level. We however, observe in 2013 a very slight drop in treatment efficiency, due to the removal from the reporting scope of the Berlin contract which had excellent efficiencies and a high volume of treated wastewater.

Efficiency remained stable at constant scope between 2012 and 2013, going from 94.6% to 94.4%.

Wastewater treatment efficiency of purification stations with capacity of 50 000 people or more	**2011**	**2012**	**2013**
BOD5 treatment efficiency *(%)*	93.5%	95%	94.5%
COD treatment efficiency *(%)*	88.5%	89.9%	89.6%

Veolia Environnement classifies plants whose wastewater treatment efficiency in BOD5 is less than 85%, or less than 80% in COD as sensitive. Special efforts are made at these plants to help them reach these levels of wastewater treatment efficiency.

Lastly, flow monitoring systems covering a number of micro pollutants considered dangerous to the environment were implemented pursuant to the European Water framework directive, particularly in France, to assess the impact of wastewater treatment plant emissions on the ecological state of bodies of water. Veolia Environnement's center of environmental analysis has identified regulatory analysis techniques and offers customers a comprehensive range of monitoring services (sampling and analysis). The Group has also developed biological tools for measuring the impact of these emissions on target organisms and proposes to evaluate the risks. Then, where necessary, the Group assists its clients in defining the implementation of additional treatment solutions reducing or eliminating emissions of dangerous substances into the natural environment and manage risks. These solutions can be upstream actions (get factories connected to a network with a "police" to supervise the network, for example) or curative (better deal with waste, additional treatment, etc.)

Soil pollution

For all of its activities, and in accordance with its EMS requirements, the Group is careful not to generate any chronic or accidental soil pollution by ensuring good storage and application conditions for the materials used, and good stormwater control and management, as well as by maintaining operational resources to control accidental spillages.

Waste landfills have the highest land footprint of all sites operated by the company. They use the most advanced technologies, and the Group has introduced minimum standards for their design and operation. These standards include in particular, a sealing system comprising a double barrier (active and/or passive) and systems for collecting, treating and evacuating leachates[1]. Throughout the duration of operation and post-operation (at least 20 years), the monitoring program is based, inter alia, on the analysis of surface water, groundwater and leachates.

Veolia Environnement is also present in soil quality restoration and maintenance activities through the remediation of contaminated soil and organic recovery of waste or wastewater treatment sludge. Since 2003, Veolia Environnement has integrated all activities relating to the treatment and recovery of sludge within a single entity, SEDE Environnement. This has given the Group a precise, overall and integrated view of sludge management options, thus allowing it to optimize organic recovery, in particular. The Group proposes the implementation of monitoring systems covering emissions into the wastewater network (Actipol method developed by the Group), to enable action to be taken upstream to improve the quality of sludge produced and treated wastewater into natural areas. It has finalized certification guidelines defining requirements applicable to wastewater treatment systems for the production of quality sludge to be used in agriculture. Downstream, Veolia Environnement promotes the organic recovery of sludge through composting and engages an independent certifying body to audit its composting and organic recovery networks.

The Group is also active in the rehabilitation of polluted soils. Using several processes, including thermal desorption, it processes almost all of the pollutants present in the soil at industrial sites.

Noise pollution and odor nuisance

Noise pollution is taken into account in the local roll-out of activities, as is olfactory pollution and other pollution specific to each activity. The identification of environmental impacts at the local level, included in the Group's EMS requirements, enables local authorities to identify the specific challenges of these nuisances and to take the appropriate measures.

The natural process of decay of organic matter may generate odorous molecules. Since this process is present in a certain number of its activities (biological wastewater treatment, composting, landfills), the fight against odor emissions is a constant concern for Veolia Environnement. At the sites concerned, it strives to keep their generation to a minimum and to capture and treat them.

Veolia Environnement directly implements solutions or works with its customers to identify solutions when the customer is responsible for the corresponding capital expenditure. To this end, Veolia Environnement has developed technology or works with partners to treat and control odors (e.g., biofiltration treatment, scrubbing and electronic measurement system), and also implements physical-chemical and biological techniques that limit odor problems. In the event of a perceived nuisance, the Group gives priority to dialog with the local population. For example, the creation of a "nose jury", made up of residents in the vicinity of the site, or the assignment of a special telephone line, can be used to better assess the odor problem and take appropriate measures.

Veolia Environnement also uses new and more silent technologies in some of its installations, including special wall coatings, sound traps and exhaust gas exit silencers for cogeneration installations and vehicles.

Waste

The production of waste is the final result of all the recovery and treatment phases. Veolia Environnement is firmly committed to recovery, to turn waste into a resource through the development of materials recovery, waste-to-energy processes and organic recovery. The Group is naturally attentive to the waste generated by its own facilities and those it operates. It makes every effort to prevent the production of waste, seeks new recovery possibilities and, where none exist, treats any waste produced.

The main waste produced by the Group is municipal wastewater sludge, bottom ash and APCresidue from incineration, soot, ash and bottom ash from the combustion of wood and coal in Dalkia's thermal energy plants.

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(1) Mixture of waste moisture and contaminated rainwater by percolation through solid waste.

	2011	2012	2013
Quantity of sludge from wastewater treatment *(in kT)*	1,143	1,136	10,071
Non-hazardous waste produced by Environmental Services *(in kT)*	2,584	2,432	3,745
Of which:			
quantity of bottom ash produced by the incineration of non-hazardous waste	2,028	1,846	1,792
quantity of waste produced by sorting centers (non-recyclable waste)	Not Included	Not included	979
Hazardous waste produced by Environmental Services *(in kT)*	670	664	641
Of which waste from waste incineration:			
Fly ashes produced from non-hazardous waste	264	265	261
Fly ashes produced from hazardous waste	59	58	56
Bottom ash produced by the incineration of hazardous waste	145	145	136

Wastewater treatment produces sludge, which is a concentrate of the organic and mineral material previously contained in the water. Population growth and more effective wastewater treatment systems using increasingly sophisticated treatment methods have led to an increase in the amount of sludge produced. In order to meet the requirements of its customers, public authorities and manufacturers, all having to cope daily with an ever-increasing volume of sludge, Veolia Environnement strives to process this sludge in order to reduce the costs related to its management and to recover it in the form of energy and/or products that can be used in agriculture or industry.

The quantity of sludge resulting from water treatment was lower compared to 2012. This is mainly due to contracts that were no longer within the reporting scope in 2013, particularly the Berlin contract of which the quantity of waste water treated is very important.

Public authorities and industrial operators are continuously facing higher volumes of sludge to deal with on a day to day basis. In order to reduce costs related to their treatment, Veolia Environnement's challenge is to recover this sludge and transform it into valuable energy or products that may be used either in agriculture or by industrials.

For Veolia Water, when the sludge quality and availability of suitable land permit, organic recovery (land application or composting) offers a potential recovery outlet, as does waste-to-energy (anaerobic digestion, use as a substitute fuel and incineration with energy recovery). In 2013, 50% of sludge was recovered for use in farming and 9% was recovered and used either for energy. Veolia Environnement ensures that the sludge is continuously of a quality compatible with the recovery method chosen by its customer.

The Group gives more details about the volumes of waste generated by the Environmental services businesses. The sharp increase in non-hazardous waste produced is linked to the reinforcement of the computing model to include refusals of sorting centers in the total volume.

All the volumes generated by Environmental services businesses are then sent to recovery or storage sites depending on the type of waste.

Bottom ash is the non-combustible solid residue produced by incineration. Depending on its origin, its recovery is governed by specific regulations. Depending on its composition and after a period of maturation, it can be recovered as road construction material.

Residues from the purification of incineration fumes from waste are stabilized and then stored in final hazardous waste landfill sites.

The reporting process used to measure the majority of waste produced by Dalkia is being made more reliable. This waste (soot and bottom ash) is due to the combustion of wood and coal at its installations. The Group is committed to improving combustion techniques and treating or recycling waste in accordance with local regulations.

6.3.2.4 Sustainable use of resources

Consumption of water resources and supply taking account of local restrictions

Reducing the quantity of water extracted from resources for its own facilities or those operated on behalf of its clients is a constant concern for Veolia Environnement. For the first year, the Group segmented its sources of water abstraction in its reporting system on all its activities.

	2011	2012	2013
Total volume of water withdrawals *(m^3)*	-	-	10,602,876,037
of which:			
- volume of drinking water produced and/or distributed	10,138,925,930	9,494,279,380	9,163,118,120
- volume consumed for industrial processes	-	-	1,439,757,917
Volume of water withdrawals from the natural environment directly	-	-	95%
(% of total volume)			
Of which, *(% of volume of water withdrawals from the natural*	-	-	
environment)	-	-	
- volume of surface water withdrawals	-	-	80.4%
- volume of groundwater withdrawals			19,6%
- volume of rainwater collected, stored and reused			0.01%
Volume of water withdrawals from a distribution network	-	-	5%
(% of total volume)			

The largest quantities of withdrawals made by the Group are those related to its potable water production activity (86%). Under the terms of its agreements with local authorities, 8.7 billion cubic meters of drinking water were produced in the 4,532 production plants run by Veolia Water in 2013. It distributed 9.2 billion cubic meters across a network of 312,839 km.

The volume transformed into drinking water, put back into the distribution networks dropped 3.5% compared with 2012. This drop is explained by changes in scope in 2013, in particular the termination of the Berlin contract. Like-for-like between 2012 and 2013, the volume transformed into drinking water and distributed increased very slightly (0.5%) as a result of the addition of new drinking water production plants to the contract of the city of Nagpur in India.

Veolia Environnement is firmly committed to optimizing water-cycle management and saving what is at times a scarce resource. Accordingly, it offers a wide range of technical solutions to its local authority customers, designed to protect resources (identification of chronic sources of damage to resources, prevention of accidental pollution, creation and supervision of protected areas), optimize their management in the long term (resource monitoring, long-term water withdrawal management, controlled use of resources), conserve them (improve output, fresh water parasite treatments, etc.) and, if necessary, develop alternative resources (water reuse, recharging groundwater, sea water desalination). Climate change in certain regions of the world heightens stress on water resources. These developments are conducted in close association with local authorities, regulatory bodies and the scientific community. Global water stress maps are available on the intranet to enable managers to prioritize their water footprint challenges based on the local context and regional stress on water resources. In addition to these solutions, Veolia Water has developed the Water Impact Index, a water footprint indicator that enables decision-makers (companies and local authorities) to make the necessary choices concerning water management and use. It may be combined with the carbon footprint and applies both to public water and wastewater services and industrial customers. Furthermore, Veolia Environnement has also developed tools that enable its municipal customers to raise awareness and empower end users to control their consumption (installation of individual meters and incentive-based pricing).

In many cities around the world, 20 to 50% of the water produced is lost because of distribution network leaks. Veolia Environnement has made loss reduction one of its priorities and has set a target of reducing the volume of losses by 5% between 2011 and 2014, on a like-for-like basis. On this scope, in 2011, losses totaled 27.2% of the water introduced into the distribution networks. In 2013, they represented 25.3%.

	2011 value Pro forma (2011 – 2013)	2012 Pro forma (2011 – 2013)	2013 Pro forma (2011 – 2013)	2014 target
Volume of losses in distribution networks *(In m^3)*	2,166,642,140	2,097,597,560	2,019,137,230	-
Evolution compared with 2011	-	-3%	-7%	-5 %

In order to focus our leak detection efforts and advise our customers about the best options in network replacement, we have two complementary indicators that monitor network performance: network efficiency, which assesses the percentage of water delivered to the end consumer, but is influenced by changes in consumption on the network, and the linear loss index. Since the aim is to find the best balance between ecology and economy for each network, especially against a background of increasing consumption in some countries and a decline in others, setting up a Group-wide target for this type of indicator is unfeasible. However, the progress made can be measured based on changes in water loss volumes on a like-for basis.

The pro forma decrease in the volume of losses in distribution networks is due to the setting up leak reduction program (leak detection, breaking up of networks into sectors, improved metering control, etc.). On this same scope, we observe a drop in these water losses, which is proof that the Group is capable of improving the efficiency of complex systems, in particular, on recent contracts such as the city of Sofia (Bulgaria).

Lastly, the use of retreated wastewater has increased sharply in recent years. In order to further improve wastewater recycling, Veolia Water has set itself the target of achieving a 10% increase in the volume of water reused from collected and processed wastewater by 2014 (compared with 2011).

	2011	2012	2013	2014 target
Volume of water reused from collected and processed wastewater *(m^3)*	194,999,910	225,000,740	261,790,900	-
Evolution compared with 2011	-	+15%	+34%	+10%

Significant fluctuations in quantities of recycled wastewater can be observed from one year to the next, which means that this performance can only be assessed in the long term.In 2013, after a first full year of operations, the wastewater recycling and treatment facility Al Wahtba at Abu Dhabi (capacity of 300,000 m3/day) entered into the scope which resulted in strong growth in 2012.

Raw material consumption and efficiency

The raw materials (excluding fuels) used by Veolia Environnement’s businesses are mainly treatment reagents. For the Water business, predictive regulation of reagents (such as the Prédifloc TM process for coagulants) makes it possible to optimize dosage levels and results in an average reduction of 15% for the consumption of reagents. The Company has integrated the optimization of raw material consumption and utilization efficiency at several levels of the organization. On an economic front, a cost reduction objective integrating raw material procurement gains was adopted and broken down across all activities, requiring a reduction in the consumption of certain raw materials. This is performed in conjunction with the Company’s greenhouse gas reduction objectives. Firmly committed to the recovery chain, and particularly the recovery of materials, waste entrusted to it for treatment and by-products of its activities, Veolia Environnement contributes to reducing third party consumption of raw materials by making recycled raw materials available to them.

In 2013, Veolia Environnement treated 52.1 million tons of waste. The selective collection and sorting of waste (wood, paper, cardboard, glass, metals, plastic, etc.) generated by industrial companies and households enables the waste to be recycled and transformed into reusable materials. Waste that is not suitable for materials recovery can be treated with processes allowing energy recovery using the heat produced by incinerators fitted with energy recovery systems and the recovery of captured biogas produced by the decomposition of landfilled waste.

Veolia Environnement set a material recovery objective of 26% for Veolia Environmental Services in 2014, to help push forward work already commenced, improve utilization efficiency for waste entrusted to it and increase the volume of recycled raw materials generated (paper, plastic, etc.), thereby reducing the resource footprint of third parties.

	2011	2012	2013	2014 target
Waste treated tonnage *(millions of T)*	65.4	51.3	52.1	-
Rate of materials recovery of treated waste (environmental services business) *(%)*	15%	19%	20%	26%
Rate of energy recovery of treated waste *(%)*	44%	47%	53%	-

This indicator reflects above all the type of contracts signed by Veolia Environnement (with or without recovery). Veolia Environnement is responsible for developing innovative and efficient waste management technologies and solutions that enable waste recovery (selective collection, materials, energy and organic recovery) and for proposing these technologies and solutions to its industrial customers and local authorities, which take the final decision to implement them. The results reflect the efforts made by the Group with an organic material recovery rate up 1% and an energy recovery rate rising 6%.

Energy consumption - Energy efficiency and the use of renewable energy

Veolia Environnement is committed to improving energy efficiency, not only in the facilities that it operates, but also through the energy services it provides. Whenever possible, it gives priority to the use of renewable and alternative energy (biomass, geothermal and solar energy, etc.), in accordance with the targets that it has set, and makes every effort to recover the maximum energy potential from waste, wastewater to be treated and the facilities that it operates.

	2011	2012	2013
Total energy consumption*(million MWh)*(√)	154.8	168.0	162.3
Of which total thermal energy consumption *(million MWh)*	143.8	153.2	150.9
Of which consumption by Dalkia (73%) and Environmental Services (22%) in 2013			
Of which total electrical energy consumption *(million MWh)*	11.0	14.9	11.4
Of which consumption by Water businesses (70% in 2013)			

	2011	2012	2013
Consumption of renewable or alternative energy *(million MWh)*	44.8	45.2	46.7
Of which consumption by Environmental Services (65%) and Dalkia (33%)in 2013			
Share of renewable or alternative energy used by the Group *(%)*	29%	27%	29%
Consumption of renewable energy *(million MWh)*	27.4	27.2	29.0

	2011	2012	2013
Total energy production (thermal and electric) *(million MWh)*(√)	91.2	105.9	99.9
Of which total thermal energy production *(million MWh)*	71.0	80.2	78.7
Of which production by Dalkia (94%) in 2013			
Of which total electrical energy production *(million MWh)*	20.2	25.7	21.3
Of which production by Dalkia (56%) and the Water business (19%) in 2013.			
Production of renewable or alternative energy *(million MWh)*(√)	18.1	21.7	23.1
Production of renewable energy *(million MWh)*	12.6	14.7	16.1
Of which production by Dalkia (63%) and the Environmental Services (27%) in 2013.			

Veolia Environnement has set itself specific objectives for its different activities in order to enable the more detailed management of this challenge.

Dalkia is responsible for energy management at more than 163,000 energy installations worldwide, from urban heating networks to housing, commercial and industrial building boilers. Optimizing the energy efficiency of such thermal installations focuses on operating and maintenance quality and their modernization. Heating networks that offer optimized energy performances by concentrating production on a single site and involving co-generation (the simultaneous production of thermal energy and electricity) represent strong growth areas for Dalkia. Biomass fuel consumed by Dalkia activities must represent at least 8.5% of total fuel by 2014. In the longer term, the target share of renewable energy in Dalkia's energy mix in the European Union is 20% in 2020.

	2011	2012	2013	Target
Percentage of biomass in total energy consumption *(%)*	5.6%	6.3%	7.7%	8.5% in 2014
Percentage of renewable energy in the mix of energy services – EU scope *(%)*	9.6%	11.0%	13.4%	20 % in 2020

In a bid to reduce its energy consumption, the Water business performs energy audits and has implemented an optimization program which seeks to encourage innovation, accelerate the perfection and adoption of clean water treatment technologies and offer customers sustainable solutions. Accordingly, an increasing number of wastewater treatment plants are excellent examples of energy efficiency, such as the Braunschweig plant (water treatment capacity 275,000 population equivalent) which produces more energy than it needs to operate. In addition, the replacement policy for electro-mechanical equipment constantly seeks to optimize energy consumption. The objective for improvement in energy efficiency gain for wastewater treatment activities was set at 5% in 2014 proforma 2011.

	2011 (pro forma 2011-2013)	2012 (pro forma 2011-2013)	2013 (pro forma 2011-2013)	2014target (pro forma 2011-2014)
Energy efficiency of wastewater treatment plants (Wh consumed/g BOD5 treated)	2.18	2.21	2.20	-
Evolution compared with 2011	-	+1.5%	+1.1%	-5%

Energy consumption in terms of BOD5 treated by the wastewater treatment plants increased slightly compared with the reference year 2011 *(pro forma* scope). This was a result of a 7% increase in treated volumes due to increased energy consumption through pumping.

In a bid to reduce energy consumption, the Environmental Services division is committed to implementing new energy efficiency plans in 60% of their sites by the end of 2014. Concomitantly, the development of waste-to-energy recovery at waste processing plants such as landfill sites and incinerators enables the use of external energy sources for operations to be reduced and energy to be supplied to third parties. Veolia Environnement has undertaken to increase its production of renewable energy from waste by 7.5%, while helping customers reduce their primary energy needs through recycling and the preparation of solid recovered fuels from waste.

	2011	2012	2013	2014 target
Production of renewable energy from waste *(million MWh)*	4.8	4.1	4.4	5.2

Use of soils

Ecological management

The Group's landfill sites and water treatment and production sites cover the largest areas. However, these land areas are not fully sealed and the design of these sites and the operating methods implemented by the Group seek to minimize the footprint of its activities by maximizing the percentage of soil favorable to the maintenance and development of biodiversity.

As part of its biodiversity approach (seebelow), the Group continues its work on the ecological management of land. Conditions on land use are included in site operating rules and are consistent with the Group's ecosystem management commitment (pillar 1 of the biodiversity policy).

Redevelopment of landfilling cells

The operation of a landfill site requires landfilling cells to be dug and prepared. Where the Group is responsible for this task, it complies with all obligations regarding surface sealing and the recovery of excavated materials. Once used, the cells are covered as quickly as possible. These measures encourage the development of local ecosystems. The cells are monitored for environmental impacts before being returned to general use.

When the entire site is redeveloped, monitoring is continued to ensure the species planted repopulate the area (post operation phase). These stages are integrated into the site biodiversity action plans.

Protective perimeter around water catchment areas

Protective perimeters are established around catchment areas of water intended for human consumption to preserve the resource. Within these protective perimeters, human activities that could directly or indirectly affect the quality of water are forbidden or tightly controlled.

When the Group operates wellfields, it implements voluntary biodiversity-friendly actions (differentiated management of public parks, inventory of animal and plant life, etc.) much like the actions carried out at the Crépieux-Charmy wellfield in Lyon.

These good practices are also favored in France at sites operated by the Company, in accordance with the good ecological management guidelines for Group sites.

6.3.2.5 Measures taken to preserve and develop biodiversity

A structured commitment

Based on a study measuring the impacts and dependencies with regard to biodiversity the protection of biodiversity forms part of the first commitment of Veolia Environnement's Sustainable Development Charter. Moreover, the group defined a biodiversity **policy** in 2010, which is based on four pillars:

- controlling impacts on ecosystems;
- preserving biodiversity;
- conserving remarkable biodiversity;
- foreseeing needs.

The policy is rolled out across all Group businesses through actions to preserve ecosystems, restore and foster urban biodiversity, protect remarkable ecological areas near our sites and improve understanding of the dynamics of ecosystems, depending on the type of sites.

Veolia Environnement signed up to the French National Biodiversity Strategy (NBS) launched in May 2011 in France, thus demonstrating its commitment to NBS's vision, ambition, objectives and governance principles. The Group is working on the voluntary commitment dossier to materialize its commitment to the approach, through actions that will be rolled out in all the major countries where it is established.

Tools to improve knowledge and to support actions in favor of biodiversity

In order to support the **roll-out of its policies**, the Group has developed a methodology enabling sites to carry out their own biodiversity appraisals and to implement action plans adapted to the local biological context. The 2012-2014 environmental plan includes the monitoring of action plans implemented, with an action plan implementation objective for sites with high biodiversity stakes.The Group has published an ecological management manual with IUCN for sites operated in France. It has been translated for operators outside France and is distributed to biodiversity officers in each region.

The Group **identifies these ecosystem impacts**, in addition to regulatory physical-chemical and biological factors, using internal expertise within the businesses and the Research and innovation department, which primarily focuses on analyzing biological tools.

Measures to preserve biodiversity

In many countries, some of the Group's main activities are subject to environmental protection regulations (Facilities Classified for Environmental Protection (ICPE) in France or their equivalent). This means that all business development first requires the preparation of an impact study comprising a highly detailed section on animal and plant life. The management of these impacts is, accordingly, a constant concern for the operating staff of Veolia Environnement's different businesses (waste processing, decontamination stations, combustion facilities, rolling stock depots, etc.). **Beyond the strict regulatory framework,** the biodiversity policy is implemented at each of the Group's sites as part of the roll-out of the Environmental Management System (EMS). It implements the hierarchical principle "Avoid, Reduce and Compensate".

Many specific measures have been performed and monitored for a number of years, including: the sustainable management of green and maritime areas (ex: Braunschweig, Germany); a local partnership with the Malaysia Terengganu University at the Dungun site (Malaysia); the preservation of ecosystems in the development of sites and their surrounding areas - Graulhet and Saint-Cyr-des-Gats hazardous waste landfill sites in France, which received the Noé Conservation **label**; the Marchwood incinerator and the Coalmoor and Smalley Hill landfill sites in the United Kingdom which received Biodiversity Benchmark **certification** from the Wildlife Trust.

Numerous partnerships with recognized stakeholders

The Group also works with a number of partner universities, associations and institutions in order to further its knowledge through innovative research programs covering the interaction of its activities and the functioning of ecosystems. For example, since 2008, the Company has entered into a partnership agreement with the French committee of the **IUCN**, to strengthen and support Group actions in favor of biodiversity (IUCN France comprises 55 members (2 government ministries, 13 public institutions and 41 NGOs) as well as a network of 250 experts. At the international level, IUCN has been a United Nations observer since 1999. It is in this context, for example, that Veolia participated in an international event on an innovative theme: the third International Marine Protected Areas Congress (IMPAC3) by organizing a discussion on the theme "Clean Sea 2050" in October 2013.

The coastal conservation agency, **Conservatoire du Littoral, Rivages de France** and Veolia, partners for three years now, have brought their expertise together to enhance wetlands and raise awareness about their functions and how they benefit society (wetlands are intermediate areas that are an interface between land and sea. They contribute to the regulation of the large water cycle and play a key role in attenuating climate change effects such as floods and coastal erosion).

The Group has also participated in international studies, primarily through the work of the **WBCSD** (Ecoystem Services Review (ESR), Corporate Ecosystem Valuation), with a case study focusing on the Berlin site. This study was supplemented in 2012 by a biodiversity compatibility case study. The integration into its activities of the principles of the Convention on Biological Diversity (CBD) is highlighted in “Responding to the Biodiversity Challenge - Business contribution to the CBD”, and was the focus of a presentation in 2010 during the tenth Conference of Parties (COP 10) convention in Nagoya. A follow-up presentation was made in 2012 to the COP 11 convention in Hyderabad. Lastly, enhancing the value of ecosystem services is the subject of case studies within the Group.

Improving our understanding of ecological balance and sharing this knowledge by increasing awareness and communicating on biodiversity, are supplemented by the activities of the **Veolia Environnement Foundation**. For example, each year since 2010, the Foundation has financed the preparation of new chapters to a Red list of threatened species in France (sharks and rays in metropolitan France, wildlife in Guadeloupe, plants in Martinique) by the French Committee of the IUCN and the National Museum of Natural History (see below).

Veolia also takes part in working **groups of recognized bodies** whose findings result, for example, in publications aimed at promoting the implementation of actions, such as the guide published in 2013 by the business association for environmental protection, Entreprises Pour l’Environnement, entitled "Measuring and managing biodiversity" on the development of biodiversity indicators, and the guide by the Orée association, entitled "Biodiversity and Economy, stakeholder management, from awareness to action".

This collaboration led to the publication of an application guide in November 2013 to be used by regional authorities.

6.3.3 Corporate sustainable development commitments

The social information below is obtained from two sources:

- data from Group reporting:
  - environmental and operational,
  - social (Human Resources),
  - financial,
  - sustainable development purchasing;
- data obtained on restricted geographical or business scopes with departments centralized at Group level (excluding formal reporting).

The social reporting **scope** covers, at a glance (general framework), all the activities over which Veolia Environnement has operational control worldwide for the following activities:

- Operation of delegation contracts for water or liquid waste management (Water business);
- Waste collection, transfer and treatment, cleaning and industrial maintenance (Environmental Services business);
- Energy Services (Energy business).

Note: the Transport business, a joint venture in which Veolia 50% stake is not included in the reporting scope.

There may however be specific information associated with the reporting or the geographical scopes from which the data is obtained. The specific nature is in this case stated with the presentation of the indicator.

Social indicators are defined and explained in a common reference system shared across the Group, available in French and English. This document, like the sustainable development purchasing protocol can be consulted online. The indicators were chosen to monitor the following as a priority:

- performance relating to the Group's societal challenges;
- regulatory obligations (Article R225-105-1 of the French Commercial Code in France).

Consolidations and checks: the data from Group reporting are consolidated and checked according to IFRS in the case of financial reporting or procedures specific to these reports. Some of these items are reproduced in this document (in particular section 6.3.2 "Environmental and operational reporting", and section 17.2 "Social reporting". The other societal data are consolidated and checked by the country, area or department that collects them (Group Purchasing Division, for example) and then by the Sustainable Development Division.

There may be methodological limits to social indicators due to:

- lack of harmonization between national and international legislation;
- heterogeneous nature of the data managed and the variety of tools in the Group's many subsidiaries;
- changes in definition that may affect the comparison of indicators;
- specific characteristics of labor laws in certain countries;
- practicalities of data collection;
- availability of source data on the reporting date. Where the information is not available in time for the preparation of the registration document, it is the information relating to fiscal 2012 or a period specified in the legislation that is published.

6.3.3.1 Territorial, economic and social impact of the Company's business

With respect to employment and regional development

Veolia Environnement contributes to the economic and social development of the regions where it operates, not only through the performance of delegated public services, but also through the significant resources that it deploys for the repair, maintenance and development of infrastructures.

The majority of income from Group activities is "redistributed" to the various stakeholders, such as company employees, suppliers and external service providers, local and national tax authorities, banks and bondholders(1).

With respect to employment

Locally, through its management approach and its Human Resource and Purchasing policies, the Group is a major contributor to employment and employability in the regions where its operates, as well as to qualifications, equal opportunity and welfare protection for its employees and those of partner companies and organizations (suppliers, partner associations, etc.). Of the Group's current workforce of **202,800 employees**, 151,082 employees have followed at least one training course. The Group also welcomed **4,465 interns** and **3,423 trainees** under work-study contracts in 2013.

These jobs not only account for the majority of green jobs, but they are also, by their very nature, impossible to relocate and to a significant extent are open to low-skilled individuals. For example, the Energy Services business created nearly **600 local jobs** in France (1,600 jobs created in two years) and over 900 worldwide thanks to the **biomass sector** (3,900 jobs created in two years). The Group's training policy (see Section 17.1) demonstrates Veolia Environnement's commitment to facilitating the return to work of job seekers and training them in its businesses through its regional Campus network, working closely with local partners.

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(1) The percentage of operating profit redistributed will be available in the 2013 CSR Performance Digest.

Professional insertion and transition to work support

Group companies develop initiatives aimed at fostering employability through:

- the priority given to work-study contracts in external recruitment, since the Group is convinced that work-study schemes are an excellent way of acquiring skills (in particular under apprenticeship and professionalization contracts);
- the many partnerships established between the six regional Veolia Campus sites and professionals involved in training, orientation and employment (such as the Epide “second-chance” schools, and the *Conseil National des Missions Locales* [French national council of local community organizations]) create bridges to our businesses for young people who are most alienated from the workplace and define a work-study training program for those who are interested;
- the hiring of people with disabilities: in France, Veolia Environmental Services has signed the charter for the professional integration of disabled people (2009), two agreements with AGEFIPH (a French government agency promoting the employment of disabled people; 2009-2011 and 2011-2013) as well as an agreement with its social partners on the "Integration and job retention of disabled people" (2011-2014); In 2013, Veolia Water signed its third unanimous Handicap agreement between Management and all the trade union Organizations (2013-2016/previous agreements signed in 2006 and 2010): the main priorities of this agreement are the continued employment of disabled employees, recruitment and training of disabled persons, outsourcing work to the protected sector, and information/awareness-raising communication;
- support for social integration programs: welcoming individuals into Veolia contractual activities or activities performed in partnership with integration structures (recycling/re-use, sorting of office paper of small companies, etc.). In France, Veolia has signed partnership agreements with the ENVIE and ELISE associations.

Professional integration is also supported by the Veolia Environnement Foundation, which has made job counseling and strengthening social cohesion one of its three priority areas. In particular, it supports initiatives and structures that encourage the **return to work of people outside mainstream society**: work sites, associations and companies that foster professional integration through economic activity, training, social assistance, entrepreneurial solidarity and microcredit. The beneficiaries of these projects are primarily young people experiencing major difficulties, people experiencing long-term unemployment and people on social welfare. Over **340 projects have received support** to date (end 2013). A study of Professional Integration patronage by the Foundation (2004-2009) showed that supported structures help **7,000 individuals each year**.

The examples below illustrate the Foundation's action for transition-to-work support. The **"Integration through Work" program**, created on the Centre-East Campus in partnership with local players in the Greater Lyon area, strives to ensure **10% of its staff come from disadvantaged groups**. It comprises a process and stages required to **secure training paths via work-study programs for people with few qualifications and who are out of the job market**, in order to better guarantee their transition to work. Through its multi-year partnerships, the Veolia Foundation supports integration projects through various actions with the ARES group, the La Petite Reine association, the Sport dans la Ville association and the Secours Catholique charity, as well as through projects to help with the creation of micro-businesses with ADIE. For example, the project launched this year with ADIE, **Créajeunes**, is a **training and coaching program for people under 30, who are out of the job market and the traditional banking system and want to create their own business**.

Equal opportunity and social dialogue

Mindful of promoting equal opportunity within the company, Veolia Environnement asserts this commitment in its Human Resources policy (see Section 17.1.4) and its action priorities. Since its inception in 2012, the Group supports the Égalité des Chances (equal opportunity) foundation through funding for "boarding schools of excellence" (*internats d’excellence*).

The Group also contributes to developing social dialogue in the general interest and to improving local working conditions, in particular in emerging countries, where it encourages the creation of forums for dialogue with employees.

Regional development

The Group contributes to **developing the attractiveness** of the regions where it is established through the services that it provides to local communities and industrial companies (prevention and treatment of pollution), as well as the actions it undertakes to promote biodiversity and **environmental protection**. To this end, for example, the Group prepares landfill cells and carries out voluntary actions to protect the water catchment areas that it operates (differentiated management of public parks, inventory of animal and plant life, etc.), much like the actions carried out at the Crépieux-Charmy wellfield in Lyon.

Veolia Environnement also participates in regional development through various partnerships in the different regions where it operates.(1)

The Group is closely involved with the Greater Paris development project through its "*Mission Métropole du Grand Paris*" launched in 2010. In June 2013, this led to **13 concrete proposals concerning energy transition**, prepared with about 40 public and private organizations.

In June 2013, Veolia signed the Entreprises et Quartiers (Companies and Neighborhoods) charter with the French government and undertook to act in favor of equal opportunity, professional integration, the regional economies and its relationship with SMEs. For example, the SME Pact signed by Veolia in June 2012 aims to include local SMEs in its offerings and to help strengthen and develop them. The project to build and operate the new single head office in Aubervilliers will comply with this pact.

On neighboring and local populations

Veolia Environnement's main contribution to society lies in the development and maintenance of sustainable access by inhabitants, and in particular the poorest among them, to the services entrusted to the Group, and accordingly to the wellbeing of the population.

Through contracts with local authorities, the Group provides drinking water to 93.5 million people, wastewater treatment services to nearly 62 million people, waste collection services to 51 million people, and supplies heating to nearly 12 million people worldwide.

Persons excluded from the service

The Group contributes to programs for underprivileged populations, which are, depending on the businesses and situations, the populations who are finding it hard to access the service for **financial** reasons (high initial connection costs, cost of work required for connection, difficulties in paying the subscription) **administrative, language or physical** reasons (distance, elderly persons, etc.).

In the course of its activities in developing and emerging countries, the Group **connected(2) over 4.5 million people to drinking water networks**, over **2 million people to wastewater services** and nearly **2.5 million people to electricity networks**, particularly through social connection programs in Morocco and Latin America, thereby contributing to the attainment of the Millennium Development Goals. The Group thus contributes to the achievement of the Millennium Development Goals.

In developed countries, the company is also mindful of maintaining access to services for the poorest populations. In 2013, Veolia's water business continued to roll out its "Water for All" solidarity program.

This program is structured around three types of assistance: - emergency solutions to maintain access to water service by offering different forms of financial assistance appropriate to the individual situation: a payment schedule, debt write-off or water vouchers,- assistance solutions to help manage budgets and water consumption over the long term- prevention solutions to alert people to unusual over-consumption.

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(1) See Section 6.3.3.2-2 ."Partnership and Corporate patronage actions".

(2) Information as at 01/01/2013 (in total since the beginning of the corresponding contracts).

From 2008 to 2012, **27 initiatives** have been launched, concerning over **200 municipalities** and nearly **five million people** in France. In 2013, Veolia Water France granted **119,431 payment schedules** (156 681 in 2012) and continued the "water vouchers" system: **23,068** "**water vouchers**" payments were made to Veolia Eau (20,140 checks used in 2012) totaling **869,186 euros**. The Group also participates in the Fonds Solidarité Logement (Housing Solidarity Fund) scheme in France: **41,710 FSL files** were thus accepted in 2011 and 2012[(1)].

Outside France, Veolia Environnement implements several measures providing the poorest members of society with access to basic services, in particular water: social connection programs, social pricing, flexible payment agreements, social support funds, etc.

Solidarity actions of the Foundation

The Veolia Foundation also participates in extending access to essential services through its international solidarity activities (humanitarian emergencies and development assistance). In 2013, the Foundation mobilized the expertise of **Group employees** and volunteers, **who spent 860 days** in the field (870 days in 2012).

In the **Democratic Republic of the Congo**, the Foundation supported the DRC **Ministry of Health** by continuing to implement the national cholera eradication program that it launched in 2007. The ***Agence Française de Développement*** **(French Agency for Development - AFD) and the European Union (EU) have recently decided to allocate €8.5 million to this program** for the **rehabilitation of urban water infrastructure in Uvira**, a city in the Great Lakes region (one of the eight cholera zones identified in the country). The Foundation also runs and provides secretarial services to the **GAAC**[(2)].

In Haiti, the Foundation's renowned expertise (based on its successful emergency interventions and network restorations) led the Veolia Group to join the coalition to end cholera, headed by the Pan American Health Organization (PAHO/World Health Organization).

The 75 new projects supported by the Foundation in 2013 also included the research project to develop a kit for the **rapid detection of cholera in water** (with the Mérieux foundation and the Pharmaciens et Aide Humanitaire association) **as well as assistance to Mali, devastated by the war that took place** in 2012 and 2013, and displaced populations through **projects supported by the Malian government: provision of water supply through the upgrade or creation of boreholes and reconstruction support**.

In France, since 2005, the Veolia Foundation supports the Unis-Cité association. Young people aged between 18 and 25 and doing their voluntary civic service work on projects concerning the fight against exclusion, the restoration of social bonds and environmental protection. Accordingly, the "Médiaterre" program provides middle-income families with support in changing their behavior (eco-civic behavior: reduction of waste and control of water and energy consumption). In 2012/2013, the Foundation took this program to the new towns of Greater Lyon, to Nice and the Nord-Pas de Calais region, all the while supporting the engineering and national coordination of the project.

Environmental and biodiversity protection

The societal impact of Veolia's businesses is also measured by actions promoting the **right of neighboring and local populations to a healthy environment**. The protection of the environment and biodiversity is expressed – on a day-to-day basis – by the core services of Veolia Environnement's businesses (waste collection, treatment and recovery, wastewater treatment, green energy, etc.), and on a one-off basis through partnerships (such as the partnership entered into with the French Committee of the International Union for Conservation of Nature since 2008[(3)] and projects supported by the Veolia Foundation (Tara Oceans scientific program, scientific research on coral reefs, "Push back the desert"/Rain Drop in India, protection of pink flamingos/Camargue regional natural park in France, projects to educate the public and raise awareness about beekeeping, etc.).

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(1) The number of FSL (housing solidarity funds) requests accepted in 2013 will be available in April 2014.22,401 files in 2011 and 19,309 in 2012.

(2) Global Alliance Against Cholera (GAAC): an international alliance against cholera created in 2010 by the Veolia Environnement Foundation (consortium of public and private stakeholders/concerted contribution of funds and skills required – on targeted actions – for the sustainable elimination of cholera).

(3) The IUCN is the world's largest nature conservation organization. It has had the status of UN observer since 1999.

6.3.3.2 Relations with individuals and organizations interested in the Company's activities

Dialogue with Company stakeholders

Group companies are in constant dialogue with all stakeholders. The management of essential services requires the support of consumers and the various stakeholders for the level of service and price demanded. Dialogue with all stakeholders is therefore a prerequisite to the efficiency and legitimacy of operations.

The Group created an Independent Visiting Committee (IVC) in 2006 at **head office level**, comprising ten people tasked with providing their opinion on the sustainable development direction taken and adding to Veolia Environnement's strategic vision in this area. In 2013, it was replaced by a new committee of "**Critical Friends**". This committee is made up of about a dozen top-level stakeholders, namely **associations, institutions and academics** (half of them from outside France), willing to contribute their expertise, vision and constructive criticisms to the new Veolia. The **Veolia Environnement Critical Friends met for the first time on June 11 and 12 in Paris**, and for the second time in November 2013: site visits (to to provide the Critical Friends with knowledge about Veolia's businesses and to understand the challenges it faces) and discussions with the Group Chairman and CEO about the strategy of the new Veolia (June) and on the Group's risks and opportunities in terms of reputation (November).

Veolia Environnement also has regular discussions with its institutional stakeholders (associations, international organizations, universities, trade unions, etc.) *through* various think tanks (working groups, conferences, international events) and has formed partnerships with several of them (see below). Veolia Environnement contributes to reflections, consultations and projects on changes in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs. The Group shares its expertise by meeting stakeholders' requirements at their request or on issues that have a direct or indirect impact on its businesses.

These actions are carried out within the general framework of the rules of conduct set out in the Group's Ethics Guidelines and our commitment to the **Global Compact**. A guide of good practices was drawn-up in 2013 for interest representation activities. Since 2009, Veolia Environnement has been listed on the register of interest representatives of the European Commission and the European Parliament. In France, it has been registered on the public list of interest representatives of the National Assembly since 2010 and the Senate since 2011. These formally commit the Group to comply with the codes of conduct put in place by these various institutions.

At local level, the public-private partnership model for the provision of public services favors constant dialogue with local authorities and administrations. Accordingly, the appropriate discussion bodies are clearly defined at the heart of Group contract governance and the frequency and format of interaction is contractually documented.

The Group also develops several local initiatives to foster dialogue on their activities with its customers, local communities, and inhabitants of the region: neighborhood meetings, meetings with elected representatives, local associations, site visits and open days to inform the general public, etc.

This dialogue **with local stakeholders therefore involves**:

- implementing a local management structure to respond to the information and service requests of all inhabitants, which respects their diversity and covers the entire area;
- providing regular information to local stakeholders concerned and/or interested by access to services and changes therein;
- conducting customer satisfaction surveys to assess service progress and the benefits enjoyed by users and also to better understand the reasons for dissatisfaction and expectations;
- setting up an external communication system to promote new solutions among municipal customers (Innovation booklet, dedicated website, Innovation Meetings, Research & Innovation summary 2013 and participation in targeted events on the sustainable city);
- taking into account the **informal sector**, and the stakeholders involved, as shown in the two examples below. In **Colombia**, a social integration initiative for rag collectors ,designed and implemented between 2002 and 2008 on a landfill site, the "CET Presidente" in Cali, has resulted in the implementation of an action plan to formalize the business. **100 rag collectors have thus created a recycling cooperative**. Other local players are also involved in areas such as healthcare, nutrition and education. Following a consolidation phase in 2008-2012, the cooperatives now operate independently and the company is preparing the out-sourcing of certain services. Another example is in the **Philippines**, in the informal sector of the **recycling of electrical waste from the Manila metropolitan region**: the Veolia Foundation supports the 4-year program launched in 2012 by the **NGO Médecins du Monde** (MDM) to **improve the working conditions and health of people working in this sector.** This is financial and skills-based sponsorship, where the Group provides volunteers from one of its companies **specialized in the recovery of W3E**, thus training these "recyclers" in the dangers of toxic products and working with them to find solutions to keep health risks to a minimum and to change recycling practices.

Partnership and Corporate patronage actions

In 2013, Veolia Environnement continued its **policy of partnership relations** by continuing to focus on two directions:

1) **Collaborations with institutional**, national or international bodies to sharpen the profile of the Group's expertise and know-how in its various businesses as well as
2) Actions to provide **support for the socioeconomic development of the areas** where the Group is an operator.

Outside France

A partner of **international** organizations, Veolia Environnement continues its cooperation with the main UN agencies, bilateral organizations and international donor agencies, to contribute to the achievement of the Millennium Development Goals and to give effect to the commitments made when it joined the Global Compact.

Through its participation in the **R20**(1) which brings together several regions worldwide around a common goal of fighting climate change, Veolia Environnement was rewarded with the **Sustainia Award**, a competition created by the Scandinavian think tank "Monday morning" and developed in close collaboration with the UN Global Compact. This award, which is unique in its kind, rewards a a sustainable development innovation each year. In 2012, two Veolia achievements (an automotive production plant in Morocco with a near 100% control of CO_2 emissions and energy collection from computer data processing centers in France) had been rewarded and presented at Rio +20. In 2013, the Veolia/Dalkia/Borås (Sweden) project, concerning an innovation linked to the optimized management of the heating networks of the city of Borås, reducing the use of fossil energy and consequently the city's carbon footprint, won the award for the "best energy solution".

Moreover, Veolia Environnement is an active member of the World Urban Campaign led by **UN-Habitat**, the United Nations agency that promotes sustainable urban planning. During the World Urban Forum held in September 2012 in Naples on “the urban future”, the Group presented its efficient and sustainable solutions for urban services. This enabled it to join a group of international experts tasked with preparing the Habitat III Conference (2016) focusing in particular on the place of these services in strategic urban planning. In 2013, the city of Monteria in Colombia was voted "**benchmark sustainable city**" for its "Monteria Ciudad Verde 2019" program, of which Veolia Environnement is a partner.

Since 2013, Veolia Environnement has been directly involved with the consultation of "major groups" initiated by the UN for the preparation of the next Conference of Parties on climate change (COP21 in Paris in 2015).

A partner of the entrepreneurial partnership program United Cities and Local Governments (UCLG), Veolia Environnement has positioned itself to appear in the preparatory work and to highlight the importance of its businesses and business model during the "Habitat III" conference scheduled in 2016 in Istanbul.

As part of its national program *Go Further Together*(2) in the United Kingdom, Veolia is carrying out actions with local solidarity-oriented companies involved in projects assisted by the *Veolia Environmental Trust* (charity fund comprising nearly 170 community and environmental projects in 2012, totaling GBP 3.999 million(3). In Australia, driven by the same wish to make a long-term commitment in the areas where it is established, Veolia began a long-term partnership with Barnardos Australia (infant protection) in 2013 and continued its partnerships with the Aboriginal and Torres Strait Islander peoples in particular throughout the year).

In France

In terms of regional solidarity in France and independent of the work of its company foundation and local patronage actions (the use of small amounts), Veolia Environnement entered into **94 partnership agreements** in 2013, **50%** of which supported sport, **29%** cultural activities and **21%** events such as seminars and associations.

In particular, Veolia Environnement is a founding member of the National Union of PIMMS (UNPIMMS), the "PIMMS" association that federates and leads a network of local PIMMS, in partnership with the French State, local authorities and local players in the regions where they operate.

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(1) R20 (Regions of Climate Action), an NGO founded in 2010 by Arnold Schwarzenegger with the support of the United Nations, is a coalition of sub-national governments, private companies, international organizations, NGOs and academic and financial institutions. According to the R20 charter, the NGO aims to prevent the 2° increase in the global temperature by 2020 through reducing global greenhouse gas emissions by 75%.

(2) a national sustainable development approach launched by Veolia in the UK in 2010.

(3) €4.9 million (exchange rate of 12/31/2012).

The Company is also a partner of social entrepreneur players, such as the VoisinMalin association, which carries out awareness-raising and mediation programs targeting inhabitants (information on entitlement to assistance and administrative support, help with reducing consumption, paying bills, etc.) since 2012. VoisinMalin recruits and trains people living in difficult neighborhoods to discuss and explain the operation of public services to other inhabitants of these neighborhoods.

As a founding member of Partenariat Français pour la Ville et les Territoires (PFVT, French Partnership for the City and Regions) which brings together all urban planning players in France, Veolia Environnement also contributes its expertise to this platform for the export of urban know-how and contributes to its studies and publications.

Veolia Environnement is closely involved in discussions regarding the future Greater Paris Metropolis and works with some 40 public and private bodies to support the public debate through publications, conferences and reflections on future services.

Partnerships of the Veolia Environnement Institute and the Veolia Foundation

The **Veolia Environnement Institute** is a special think tank that provides forward-looking insights and promotes innovative modes of interaction between the company and civil society.

It is an association governed by the Law of 1901 and created by Veolia to build a forward-looking vision of emerging challenges related both to the environment and society. Since 2001, it has been developing its activities through constant dialogue in scientific and intellectual circles and with practitioners in the field, such as NGOs, which offer benchmarks for the subjects studied. Among the major forward-looking projects developed in 2013, IVE is continuing its work on adapting cities to climate-related disasters as part of the European project **RAMSES**[1] , and is preparing its **7th Conference on the links between Ecosystems, Economy and Society and the large-scale restoration of ecosystems**. For all its activities, IVE draws on a multidisciplinary and international network of partners, including the members of its Foresight Committee, which recently welcomed Esther Duflo, an MIT Economist and member of President Obama's Global Development Council. With its magazines S.A.P.I.EN.S and FACTS Report, its surveys and conferences, it captures and develops reliable scientific knowledge and tried-and-tested expertise in the field, communicating it to all public and private players involved in sustainable development discussions.

For further information on IVE: *www.institut.veolia.org.*

The **Veolia Foundation** has established many partnerships in its priority areas of intervention, which are: development assistance and humanitarian emergencies, transition to work support and social cohesion, and environmental and biodiversity protection.

It should be noted that, in the field of humanitarian emergencies and international solidarity, its partners are United Nations agencies (UNICEF, UNHCR) and international bodies (Red Cross, ACF, MDM, Solidarité Internationale, OXFAM, etc.).

By extending the Foundation's mandate for a new five-year term (2014-2018), the Group has confirmed its commitment to a policy of skills-based patronage and partnership.

For further information on the Foundation: *www.fondation.veolia.com*

6.3.3.3 Outsourcing and suppliers[2]

The sustainable purchasing policy reflects Veolia Environnement's commitments by integrating social and environmental challenges in the Purchasing process and supplier relations management. This policy contributes to improving the economic performance of the Group, foreseeing risks and engaging responsible measures with suppliers that are innovative and create value.

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(1) *Alongside 12 partners, including the Potsdam Institute for Climate Research (PIK), the London School of Economics and Political Science, the World Health Organization, the European secretariat of the ICLEI and other German, British, Belgian, French, Italian and Spanish organizations.*

(2) *For further methodology details and additional information, please consult the reporting protocol available at http://www.veolia.com/fr/groupe/fournisseur/achats-durables/. Additional information will also be available in the CSR Performance Digest, published following the Annual Shareholders' Meeting of April 24, 2014.*

The sustainable purchasing policy developed by Veolia Environnement is based on the following principles:

1) involvement of buyers in sustainable development issues;
2) development of responsible buying practices;
3) taking into account of the CSR commitments and performance of suppliers and subcontractors.

Involvement of buyers in sustainable development issues

Buyers are made aware of the environmental and social challenges accompanying the Group's activities, in order to ensure their integration into the management of purchase categories. CSR commitments are at the heart of Veolia Environnement's Purchasing guidelines. A comprehensive program supplementing existing sustainable purchasing training sessions and comprising a day's training and an e-learning validation session was developed in conjunction with Campus Veolia Environnement and rolled out in 2012. As at December 31, 2013, **30% of buyers** present in the Group (excluding Veolia Transdev buyers) had taken one of the **training modules on sustainable development issues** in the last three years.

Development of responsible buying practices

Depending on the purchase category, buyers can take certifications into account, identify eco-design opportunities and analyze life-cycle costs. They can also promote responsible practices among contract users, for example, by encouraging them to optimize their consumption practices or better anticipate their needs.

Veolia Environnement has made a commitment on this issue with the various stakeholders and key bodies: by helping to draft the responsible purchasing standard published by the French standards authority, AFNOR, by supporting various industry initiatives and by participating in inter-company expert committees.

Furthermore, in 2013, as part of the Veolia Water France UES (economic and social unit) partnership with the GESAT network, and in collaboration with the disability strategies of each Group entity, the Group Purchasing Division adopted an approach to promote the hiring of employees from the protected workers sector, in particular for targeted categories of purchases.

For fiscal year 2013, the amount of purchases recorded from the protected workers sector (excluding VAT) was **5.5 million euros** for France(1).

In order to promote these vocational rehabilitation centers for disabled workers (ESAT) and sheltered companies (EA), the purchasing function has provided a directory (supplier grids, typology of services, etc.) to procurement officers and requisitioners.

At the same time, in conjunction with the economic and social unit and the GESAT network, the Corporate Purchasing Division has also launched a training program for purchasing outside Paris. This half-day program is designed for the entire Purchasing network and procurement officers from all Group entities. Its objective is to develop purchases with the protected workers' sector by offering a methodological framework for creating mutually beneficial partnerships.

Taking the CSR commitments and performance of suppliers and subcontractors into account

Buyers communicate Veolia Environnement sustainable development commitments to suppliers, primarily using various tailored media available at each stage of the Purchasing process:

- the Veolia Environnement Suppliers Charter presents, inter alia, the Group's sustainable development commitments and supplier expectations;
- the Sustainable development questionnaire enables an assessment of the consistency of suppliers' commitments and practices with Group commitments;
- as part of the referencing process, sustainable development requirements that are progressively integrated into supplier contracts via a specific clause. A standard clause, available to all buyers on the Group Purchasing Intranet, encompassing environmental, ethical and social issues and integrating Group health and safety and diversity commitments, can be adapted to reflect the specific challenges of each purchase category. At the end of 2013, **53%** of current contracts in the Group's contract database (excluding contracts managed by Veolia Transdev buyers) were reported by the buyers as including formal sustainable development requirements.

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(1) Corporate, Dalkia, Veolia Water France excluding SEM/VWS, SADE, Veolia Environmental Services, SARP and excluding SARPI.

Buyers convey the Group's CSR convictions and commitments to suppliers and monitor the management of related risks throughout the process, from selection to monitoring the supplier relationship. Appraisal and audit procedures assess performance and enable necessary improvement measures to be launched with suppliers. In 2012, a CSR risk mapping by purchase category was drafted in conjunction with the Risk Department. Based on standard CSR criteria (social, ethical and environmental) and purchasing challenges specific to the Group (expenditure amount, impact on energy consumption, business strategy), this mapping can be used operationally in the management of supplier relationships. Since 2013, it is directly integrated into the new tender management module to identify high-risk families and thus launch the appropriate risk management actions, such as the CSR assessment of active suppliers or potential suppliers. This tool structures and harmonizes the integration of responsibility criteria into the supplier qualification process.

This action falls within a comprehensive system of monitoring supplier performance with respect to societal responsibility, developed by the Purchasing function since 2010.

In this system, the supplier's performance is initially analyzed through a documentation audit managed by an independent service provider covering twenty-two criteria focusing on environmental, social, ethical and supplier relationship issues.

Since 2010, the Purchasing Division has asked a panel of over **400** cross-cutting suppliers specific to the Group's businesses to undergo a CSR performance assessment through this system. The 2013 assessment campaign concerned nearly 100 suppliers located in five strategic countries: France, UK, Germany, Australia and the United States.

Thus, **26% of suppliers listed** in the Group's contract database (excluding contracts managed by Veolia Transdev buyers) have been assessed on their CSR performance since 2011.

Focused improvement measures through action plans and on-site audits are then launched based on the results of these CSR appraisals, in accordance with the risk management process and as part of constant improvements. Since 2011, audits performed by external service providers are organized along the four lines of these appraisals. Each audit gives rise to a corrective action plan drafted in agreement with the supplier.

Subcontracting represents a quarter of the Group's external expenditure. It corresponds mainly to facility management services, laboratory and testing services, mobile equipment maintenance services, building and construction, maintenance of industrial tools, transport and logistics, services related to the maintenance of water and heating networks, and services linked to waste management.

6.3.3.4 Fair practice

Measures taken to safeguard against corruption

See chapter 4 of the registration document: 4.3 "Audit and internal control" and 4.4 "Ethics and compliance".

Consumer health and safety measures

See chapter 4 of the Registration Document: 4.2.2.2.4 "Management of operational risks - Management of health and environmental third-party liability risks in respect of past and present activities", *above*.

The **research partnership** on the monitoring of drinking **water quality** can also be mentioned. Through this partnership, Veolia Environnement and BioMérieux have pooled their complementary expertise in order to contribute to the improvement of public health worldwide. They are working together to **detect microorganisms present in the natural environment or network more rapidly than with current methods.**

6.3.3.5 Human rights: actions taken in favor of human rights

For many years now, Veolia Environnement is committed to the respect for human rights, not only in its activities but also in the regions where the company operates.

These action principles are rooted in international reference texts and in particular:

- the Global Compact

Veolia Environnement joined the **United Nations Global Compact** on June 12, 2003 after an official decision by its governance bodies followed by a declaration of membership signed by its Senior Executive Vice-President. Since then, a permanent correspondent in New York has been monitoring our close relations and contacts with the Global Compact Board, which regularly meets with Veolia representatives. By undertaking to support and promote the Global Compact principles in its sphere of influence, this membership has become a major consideration in all aspects of the Group's social responsibility policy;

- international law relating to Human Rights;
- the fundamental principles of the International Labor Organization[(1)] ;
- the United Nations Convention against corruption;
- the Guidelines for Multinational Enterprises laid down by the Organization for Economic Co-Operation and Development (OECD).

Projects carried out in numerous developing countries have shown that it is possible to reconcile service quality and accessibility and advocate respect for the human rights of the populations served.

After welcoming in 2010 the official recognition of access to water as a basic human right, Veolia Environnement, as a modest player given the scale of this challenge, continues to work with public authority partners to ensure this right is respected through technically ambitious and socially innovative access programs.

Veolia Environnement continues to respond to invitations from institutions involved in the application of this right and contributes its recognized technical excellence to help push forward this cause, combined with dialogue with all stakeholders to help produce shared solutions.

Alongside thousands of NGOs, local authorities and water players, the Group participated in the 6th World Water Forum in Marseille in 2012. On this occasion, commitments were presented on March 16, 2012 by the International Federation of Private Water Operators (AquaFed), of which Veolia Environnement is the Vice-Chairman. These commitments concern both good governance of water resources at the local and international level and contribute to implementing a right to water and wastewater services.

Lastly, employees are invited to take into consideration the impact of their actions and decisions.

The Group's fundamental values relating to responsibility, solidarity and respect are the basis of its performance. Since 2011, Veolia Environnement has rolled out a code of conduct among all its managers. Regarding its influence in the value chain, the Group offers its purchasers specific training courses for sustainable development, which also cover human rights.

Since 2003, Veolia Environnement has conducted a strong ethical campaign for all its employees and has published Ethics Guidelines (formerly known as the "Ethics, Commitment and Responsibility" program). These Guidelines are published in many languages and are a benchmark of practices for all employees (See section 4.4.1).

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(1) See Chapter 17.2, Respecting Fundamental Human Rights.

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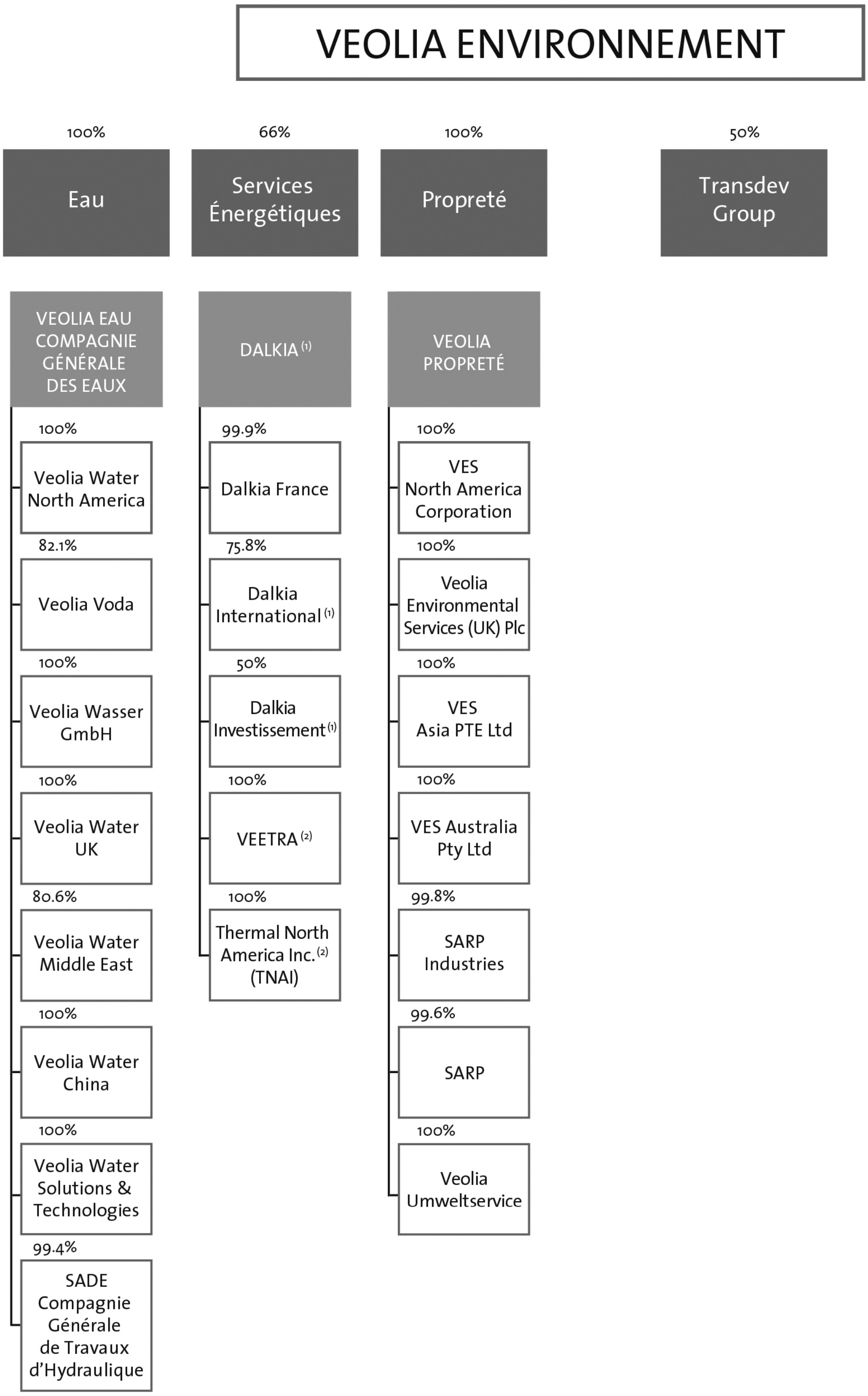
Organizational chart

The following simplified organizational chart sets forth the principal operating companies by business line held directly or indirectly by Veolia Environnement as of December 31, 2013. Unless otherwise indicated, the ownership percentages below reflect both the percentage of voting rights and of share capital held by Veolia Environnement or by the activity lead companies.

The list of the main companies included in the consolidated financial statements in 2013 appears in Note 41 to the consolidated financial statements (Chapter 20, Section 20.1 below).



(1) *The balance of the share capital of these companies is held by EDF.*

(2) *Companies wholly owned, whether directly or indirectly, by Veolia Environnement.*

Main financial flows between Veolia Environnement and its Divisions

The main financial flows between Veolia Environnement and its business lines are described in the notes to the parent company financial statements set forth in Chapter 20, Section 20.2 below.

Veolia Environnement primarily finances its business lines through loans and current accounts (net position of €6.2 billion as of December 31, 2013) and through equity; as a result it received €247.6 million in interest and €1,000.9 million in dividends in 2012. The Company has set up a system to centralize cash management in the main countries in which it operates and uses hedging, mainly at the Group level, in accordance with its risk management policy (see Note 28 to the consolidated financial statements – Chapter 20, Section 20.1 below).

For the main financial flows between Veolia Environnement and the business lines concerning operations, Veolia Environnement charged the business lines a total of €212.9 million, mainly corresponding to the provision of services and trademark royalties and temporary out-placement of personnel. In addition, in connection with contractual commitments relating to the management of expenses for the renovation of facilities made available by delegating authorities, the Company received from its Water and Energy subsidiaries €227.4 million in renewal indemnities and paid to the Water and Energy subsidiaries €225.6 million in 2013.

In connection with operating activities, Veolia Environnement granted financial and operational guarantees worth €2,932.9 million as of December 31, 2013.

As of December 31, 2013, EDF directly held 34% of Dalkia and 25% of Dalkia International. Veolia Environnement has exclusive control over Dalkia and joint control with EDF over Dalkia International.

The table below details the consolidated amounts of certain line items from the balance sheet (non-current assets, financial debt, cash and cash equivalents), of net cash flows from operating activities and of the amount of dividends paid in 2013 and recovered by the Company, as of December 31, 2013, broken down between Veolia Environnement and its three business lines.

Information as of December 31, 2013

(in € million)	**Veolia Eau**	**Veolia Environmental Services**	**Dalkia[1]**	**Other subsidiaries[4]**	**Veolia Environnement**	**Total consolidated amount**
Non-current assets	7,935.8	6,106.3	1,822.8	1552.3	1,686.4	19,103.6
Non-group financial debt[2]	(615.5)	(412.2)	(298.2)	(437.2)	(10,471.9)	(12,235.0)
Cash and cash equivalents less bank overdrafts[3]	273.8	106.1	1.2	124.3	3,552.9	4,058.3
Net cash flow from operating activities	669.5	744.4	244.2	(32.3)	137.2	1763.0
Dividends paid during the period and attributable to Veolia Environnement	205.6	600.1	-	195.2	-	-

(1) Including TNAI.

(2) Corresponds to long-term borrowings + short-term borrowings +/- readjustment of cash instruments.

(3) Corresponds to cash and cash equivalents less bank overdrafts and other cash position items.

(4) Including Proactiva since 28 November 2013

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Property, plant and equipment

Veolia Environnement uses various assets and equipment for the conduct of its activities, over which it exercises extremely diverse rights.

The total gross value of Veolia Environnement non-current assets (excluding other intangible assets) as of December 31, 2013 was €16,839 million (net value of €8,056 million as of December 31, 2013, representing 22% of total consolidated assets), compared with €18,266 million as of December 31, 2012 (represented net value of €9,462million).

Under concession arrangements, Veolia Environnement provides public interest services (distribution of drinking water and heat, public transportation networks, household waste collection, etc.) to communities, in return for the payment of services rendered. These collective services (also referred to as general interest services, general economic interest services and public services) are usually managed by Veolia Environnement pursuant to contracts entered into at the request of public entities that maintain control of the assets used to perform such collective services. Concession arrangements are characterized by the transfer of operating rights for a fixed term, under the supervision of a public authority and are performed using special-purpose installations built by Veolia Environment or that are placed at its disposal either free of charge or for consideration. Installations normally consist of pipelines, water treatment and purification plants, pumps etc. in the Water business, incineration plants in the Environmental Services business, and urban heating networks and heating and co-generation plants in the Energy Services business.

Veolia Environment is usually contractually bound to maintain and repair installation assets managed under public service contracts. When necessary, related repair and maintenance costs are provided for in contractual commitments in the event of delays in the performance of work. The nature and extent of the Group's rights and obligations under these different contracts vary by the type of public service rendered by the different Group businesses.

Under outsourcing contracts with industrial clients, BOT (Build, Operate, Transfer) contracts, or incineration or co-generation contracts, the Group may grant customers the right to use a group of assets in return for rent included in the total contract remuneration. Pursuant to IFRIC 4, the Group thus becomes a lessor with respect to these customers. The corresponding assets are therefore recorded in the consolidated balance sheet as operating financial assets.

The Group is also the outright owner of industrial installations, in particular for activities undertaken outside comprehensive contracts in the Environmental Services business (landfill sites and special waste processing plants), the Energy Services business (co-generation plants) and the Transportation business (buses, boats and trains). These assets are classified in the consolidated balance sheet as property, plant and equipment. The Company's property, plant and equipment are subject to certain charges, such as maintenance and repair costs and closure or post-closure costs.

There are relatively few real estate assets legally owned by the Group without any retrocession obligations. When possible, the Group does not own its office buildings.

Finally, assets purchased under finance leases fall into all three asset categories detailed above and represented a net amount of €240million as of December 31, 2013.

The main insurance policies subscribed by the Company are described in Chapter 4, Section 4.2.3 of this Registration Document.

Environmental issues may also influence the Company's use of property, plant and equipment, as detailed in Chapter 6, Section 6.3 of this registration document.

9

Consolidated Financial Statements

9.1 Major events in 2013

Preface

The 2013 accounts were marked by the early retrospective 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 for joint ventures, which are now accounted for under the equity method. The Group therefore represented the accounts for the years ended December 31, 2012 and 2011 (see Notes 2.1 and 8.1).

More specifically, pursuant to IFRS 11, there are only two types of joint arrangements: joint ventures and joint operations.

- A joint venture is a joint arrangement whereby the parties (joint venturers) that have joint control of the arrangement have rights to the net assets of the arrangement.

- A joint operation is a joint arrangement whereby the parties (joint operators) have direct rights to the assets and obligations for the liabilities, relating to the arrangement.

Joint arrangements classified as joint ventures must be accounted for using the equity method (proportionate consolidation is no longer authorized). Each joint operator in a joint operation must account for the assets and liabilities (income and expenses) relating to its interest in the joint operation.

Following the entry into effect of the new consolidation standards and recommendation no. 2013-01 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, the share of net income of the Group's equity-accounted entities, viewed as core to the Group's businesses, is included in the line "Operating income after share of net income (loss) of equity-accounted entities".

The main entities concerned by the adoption of these new standards and in particular IFRS 11 are as follows:

- Dalkia International, joint venture in the Energy Services division, 75% held by Dalkia and 25% held by EDF;

- ProActiva Group, joint venture of the "Other Segments" division, 50% held by Fomento de Construcciones y Contratas (FCC) until November 28, 2013, the date of acquisition by the Group of the 50% stake historically held by FCC;

- Chinese concessions, comprising around twenty joint ventures within the Water division;

- Transdev Group, a joint venture between Caisse des dépôts et consignations and Veolia Environnement. Given the Group's confirmed desire to continue its withdrawal from Transdev, the Group's investment in the Transdev Group is not viewed as core to the Group's businesses within the meaning of the French Accounting Standards Authority's recommendation of April 4, 2013.

Note 1.1.4 to the consolidated financial statements for the year ended December 31, 2013 presents all the impacts of the first-time adoption of IFRS 10, 11 and 12.

9.1.1 General context

Veolia Environnement consolidated revenue declined by -1.8% at constant consolidation scope and exchange rates (-4.0% at current consolidation scope and exchange rates) to €22,314.8 million for the year ended December 31, 2013 compared with represented €23,238.9 million for the year ended December 31, 2012.

At current consolidation scope and exchange rates, the changes in revenue were as follows: -3.9% in the first quarter, -2.6% in the second quarter, -5.5% in the third quarter and -4.0% in the fourth quarter.

However, at constant consolidation scope and exchange rates, revenue showed solid resilience, with quarterly year on year trends of -3.0% in the first quarter, -1.0% in the second quarter, -1.5% in the third and fourth quarters, resulting in -1.8% for the year ended December 31, 2013.

In an economic environment that remains uncertain, the Group implemented the second year of its transformation plan through:

- a new geographical organization set up since July 2013;
- the cost reduction program;
- continued optimization and divestiture of assets and;
- the decline in net financial debt.

- 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" thanks 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 activities 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 activities, business operations are now brought together within each country, with Country Directors in charge of both Water and Environmental Services activities. The integrated and direct Group monitoring, under the operational authority of the Chief Operating Officer, is organized around country groupings, representing the first level of resource allocation.

Dalkia International, a subsidiary of Veolia Environnement and EDF, retains its current organizational structure but will be integrated into this new structure in due course.

The global specialty entities, whose markets are widely globalized, are included in a specific organization.

The composition of the Veolia Environnement Management Committee and Executive Committee was revised to better reflect this geographic structure and facilitate the development of country-based synergies.

The announcement of the new organizational structure of the Group does not change the terms of performance monitoring or resource allocation for the current year and therefore does not impact segment reporting in 2013.

From 2014, the new organizational structure will lead the Group to adapt its segment reporting to better reflect the Group’s performance as reviewed by the chief operating decision maker (see Note 4.2 of this document).

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 information system streamlining efforts, €100 million in respect of purchasing and €110 million associated with efficiency projects in the businesses and headquarters.

The Group cost reduction plan (Convergence) generated €178 million in additional cumulative net savings in the year ended December 31, 2013, recorded in operating income (before application of IFRS 10 and 11), out of an objective for fiscal year 2013 of €170 million, net of implementation costs. The contribution, excluding joint ventures and after implementation of IFRS 10, 11 and 12, was around €140 million for the year ended December 31, 2013.

- Shareholding restructuring of the Energy Services division

On October 28, 2013, EDF and Veolia Environnement announced the launch of advanced discussions for the conclusion of an agreement on their joint subsidiary Dalkia. The Boards of Directors of these two groups met and approved the continuation of negotiations.

Upon completion of these discussions, EDF would acquire all Dalkia group activities in France, while Veolia Environnement would acquire the activities of Dalkia International; the sale of Dalkia France shares to EDF and of Dalkia International shares by EDF to the Group are inseparable parts of the planned transaction. Under this transaction, Veolia Environnement would make a cash payment to EDF to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities. The amount of this cash payment, estimated at €550 million, is likely to be adjusted to take account of the definitive structure of the transaction and the cash position of Dalkia SAS as of December 31, 2013.

Given the progress to date of the different processes necessary for the completion of the transaction (employee representative bodies, anti-trust authorities, carve-out), it should be finalized in 2014.

This transaction will not lead to the Group’s withdrawal from any countries or the cessation of any of the Group’s businesses, in particular Energy Services.

Accordingly, this transaction is reflected as follows in the Group consolidated financial statements as of December 31, 2013:

- Transfer of Dalkia’s assets and liabilities in France to “Assets classified as held for sale” and “Liabilities directly associated with assets classified as held for sale” in the consolidated statement of financial position, pursuant to IFRS 5, for a net asset amount of €1,529.1 million, including Dalkia France’s external debt of €203.8 million;

- Remeasurement of Dalkia France assets and liabilities at the lower of net carrying amount and fair value less costs to sell, without impact on the consolidated accounts of the Group as of December 31, 2013.

Furthermore, until the transaction completion date, the Group’s investment in Dalkia International remains equity-accounted.

Overall, the transaction should not impact the net financial debt of Veolia Environnement, which currently provides most of Dalkia group financing.

Following completion of the transaction, Dalkia’s international activities will be held exclusively by the Group and fully consolidated.

The transaction will secure the development of Dalkia group activities internationally, while strengthening Veolia Environnement's ambitions in the energy services sector. It will also put an end to the litigation between EDF and Veolia Environnement pending before the Paris Commercial Court.

Once finalized, the draft agreement will be submitted for approval to EDF's and Veolia Environnement's respective Boards of Directors.

Considering the issues relating to this transaction, selected pro forma data giving effect to the transaction was prepared by the Group and is presented in note 4.1 of this document.

- Acquisition of Proactiva Medio Ambiente

On November 28, 2013, Veolia Environnement completed the acquisition of the 50% stake in Proactiva Medio Ambiente historically held by the Fomento de Construcciones y Contratas (FCC) group. This transaction will allow Veolia Environnement to consolidate its positions in Latin America in waste management and water treatment and support its development strategy in high-growth regions.

Had the acquisition been completed on January 1, 2013, the revenue and operating income contribution of Proactiva Medio Ambiente would have amounted to €510.1 million and €42.7 million, respectively.

The total transaction amount of €150 million and its breakdown are presented in Note 3.3 to the Group consolidated financial statements as of December 31, 2013.

Accordingly, in 2013, Proactiva Medio Ambiente was equity-accounted up to the date of acquisition of control and fully consolidated thereafter. In accordance with the provisions of IFRS 3R, this transaction is therefore reflected by:

- the recognition of net income of €82 million, equal to the fair value remeasurement of the investment stake previously held in Proactiva Medio Ambiente;
- the recognition of provisional goodwill of €193 million;
- a financial investment of €238 million (enterprise value), comprising the cash payment of €125 million and additional Proactiva Medio Ambiente debt of €113 million included in Group net financial debt.

- Asset portfolio optimization policy:

The Group continued to implement its asset portfolio optimization 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;
- 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;
- the initial public offering on the Oman stock exchange of 35% of the shares of Sharqiyah Desalinisation Company (of which 19.25% held by the Group) on June 13, 2013, which resulted for the Group in the sale of 1,255,128 shares for €2.7 million. Following the listing, this entity has been equity-accounted since June 30, 2013. The impact on Group net financial debt was €89 million;
- the deconsolidation of practically all Environmental Services activities in Italy, following the approval of the group voluntary liquidation plan (Concordato preventivo di gruppo, CPG) on July 17, 2013. The impact on Group net financial debt was €90 million;
- the divestiture of Marine Services Offshore on August 29, 2013 for an enterprise value of €23 million to Harkland Global Holdings Limited (US fund);
- the divestiture of its 24.95% stake in Berlin Wasser in the amount of €636.3 million. This transaction was carried out on December 2, 2013; and
- the divestiture of Regaz by Dalkia France on December 12, 2013, for a consideration of €46.5 million.

Overall, these financial (in enterprise value) and industrial divestitures represented a total of €1,237 million in the year ended December 31, 2013.

- Transdev Group and SNCM:

In 2013, the difficulties of Société nationale Corse Méditerranée (SNCM) did not enable Veolia Environnement to withdraw from Transdev Group.

The Memorandum of Understanding signed by Transdev Group's two shareholders in October 2012 and providing for an increase in Caisse des dépôts et consignations's stake in the share capital of Transdev Group to 60% and the transfer by Transdev Group to Veolia Environnement of its 66% stake in SNCM, lapsed on October 31, 2013, the deadline for signature of an agreement.

Accordingly, the Group modified the accounting presentation of its investment in Transdev Group for the publication of its 2013 financial statements, transferring it from "Assets classified as held for sale" (discontinued operations) to "Investments in joint ventures" (continuing operations), accounted for using the equity method. Pursuant to IFRS 5.28 and IAS 28.21, the Group modified retrospectively the accounting presentation of its investment in 2012 and 2011. Given the Group's confirmed desire to continue its withdrawal from Transdev, the Group's investment in the Transdev Group does not represent an extension of the Group's businesses within the meaning of the French Accounting Standards Authority's recommendation of April 4, 2013.

SNCM remains equity-accounted indirectly through the recognition of the Transdev Group joint venture. During closing procedures on the Group consolidated financial statements for the year ended December 31, 2013, the Group assessed its net exposure to SNCM as a result of its indirect interest.

Given the litigation proceedings disclosed in Note 35 to the consolidated financial statements as of December 31, 2013, Contingent assets and liabilities, the Group considers the best way to reflect in the accounts the exposure arising from its indirect interest in SNCM, is to recognize the amounts that would be payable under the most probable scenario, that is an appropriate collective procedure with a disposal plan associated with a transaction:

- In the Group consolidated financial statements as of December 31, 2013, the equity-accounting value of Transdev Group reflects a fair appraisal of the Group's exposure to its interest in SNCM;

- Veolia Environnement's receivable on SNCM of €14 million is fully provided in the Group consolidated financial statements as of December 31, 2013.

Under this scenario, the repayments claimed by the European Commission pursuant to the disputes regarding the privatization process (€220 million excluding interest)and compensation paid for so-called complementary services (€220 million excluding interest, representing the majority of the €300 million amount noted associated with risks related to SNCM in our quarterly financial report ending September 30, 2013), would not be paid (see Note 35 to the consolidated financial statements as of December 31, 2013, Contingent assets and liabilities). Should this scenario not prevail, the Company would reassess the financial impacts.

An assessment by the Group of the value in use of Transdev Group (excluding SNCM) confirmed its net carrying amount.

Financing of the Transdev Group joint venture

To provide Transdev Group with the financial flexibility required for its development and in order to strengthen its balance sheet, on December 18, 2013, Veolia Environnement SA and the Caisse des dépôts carried out a share capital increase of €560 million (of which €280 million subscribed by Veolia Environnement SA through the capitalization ofloans). Hence, the loans granted to the Transdev Group joint venture, the expiry date of which was deferred by one year (i.e.March 3, 2015), totaled €622.0 millionat December 31, 2013.

9.1.2 Highlights of the period

- New contracts

The Group has recorded 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 should generate estimated cumulative revenue of USD 300 million (approximately €226 million at the 2013 average exchange rate).

- 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 should generate estimated cumulative revenue of SGD 220 million (approximately €132 million at the 2013 average exchange rate).

- 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 is expected to 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 should 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 is expected to 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.

- On July 16, 2013, MAF Dalkia was awarded a global energy and technical management contract for Abu Dhabi's flagship airports. This 3-year contract is expected to generate cumulative revenue of €40 million and includes a full range of energy savings strategies and management of all technical installations and security systems across the 4 main airports of the ADAC.

- On September 11, 2013, Veolia Water and Vapor Procesos signed a contract with Codelco to recover copper contained in tailings ponds at the El Teniente mine, the world's largest copper producing mine, located in the south of Santiago de Chile. This mine annually produces roughly 400,000 tons of copper.

- On November 15, 2013, Dalkia announced that it had finalized with the Canadian fund Fengate Capital Management Ltd the financing of one of the largest biomass plants in Canada. Under this Design, Finance, Build, Operate, Maintain contract, Dalkia will be responsible for industrial management and installation maintenance as well as the supply and preparation of wood biomass. This 30-year contract should generate estimated revenue of €600 million.

- On December 12, 2013, Veolia, through its subsidiary Sidem, was awarded, in partnership with Hyundai Heavy Industries, the Engineering, Purchasing, Construction contract for the desalination plant of the Az Zour North complex in Kuwait. Hyun dai will be responsible for building the 1,500 MW capacity electrical power station. The plant's electricity and water production will be fully purchased by the Kuwait government over 40 years. Work began at the end of 2013 and will be completed at the end of 2016. Revenue is estimated at €320 million.

- Financing transactions

Issuance of subordinated perpetual hybrid debt in Euros and Pound Sterling

At the beginning of January 2013, Veolia Environnement launched the issuance of deeply subordinated perpetual hybrid debt in euros and pound sterling (€1 billion at 4.5% yield for the tranche in euros and £400 million at 4.875% yield for the tranche in sterling, redeemable from April 2018). This transaction enables the Group to reinforce its financial structure in conjunction with its transformation while strengthening its credit ratios. This issuance is treated as equity in the Group's consolidated IFRS accounts.

Financing of Dalkia's international operations

On February 8, 2013, an agreement relating to the financing of the subsidiary Dalkia International was signed by, Veolia Environnement, EDF and Dalkia International. This agreement entered into effect on February 27, 2013 and led to the issuance of €600 million in deeply subordinated bonds by Dalkia International, subscribed by its shareholders in proportion to their direct interest in the capital i.e. €144 million for EDF and €456 million for Dalkia, financed by a long-term loan from Veolia Environnement.

In addition, the debt of SPEC, co-financed by Dalkia France and EDF, was repaid early in the amount of €375 million (including EDF's share) at the beginning of August 2013.

Buyback of U.S. dollar and euro-denominated bonds

At the beginning of June 2013, Veolia Environnement performed partial buybacks of its bond lines including:

- €200 million of the euro-denominated bond line paying a coupon of 5.25% and maturing in April 2014; and
- €129 million of the euro-denominated bond line paying a coupon of 5.375% and maturing in May 2018.

On December 17, 2013, Veolia Environnement performed partial buybacks of its bond lines including:

- €60 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in December 2020; and
- €150 million of the euro-denominated bond line paying a coupon of 5.125% and maturing in May 2022.

All these buybacks are presented in Note 3 to the Group consolidated financial statements.

The total cost of these buyback transactions of €73 million was recorded as adjustment to net finance costs. These transactions form part of the active debt management and financing cost optimization strategy adopted by Veolia Environnement to reduce the carrying cost of available cash. These transactions were completed subsequent to the divestitures carried out in 2012 and 2013 which contributed to the reduction in Group debt at the end of 2013.

Dividend payment:

As decided at the Annual General Shareholders' Meeting of May 14, 2013, the Group offered shareholders a choice of payment of the €0.70 dividend in cash or shares. The share payment option was taken up for 64.86% of coupons payable, resulting in the creation of 26,788,859 shares, representing approximately 4.88% of share capital and 5.01% of voting rights. This transaction resulted in a €227.9 million increase in Veolia Environnement shareholders' equity. Accordingly, the dividend payment in cash totaled €127.5 million and was paid on June 14, 2013.

Group rating:

On November 15, 2013, Standard and Poor's downgraded the Group's long-term credit rating from "BBB +" to "BBB" with a negative outlook. The short-term credit rating remains unchanged at A-2.

Furthermore, the Group's "Baa1" long-term credit rating with a stable outlook and the P-2 short-term credit rating allocated by Moody's remain unchanged.

Other financing transactions are presented in Note 3.5 of this document and Note 18.1 to the consolidated financial statements as of December 31, 2013.

9.2 Accounting and financial information

9.2.1 Definitions and accounting context

The accounting policies adopted for the preparation of the consolidated financial statements for the year ended December 31, 2013 were impacted by the application of the new consolidation standards and the amendments to IAS 19. Note 1.1 to the consolidated financial statements for the year ended December 31, 2013 provides explanations on the accounting standards base applied. A reconciliation of previously published and represented data for the year ended December 31, 2012 is presented in the appendix to the operating and financial review (see Note 8.1).

The definitions of the IFRS and non-GAAP indicators presented in this document changed following the application of IFRS 10, 11 and 12 and are presented in the appendix to the operating and financial review (see Note 8.2).

9.2.2 Key figures

Veolia Environnement consolidated revenue declined by -1.8% at constant consolidation scope and exchange rates (-4.0% at current consolidation scope and exchange rates) to €22,314.8 million for the year ended December 31, 2013 compared with represented €23,238.9 million for the year ended December 31, 2012.

At current consolidation scope and exchange rates, the changes in revenue were as follows: -3.9% in the first quarter, -2.6% in the second quarter, -5.5% in the third quarter and -4.0% in the fourth quarter.

However, at constant consolidation scope and exchange rates, revenue showed solid resilience, with quarterly year on year trends of -3.0% in the first quarter, -1.0% in the second quarter, -1.5% in the third and fourth quarters, resulting in -1.8% for the year ended December 31, 2013.

This decrease breaks down as follows:

- in the Water division, a reduction in construction activity, contractual erosion in France, partially offset by the higher tariffs due to indexation in France and in Central and Eastern Europe and the slowdown in Technologies and Networks activities;

- in the Environmental Services division, a difficult macro-economic environment that led to a decline in recycled raw material prices and volumes and a drop in activity levels in Europe (mainly France and Germany);

- in the Energy Services division, the forseen end of Gas Cogeneration contracts, partially offset by the favorable energy price impact compared to the represented period ended December 31, 2012 and improved weather conditions.

Adjusted operating cash flow for the year ended December 31, 2013 fell -4.7% at constant exchange rates (-6.4% at current exchange rates) to €1,796.3 million, impacted in particular by the implementation costs of the cost savings plan. The Water division was negatively impacted by contractual erosion, primarily, in France, the downturn in profitability of the Braunschweig contract in Germany and the decline in the margin on the construction of the sludge incineration plant in Hong Kong. Activity in the Environmental Services division declined due to a drop in prices and volumes in a European economic environment that remains difficult. The Energy Services division was negatively impacted by the scheduled end of Gas cogeneration contracts in France. Restructuring expenses increased to €77.6 million for the year ended December 31, 2013, compared with represented €35.1 million for the year ended December 31, 2012. Excluding restructuring expenses, adjusted operating cash flow declined -2.4% at constant exchange rates (-4.1% at current consolidation scope and exchange rates) for the year ended December 31, 2013.

Operating income (before net income or loss of equity-accounted entities) declined by -29.7% at constant exchange rates (-31.0% at current consolidation scope and exchange rates) to €490.5 million, impacted particularly by:

- the decrease in adjusted operating cash flow;

- the increase in goodwill impairment by €103.6 million as of December 31, 2013, compared to the represented period ended December 31, 2012 (As of December 31, 2013, impairment losses on goodwill included €167.9 million recognized in the Environmental Services division in Germany and Poland. Re-presented impairment losses as of December 31, 2012 concerned impairment of goodwill recognized on non-regulated activities in the United Kingdom in the Water division and Environmental Services division activities in Estonia and Lithuania); and

- the recognition for the year ended December 31, 2013 of restructuring expenses in connection with the Water division voluntary departure plan in France (in the amount of €97 million).

Operating income after share of net income or loss of joint ventures and associates decreased by -2.7% at constant exchange rates (-4.3% at current exchange rates) to €669.2 million for the year ended December 31, 2013, compared with represented €699.4 million for the year ended December 31, 2012. It includes the share of net income of joint ventures and associates in the amount of €178.7 million, compared with a represented net loss of -€11.9 million for the year ended December 31, 2012.

Adjusted operating income includes the Group's share of adjusted net income of joint ventures and associates of €122.2 million, compared with represented €3.7 million for the year ended December 31, 2012. This increase was primarily due to the impairment of receivables and accrued expenses in Italy recognized as of December 31, 2012 for €65.1 million (i.e. €81.5 million before taxes).

Adjusted operating income[(1)] rose to €921.9 million (16.9% at constant exchange rates and 15.5% at current consolidation scope and exchange rates compared with represented adjusted operating income for the year ended December 31, 2012) due to:

- at Veolia Environnement SA, the positive impact of €40.3 million related to the closure in 2013 of the defined benefit pension plan for senior executives;

- in the Energy Services division, the increase in the share of adjusted net income of joint ventures, as previously described; and

- in the Environmental Services division, the positive impact of the deconsolidation of activities in Italy, partially offset by the impairment of assets in Canada and the United Kingdom.

Net income from discontinued operations amounted to €27.3 million for the year ended December 31, 2013, compared with represented €431.8 million for the year ended December 31, 2012, which included capital gains from the divestiture of the regulated water business in the United Kingdom and the Solid waste business in the United States for €233.3 million and €208.4 million, respectively.

The net loss attributable to owners of the Company amounted to -€135.3 million for the year ended December 31, 2013 compared to a represented net income of €404.0 million for the year ended December 31, 2012. Adjusted net income attributable to owners of the Company increased significantly due to the rise in adjusted operating income and amounted to €223.2 million for the year ended December 31, 2013, compared with represented €58.5 million for the year ended December 31, 2012.

Net financial debt totaled €8.2 billion as of December 31, 2013, compared with represented €10.8 billion as of December 31, 2012. Net financial debt adjusted for loans granted to joint ventures (as defined in Note 8.2) fell from represented €7.8 billion as of December 31, 2012 to €5.5 billion as of December 31, 2013. Net financial debt and adjusted net financial debt declined due to the solid operating cash flow, the issuance of deeply subordinated perpetual securities and the Group's asset portfolio optimization policy.

9.2.3 Revenue

9.2.3.1 Overview

Year ended December 31, 2013 (€ million)	Year ended December 31,2012 represented *(€ million)*	% Change 2013/2012	Internal growth	External growth	Foreign exchange impact
22,314.8	23,238.9	-4.0%	-1.8%	-0.4%	-1.8%

Veolia Environnement consolidated revenue declined by -1.8% at constant consolidation scope and exchange rates (-4.0% at current consolidation scope and exchange rates) to €22,314.8 million for the year ended December 31, 2013 compared with represented €23,238.9 million for the year ended December 31, 2012.

At current consolidation scope and exchange rates, the changes in revenue were as follows: -3.9% in the first quarter, -2.6% in the second quarter, -5.5% in the third quarter and -4.0% in the fourth quarter.

However, at constant consolidation scope and exchange rates, revenue showed solid resilience, with quarterly year on year trends of -3.0% in the first quarter, -1.0% in the second quarter, -1.5% in the third and fourth quarters, resulting in -1.8% for the year ended December 31, 2013.

(1) After accounting for share of adjusted net income (loss) of joint ventures and associates

Changes in consolidation scope negatively impacted 2013 revenue by -€95.5 million, including:

- -€108.2 million in the Environmental Services division, primarily related to the divestiture of activities in Switzerland, the Baltic States, the divestiture of Energonut in Italy and Pinellas in 2012, as well as the divestiture of Marine Services Offshore in the United States in August 2013;

- +€38.8 million relating to the acquisition of the 50% stake held by the Fomento de Construcciones y Contratas (FCC) Group in Proactiva Medio Ambiente as from November 28, 2013.

Fourth quarter revenue in 2013 fell by -4.0% at current consolidation scope and exchange rates compared to the fourth quarter of 2012. At constant consolidation scope and exchange rates, revenue declined by -1.5% in the fourth quarter of 2013, due to an underperformance in Australia in the Environmental Services division which had benefited from a business turnaround in the last quarter of 2012 and in the Energy Services division an adverse climate in France and the impact of the forseen end of Gas Cogeneration contracts.

Revenue generated outside France in 2013 totaled €11,011.2 million, representing 49.3% of total revenue, stable compared with the represented 50.0% in 2012.

The foreign exchange impact of -€416.6 million primarily reflects the appreciation of the euro against the Australian dollar (-€100.3 million), the pound sterling (-€88.4 million), the Japanese yen (-€85.8 million), the US dollar (-€56.4 million) and the Czech crown (-€20.9 million).

9.2.3.2 Revenue by segment

(€ million)	**Year ended December 31, 2013**	Year ended December 31, 2012 represented	% Change 2013/2012
Water	**10,221.9**	**10,696.2**	**-4.4%**
Environmental Services	**8,075.5**	**8,512.0**	**-5.1%**
Energy Services	**3,756.5**	**3,852.0**	**-2.5%**
Other	**260.9**	**178.7**	**46.0%**
Total revenue	**22,314.8**	**23,238.9**	**-4.0%**
Revenue at 2012 exchange rates	**22,731.4**	**23,238.9**	**-2.2%**

WATER

Year ended December 31, 2013 *(€ million)*	Year ended December 31, 2012 represented *(€ million)*	% Change 2013/2012	Internal growth	External growth	Foreign exchange impact
10,221.9	**10,696.2**	**-4.4%**	**-2.2%**	**-0.3%**	**-1.9%**

Water division revenue declined -2.2% at constant consolidation scope and exchange rates (-4.4% at current consolidation scope and exchange rates), primarily due to the decrease in the construction business, contractual erosion in France, partially offset by the positive impact of higher tariffs due to indexation in France and in Central and Eastern Europe and the slowdown in Technologies and Networks activities.

- Revenue from Operations activities remained stable at +0.6% at constant consolidation scope and exchange rates (-1.6% at current consolidation scope and exchange rates). Excluding the negative impact of Construction activities, Operations revenue would have increased by around 2.3% at constant consolidation scope and exchange rates (+0.1% at current consolidation scope and exchange rates). This relative stability reflects contrasting trends:

  In **France**, revenue declined by -2.3% at constant consolidation scope (-2.7% at current consolidation scope), in line with a slowdown in the construction business, contractual erosion and a decrease in volumes sold (-1.5% in 2013 compared to 2012) accentuated by 2013 adverse weather conditions and despite a favorable indexing effect compared with 2012.

- **Outside France**, revenue rose by 3.2% at constant consolidation scope and exchange rates and remained stable at -0.5% at current consolidation scope and exchange rates. In Europe, revenue climbed (5.0% at constant consolidation scope and exchange rates and 3.8% at current consolidation scope and exchange rates), with solid performances in Romania and the Czech Republic tied to price increases and favorable volume and price trends in Germany. Revenue was penalized in the United Kingdom by the completion of construction contracts. Revenue declined by -1.4% in the Asia-Pacific region at constant consolidation scope and exchange rates (-13.3% at current consolidation scope and exchange rates) due to a downturn in construction business in Korea and Japan. The 5.3% increase reported in the United States at constant consolidation scope and exchange rates (2.0% at current consolidation scope and exchange rates) benefited from the robust performance of industrial contracts.

- Technologies and Networks revenue fell sharply by -7.5% at constant consolidation scope and exchange rates (-9.8% at current consolidation scope and exchange rates), primarily due to the completion of numerous contracts in France and internationally in the Design and Build sector, and by the lower contribution of the Hong Kong sludge incineration plan construction contract. SADE revenue was negatively impacted by 2013 unfavorable weather conditions in France and Belgium. Bookings were however up 32% compared to December 2012 at around €3.3 billion, primarily for industrial clients in the oil and gas sectors, although there was also a turnaround in the municipal market at the year-end.

ENVIRONMENTAL SERVICES

Year ended December 31, 2013 *(€ million)*	Year ended December 31, 2012 represented *(€ million)*	% Change 2013/2012	Internal growth	External growth	Foreign exchange impact
8,075.5	**8,512.0**	**-5.1%**	**-1.5%**	**-1.3%**	**-2.3%**

The decline in Environmental Services division revenue by -1.5% at constant consolidation scope and exchange rates (-5.1% at current consolidation scope and exchange rates), compared to the represented revenue for the year ended December 31, 2012, was mainly due to a 1.5% fall in recycled raw material prices and volumes and a 1.1% drop in activity levels, mainly in municipal collection. However, the decline in raw material prices and volumes slowed down in the second half of 2013.

- In the Environmental Services division, the revenue consolidation scope impact for the year ended December 31, 2013 was negative in the amount of -€108.2 million, mainly resulting from the divestiture of activities in Switzerland and the Baltic States, Energonut in Italy and Pinellas in 2012 together with the divestiture of Marine Services Offshore in the United States in August 2013.

- In **France**, revenue declined -2.7% at constant consolidation scope and current consolidation scope , as a result of unfavorable changes in raw material volumes and prices (paper and scrap metals) and the fall in the level of activity in municipal and commercial collection in a competitive environment.

- **Outside France**, revenue declined slightly by -0.7% at constant consolidation scope and exchange rates (-6.7% at current consolidation scope and exchange rates). Revenue in Germany fell -7.8% at constant consolidation scope and at current consolidation scope under the combined effect of lower recycled raw material prices and volumes and adverse economic trends in the industrial sector. Revenue in the United Kingdom increased 3.1% at constant consolidation scope and exchange rates (-1.8% at current consolidation scope and exchange rates) due to the increase in PFI contract revenue. In North America (+1.5% at constant consolidation scope and exchange rates and -8.2% at current consolidation scope and exchange rates), revenue benefitted from growth in hazardous waste and industrial sector (petrochemicals and refining) activity. Revenue rose by 1.1% in Australia at constant consolidation scope and exchange rates (-6.7% at current consolidation scope and exchange rates) due to the rising price of commercial waste collection services.

ENERGY SERVICES

Following the application of IFRS 10 and 11, Energy Services division revenue comprises:

- 100% of revenue of Dalkia France activities, as Dalkia International is equity-accounted; and

- the revenue of U.S. operations wholly owned by the Group.

Year ended December 31, 2013 *(€ million)*	Year ended December 31, 2012 represented *(€ million)*	% Change 2013/2012	Internal growth	External growth	Foreign exchange impact
3,756.5	**3,852.0**	**-2.5%**	**-1.1%**	**-1.2%**	**-0.2%**

Revenue declined slightly (-1.1% at constant consolidation scope and exchange rates and -2.5% at current consolidation scope and exchange rates), due to the forseen end of Gas Cogeneration contracts in France, partially offset by a positive energy price effect (approximately €55 million compared with represented revenue for the year ended December 31, 2012) and favorable weather conditions in France, in a difficult commercial environment.

- In **France,** revenue declined -1.9% at constant consolidation scope (-3.2% at current consolidation scope), due to the forseen end of Gas Cogeneration contracts in France, partially offset by a rise in energy prices, combined with more favorable weather conditions.

- In the **United States**, revenue surged 10.9% at constant consolidation scope and exchange rates (7.3% at current consolidation scope and exchange rates), due to a favorable gas price effect and an increase in steam volumes sold following a return to harsh weather conditions compared with a particularly mild 2012 winter.

OTHER SEGMENTS

The "Other Segments" division groups together certain industrial multi-service contracts and the various Group holding companies:

Year ended December 31, 2013 *(€ million)*	Year ended December 31, 2012 represented *(€ million)*	% Change 2013/2012	Internal growth	External growth	Foreign exchange impact
260.9	**178.7**	**46.0%**	**-4.2%**	**50.2%**	**0%**

The external growth in "Other Segments" revenue was primarily due to the acquisition of the 50% stake held by the Fomento de Construcciones y Contratas (FCC) Group in Proactiva Medio Ambiente, resulting in the full consolidation of Proactiva as from November 28, 2013.

9.2.3.3 Revenue by geographical area

December 31, 2013 *(€ million)*	France	Germany	United Kingdom	Central and Eastern Europe	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Water	4,365.7	1,007.8	311.7	1,118.2	617.2	784.7	166.5	883.7	250.2	716.2	**10,221.9**
Environmental Services	3,288.3	961.0	1,676.7	83.2	149.8	637.9	785.6	189.3	114.0	189.7	**8,075.5**
Energy Services	3,479.5	0.0	0.0	0.0	0.0	277.0	0.0	0.0	0.0	0.0	**3,756.5**
Other	170.1	0.0	0.0	0.0	43.3	0.0	0.0	1.0	0.0	46.5	**260.9**
Revenue	**11,303.6**	**1,968.8**	**1,988.4**	**1,201.4**	**810.3**	**1,699.6**	**952.1**	**1,074.0**	**364.2**	**952.4**	**22,314.8**

December 31, 2012 represented *(€ million)*	France	Germany	United Kingdom	Central and Eastern Europe	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Water	4,516.5	895.7	345.6	1,119.1	672.4	807.8	199.4	1,109.6	243.7	786.4	**10,696.2**
Environmental Services	3,380.9	1,042.3	1,700.8	100.6	237.5	708.3	841.6	195.0	102.7	202.3	**8,512.0**
Energy Services	3,594.0	0.0	0,0	0.0	0.0	258.0	0.0	0.0	0.0	0.0	**3,852.0**
Other	130.9	0.0	3.3	0.0	38.7	0.0	0.0	0.6	0.0	5.2	**178.7**
Revenue	**11,622.3**	**1,938.0**	**2,049.7**	**1,219.7**	**948.6**	**1,774.1**	**1,041.0**	**1,305.2**	**346.4**	**993.9**	**23,238.9**

% change *(€ million)*	France	Germany	United Kingdom	Central and Eastern Europe	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Water	(150.8)	112.1	(33.9)	(0.9)	(55.2)	(23.1)	(32.9)	(225.9)	6.5	(70.2)	**(474.3)**
Environmental Services	(92.6)	(81.3)	(24.1)	(17.4)	(87.7)	(70.4)	(56.0)	(5.7)	11.3	(12.6)	**(436.5)**
Energy Services	(114.5)	0.0	0.0	0.0	0.0	19.0	0.0	0.0	0.0	0.0	**(95.5)**
Other	39.2	0.0	(3.3)	0.0	4.6	0.0	0.0	0.4	0.0	41.3	**82.2**
Revenue	**(318.7)**	**30.8**	**(61.3)**	**(18.3)**	**(138.3)**	**(74.5)**	**(88.9)**	**(231.2)**	**17.8**	**(41.5)**	**(924.1)**
% change	**-2.7%**	**1.6%**	**-3.0%**	**-1.5%**	**-14.6%**	**-4.2%**	**-8.5%**	**-17.7%**	**5.1%**	**-4.2%**	**-4.0%**
% change at constant consolidation scope and exchange rates	**-2.7%**	**1.6%**	**1.3%**	**0.2%**	**-14.1%**	**-1.0%**	**1.2%**	**-10.0%**	**5.7%**	**0.2%**	**-2.2%**

The impact of the economic environment on revenue can vary between geographical areas and depends in particular on the mix of different Group businesses. The main comments are presented in Note 2.3.2 by division.

9.2.4 Other income statement items

9.2.4.1 Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) for the year ended December 31, 2013 totaled €2,977.9 million compared with represented €3,069.9 million for the year ended December 31, 2012, i.e. a decrease of €92.0 million (-3.0% at current consolidation scope and exchange rates), including a negative exchange rate impact of -€56 million. This decline incorporates the effects of the asset portfolio optimization program and cost reduction plan launched by the Group in 2012.

The ratio of SG&A costs to revenue was therefore 13.3% in 2013, compared with represented 13.2% in 2012.

This slight variation was primarily due to the rise in restructuring expenses (including charges and reversals) recorded in selling, general and administrative expenses amounting to €122.7 million for the year ended December 31, 2013, compared with represented €37.7 million for the year ended December 31, 2012. Adjusted for these costs, the ratio of SG&A costs to revenue was therefore 12.8% in 2013, compared with represented 13.0% in 2012.

9.2.4.2 Reconciliation of Operating income and Operating income after share of net income (loss) of equity-accounted entities with Adjusted operating income and analysis

Operating income as presented in the income statements for the years ended December 31, 2013 and 2012 on a represented basis breaks down as follows by division:

	Operating income			
(€ million)	**December 31,2013**	December 31, 2012 represented	% Change	% Change at constant exchange rates
Water	290.2	386.9	-25.0%	-24.9%
Environmental Services	156.6	267.1	-41.4%	-38.1%
Energy Services	154.8	210.2	-26.3%	-25.9%
Other	(111.1)	(152.9)	27.3%	27.3%
Total	**490.5**	**711.3**	**-31.0%**	
Total at 2012 exchange rates	**500.4**	**711.3**		**-29.7%**
Operating income margin	**2.2%**	**3.2%**		

Operating income (before share of net income or loss of equity-accounted entities) declined by -29.7% at constant exchange rates (-31.0% at current consolidation scope and exchange rates) to €490.5 million, due to the impact of the change in adjusted operating cash flow and the goodwill impairment losses recorded as of December 31, 2013 for Environmental Services activities in Germany and Poland and the recognition as of December 31, 2013 of restructuring expenses in connection with the Water division voluntary departure plan in France (in the amount of €97 million).

In addition to the change in adjusted operating cash flow described in Note 2.4.3, it includes:

- impairment losses on goodwill (and negative goodwill) of -€168.4 million, particularly for the Environmental Services division in Germany and Poland in the amount of -€167.9 million, compared with represented -€64.8 million for the year ended December 31, 2012. This additional goodwill impairment of the Environmental Services division in Germany was due to the review of operating performances undertaken as part of the new long-term plan drafted by management and including the optimization of certain sites, restructuring measures already initiated, synergies between the Group's various activities and the growth of the traditional industrial and commercial collection activities;

- a €45.9 million increase in depreciation and amortization expense at current exchange rates compared with represented amounts for the year ended December 31, 2012, particularly due to the impact of the reorganization project in France in the Water division and its repercussions on information systems. Net depreciation and amortization charges amounted to -€1,219.8 million for the year ended December 31, 2013, compared with represented -€1,173.9 million for the year ended December 31, 2012, including a negative exchange rate impact of -€18.8 million;

- an increase in capital gains on industrial and financial asset divestitures to €151.2 million for the year ended December 31, 2013, compared with represented €119.5 million for the year ended December 31, 2012, including the positive impact of the deconsolidation of Italian activities in the Environmental Services division, following the approval of the "Concordato preventivo di gruppo" (CPG) (see Note 35 to the Group consolidated financial statements);

- a decrease in net charges to operating provisions to -€52.5 million for the year ended December 31, 2013, compared with represented -€69.1 million for the year ended December 31, 2012.

The reconciliation of operating income and operating income after share of net income (loss) of equity-accounted entities for the years ended December 31, 2013 and 2012 (represented) with adjusted operating income breaks down as follows:

December 31, 2013 *(€ million)*	Operating income **(A)**	Share of net income (loss) of equity-accounted entities **(B)**	Operating income after share of net income (loss) of equity- accounted entities **(C)=(A)+(B)**	**Adjustments** Impairment losses on goodwill [(1)] **(D)**	**Adjustments** Other [(2)] **(E)**	Adjusted operating income [(3)] **(F)=(C)-(D)-(E)**
Water	290.2	26.3	316.5	(0.5)	(121.2)	438.2
Environmental Services	156.6	32.7	189.3	(167.9)	(16.0)	373.2
Energy Services	154.8	35.7	190.5	0.0	(12.3)	202.8
Other	(111.1)	84.0	(27.1)	0.0	65.2	(92.3)
Total	**490.5**	**178.7**	**669.2**	**(168.4)**	**(84.3)**	**921.9**

December 31, 2012 represented *(€ million)*	Operating income **(A)**	Share of net income (loss) of equity-accounted entities **(B)**	Operating income after share of net income (loss) of equity-accounted entities **(C)=(A)+(B)**	Adjustments Impairment losses on goodwill [(1)] **(D)**	Adjustments Other [(2)] **(E)**	Adjusted operating income [(3)] **(F)=(C)-(D)-(E)**
Water	386.9	32.4	419.3	(51.9)	(4.3)	475.5
Environmental Services	267.1	48.4	315.5	(13.2)	0.3	328.4
Energy Services	210.2	(100.2)	110.0	0.0	(11.2)	121.2
Other	(152.9)	7.5	(145.4)	0.0	(18.4)	(127.0)
Total	**711.3**	**(11.9)**	**699.4**	**(65.1)**	**(33.6)**	**798.1**

(1) As of December 31, 2013, impairment losses on goodwill other than negative goodwill presented in the “Other” adjustments column comprised -€167.9 million recognized in the Environmental Services division in Germany and Poland. Re-presented impairment losses for the year ended December 31, 2012 concerned impairment of goodwill recognized on non-regulated activities in the United Kingdom in the Water division and Environmental Services division activities in Estonia and Lithuania.

(2) Restructuring expenses relating to the voluntary departure plan of the Water division in France (in the amount of -€97 million) and the headquarters, as well as the net income of +€82 million relating to the fair value remeasurement of the investment stake previously held in Proactiva are reclassified to “Other” adjustments. The impairment losses on the securities of equity-accounted companies are also presented in the “Other” adjustments column, i.e. -€17.1 million for the Water division (China and India) and -€8.4 million for Dalkia United Kingdom and Latin America. For the represented period ended December 31, 2012 impairment losses on the securities of equity-accounted companies presented in “Other” adjustments totaled -€4.6 million for non-regulated Water activities in the United Kingdom and -€16.4 million for Dalkia Estonia and Israel.

(3) Adjusted operating income is defined in Note 8.2.

The change in adjusted operating income, as defined in Note 8.2, breaks down as follows:

	Adjusted operating income			
(€ million)	**December 31,2013**	December 31, 2012 represented	% Change	% Change at constant exchange rates
Water	438.2	475.5	-7.8%	-7.6%
Environmental Services	373.2	328.4	13.6%	16.4%
Energy Services	202.8	121.2	67.5%	68.0%
Other	(92.3)	(127.0)	27.4%	27.4%
Total	**921.9**	**798.1**	**15.5%**	
Total at 2012 exchange rates	**932.9**	**798.1**		**16.9%**

Veolia Environnement adjusted operating income, including the share of net adjusted income (loss) of equity-accounted entities, totaled €921.9 million, compared with represented €798.1 million for the year ended December 31, 2012, an improvement of 16.9% at constant exchange rates and 15.5% at current consolidation scope and exchange rates.

The increase in adjusted operating income is mainly due to:

- the impairment on receivables and other accrued expenses in Italy in Energy Services recorded during the year ended December 31, 2012 in the amount of €65.1 million (i.e. €81.5 million before taxes) in the share of adjusted net income of joint ventures;

- the positive impact of the deconsolidation of Environmental Services activities in Italy, which was partially offset by asset impairments at an industrial site in Canada and at waste disposal facilities in the United Kingdom in the Environmental Services division; and

- the reversal of senior executive pension provisions in Veolia Environnement SA which had a positive impact of €40.3 million, following the closure of the senior executive defined benefit pension plan.

These impacts were partially offset by the decrease in adjusted operating cash flow as described in Note 2.4.3.

The €178.7 million share of net income of equity-accounted entities can be split between the share of net income of joint ventures and the share of net income of associates:

- Share of net income of joint ventures

  The share of net income of joint ventures was €160.3 million for the year ended December 31, 2013, compared with a represented net loss of -€36.3 million for the year ended December 31, 2012.

  This substantial improvement was primarily due to:

  - the development, in Dalkia International, of China's Harbin network with new connections;

  - the turnaround in Dalkia International's results in Spain and Italy and the impairment on receivables and accrued expenses in Italy recognized as of December 31, 2012 for €65.1 million (i.e. €81.5 million before taxes).

The main joint ventures are Dalkia International and the Chinese water concessions, comprising around twenty joint ventures, whose ultimate percentage interests vary between 21% and 50% depending on the concession.

The main indicators for these joint ventures are as follows:

Dalkia International Contribution [1] *(€ million)*	**December 31, 2013**	December 31, 2012 represented	% change
Revenue	3,450.2	3,662.2	-5.8%
Operating income	177.1	63.9	177.1%
Adjusted operating cash flow	357.1	273.6	30.5%
Industrial investments	(200.3)	(270.4)	-25.9%

(1) Dalkia International Contribution at 75.8%

Chinese Water Concessions Contribution [2] *(€ million)*	**December 31, 2013**	December 31, 2012 represented	% change at current consolidation scope and exchange rates
Revenue	555.0	549.3	1.0%
Operating income	47.9	57.1	-16.1%
Adjusted operating cash flow	114.4	111.0	3.0%
Industrial investments	(47.2)	(57.9)	-18.5%

(2) Group Share

A more detailed analysis is presented in Notes 8 and 39 to the consolidated financial statements for the year ended December 31, 2013.

- Share of net income of associates

  The share of net income of associates was €18.4 million for the year ended December 31, 2013, compared with represented €24.4 million for the year December 31, 2012.

9.2.4.3 Reconciliation of operating income with adjusted operating cash flow and analysis

The reconciliation of operating income with adjusted operating cash flow for the years ended December 31, 2013 and 2012 (represented) is as follows:

December 31, 2013 *(€ million)*	Operating income **(A)**	Net charges to operating provisions **(B)**	Net depreciation and amortization **(C)**	Impairment losses on goodwill **(D)**	Capital gains (losses) on divestiture of non-current assets **(E)**	Other **(F)**	Adjusted operating cash flow **(G)= (A)-(B)-(C)-(D)-(E)-(F)**
Water	290.2	(94.4)	(491.3)	(0.5)	51.4	(8.1)	833.1
Environmental Services	156.6	(6.9)	(587.3)	(167.9)	80.3	(8.3)	846.7
Energy Services	154.8	(2.6)	(89.9)	0.0	18.5	0.1	228.7
Other	(111.1)	51.4	(51.3)	0.0	1.0	0.0	(112.2)
TOTAL	**490.5**	**(52.5)**	**(1,219.8)**	**(168.4)**	**151.2**	**(16.3)**	**1,796.3**

December31, 2012 represented *(€ million)*	Operating income **(A)**	Net charges to operating provisions **(B)**	Net depreciation and amortization **(C)**	Impairment losses on goodwill **(D)**	Capital gains (losses) on divestiture of non-current assets **(E)**	Other **(F)**	Adjusted operating cash flow **(G) =(A)-(B)-(C)-(D)-(E)-(F)**
Water	386.9	(5.8)	(448.3)	(51.5)	63.2	(24.3)	853.6
Environmental Services	267.1	(65.8)	(580.1)	(13.3)	9.0	6.0	911.3
Energy Services	210.2	13.0	(97.0)	0.0	48.6	0.8	244.8
Other	(152.9)	(10.5)	(48.5)	0.0	(1.3)	(1.6)	(91.0)
TOTAL	**711.3**	**(69.1)**	**(1,173.9)**	**(64.8)**	**119.5**	**(19.1)**	**1,918.7**

Changes in adjusted operating cash flow were as follows:

	Adjusted operating cash flow			
			Change	
(€ million)	**December 31, 2013**	December 31,2012 represented	at current exchange rates	at constant exchange rates
Water	833.1	853.6	-2.4%	-1.6%
Environmental Services	846.7	911.3	-7.1%	-4.6%
Energy Services	228.7	244.8	-6.6%	-5.9%
Other	(112.2)	(91.0)	-23.3%	-23.3%
Adjusted operating cash flow	**1,796.3**	**1,918.7**	**-6.4%**	
Adjusted operating cash flow at 2012 exchange rates	**1,828.4**	**1,918.7**		**-4.7%**
Adjusted operating cash flow margin	**8.0%**	**8.3%**		

Adjusted operating cash flow declined -4.7% at constant exchange rates (-6.4% at current exchange rates) to €1,796.3 million for the year ended December 31, 2013, compared with represented €1,918.7 million for the year ended December 31, 2012.

The decrease in adjusted operating cash flow in 2013 was impacted:

- in the Water division, by contractual erosion in France and a drop in profitability of German activities tied to the reduction in energy margins, 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 finally by changes in restructuring expenses, including the impact of the Veolia Environnement voluntary departure plan.

Conversely, adjusted operating cash flow benefited from:

- the positive contribution of cost saving plans, net of implementation costs;

- the CICE Employment and Competitiveness tax credit partly offset by the increase in the "Forfait social";

- price increases in Central and Eastern Europe and the solid performance of industrial contracts in the United States in the Water division;

- the reversal of operating difficulties and the related restructuring expenses in the Environmental Services division.

The foreign exchange impact on adjusted operating cash flow was limited to -€32.1 million and mainly concerns the Environmental Services division (pound sterling and Australian dollar).

Analysis by division:

WATER

(€ million)	Year ended December 31,2013	Year ended December 31, 2012 represented	% change at current exchange rates	% change at constant exchange rates
Adjusted operating cash flow	833.1	853.6	-2.4%	-1.6%
Adjusted operating cash flow margin	***8.2%***	*8.0%*		
Operating income	290.2	386.9	-25.0%	-24.9%
Operating income margin	***2.8%***	*3.6%*		
Adjusted operating income *	438.2	475.5	-7.8%	-7.6%

* *including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow decreased by -1.6% at constant exchange rates (-2.4% at current exchange rates) to €833.1 million for the year ended December 31, 2013, compared with represented €853.6 million for the year ended December 31, 2012.

For Operations activities, adjusted operating cash flow rose by 1.1% at constant exchange rates (0.5% at current consolidation scope and exchange rates).

Adjusted operating cash flow benefited in particular from:

- the positive contribution of cost saving plans, net of implementation costs;
- solid performance of industrial contracts in the United States;
- the non-recurrence of impairment losses on trade receivables in the United Kingdom and Guadeloupe; and
- price increases in Central and Eastern Europe.

These items were partially offset by:

- contractual erosion and lower volumes in France;
- a decline in the profitability of German operations due to an unfavorable change in margins on electricity; and
- the exceptional activity in Japan in 2012 following the earthquake, not repeated in 2013.

The adjusted operating cash flow of the Technologies and Networks business declined sharply in line with the deterioration in the margin on the sludge incineration contract in Hong Kong.

Adjusted operating income declined by -7.6% at constant exchange rates (-7.8% at current exchange rates) to €438.2 million for the year ended December 31, 2013 compared with represented €475.5 million for the year ended December 31, 2012. In addition to the decrease in adjusted operating cash flow, adjusted operating income was penalized by the difference in capital gains or losses on divestitures.

Net charges to operating depreciation and amortization totaled -€491.2 million for the year ended December 31, 2013, compared with represented -€448.2 million for the year ended December 31, 2012. This increase mainly concerns France in connection with the planned reorganization and its impacts on the information systems.

Net charges to operating provisions totaled -€94.4 million for the year ended December 31, 2013, compared with represented -€5.8 million for the year ended December 31, 2012. As of December 31, 2013, they included restructuring costs in connection with the Water division voluntary departure plan in France in the amount of €97 million (presented as an adjustment to operating income).

Accordingly, the operating income margin (operating income / revenue) declined from represented 3.6% for the year ended December, 2012 to 2.8% for the year ended December 31, 2013.

ENVIRONMENTAL SERVICES

(€ million)	For the year ended December 31, 2013	For the year ended December 31, 2012 represented	% change at current exchange rates	% change at constant exchange rates
Adjusted operating cash flow	846.7	911.3	-7.1%	-4.6%
Adjusted operating cash flow margin	***10.5%***	*10.7%*		
Operating income	156.6	267.1	-41.4%	-38.1%
Operating income margin	***1.9%***	*3.1%*		
Adjusted operating income *	373.2	328.4	13.6%	16.4%

* *including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow decreased by -4.6% at constant exchange rates (-7.1% at current exchange rates) to €846.7 million for the year ended December 31, 2013, compared with represented €911.3 million for the year ended December 31, 2012.

Adjusted operating cash flow in 2013 declined due to:

- the difficult macro-economic context and the negative price differential for recycled raw materials in France and Germany;

- the decline in the level of activity in municipal and commercial collection in France and Germany and in industrial services in France; and

- greater cost inflation than the service price increases in France, the United Kingdom and Germany.

These items were offset by:

- the net impact of the cost reduction plans; and

- the reversal of operating difficulties and the related restructuring expenses incurred in the Africa-Middle East region.

Adjusted operating income improved 16.4% at constant exchange rates (13.6% at current exchange rates) to €373.2 million for the year ended December 31, 2013 compared with represented €328.4 million for the year ended December 31, 2012.

The increase in adjusted operating income was primarily due to the positive impact arising from the deconsolidation of Italian activities, following the approval of the "Concordato preventivo di gruppo" (CPG).

Net charges to operating provisions totaled -€6.9 million for the year ended December 31, 2013, compared with a represented net charge of -€65.8 million for the year ended December 31, 2012, mainly due to the absence of impairment losses recorded for the Marine Services business recorded in 2012 in connection with the fair value adjustment related to the sale agreement.

Net charges to operating depreciation and amortization totaled -€587.3 million for the year ended December 31, 2013, compared with represented -€580.1 million for the year ended December 31, 2012, an increase primarily concerning the United Kingdom.

Accordingly, the operating income margin (operating income / revenue) declined from represented 3.1% for the year ended December, 2012 to 1.9% for the year ended December 31, 2013.

ENERGY SERVICES

(€ million)	For the year December 31, 2013	For the year ended December 31, 2012 represented	% change at current exchange rates	% change at constant exchange rates
Adjusted operating cash flow	228.7	244.8	-6.6%	-5.9%
Adjusted operating cash flow margin	***6.1%***	*6.4%*		
Operating income	154.8	210.2	-26.3%	-25.9%
Operating income margin	***4.1%***	*5.5%*		
Adjusted operating income *	202.8	121.2	67.5%	68.0%

* *including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow decreased -5.9% at constant exchange rates (-6.6% at current exchange rates) to €228.7 million for the year ended December 31, 2013, compared with represented €244.8 million for the year ended December 31, 2012.

The decline in adjusted operating cash flow was mainly attributable to the unfavorable regulatory factors that led to the forseen end of Gas Cogeneration contracts in France. The net impact of the cost reduction plans helped to absorb the impacts of commercial portfolio attrition.

Adjusted operating income rose to €202.8 million for the year ended December 31, 2013, compared with represented €121.2 million for the year ended December 31, 2012, due to the favorable contribution in equity-accounted Dalkia International activities:

- the development of China's Harbin network (mainly in line with new connections); and
- the turnaround of results in Spain and Italy following restructuring measures implemented and the absence of impairment on receivables and accrued expenses in Italy which had been recognized in 2012 for €65.1 million (or €81.5 million before taxes).

Operating income declined due to:

- net charges to operating provisions which totaled -€2.6 million for the year ended December 31, 2013, compared with represented €13.0 million for the year ended December 31, 2012, in connection with the settlement of disputes in 2012; and
- the negative differential of divestiture capital gains or losses relating to the Group's asset optimization policy.

Furthermore, net charges to operating depreciation and amortization totaled -€89.9 million for the year ended December 31, 2013, compared with represented -€97.0 million for the year ended December 31, 2012.

Overall, the operating income margin fell from represented 5.5% for the year ended December 31, 2012 to 4.1% for the year ended December 31, 2013.

OTHER SEGMENTS

(€ million)	For the year ended December 31,2013	For the year ended December 31, 2012 represented	% change at current exchange rates	% change at constant exchange rates
Adjusted operating cash flow	(112.2)	(91.0)	-23.3%	-23.3%
Adjusted operating cash flow margin	***NA***	*NA*		
Operating income	(111.1)	(152.9)	27.3%	27.3%
Operating income margin	***NA***	*NA*		
Adjusted operating loss *	(92.3)	(127.0)	27.4%	27.4%

* *including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow decreased by -23.3% at constant and current exchange rates to -€112.2 million for the year ended December 31, 2013, compared with represented -€91 million for the year ended December 31, 2012.

This decline over the period was primarily due to the impact of the Veolia Environnement voluntary departure plan.

The adjusted operating loss amounted to -€92.3 million for the year ended December 31, 2013, compared with a represented loss of -€127.0 million for the year ended December 31, 2012 (i.e. a +27.4% increase at current and constant exchange rates). In addition to the decline in adjusted operating cash flow, this change was attributable to the reversal of senior executive pension provisions in Veolia Environnement SA for €40.3 million following the closure of the senior executive defined benefit pension plan.

Net charges to operating provisions totaled €51.4 million for the year ended December 31, 2013, compared with represented -€10.5 million for the year ended December 31, 2012, in connection with the reversal of the aforementioned provision.

Net charges to operating depreciation and amortization totaled -€51.3 million for the year ended December 31, 2013, compared with represented -€48.5 million for the year ended December 31, 2012.

9.2.4.4 Net finance costs

(€ million)	**Year ended December 31, 2013**	Year ended December 31, 2012 represented
Income	46.4	71.8
Expenses	(622.6)	(716.0)
Net finance costs	**(576.2)**	**(644.2)**
Other financial income and expenses	**38.0**	**50.8**

Net finance costs totaled -€576.2 million for the year ended December 31, 2013, compared with represented -€644.2 million for the year ended December 31, 2012 (see Note 21 to consolidated financial statements for the year ended December 31, 2013).

The decrease in net finance costs between 2013 and 2012 was mainly due to:

- reduction in expenses relating to the partial buybacks of bond lines in 2012 and 2013;
- redemption of the bond line maturing in May 2013 for €432 million (4.875%), the USD bond line maturing in June 2013 for USD 490 million (5.25%) and;
- repayment of the drawdown in Polish zlotys on the multi-currency syndicated loan facility in April 2013 in the amount of €390 million equivalent.

The €73.1 million expense related to the buyback of bond lines in 2013 in connection with the Group's asset optimization program is recorded as adjustment to net finance costs.

9.2.4.5 Income tax expense

The income tax expense for the year ended December 31, 2013 was €128.3 million.

The effective tax rate was -269.0%, considering asset impairments not deductible for tax purposes and the non-recognition of deferred tax assets in certain countries and tax groupings according to their respective business plans. Therefore, in France, considering the 5-year tax schedule, the Veolia Environnement tax group limited the recognition of deferred tax assets to the amount of deferred tax liabilities as of December 31, 2013, as was the case in 2011 and 2012.

As of December 31, 2013, after adjustment for the following one-off items, the tax rate was 74.8% (compared to a represented 52.0% as of December 31, 2012):

- non-recurring net income or loss of controlled entities (as specified below);
- capital gains and losses on divestitures;

- impairment of intangible assets and property, plant and equipment as well as provisions for losses at completion; and
- impacts of changes in income tax rates, particularly in the United Kingdom.

Finally, after adjustments for the following non-recurring items in the net income before tax of controlled entities the income tax rate was 40.7% (compared to a represented 43.0% as of December 31, 2012):

- goodwill impairment in the amount of -€168.4 million;
- restructuring expenses for -€140.8 million; and
- adjustments to net financial income in the amount of -€87.4 million.

9.2.4.6 Share of net income (loss) of other equity-accounted entities

Other equity-accounted entities only concern Transdev Group. The share of net income or loss of equity-accounted entities whose activity is not considered core to the Group's businesses is presented as an adjustment to net income.

Considering the information presented in Note 1.1, the Group modified the accounting presentation of its investment in Transdev Group for the publication of its 2013 financial statements, which was transferred from "Assets classified as held for sale" (discontinued operations) to "Investments in joint ventures" (continuing operations), accounted for using the equity method. Given the Group's confirmed desire to continue its withdrawal from Transdev, the Group's investment in the Transdev Group does not represent a core Group business within the meaning of the French Accounting Standards Authority's recommendation of April 4, 2013.

Moreover, key operational indicators for Transdev Group at 100% for the years ended December 31, 2013 and December 31, 2012, on a represented basis, are as follows:

(€ million)	**Transdev Group Year ended December 31, 2013(*)**	**Transdev Group Year ended December 31, 2012 represented (*)**
Revenue	6,606.1	6,797.2
Adjusted operating cash flow	341.8	297.3
Operating income (**)	38.6	(291.1)

(*) after application of IFRS 10, 11 and 12
(**) including the share of adjusted net income (loss) of joint ventures and associates.

At constant consolidation scope and exchange rates, Transdev Group reported a slight decrease in revenues (-1.0%).

The termination of the Nice and Cannes municipal contracts in France, Friesland and ZHN in the Netherlands was partially offset by growth in international business, primarily in Australia with the new Sydney Ferries contract and the Melbourne bus franchise.

In an ongoing uncertain economic environment, the adjusted operating cash flow of Transdev Group increased by 13.1% at constant consolidation scope and exchange rates. This positive trend was attributable in France to improved operating performances, the savings realized by the plans initiated and the net contribution of the CICE Employment and Competitiveness tax credit, and for most other countries to the initial results of action plans and a decrease in overheads reflecting the impacts of measures undertaken in 2012.

Operating income for the year ended December 31, 2013, which benefitted from the increase in operating cash flow, includes impairment losses on goodwill and non-current assets, down €278 million compared to 2012 which had been marked by substantial impairment losses in the Netherlands.

The net loss of Transdev Group for the year ended December 31, 2013 was -€140.4 million.

The share of net loss of Transdev Group consolidated under the equity method in the Group consolidated financial statements totaled -€51.5 million for the year ended December 31, 2013, compared to a represented loss of -€45.3 million for the year ended December 31, 2012 and reflects a fair appraisal of the Group's exposure to its interest in SNCM.

9.2.4.7 Net income (loss) from discontinued operations

The net income from discontinued operations was €27.3 million for the year ended December 31, 2013, compared with represented net income of €431.8 million for the year ended December 31, 2012 and includes operations divested or in the course of divestiture. See Note 24 to the consolidated financial statements as of December 31, 2013.

The net income arising from these operations for the year ended December 31, 2013 mainly comprised the Water activities in Morocco in the course of divestiture and the interest in Berlin Wasser divested in early December 2013.

To recap, the represented net income from discontinued operations for the year ended December 31, 2012 mainly comprised:

- the net income of regulated Water activities in the United Kingdom divested in June 2012, including a capital gain on divestiture of €233.3 million net of transaction costs; and
- the net income of solid waste activities in the United States in the Environmental Services division divested in November 2012, including a capital gain on divestiture of €208.4 million net of the tax impact and transaction costs.

9.2.4.8 Net income (loss) attributable to non-controlling interests

The net income attributable to non-controlling interests was €113.8 million for the year ended December 31, 2013, compared with represented €35.6 million for the year ended December 31, 2012.

This item mainly concerns the minority shareholders of subsidiaries in the Water division (€68.9 million), the Environmental Services division (€8.6 million), the Energy Services division (€36.0 million) and the Other Segments division (€0.3 million).

The rise in the net income attributable to non-controlling interests was mainly due to the increase in the net income of Dalkia international in connection with the impairment losses on receivables and accrued expenses in Italy which had been recognized in 2012.

9.2.4.9 Net income (loss) attributable to owners of the Company

The net loss attributable to owners of the Company was -€135.3 million for the year ended December 31, 2013, compared with represented net income of €404.0 million for the year ended December 31, 2012. Adjusted net income attributable to owners of the Company was €223.2 million for the year ended December 31, 2013, compared with represented €58.5 million for the year ended December 31, 2012.

Given the weighted average number of shares outstanding of 523.5 million in 2013 (basic and diluted) and 509.0 million in 2012 (basic and diluted), earnings per share attributable to owners of the Company (basic and diluted) was -€0.29 for the year ended December 31, 2013, compared with €0.79 for the year ended December 31, 2012. Adjusted net income per share attributable to owners of the Company (basic and diluted), including paid coupons on deeply subordinated securities, was €0.39 for the year ended December 31, 2013, compared with represented €0.11 for the year ended December 31, 2012.

Adjusted net income for the year ended December 31, 2013 breaks down as follows:

Year ended December 31, 2013 (€ million)	**Adjusted**	**Adjustments**	**Total**
Operating income after share of net income (loss) of equity-accounted entities	921.9	(252.7)(*)	669.2
Net finance costs	(503.1)	(73.1)(**)	(576.2)
Other financial income and expenses	52.3	(14.3)	38.0
Income tax expense	(141.9)	13.6	(128.3)
Share of net income (loss) of other equity-accounted entities	0.0	(51.5)	(51.5)
Net income (loss) from discontinued operations	0.0	27.3	27.3
Non-controlling interests	(106.0)	(7.8)	(113.8)
Net income (loss) attributable to owners of the Company	**223.2**	**(358.5)**	**(135.3)**

* *Adjustments to operating income are presented in Note 2.4.2.*

** *This concerns costs related to bond buybacks, as presented in Note 2.4.4.*

Represented adjusted net income for the year ended December 31, 2012 breaks down as follows:

Year ended December 31, 2012 represented(€ million)	**Adjusted**	**Adjustments**	**Total**
Operating income after share of net income (loss) of equity-accounted entities	798.1	(98.7)(*)	699.4
Net finance costs	(596.9)	(47.3)(**)	(644.2)
Other financial income and expenses	50.8		50.8
Income tax expense	(106.8)	53.9	(52.9)
Share of net income (loss) of other equity-accounted entities	0.0	(45.3)	(45.3)
Net income (loss) from discontinued operations	0.0	431.8	431.8
Non-controlling interests	(86.7)	51.1	(35.6)
Net income (loss) attributable to owners of the Company	**58.5**	**345.5**	**404.0**

* *Adjustments to operating income are presented in Note 2.4.2.*

** *Costs related to bond buybacks at the end of 2012.*

9.3 Financing

The following table summarizes the statement of changes in net financial debt and the consolidated cash flow statement and the reconciling items between both statements for the years ended December 31, 2013 and 2012.

Year ended December 31, 2013:

(€ million)	**Statement of change in net financial debt (NFD)**	**Reconciling items**	**Consolidated cash flow statement****
Operating cash flow before changes in working capital	1,970		1,970
Income taxes paid	(203)		(203)
Changes in working capital	(4)		(4)
Net cash from operating activities (A)	**1,763**		**1,763**
Net cash used in investing activities (in the statement of change in net financial debt) (B)	**(299)**	**(103)**	**N/A (1)**
Dividends received (including from joint ventures and associates) **(C)**	115		115
Increase/(decrease) in receivables and other financial assets **(D)**	(45)		(45)
Net cash used in investing activities (in the consolidated cash flow statement)	**N/A(1)**		**(332)**
Net increase/(decrease) in current borrowings		(1,390)	(1,390)
New non-current borrowings and other debt		164	164
Issues of deeply subordinated securities including paid coupons **(E)**	1,454	-	1,454
Principal payments on non-current borrowings and other debt		(1,577)	(1,577)
Issues of share capital subscribed by the non-controlling interests **(F)**	16	(3)	13
Other share capital changes including issues of share capital by VE SA **(G)**			
Dividends paid **(H)**	(191)		(191)
Net interest paid **(I)**	(645)	(48)	(693)
Transactions with non-controlling interests: partial purchases		(15)	(15)
Transactions with non-controlling interests: partial sales		3	3
Net cash from (used in) financing activities	**634**		**(2,232)**
***FREE CASH FLOW* = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)**		**2,168**	
Effect of foreign exchange rate changes and other (*)	477	(363)	114
Change	**2,645**	**(3,332)**	**(687)**
NET FINANCIAL DEBT/NET CASH AT THE BEGINNING OF THE PERIOD	**(10,822)**		**4,745**
NET FINANCIAL DEBT/NET CASH AT THE END OF THE PERIOD	**(8,177)**		**4,058**

(*): The line item "Effect of foreign exchange rate changes and other" in the statement of change in net financial debt primarily includes in 2013 the impact of exchange rates on the debt in the amount of €206 million, the removal of the external debt of Dalkia France activities in the amount of €203.8 million and the impact of the reclassification to assets held for sale of cash relating to the divestiture of Eolfi in the amount of €64.6 million.

(**): As presented in the financial statements.

(1) The symbol n/a denotes that this figure in the table does not correspond to the definition of net cash from (used in) investing activities in the consolidated cash flow statement or the statement of change in net financial debt.

Year ended December 31, 2012, represented:

(€ million)	**Statement of change in net financial debt (NFD)**	**Reconciling items**	**Consolidated cash flow statement**
Operating cash flow before changes in working capital	2,173		2,173
Income taxes paid	(226)		(226)
Changes in working capital	31		31
Net cash from operating activities (A)	**1,978**		**1,978**
Net cash used in investing activities (in the statement of change in net financial debt) (B)	**1,001**	**48**	**N/A (1)**
Dividends received (including from joint ventures and associates) **(C)**	123		123
Increase/(decrease) in receivables and other financial assets **(D)**	(134)		(134)
Net cash used in investing activities (in the consolidated cash flow statement)	**N/A(1)**		**1,038**
Net increase/(decrease) in current borrowings		(1,027)	(1,027)
New non-current borrowings and other debt		1,066	1,066
Principal payments on non-current borrowings and other debt		(1,594)	(1,594)
Issues of share capital subscribed by the non-controlling interests **(E)**	7	2	9
Other share capital changes including issues of share capital by VE SA **(F)**	-	-	-
Dividends paid **(G)**	(434)		(434)
Net interest paid **(H)**	(631)	(66)	(697)
Transactions with non-controlling interests: partial purchases		(107)	(107)
Transactions with non-controlling interests: partial sales		(2)	(2)
Net cash from (used in) financing activities	**(1,058)**		**(2 786)**
***FREE CASH FLOW* = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)**		**1,910**	
Effect of foreign exchange rate changes and other (*)	(36)	(84)	(120)
Change	**1,874**	**(1,764)**	**110**
NET FINANCIAL DEBT/NET CASH AT THE BEGINNING OF THE PERIOD	**(12,696)**		**4,635**
NET FINANCIAL DEBT/NET CASH AT THE END OF THE PERIOD	**(10,822)**		**4,745**

(*): The line item "Effect of foreign exchange rate changes and other" in the Statement of change in net financial debt primarily includes in 2012 the impact of exchange rates on the debt in the amount of -€127 million, the removal of the external debt of Water activities in Morocco in the amount of €282.6 million and the reclassification of cash relating to the divestiture of Ridgeline in the represented amount of -€63.6 million.

(1) The symbol n/a denotes that this figure in the table does not correspond to the definition of net cash from (used in) investing activities in the consolidated cash flow statement or the statement of change in net financial debt.

9.3.1 Operating cash flow before changes in working capital

Operating cash flow before changes in working capital totaled €1,970.4 million in 2013, compared with represented €2,173.1 million in 2012, including adjusted operating cash flow of €1,796.3 million (compared with represented €1,918.7 million in 2012), operating cash flow from financing activities of €88.5 million (compared with represented €119.4 million in 2012) and operating cash flow from discontinued operations of €85.8 million (compared with represented €135.2 million in 2012).

An analysis of adjusted operating cash flow is presented in Note 2.4.3.

9.3.2 Working capital

Cash associated with working capital requirements in 2013 declined by -€4 million, compared with the represented figure at the end of 2012; this stability was mainly attributable to:

- measures to manage customer receivables and DSO, despite an extension, in certain businesses/countries, of days sales outstanding for customer receivables due from public authorities;
- advances received at the end of December 2013 for new major projects in the Technologies and Networks activity.

9.3.3 Net investment flows

Net investment flows for the years ended December 31, 2013 and December 31, 2012 represented break down as follows:

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012 represented**
Net cash from/(used in) investing activities in the consolidated cash flow statement	**(332)**	**1,038**
New operating financial assets (AFO)	0	0
Industrial investments	(18)	(27)
Financial investments	(174)	(466)
Transactions with non-controlling interests: partial purchases	(15)	(107)
Industrial and financial divestitures	310	552
Transactions with non-controlling interests: partial sales	0	0
Dividends received	(115)	(123)
Increase/(decrease) in receivables and other financial assets	45	134
Net cash from/(used in) investing activities in the statement of change in net financial debt	**(299)**	**1,001**
Issues of share capital subscribed by the non-controlling interests	16	7
Total Net Investments	**(283)**	**1,008**

The Group continues to apply selective investment criteria, while maintaining industrial investments as required by contractual terms or required maintenance. Acquisitions and divestitures are detailed below:

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012 represented
Industrial investments	1,245	1,708
Financial investments	254	589
New operating financial assets	224	249
Transactions with non-controlling interests: partial purchases	15	107
Total Gross Investments	**1,738**	**2,653**
Industrial divestitures	(120)	(94)
Financial divestitures	(1,117)	(3,379)
Transactions with non-controlling interests: partial sales	0	0
Issues of share capital subscribed by the non-controlling interests	(16)	(7)
Total divestitures	**(1,253)**	**(3,480)**
Principal payments on operating financial assets	(202)	(181)
Total net Investments	**283**	**(1,008)**

For the year ended December 31, 2013, gross investments decreased by almost 35% compared to the represented period ended December 31, 2012, due to a decline in industrial and financial investments.

Industrial investments (including assets purchased under finance leases) amounted to €1,245 million, compared with represented €1,708 million for the year ended December 31, 2012. This decrease by nearly 27% reflects the management of investments, particularly:

- in the Water division, with a 19% decline in growth and maintenance-related investments, mainly in France;
- in the Environmental Services division, with a 18% decline in industrial investments (primarily maintenance-related investments) relating to divestiture of Solid Waste activities in the United States in 2012;
- in the Energy Services division, where industrial investments dropped by 23% (mainly growth investments in France); and
- finally in other operating segments, the decline involves the planned construction of a wind farm in the United States for €185 million in 2012.

Financial investments totaled €254 million for the year ended December 31, 2013, compared with represented €589 million for the year ended December 31, 2012:

- At the end of December 2013, the acquisition of the 50% stake held by the Fomento de Construcciones y Contratas (FCC) group in Proactiva Medio Ambiente had a €238 million impact on financial investments, comprising the cash payment of €125 million on the signature date and additional Proactiva Medio Ambiente debt of €113 million now included in Group net financial debt.
- Financial investments in 2012 mainly comprised the acquisition of an additional 49% stake in Azaliya for an enterprise value of €458 million and the buyback of 6.9% of Veolia Voda in the Czech Republic from BERD for €79 million.

Transactions related to the asset portfolio optimization program amounted to €1,237 million for the year ended December 31, 2013, compared with represented €3,473 million for the year ended December 31, 2012, and comprise:

- financial transactions of €1,117 million, including:
    - the divestiture of the 24.95% stake in Berlin Water for €636 million;
    - the divestiture of Water activities in Portugal for €91 million;
    - the divestiture of 19.25% of the shares held by the Group in the Sharqiyah Desalinisation Company following the initial public offering on the Oman market of 35% of this company's shares, which had a €89 million impact on Group net financial debt;
    - the deconsolidation of practically all the Group's Environmental Services activities in Italy following the approval of the group's voluntary liquidation plan ("Concordato preventivo di gruppo") which had a €90 million impact on Group net financial debt.
- Regulated activities in the United Kingdom in the Water division and solid waste activities in the United States in the Environmental Services division were divested in 2012 for enterprise values of €1,517 million and €1,464 million, respectively.
- Industrial divestitures for €120 million, of which €71 million in the Water division and €42 million in the Environmental Services division.

Net investments by division break down as follows:

	December 31, 2013				December 31, 2012 represented			
(€ million)	Total Gross investments	Total divestitures	Repayment of OFA	**Total Net investments**	Total Gross investments	Total divestitures	Repayment of OFA	**Total Net investments**
Water	479	(910)	**(62)**	**(493)**	1,213	(1,579)	**(60)**	**(426)**
Environmental Services	628	(170)	**(29)**	**429**	767	(1,600)	**(27)**	**(860)**
Energy Services	343	(170)	**(102)**	**71**	425	(97)	**(91)**	**237**
Other	288	(3)	**(9)**	**276**	248	(204)	**(3)**	**41**
TOTAL	**1,738**	**(1,253)**	**(202)**	**283**	**2,653**	**(3,480)**	**(181)**	**(1,008)**

9.3.4 Free Cash Flow

The Company monitors the free cash flow indicator, a non GAAP indicator defined in Note 8.2. The calculation of this indicator is presented in paragraph 3.

Free cash flow for the year ended December 31, 2013 (after payment of the dividend) was €2,168 million, compared with represented €1,910 million for the year ended December 31, 2012.

Free cash flow for the year ended December 31, 2013 mainly reflects:

- the decline in adjusted operating cash flow (analysis of adjusted operating cash flow is presented in Note 2.4.3);
- relatively stable working capital of -€4 million;
- the issue of deeply subordinated perpetual securities in the amount of €1,453.6 million, net of paid coupons, at the beginning of January 2013;
- management of industrial investments (€1,245 million for the year ended December 31, 2013), down by more than 27% compared to the represented period ended December 31, 2012; and
- the continued asset portfolio optimization program which contributed to the reduction in the Group's debt in the amount of €1,237 million at the end of 2013. The implementation of the divestiture program contributed to the reduction in the Group's debt in the represented amount of €3,473 million for the year ended December 31, 2012.

9.3.5 External financing

9.3.5.1 Rating agencies

As of December 31, 2013, Moody's and Standard & Poor's rated Veolia Environnement SA as follows:

	Short-term	Long-term	Outlook	Recent events
Moody's	*P-2*	*Baa1*	Stable	On February 7, 2012, Moody's downgraded the long-term credit rating allocated on June 27, 2005 by one notch from "A3" to "Baa1", with a stable outlook. The short-term credit rating remains unchanged at P-2.
Standard and Poor's	A-2	*BBB*	Negative	On November 15, 2013, Standard and Poor's downgraded the long-term credit rating by one notch from "BBB +" to "BBB" with a negative outlook. The short-term credit rating remains unchanged at A-2

9.3.5.2 Net financial debt and adjusted net financial debt

(€ million)	**As of December 31,2013**	**As of December 31, 2012 represented**
Non-current borrowings	9,496.8	12,131.3
Current borrowings	2,912.8	3,606.1
Bank overdrafts and other cash position items	216.1	252.7
Sub-total borrowings	**12,625.7**	**15,990.1**
Cash and cash equivalents	(4,274.4)	(4,998.0)
Fair value gains/losses on hedge derivatives	(174.6)	(170.4)
Net financial debt	**8,176.7**	**10,821.7**
Loans granted to joint ventures	2,725.0	2,984.8
Adjusted net financial debt (1)	**5,451.7**	**7,836.9**

(1) *see Note 8.2 for the definition*

Loans granted to equity-accounted entities consist of loans to Dalkia International of €1,961 million (of which €1,464 million classified as non-current) and loans to Transdev Group of €622 million as of December 31, 2013.

Non-current borrowings of the Group fall due as follows as of December 31, 2013:

		Maturity of non-current borrowings		
(€ million)	Amount	2 to 3 years	4 to 5 years	More than 5 years
Bonds	8,953.6	1,492.6	1,919.2	5,541.8
Bank borrowings	543.2	211.3	114.3	217.6
Non-current borrowings	**9,496.8**	**1,703.9**	**2,033.5**	**5,759.4**

9.3.5.3 Liquidity position

Liquid assets of the Group break down as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012 represented
Veolia Environnement :		
Undrawn MT syndicated loan facility	3,000.0	2,607.3
Undrawn MT bilateral credit lines	975.0	625.0
Undrawn ST bilateral credit lines	0.0	300.0
Letter of credit facility	350.2	473.7
Cash and cash equivalents	3,670.4	4,349.6
Subsidiaries:		
Cash and cash equivalents	604.0	648.4
Total liquid assets	**8,599.6**	**9,004.0**
Current debts and bank overdrafts and other cash position items		
Current debts	2,912.8	3,606.1
Bank overdrafts and other cash position items	216.1	252.7
Total current debts and bank overdrafts and other cash position items	**3,128.9**	**3, 858.8**
Total liquid assets net of current debts and bank overdrafts and other cash position items	**5,470.7**	**5,145.2**

Veolia Environnement may draw on the multi-currency syndicated credit facility and all credit lines at any time.

Undrawn medium-term syndicated loan facilities

The two syndicated loan facilities comprising a €2.5 billion multi-currency credit facility and a €500 million credit facility available for drawdown in Polish zloty, Czech crown and Hungarian forint were not drawn as of December 31, 2013. The second one-year extension option for both syndicated loan facilities was exercised and largely accepted in the first half of 2013.

Bilateral credit lines

Undrawn credit lines as of December 31, 2013 are as follows:

Bank	Maturity	Amount (€ million)
Société Générale	12/29/2015	150
Banco Santander	08/19/2015	100
Bank of Tokyo-Mitsubishi	10/05/2015	150
NATIXIS	04/13/2015	150
CM CIC	12/18/2016	100
BNP	10/31/2016	150
CACIB	03/31/2016	100
La Banque Postale	06/25/2015	75
TOTAL		**975**

Letter of credit facility

During the second quarter of 2013, Veolia Environnement reduced by USD 400 million the US dollar letter of credit facility signed on November 22, 2010 for an initial amount of USD 1.25 billion. As of December 31, 2013, USD 367.0 million had been drawn down under the facility in the form of letters of credit. The portion that may be drawn in cash of USD 483.0 million (€350.2 million euro equivalent) is undrawn and therefore recorded in the above liquidity table.

Cash and cash equivalents of VE SA

Veolia Environnement SA cash surpluses (€3,670.4 million as of December 31, 2013) are managed with a profitability objective close to that of the money market, avoiding exposure to capital risk and maintaining a low level of volatility. Cash equivalents are mainly invested in UCITS (mutual funds), negotiable debt securities (bank certificates of deposit, negotiable medium term notes and commercial paper) and related instruments.

9.3.5.4 Bank covenants

Veolia Environnement SA debt

The legal documentation for bank financing and bond issues contracted by the Company does not contain any financial covenants, (i.e. obligations to comply with a debt coverage ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing).

Subsidiary debt

Certain project financing or financing granted by multilateral development banks to the Group's subsidiaries contain financial covenants (as defined above).

Based on due diligence performed within the subsidiaries, the Group considers that the covenants included in the documentation of material financing were satisfied (or had been waived by lenders) as of December 31, 2013.

9.3.5.5 Financing rate

The financing rate (defined as the ratio of net finance costs excluding fair value adjustments to instruments not qualifying for hedge accounting to average monthly net financial debt for the period, including net finance costs of discontinued operations) increased to 5.11% in 2013 from represented 4.94% in 2012 (excluding the cost of bond issue buybacks in 2013 of €73.1 million presented as an adjustment to net finance costs).

This increase is mainly due to the cost of carrying liquid assets (€444 million increase in average Group liquid assets between December 2012 and December 2013), partially offset by the fall in short-term interest rates on the floating-rate portion of Group net financial debt, as well as to active debt management.

9.3.5.6 Market risks

See Note 28 to the consolidated financial statements.

9.4 Pro forma financial information

9.4.1 Pro forma data in connection with the envisioned shareholding restructuring of the Energy Services division

These data include a 12 month Dalkia International contribution at 100% and exclude Dalkia France; they do not include either potential adjustements on internal invoicing between the various entities neither net effects of synergies:

(€ million)	**December 31, 2013 Pro Forma**	December 31, 2012 Pro Forma	% change at current exchange rates	% change at constant exchange rates and consolidation scope
Revenue	**23,448.3**	24,532.7	-4.4%	-1.3%
Adjusted operating cash flow	**2,086.8**	2,084.3	0.1%	3.1%
Industrial investments	**1,459.1**	1,966.6	-25.8%	N/A

9.4.2 Segment reporting in 2014

As from the first quarter of 2014, considering the Group reorganization (see Note 1.1 of this document), primary segment reporting will be presented by geographical area and will be organized as follows:

- France,
- Europe, excluding France
- Rest of the world
- Global Businesses
- Other

These data include a 12 month Dalkia International contribution at 100% and exclude Dalkia France; they do not include either potential adjustements on internal invoicing between the various entities neither not effects of synergies:

Revenue *in € millions*	**December 31, 2013** **Pro Forma**	**December 31, 2012** **Pro Forma**	% change at current exchange rates
France	5,672.7	5,857.1	-3.1%
Europe, excluding France	7,670.2	7,841.5	-2.2%
Rest of the world	4,552.2	4,808.7	-5.3%
Global Businesses	4,205.7	4,617.8	-8.9%
Other	1,347.5	1,407.6	-4.3%
Total	**23,448.3**	24,532.7	-4.4%

Adjusted operating cash flow *in € millions*	**December 31, 2013** **Pro Forma**	**December 31, 2012** **Pro Forma**	% change at current exchange rates
France	633.6	651.9	-2.8%
Europe, excluding France	938.0	1,017.1	-7.8%
Rest of the world	421.8	401.0	5.2%
Global Businesses	216.8	254.0	-14.6%
Other	-123.4	-239.7	-48.5%
Total	**2,086.8**	2,084.3	0.1%

Industrial investments *in € millions*	**December 31, 2013** **Pro Forma**	**December 31, 2012** **Pro Forma**	% change at current exchange rates
France	313.1	354.3	-11.6%
Europe, excluding France	567.3	628.8	-9.8%
Rest of the world	335.9	515.5	-34.8%
Global Businesses	121.4	148.8	-18.4%
Other	121.4	319.2	-62.0%
Total	**1,459.1**	1,966.6	-25.8%

9.5 Return on Capital Employed (ROCE)

Veolia Environnement has adopted the ROCE indicator (return on capital employed) to track the Company's profitability. This indicator measures Veolia Environnement's ability to provide a return on the funds provided by shareholders and lenders.

The return on capital employed is defined in Note 8.2 below.

Net income from operations is calculated as follows:

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012 represented**
Adjusted operating income (*)	921.9	798.1
- Adjusted income tax expense	(141.9)	(106.8)
- Revenue from operating financial assets	(175.9)	(184.4)
+ Income tax expense allocated to operating financial assets	45.5	44.6
Net income from operations	**649.6**	**551.5**

(*) including the share of adjusted net income (loss) of joint ventures and associates.

Average capital employed during the year is defined as the average of opening and closing capital employed.

Capital employed is equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in associates, net operating and non-operating working capital requirements and net derivative instruments less provisions.

Capital employed in 2013 comprised assets and liabilities declassified as assets and liabilities held for sale as of December 31, 2013.

Capital employed is calculated as follows:

(€ million)	**As of December 31, 2013**	**As of December 31, 2012 represented**	**As of December 31, 2011 represented**
Intangible assets and property, plant and equipment, net	6,979.0	8,005.7	9,731.6
Goodwill, net of impairment	3,486.3	3,911.9	4,796.2
Investments in associates	385.0	477.7	360.8
Investments in joint ventures	2,905.1	2,914.7	3,167.2
Operating and non-operating working capital requirements, net	(493.2)	(365.9)	(7971)
Net derivative instruments and other (1)	18.8	(68.8)	(52.2)
Provisions	(2,137.8)	(2,259.6)	(2,327.4)
Capital employed of companies classified in assets and liabilities held for sale	1,448.2	66.4	98.2
Capital employed	**12,591.4**	**12,682.1**	**14,977.4**
Impact of operations discontinued in 2012 and 2013 and other restatements (2)	(380.6)	(212.4)	(2,303.2)
2012 represented capital employed		**12,469.7**	**12,674.1**
2013 published capital employed	**12,210.8**	**12,469.7**	**12,674.1**
2013 average capital employed	**12,340.2**	**12,571.9**	**NC**

(1) Excluding derivatives hedging the fair value of debt in the amount of €166.8 million as of December 2013, €190.6 million as of December 31, 2012 and €653.9 million as of December 31, 2011.

(2) Adjustments mainly include the impact of the capital employed of discontinued operations in 2012 and 2013, that is regulated Water activities in the United Kingdom, Water activities in Morocco, solid waste activities in the United States in the Environmental Services division, wind energy activities (Eolfi), and the investment in Berlin Wasser (in 2013). The adjustments also include the impact arising from the capital employed of entities which are not viewed as core to the Group's businesses, i.e. Transdev Group.

The Company's return on capital employed (ROCE) after tax is as follows:

(€ million)	Net income from operations	Average capital employed	ROCE after tax
2013	**649.6**	**12,340.2**	**5.3%**
2012	551.5	12,571.9	4.4%

The increase in the return on capital employed between 2013 and 2012 was primarily due to the growth of adjusted operating income. See Note 2.4.2.

Capital employed breaks down by operating segment as follows:

(€ million)	**December 31, 2013**	**December 31, 2012 represented**	**Change**
Water	4,582.6	4,929.2	(346.7)
Environmental Services	4,373.0	4,676.9	(303.9)
Energy Services	2,659.2	2,648.3	10.9
Other segments	596.0	215.3	380.7
SEGMENT ASSETS	**12,210.8**	**12,469.7**	**(258.9)**

9.6 Statutory auditors' fees

In 2013 and 2012, Veolia Environnement and its fully consolidated subsidiaries paid the following fees to its statutory auditors for services rendered in connection with all consolidated companies:

	KPMG network				**Ernst & Young network**			
	Amount (excl. taxes)		Percentage		Amount (excl. taxes)		Percentage	
	2013	2012	2013	2012	2013	2012	2013	2012
Statutory audit, certification, audit of company and consolidated accounts (1)	11.3	12.4	87.4%	83%	11.2	10.6	91.2%	79.8%
- Veolia Environnement	1.2	1.2	9.0%	7,8%	1.1	1.1	9.0%	8.2%
- Fully-consolidated subsidiaries	10.1	11.2	78.4%	74,8%	10.1	9.5	82.2%	71.6%
Other diligences and services directly related to the statutory audit engagement (2)	1.6	2.6	12.6%	17,4%	1.1	2.7	8.8%	20.2%
- Veolia Environnement	0.3	1.7	2.2%	11,4%	0.2	1.2	1.9%	9.2%
- Fully-consolidated subsidiaries	1.3	0.9	10.4%	6,1%	0.9	1.5	6.9%	11.0%
Sub-total 1	**12.9**	**15.0**	**100%**	**100%**	**12.3**	**13.3**	**100%**	**100%**
Other services rendered by the networks to fully-consolidated subsidiaries (3)								
- Legal, tax, employee-related								
- Other								
Sub-total 2								
Total (1+2)	**12.9**	**15.0**	**100%**	**100%**	**12.3**	**13.3**	**100%**	**100%**

(1) *Including services provided by independent experts and statutory auditor network members at the request of the statutory auditors for the purpose of the audit.*

(2) *Diligences and services rendered to Veolia Environnement or its subsidiaries by the statutory auditors or members of their networks.*

(3) *Non-audit services rendered by network members to Veolia Environnement subsidiaries*

9.7 Forward-looking Information and objectives

9.7.1 Major events since January 1, 2014

New contracts :

On January 14, 2014, ***Greater Lyon*** (France) announced that it awarded Veolia Water a contract for the production and distribution of drinking water in 54 municipalities for a period of eight years. Under the new scope of business defined by Greater Lyon, this contract, which is due to come into force on February 3, 2015, represents cumulative revenues of €660 million (French standards) and an investment of €55 million.

Brent

The council of the London district of Brent awarded Veolia Environnement a nine-year waste management contract, starting in April 2014. The cumulative revenue is estimated at £142.3 million (more than €168 million) and the contract can be renewed for a further seven years.

Novartis

On February 3, 2014, Veolia announced that Novartis awarded a contract to Veolia to manage utilities at Novartis' production sites in Basel as well as the technical services and facilities at 15 of Novartis's largest sites in Western Europe. These five-year contracts will generate estimated cumulative revenue of €925 million.

Shell- Carmon creek

On February 18, 2014, Veolia announced that it has been awarded the contract by Shell Canada to design and supply a water treatment facility to recycle the water used for steam generation at Shell's Carmon Creek heavy oil project in Alberta, Canada.

Buenos Aires

On February 20, 2014, Veolia announced that the municipality of Buenos Aires (Argentina) has just contracted the management of its waste management services to Proactiva Medio Ambiente, a Veolia Environnement subsidiary in charge of its activities in Latin America. For Veolia, this ten-year contract will generate estimated cumulative revenue of €500 million.

Environmental Services – Italy

On January 9, 2014, the Genoa Appeal Court cancelled the approval of the CPG. VSAT has already filed a request for ordinary revocation on February 3, 2014 before the Genoa Court of appeal, based on the existence of a manifest material mistake; a first audience has been scheduled on April 8th 2014.

Simultaneously, VSAT has filed a claim before the Supreme Court on March 4, 2014. As this appeal has a suspensive effect, the CPG remains approved until the Supreme Court renders its decision.

Moreover, a hearing before La Spezia Civil Court was held on February 18, 2014; the case has been adjourned for deliberation but a date has not been set for the decision to be rendered.

The events occurred since the beginning of 2014 do not jeopardize the accounting impacts registered in the consolidated accounts for the year ended December 31, 2013.

SNCM

The agenda for SNCM's Supervisory Board meeting of February 25, 2014 included a proposal to give the Chairman of the Management Board the authority to sign a three-month long letter of intent with a shipyard for the construction of ships and the terms of the transformation of the letter of intent to an actual order. Transdev's representatives voted against this proposal and the State's representatives abstained, resulting in the rejection of the proposal. A new Supervisory Board meeting was then convened for March 7, 2014.

Despite the opposition of Transdev's representatives, during the March 7, 2014 meeting, SNCM's Supervisory Board approved, with the support of the State as a shareholder, a three-month long letter of intent for the order of four ships (two firm and two optional). So, The Supervisory Board authorized and mandated the Chairman of the Supervisory Board of SNCM to initiate negotiations with shipyards for the construction of the ships within the framework set by the letter of intent. The results of these negotiations will be evaluated during the next Supervisory Board meeting of SNCM, scheduled for March 18, 2014, in order to possibly grant the Chairman of the Supervisory Board the power to sign the letter of intent that will enable SNCM to enter into exclusive negotiations with the chosen shipyard. In parallel, the financing of these new ships, which is a condition of the letter of intent, is still under evaluation by the Caisse des Dépôts et Consignation / Banque Publique d'Investissement working group, designated by the State as responsible for providing financing solutions by April 15, 2014.

Subsidies granted under the plan for improvement of public transportation services

Transdev Group was recently informed by a letter from the President of the Ile-de-France Regional Council dated March 3, 2014, and received on March 5, 2014, that the Ile-de-France Region was ordered by the Paris Administrative Court, on June 4, 2013, to proceed with the recovery of subsidies granted to operators under the plan for improvement of public transportation services. These subsidies were deemed to be illegal state aid by the Administrative Court, on the ground that no notification was made to the European Commission. According to the terms of the said letter, this restitution obligation could affect certain of Transdev Group's subsidiaries which may have benefited from these subsidies, because the Paris Administrative Court rejected the Ile-de-France region's request for a stay of execution on the restitution injunction. The Region appealed the administrative court decision, but this has not a suspensive effect.

This first notification was also sent to other regular line operators in the outer Paris suburbs. This request for repayment is a legal dispute between the Region and an occasional transportation company, and to which no subsidiary of the Transdev Group is a party. Although the Region mentions in its letter an estimated subsidized amount of approximately €98.7 million (not including interest) that would have been attributed to Transdev Group's subsidiaries, this estimate remains uncertain due to the complexity of the assessment resulting from, (i) the time the plan has existed, (ii) the number of operators that received the subsidies, a large number of which have since restructured/consolidated their activities, (iii) the guidelines of the plan, which involve local authorities with evolving scopes of responsibility and are either intermediaries (the sums paid by the Region passing through them) or economic beneficiaries under the plan.

If the Ile-de-France Region were to issue a revenue order, a suspensory appeal would be brought against the Transdev Group or its concerned subsidiaries before the administrative court.

At this very preliminary stage, Transdev Group maintains the position that the local authorities (Departments, Municipal Associations, Towns…), rather than Transdev Group and its subsidiaries, are the direct recipients of this financial aid because they benefit from contractual terms with reduced prices for transportation services billed to these local authorities.

Transdev Group, together with OPTILE (Organisation Professionnelle des Transports d'Ile-de-France, an association of all the private companies that operate regular lines in the Ile-de-France Transportation Plan), will contest any potential claims for repayment and will take any legal action necessary to defend its interests.

Finally, in a press release dated March 11, 2014, the European Commission announced that, following a complaint filed in 2008, it is opening an in-depth investigation into the subsidies granted to companies that operate public transportation services in Ile-de-France. It also stated that the total amount of subsidies between 1994 and 2008 equaled €263 million and involved 253 recipients. In particular, the Commission will verify if the recipients took on additional costs related to the obligation of public service, and, if so, whether or not their services were subject to overcompensation. Lastly, the Commission stated that its investigation will focus on a similar system of subsidies which may have continued after 2008. The opening of an in-depth investigation does not in any way affect the outcome of the ongoing investigation described above.

9.7.2 Objectives

For the 2014[1] fiscal year, in view of the progress of the transformation plan, Veolia aims to achieve:

- Growth in revenue;
- Adjusted operating cash flow growth of around 10%;
- Significant growth in adjusted operating income; and
- Significant growth in adjusted net income.
- A dividend of €0.70 per share will be proposed in relation to the 2014 fiscal year.

Beginning 2015, the Company aims to achieve, in a mid-cycle economic environment:

- Organic revenue growth of more than 3% per year;
- Adjusted operating cash flow growth of more than 5% per year;
- An adjusted leverage ratio (adjusted net financial debt / operating cash flow before changes in working capital + principal repayments of operating financial assets) of the order of 3x, +/-5%;
- A dividend payout ratio in line with historic level;
- Net cumulative cost savings of €750 million, of which due to accounting standards for joint ventures, 80% will benefit adjusted operating income.

(1) At current exchange rates

9.8 Appendices to the operating and financial review

9.8.1 Reconciliation of previously published and represented data for the year ended December 31, 2012

€ million	Year ended December 31, 2012 published	IFRS 5 [(1)] restatement	IFRS 10 & 11 restatement	IAS 19R restatement	Year ended December 31, 2012 represented
Revenue	29,439		(6,200)		**23,239**
Adjusted operating cash flow	2,723		(804)		**1,919**
Operating income	1,095		(395)	11	**711**
Operating income after share of net income (loss) of equity-accounted entities [(2)]	1,095	(22)	(384)	10	**699**
Adjusted operating income [(3)]	1,194	(22)	(384)	10	**798**
Net income [(4)]	**394**		**8**	**2**	**404**
Adjusted net income [(4)]	**60**	**(36)**	**29**	**6**	**59**
Gross investments	3,282		(629)		**2,653**
Free cash flow	3,673		(1,763)		**1,910**
Net financial debt	11,283		(461)		**10,822**
Loans granted to joint ventures			+2,985		**2,985**
Adjusted net financial debt	-	-	-		**7,837**

(1) Berlin Water

(2) Including the represented share of net income (loss) of joint ventures and associates for the year ended December 31, 2012

(3) Including the represented share of adjusted net income (loss) of joint ventures and associates for the year ended December 31, 2012

(4) Attributable to owners of the Company

9.8.2 Accounting definitions

- GAAP (IFRS) indicators

Operating cash flow before changes in working capital, as presented in the Consolidated cash flow statement, is comprised of three components: operating cash flow from operating activities (referred to as “adjusted operating cash flow” and known in French as “capacité d’autofinancement opérationnelle”) consisting of operating income and expenses received and paid (“cash”), operating cash flow from financing activities including cash financial items relating to other financial income and expenses and operating cash flow from discontinued operations composed of cash operating and financial income and expense items classified in net income from discontinued operations pursuant to IFRS 5. Adjusted operating cash flow does not include the share of net income attributable to equity-accounted entities.

The operating income margin is defined as operating income as a percentage of revenue from continuing operations.

Net finance costs represent the cost of gross debt, including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses divested or in the course of divestiture, in accordance with IFRS 5.

- Non-GAAP indicators

In addition, the Group uses non-GAAP indicators for management purposes. These are relevant indicators of the Group’s operating and financial performance;

The new standards, IFRS 10, 11 and 12, have modified existing indicators or created new indicators that are described below:

- Following application of the new standards, inter-company loans granted to joint ventures are no longer deducted from net financial debt. Non-eliminated inter-company loans are presented in the balance sheet in loans and financial receivables. As these loans and receivables are not included in the Group definition of Cash and cash equivalents and these joint ventures no longer generate strictly operating flows in the consolidated financial statements, the Group now uses in addition to net financial debt, the indicator adjusted net financial debt. Adjusted net financial debt is therefore equal to Net financial debt less loans and receivables to joint ventures;

- Adjusted operating income is equal to income operating after the share of adjusted net income (loss) of equity-accounted entities, adjusted to exclude the impact of goodwill impairment and certain special items. Special items include items such as gains and losses from asset divestitures that substantially change the economics of one or more cash-generating units;

- Adjusted net income attributable to owners of the Company is equal to net income attributable to owners of the Company adjusted to exclude goodwill impairment, share of net income of other equity-accounted entities and certain special items. Special items include items such as gains and losses from asset divestitures that substantially change the economics of one or more cash-generating units;

The other indicators were not impacted by the new standards and are defined as follows:

- The term "internal growth" (or "growth at constant consolidation scope and exchange rates") includes growth resulting from:

    - the expansion of an existing contract, primarily resulting from an increase in prices and/or volumes distributed or processed,

    - new contracts, and,

    - the acquisition of operating assets allocated to a particular contract or project.

- The term "external growth" includes growth through acquisitions (performed in the period or which had only partial effect in the prior period), net of divestitures, of entities and/or assets deployed in different markets and/or containing a portfolio of more than one contract.

- The term "change at constant exchange rates" represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal.

- Net financial debt (NFD) represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt;

- The financing rate is defined as the ratio of net finance costs (excluding fair value adjustments to instruments not qualifying for hedge accounting) to average monthly net financial debt for the period, including net finance costs of discontinued operations;

- The adjusted operating cash flow margin is defined as the ratio of adjusted operating cash flow to revenue from continuing operations;

- Free Cash Flow represents cash generated (sum of operating cash flow before changes in working capital and principal payments on operating financial assets) net of the cash component of the following items: (i) changes in working capital for operations, (ii) operations involving equity (share capital movements, dividends paid and received), (iii) investments net of divestitures, (iv) the change in receivables and other financial assets, (v) net financial interest paid and (vi) tax paid.

- The term net investment, as presented in the Statement of change in net financial debt, includes industrial investments net of industrial asset divestitures (purchases of intangible assets and property, plant and equipment net of divestitures), financial investment net of financial divestitures (purchases of financial assets net of divestitures, including the net financial debt of companies entering or leaving the scope of consolidation), partial purchases net of sales resulting from transactions with non-controlling interests where there is no change in control, new operating financial assets and principal payments on operating financial assets.

  The net investment concept also takes into account issues of share capital by non-controlling interests. The Group considers growth investments, which generate additional cash flows, separately from maintenance-related investments, which reflect the replacement of equipment and installations used by the Group.

- The return on capital employed is defined as the ratio of:

  - net income from operations after tax, plus the share of net income from associates, less net operational income, after tax, from operating financial assets (return on operating financial assets net of tax allocated to this activity), to

  - average capital employed during the year, where

  - capital employed excludes operating financial assets and net income from operations excludes the related income.

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Cash flow and capital

Information on cash flows, working capital requirements and investments is set forth in Chapter 9, Sections 9.3.1 to 9.3.6 above of this Registration Document and in Chapter 20, Section 20.1, Notes 13, 14 and 30 to the consolidated financial statements, below.

Information on borrowing terms and conditions and Veolia Environnement's financing structure is set forth in this Registration Document in Chapter 9, Section 9.3.7 above and Chapter 20, Section 20.1, Notes 14, 17, 20 and 21 to the consolidated financial statements, below.

11

Research and innovation, patents and licenses RFA

11.1 Research and innovation

11.1.1 Research and innovation: A priority for Veolia Environnement

Veolia Environnement's activities are at the crossroads of several major challenges facing the modern world: demographic explosion and urbanization, increasing scarcity of resources, access to water, fighting climate change. The solution to these challenges requires a global industrial and technological approach. This transversal approach lies at the heart of Veolia Environnement's Research and Innovation (R&I) strategy.

With today's technologies, these challenges are already lost. It is therefore by focusing fully on the inventive capacity of its research teams that the Group plans to rise to the environmental challenge, by proposing innovative solutions offering high economic and environmental performance at an affordable cost.

The five-pronged approach of the Veolia Environnement R&I Department comprises: (i) managing and preserving resources, (ii) limiting the impact on the environment, (iii) improving the quality of life of populations, (iv) developing renewable energies sources, and (v) delivering solutions to support sustainable growth for industrial customers. Fighting against climate change also occupies a leading place in this framework. Research focuses on optimizing energy consumption at Group installations, developing alternative energy sources (bioenergies, biomass, waste-to-energy, alternative fuels), the desalination of sea water and the improvement of treatment processes, monitoring the quality of drinking water, prevention of microbiological contamination, the recycling and recovery of waste, and smart cities, through the intelligent management of all flows using information technology. The development of solutions to optimize the management of flows and utilities at industrial sites is another key dimension of R&I at Veolia Environnement.

In each of these areas, the know-how and technologies developed by the Group set it apart from the competition. Thanks to their complementary nature, they are also a unique asset enabling the Group to innovate at the crossroads between its businesses and develop the environmental services of the future.

These innovation efforts are supported by a network of international experts renowned for their excellence. Strengthened by this knowledge of markets and needs, the implementation of research programs at test sites around the world enables Veolia Environnement to bring creative solutions to specific local problems and contexts that may be adapted to other regions of the world.

Innovation in environmental services offers an essential competitive edge when responding to calls for tenders, as well as clearly contributing to the development of a more virtuous economy.

11.1.2 Organization of Veolia Environnement's Research and Innovation activities

Veolia Environnement's R&I activities are supervised by the Innovation and Markets Department, created in July 2008. Under the Group's new organization, this department also includes the Strategy, Marketing and Development teams as well as the incubator for Veolia's new solutions. The organization of R&I activities seeks to break down barriers between research units and pool expertise and resources across transversal subjects. The scientific and technical teams in the various areas of R&I report directly to a single management structure comprising seven departments representing the Group's main areas of expertise. For example, water and waste biologists work together directly. By organizing its teams by area of expertise, the R&I Department seeks to develop scientific synergies and thereby favor the emergence of ground-breaking solutions, innovate at the crossroads between the businesses and facilitate the development of outside partnerships.

Interaction between Veolia Environnement's different activities is constantly increasing - water and waste, waste and energy, energy and water, etc. – leading to the implementation of a more unified methodology and research team structure: improved information sharing, pooling of expertise, creation of cross-functional programs. Already, wastewater treatment plants have the means for energy self-sufficiency and to produce bioplastics; treated water can be reused to power energy turbines and waste is used to produce energy.

Organized into five areas, the research programs reflect the major technological challenges facing the Group: waste collection, sorting and recovery; drinking water and the large water cycle; wastewater; energy and buildings; new Veolia offerings.

These programs are carried out in collaboration with the various geographical areas of Veolia Environnement's operations and are closely coordinated with the Technology and Performance Department and the Marketing Department, in order to instill a culture promoting the generation of solutions, industrialization and the sharing of innovation across the Group.

In addition, to give the Group's experts sufficient time to concentrate on project completion, the programs department is responsible for defining lines of research and the dynamic management of project portfolios in conjunction with the technical departments to ensure their industrialization. Each innovative solution must therefore lead to the creation of new services or an improvement in the quality of existing services: increased efficiency, yield or reliability, or a decrease in impacts and costs. By intensifying its technology integration role, research activities also strengthen the difference between Veolia Environnement's offerings and those of the competition.

11.1.3 Veolia Environnement's Research and Innovation resources

Veolia Environnement's research activities are overseen by Veolia Environnement Recherche et Innovation (VERI). In 2013, these activities involved nearly 850 experts worldwide (including 425 researchers and 425 on-site developers), with a total budget of approximately €81.9 million.

VERI works on behalf of all Group business units, as their needs are similar, such as controlling health and environmental risks, the development of operational tools, energy optimization, material recovery and resource preservation. In this way, VERI helps ensure better consistency of R&D activities with the Group's strategy.

Veolia Environnement has three main Research & Innovation sites in France in Maisons-Laffitte, Limay and Saint-Maurice, which operate in a network as a single research center.

11.1.4 An international network of Research and Innovation officers

In 2003, Veolia Environnement set up an international network of R&I officers, to identify innovation needs in each region of the world and communicate onresearch work. Certain research centers abroad have acquired specialized expertise and have partnered with centers in France. These research units have become showcases for Veolia Environnement's technological expertise. Locally, the Group's R&I approach gives its business units a competitive advantage, by helping to adapt their offerings to the specific requirements of each market. Globally, it groups together initiatives identified around the world in a pool of knowledge, enabling constant improvements in the Company's know-how and the identification of future business trends.

The management of water resources, the availability and quality of which can vary significantly, is a typical example of an area where innovation by the Research department enables technological solutions adapted to each local context to be proposed. The Group's research centers in Europe are working on hybrid solutions associating the natural environment (lake embankments) and technology (ozonation) for the production of drinking water or the refining of treated wastewater. In Milwaukee, in the United States, the development of a Water Impact Index (WIIX) enables a comprehensive assessment of the impact of city operations on water resources and the definition of action plans aimed at minimizing environmental pressure. In China, the majority of surface water is heavily polluted by industrial waste. In 2010, the Research and Innovation Department joined forces with a leading Chinese university, the University of Tsinghua, to open a joint research center and work on the treatment of this industrial effluent. In 2012, a heating network center of excellence was created to strengthen Veolia's leading position in this sector: the Heat Tech Center in Warsaw undertakes new research projects focusing on smart heating networks and energy optimization. A center of excellence on urban modeling will be launched in Singapore during 2014.

Innovation is also improving existing solutions where this is preferable to their replacement. In Central Europe for example, where most heating requirements are met by coal boilers, work by the Research & Innovation teams contributes to the replacement of an increasing percentage of this fossil fuel by biomass, improving the carbon footprint of operations. In Germany, where solid recovered fuels (SRF) are booming, researchers have developed a measurement tool enabling a more detailed assessment of waste deposits for the production of SRF.

Research at Veolia Environnement leverages the insights of its teams outside France and has developed a network of over 200 international partners in order to stay tuned to emerging markets and technologies and benefit from their expertise in a wide range of areas: biotechnology, applied mathematics, energy systems, process engineering, materials science, etc. In Sweden, it is working with AnoxKaldnes, a subsidiary of the Group, to perfect a bio-polymer producing wastewater treatment plant, which has led to the roll-out of a prototype at the Brussels wastewater treatment plant. In the United States, VERI is working with leading universities and Cleantech networks to develop and identify innovations of interest to the Group's strategic lines of development.

11.1.5 Innovation: a tried-and-tested approach

The research teams seek to provide innovative practical solutions within their areas of expertise, to improve the competitiveness of the Veolia Environnement Group. R&I is carried out as part of a tried-and-tested approach enabling technological risks to be controlled and enabling rapid progress and the creation of successful industrial applications that are both reliable and effective. The main steps in the innovation process are:

- Strict monitoring of regulations and technology, as well as the competition that enables the Group to foresee future needs and launch new research programs as quickly as possible;
- Laboratory or field tests to verify the feasibility of the research. Digital modeling is often carried out at this stage to enable operating areas to be more rapidly explored and procedures to be intensified (cost savings and efficiency gains, reduced emissions or residues, etc.);
- If the tests are successful, a prototype is built in the laboratory or on-site to evaluate and refine the technology used and also develop advanced management tools to facilitate subsequent operational roll-out;
- The next phase is the development of a pre-industrial unit to be installed at an appropriate site and operated by personnel.

At each step in the innovation process, the collaboration of various parties (research teams, university or private laboratories) is necessary and determines the successful outcome of the research project.

VERI's teams are part of a network of researchers. They forge links with basic research teams, each drawing benefit from the expertise of colleagues. While this collaboration enriches the knowledge of the Group's R&I teams and keeps them informed of recent developments, it also provides effective outlets for scientific progress and feedback to the Group's partners. VERI's teams also work with several top universities and participate in research programs led by national and international institutions. They also share their technological knowledge with industrial players.

11.1.6 Main Research and Innovation challenges facing Veolia Environnement

The four main challenges at the core of Veolia Environnement's current Research and Innovation are:

Managing and preserving natural resources

The sector that will be most affected by climate change is water. Research into sea water desalination processes, collection of rainwater and the re-use of wastewater after treatment, is aimed at meeting the expected increase in water requirements. In order to preserve natural resources, it is also essential to find solutions to decrease consumption. The mechanization and automation of sorting processes for used materials, as well as the design of recycling processes for end-of-life products or industrial effluents, in this way encourage the re-use and recovery of materials found in waste at a competitive cost.

Limiting environmental impacts

The improvement of treatment techniques for industrial effluents and hazardous waste makes it possible to limit the dispersion of pollutants in the environment and better respect biodiversity and public health. As a global reference in environmental services, the Veolia Environnement Group must set the example with regards to reducing the impact of its activities. Current efforts are therefore focused on reducing discharges from Veolia Environnement facilities, decreasing noise and olfactory pollution and developing waste, water and energy flow management solutions, while minimizing pressure on the environment.

Improving quality of life worldwide

The perfecting of wastewater depollution and waste management systems tailored to developing countries improves the environmental safety of non-Western cities and helps prevent epidemics from spreading on a worldwide scale. It also preserves the quality of water and thus the health of those who consume it. The integrated energy management of industrial and urban systems also helps reduce greenhouse gas emissions.

Developing alternative energy sources

As carbon dioxide emissions continue exceeding the absorption capacity of the biosphere, the production of substitute fuels and biofuels, the recovery of biomass as energy, the development of industrial applications for fuel cells and the optimization of the performance of Group waste incineration plants help limit greenhouse gas emissions. These measures also help respond to the increasing global demand for energy and address the depletion of fossil fuel reserves by replacing them with clean energies.

A large majority of Veolia Environnement's research programs are helping to reduce greenhouse gas emissions, bearing witness to the Group's strong commitment to addressing climate change. Current processes seek to eliminate greenhouse gas emissions or, where this is not possible, reduce emission levels. To this end, R&I activities focus primarily on reducing emissions, improving processes and energy efficiency and exploiting more renewable energy sources. System approaches now form an integral part of R&I work aimed at integrating the development of decentralized energy sources into the optimized management of energy utilities. At the same time, the Group is striving to implement processes to capture, store and recover CO2 and foresee future constraints relating to climate change.

11.1.7 Progress in 2013

DRINKING WATER AND THE LARGE WATER CYCLE

PIEUVRE: diagnostic tool of metals in sanitation system

The PIEUVRE is a sampling tool enabling the replacement of one time samples collection and/or averaged over 24h by integrating various elements that occur during a certain period of exposure.. This allows for a better representation of the spatial and time limited heterogeneity of the network flow. VERI built such a metal diagnostic by standardizing the protocol to recuperate the deposit formed on the PIEUVRE surface. The results of each metal analysis allow comparison of the different places of sample taking, so as to trace the source of contamination by metals. The results are then included in a diagnostic report which indicates: a map of the places where samples were taken on the network, the gross results (expressed in µg contaminants/g of dry material), comparison of metal findings in relation to the sample taking site, and conclusions and recommendations for action by Veolia Eau.

IRRIALT'Eau: irrigation of vines by treated used water

A pilot treatment project by disinfection (UV-Chlore and Chlore only) has been tested by VERI and Veolia Eau, to irrigate during the summer of 2013 1,4 hectares (3,5acres) of experimental vineyards of PechRouge (INRA) with treated water from the Narbonne plage water treatment station. The target of this project is to show the technical, economic and environmental interest in recycling used water for irrigating vines, showing this is without risk for the vine and for the wine in terms of performance and quality.

HIPRODE: new concept for the desalination units by reverse osmosis

Trials on a prototype for desalination of sea water by reverse osmosis, installed and used on a desalination plant of Veolia in Gibraltar, have led to the confirmation of the performance of a new design. These results, obtained after various months of continuous operations, have confirmed the benefit with a first configuration of this new design (reduction in building costs). Trials in the plant of Sour (Oman) are presently under way to evaluate the performance of a second design, this time to increase the benefits obtained. Actions necessary to deploy this new design at short term and industrially are under way.

KAPTA™: sensor that ensures full security of water permanently and in real time, Veolia has obtained the trophy of the "best innovation by a big group, a SME or a start-up" for this sensor

The surveillance and security of the drinkable water network, developed in the framework of the European Secur'Eau project and tested at the Olympic Games in London in 2012, has been used on the drinkable water network of Nice (France) in the context of the Jeux de la Francophonie. This system consists of:

- KAPTA™ probes developed by ENDETEC. These multi parameter probes measure non-stop four essential parameters for the quality of water: pressure, active chore, temperature and conductivity as recommended by the World Health Organization (WHO);

- system for data handling to analyze non-stop the data measured by probes and to detect and identify prematurely possible decreases in quality of the water distributed. It works on the basis of the use of algorithms developed by VERI and capable to detect variation of one of the parameters for a probe.

The network of 16KAPTA™ probes has been installed to survey non-stop the sensitive points. A 24/24 surveillance has been obtained by the VERI experts and the operators of the drinkable water network of the City of Nice (France).

Inspect'O: developing and transferring a tool to automatically treat a signal to analyze the networks

Within the use of Inspect'O a computer tool has been developed to make the electromagnetic measurement of thickness signal treatment automatic. This tool is perfect for operational reasons when comparing to manual signal treatment: detection of faults by the tool, identical to detection done manually by an operator. Handling time is significantly reduced: 50 seconds to analyze 50 meters with 400 errors, against 6 hours if done manually. This tool delivers a map of errors and their criteria. SETHA integrated this tool in its offer so the Inspect'O can be optimized.

URBAN AND INDUSTRIAL WASTEWATER

Workshop on the 2030 purification station : first account and perspectives

The first international workshop by Veolia Environnement on cleaning urban waste in 2030 has taken place in Brussels on July 4 and 5, 2013.

The target was to bring internationally recognized experts together in the field of research on used water, to identify via workshops durable solutions and future innovations, to reply to the many problems cities will face in 2030 and which refer to the management of used water. 90 people participated in the three sessions dedicated to the three main subjects: Interface (urban services in interface with the liquid waste management services), Valuation (of water, energy and ressources/products) and Adaptability (to needs and future constraints). Some participants assisted to the visit of the Aquiris purification station in North Brussels and were shown the R&D activities managed on-site (mainly Biottope and Bioplastique projects). A unique network of experts, with the same values, the same challenges and the same dreams for the future, has been made via these workshops.

BIOTTOPPE: European project - detection and treatment of endocrine disruptors

Within the BIOTOPPE project (Life11 ENV/FR742) the efficiency of bringing down a tertiary treatment of the ActifloCarb type against certain substance is measured. A trial installation was performed in the purification station of in Brussels on April 2013, exploited by AQUIRIS.

Water quality is followed at entry and exit of ActifloCarbby physicochemical analyses, targeted chemical analyses (RSDE, hormones, pharmaceutical products) or non-targeted (chemical footprint of the water) and by biological analyses (following the endocrine perturbation using the Watchfrog technology). Regarding biological analyses, the challenge of the BIOTTOPE project is to develop a reading flow system which allows to show on-site and on-line the in vivo analyses, usually done in laboratory by WATCHFROG.

New physicochemical high density mud reactor

VERI developed a new concept of a physicochemical reactor capable to operate where solids are over 10% suspended (MES) and with low retention times (TURBOFLO* Process). This new reactor produces water treated with low MES by a clarifier integrated in the inside of the reactor without using a chemical clarification product. This new technology can mainly be used in: treating, softening water, to prevent clogging within the filtration UF/MF units, nano filtration, osmose concentrate treatment, NF, recuperation of product (by ex N/P, STRUVIA process), for absorption. The TURBOFLO* Process has been patented.

High rate Multiflo softening without sand

High Rate Multiflo Softening is a softening procedure developed for the industrial markets. The target is to increase the performance of the Multiflo-Actiflo Softening technology to associate it with the reaction performance of Multiflo (rate of mud) with the clarification speed of Actiflo to reduce energy needs. A very convincing first demonstration of High Rate Multifo Softening allowed to meet expected targets. The pilot tests have allowed validating the required performance. The final target is to present an increase in water passage over the clarifier of more than 20% (without microsand). This technology has already been patented in the USA.

ENERGY AND BUILDINGS

Operating “smart” of urban heating networks

Two new R&D projects led by Dalkia Corporate and Dalkia Polska have been done jointly by the Heat Tech Center Varsovie (HTC) and VERI. We have optimally combined the methodological approach of VERI and the expertise of HTC regarding the operational implementation to be quickly deployed in the Warsaw network before being deployed in other Veolia networks. The two projects are:

- **Reliable “District Heating”** where the main target is to develop a method and means to better manage the reliability of an urban heating network. This project combines an evaluation and a localisation of thermal losses of canalisation: but it also develops tools to decide on a patrimonial approach of the network;

- **"SmartSub-stations"** of which the main targets are to increase performance of the sub-stations and develop the back-up services for buildings connected to the network. This 2nd project has as target to develop statistical approaches and data mining, from data given from various sensors to add to the deterministic physical approaches.

COOPERE: advanced software solution to study energy optimisation of industrial sites

Within the COOPERE framework, a first site study has been done combining energy integration and energy valorisation of sub-products. This study was realized in collaboration between VERI, and Dalkia Romania. Also, the software development is continuing with utilitarian modules (heat pump, TAG) and an optimisation module which will be integrated in the ProSimPlus software. The principles of energy balance are defined and are being integrated in ProSimPlus.

Starting up the Dalkia boiler with maize cobs

VERI contributed to trials in the biomass boiler service with maize cobs at the LIMGRAIN silos (Ennezat) (63). Expertise and Analysis by the Centre de Recherche de Limay has been called upon and has allowed to detail the samples of maize cobs, evaluate quality of the ashes for a recommendation on the agronomic valorisation and interpret result on the atmospheric rejection.

Multiprotocol Bridge: Advanced technical management of tertiary buildings

This multiprotocol bridge, tested and validated by VERI will be deployed on tertirary buildings exploited by Dalkia to make them more "communicating" with the telemanagement infrastructure of Dalkia.

This bridge allows offering advanced features to the clients (virtual telemanagement) and to the Dalkia operators (local supervision interfaces) as well as going back for data (via specific tables for example) to the DESCS of Dalkia.

Industrial Utilities: Solution testing for advanced reporting

Together with Dalkia, VERI researches solutions to flow and pilot which allow deploying the PERFORMANCE ENERGIES ET CARBONE offers for industrial utilities.

Early 2013 Dalkia and Veri decided testing two new energy pilotage solutions to allow a flexible reporting and advanced analysis functions on Dalkia sites. These solutions were identified by VERI and by certain BU (e.g. Sweden). Experimenting these solutions implicates the participation of various countries (Benelux, France, Sweden, United Kingdom).

Decision Support Tool for designing heating network

VERI develops together with the École Polytechnique Fédérale de Lausanne (Switzerland) a software tool to identify and compare a whole of energy solutions which can be used to produce urban heating (new or extension). The tool offers various solutions to the user who can then on the basis of his local knowledge (incl. financial, political and social situation) identify the mix that must be studied closely.

The methodology and the MIX tool have been tested on two group networks in Cergy and in Charleville-Mézières (France).

Environmental Services and Valorisation

Implantation of the tele operated sorting in the new sorting centre of Amiens

The tele operated sorting is a technological advancement coming from VERI and is a major evolution in the sorting operations: The operator does the sorting on a touchscreen, without any contact with the waste. Improving work conditions of the operator but also strengthening the quality control element of his work, the tele operated sorting, aims to sustain and value the work. Fruit of five years of multidisciplinary work, and of a close collaboration between research teams, the technical and exploitation management, the industrial prototype has just been installed in quality control of selective packaging collection on the whole centre of Amiens in Picardie (France). For a year, activity and impact of the tele operated sorting on health and environment at work will be followed and analyzed.

This innovative measure opens the way to a whole new generation of sort centers where technological innovations and human competence go hand-in-hand. The principle of telemanagement can be declined to a whole gamut of solutions adapted to the different applications: sorting packaging, fibrous material, bulky waste, hazardous waste or contaminated.

Valuation of the research on agricultural valuation within the "End of Waste" framework

In February 2013, the R&I results obtained within the Agronomic Valuation project have allowed us to discuss with scientific data the regulation project "End of Waste" regarding the status of waste at European level for composts and digestates on the four following levels:

1) maximum values in Copper (Cu) and Zinc (Zn);
2) maximum values for impurities;
3) minimum values for organic materials for composts;
4) procedural requirements.

Results of two experimental tests (in Yvelines with QualiAgro and in Alsace with Colmar) together with the Institut National de Recherche Agronomique (INRA) from 1998 onwards, are an undeniable scientific support for maintaining and promoting the agricultural valuation of organic waste and composts. On both sites, the agronomic value and environmental impact of organic waste products have been studied: compost of household waste, compost of biowaste, mud compost, non-composted mud, non-composted manure, composted manure.

Organization of the RAMIRAN colloquium

VERI is a partner of the 15th international Conference on the Network for recycling agricultural, municipal and industrial residues in agriculture (RAMIDAN) (June 3-5 2013) - Versailles) organized by the research unit of INRA "Environnement & Grandes Cultures". INRA and VERI evaluate since more than 15 years the agricultural value and the environmental impact of urban compost, through QualiAgro. QualiAgro is inserted in the national network of site for surveying and studying long term recycling effects of organic waste in cultivated areas (SOERE PRO) - network managed by INRA (http://www.inra.fr/qualiagro).

Open Innovation

Territorial Innovation Accelerator (TIA) in Nord-Pas de Calais (France)

The innovation network in the region Nord-Ouest has stated together with Orange, Rabot Dutilleul (BT) and innovation companies in Nord-Pas de Calais and assisting the Stratégie Régionale d' Innovation (SRI) the TIA in Nord-Pas de Calais.
This approach is unique in France. It is the first time the knowledge of large groups is made available to those who accompany innovating companies in the region.

Early 2013, the three initiators of the TIA project started a **1st offer to construct intelligent buildings: "Smart Building"**.Two innovative companies have been selected within the 20 participating. Already some concrete steps have been taken:

Effigenie and Dalkia Nord

Effigenie has come up with two software products allowing optimisation of energy consumption in a building.
"Effipilote" allows to manage the systems (hearing, ventilation) that are in use: meteorological previsions, use of the building scenarios.

"Effivision" allows to follow consumption and define improvement of the monthly balance and warnings. Dalkia Nord has integrated the Effigenie solution in one of its contracts for energy optimisation of community buildings;

Webinage and Dalkia Nord

Webinage has conceived an innovative application of a "computerized handyman" to manage the relation of landlords with their tenants. Dalkia Nord has integrated Webinage in its GOGENACT project following the project Adème "Intelligent building horizon 2020" which aim is to manage a durable energy management which unites all agents within a neighborhood.

A 2^{nd} **project appeal on the theme of "city of tomorrow"** was made in November 2013, with various innovating companies preselected on CAMPUS Nord Europe Veolia.

Given the success of these two operations, the Conseil Régional through its regional innovation agency has decided to install the system systematically in the country.

TIA will be copied and applied on other territories (in France and abroad).

FOR CITY

The urban development model developed by VERI together with industrial partners (specifically a SME from Lyon) led to the signing of a contract with the PUB of Singapore and of Grand Lyon. These two projects for urban development want to give optimized scenarios for urban development with criteria like energy efficiency, quality of life, optimized waste management, environmental impact.

VERIMOVE

VERI offers a new prototype of car sharing service which combines hybrid vehicles, electrical and thermal, replying to all operational research needs and allowing 23% less environmental impact and of the number of vehicles of less than 12 on a total of 48 vehicles, leading to a potential economic gain of about 43 000 Euros per annum.

11.2 Patents and licenses

See Chapter 6, Section 6.2.5 above (Intellectual property – Extent of Company dependence).

12

Information on trends RFA

12.1 Trends

The main trends relating to or affecting the Company's business are described in Chapters 6 and 9 above.

The events or circumstances that could reasonably have a material effect on the Company's outlook for 2014 were communicated by the Board of Directors, which approved the Company accounts on March 11, 2014.

12.2 Recent developments

Veolia Environnement

On February 26, 2014, the Board of Directors of Veolia Environnement has decided, at the suggestion of the Committee for nominations and compensation, to ask the General Meeting to renew the mandate of Mr. Antoine Frérot as Director. Pending the vote by the General and Mixed Meeting of April 24, 2014, the Board of Directors will nominate Mr. Antoine Frérot Chairman of Veolia Environnement for a renewed period of four years.

On February 27, 2014, the Company published a press release presenting its annual results for 2013. The Group's post-balance sheet events are presented in Chapter 9 above.

The Board of Directors of Veolia Environnement called on March 11, 2014 a General Meeting to be held on April 24, 2014 to propose *i.e.* the renewal of the mandate as Director of Mr Antoine Frérot, Mr. Daniel Bouton, of *Groupe Industriel Marcel Dassault* (GIMD) represented by Mr. Olivier Costa de Beauregard, and of Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Al Sayed.

The Board did not propose the renewal of Mr. Paul-Louis Girardot as Director. It will propose the designation as auditor, together with Mr. Thierry Dassault, *via* the General Meeting of April 24, 2014.

Through this renewal and the non-renewal of Mr. Paul-Louis Girardot, membership of the Board of Directors will consist of fifteen members.

13

Objectives and outlook

For the year 2014, and in view of the good development of the plan for transformation, Veolia Environnement sets following targets:

- an increase in sales figures;
- an increase by 10% of its operational capacity to autofinance;
- a significant increase in operating income ;
- a significant increase in net recurring profit for the Group;
- we propose to pay a dividend of 0.70 euro per share for the 2014 year.

The Group expects, from 2015 and in a medium economic context:

- organic revenue growth of over 3% per year;
- adjusted operating cash flow growth of over 5% per year;
- a leverage ratio of adjusted net financial debt/(Operating cash flow capacity + principal payments on operating financial assets) of approximately 3x, to +/-5%;
- a payout ratio in line with the historic average payout ratio; and
- cost reductions of 750 million euros net accumulated impact of which, due to the accounting treatment of the companies, 80% in adjusted operating income.

14

Board of Directors, Management and Supervisory Bodies and Executive Management

The Company has been a société anonyme (a French incorporated company) with a Board of Directors since the general shareholders' meeting (GM) of April 30, 2003. The Company's shares are listed on the regulated NYSE Euronext Paris stock market and on the *New York Stock Exchange* (NYSE). The Company is subject to French laws and regulations, in particular relating to corporate governance, and to regulations applicable to foreign companies listed in the United States.

14.1 Board of Directors of the Company

14.1.1 Composition of the Board of Directors and positions held by the directors outside the Company

The Company's Board of Directors has sixteen directors and one non-voting member (censeur) as of the date this registration document was filed (See Chapter 16, Section 16.1.2, below).

Name of the director/censeur	Date of appointment or first reappointment	Date of last reappointment	Term of office expires(1)(2)
Antoine Frérot, *Chairman and Chief Executive Officer*	**May 7, 2010**	-	**2014 GM**
Louis Schweitzer*, *Vice-Chairman and Senior Independant Director*	April 30, 2003	May 17, 2011	2015 GM
Jacques Aschenbroich*	May 16, 2012	-	2016 GM(2)
Maryse Aulagnon*	May 16, 2012	-	2016 GM(2)
Daniel Bouton*	April 30, 2003	May 7, 2010	**2014 GM**
Caisse des Dépôts et Consignations, represented by Olivier Mareuse	March 15, 2012	May 14, 2013	2017 GM
Pierre-André de Chalendar*	May 7, 2009	May 17, 2011	2015 GM
Paul-Louis Girardot*	April 30, 2003	May 7, 2010	**2014 GM**
Groupama SA*, represented by Georges Ralli	May 16, 2012	-	2016 GM(2)
Groupe Industriel Marcel Dassault*, represented by Olivier Costa de Beauregard	May 7, 2010	-	**2014 GM**
Marion Guillou*	December 12, 2012	May 14, 2013	2017 GM
Serge Michel	April 30, 2003	May 16, 2012	2016 GM(2)
Baudouin Prot*	April 30, 2003	May 17, 2011	2015 GM
Qatari Diar Real Estate Investment Company*, represented by Khaled Mohamed Ebrahim Al Sayed (3)	May 7, 2010	-	**2014 GM**
Nathalie Rachou*	May 16, 2012	-	2016 GM(2)
Paolo Scaroni*	December 12, 2006	May 14, 2013	2017 GM
Thierry Dassault, *censeur*	May 7, 2010	-	**2014 GM**

(1) *The duration of the directors' term of office is four years since the adoption by the general meeting of May 7, 2009 of the resolution reducing the directors' term of office from six to four years (instantaneous implementation provision for running corporate offices).*

(2) *To allow for the reappointment of one-quarter of the Board of Directors in compliance with the Articles of Association, it will be necessary before the AGM of 2015 to conduct a lottery for one director among those appointed or reappointed by the AGM of 2012, whose term will be reduced to three years, expiring at the AGM to be convened in 2015.*

(3) *In a letter of September 8, 2013, Qatari Diar Real Estate Investment Company informed the Company of the change in its representative, Khaled Mohamed Ebrahim Al Sayed having replaced Dr. Mohd Alhamadi.*

* *Independent director.*

The table below shows the names and ages of the members of the Board of Directors as of the date the registration document was filed, as well as the date of such persons' first appointment and reappointment, if applicable, and the expiration date of their terms of office. In addition, the table shows the principal position they hold outside the Company and corporate offices they have held with all companies during the last five years.

The corporate offices held by the above-mentioned directors, as shown in the list below, are current as of December 31, 2013 on the basis of actualized or known information on the filing date of this registration document with the French Regulatory Authority (AMF):

	Principal positions held outside the Company – Other offices	**Positions or offices expired during the last five years**
Antoine Frérot 55 years old Date of first appointment: May 7, 2010 Term of office expires: **2014 GM** ***Principal position held within the Company:*** Chairman and Chief Executive Officer of Veolia Environnement*.	***In France:*** • Managing Director of Veolia Eau – Compagnie Générale des Eaux[VE]; • Director of Transdev Group[VE]; • Member of the Supervisory Board of Dalkia France[VE]; • Chairman of Campus Veolia Environnement[VE]; • Director of Dalkia International[VE]; • Director of Société des Eaux de Marseille[VE]; • Chairman of VE France Régions[VE]; • Member of the A and B Supervisory Boards of Dalkia[VE]; • Chairman of Fondation d'Entreprise[VE]; • Permanent Representative of Veolia Environnement to the Board of Directors of Institut Veolia Environnement[VE]; • Vice-Chairman of the Orientation Board of Institut de l'Entreprise (Association); • Director of Paris Ile-de-France Capitale Economique; • Director of the Société des Amis du Musée du Quai Branly. ***Outside France:*** • Member of management of Veolia Environmental Services North America (United States)[VE].	***In France:*** • Director and Chairman of of the Board of Directors of Veolia Water until 11/19/2013[VE]; • Chairman of the Board of Directors of Veolia Transdev until 12/03/2012[VE]; • Chairman of the Board of Directors of Veolia Propreté until 10/31/2012[VE]; • Member and Chairman of the Supervisory Board of Eolfi until 06/29/2012; • Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Institut Veolia Environnement until 02/22/2011; • Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Fondation d'Entreprise[VE] until 01/25/2010; • Chairman of the Board of Directors of Veolia Propreté until 10/07/2011; • Director of Veolia Transport until 03/24/2011; • Member of the Supervisory Board of Ponts Formation Edition until 03/01/2011; • Member of the Supervisory Board of Louis Dreyfus BV until 02/03/2011; • Chief Executive Officer of Veolia Environnement until 12/12/2010; • Director of SADE CGTH until 06/23/2010; • Director of CEP Ports until 04/28/2010; • Member and Chairman of the Supervisory Board of SETDN until 05/28/2010; • Member and Chairman of the Supervisory Board of CEO until 05/28/2010; • Permanent Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Société des Eaux de Marseille until 04/21/2010; • Director of SARP until 02/18/2010; • Permanent Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Proxiserve Holding until 01/15/2010; • Chief Executive Officer of Veolia Water until 11/27/2009; • Director and Chairman of the Board of Directors of VWST until 12/07/2009. ***Outside France:*** • Director of Veolia Environmental Services North America (USA)[VE] until 12/31/2012; • Director of Société Monégasque des Eaux (Monaco) until 04/07/2010.

GM = General shareholders' meeting convened to vote on the financial statements for the past year.

* *Listed company.*

VE *Company belonging to the Veolia Environnement Group.*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Louis Schweitzer 71 years old Date of first appointment: April 30, 2003 Reappointed: May 17, 2011 Term of office expires: 2015 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Vice-Chairman of the Board of Directors; **Senior Independant Director;** Member of the Nominations and Compensation Committee since April 30, 2003 and chairman of this committee since March 11, 2014*.	***Principal position held outside the Company:*** • Chairman of Initiative France. ***Other offices and positions held with any company:*** ***In France:*** • Director of L'Oréal*; • Member of the Board of Musée du Quai Branly; • Member of the Board of the National Political Science Foundation; • Chairman of the Board of Directors of Société des Amis du Musée du Quai Branly; • Chairman of the Board of Directors of Festival d'Avignon; • Chairman of the Board of Directors of Maison de la Culture MC 93. ***Outside France:*** • Member of the Advisory Board of Allianz* (Germany); • Member of the Advisory Board of Bosch (Germany).	***In France:*** • Chairman of the Board of Directors of Renault*; • Director of Électricité de France (EDF)*; • Member of the Board of Directors of the Musée du Louvre; • Chairman of the National Authority against Discrimination and for Equality ("HALDE"); • Chairman of the Supervisory Board of the "Le Monde" Group; • Member of the Advisory Board of the Banque de France; • Director of BNP Paribas*. ***Outside France:*** • Chairman of the Board of Directors of AstraZeneca* (United Kingdom); • Chairman of the Board of Directors of AB Volvo* (Sweden).
Jacques Aschenbroich 59 years old Date of first appointment: May 16, 2012 Term of office expires: 2016 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Member of the Accounts and Audit Committee since December 12, 2012; and Chairman of the Research, Innovation and Sustainable Development Committee since December 12, 2012.	***Principal position held outside the Company:*** • Chairman and Chief Executive Officer of Valeo*. ***Other offices and positions held with any company:*** ***In France:*** • Chairman of Valeo Finance; • Director of the École Nationale Supérieure des Mines ParisTech. *utside France:* • Chairman of Valeo SpA (Italy); • Chairman of Valeo Limited (United Kingdom); • Director of Valeo Service Espana, S.A. (Spain).	***In France:*** • Chairman and Chief Executive Officer of SEPR-Société européenne des produits réfractaires – France; • Chairman and Chief Executive Officer of Saint-Gobain Glass France; • Chairman of Saint-Gobain Sekurit France; • Chairman of Valeo Service. ***Outside France:*** • *Vice-Chairman,* President, Chief Executive Officer and Director of Saint-Gobain Corporation (USA); • Chairman and Chief Executive Officer of Saint-Gobain Advanced Ceramics Corp. (United States); • *Chairman* of Saint-Gobain Abrasives Inc. (United States), Saint-Gobain Advanced Ceramics Corp. (United States), and Saint-Gobain Ceramics & Plastics Inc. (United States); • Chairman of Saint-Gobain Corporation Foundation Inc. (USA), and Saint-Gobain Ceramics & Plastics Inc. (United States); • Director of Saint-Gobain Corporation (United States), Saint-Gobain, Corporation Foundation Inc. (United States), Saint-Gobain Performance Plastics Corp. (United States), Saint-Gobain Containers Inc. (United States), Solaglas Ltd (United Kingdom), Saint-Gobain Sekurit Hanglas Polska (Poland), Saint-Gobain Sekurit Benelux SA (Belgium), Saint-Gobain Sekurit Italia (Italy), Grindwell Norton Ltd. (India), Saint-Gobain Glass India Ltd. (India) and Saint-Gobain Sekurit India (India), Saint-Gobain K.K. (Japan), Hankuk GlassIndustries Inc. (Korea), Saint-Gobain Glass Mexico (Mexico), Saint-Gobain Sekurit Mexico (Mexico), ESSO S.A.F.; • Member of the Supervisory Board of Saint-Gobain Autoglas GmbH (Germany) and Saint-Gobain Glass Deutschland GmbH (Germany); • Member of the Advisory Board of AvanCis GmbH & Co. KG (Germany).

GM = General shareholders' meeting convened to vote on the financial statements for the past year.

* *Listed company.*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Maryse Aulagnon 64 years old Date of first appointment: May 16, 2012 Term of office expires: 2016 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*.	***Principal position held outside the Company:*** • Chairman and Chief Executive Officer of Affine SA ***Other offices and positions held with any company:*** ***In France:*** • Director of Air France KLM*; • Permanent Representative of Affine, Mab Finances and Promaffine to the boards of various entities of the Affine Group; • Member of the Supervisory Board of BPCE (Banques Populaires Caisses d'Épargne) Group. ***Outside France:*** • Chairman of Banimmo, Affine Group (Belgium); • Director of Holdaffine BV, Affine Group (Netherlands).	***In France:*** • Member of the Management Committee of Business Facility International SAS; • Director of AffiParis. • Chairman of Mab-Finances SAS. ***Outside France:*** • Manager of Affinvestor GmbH (Germany); • Director of European Asset Value Fund (Luxembourg).
Daniel Bouton 63 years old Date of first appointment: April 30, 2003 Reappointed: May 7, 2010 Term of office expires: **2014 GM** ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Member of the Nominations and Compensation Committee since April 1, 2005; Member of the Accounts and Audit Committee since November 2, 2009 and Chairman of this committee since January 1, 2010	***Principal position held outside the Company:*** • Chairman of DMJB Conseil; • *Senior Advisor* of Rothschild & Cie Banque; ***Other offices and positions held with any company:*** none	***In France:*** • *Senior Advisor* of CVC Capital Partners; • Director of Total SA*; • Chief Executive Officer and Chairman of the Board of Directors of Société Générale*.

GM = General shareholders' meeting convened to vote on the financial statements for the past year.
** Listed company.*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Caisse des dépôts et consignations Date of first appointment: March 15, 2012 Reappointed: May 14, 2013 Term of office expires: 2017 GM ***Principal position held within the Company:*** Director of Veolia Environnement*.	***Principal position held outside the Company:*** none ***Other offices and positions held with any company:*** *In France;* • Director of CNP Assurances*; • Director of Compagnie des Alpes*; • Director of Egis SA; • Director of FSI; • Director of Icade*; • Director of la Poste; • Director of Oseo SA; • Member of the Supervisory Board of SNI; • Director of Veolia Transdev.	***Outside France:*** • Director of Dexia* (Belgium).
Olivier Mareuse 50 years old ***Principal position held within the Company:*** Permanent Representative of Caisse des dépôts et consignations to the Board of Directors of Veolia Environnement*.	***Principal position held outside the Company:*** • Financial Director of the Caisse des Dépôts et Consignations Group (CDC). ***Other offices and positions held with any company:*** ***In France:*** • Director of AEW Europe; • Director of CDC Infrastructure; • Director of Icade*; • Director of the CDC's Société Forestière; • Permanent Representative of CDC to the Board of Directors of Qualium Investissement; • Permanent Representative of CDC to the Board of Directors of CNP Assurance; • Member of Management Committees of CDC.	***In France:*** • Director of FSI; • Member of the Supervisory Board of IXIS Asset Management. ***Outside France:*** • Director of Dexia* (Belgium).
Pierre-André de Chalendar 55 years old Date of first appointment: May 7, 2009 Reappointed: May 17, 2011 Term of office expires: 2015 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee since May 7, 2010.	***Principal position held outside the Company:*** • Chairman and Chief Executive Officer of Compagnie de Saint-Gobain*. ***Other offices and positions held with any company:*** ***In France:*** • Chairman of the Board of Directors of Verallia; • Director of BNP Paribas*. ***Outside France:*** • Director of Saint-Gobain Corporation (United States).	***In France:*** • Assistant Chief Executive Officer of Compagnie de Saint-Gobain*; • Member of the Accounts and Audit Committee. ***Outside France:*** • Director of SG Aldwych (United Kingdom); • Director of BPB (United Kingdom); • Director of SG Distribution Nordic AB (Sweden).

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* *Listed company.*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Paul-Louis Girardot 80 years old Date of first appointment: April 30, 2003 Reappointed: May 7, 2010 Term of office expires: **2014 GM** ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Member of the Accounts and Audit Committee since April [1], 2005; Member of the Research, Innovation and Sustainable Development Committee since September 14, 2006.	***Principal position held outside the Company:*** • Chairman of the Supervisory Board of Veolia Eau – Compagnie Générale des Eaux[VE]. ***Other offices and positions held with any company:*** ***In France;*** • Member of the Supervisory Board of Dalkia France[VE]; • Member of the Supervisory Boards A and B of Dalkia[VE]; • Director of Veolia Propreté[VE]; • Director of Veolia Water[VE]; • Director of Société des Eaux de Marseille[VE]; • Chairman of the Supervisory Board of Compagnie des Eaux et de l'Ozone[VE]; • Vice-Chairman of Institut Veolia Environnement[VE].	***In France;*** • Member of the Supervisory Board of Compagnie des Eaux de Paris; • Director of Veolia Transport.
Groupama SA Date of first appointment: May 16, 2012 Term of office expires: 2016 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*.	***Offices and positions held with any company:*** ***In France and within Groupama SA Group:*** • Founding member of the Nationale Centaure association; • Director of Astorg Actions Europe; • Director of Centaure Bretagne; • Director of Centaure Centre-Atlantique; • Director of Centaure Grand-Est; • Director of Centaure Île-de-France; • Director of Centaure Midi Pyrénées; • Director of Centaure Nord Pas de Calais; • Director of Centaure Paris Normandie; • Director of Centaure Provence Méditerranée; • Director of Centaure Rhône Alpes; • Director of Cofintex 6 S.A.; • Director of Compagnie Foncière Parisienne (CFP); • Director of GIE G20; • Member of GIE Immeubles & Services; • Director of Groupama Asset Management; • Director of Groupama Assurance-Crédit; • Director of Groupama Banque; • Director of Groupama Epargne Salariale; • Chairman of Groupama Investissements; • Director of Groupama Protection Juridique; • Director of Groupama Supports et Services; • Director of Le Vœu Funéraire; • Member of the Supervisory Board of Plateau de veille téléassistance à la personne; • Member of the Supervisory Board of Présence Verte S.A; • Director of Rent a Car; • Member of the Management Board of the S.C.A. of Château d'Agassac; • Managing Director of SCI des Frères Lumières; ***In France outside of the Groupama SA Group:*** • Director of Service informatique pour l'expertise automobile (SIDEXA); • Director of BCA Expertise SAS; • Director of CETIP; • Director of Holdco SIIC.	***In France and within Groupama SA Group:*** • Director of Groupama Chegaray Services; • Director of Groupama Private Equity; • Director of Silic; • Managing Director of SCI Les Massues. ***In France outside of the Groupama SA Group:*** • Director of Bolloré; • Member of the Supervisory Board of Lagardère SCA.

GM = General shareholders' meeting convened to vote on the financial statements for the past year.
* *Listed company.*
[VE] *note*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Georges Ralli 65 years old ***Principal position held within the Company:*** Permanent Representative of Groupama SA to the Board of Directors of Veolia Environnement*.	***In France;*** • Director of Chargeurs*; • Director of Carrefour*. ***Outside France:*** • Managing Director of IPF Management I Sarl (Luxembourg); • Managing Director of IPF Partners Sarl (Switzerland).	***In France;*** • Chairman of Maison Lazard SAS; • Chairman and Managing Partner of Lazard Frères Gestion SAS; • Managing Partner of Compagnie Financière Lazard Frères SAS and of Lazard Frères SAS; • Member of the Supervisory Board of VLGI; • *"Censeur"* of Eurazeo*; • Member of the Supervisory Board of Bazile Telecom; • Vice-President and Executive Director of Compagnie Financière Lazard Frères SAS; • Vice-President and Executive Director of Lazard Frères SAS; • Chairman and Chief Executive Officer and Director of Lazard Frères Banque; • Director of Silic*. ***Outside France:*** • *Deputy Chairmanand Managing* Director of Lazard Group LLC (United States); • *Chief Executive of the European Investment Banking Business*of Lazard (United States); • *Co-Chairman of the European Investment Banking Committee* of Lazard (United States); • Director of Lazard AB (Sweden); • Member of the *Executive Committee* of Lazard BV (Belgium); • Director of Lazard Asesores Financieros SA (Spain); • Director of Lazard Wealth Management Holding SL (Spain); • Director of Lazard & Co Srl (Italy); • Director of Lazard Investments Srl (Italy); • *Chairman* of the*Advisory Board* of Lazard GmbH (Switzerland); • *Chairman* of Lazard Wealth Management Europe Sarl (Luxembourg); • Director of LAZ-MD Holding LLC (United States); • Member of LFCM Holdings LLC (United States); • *Chairman* of the *Executive Committee* of Lazard Fund Management GmbH (Germany).

GM = General shareholders' meeting convened to vote on the financial statements for the past year.
**   Listed company.*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Groupe Industriel Marcel Dassault Date of first appointment: May 7, 2010 Term of office expires: **2014 GM** ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Member of the Nominations and Compensation Committee since May 7, 2010; Member of the Accounts and Audit Committee since May 7, 2010	***Principal position held outside the Company:*** none ***Other offices and positions held with any company:*** none	none
Olivier Costa de Beauregard 54 years old ***Principal position held within the Company:*** Permanent Representative of Groupe Industriel Marcel Dassault (GIMD) to the Board of Directors of Veolia Environnement*.	***Principal position held outside the Company:*** • Chief Executive Officer of the Groupe Industriel Marcel Dassault (GIMD). ***Other offices and positions held with any company:*** ***In France:*** • Chairman of Financière Dassault; • Chairman of the Management Board of Immobilière Dassault SA*; • Director of Dassault Médias; • Director of Figaro Classifieds; • Director of the Groupe Figaro; • Director of As de Trèfle; • Member of the Supervisory Board of GIMD; • Permanent Representative of GIMD to the Board of Directors of Genoway*, Artcurial and Dassault Développement. ***Outside France:*** • Director of SITA S.A. (Switzerland); • Director of Financière Terramaris (Switzerland); • Vice-Director of Dassault Belgique Aviation (Belgium); • Director of SABCA (Belgium); • Director of Victoria Jungfrau Collection (Switzerland).	none
Marion Guillou 59 years old Date of first appointment: May 16, 2012 Term of office expires: 2017 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; member of the Research, Innovation and Sustainable Development Committee since December 12, 2012.	***Principal position held outside the Company:*** • Chairman of Agreenium. ***Other offices and positions held with any company:*** ***In France:*** • Member of the Board of Directors of the Sciences-Po Foundation; • Member of the national council of the Legion of Honor; • Director of Imerys*; • Director of Apave; • Director of BNP*; • Chairman of CAR d'initiative d'execellence of Toulouse (IDEX); ***Outside France:*** • Member of the Board of CGIAR. • Member of FAO's expert committeee (HLPE)	***In France:*** • Chairman and Chief Executive Officer of l'INRA • Chairman of the Board of Directors of École Polytechnique; • Chairman of a joint initiative of research on agriculture and climate change (JPI FACCE); • Member of the Supervisory Board of Areva as a representative of the State.

GM = General shareholders' meeting convened to vote on the financial statements for the past year.
** Listed company.*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Serge Michel 87 years old Date of first appointment: April 30, 2003 Reappointed: May 16, 2012 Term of office expires: 2016 GM ***Principal position held within the Company:*** Director of Veolia Environnement*; Chairman of the Nominations and Compensation Committee from April 30, 2003 to March 11, 2014; member of this Committee since March 11, 2014.	***Principal position held outside the Company:*** • President of Soficot SAS. ***Other offices and positions held with any company:*** ***In France:*** • President of SAS Carré des Champs-Élysées; • President of SAS Société Gastronomique de l'Étoile; • President of SAS Groupe Epicure; • President of SAS Les Joies de Sofi; • Member of the Supervisory Board of Compagnie des Eaux de Paris; • Director of SARP Industries[VE]; • Member of the Supervisory Board of Société des Eaux de Trouville Deauville et Normandie[VE]; • Permanent Representative of CEPH to the Board of Directors of SEDIBEX[VE]; • Director of Orsay Finance 1; • Director of LCC SA; • Director of Infonet Services.	***In France;*** • President of SAS CIAM; • Permanent Representative of EDRIF to the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux[VE]; • Member of the Supervisory Board of Eolfi[VE]; • Director of Eiffage SA*; • Permanent Representative of SARP to the Board of Directors of SARP Industries.

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* *Listed company.*

[VE] *Company belonging to the Veolia Environnement Group.*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Baudouin Prot 62 years old Date of first appointment: April 30, 2003 Reappointed: May 17, 2011 Term of office expires: 2015 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*	***Principal position held outside the Company:*** • Chairman of the Board of Directors of BNP Paribas*. ***Other offices and positions held with any company:*** ***In France:*** • Director of Lafarge*; • Director of Pinault-Printemps-Redoute*. ***Outside France:*** • Member of the Institute of International Finance (IIF); • Vice-Chairman of the International Monetary Conference (IMC); • Member of the International Advisory Panel of the Monetary Authority of Singapore (MAS) (Singapore); • Member of the International Business Leaders' Advisory Council (IBLAC) of the city of Shanghai (China)*; • Director of Pargesa Holding SA* (Switzerland).	***In France;*** • Director and Chief Executive Officer of BNP Paribas*; • Director of Accor*; • Member of the French Banking Federation Executive Committee. ***Outside France:*** • Director of BNL* (Italy); • Director of Erbé SA (Belgium).
Qatari Diar Real Estate Investment Company Date of first appointment: May 7, 2010 Term of office expires: **2014 GM** ***Principal position held within the Company:*** Independent Director of Veolia Environnement*	***Principal position held outside the Company:*** ***Other offices and positions held with any company:*** none	***In France:*** • Director of Vinci*;
Khaled Mohamed Ebrahim Al Sayed 48 years old ***Principal position held within the Company:*** Permanent Representative of Qatari Diar Real Estate Investment Company to the Board of Directors of Veolia Environnement	***Principal position held outside the Company:*** • Group Chief Executive Officer of Qatari Diar Real Estate Investment Company (Qatar).	***Outside France:*** • Chief Business Officer of Qatari Diar Real Estate Investment Company (Qatar); • Contracts Director of Qatari Diar Real Estate Investment Company (Qatar); • Director Supply Chain of Eastern Hemisphere Occidental Oil & Gas Corporation - (Abu Dhabi).

GM = General shareholders' meeting convened to vote on the financial statements for the past year.

* *Listed company.*

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Nathalie Rachou 56 years old Date of first appointment: May 16, 2012 Term of office expires: 2016 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Member of the Accounts and Audit Committee since December 12, 2012	***Principal position held outside the Company:*** • Founder and Managing Director of Topiary Finance Ltd. ***Other offices and positions held with any company:*** • Director de Société Générale*; • Member of the Audit, Internal Control and Risks Committee of Société Générale*; • Director and member of the audit committee of Altran Technologies*.	***In France:*** • Director of the merchant bank Liautaud & Cie.
Paolo Scaroni 67 years old Date of first appointment: December 12, 2006 Reappointed: May 14, 2013 Term of office expires: 2017 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*	***Principal position held outside the Company:*** • Chief Executive Officer of ENI* (Italy). ***Other offices and positions held with any company:*** ***Outside France:*** • Vice-Chairman of London Stock Exchange Plc* (England); • Member of the Board of Directors of Columbia Business School (United States); • Member of the Board of Directors of Assicurazioni Generali* (Italy); • Member of the Board of Directors of Fondazione Teatro alla Scala (Italy).	none
Thierry Dassault 56 years old Date of first appointment: May 7, 2010 Term of office expires: **2014 GM** ***Principal position held within the Company:*** *"Censeur"* of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee	***Principal position held outside the Company:*** • Chairman and Director of Keynectis SA; • Vice-Chairman, Deputy Chief Executive Officer and Member of the Supervisory Board of the Groupe Industriel Marcel Dassault SAS. ***Other offices and positions held with any company:*** ***In France:*** • Director of Dassault Medias SA; • Director of Société du Figaro SAS; • Director of Gaumont SA*; • Member of the Supervisory Board of Particulier et Finances Editions SA; • Member of the Supervisory Board of Veolia Eau - Compagnie Générale des Eaux; • Member of the Managing Committee of I-Ces 4D SAS; • Permanent Representative of SC TDH; Director of Halys SAS; • Permanent Representative of SC TDH; Director of If Research SAS; • Director of Bluwan SA. *Outside France:* • Director of Dassault Belgique Aviation.	***In France:*** • Director of Socpresse SA; • Member of the Supervisory Board of Gaumont SA.

GM = General shareholders' meeting convened to vote on the financial statements for the past year.
* *Listed company.*

The members of the Board of Directors may be contacted at the Company's head office, 36/38 Avenue Kléber, 75116 Paris, France.

14.1.2 Biographical Information about Directors

Born on June 3, 1958 in Fontainebleau (France), **Antoine Frérot** isa graduate of the École Polytechnique (year 1977), engineer at the Ponts et Chaussées corps and holds a doctorate from the École Nationale des Ponts et Chaussées.

He started his career in 1981 as an engineering researcher at the Central Research Office for French Overseas Departments and Territories. In 1983, he joined the Center of Study and Research of the École Nationale des Ponts et Chaussées as project manager and then became assistant director from 1984 to 1988. From 1988 to 1990, he was in charge of financial operations at Crédit National. In 1990, Antoine Frérot joined Compagnie Générale des Eaux as an official representative and, in 1995, became Chief Executive Officer of CGEA Transport. In 2000, he was appointed Chief Executive Officer of CONNEX, the Transport Division of Vivendi Environnement, and member of the Executive Committee of Vivendi Environnement. In January 2003, Antoine Frérot was appointed Chief Executive Officer of Veolia Eau, the Water Division of Veolia Environnement, and Senior Executive Vice President of Veolia Environnement. In November 2009, he was appointed Chief Executive Officer, and in December 2010 Chairman and Chief Executive Officer of Veolia Environnement.

Louis Schweitzer is a graduate of the Institut d'Études Politiques (IEP) in Paris. Graduate of the Ecole nationale d'administration (ENA) and Inspector of Finance, he was chief of staff from 1981 to 1986 for Laurent Fabius (who was successively junior Budget Minister, Minister for Industry and Research and Prime Minister). In 1986, he joined Renault's senior management and then successively held the positions of director of planning and management control, Chief Financial Officer and Executive Vice-President. He was appointed Chief Executive Officer of Renault in December 1990, then Chairman and Chief Executive Officer in May 1992 until April 29, 2005, when he was appointed Chairman of the Board of Directors of Renault. Louis Schweitzer did not wish to seek the renewal of his term of office as Director of Renault during the annual general meeting held on May 6, 2009. After serving as Vice-Chairman of the Veolia Environnement Board of Directors since November 27, 2009, he is now a Senior Independent Director of the Company, since May 16, 2012 and again Vice Chairman since May 14, 2013.

Jacques Aschenbroich, a graduate in engineering from the Corps des Mines, has held several posts in the French civil service, serving in the Prime Minister's cabinet in 1987 and 1988. He then moved into industry, at the Saint-Gobain Group from 1988 to 2008. He managed the Group's subsidiaries in Brazil and Germany before becoming Managing Director of the Flat Glass Division of the Compagnie de Saint-Gobain. He went on to become President of Saint-Gobain Vitrage in 1996. From October 2001 to December 2008, he was Senior Vice-President of Saint-Gobain, managing the Flat Glass and High Performance Materials sectors from January 2007, and the Group's operations in the United States as Director of Saint-Gobain Corporation and Executive Vice-President for the United States and Canada from September [1], 2007. He was appointed a Director and Chief Executive Officer of Valeo in March 2009.

Maryse Aulagnon is Founder and Chief Executive Officer of the Groupe Affine, consisting of two property companies listed in Paris and Brussels specializing in commercial real estate. Mrs Aulagnon holds a master's degree in economics and is a graduate of Institut d'Etudes Politiques (IEP) and of the Ecole Nationale d'Administration (ENA). She is an honorary Maître des Requêtes of the Conseil d'Etat (1975 to 1979). After holding various positions at the French Embassy in the United States (1979-1981) and on the staff of several French ministers (Budget and Industry), she joined the Compagnie Générale d'Electricité Group (now Alcatel) in 1984 as Director of International Affairs. She then joined Euris as Deputy Chief Executive Officer when it was created in 1987. In 1990 she founded Groupe Affine, which she has directed since then. She has also been a member of the Supervisory Board of the BPCE banking group (Banques Populaires Caisses d'Epargne) since December 2010 and a Director of Air France-KLM (Chairman of the Audit Committee) since July 2010. Finally, she is Director of several professional agencies (Club de l'Immobilier, Fondation Palladio, FSIF, founding member of Cercle 30, etc.). She is moreover Director of cultural and university organizations (Fondation des Sciences-Po, Le Siècle, Terrafemina, etc.).

Daniel Bouton holds a degree in Political Science, is a graduate of the École Nationale d'Administration (ENA) and was Inspector of Finance at the French Treasury. He has held a number of positions in the French Ministry of Economy, Finance and Industry, including that of budget director, between 1988 and 1991. In 1991, he began working at Société Générale, serving as Chief Executive Officer starting in 1993, and as Chairman and Chief Executive Officer starting in 1997. He was appointed to the position of Chairman of the Board of Directors of Société Générale in May 2008, then resigned from his duties of Director and Chairman of the bank in May 2009. In November 2009, Daniel Bouton incorporated a consulting company, DMJB Conseil, of which he is the Chairman.

Caisse des dépôts et consignations, established in 1816, is a public establishment carrying out tasks of general interest; as such it is a long-term investor seeking to contribute to the growth of companies. Its Permanent Representative on the Board of Directors of Veolia Environnement, **Olivier Mareuse**, graduated from the IEP in Paris in 1984 and from the École Nationale d'Administration in 1988. He joined CNP Assurances in 1988 as an assistant director in the financial institutions department. In 1989 he was named technical and financial director in the collective insurance department. He then worked as special assistant to the CEO of CNP Assurances between 1991 and 1993. From 1993 to 1998 he worked as director of strategy, management control and relations with shareholders, and he was responsible for the introduction of CNP Assurances to the stock market. He was then appointed director of investments, a post he occupied until 2010. Finally, in October 2010, Mr. Mareuse joined the Caisse des dépôts et consignations, first as deputy CFO and then, as from December 15, 2010, as CFO and a member of the management committees.

Pierre-André de Chalendar is a graduate of ESSEC and the École Nationale d'Administration (ENA). He was Inspector of Finance at the French Treasury. In November 1989, he joined Compagnie de Saint Gobain where he held various positions, before being appointed Deputy Chief Executive Officer in May 2005, Director in June 2006, and then Chief Executive Officer in June 2007. He was appointed Chairman and Chief Executive Officer of Compagnie de Saint Gobain in June 2010.

Paul-Louis Girardot was a director and Chief Executive Officer of Vivendi until 1998. He focused principally on developing the Veolia Environnement Group's utilities concessions, particularly in the water sector. In addition, he contributed significantly to Vivendi's activities in the telephone sector, in particular mobile telephones. He also worked to expand the Veolia Environnement Group's business in the energy services sector and in the decentralized production of electric power (cogeneration), through the Dalkia subsidiary. Paul-Louis Girardot has been Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux since 2001.

Groupama SA is part of the Groupama Group, a French mutual insurance, banking and financial services group. This company is responsible for managing the operational activities of Groupama and its subsidiaries, as well as the reinsurance of all Groupama entities (regional banks and subsidiaries). It is a major player in the insurance market, in the businesses of property and casualty insurance, life and health insurance, savings, banking services and asset management. Its Permanent Representative on the Board of Directors of Veolia Environnement is **George Ralli**, who holds a graduate degree (DESS) in banking and finance from the University of Paris-V and is a graduate of the Institut d'Études Politiques (IEP) in Paris and the Institut Commercial in Nancy. In 1970, he joined Crédit Lyonnais, where he held various management positions in the company and the network until 1981. In 1982, he served as secretary of the Savings Development and Protection Commission. From 1982 to 1985, he headed the financial negotiations department of Crédit du Nord. He joined Lazard in 1986 and became managing partner in 1993, jointly heading the mergers and acquisitions department of Lazard LLC starting in 1999. From 2000 to 2012, Mr Ralli served as Deputy Chairman andManagingDirector of the Executive Committee of Lazard LLC (United States), and in 2005was Co-Chairmanand Chief Executive ofEuropean Investment Banking. He was head of La Maison Française until 2009. He headed the European mergers and acquisitions activities of Lazard (Maison Lazard) and Asset Management (Lazard Frères Gestion) until 2012. He is today managing-partner of IPF Partners, an investment fund specializing in the health sector.

Groupe Industriel Marcel Dassault operates in the civil aeronautics and military sector and invests in various other industries. Its Permanent Representative to the Board of Directors of Veolia Environnement, **Olivier Costa de Beauregard**, passed the agrégation examination of History and is a graduate of the Institut d'Études Politiques (IEP) in Paris and of the École Nationale d'Administration (ENA) (1984-1986). He was Inspector of Finance at the French Treasury from 1986 to 1990 and became a project leader with the Chief Investment Officer of the Union des Assurances de Paris (UAP) in 1991. Mr. Costa de Beauregard was on the Prime Minister's staff from 1993 to 1995 as the Chief Technical Counsel of the Public Facilities, Accommodation and Transportation sectors and was appointed Chief Strategy Officer of AXA-UAP France in 1996. In 1998 he was appointed Executive Officer of Crédit Commercial de France. In 2005 Mr. Costa de Beauregard joined in the Groupe Industriel Marcel Dassault of which he is the Chief Executive Officer.

Marion Guillou is a graduate of the Ecole Polytechnique (class of 1973), holds a PhD in Food Sciences, and is a General Engineer in bridges, water and forestry engineering, and a member of the Academy of Technology and the Academy of Agriculture. She served as General Director of Food at the French Ministry of Agriculture (1996-2000). She led the National Institute of Agronomic Research (INRA) for four years (2000-2004) before being named its President and CEO (2004-2012), where she helped guide research on agriculture, food, environment and international openness (2004-2012). She is currently Chairman of Agreenium (since 2010).

Serge Michel has spent his entire career in the construction and public works sector. After having held the position of Executive Vice-President with the Compagnie de Saint-Gobain group and been Chairman of Socea, he chaired the SGE group until 1991 and the CISE group until 1997. He was Executive Vice-President of the Compagnie Générale des Eaux until 1992. He is currently President of Soficot, a business management and investment consulting company he founded in 1997. Since April 30, 2003, Mr. Michel has been a Director of the Company and Chairman of the Nominations and Compensation Committee.

Baudouin Prot is a graduate of the École des Hautes Etudes Commerciales (HEC) and of the École Nationale d'Administration (ENA). From 1974 to 1983, he was successively the deputy to the prefect of the Franche-Comté region, Inspector of Finance at the French Treasury and deputy to the energy and raw materials General Director in the Ministry of Industry. He joined Banque Nationale de Paris in 1983, where he held various positions before being appointed Executive Vice-President in 1992 and Chief Executive Officer in 1996. After having been appointed Director and Executive Vice-President of BNP Paribas in March 2000, then Director and Chief Executive Officer of BNP Paribas in June 2003, Baudouin Prot was appointed Chairman of the Board of Directors of BNP Paribas on December 1, 2011.

Qatari Diar Real Estate Investment Company is 100% held by Qatar Investment Authority, which is the sovereign fund of the State of Qatar. The Fund is a large scale class investor in development and property and operates in twenty countries in the Middle East, Africa and Europe. Qatari Diar has total investment funds of more than US$ 60 billion. Its Permanent Representative to the Board of Directors of Veolia Environnement is **Mr. Khaled Mohamed Ebrahim Al Sayed**. He is a graduate in electrical engineering science in the United States and has occupied various positions in several departments of internationally recognized organizations, domiciled in Qatar and the United Arab Emirates. His reputation and expertise in business development and project management have been strongly appreciated within Occidental Oil & Gas Corporation and Shell EP International Ltd. The leadership capacity of Khaled Mohamed Ebrahim Al Sayed and special review of his results led him to be appointed Group Chief Executive Officer of Qatari Diar Real Estate Investment Company (Qatari Diar).

Nathalie Rachou is Managing Director of Topiary Finance Ltd., an asset management company (funds of funds) serving private clients based in the UK which she founded in 1999. Mrs Rachou graduated from the École des Hautes Études Commerciales (HEC) in 1978. She completed the first part of her career at Banque Indosuez (now Crédit Agricole). After working as a foreign exchange broker in London and Paris from 1978 to 1982, she was in charge of assets and liabilities management and market risks until 1986, and then created the MATIF business and the bank's brokerage subsidiary. From 1991 to 1996, she was Company Secretary for Banque Indosuez, then from 1996 to 1999 she was head of Global Foreign Exchange and Currency Options worldwide. In November 1999, Mrs Rachou created Topiary Finance, a UK-based asset management company, which she has led ever since. She has been a non-executive Director of the Liautaud & Company investment bank since 2000 (member of the strategy committee), of Société Générale since 2008 (member of the audit, risk and internal control committee) and of Altran Technologies since 2012. She has been a French foreign trade advisor since 2001, and is on the board of ARIS (the Indosuez retiree and former employees' association) and a member of the Cercle d'Outre-Manche, as well as participating in associations at HEC.

Paolo Scaroni holds a degree in economics from Bocconi University in Milan and an MBA from Columbia Business School in New York. After having spent a year with McKinsey & Company following his MBA, between 1973 and 1985 he held various positions with Saint Gobain, ultimately heading the "flat glass" division. In 1985, Paolo Scaroni became Chief Executive Officer of Techint, while at the same time holding the positions of deputy Chairman of Falck and Executive Vice-President of SIV, a joint venture between Techint and Pilkington plc. He became Chief Executive Officer of Pilkington plc in 1996, a position he held until May 2002. He was Chief Executive Officer of Enel from 2002 to 2005, and in June 2005 became Chief Executive Officer of Eni, a position he still holds.

Thierry Dassault, after earning a baccalaureat in Economics and performing his military service at the French military Photographic and Cinematographic Institute, was in charge of civil equipment at Électronique Serge Dassault in Brazil (1979-1981), Chief Executive Officer of an alarm systems company (1982-1984), and Associate Producer and Director of Advertising and Institutional Films at Claude Delon Productions (1985-1993). From 1994 to 2006 Mr. Dassault was President of Dassault Multimedia, which acquired shares in Infogrames, Gemplus, Infonie, BFM, CdandCo, Net2one, Emme and Welcome Real-time. He also personally invested in Chapitre.com. In 2004, he was the unifier of the company Keynectis (that became OpenTrust in September 2013), a leader in identity security and digital transactions of which he is head. At the end of 2006, Thierry Dassault created TDH, an investment company specialized in emerging technologies and niche industries (which holds shares in Aquarelle, Bernardaud, Halys, I-Ces 4D, L Capital, Open Trust, Oletis, Wallix, and YouScribe.com). He is Deputy Chief Executive Officer of the Groupe Industriel Marcel Dassault and attends board meetings of: Dassault Belgique Aviation, Dassault Médias (Le Figaro), Gaumont, Groupe Industriel Marcel Dassault, Halys, Open Trust Particulier et Finances Éditions, Veolia Environnement as "Censeur", Veolia Eau and Wallix. He is a member of the Research, Innovation and Sustainable Development Committee of Veolia Environnement. He is a member of the strategic committee of YouScribe. He is President of the 58th National Session of the IHEDN, a French national defence academy and think tank. He is Chevalier de la Légion d'Honneur and is an air force Colonel of the French military reserve. Finally, he is Vice-Chairman of the Kidney Foundation (Fondation du rein) and member of the Board of Directors of the Foundation for Alzheimer's Research (IFRAD).

14.2 Convictions, bankruptcies, conflicts of interest and other information

On the basis of the representations made by the members of the Board of Directors to Veolia Environnement, to the Company's knowledge, there are no family ties among the members of the Company's Board of Directors and, during the last five years: (i) no member of the Board of Directors of Veolia Environnement has been convicted of fraud; (ii) no member of the Board of Directors has been involved in any bankruptcy, receivership or liquidation proceedings; (iii) no statutory or regulatory authority (including designated professional organizations) has made any official public accusation and/or imposed a sanction on these persons; and (iv) no director has been forbidden by a court from holding a position as a member of a Board of Directors or Management or Supervisory Body of a publicly held company or from participating in the management or business operations of a publicly held company.

To the Company's knowledge, there is no conflict of interest at the level of the Board of Directors or executive management of Veolia Environnement except for Caisse des dépôts et consignations represented by Olivier Mareuse regarding Veolia Transdev, of which Caisse des dépôts et consignations holds 50% of the share capital. In addition to the provisions of the French Commercial Code (Code de Commerce) concerning regulated agreements, the Board of Directors' internal rules and regulations provide that directors must inform the Board of Directors of any existing or potential conflict of interests and abstain from voting in any situation where such a conflict of interest exists. No service contract providing for benefits to be granted in the event such contract is terminated exists between a director or the Chief Executive Officer and the Company or its subsidiaries.

No arrangement or agreement has been concluded with the Company's principal shareholders, other than those concluded with the Groupe Industriel Marcel Dassault and Qatari Diar Real Estate Investment Company (see chapter 18.1, below) or with its customers or suppliers, pursuant to which a member of the Board of Directors thereof has been selected to act as a director or to hold an executive management position in the Company.

Lastly, to the Company's knowledge, the members of the Board of Directors have not agreed to any restrictions on their ability to transfer any interest they may hold in the capital of Veolia Environnement, with the exception of the provision in the Articles of Association requiring each director to own at least 750 registered shares of the Company, without prejudice to the agreements concluded with the Groupe Industriel Marcel Dassault and Qatari Diar Real Estate Investment Company (seechapter 18.1,below).

15

Compensation and benefits of Corporate Officers and Directors

15.1 Compensation of the Chief Executive Officer

The total compensation paid during fiscal year 2013 to the Chief Executive Officer and other corporate officers (Executive Committee members) by the Company and by controlled companies within the meaning of Article L. 233-16 of the French Commercial Code is detailed below.

It is noted that the Board of Directors of Veolia Environnement, at its meeting held on January 7, 2009, confirmed that the AFEP-MEDEF consolidated Corporate Governance Code applicable to listed companies would be the reference used by Veolia Environnement, notably in regard to the compensation of the Chief Executive Officer. This Registration Document and, in particular, the tables in Section 15.1 hereafter and in Chapter 17, Sections 17.3 and 17.4 below (stock subscription or purchase options and free shares) have been prepared in accordance with the format recommended by the AFEP-MEDEF consolidated code, as revised in June 2013, and the AMF's recommendation of December 22, 2008.

15.1.1 Rules and principles adopted by the Board to determine the compensation paid to the Chief Executive Officer

Principles used to determine the compensation of Mr. Antoine Frérot in his capacity as Chairman and Chief Executive Officer

Fixed compensation and benefits

At its meeting on March 14, 2013, the Board of Directors, following the recommendation made by the Nominations and Compensation Committee, decided that the fixed compensation portion of 900,000 euros, awarded to Mr. Antoine Frérot fot the fiscal year 2013 in his capacity as Chairman and Chief Executive Officer of the Company would remain unchanged.

In addition to his compensation, he is entitled to a company car and to social security benefits equivalent to those of employees June 2013 to replace the defined benefits group pension plan that had been in place since 2006 for category 9 management employees and directors who are executive corporate officers of Veolia Environnement. Since the end of June 2013, he transferred to the new plan for executives in category 8 and above (including the Chief Executive Officer), which is expected to undergo changes, including its definitive closure at the end of June 2014 as outlined in section 15.3 below.

Variable compensation for the 2011, 2012 and 2013 fiscal years

The variable portion of the Chief Executive Officer's compensation is weighted since 2003 between a quantitative portion of 70% and a qualitative portion of 30% of the target Bonus basis. The target Bonus basis accounted for 100% of his fixed compensation in 2010 and 125% since 2011, *i.e.*, 1,125,000 euros. The Nominations and Compensation Committee and the Board of Directors believes that the consistency of these compensation weighting rules is a positive element of governance. Since 2010, the financial criteria for determining the quantitative portion of variable compensation have been constant. Since that date, they are incorporated into the Group's objectives of positive free cash flow (after payment of dividend), cost reduction, cash flow after deduction of net investments and increase in adjusted operating income. The quantitative portion of variable compensation is determined on the basis of financial criteria and involved the achievement during the financial year concerned of the budgetary objectives fixed annually by the Board of Directors. The criteria for the qualitative portion for financial years 2011, 2012 and 2013 are set out below.

2011 variable portion of compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 24, 2011, for the purposes of determining the variable portion of the Chief Executive Officer's compensation in respect of the year 2010, maintained a quantitative portion of 70% and a qualitative portion of 30%. This was in line with the Group's objectives for 2011, which were positive free cash flow after payment of the dividend, and increasing adjusted operating income (excluding the effect of the Veolia Transport-Transdev merger) and an increase in net profits. The criteria for the quantitative portion of the variable compensation of the Chairman and Chief Executive Officer involve the achievement of the budgetary objectives concerning (i) adjusted operating cash flow after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements (weighted at 35% hereafter defined the "Cash flow indicator"), and (ii) the increase in Adjusted Operating Income (weighted at 35%).

The qualitative portion of 30% was assessed with respect to the following qualitative criteria: the individual and managerial performance, the implementation of Group projects creating synergies and the promotion of actions taken by the Group in terms of safety.

Applying these criteria and given the partial achievement (realization rate of the quantitative target Bonus basis of 31%) during fiscal year 2011 (achievement of a positive free cash flow above the external objectives announced and an Adjusted Operating Income down sharply as compared to 2010), the Board of Directors, on March 15, 2012, awarded Mr. Antoine Frérot an amount of 244,940 euros for the quantitative portion of his variable compensation for 2011. However, at the specific request of Mr. Antoine Frérot, he was not awarded the qualitative portion of variable compensation.

2012 variable portion of compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 15, 2012, maintained, for the purposes of determining the variable portion of the Chairman and Chief Executive Officer's compensation in respect of the year 2012, the weighting concerning a quantitative portion of 70% and the qualitative portion of 30%. With regard to the Group's 2012 objectives of disposals and debt reduction in line with the objective to increase positive free cash flow (after payment of dividends) and cost reduction in line with the objective to increase adjusted operating income (excluding Veolia Transport-Transdev), the criteria for the quantitative portion of the variable compensation of the Chairman and Chief Executive Officer were based on the achievement of the budgetary objectives concerning (i) the Cash Flow Indicator, and, (ii) the increase in Adjusted Operating Income (weighted at 35%).

The qualitative portion of 30% was assessed with respect to the following qualitative criteria: the achievement of the Group's strategic transformation plan.

Applying these criteria and given the achievement of the objectives announced for the year 2012 (for the quantitative portion: achievement of a positive free cash flow above the external objectives announced, exceeding of the debt reduction objective and the cost reduction plan ahead of schedule despite the drop in adjusted operating income compared with 2011; for the qualitative portion: successful completion of disposals and group refocusing), the Board of Directors, on March 14, 2013, decided to award Mr. Antoine Frérot an amount of 679,293 euros in respect of the quantitative and qualitative portion of his variable compensation for 2012.

The 2012 variable portion represented a 52% average realization rate on the Cash Flow Indicator and Adjusted Operating Income financial criteria of the quantitative portion and a 80% rate on the quantitative portion.

2013 variable portion of compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 14, 2013, maintained, for the purposes of determining the variable portion of the Chairman and Chief Executive Officer's compensation for 2013, the same weighting concerning the quantitative portion of 70% and the qualitative portion of 30%, and therefore the target Bonus base (fixed at 125% of the fixed portion, compounding to 1,125,000 euros in the event that 100% of the annual targets are met). Quantitative and qualitative elements for the variable portion for 2013 were fixed as follows:

For the quantitative portion of the variable compensation, the 2013 quantitative elements, second year of the Group's transformation, were established in view of achievement of the budgetary targets concerning (i) adjusted operating cash flow after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements (weighted at 35%), and (ii) the increase in Adjusted Operating Income (weighted at 35%). These criteria were in line with the Group's major objectives for 2013 to control its debt and to improve its profitability as part of a strategy of profitable growth.

The qualitative portion of the variable compensation, was assessed with respect to execution of the Group's strategic transformation plan

In light of the profits and achievement of the 2013 objectives the calculation of the variable quantitative portion leads to an amount of 583,377 euros and therefore an average rate of 74.1% on the realization of the Cash Flow Indicator and of the Adjusted Operating Income criteria (i.e 74% of the quantitative target Bonus basis).

The Board of Directors decided on March 11, 2014 to compensate Mr. Antoine Frérot with 303,750 euros for the qualitative variable portion of his compensation for 2013, i.e., 90% of his qualitative Bonus base with reference in particular to the implementation during 2013 of the far-reaching reorganization of the Group in a difficult economic context and the first results seen by this transformation.

The total amount of his variable compensation (quantitative and qualitative portions) for the Fiscal Year 2013 is therefore 887,127 euros or 78.85% of his target Bonus base for the fiscal year 2013.

The methods used to determine the variable portion of the Chairman and Chief Executive Officer's compensation for the fiscal year 2014, adopted by the Board of Directors on March 11, 2014, are set out at the end of this Chapter 15.1.1.

Total compensation paid to Mr. Antoine Frérot in his capacity as Chairman and Chief Executive Officer of Veolia Environnement

In fiscal year 2013, the total compensation paid to Mr. Antoine Frérot amounted to 1,581,326.28 euros. Mr. Antoine Frérot thus received the fixed portion of his compensation for 2013 (900,000 euros), as well as the variable portion of his compensation for the fiscal year 2012, paid in 2013 (679,293 euros). Finally, he received benefits in kind and waived his directors' fees for 2012 and subsequent years for his positions held within the Company and other companies of the Group.

In respect of the year 2013, the total compensation due amounts to 1,789,157 euros: corresponding to a 13% increase compared to the amount due for the 2012 fiscal year, including the fixed portion of his compensation for 2013, unchanged from 2012 (900,000 euros), the variable portion of his compensation for the 2013 fiscal year (887,127 euros) as well as the benefits in kind. Mr. Antoine Frérot did not receive directors' fees for his positions held within the Company and other companies of the Group.

The table below shows a summary of compensation of all kinds, detailed in the tables hereafter and in Chapter 17, Section 17.3.2 and 17.4 below concerning information relating to stock subscription or purchase options and performance shares.

Table summarizing the total compensation, options and shares granted to Mr. Antoine Frérot

(in euros)	**2011**	**2012**	**2013**
Total compensation owed for the fiscal year	1,244,604	1,580,610	1,789,157
Value of options granted during the fiscal year	0	0	0
Value of performance shares granted during the fiscal year	N/A	N/A	N/A
TOTAL	**1,244,604**	**1,580,610**	**1,789,157**

Table summarizing the compensation paid out to Mr. Antoine Frérot

	2011	**2012**		**2013**	
	Amounts owed for the fiscal year	**Amounts owed for the fiscal year;**	**Amounts paid out during the fiscal year**	**Amounts owed for the fiscal year;**	**Amounts paid out during the fiscal year**
Fixed compensation in his capacity as Chairman and Chief Executive Officer of the Company	900,000	900,000	900,000	900,000	900,000
Variable compensation in his capacity as Chairman and Chief Executive Officer of the Company	244,940(1)	679,293(2)	244,940	887,127	679,293
Extraordinary compensation	0	0	0		
Directors' fees					
• Paid by Veolia Environnement	33,600(4)	0	8,400(3)	0	
• Paid by controlled companies(5)	64,466	0	64,466	0	
Benefits in kind(6)	1,598	1,317	1,317	2,030	2,030
TOTAL	**1,244,604**	**1,580,610**	**1,219,123**	**1,789,157**	**1,581,326**

(1) *Variable portion for 2011 paid out in 2012.*
(2) *Variable portion for 2012 to be paid out in 2013.*
(3) *Directors' fees paid in respect of his position as director for the 4th quarter of 2011.*
(4) *Directors' fees paid in respect of his position as director for the 4th quarter of 2010 and the first three quarters of 2011.*
(5) *Directors' fees received or to be received in respect of positions in other companies of the Veolia Environnement Group, in France and abroad.*
(6) *Provision of a company car.*

Compensation of Mr. Antoine Frérot in his capacity as Chairman and Chief Executive Officer and objectives for 2014

Following the recommendations made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 11, 2014, decided**, to maintain the fixed portion of Mr. Antoine Frérot's compensation unchanged at 900,000 euros** for the year 2014.

In respect of the Group's objectives for 2014, the Board of Directors **decided, for the purposes of setting the variable portion of the Chairman and Chief Executive Officer's compensation for the 2013 fiscal year, to maintain a quantitative portion of 70% and a qualitative portion of 30% as well as the amount of the target Bonus basis**.

The criteria and financial indicators applied to determine the quantitative portion of the Chairman and Chief Executive Officer's variable compensation for 2013 have remained unchanged within the framework of the Company's 2014 goals, and relate to growth in adjusted operating cash flow after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements and to the increase in Adjusted Operating Income. These two criteria are each weighted at 35%. Also the qualitative portion of 30% will be assessed depending on the performance of the Chairman and Chief Executive in realizing the Group's strategic transformation plan and on the improvements he might bring, as Chairman of the Board of Directors, to the quality of the work of the Board of Directors.

Allocation of stock subscription or purchase options and performance shares

With regard to the policy for the allocation of stock subscription or purchase options and performance shares to the Company's Chief Executive Officer, the Board of Directors, on March 24, 2011, March 15, 2012, and March 14, 2013, decided that due, in particular, to legal constraints, no allocation of this kind to the Chairman and Chief Executive Officer would be made in 2011, 2012 and 2013. Furthermore, no award is planned in 2014 of stock subscription or purchase options (see Article L. 225-177-1 and following of the French Commercial Code) and/or performance shares (*see* Article L. 225-197-1 and following of the French Commercial Code) to the executive corporate officer.

Information regarding stock subscription or purchase options potentially awarded to the Chairman and Chief Executive Officer during fiscal year 2013 can be found in Chapter 17, paragraph 17.3, below.

15.1.2 Total compensation paid to Directors(1)

Amount and distribution of directors' fees in 2013

The General Meeting of Shareholders of May 7, 2011, following a proposal from the Board of Directors, set the total annual amount of directors' fees at 866,000 euros. Since 2010, a provision has been made for an attendance fee: half of the amount of directors' fees due to a director is paid entirely in proportion to his or her recorded attendance (considering participation using telecommunication methods as attendance).

For the year 2013, following the proposals made by the Nominations and Compensation Committee, the Board of Directors, on March 14, 2013, decided not to request any changes to the annual amount of directors' fees from the General Meeting of Shareholders held on May 14, 2013. It also decided to maintain the same distribution of attendance fees as in 2011 and 2012(2) and validated the renewal of the Chairman and Chief Executive Officer's decision to waive his attendance fees for 2013.

In addition, the Board of Directors decided on May 14, 2013, having approved the appointment of Louis Schweitzer as Vice-Chairman, the position of which he previously filled until the General Meeting of Shareholders in 2012 and that he combined, since May 14, 2012, with his current duties as Senior Independent Director, the annual directors' fees paid to the Vice Chairman/Senior Independent Director was set at 100,000 euros.

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(1) Non-executive corporate officers.

(2) An amount of 33,600 euros in respect of the directorship, comprising (a) a fixed amount of 16,800 euros and (b) a variable potential amount of 16,800 euros paid only in proportion to the rate of participation of the director concerned in meetings of the Board during the fiscal year;

- *an additional amount of 8,400 euros in respect of the participation of a director as a member (and not as Chairman) of a Board committee;*
- *an additional amount of 67,200 euros for the Chairman of the Accounts and Audit Committee;*
- *an additional amount of 33,600 euros for the Chairman of the Nominations and Compensation Committee;*
- *an additional amount of 16,800 euros for the Chairman of the Research, Innovation and Sustainable Development Committee; and*
- *an amount of 16,800 euros in respect of the term of office of the non-voting member [censeur] (or 50% of the amount set aside in respect of the directorship), half of which is only due in proportion to the rate of the non-voting member's participation in meetings of the Board.*

Table of directors' fees in 2013 and 2012

The table below shows the amount of directors' fees paid in 2013 and 2012, as well as the amount owed for these two fiscal years to members of the Board of Directors of Veolia Environnement by the Company and by controlled companies. Moreover, as from 2013 and for that year, Mr. Antoine Frérot has decided to waive attendance fees paid by Group-controlled companies.

	2013				2012			
	Amounts owed for the fiscal year		Amounts paid out during the fiscal year		Amounts owed for the fiscal year		Amounts paid out during the fiscal year	
Name of the director	By the Company	By controlled companies[1]	By the Company	By controlled companies	By the Company	By controlled companies	By the Company	By controlled companies
Jacques Aschenbroich[1]	63,299[9]	0	52,500[9]	0	14,891	0	12,600	0
Maryse Aulagnon[1]	32,989[9]	0	28,000[9]	0	14,891	0	12,600	0
Daniel Bouton	109,200[9]	0	109,200[9]	0	109,200	0	109,200	0
Caisse des Dépôts et Consignations[2]	31,920	0	27,618	0	22,018	0	18,200	0
Thierry Dassault, Censeur	22,680[9]	4,600	20,586[9]	4,600	16,036	4,600	14,700	4,600
Pierre-André de Chalendar	38,640[9]	0	37,545[9]	0	47,345	0	46,200	0
Jean-François Dehecq[3]	N/A	N/A	N/A	N/A	12,600	0	15,400	0
Augustin de Romanet de Beaune[2]	N/A	N/A	N/A	N/A	5,600	0	12,600	0
Antoine Frérot[4]	0	0	0	0	0	0	8,400	64,466
Paul-Louis Girardot	50,400[9]	44,795	50,400[9]	44,795	50,400	44,795	50,400	47,969
Groupama SA[1][5]	33,600[9]	0	25,963[9]	0	13,363	0	12,600	0
Groupe Industriel Marcel Dassault[6]	50,400[9]	0	50,400	0	50,400	0	50,400	0
Marion Guillou[7]	38,640[9]	0	30,100[9]	0	700	0	0	0
Esther Koplowitz[3]	N/A	N/A	N/A	N/A	12,600[9]	0	18,200[9]	0
Philippe Kourilsky	8,400[9]	0	17,945[9]	0	47,345	0	50,400	0
Serge Michel	67,200[9]	5,430	67,200[9]	5,430	67,200	10,430	65,800	10,430
Henri Proglio[8]	N/A	N/A	N/A	N/A	16,800	7,400	23,800	14,014
Baudouin Prot	26,880[9]	0	21,891[9]	0	27,491	0	25,200	0
Qatari Diar Real Estate Investment Company	25,200[9]	0	24,245	0	30,545	0	33,600	0
Nathalie Rachou[1]	42,000[9]	0	39,900[9]	0	14,891[9]	0	12,600[9]	0
Georges Ralli[1][5]	N/A	N/A	N/A	N/A	4,200	0	11,200	0
Paolo Scaroni	23,215[9]	0	15,655[9]	0	25,200[9]	0	26,600[9]	0
Louis Schweitzer	123,250[9]	0	110,750[9]	0	104,750	0	111,850	0
TOTAL	**787,843**	**54,285**	**729,899**	**54,825**	**708,466**	**67,225**	**742,550**	**141,479**

N/A: not applicable

(1) Mr. Jacques Aschenbroich, Mrs. Maryse Aulagnon, Groupama SA, represented by Mr. Georges Ralli, and Mrs. Nathalie Rachou were appointed as directors by the General Meeting of Shareholders on May 16, 2012.

(2) Caisse des Dépôts et Consignations, represented by Mr. Olivier Mareuse, was co-opted by the Board of Directors on March 15, 2012 as director to replace Mr. Augustin de Romanet de Beaune, who resigned on February 29, 2012 with effect from March 15, 2012.

(3) The terms of office of Mr. Jean-François Dehecq, Mrs. Esther Koplowitz and Mr. Georges Ralli expired on May 16, 2012.

(4) The full compensation of Mr. Antoine Frérot is indicated in Chapter 15.1.1. At its meeting of March 14, 2013, the Board of Directors validated the renewal of Mr. Antoine Frérot's decision to waive his attendance fees for 2013. Mr. Antoine Frérot also decided to waive attendance fees paid by controlled companies for fiscal 2013.

(5) As from May 16, 2012, directors' fees are paid to Mr. Georges Ralli at the request of Groupama SA.

(6) As from fiscal 2011, directors' fees are paid to Mr. Olivier Costa de Beauregard at the request of the Groupe Industriel Marcel Dassault.

(7) Mrs. Marion Guillou was co-opted by the Board of Directors on March 15, 2012 as director to replace Mr. Henri Proglio.

(8) Mr. Henri Proglio tendered his resignation as director on October 10, 2012.

(9) Amounts before withholding tax at source.

Amount and distribution of directors' fees in 2014

In order to address the appointment in 2014 of two directors representing employees, and, if necessary, to also reorganize the committees of the Board of Directors and/or increase the number of meetings, the Board of Directors, in its meeting of March 11, 2014 and following the recommendations made by the Nominations and Compensation Committee decided to ask the General Meeting of Shareholders to be held on April 24, 2014 to approve an increase in the total annual amount of attendance fees from 866,000 to 980,000 euros.

The Board also took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his attendance fees for the year 2014, and decided to apply in 2014 (subject to confirmation by the General Meeting of Shareholders on April 24, 2014) the same distribution of attendance fees as used in 2013 (see details in note 2 to the above paragraph on "Amount and distribution of directors' fees in 2013"). In application nevertheless of the AFEP-MEDEF Code of Good Governance[1], (amended in June 2013), it has decided on the basis of an unchanged attendance fee of 33,600 euros to be distributed as follows: one portion fixed for 40% and another variable at 60%, subject to attendance rate.

15.2 Compensation of senior executives excluding the Chief Executive Officer (Executive Committee members)

All members of the Executive Committee in office on December 31, 2013 (see Chapter 16, Section 16.4 below), (excluding the Chairman and Chief Executive Officer) received total gross compensation totaling 4,282,823 euros in 2013 (for an Executive Committee made up of nine members excluding the Chairman and Chief Executive Officer), as compared to 3,445,263 euros in 2012 (for an Executive Committee made up of eight members excluding the Chairman and Chief Executive Officer).

The tables below show the total gross compensation paid out to members of the Company's Executive Committee on December 31, 2011, 2012 and 2013, with the exception of the Chairman and Chief Executive Officer, including the fixed and variable compensation paid or due in respect of these fiscal years by Veolia Environnement, benefits in kind and directors' fees received by Executive Committee members in respect of directorships held in companies of the Veolia Environnement Group in France and abroad.

	2011 fiscal year (9 members)	
(in euros)	**Amounts owed for the fiscal year**	**Amounts paid out during the fiscal year**
Fixed compensation	3,113,259	3,113,259
Variable compensation	1,335,273	1,923,382[1]
Directors' fees		
• Paid by Veolia Environnement	0	0
• Paid by controlled companies	162,245	162,245
Benefits in kind	23,935	23,935
TOTAL	**4,634,712**	**5,222,821**

(1) Variable portion for the year 2010 paid in 2011.

Contrary to the previous fiscal year where profit-sharing of 36,000 euros had been paid out in 2010 in respect of 2009, no profit-sharing was paid out to employees under an employment contract with the Company in 2011 in respect of 2010.

(1) *Article 21 of the new AFEP-MEDEF code: "It shall be recalled that the method of allocation of directors' compensation, the total amount of which is determined by the meeting of shareholders, is set by the Board of Directors. It should take account, in such ways as it shall determine, of the directors' actual attendance at meetings of the Board and committees, and therefore include a significant variable portion."*

Contrary to the previous fiscal year where no profit-sharing had been paid out in 2011 in respect of 2010, total profit sharing of 11,687 euros was paid to the members of the Executive Committee excluding corporate officers.

	2012 fiscal year (8 members)	
(in euros)	Amounts owed for the fiscal year	Amounts paid out during the fiscal year
Fixed compensation	3,025,864	2,168,864
Variable compensation	1,546,000	1,140,455
Directors' fees		
• Paid by Veolia Environnement	0	0
• Paid by controlled companies	0[(1)]	124,991[(2)]
Benefits in kind	10,953	10,953
TOTAL	**4,582,817**	**3,445,263**

(1) As from 2012, it has been decided that members of the Group Executive Committee and executives will no longer receive attendance fees in respect of their positions held in 2012.
(2) Amounts paid in 2012 for the 2011 fiscal year.

	2013 fiscal year (9 members)	
(in euros)	Amounts owed for the fiscal year	Amounts paid out during the fiscal year
Fixed compensation	2,985,000	2,924,016
Variable compensation	1,917,052	1,348,709
Directors' fees		
• Paid by Veolia Environnement		
• Paid by controlled companies		
Benefits in kind	10,098	10,098
TOTAL	**4,912,150**	**4,282,823**

(1) These figures do not take into account possible expatriation compensation.

15.3 Retirement pensions and other benefits

There is no contract between the members of the Board and the Company or its subsidiaries that provides for the payment of benefits or compensation owed, or that may be owed, in the event of members ceasing or changing their functions within the Company or its subsidiaries, other than the Chairman and Chief Executive Officer's termination compensation and the supplementary defined benefits group pension plan described below.

Compensation in the event of termination of office as Chairman and Chief Executive Officer

It is noted that [(1)], in accordance with the AFEP-MEDEF recommendations for the corporate governance of listed companies, ,the Company's Board of Directors, at its meeting on December 17, 2009, recorded the termination, as of January 1, 2010, of Mr. Antoine Frérot's employment contract, which had been suspended on November 27, 2009 when he was appointed Chairman and Chief Executive Officer of Veolia Environnement. The termination of Mr. Antoine Frérot's employment contract caused him to lose the right under the collective bargaining agreement to receive severance compensation related to his years of service within the Group (over 19 years as of that date).

The Board of Directors, following a proposal from the Nominations and Compensation Committee, and further to the approval of shareholders at the General Meeting held on May 7, 2010 decided to award Mr. Antoine Frérot compensation in the event of the termination of his term of office as Chairman and Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L. 225-42-1 of the French Commercial Code – law relating to employment, labor and purchasing power).

(1) In his capacity as Director until October 10, 2012

Within the framework of the renewal of the mandate of Mr. Antoine Frérot at the April 24, 2014 General Meeting of Shareholders the Board of Directors decided in its meeting of March 11, 2014, upon the proposal of the Committee for Nominations and Compensation, to renew this indemnity with terms similar to those previously applied and in complience with the AFEP-MEDEF Code of Corporate Governance, namely:

- this compensation is limited to cases of "departure due to a change in control or strategy". It would not be applied where (1) Mr. Antoine Frérot leaves the company on his own initiative outside the case of a "forced departure", or (2) he is able to claim his full retirement on the date of cessation as Chief Executive Officer, or (3) he accepts after his departure as Chairman, a proposal of reclassification of general management positions (as employee or officer of the company) within the Group;

- the maximum amount is limited to twice the yearly gross compensation (excluding the attendance fees and benefits in kind) including the fixed portion of his compensation during the last year ("Fixed Portion") and the average of the variable portions ("Variable Portion") paid or due for the three last fiscal years prior to termination of his position as Chief Executive Officer("Reference Compensation");

- the calculation of this amount and of the fixed and variable portions of this compensation both depend on the achievement of performance conditions. The calculation of the amount of compensation is equal to twice the sum of (1) the Variable Portion of his Reference Compensation (the average of the last three fiscal years) and (2) the Fixed Portion of his Reference Compensation (last fiscal year), adjusted by a “Performance Rate” equal to the average percentage of the variable remuneration target bonus (also called “target Bonus basis” or meeting 100% of annual objectives) over the last three fiscal years ended before the termination of his term of office. The methods for determining the variable portion of remuneration of Mr. Antoine Frérot are detailed in section 15.1.1 above;

- exceptionally, when calculating the Reference Compensation and only for the year 2011, the variable portion will be restated to take into account that Mr. Antoine Frérot unilaterally decided to waive the qualitative portion of his variable compensation. Therefore, the amount of variable compensation for the fiscal year 2011 for purposes of this calculation would be as follows: the quantitative variable portion due during 2011 (244,940 euros) would be increased by a qualitative variable portion equal to 30% of the base Bonus target (337,500 euros) to which is applied the achievement rate (31.3%) used to calculate the quantitative portion for that financial year (*i.e.* an increase of 104,962 euros for the qualitative portion of the 2011 bonus) and an adjusted variable compensation for 2011 leaving a total sum of 349,902 euros instead of 244,940 euros.

The renewal of this indemnity, in the event of termination of Mr. Antoine Frérot’s term of office, will be put to vote at the Company’s General Meeting of Shareholders on April 24, 2014.

Supplementary defined benefits group pension plan

Overview of the Group supplementary defined benefits plan applicable from 2006 to June 2013

Starting in the year 2006, the Company set up a supplementary defined benefits group pension plan for members of the Company’s Executive Committee (salaried category 9 management employees, including corporate officers who are parties to a suspended employment contract), in line with practices of other groups included in the CAC 40.

This supplementary pension plan is a regulated agreement subject to the provisions of Article L. 225-42-1 of the French Commercial Code. Accordingly, it was presented for authorization and approved at the Annual General Meeting of Shareholders on May 11, 2006.

This supplementary pension plan, whose funding was outsourced to an insurance company, had the following characteristics:

- a specific plan that takes into account the cancellation of the supplementary pension plan for the benefit of the Group’s executive managers following the split-up of the Vivendi and Veolia Environnement groups and the loss of seniority they had acquired up until December 31, 2002 as employees of the former principal shareholder (Compagnie Générale des Eaux, which became Vivendi Universal, and was then renamed Vivendi);

- an additional plan that is separate from other pensions, that is based on seniority (a minimum of five years' seniority of which two years' seniority as a member of the Executive Committee), capped at 25% of the annual reference compensation (for 25 years of service);
- a limit on the total retirement benefits received set at a maximum of 50% of the annual reference compensation;
- salaried management employees or senior executive management acquired a potential right to an annual retirement pension calculated as a percentage of their reference compensation up to an amount equal to 60 times the maximum annual Social Security ceilings;
- in accordance with legal requirements, the benefits of this supplementary group pension plan were conditioned on the member's completion of his/her career, whether he/she is a salaried management employee or someone who holds a senior executive management position in Veolia Environnement.

In March 2009 (approved by the General Meeting of Shareholders on May 7, 2009), the rules and regulations of this plan were amended following the Company's adoption of provisions bringing it into conformity with the provisions of the AFEP-MEDEF Consolidated Corporate Governance Code recommending the termination of the employment contract of the Chairman and Chief Executive Officer. To ensure that the termination of the employment contracts of senior executive management did not negatively affect their rights, it was decided to amend the rules and regulations governing this plan in order to clarify the eligibility requirements, in an official capacity, of this supplementary defined benefits group pension plan for senior executive management, whether or not they are parties to an employment contract.

After obtaining the opinion of the Nominations and Compensation Committee, the Board of Directors, at its meetings held on October 21 and December 17, 2009, decided to make additional amendments to the rules and regulations governing the supplementary defined benefits group pension plan in order to include, as beneficiaries, members who permanently end their professional career after the age of 55 without subsequently engaging in other professional activity in accordance with legal requirements, to entitle the beneficiaries to choose to defer the payment date of their retirement pension after exercising their retirement rights and to choose between the payment of a survivor's pension to the surviving spouse and the payment of guaranteed annuities to any person of their choice. Lastly, the annual reference compensation was based on the average of the three highest years of gross annual compensation from among the last ten years. However, this reference compensation is limited to 60 times the annual Social Security ceiling.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code, on the basis of a special report prepared by the statutory auditors, the General Meeting of Shareholders on May 7, 2010 approved these changes to the extent that they concern senior executive management.

New Group supplementary defined benefits plan in force since July 2013

After a favorable opinion of the Works Council and the Nominations and Compensation Committee, the Board of Directors decided on March 14, 2013, upon a motion by the Chairman and Chief Executive Officer, **tocancel, effective June 30, 2013, the defined benefits group pension plan for Executive Committee members (category 9 employees and senior executive manager) and to replace it with the defined benefits group pension plan open to all category 8 and higher management employees (and senior executive officer).**

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code, on the basis of a special report prepared by the statutory auditors, the General Meeting of Shareholders on May 14, 2013 approved these changes to the extent that they concern the Chief Executive Officer.

The supplementary defined benefits group pension plan for category 8 and higher management employees (and Chief Executive Officer) was amended effective July 1, 2013.

The main characteristics of this new supplementary defined benefits group pension plan are as follows:

- eligibility of employees will be conditional upon the following: at least five years of service, the completion of their career in the company and their presence in the company workforce at the time of voluntary or involuntary retirement as well as the settlement of their general plan at the full rate (including mandatory basic pensions or supplementary pensions);
- the reference compensation taken into account to determine the amount of the pension is equal to the average of the last three years of full remuneration within the limit of eight annual social security caps;
- **the pension amount** is determined based on the number of years of service in the Group and **capped at a maximum of 10% of the reference compensation** for beneficiaries with more than 30 years of service.

The amount booked as provisions (cost of services rendered) for this supplementary group pension for 2013 is equal to the amount shown as post-employment benefits in Note 30.2 of the consolidated financial statements (see below).

In accordance with the recommendations of the AFEP-MEDEF Consolidated Corporate Governance Code, the value of the benefits provided by the supplementary pension plan is taken into account when setting the Chairman and Chief Executive Officer's total compensation. Furthermore, the group of potential beneficiaries is not only limited to Chief Execution Officer, agement, but also includes category 8 or higher management employees of the Company.

The reference period used to calculate benefits is the average compensation calculated over several years, excluding compensation paid at the time of employment termination or retirement, as well as any other type of extraordinary compensation. Lastly, provided he is still with the company at the time of his departure or retirement in accordance with legal requirements, the theoretical annual amount of the lifetime annuity of Mr. Antoine Frérot, Chairman and Chief Executive Officer, could, upon his retirement, represent 10% of his annual reference compensation. This reference compensation is capped at eight annual social security ceilings. The amount of this theoretical annual lifetime annuity would be reduced by the annuity amounts paid by the supplementary pension plans to which Mr. Antoine Frérot could, therefore, have access due to his affiliation with the Veolia Environnement Group, calculated without survivor benefits.

Summary of the situation as of December 31, 2013

	Employment contract[(1)]		Supplementary pension plan		Compensation or benefits owed or likely to be owed in the event of termination or a change of position		Compensation pursuant to a non-compete covenant	
Directors – Corporate Officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Antoine Frérot, Chairman and Chief Executive Officer Start date of term of office as Chief Executive Officer: November 27, 2009 End date of term of office as Chairman and Chief Executive Officer: Ordinary General Meeting 2014		X[(1)]	X[(2)]		X[(3)]			X

(1) Pursuant to a decision adopted by the Board of Directors on December 17, 2009, the employment contract of the Chief Executive Officer, Antoine Frérot, was terminated with effect as of January 1, 2010.
(2) Antoine Frérot is a member of the supplementary defined benefits group pension plan set up for category 8 and higher management employees of Veolia Environnement (see Chapter 15.3 above).
(3) Pursuant to a decision adopted by the Board of Directors on December 17, 2009, Antoine Frérot is entitled to compensation in the event of termination of his term of office as Chief Executive Officer, in accordance with the provisions of the "TEPA " Act (Article L. 225-42-1 of the French Commercial Code) and the AFEP-MEDEF Consolidated Corporate Governance Code (see Chapter 15.3 above).

Changes in the supplementary group pension plans in 2014

In accordance with the commitments made at its meeting on March 14, 2013 and after a favorable opinion of the Works Council and the Nominations and Compensation Committee, the Board of Directors, decided, at their meeting held on March 11 2014, upon a motion by the Chairman and Chief Executive Officer:

- to close the defined benefits pension plan for category 8 and higher executives (including the senior executive officer not party to an employment contract) with a freeze on entitlements and closure of the plan to new members, effective June 30, 2014;
- and to amend, effective July 1, 2014, the existing supplementary defined contributions group pension plan. The main characteristics of this amended plan, which will be submitted for vote at the General Meeting of Shareholders on April 24, 2014 (as a regulated commitment in favor of the Chief Executive Officer) would be as follows:
  - category of beneficiaries: Executives within the meaning of Article 4 of the national collective agreement of AGIRC (the supplementary pension fund for executives), whose compensation is greater than or equal to three annual social security caps. Compensation includes all components subject to social security contributions (fixed salary, variable salary, bonuses, benefits in kind). In particular, this plan would be open to category 8 and higher management employees (including the senior executive manager),
  - funding of the plan: Contributions to the plan are equal to a percentage of the compensation of the relevant employees,
  - contributions break down as follows: 2.25% employer share for tranches A, B and C; 1.25% employee share for tranches A, B and C; 4.50% employer share for tranche D; 2.50% employee share for tranche D,

- pension amount: The amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the liquidation date for all mandatory and optional pensions based on the reserves held by the insurance company and other parameters assessed on that date,
- optional individual payments: Possibility of making Optional Individual Payments within the limits of the available tax and social security budget.

This new change in the group supplementary pension plan, which includes the senior executive officer, is subject to ratification by the Annual Shareholders' Meeting on April 24, 2014 as a regulated agreement.

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Operation of management and supervisory bodies

16.1 Operation of the Board of Directors

16.1.1 Principles of Corporate Governance and AFEP-MEDEF Code

The Company applies a corporate governance code in accordance with the provisions of the French Commercial Code in connection with its stock listing on the Euronext Paris Regulated market, as well as the US corporate governance *principles,* especially under the Sarbanes-Oxley Act, since the Company has an ADR listing on the New York Stock Exchange.

It should be recalled that the Company's Board of Directors that held on January 7, 2009 confirmed that the AFEP-MEDEF code of corporate governance of listed companies, as amended in June 2013 (www.medef.fr, under the section "*gouvernement d'entreprise*") is that referred to by Veolia Environnement.

In compliance with the "apply or explain"rule resulting from Article 25.1 of the AFEP-MEDEF code, the Company will indicate hereunder the recommendations in this code that were disregarded for the 2013 financial year.

Summary Table of the Recommendations of the AFEP-MEDEF Code not adopted for the 2013 Financial Year

Recommendations of the AFEP-MEDEF Code not adopted for the 2013 Financial Year	Explanation
Recommendation provided in article 6.4 of the Code under the terms of which "with regard to the representation of men and women, the objective is that each board shall reach and maintain **a percentage of at least 20% of women within a period of three years** […], **from the General Meeting of 2010** […]".	(See chapter 16.1.2 below "Composition of the Board of Directors"). This recommendation will be applied by the Company from the 2014 financial year. On the basis of the recommendations of the Nominations and Compensation Committee, the Board of Directors decided, at its session held on March 11, 2014, to propose to the Combined General Meeting to be held on April 24, 2014, in addition to the renewal of the term of office held by Mr. Antoine Frérot, to renew the offices held by Mr. Daniel Bouton of Groupe Industriel Marcel Dassault, represented by Mr. Olivier Costa de Beauregard, andof Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Al Sayed, for a four-year period to expire at the end of the Annual Ordinary General Meeting that, in 2018, will be asked to approve the accounts for the financial year ended December 31, 2017.The office of Mr. Paul-Louis Girardot will not be renewed, so at the end of the aforementioned shareholders' meeting, the Board will be composed of 15 Directors, three of whom (20%) will be women.
Recommendation in article 18.1 of the Code, under the terms of which "[…] the committee in charge of compensation shall be chaired by an **independent director**".	(See Chapter 16.1.3 below"Independence ofDirectors"). This recommendation will be applied by the Company as from financial year 2014. Based on the recommendations of the Nominations and Compensation Committee, the Board of Directorss decided, at its session held on March 11, 2014, to appoint, starting from that day, Mr. Louis Schweitzer (Independent Director) as Chairman of the Nominations and Compensation Committee to replace Mr. Serge Michel, who would continue to serve on the committee.

16.1.2 Composition of the Board of Directors

Members of the Board of Directors

As of the date of filing of this registration document, the Board of Directors has sixteen directors and one non-voting member ("censeur"). The list of their names and the expiration dates of their terms of office, a brief curriculum vitae and the table of other appointments that they may hold, including outside the Group, are featured in Chapter 14 (section 14.1 above), and their shareholdings in the Company are shown in Chapter 17, Section 17.5 below.

Board members are appointed by the ordinary general meeting at the proposal of the Board of Directors which, in turn, receives the proposals of the Appointments and Compensation Committee. Board members may be removed at any time by decision of the general meeting. Each director must own at least 750 registered shares in the Company.

The Board of Directors may appoint one or more censeursunder Article 18 of the Bylaws as adopted by the combined general meeting of May 7, 2010. On that date, Thierry Dassault was appointed to the office of censeurby the Board of Directors for a four-year term expiring at the close of the general meeting convened to vote on the 2013 financial statements. The censeur'smission is to attend the Board of Directors' meetings in an advisory capacity, and the Board may freely ask him for advice.

The Company's Board of Directors has no employee-elected members, but two members of the Company's Works Council attend the Board of Directors' meetings in a non-voting advisory capacity.

Renewal of the Board Members' terms of office

In accordance with the AFEP-MEDEF Code, Article 11 of the Company's Bylaws provides for a four-year term of office for directors and annual renewal of the terms of one quarter of Board members(1).

More in particular, the combined general meeting of May 14, 2013:

- renewed the appointment of Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse, and Mr. Paolo Scaroni, for a term of four years ending on the date of the Annual General Meeting of Shareholders called to approve the financial statements for the year ended December 31, 2016; and
- confirmed the co-optation of Ms. Marion Guillou as a director and renewed her appointment for a term of four years, ending on the date of the Annual General Meeting of Shareholders called to approve the financial statements for the year ended December 31, 2016.

On February 26, 2014, the Boardof Directors of VeoliaEnvironnement decided, on the basis of the proposal from the Nominations and Compensation Committee, to suggest to the General Meeting that Mr. Antoine Frérot have his office as a Director renewed. Subject to a vote taken at the Annual Combined General Meeting of April 24, 2014, the Boardof Directors will appoint Mr. Antoine Frérotas Chairman and CEO of VeoliaEnvironnementfor a new four-year term.

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(1) In order to comply with the provisions of the Bylaws that provide for the annual renewal of one quarter of the Board of Directors, before the 2015 General Shareholders' Meeting, one director will need to be randomly selected from among the directors who were either appointed or had their term of office renewed during the 2012 General Shareholders' Meeting. The term of office of the person selected in this way will be reduced to three years (i.e., his or her term of office will expire at the close of the 2015 ordinary General Shareholders' Meeting).

Under the renewal of one-fourth of the Board annually,the Board of Directors, at its meeting held on March 11, 2014, formally noted that the terms of office of the following fiveDirectors (Mr. Antoine Frérot, Mr. Daniel Bouton, Mr.Paul-Louis Girardot, GroupeIndustriel Marcel Dassault, represented by Mr. Olivier Costa de Beauregard, and Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Al Sayed) are due to end at the end of the General Meeting to be held on April 24, 2014.

On the recommendation of theNominations and Compensation Committee, the Board of Directorsdecided on March 11, 2014 to propose to the Combined General Meeting of April 24, 2014that, in addition to renewing the term of office of Mr. Antoine Frérot, to also renew the terms of office of Mr. Daniel Bouton, GroupeIndustriel Marcel Dassault, represented by Olivier Costa de Beauregard, andQatari Diar Real Estate Investment Company, represented by Mr. Khaled Al Sayed, for a four-year term expiring at the end of the Annual Ordinary General Meeting that, in 2018, will be asked to approvethe accounts for the financial year ended December 31, 2017 as well as the non-renewal of the term of office of Mr. Paul-Louis Girardot. The Boardwill propose the appointment of the latter in the capacity of non-voting member alongside Mr. Thierry Dassaultat the end of the General Meeting to be held on April 24, 2014.

When these renewals of terms of office and the non-renewal of the term of office of Mr. Paul-Louis Girardot come into effect, the Board of Directors will be composed of 15 Directors, three of whom (*i.e.* 20%) will be women.

Applying the principal of equal representation of men and women

The Nominations and Compensation Committee has taken note of the provisions of the Law of January 27, 2011 providing for equal representation of women and men on Boards of Directors. In accordance with that law and the amended AFEP-MEDEF Code, the Nominationsand Compensation Committee made recommendations to the Board on March 15, 2012 to propose the appointment of an increased number of women to the Board on the occasion of future annual general shareholders' meetings. As of the date of filing of this Registration Document, the Board has three women among the Directors, accounting for 18.75% of the total Board members. If the changes to the composition of the Board of Directors proposed to the General Assembly of April 24, 2014 are approved, this percentage would increase to 20%.

Selection criteria for Directors

The Board of Directors' Nominations and Compensation Committee advises the Board on the selection of candidates for the purpose of renewing the composition of the Board of Directors based on the following criteria, in particular: management skills acquired in major French and foreign international corporations, familiarity with the Company and its industry, professional experience, financial and accounting expertise and sufficient availability. The Board is striving to diversify the profiles of its members, of both French and foreign nationality, particularly by increasing the number of women over the coming years, while making sure to bring about a balance among the various stakeholders in the Company. As of the date of filing of this Registration Document, the Board had two Directors of foreign nationality, representing 12.5% of the total (Paolo Scaroni is Italian and Khaled Mohamed Ebrahim Al Sayed is Bahraini).

Training and integration of new directors

At the request of the Board of Directors, the Company organizes training for new Directors on the specifics of the Group's businesses to facilitate their integration, particularly through site visits. Moreover, to facilitate their integration, new Board members may meet the Group's key executive officers.

16.1.3 Independence of the Directors

Criteria of independence of the Directors

According to the terms of the internal regulations of the Board of Directors, members are considered independent if they have no relationship with the Company, its Group or its management that might compromise their ability to exercise their judgment objectively. According to the internal regulations, which adopt the criteria stipulated by the AFEP-MEDEF Code, an independent Director must:

1) not be an employee or have been a member of the Company's Management Board, director or member of the executive management of its former parent corporation or of any of the companies that it consolidates, nor have held any such position within the past five years;

2) not be a director or executive officer of any company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such, or a director or executive officer of the Company (now or within the past five years) holds a directorship;

3) not be a customer, supplier, investment banker or commercial banker that is material for the Company or its Group or for which the Company or its Group represents a significant part of the business (nor be directly or indirectly linked with such a person);

4) not have any close family ties with a director or executive officer;

5) not have been an auditor of the Company within the past five years;

6) not have been a member of the Supervisory Board or director of the Company for 12 years from the date on which his current term of office was conferred.

In the case of Directors holding 10% or more of the Company's capital or voting rights or representing a legal entity with such shareholdings, the Board, based on a report from the Nominations and Compensation Committee, shall decide whether or not they are independent, taking into account the composition of the Company's capital and the existence of any potential conflicts of interest.

Those criteria are evaluated and weighed by the Board of Directors, which may decide that a director who does not meet the criteria defined in the internal regulations may nevertheless be characterized as independent in light of his particular situation or that of the Company, in light of its shareholding structure or any other reason, or vice versa.

The internal regulations also stipulate that the Board of Directors shall proceed each year, before publishing the Registration Document, to the evaluation of the independence of each of its members based on the criteria set by said regulations, special circumstances, the situation of the person in question, of the Company and of the Group and the opinion of the Nominations and Compensation Committee.

Evaluation of the independence of the Directors

The Board of Directors, in its meeting held on March 11, 2014, performed the annual review of the independence of the Directors after hearing the opinion of the Nominations and Compensation Committee.

The Board has qualified as independent MaryseAulagnon, Jacques Aschenbroich, Daniel Bouton, Pierre-André de Chalendar, Paul-Louis Girardot, Groupama SA represented by Georges Ralli, GroupeIndustriel Marcel Dassault represented by Olivier Costa de Beauregard, Marion Guillou, BaudouinProt, Qatari Diar Real Estate Investment Company represented by Khaled Mohamed Ebrahim Al Sayed, Nathalie Rachou, Paolo Scaroni and Louis Schweitzer.

The following table shows a case-by-case assessment of each of the directors in relation to the independence criteria defined by the AFEP-MEDEF Code.

Name of the director	*Criterion no.1*	*Criterion no.2*	*Criterion no.3*	*Criterion no.4*	*Criterion no.5*	*Criterion no.6*
Antoine Frérot	No	Yes	Yes	Yes	Yes	Yes
Louis Schweitzer	Yes	Yes	Yes	Yes	Yes	Yes
Jacques Aschenbroich	Yes	Yes	Yes	Yes	Yes	Yes
Maryse Aulagnon	Yes	Yes	Yes	Yes	Yes	Yes
Daniel Bouton	Yes	Yes	Yes	Yes	Yes	Yes
Caisse des dépôts et consignation	Yes	No	Yes	Yes	Yes	Yes
Pierre-André de Chalendar	Yes	Yes	Yes	Yes	Yes	Yes
Paul-Louis Girardot	Yes	Yes(3)	Yes	Yes	Yes	Yes
Groupama SA, represented by Georges Ralli	Yes	Yes	Yes	Yes	Yes	Yes
Groupe Industriel Marcel Dassault, represented by Olivier Costa de Beauregard	Yes	Yes	Yes	Yes	Yes	Yes
Marion Guillou	Yes	Yes	Yes	Yes	Yes	Yes
Serge Michel	Yes	Yes	No	Yes	Yes	Yes
Baudouin Prot	Yes	Yes	Yes(1)	Yes	Yes	Yes
Qatari Diar Real Estate Investment Company, represented by Khaled Mohamed Ebrahim Al Sayed	Yes	Yes	Yes(2)	Yes	Yes	Yes
Nathalie Rachou	Yes	Yes	Yes	Yes	Yes	Yes
Paolo Scaroni	Yes	Yes	Yes	Yes	Yes	Yes

(1) The Board of Directors has decided to uphold for 2014, the qualification of independence of BaudouinProt given the limited financing agreed with BNP Paribas, and the general independence of Veolia Environnement in relation to bank financing, as well as the limited weight of the commitments of Veolia Environnement in relation to the activities of this bank.
(2) The Board also maintained the independent status of Qatari Diar Real Estate Investment Company, represented by Khaled Mohamed Ebrahim Al Sayed, due to the absence of any significant business relationship between the Company and this Director up to the present date.
(3) The Board has qualified Paul-Louis Girardot as an independent director because of the time that has elapsed since he ceased to exercise his duties as Chief Executive Officer of the former lead company of the Water Division.

"Yes" means compliance with the AFEP-MEDEF Code in relation to independence criteria.

"No" means non-compliance with the AFEP-MEDEF Code in relation to independence criteria.

Criterion 1: Status as an employee or executive officer within the past five years.

Criterion 2: Existence or otherwise of cross-directorships.

Criterion 3: Existence or otherwise of any significant business relationship.

Criterion 4:Existence of close family ties with a director or executive officer.

Criterion 5: Not have been a Statutory Auditorof the company within the past five years.

Criterion 6: Not have been a director of the company for more than twelve years.

Other Directors qualified as independent do not have business relations with the Company or any significant business relationship likely to compromise their freedom of judgment.

As of the date of filing of this Registration Document, the Company’s Board of Directors therefore has thirteen independent members, representing 81.25% of the total members, which is more than the recommendation of the AFEP-MEDEF Code.

16.1.4 Powers and work of the Board of Directors

Powers of the Board of Directors

In accordance with the law, the Board of Directors establishes the policies concerning the Company's business and supervises the implementation thereof. Subject to the powers expressly granted to shareholders' meetings and within the limits of the corporate purpose, the Board of Directors has the authority to consider all issues concerning the proper operation of the Company and, by its deliberations, resolves matters that concern the Board.

In addition to the powers conferred on the Board of Directors by the law, its internal regulations impose an internal requirement that certain major decisions of the Chairman and Chief Executive Officer be submitted for the Board of Directors' prior approval. These limitations of internal authority are described below (see Section 16.3.2).

Meeting frequency, duration and participation

According to its internal regulations, the Company's Board of Directors must meet at least four times a year. During the 2013 fiscal year, the Board met ten times (versus eleven times in 2012), and its meetings lasted an average of three hours (as in 2012). The average attendance rate at Board of Directors' meetings in 2013 was 86% (versus 82% in 2012). The option to participate through distance communication was used in eight out of ten meetings in 2013 (versus three out of eleven meetings in 2012).

Work of the Board of Directors in 2013

The activities of the Board of Directors in 2013 were mainly divided among the following subject areas: strategy, long-term plan and 2014 budget, review of the 2012 annual financial statements and 2013 first-half financial statements, accounting information for the first and third quarters of 2013 and draft of the corresponding financial disclosures. In the context of the 2012 financial statements, special attention was given to the dividend policy, the proposed appropriation of income and payment of a scrip dividend. The Board also issued the notice of meeting for the annual combined general meeting and approved the reports and draft resolutions to be submitted to the shareholders. It reviewed the Company's policy on employee savings (PEG), the 2012 Registration Document and the report of the Chairman of the Board pursuant to Article 225-37 of the French Commercial Code. It also examined the summaries and reports by their respective chairs of the work performed by the Accounts and Audit and Nominations and Compensation Committees, the report by the Chairman of the Research, Innovation and Sustainable Development Committee,and the policy on gender equality in employment and pay. It approved the divestiture of Berlin Water and reviewed the financing policy. It took note of the changes to the Group's organizational structure and the revision of the cost reduction program. It also carried out a review of the Water business in France.

More in particular, the Board renewed the financial and legal authorizations granted to the Chairman and Chief Executive Officer, notably for financing activities and off-balance sheet commitments, and agreed to the Group's material guarantee authorizations.

On issues of corporate governance, in 2013 the Board's work focused on the policy and setting of the amount of the Chief Executive Officer's compensation and the examination of the policy applicable to the Executive Committee, examining the criteria for selecting directors during the change in its composition, particularly with regard to appointing women to the Board, evaluating the independence of the directors and internal controls and approving the Chairman's report, renewing part of the Board by the general meeting, distributing directors fees and appointing Mr. Louis Schweitzer as Vice-Chairman.

The Board met for a strategic seminar to discuss in depth the key strategic policies put forth by the management. The Board then discussed and approved the 2014 budget and long-term plan outlining this strategy. In 2013, the Board of Directors was regularly informed of key commercial developments and the initiatives planned by the Executive Management. The Board also received *reports*from the Executive Management on road shows. The Board of Directors, mainly through a system of reporting to the Board and the reports from the Accounts and Audit Committee, was periodically informed of the changes in the body of shareholders, the Group's financial and cash position, the off-balance sheet commitments of the Company and the Group, and changes in significant litigation. The Group's Chief Financial Officer, Secretary General and General Counsel attended the Board meetings in 2013. The directors receive a monthly report regarding stock prices and the follow-up on analyst recommendations. Every six months, the Executive Management provides the directors with detailed documentation regarding business activities, internal matters (appointments, social policy) and the Group’s corporate activities (actions with various institutions in France, Europe and abroad, keeping abreast of regulatory changes) during the period in question.

Evaluation of the Board and of the actions of the Executive Management

Once a year, the Board must devote one point on its agenda to an assessment of how it operates, to be prepared by the Nominations and Compensation Committee, and it must arrange a discussion about the way in which it operates in order to improve its efficiency, check that the major issues have been suitably prepared and discussed by the Board, and measure the effective contribution of each member to the Board’s work. Furthermore, the Board’s internal regulations require that a formal assessment be performed every three years by an external organization under the direction of the Nominations and Compensation Committee, with the aim of checking that the operating principles of the Board have been complied with and making it possible to identify proposals designed to improve its operation and efficiency. The Nominations and Compensation Committee produces an annual assessment report for the Board of Directors, which the Directors discuss, concerning the performances of the Chairman and Directors, as well as the actions taken by the Executive Management.

As required by the Board’s internal regulations, the conclusions of a formal assessment conducted by an outside organization were submitted to the Board on March 24, 2011 by the Chairman of the Nominations and Compensation Committee. In application of decisions taken during this meeting, the Chairman and CEO convened the Board in November 2011 in a strategic seminar, with the participation of the Executive Committee, leaving plenty of time for contributions and discussions; prior to this meeting, the Directors received a thorough briefing through documentation that included information about the competition situation relating to the Group’s activities.

In 2012, the results of the annual assessment initiated by the Chairman of the Nominations and Compensation Committee were communicated at the Board meeting held on March 15, 2012. In general, the replies resulting from this assessment were largely positive in noting improvements made to the operation of the Board and it was determined that the requests formulated during the formalized assessment made in 2011 had been met. On that occasion, the main requests for improvement were formulated: hold meetings more frequently to introduce the various businesses with the presence of the relevant managers; develop information concerning risks and the competition; devote more time to internal debates; re-examine the Board’s authorization levels in terms of its internal regulations. With respect to the composition of the Board, there was a recommendation to consider its size and to increase the number of women appointed to it. The operation of the committees was generally considered to be satisfactory. After discussions, the Board, adopted the following conclusions: introduce one day a year dedicated to strategy; change the Board’s internal regulations and those of the Accounts and Audit Committee so as to enable the Audit Committee to examine Group operations reaching a threshold of between 150 and 300 million euros; finally, the Board requires a longer advance notice period in relation to the transmission of draft financial communications.

In application of the decisions taken at this meeting, the Chairman and CEO will convene the Board annually into a strategic seminar with the participation of the Executive Committee.

A new formalized assessment performed by an external organization was initiated in late 2013 and submitted to the Board on March 11, 2014 by the Chairman of the Nominations and Compensation Committee. The following main conclusions emerge from this assessment: the Board members noticed over the past two years an improvement in the way the Board of Directors operates with respect to the items dealt with and in particular the depth of the discussions. With respect to governance, combining the duties of Chairman and CEOisconsidered, in the current position of the group, to be the most suitable solution and in this context, the role of the VP is considered, in the current position of the Group, as being the most suitable and in the context, the role of the Vice-Chairman is considered essential. With respect to the composition of the Board, the Directors are generally in favor of a reduction in its size, its continued appointment of more women, and the co-option of members with special experience of contracts in the utilities and Energy sectors. An increase in the number of international Board membersis also recommended as well as the creation, where appropriate, of a consultative body of the "international advisory board" type, that would be able to provide the Chairman and CEO with support for the Group's international development policy.

In terms of operation of the Board, if the holding of meetings, the number thereof and the time they last are considered to be suited to the current situation, the Directors would like meeting schedules to be provided with greater advance notice (two years instead of one year, as currently), to be consulted to a greater extent about the agendas for meetings and, on a formal level, for presentations to be more concise and with better monitoring of the implementation of decisions made and actions to be undertaken. Finally, the Board would like to be more closely associated with risk analysis and have more information about loss-making contracts.

The relationship between the Board and its committees, as well as their contribution is considered to be satisfactory on the whole. The Board would like to see improvements, however, in the following areas: in terms of governance, the Nominations and Compensation Committeeought to be split into two committees, and it is desirable, with respect to the way in which all these committees operate, that their work program should be circulated in advance; with respect to the Accounts and Audit Committee, there should be a more in-depth analysis of risk and of the reports to the Board in this area, as well as greater involvement in monitoring the management information systems.

16.1.5 Role of the Chairman of the Board of Directors

The internal regulations of the Board clarify the role of the Chairman of the Board of Directors.

The Chairman of the Board of Directors organizes and directs the work of the Board and reports thereon to general shareholders' meetings. He is responsible for preparing reports on the organization of the Board's work, internal controls and risk management. He chairs general shareholders' meetings.

In general, the Chairman of the Board of Directors ensures the proper operation of the Company's corporate bodies and compliance with good governance principles and practices, in particular regarding the committees created within the Board. He ensures that the directors are in a position to perform their duties and that they are adequately informed. He devotes the time necessary to issues concerning the Group's future and, in particular, issues concerning the Group's strategy.

In accordance with the internal regulations, the Directors and the Chief Executive Officer are required to promptly inform the Chairman and the Board of all conflicts of interest, even if only potential, and of all proposed agreements that may be made by the Company in which they may have a direct or indirect interest.

The Chairman of the Board chairs Board meetings and prepares and coordinates the Board's work. In this regard, he:

- convenes Board meetings in accordance with the schedule of meetings agreed upon with the directors and decides if it is necessary to convene Board meetings at any other time;
- prepares the agenda for meetings, supervises the preparation of documentation to be provided to the directors and ensures that the information therein is complete;
- ensures that certain subjects are discussed by the committees in preparation for Board meetings and ensures that the committees perform their duties of making recommendations to the Board;
- leads and directs the Board's discussions;
- ensures the directors' compliance with the provisions of the internal regulations of the Board and of the committees;
- monitors implementation of the Board's decisions;
- in conjunction with the Nominations and Compensation Committee, prepares and organizes the Board's periodic assessment work.

The Chairman has the means necessary to perform his duties.

16.1.6 Senior Independent Director

Appointment of a Senior Independent Director

On October 21, 2009, the Board of Directors decided to create the position of Vice-Chairman to assist the Chairman with his duties to ensure proper operation of the Company's governing bodies, on the British model of the Senior Independent Director. In accordance with the internal regulations of the Board, the Senior Independent Director is chosen from among the directors characterized as independent for the duration of his term of office of independent director. The Board appointed the independent director Louis Schweitzer to assume this position of Vice-Chairman, effective November 27, 2009.

At its meeting of March 15, 2012, the Board noted that Louis Schweitzer would be 70 years old in 2012 and that, pursuant to Article 12 of the Company's Bylaws, his term as Vice-Chairman of the Company could not continue beyond the general meeting of May 16, 2012. On the recommendation of the Nominations and Compensation Committee, the Board decided to appoint him, with effect from the annual general meeting of May 16, 2012, as Senior Independent Director responsible for performing functions relating to the smooth running of the Company's governance bodies for the duration of his term of office, insofar as he remains an independent director as determined by the Board. At its meeting held on March 14, 2013, in accordance with the recommendations of the Nominations and Compensation Committee, the Board of Directors approved the appointment of Louis Schweitzer as Vice-Chairman, a role he held previously until the 2012 General Meeting of Shareholders and that he will combine with his role as Senior Independent Director. This appointment arose from the approval by the General Meeting of May 14, 2013 of the modification of Article 12 of the Company's Bylaws, increasing the maximum age of the Vice-Chairmen from 70 to 75 years.

Role of the Senior Independent Director

The Senior Independent Director's duties include helping the Chairman ensure that the Company's governing bodies are running smoothly. In this regard, the Senior Independent Director examines, in particular, conflicts of interest, including potential conflicts of interest that may involve the Board members or the Chairman of the Board with regard to the interests of the Company, whether they arise in connection with operational projects, strategic policies or specific agreements. The Vice-Chairman submits his recommendations to the Chairman and the Board after any necessary consultation with the other independent directors.

The Senior Independent Director is informed of the concerns of major shareholders not represented on the Board regarding governance issues and ensures that such concerns are addressed. If necessary, and in agreement with the Chairman of the Board, the Senior Independent Director may also himself respond to questions of major shareholders or meet with them if the ordinary avenues for doing so (i.e., the Chairman and Chief Executive Officer or the Chief Financial Officer) have been unable to handle such concern or if the nature itself of the matter renders these ordinary avenues inadequate or inappropriate.

In connection with the evaluation of the Board's operations pursuant to its internal regulations, the Senior Independent Director assists the Nominations and Compensation Committee in its work of evaluating the performance of the Chairman of the Board.

16.1.7 Securities Trading by Directors and Executive Officers

Reporting obligations and prohibition of securities trading

According to the Board's internal regulations, every director or *censeur* must report all transactions performed with regard to the Company's securities to the AMF and to the Company and comply, in particular, with the provisions of Article L.621-18-2 of the French Monetary and Financial Code and Article 223-22 of the general regulations of the AMF(the table detailing transactions involving Veolia Environnement securities carried out by directors during 2013 is shown in Section 17.5.1 below). The members of the Board of Directors and the Company's management personnel or senior management, and their close personal relations, shall report all acquisitions, sales, subscriptions or trades in the Company's securities and financial instruments to the AMF, within five trading days after completion.

In addition, directors and executive officers are also subject to French and U.S. laws and regulations on breach of duty and insider trading, which sanction the use or disclosure of privileged information. In accordance with Article L. 621-18-4 of the French Monetary and Financial Code, the Company draws up, and keeps up to date, a list of permanent insiders, which is available to the AMF, and which includes in particular the members of the Board of Directors and of the Company's Executive Committee.

The Company's directors and executive officers are required to comply with the provisions of the Company's Code of Conduct with respect to securities transactions (see Section 4.2.2.2.4 above). In that respect, the members of the Board of Directors and of the Executive Committee are deemed by the Company to be permanent insiders and may not buy or sell the Company's securities, directly or through a third-party intermediary, during certain periods: during the six-week period up to and including the date of publication of the annual financial statements, the four-week period up to and including the publication of the interim financial statements, and the two-week period up to and including the date of publication of quarterly financial information, or even outside of those periods so long as they possess insider information. In order to prevent any difficulties related to applying the code of conduct, the individuals in question should consult with the Company's Secretary General.

Shareholding obligation of Directors and Executive Officers

In accordance with Article L. 225-185 of the French Commercial Code, the Company's Board of Directors decided on March 29, 2007, at the proposal of the Nominations and Compensation Committee, to apply a rule to require its Chairman and Chief Executive Officer to set up a Veolia Environnement share portfolio equal to 50% of the balance of the shares that result from exercising options after payment of tax (capital gains tax and mandatory social security contributions) and the cost of financing (number of options that it is necessary to exercise by combined exercise and sale in order to finance the exercise price of the portfolio and the tax). That rule has not been applied in practice, as the performance criterion set in the 2007 stock options plan has not been met and considering that no options or performance shares have been awarded to the Company's directors and executive officers since that date. The rule may be reassessed by the Board in the future.

16.1.8 Other Information about the Operation of the Board

This section sums up the corresponding sections of the internal regulations of the Board of Directors.

Directors' duties and obligations

According to the Board's internal regulations, its members are subject to the following obligations: acting in the Company's best interests; informing the Board of any conflict of interest, even potential, and abstaining from votes on any decisions in which they may have a conflict of interest; performing their duties in accordance with the statutory provisions, notably those concerning the limits on terms of office, and regularly attending Board and committee meetings; being informed in order to be able to deal effectively with the agenda items; considering themselves bound by professional secrecy and by a duty of loyalty; complying with the Company's code of conduct with respect to securities transactions. The members of the Board of Directors and, where applicable, the Chief Executive Officer are required to promptly report to the Chairman of the Board any agreement signed by the Company in which they are directly or indirectly interested or which were concluded through an intermediary on their behalf.

Each director receives a periodically updated "Director's Guidebook" which includes the following primary documents: the Company's Articles of Association, a summary of the Chief Executive Officer's powers, the internal regulations of the Board of Directors, Accounts and Audit Committee, and Nominations and Compensation Committee, the Company's code of conduct with respect to securities transactions, with a reminder of the rules applicable to the reporting obligations of directors and executive officers for transactions performed with regard to the Company's securities, and the "Ethics, Commitment and Responsibility" Charter.

Information provided to directors

The Chairman provides directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman constantly provides the members of the Board with all significant information concerning the Company. Each director receives and has the right to request all necessary information to perform his duties, and may also request additional training concerning the specificities of the Company and the Group.

In order to fulfill their duties, the directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

In the event that the Chairman's duties are separated from those of the Chief Executive Officer, the internal regulations of the Board of Directors provide that the non-director Chief Executive Officer is automatically invited to all Board meetings, unless the Chairman or the Board decides otherwise. At the request of the Chairman or of a director, the heads of the Group's divisions may be invited to any Board meeting devoted to the prospects and strategies of their business sector.

Participation by means of telecommunications

Directors may participate in the Board's votes by videoconference or other means of telecommunications, under the conditions set out in Articles L.225-37 and R. 225-21 of the French Commercial Code and as provided by the internal regulations of the Board of Directors. In such case, directors are deemed to be present for the purpose of calculating the *quorum* and majority, except with regard to the vote on certain major decisions as provided by law and by the Board's internal rules (in particular, the year-end closing of accounts and preparation of the management report and the consolidated financial statements).

16.1.9 Compensation of Board members

The rules governing directors' fees and the amounts paid in 2013 are stated in Chapter 15, Section 15.1.2 above.

16.2 Operationsand Work of the Committees of the Board of Directors

Since April 30, 2003, when the Company adopted a mode of governance as a joint stock company with a Board of Directors (sociétéanonyme à conseild'administration), the Company's Board of Directors has been assisted by an Accounts and Audit Committee, a Nominations and Compensation Committee, and, since September 14, 2006, a Committee for Research, Innovation and Sustainable Development.

16.2.1 Accounts and Audit Committee

Operations and composition of the committee

The Accounts and Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors at least five times a year to review the periodic and annual financial statements before their submission to the Board of Directors. In 2013, the Accounts and Audit Committee met seven times (eight times in 2012). The average attendance rate in 2013 was 91% (versus 87.5% in 2012).

The Accounts and Audit Committee has three to five members appointed by the Board of Directors from among the Directors (excluding those Directors in management positions) pursuant to a recommendation made by the Nominations and Compensation Committee. The committee chairman is appointed by the Board.

At its meeting of December 12, 2012, the Board made changes to the composition of the Accounts and Audit Committee. It decided to appoint Jacques Aschenbroich, replacing Pierre-André de Chalendar, and one additional member, Nathalie Rachou. As of the date of the filing of this Registration Document, this committee had five members, all of whom are deemed independent in application of the criteria set forth by the Board's internal rules: Daniel Bouton (Chairman), Jacques Aschenbroich, Paul-Louis Girardot, GroupeIndustriel Marcel Dassault represented by Olivier Costa de Beauregard, and Nathalie Rachou.

According to the internal regulations of the Accounts and Audit Committee, its members are required to be chosen on the basis of their financial or accounting expertise, and at least one committee member must have specific financial or accounting expertise and be independent under the criteria specified in the internal regulations of the Board of Directors. On March 24, 2011, the Board of Directors classified Mr. Daniel Bouton, Mr. Paul-Louis Girardol and GIMD represented by Mr. Olivier Costa de Beauregard, members of the Accounts Committee, as "financial experts", within the meaning of the U.S. Sarbanes-Oxley Act and French law, having determined that they had the necessary qualifications and experience. All of the committee's members are considered to be independent according to the criteria set forth in the New York Stock Exchange Manual.

Duties of the committee

The duties of the Accounts and Audit Committee, according to its internal regulations adopted by the Board, take into account U.S. laws and regulations concerning the assessment of internal controls of financial and accounting information, and the Order of December 8, 2008 which transposes into French law the Eighth Directive on Statutory Audits of Corporate Financial Statements (Directive 2006/43/EC), and the AMF recommendations of July 2010.

In general, the Accounts and Audit Committee is responsible for monitoring issues concerning the preparation and control of accounting and financial information and, in particular, for monitoring (i) the integrity of the Group's financial statements and the process for preparing financial information; (ii) the effectiveness of internal control systems concerning financial and accounting information and the Group's risk management systems that are expressed in the accounting system, or identified by Executive Management, and that may affect the financial statements; (iii) the Group's compliance with statutory and regulatory requirements where these are relevant to financial reporting or internal control; (iv) evaluation of the Statutory Auditors' skills and independence; and (v) the performance of their duties by the Group's Internal Audit Department and the Statutory Auditors with respect to auditing the parent company and consolidated financial statements. In this regard, the duties of the committee are:

a) **Process of preparing accounting and financial information:** (i) together with the Statutory Auditors, reviewing the relevance and consistency of the accounting methods used to prepare the parent company or consolidated financial statements, examining whether major transactions are adequately processed on a Group-wide level; (ii) reviewing the scope of the consolidated companies and the procedures of collecting financial and accounting information and interviews and seeking the explanations and comments of the Statutory Auditors in this respect, where necessary; (iii) giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by Executive Management before those statements are presented to the Board; (iv) interviewing the Statutory Auditors, the members of the Executive Management and financial officers, particularly on the off-balance sheet commitments, depreciation/amortization, provisions, goodwill and principles of consolidation; such interviews may be conducted without the presence of the Company's Executive Management; (v) taking cognizance of, and expressing an opinion on the process of preparing press releases on the occasion of publication of the annual or interim financial statements and the quarterly information; and in the context of the Board's examination of the press releases concerning, in particular, the annual and interim financial statements, making sure that the presentation of this financial information to the market is consistent with the information in the financial statements, according to the information in its possession;

b) **internal audit:** (i) taking cognizance of the Company's audit charter; (ii) examining once a year the Group's annual internal audit program; (iii) periodically receiving information from the Company with regard to the progress in the program to audit and assess the internal control system (see Section 404 of the Sarbanes-Oxley Act) and risk management system, summaries of the auditing assignments carried out and, once a year, an overall analysis of the main lessons learned from the auditing year; and (iv) interviewing the head of the internal audit department and giving the committee's opinion on the organization of the work of his department;

c) effectiveness of internal control and risk management systems, particularly in the context of the provisions of Section 404 of the Sarbanes-Oxley Act (assessment of the effectiveness of internal control procedures relating to financial and accounting information) and Article L. 823-19 of the French Commercial Code (see Order of December 8, 2008 which transposed the Directive on the statutory audit of financial statements):

- concerning the monitoring of the effectiveness of internal control systems: (i) periodically receiving information from the Company about the organisation and procedures of internal control relating to financial and accounting information;(ii) interviewing the head of the Internal Control Department and giving the committee's opinion on the organization of the work of his department; (iii) hearing an annual report from the Ethics Committee on the whistleblowing system available to employees with respect to accounting, finance, management audits and control; having significant matters referred to it by the Ethics Committee in said fields and ensuring the follow-up of those cases with said committee;

- concerning monitoring of the effectiveness of the system of managing the risks expressed in the accounting statements or those identified by Executive Management that may have an effect on the financial statements: (iv) periodically examining the mapping of the main risks identified by Executive Management that may affect the financial statements; (v) taking cognizance of the main characteristics of the procedures for managing those risks and their results, based in particular on the work of the Risk Management Department, the Internal Audit Department and the Statutory Auditors in relation to internal control procedures; and (vi) following up implementation of corrective actions in relation to any identified weaknesses that might have an impact on the financial statements;

d) Statutory Auditors: (i) reviewing the Statutory Auditors' planned work on an annual basis; (ii) interviewing the Statutory Auditors and the officers in charge of finances, accounting and treasury, in certain cases without the presence of members of the Company's Executive Management; (iii) supervising the procedure for choosing Statutory Auditors and making recommendations thereon; (iv) giving its opinion regarding the amount of fees requested by the Statutory Auditors; (v) giving its prior approval to auditor activities that are strictly ancillary or directly complementary to the audit of the financial statements; and (vi) being informed of the fees that the Company and the Group pay to the audit firm and network, ensuring that the amount of these payments or the share of these payments in the firm's and the network's revenue does not call into question the independence of the Statutory Auditors, and reviewing together with the Statutory Auditors any risks threatening their independence and the precautionary measures to be taken to reduce such risks.

Activities of the committee in 2013

In 2013, the Accounts and Audit Committee organized its activities, as before, within the framework of a program drawn up by the committee for the year under review. The meetings are covered by minutes and by a report from the committee chairman to the Board of Directors.

The Accounts and Audit Committee proceeded to review the annual and interim financial statements and the associated business report. It reviewed the main accounting decisions, impairment testing of assets and at-risk contracts. The committee also reviewed the financial information and business reports for the first and third quarters of 2013. Pursuant to the provisions of Section 404 of the Sarbanes-Oxley Act, the committee read the summary of the internal control activities and evaluation for the 2012 fiscal year, certified by the Statutory Auditors, and examined the 20-F report for 2012. It examined reports on fraud, and reviewed the action plans for fraud prevention, as well as the report on the activities of the Ethics Committee. The Committee examined summaries of internal audits conducted in 2012 and the first half of 2013, and approved the internal audit program for 2014.

Together with the Company's management, the committee also reviewed the key processes involved in its duties: review of the financial policy and planned financing transactions, review of the investment process and divestment transactions, tax review and review of legal reporting on major disputes, financial review of the Water Division, review of the risk management system and updates on the implementation of action plans, review of the environmental risk management system and review of the progress of IT projects linked to financial and accounting information. The Committee was informed in particular about: changes in the Group's organization, the planned redistribution of Dalkia activities in France and globally, the divestment of the Water business in Berlin and in Morocco, the development of the SNCM situation; and changes in IFRS.

The committee approved the Statutory Auditors' assignments for 2013 and fee budget for 2014. It reviewed the status of their appointments as well as their independence, how they organized their tasks and their recommendations. It was also involved in the process to reappoint an auditor.

The committee may interview persons outside the Company if it deems such interviews useful for the performance of its duties. In addition, the committee may consult with outside experts. It may also interview the Company's financial officers or the Statutory Auditors without the presence of the Chief Executive Officer. Thus, during the past year, the Chairman of the Accounts and Audit Committee and/or the committee members interviewed and met with the Chief Financial Officer, the financial services director, the Group internal audit director, the internal control director, the secretary general, the general counsel, the tax director, the risk management director, the Group insurance director, the human resources director, the cash-flow financing director, the development director, the executive vice-president and the finance director of the Energy division, the chairman of the Ethics committee, and the Company's Statutory Auditors. The committee did not call upon outside consultants in 2013.

16.2.2 Nominations and Compensation Committee

Operations and composition of the committee

The Nominations and Compensation Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directorsat least twice a year. In 2013, the Nominations and Compensation Committee met 15 times (three times in 2012). The average attendance rate was 100% (100% in 2012).

In accordance with its internal regulations, the Nominations and Compensation Committee has between three and five members, who are appointed by the Board of Directors pursuant to a proposal of the Nominations and Compensation Committee. The committee members are selected from among the Directors who do not hold management positions. The committee Chairman is appointed by the Board. The Board has decided on March 11, 2014 to name Mr. Louis Schweitzer Chairman of this Committee to replace Mr. Serge Michel, who remains a member.

As of the date of the filing of this Registration Document, this committee had four members, three of whom are deemed independent according to the criteria set forth in the Board's internal rules: Louis Schwetzer(1) (Chairman), Serge Michel, Daniel Bouton(1), and GroupeIndustriel Marcel Dassault, represented by Olivier Costa de Beauregard(1). There were no changes to this committee in 2013.

Duties of the committee

The main duties of the Nominations and Compensation Committee are as follows:

a) **compensation:** (i) to study and make proposals regarding the overall compensation of the Company's executive officers, in particular with regard to the rules and criteria governing the variable portion of compensation consistent with the annual assessment of their performances and the medium-term strategy and performance of the Company and the Group, and with regard to the granting of in-kind corporate benefits, options to purchase or subscribe shares and the allocation of bonus shares, pension plans, termination compensation and any other benefits, ensuring that all such components are taken into account in evaluating and setting their overall compensation; (ii) to propose to the Board of Directors an overall amount of Directors' fees to be paid to the Directors, as well as the rules for the distribution of these; (iii) to give the Board of Directors its opinion regarding the general policy and terms and conditions for granting stock purchase or subscription options, the allocation of bonus shares and setting up employee share ownership plans, as well as the provisions for sharing the performances of the Company or Group with employees; (iv) to make proposals to the Board concerning the granting of stock options and, if applicable, bonus shares to the Company's Directors and executive officers, as well as with respect to the performance conditions applicable thereto; (v) to make proposals to the Board concerning the obligation of the Company's executive officers to keep shares obtained by exercising stock options or, if applicable, the allocation of bonus shares; and (vi) to give its opinion concerning the compensation policy with regard to the Company's key managers who are not also directors or executive officers of the Company or of other companies of the Group;

b) **nominations:** the committee is charged with making recommendations regarding the future composition of the Company's management bodies and, most importantly, is responsible for selecting the Company's executive officers and developing a succession plan; it also recommends the appointment of members to the Board of Directors, as well as the members and Chairman of each Board committee, striving to ensure diversity in experience and points of view, while making certain that the Board of Directors retains the necessary objectivity and independence vis-à-vis any specific shareholder or group of shareholders. The committee gives its opinion on the succession plan for the Company's key managers who are not also directors or executive officers of the Company. The Nominations and Compensation Committee strives to ensure that at least (i) one-half of the Directors on the Board of Directors, (ii) two-thirds of the Independent members of the Accounts and Audit Committee and (iii) one-half of the members of the Nominations and Compensation Committee are independent Directors. Each year, the Nominations and Compensation Committee conducts a case-by-case assessment of each of the Directors with regard to the independence criteria as set forth in the internal regulations of the Board of Directors and makes proposals to the Board of Directors for the Board's review of the situation of each Director in question;

c) **assessment:** The Nominations and Compensation Committee assists the Board in its periodic assessments. It prepares the Board's annual assessment of its organization and operations and leads the formal assessment of the Board that is carried out every three years by an outside organization. Each year, the committee provides the Board of Directors with a report evaluating the performances of the Chairman and of the Directors, as well as the actions of Executive Management. The Board then discusses this report. Lastly, each year, the key managers who are not also directors or executive officers of the Company have a meeting and an interview with each member of the committee.

Activities of the committee in 2013

In 2013, the activities of the Nominations and Compensation Committee focused on changes in the Board's composition, reappointing existing Directors; preparing proposals and recommendations for the Board concerning the compensation of the Chairman and Chief Executive Officer (setting the variable portion for 2012 and the fixed portion for 2013, as well as criteria for calculating the variable portion for 2013); stating its opinion on the compensation of the Executive Committee members; considering a system of long-term remuneration for the chief executive officer;stating its opinion on the employee savings policy (PEG); launching the formal evaluation of the operation of the Board of Directors and its committees; assessing the independence of Directors; reviewing the budget for Directors' fees and recommending their allocation between the Directors; reviewing the Articles of Association to extend to 75 years the age limit for the function of Vice-Chairman of the Board. Various meetings have been dedicated to governance and to review the actions of the Chairman and CEO.

16.2.3 Research, Innovation and Sustainable Development Committee

Operations and composition of the committee

In accordance with its internal regulations, the Research, Innovation and Sustainable Development Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors. It is required to hold at least three meetings per year. In 2013, the committee met three times (as in 2012). The attendance rate was 73.33% (66.67% in 2012).

The Research, Innovation and Sustainable Development Committee has three to five members, who are appointed by the Board of Directors pursuant to recommendations made by the Nominations and Compensation Committee. The committee Chairman is appointed by the Board of Directors based on the recommendation of the Chairman of the Board.

As of the date of the filing of this Registration Document, this committee had five members, four of whom are deemed independent: Jacques Aschenbroich(1) (Chairman), Paul-Louis Girardot(1), Pierre-André de Chalendar(1), Marion Guillou(1) and Thierry Dassault.

Duties of the committee

The duties of the Research, Innovation and Sustainable Development Committee are to assess the research and development and sustainable development strategies and policies proposed by Company and Group departments and to state its opinion to the Board of Directors.

The committee is informed of programs and priority actions undertaken and it evaluates the results thereof. In particular, it keeps abreast of the budgets and staff levels and gives its opinion regarding the allocation of means and resources and whether they are appropriate in light of strategic choices made.

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(1) Independent members.

The committee's main contacts are the Company's Chairman of the Board of Directors, Executive Management and Executive Committee, the Group's research, innovation and development and sustainable development departments, as well as any other manager within the Company who has information or opinions that may be of use to the committee.

The committee may also interview persons outside the Company if it deems such interviews of use to the performance of its duties. In addition, the committee may consult outside experts.

Activities of the committee in 2013

In 2013, the committee adopted a process aiming to analyze the content of Veolia Environnement's offerings, potential customers, the size of the market, the Group's competitive advantages, its competitors, its research programs, technologies and the best economic equations for each topic of work broached. The following topics were addressed in 2013: desalination, shale gas, services that could be offered to local water authorities, as well as recycling and recovery of materials.

16.3 Executive Management RFA

16.3.1 Method of Exercise of Executive Management

As a French joint stock company (sociétéanonyme) with a Board of Directors, the Company is legally entitled to opt for either a separation of the roles of the Chairman and the Chief Executive Officer or to have a single person hold both these positions. As mentioned in the AFEP-MEDEF corporate governance code, the law indicates no preference between those two options, and it is the Board of Directors' prerogative to choose between the two methods of Executive Management in accordance with their specific requirements.

The Company's Board of Directors decided to entrust the Executive Management of the Company to Antoine Frérot (see Chapter 14, Section 14.1 above), whose term of office began on November 27, 2009 and was extended on December 12, 2010 until the close of the Shareholders' Meeting called to approve the financial statements for 2013. At the same Board meeting of December 12, 2010, the Board recorded the resignation of Henri Proglio from the chairmanship and decided, on the recommendation of the Nominations and Compensation Committee, to change the mode of exercise of the Company's Executive Management and voted in favor of combining the duties of Chairman of the Board with those of the Chief Executive Officer, for the following reasons:

- Henri Proglio held the combined duties of Chairman and Chief Executive Officer from 2003 to the end of 2009, and that mode of management proved to be perfectly effective at Veolia Environnement during that period;

- the changes in the Company's governance resulting from the appointment of Henri Proglio as Chairman and Chief Executive Officer of EDF had been the subject of an in-depth review by the Board in 2009. The Board had decided that it was in the interest of the Company and its shareholders to separate the duties of Chief Executive Officer from those of the Chairman of the Board of the Company in order to maintain the Company's continuity and stability *vis-à-vis* its customers and employees during a transition period;

- this combined mode of governance ensures unified management that is more suitable and effective within a decentralized group such as Veolia Environnement. It is also more tightly knit and responsive, since it simplifies the processes of decision-making and responsibility, for example in the implementation of the Group's far-reaching transformation process, launched in 2012;

- the internal regulations of the Board of Directors, the existence of a Senior Independent Director who will also be the Vice-Chairman of the Board (see section 16.1.6 above) and the presence of independent Directors on the Board offer all the guarantees necessary for the exercise of the combined mode of management in accordance with the practices of good governance;

- finally, regarding the practices of CAC 40 companies, it is the preferred management system since most companies with a Board of Directors opted for that combined mode of management.

16.3.2 Limits on the Powers of the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer, who assumes the duties of executive management, is fully empowered to act in the name of the Company under any circumstances. He is required to act within the limits of the corporate purpose, subject to those powers that the law expressly confers on shareholders' meetings and the Board of Directors. He represents the Company in its relations with third parties.

The powers exercised by the Chairman and Chief Executive Officer are limited by the internal regulations of the Board of Directors as an internal rule. Thus, according to the internal regulations of the Board of Directors, the following actions of the Chief Executive Officer require prior approval from the Board:

- establishing the Group's strategic policies;
- Group operations representing an amount of over €300 million per transaction, with the exception of financing transactions;
- following a review by the Accounts and Audit Committee, investment or divestment transactions that involve Group commitments of between €150 million and €300 million per transaction, with the exception of financing transactions[(1)];
- financing transactions, whatever their terms, amounting to more than €1.5 billion per transaction if carried out in a single tranche and €2.5 billion if the transaction is carried out in several tranches;
- transactions in the Company shares representing an overall number in excess of 1% of the Company's total shares.

16.4 Executive Committee

In accordance with the Company's principles of corporate governance and practices since April 30, 2003, the Chairman and Chief Executive Officer (previously the Chief Executive Officer) is supported by an Executive Committee which includes representatives of each of the Company's businesses.

Under the chairmanship of Antoine Frérot, the Executive Committee is convened whenever the Group's major policies are established for the purposes of reflection, consultation and decision-making. In addition, it authorizes major Group projects, such as sales contracts and proposed investments, divestments or sales for amounts above certain thresholds. The Executive Committee meets approximately every two weeks.

In order to further enhance the Company's capabilities to assess and oversee projects, in 2008, an undertakings subcommittee of the Veolia Environnement Executive Committee was created under the chairmanship of the Chairman and Chief Executive Officer. This subcommittee conducts an in-depth review of major Group projects that must be submitted to the Executive Committee for final decision, before submission to the Board of Directors for authorization depending on the amounts involved. The subcommittee is chaired by the Chairman and Chief Executive Officer and includes the Chief Operating Officer, the Chief Financial Officer, the Secretary General, the Technical and Performance Manager and the Innovation and Markets Manager. Issues and topics are presented to it by the Area Manager in charge of the project.

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(1) On August 1, 2012 the Board of Directors amended the internal regulations of the Board of Directors and the Accounts and Audit Committee.

On the date of the filing of this Registration Document, the Company's Executive Committee consists of eleven members:

- Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement;
- Laurent Auguste, Head of Innovation and Markets;
- François Bertreau, Chief Operating Officer;
- Estelle Brachlianoff, Regional Manager, Northern Europe;
- Régis Calmels, Regional Manager, Asia;
- Philippe Capron, Chief Financial Officer;
- Philippe Guitard, Regional Manager, Central and Eastern Europe;
- Jean-Michel Herrewyn, Manager, Global Enterprises;
- Franck Lacroix, Chief Executive Officer, Dalkia;
- Jean-Marie Lambert, ExecutiveVice-President, Human Resources;
- Helman le Pas de Sécheval, Secretary General.

17

Employees and Human Resources RFA

17.1 Human Resources

The Veolia Group is undergoing a major transformation in which Human Resources plays a key role in connection with the implementation of organizational plans, divestitures, and change management, all in order to facilitate the creation of an integrated group, in line with the development of the Group's activities.

Veolia Environnement is, as always, focusing on its employees to ensure the Group's success, because their effectiveness and the quality of their services constitute a competitive advantage.

The main thrusts of the Group's Human Resources policy are:

- ensuring a safe and healthy working environment for everyone;
- supporting the development of skills and expertise by its employees in order to meet tomorrow's challenges;
- promoting diversity, equal opportunity, and the avoidance of discrimination;
- maintaining open lines of communication between labor and management and instilling a culture of solidarity for all employees across the Group.

17.1.1 Support: A key element in transformation

This period of constructing the "New Veolia" requires consistency and cohesion above all. Accordingly, the Group's Executive Management is actively involving managers in the design of all phases of the transformation, reaching out directly to them and their team members to explain and share the strategy so that everyone accepts it and takes it on board, thus ensuring that it is executed successfully.

Manager engagement survey

In 2013, an initial survey of 2,500 Veolia senior managers was carried out to assess the extent of their engagement in the Group's transformation project. This survey allowed the Group to ascertain how well the new organization and the role played within it by senior managers were understood, to evaluate the actions undertaken at their level to advance the transformation, and to identify their need, if any, for support or assistance in this area.

The Manager's Code of Conduct

The Manager's Code of Conduct is based on the **Group's five founding principles:**

- Respect;
- Solidarity;
- Responsibility;
- Innovation;
- Customer focus.

With respect to each of these principles, the Code reflects the Group's shared commitment as well as the collective and individual behaviors and attitudes expected of managers. The Code of Conduct mainly governs the Group's internal relations, just as the Guide to Ethics described in Section 4.4.1 governs the Group's relations with all of its stakeholders.

Setting management objectives

In order to ensure that managers' objectives are aligned with the Group's strategy and values, an annual appraisal process has been put in place for all managers at all the Group's establishments worldwide. The same set of questions is used for all of these interviews, which specify the Group's expectations for each of its employees: a specific level of performance, assessed through the attainment of predetermined goals.

The evaluation of performance is based on financial, safety and qualitative objectives, taking into account the hierarchical position of the manager and his or her function. For senior managers, a portion of the qualitative objective is scored on the basis of compliance with and dissemination of the Manager's Code of Conduct.

17.1.2 Prevention, health and safety in the workplace

Group commitment

Mindful of the fact that guaranteeing the health and safety of its employees in the workplace and their overall well-being are synonymous with better performance for the Company, Veolia Environnement has made Prevention, Health and Safety a clear and constant objective in all its activities.

Supported at the highest level of the organization, Veolia Environnement's structured approach to occupational risk prevention is founded in particular on the **visible involvement of all managerial staff**.

On July 1, 2013, in line with this commitment, **Veolia Environnement signed the Seoul Declaration** on Safety and Health at Work at the headquarters of the International Labour Organization (ILO) in Geneva, recognizing safety and health in the working environment as a fundamental human right. Veolia Environnement thus undertakes to promote in particular the continuous improvement of occupational safety and health by placing a high priority on prevention, thus following the approach promulgated by the Seoul Declaration, while recognizing the importance of training, the exchange of information and best practices, and a strong labor-management relationship in this area.

A linchpin of transformation, Prevention, Health and Safety was the focus of a new set of commitments by Executive Management in 2013[(1)]. The key aims are to strengthen the Group's approach, support initiatives already being pursued in this area, and involve all employees at all levels of the organization, as well as suppliers, subcontractors and joint venture partners, with a view to guaranteeing their physical and psychological well-being.

It is worth noting that the previous set of commitments signed in 2010 called for a 10% reduction in the frequency rate for workplace accidents each year over the period from 2010 to 2013, with a target of 14 workplace accidents per million hours worked in 2013. The Group's efforts in this area have met with success: the frequency rate declined from 18.88 in 2010 to 12.59 in 2013. The measures in place will be further reinforced in the years to come.

To communicate their involvement and their commitment in a more visible manner, all the Group's managers, from the Executive Committee members down to the first-level supervisors, are also encouraged to carry out **field visits focusing on safety issues** allowing them to engage in frequent exchanges with employees on best practices and the principles to observe in everyday conduct to promote safety.

Consultation and steering structures

The Prevention, Health and Safety Steering Committee submits to the Executive Committee members for validation and implements the Group's Prevention, Health and Safety policy, coordinates cross-cutting projects, creates synergies between businesses by encouraging the sharing of best practices, and evaluates the results with the help of performance indicators.

Among the initiatives contributing to the development of the "new Veolia", the Group's cross-functional coordination of its Prevention, Health and Safety policy has been reinforced. A matrix organization has been put in place in order to better structure the Group's policy relating to safety in line with its new organizational plan. The Group has thus taken a cross-functional approach to the implementation of four key projects, whose combined objective is to better harmonize and coordinate actions:

(1) On August 1, 2012 the Board of Directors amended the internal regulations of the Board of Directors and the Accounts and Audit committee.

- Shared standards for all activities reinforce the essential concepts and fundamentals of a strong health and safety culture;
- Technical and managerial audits aim to enhance the visualization of quantitative and qualitative indicators of involvement and progress made on this front;
- Tools are used as the means to promote structure and ensure the consistency of efforts, thus identifying the conditions for decision-making processes;
- Perceiving the focus on health as a way to foster better quality of life in the workplace, improving the integration of aspects such as psychosocial risk factors, ergonomics, etc.

In addition to these projects, a number of Prevention, Health and Safety experts have been appointed across the Group to ensure the consistency of the measures applied by country and by region, also ensuring coordination and follow-up actions. This organization makes the Group's overall approach clear and unambiguous. Additional input is provided by field visits, which serve to integrate the cultural dimensions specific to each country.

In addition, efforts to increase European trade union involvement in the Group's Prevention, Health and Safety policy led in 2012 to the signing of a "Letter of Commitment" between management and employee representatives. This commitment ensures the consistency of field initiatives in each country in Europe where Veolia Environnement operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health and improved communication with employees on health and safety topics.

Translation of commitments into action

More than a mere strategy, Prevention, Health and Safety is an integral part of all activities and of the organization's structuring processes.

Veolia Environnement's structured approach to occupational risk prevention is built on **visible investment by all management staff** as well as **a continuous improvement system** designed to ensure that commitments are kept, targets are achieved, and that the concepts enshrined in the Group's commitments in relation to Prevention, Health and Safety in the workplace are successfully implemented (1).

Implementation of Veolia Environnement's Prevention, Health and Safety management system provides for the effective management of health and safety issues across all of the Group's entities. This system is based on the preventive identification of risks in the workplace, the analysis of causes and circumstances of accidents and near-accidents at work, and the findings of audits that contribute to the mapping of risks associated with all activities and is founded on six pillars:

1. ***Commitment and motivation:*** these should be visible at all levels of the organization and are essential to the success of the system, so that everyone is involved in creating the desired corporate culture;

2. ***Policy:*** the definition of intentions, targets and ideas at Veolia Environnement level and within the operational units establishes the cornerstones of the prevention, health and safety policy;

3. ***Planning:*** the improvement and monitoring of initiatives is designed to ensure compliance with the statutory provisions in force and the targets and results expected at Group level and within the operational units, particularly through the definition of internal standards and procedures;

4. ***Implementation and execution:*** the organisation of human and material resources and systems contributes to optimal performance in terms of health and safety. The implementation of programs means that the targets and the expected results can be achieved;

5. ***Monitoring and corrective measures:*** the monitoring and assessment of performance, particularly through the implementation and monitoring of the audit program, means that corrective measures can be defined and integrated into a continuous improvement approach;

6. ***Management review:*** this regular assessment of each element of the health and safety management system is analyzed by the Executive Committee on a multi-year basis. The aim is to adjust the system in order to ensure it is relevant and effective.

All of these areas underpin Veolia Environnement's policy on the prevention of occupational hazards, so as to develop a strong and coherent safety culture, a key aspect of the approach.

(1) On August 1, 2012 the Board of Directors amended the internal regulations of the Board of Directors and the Accounts and Audit committee.

Its efforts focus mainly on increasing the involvement of line managers in Prevention, Health and Safety efforts and raising awareness about the risks faced by operators in the businesses through: managerial safety visits, implementation of processes for immediately reporting occupational accidents and serious incidents, involving operational management in accident analysis, employee training and awareness (in 2013, nearly59% **of employees participated in safety training**), internal communications actions, managing psychosocial risks, structuring regulatory compliance and audit processes, management of major risks and monitoring results.

It is also expected that suppliers will take the required steps to guarantee the health, safety and wellness of their employees. For outsourced activities, a prior analysis of risks is performed in order to contractually define the prevention measures to be applied by all subcontractors.

Innovative local practices in the area of health and safety at work have also been identified and shared across the Group. Two of these were recognized with "Social Innovation Awards" (see Section 17.1.5), thus underscoring the full integration of the safety dimension in the Company's Human Resources policy.

A reinforced international security policy

The Group is especially concerned with monitoring employees who are on temporary or permanent international assignment, and especially in areas that present a high level of security risk.

To ensure the earliest possible detection of any deterioration in security, the Security Department continually monitors and analyzes the situation in "at-risk" regions and countries. This monitoring process also contributes to the preparation of a monthly risk mapping of these countries, which is distributed to all Group employees so as to inform them of each country's current security profile.

Veolia Environnement's Security Department evaluates authorization requests for travel to the countries considered most sensitive on a case-by-case basis and always issues recommendations specific to the type of assignment to be carried out by employees, based on their position in the Group and their destination. In 2013, more than 1,600 assignments received individual attention.

For the most sensitive countries, security plans are drawn up in order to provide the means to respond to possible deterioration in the security context. These plans, which are regularly updated, indicate the specific security measures put in place in each country as well as the organization and measures that will need to be implemented in the event of a crisis.

Security assistance provided to employees also involves raising their awareness and offering training about security risks, the rules of conduct, and the prevention and protection principles to adopt in high-risk countries. In order to effectively reach the largest number of employees, an e-learning module for the Group was developed in 2013 by the Security Department and the Veolia Environnement Campus, which is mandatory for all employees traveling to these regions. Face-to-face training sessions are also provided for employees who travel most frequently to high-risk regions.

The Corporate International Volunteers (VIE) guided by the Human Resources departments of each business line, are systematically briefed on security issues. The Security department also supports the Veolia Environnement Foundation in training voluntary staff for emergency assignments.

17.1.3 Employment, Mobility and Training policies

The quality of Veolia Environnement's responses to environmental challenges and to the growing demands of public sector authorities and industrial entities depends on its know-how and, more generally, the performance of its employment model. That's why Veolia Environnement strives to attract, train, develop and retain its staff at all skill levels and in all employment areas in which it operates.

17.1.3.1 Employment, Mobility and Career Management policies

The role of the Human Resources Development and Career Management Department is to define and promote the Group's policies relating to mobility, career management, and talent identification and management at all of the Group's establishments.

Organized by region and by function, its dual ambition is to respond to the skills requirements communicated by the Group's activities and to offer career opportunities to the Group's employees.

In the context of the Group's current transformation, the priority given to internal mobility is clearly stated. Its implementation relies on the following processes and tools:

- the Group's Careers portal, where all of the Group's job openings are listed;
- annual performance appraisal interviews, used throughout the Group to define the conditions necessary for the development of skills;
- collective manager assessments, in particular by way of the method known as ECHOS, based on peer reviews of people, organizations and structures. Findings from these sessions are used to provide a better fit between resources and needs in all of the Group's activities. They also facilitate the identification of high-potential talent, in order to provide these individuals with the means to pursue their professional development within the Group;
- Access to international talent pools via the Pangeo program enables the integration of Corporate International Volunteers.

With respect to the Group's operations in France, the employment policy continues to be affected by the Group's sweeping reorganization and requires continuing efforts to optimize controlled hiring processes, as solidarity within the Group is essential.

Work/Study

The Group's Executive Management has made work/study one of the centerpieces of its hiring policy, considering it an excellent way to equip employees with the necessary skills to work in the Group's businesses.

This policy is implemented in particular through Veolia Environnement'sCampus network and training centers, and through a growing number of partnerships with local employment and training entities. The Group proactively reaches out to the general public and local employment and training partners to raise awareness of environmental activities and services and to facilitate the recruitment of candidates for local jobs, including those with no prior experience.

Relations with schools and partnerships

Mobilizing the resources the Company needs today and tomorrow, in terms of both quantity and quality, remains a priority: Veolia Environnement reaffirms its presence through events focused on environment-related businesses, job and work/study fairs, and forums in schools and universities.

The Group is continually developing and expanding its many academic, educational, institutional and research partnerships with professionals in training, counseling, employment and higher education.

17.1.3.2 Training

Veolia Environnement's main training challenges are:

- continuously adapting skills to increasingly complex activities so as to better serve the Group's customers and maximize its competitive advantage;
- anticipating change through training in new technologies;
- promoting career development;
- to address these challenges, the Group's training policy focuses on three objectives;
- developing employee skills in all businesses;
- supporting the Group's commercial development and performance;
- contributing to the development of the corporate culture;

… embodied by four guiding principles:

Training for all

The training policy is open to all employees from the time they are hired and throughout their career with the Company. In 2013, almost 500,000 training courses were run. Their purpose is to develop individual skills through recognized courses that lead to certifications and accreditations, job mobility and career development. Over 87% of training efforts are aimed at operators and technicians to promote the development of the less-qualified staff as well.

The Group also offers its managers specific courses for training and professional development. These offerings include in particular a program for managers focusing on the development of managerial skills, openness to a changing world and its impact on the Group's current and future activities, and the ability to promote the values of corporate social responsibility.

Recognized training

The Group offers recognized degree courses to accord full importance to skills recognition. The aim is to motivate employees, increase their employability and enable them to acquire measurable skills and develop an understanding of the task, which is a key competitive asset in a service business. For more than 20 years, this aim has been embodied by the creation of diploma programs dedicated to the Group's activities, at all levels of training offered in the Campus network. The French network offers 11 CAP-level (certificate of professional aptitude) certificates and diplomas, 9 BAC-level (Baccalaureat) certificates and diplomas, three BTS (advanced vocational) diplomas, two LicencesProfessionnelles (vocational bachelor degrees) and one master's degree.

Veolia trains Veolia

The Group is both the main actor and the director of its training policy. Two-thirds of training hours provided by the Campus network and Veolia Environnement training centers are led by Group employees. Striking a balance between permanent trainers and *ad hoc* contributors from within the Group's companies ensures the content's relevance and enhances cohesion.

The Campus network and partnerships

Through an active partnership policy, Veolia Environnement has created a skills development platform with a global reach. Veolia Environnement's Campus network and training centers are located in 11 countries. Established in 1994, this network now totals 20 centers – including six in France – covering two-thirds of Veolia's operating territories and offering 2300 training programs. The range of programs was developed through input by the corporate and business training departments and the local operational units. In this way, the Group guarantees a permanent fit between the reality of its businesses and what is happening in the field. **In 2013**, this training was delivered by 119 permanent trainers and 382 contributors.

At the same time, Veolia implements an internal methodology focusing on skills development. **Professional committees** are set up to analyze the technical, technological, organizational and functional developments for each business, projected over three years. They help to define the Group's multi-year training priorities and build the training programs offered by the Campus network.

In France, Veolia Environnement signed an agreement with all trade unions in 2004, and again in 2011, on employee skills development and professionalization (see Section 17.1.3.1 below). Under this agreement, **skills development contracts** have been offered to employees to enable them to create professional development plans supported by degree or certificate training programs funded by the company. In addition, **a portion of training funds** representing 0.3% of payroll is set aside each year to fund skills development contracts and all projects aimed at employee professionalization.

17.1.4 Diversity, equal opportunity, and the avoidance of discrimination

Commitment to diversity – Equal opportunity

Since June 12, 2003, when it joined the United Nations Global Compact, the Group has supported and promoted the Compact's principles in its sphere of influence, particularly the protection of international law on human rights, the recognition of collective bargaining rights, and eliminating discrimination in employment and occupations.

Respect for these fundamental rights fits naturally into Veolia Environnement's overall Human Resources policy, which promotes diversity of experience and backgrounds as a source of innovation and performance for customers, employees and for the territories where the Group conducts its activities.

An instrument of corporate culture and social cohesion

Fully engaged in its transformation plan and in improving its performance, the Group reaffirms its commitment to diversity and equal opportunity as instruments of corporate culture and social cohesion.

Four global priorities have been identified in this context:

- encouraging diversity in jobs: promoting access for women to traditionally "male" occupations and to leadership positions;

- optimizing the continued employment of older workers and the transfer of knowledge through tutoring and mentoring;

- making it easier for people with disabilities to perform their daily duties;

- promoting integration through a work/study policy.

To tangibly measure the progress of this policy, **indicators** have been defined for the next three years by the Group Human Resources Department, with targets established for each entity:

- **Gender equality:** commit to rates for women's employment and access to leadership posts; target of 15% women executives and 20% women board members by the end of 2014;

- **Older workers:** commit to an employment rate for workers over 55;

- **Persons with disabilities:** commit to an employment rate;

- **Efforts to integrate youth:** commit to a professional integration rate. Following the signing of the agreement relating to the *contrat de génération* (generation contract), a measure recently introduced by the French government in particular to promote permanent employment of young people under the age of 26, the announced target is that 11% of total new permanent hires be young people (no more than 30 years of age) under generation contracts.

- **Training:** target of 60% of managers educated or trained in the fight against discrimination by late 2013 and 100% by 2015.

To implement these commitments, a **global action plan,** "Diversity and Equal Opportunity 2012-2015" has been developed, based on **three pillars:**

- equal treatment to ensure non-discriminatory access to employment, career development and skills management;

- everyday management of diversity, which is respectful of differences to improve management practices;

- corporate standards specific to Veolia Environnement by implementing the principles of the UN Global Compact, signed in 2003, to ensure equal opportunity.

Veolia Environnement’s commitments have already resulted in the granting and renewal of Diversity certification, the signing of the Diversity Charter in France, the consolidation of human resources processes, and the involvement of employee representatives.

Veolia Environnement signed an agreement on gender equality with the French minister for Women’s Rights on April 9, 2013 and an agreement on the French generation contract with trade unions in December 2013.

Veolia Propreté has signed the French parenthood charter.

Internationally, such agreements incorporate the legal and regulatory framework of each country relating to equal opportunity and the avoidance of discrimination. Veolia Environnement signed an agreement to renew the Group European Works Council, with the aim of promoting diversity, and particularly the representation of women in the forum for European dialogue.

In 2013, Dalkia in the Czech Republic was awarded silver accreditation as a result of its most recent recertification under the Investor in People standard, which it first obtained in 2008.

In the area of employee training, diversity is an important part of the JIVE manager orientation program serving 600 managers each year, from the presentation of the issues involved in this orientation program to the discussions pursued with the Executive Management teams.

This year, the recipients of Veolia Environnement’s Social Innovation Awards included:

- Veolia Propreté in Germany for its project “Fostering a Working Environment Open to Parenthood”, whose objective is to reconcile the needs of a workplace with the constraints of a place suitable for access by children under ten years of age;

- Proactiva Brasil for its project “Employability Pledge in Favor of the Disabled”, involving training as well as skills and basic knowledge validation and having trained 347 people with disabilities, 297 of whom obtained a professional certification;

- Veolia Eau in Japan, for its project “Promoting Female Talent: An Action Plan for Japan”, involving the active hiring of women engineers, offering them specific forms of assistance to encourage their professional development within the company. Women accounted for 30% of employees having been offered a promotion whereas they represented only 20% of total staff.

Policy control and management

The overall policy is managed by a committee chaired by the Executive Vice President with responsibility for Human Resources, the heads of Human Resources for the Group’s main operating countries, Directors, the Diversity Director, representatives of corporate departments involved in the processes, and diversity officers. Meeting twice a year, the Committee implements the policy set by the Veolia Environnement Executive Committee, defines the communications plan, analyzes indicators and monitors results and reports to the Chairman on the areas for improvement.

In order to directly involve all decision-makers in the success of the diversity policy, an annual diversity review is submitted respectively to the Human Resources Committee, the Group French Works Council and the Group Executive Committee. This report is presented to the labor and management partners.

In addition, once a year, in compliance with the law of January 27, 2011, the Board of Directors prepares a report on professional equality between men and women. This document allows the Group’s Directors to review the policy and performance indicators on equal opportunity.

A recognized commitment

Certifications granted in 2013 include the renewal of the Diversity Seal of Approval awarded by Afnor to CompagnieGénérale des Eaux. In China, Veolia Water rolled out its Charter on Gender Equality; in the United Kingdom, Veolia Propreté was included in the Financial Times’ list of “Responsible Businesses”; and, in Germany, OEWA recently had its certification renewed on work/life balance.

Long-term partnerships

The Group is also a partner and/or member of various organizations that promote diversity:

- As a member of the French Association of Diversity Managers (AFMD) Committee on "Job retention and career management for people with disabilities", the Group contributed to the development of the guide, "How to manage the employment of people with disabilities";

- Veolia Environnement is an active member of the Club of Certified Companies within ANDRH, the French national association of Human Resources professionals, and as such participates in working groups on this certification;

- In 2013, the Group entered into a commitment with AFEP and more than 60 other major French corporations to invest in the training and employment of young people on a long-term basis.

Supporting the most vulnerable employees

In 2009, an Active Solidarity Plan was launched in France in consultation with the Group French Works Council to support the most vulnerable employees in a difficult economic context. This led to the launch of "AllôSolidarité", an employee counseling and support system in France set up with the help of an external partner.

Today, thousands of Group employees have access to a telephone platform that allows them to speak with professionals about the social challenges they face.

In 2013, over one hundred calls were received each month, mainly about housing and financial issues.

The partnership with the "VivonsSolidaires" association, which has been in place since September 2010, helps to tackle social emergencies. The association receives many requests for assistance with emergency housing and food donations. Union organizations are involved with the board of directors and management of this association.

These actions reflect the commitment of the company's Executive Management and employees to be proponents in the field of respecting fundamental rights and local regulations, and especially of diversity and equal opportunity in all businesses and across all territories.

17.1.5 Workforce cohesion and labor-management relations

Constructive dialogue with its employees has always been a central element of Veolia Environnement's human resources policy. It strengthens cohesion within the workforce, contributes to the implementation of the Group's Human Resources policy, and is a major factor in the Group's economic and social performance.

Strengthening the quality and the development of labor-management relations

Veolia Environnement ensures that dialogue with employee representatives is properly carried out at all levels:

- at company or establishment level, a natural place for negotiations on many issues that impact employees' daily lives. At Veolia Environnement, more than 1,200 collective bargaining agreements signed at the level of business units and establishments supplement the directives and agreements signed by the Group;

- at country level, which includes the formal structures for consultation and dialogue that handle all national issues;

- at European level with the trade unions and in other business-related forums;

- at Group level in the corporate offices and with the Group's French and European works councils.

In October 2010, Veolia Environnement renegotiated the agreement of October 2005 which established the Group European Works Council. The aim was to modernize and strengthen this council's procedures and operation and to improve dialogue with employee representatives in Europe. This update focused mainly on:

- aligning the initial agreement with new European employment directives;

- developing a dialogue with European unions through new provisions on the composition, training and informing of the Group European Works Council;

- strengthening dialogue with employee representatives in each country, in addition to the Group European Works Council, in order to facilitate discussions and information-sharing on employment policies in each country.

The Group European Works Council represents two-thirds of Veolia Environnement employees.

The collective bargaining agreement signed by the Group in France in 2010 on the quality of labor-management relations as well as the commitments made under the agreement signed with the Group's European works council are evidence of the ambition on the part of the Group's Executive Management to structure relations of superior quality with employee representatives and thus contribute to the Group's actions on behalf of all its employees.

The collective bargaining agreement on the quality of labor-management relations, signed in February 2010 by the Executive Management and all French employee representatives, covers nearly one-third of Veolia Environnement's employees. This agreement very clearly defines and strengthens the roles and responsibilities of all partners recognized and valued in this way.

The **certification training** program launched in May 2011 for labor and management partners at the corporate level, developed in partnership with IEP Paris and the Dialogues association, reflects the Group's strong interest in maintaining high-quality relations with those bodies. This was part of a study led jointly with the unions on union careers. The training provides for the skills development of trade union representatives who are thus recognized and supported in their work. In 2013–2014, the second group of employee representatives will complete this training.

Under the 2010 agreement, union seminars were set up by each organization in order to improve their structure and define their priorities. By systematically participating in these union seminars, which are held each year, the Group's management actively listens to its partners and maintains a dialogue on the major themes of its employment policy. Discussions on corporate social responsibility, initiated in 2011 by the Group European Works Council and management, were continued in 2012.

Discussions on corporate social responsibility, initiated in 2011 by the Group's European works council and management, were continued in 2013.

Finally, in the spirit of training specially for French representatives, a program was implemented for officers, and then members, of the Group's European works council, confirming the Group's desire to strengthen labor-management relations at European level. Designed with the officers of the Group European Works Council and Astrée, a non-profit labor advocacy group, this program focuses on the issues of labor-management relations and interculturalism within the European Group Works Council.

The Group formalizes these commitments in Group-wide agreements signed with trade union and employee representatives:

An agreement on the pro-active management of jobs and skills (GPEC) was signed on February 3, 2011 in order to anticipate changes in Veolia's business related to its strategy, to facilitate and support professional development, and to offer the most relevant training programs. In late 2011, in a challenging economy, the Group, along with labor and management partners, decided by common accord to redefine the agreement's priorities for 2012, refocusing on the changes in the Group's business that come with its transformation.

In addition, the French agreement on the "prevention of occupational hazards, workplace health and safety", signed in 2008 for a three-year term, was amended and renewed by labor and management partners. The amendment formalizes the commitment shared by all to prioritize employee health and safety and prevent accidents within the Group.

A letter of commitment was also signed with the Group's European works council on "Prevention, Health and Safety" (see Section 17.1.3.2 below).

In France, the works council focused on the prevention of skills gaps, with the support of ANACT, the French national agency for improved working conditions, by launching occupational studies within each business line.

The Group also signed an agreement in December 2012 setting up a group retirement savings plan (PERCO).

In addition, negotiations on the subject of the French generation contract were pursued at Group level in France and resulted in the signing of an agreement on December 2, 2013.

Involving trade union and employee representatives in the Group's transformation

In line with the Group's commitments and to ensure the transparency and fluidity of communications with labor and management partners as changes occur in the Group, the representative bodies at all levels have been regularly informed at Group European and French Works Council meetings about plans that could impact the employees' future. This mainly involves reorganization and divestiture projects (the Group's reorganization by region, its withdrawal from the Transportation business, the redistribution of Dalkia, etc.).

In this time of transformation, developing and structuring communication with employees are all the more crucial as these efforts strengthen employee relations and ensure that the Group's workforce-related and social responsibility commitments are upheld in a difficult economic context. Supporting employees during this change underlines the Group's desire to ensure their employability and promote internal mobility.

Promoting social initiatives:

The Group Human Resources Department is committed to developing innovative field practices with regard to local contexts. The Group's policy aimed at promoting social solidarity initiatives brings all Group companies together to recognize and reward local teams. In 2013, achievements in this area were recognized with **Social Innovation Awards**, handed out to highlight initiatives that promote solidarity, social equity, employability, and prevention, health and safety. The Executive Management plans to stage these awards on a regular basis in the Group to drive forward an active policy of sharing human resources practices among all entities of Veolia Environnement.

17.1.6 A consistent and competitive compensation policy

Veolia Environnement applies a global compensation policy, which is consistent with the Company's results and accounts for the following components: wages, social security and employee savings. This policy is based on the following principles:

- guaranteeing competitive fixed and variable compensation;
- offering fair compensation in line with the practices of the local markets on which the Group is present, which incorporates and recognizes the efforts made by each individual;
- harmonizing the bases and methods for the calculation of the variable components of executive compensation across the Group, in order to ensure uniform practices within geographic regions, while respecting cultural differences and remaining in line with the legal environment;
- optimizing coverage of healthcare and insurance costs in the main countries where the Group operates, in an effort to manage risks separately, and to improve consistency in the choice of local partners (brokers, insurers, etc.);
- minimizing the risk associated with the existing systems for paying entitlements or pensions in the various countries in which we do business;
- in France, harmonizing existing local employee savings plans by gradually moving them toward Group-level plans (overhaul of the Group savings plan and negotiation of a Group retirement savings plan).

Longer life expectancies, rising medical costs and increasing retirements make managing the solvency of social security schemes increasingly strategic. In some countries, following the abandonment of public social security systems, economic stakeholders seek to provide health, benefit and pension cover for their employees. Due to its international scope, the Company must take these factors into account and ensure that it:

- complies with local legislation and, wherever possible, implements complementary social security systems in order to guarantee fair coverage for all its employees;

- ensures the appropriate management of the Company by seeking to manage the costs associated with benefit obligations that fall within the scope of IAS 19;

- funds its plans through employer and employee co-investment, so that each party assumes responsibility.

The benefit obligations of Veolia Environnement represented €1.5 billion as of December 31, 2013, a decrease of €35 million year-on-year.

This reduction is mainly due to the closure of pension plans for senior executives in France (an impact of €40 million), a decline offset by other changes, including the normal cost of plans (cost of benefits plus the net interest expense minus benefits paid), effects of exchange rate fluctuations, as well as other reductions and settlements.

These obligations consist mainly of defined-benefits retirement plans (60%) and retirement bonuses (33%). Other liabilities consist primarily of long-service awards, healthcare coverage for retirees and other long-term benefits (time deposit accounts, early retirement benefits in Germany [ATZ]).

Obligations are covered by plan assets in the amount of €0.8 billion.

17.2 Workforce-related information

Details of social reporting methodology

The human resources information below has been taken from the international database that Veolia Environnement has been developing since 2001 for its social reporting. This database includes all companies that are fully consolidated in the Group's financial statements and companies consolidated in the financial statements, which the Veolia Environnement Group manages operationally and which are located in all the countries where the Group has employees. Within this scope, the human resources information is fully consolidated regardless of the proportion of consolidation.

To present 2013 data consistent with the Group's strategy and disposal projects, Veolia Environnement data was consolidated.

The data presented under the section "Others comprise:Holding companies and specialized subsidiaries" andthe PROACTIVA scope.

Indicators

Joiners, leavers, compensation, training, health, safety, labor-management dialogue, diversity: these represent a total of nearly 200 indicators collected on the basis of a reference guide to common definitions shared by all entities. Given the international dimension of the Group, this reference document has been translated into five languages: French, English, German, Spanish and Portuguese.

The indicators were chosen to monitor the following as a priority:

- performance relating to the Group's principal Human Resources challenges;

- effects of the Group's Human Resources policy;

- regulatory obligations (Article R. 225-105-1 of the French Commercial Code).

In the absence of a recognized and relevant external reporting reference document, the Group has defined its own procedures for reporting human resources information drawn from best practices and international standards and establishes a comprehensive human resources reporting procedure that describes the methodology used for the compiling, checking, analysis and consolidation of data.

Consolidations and checks

The Group uses a software package to conduct automated checks on entities. The human resources data are consolidated and checked by the Group's business unitsand the Corporate Human Resources Department.

Since fiscal 2007, the most relevant human resources indicators determined by the Group have been subjected to a specific external review by KPMG. For the fiscal year 2013, all the social information was checked and the indicators noted by the symbol (√) were checked with a reasonable level of assurance.

It is important to note that there may be methodological limits to human resources indicators due to the following:

- lack of harmonized national and international legislation;
- heterogeneous nature of the data managed and tools in the Group's many subsidiaries;
- changes in definition that may affect the comparison of indicators;
- specific characteristics of labor laws in certain countries;
- practicalities of data collection;
- availability of source data on the reporting date.

The main indicators are presented below under different subheadings. Some figures should be interpreted with caution, in particular averages, since the figures below comprise worldwide data that require a more detailed analysis at the level of the geographical area, country or business area concerned.

Total workforce

As of December 31, 2013, the total workforce was 202,800 employees, compared with 219,739 as of December 31, 2012. The table below shows the breakdown of the workforce managed by Veolia Environnement by geographical area.

Area	Water	Environmental Services	Energy Services	Holding companies and specialized subsidiaries	2013 Total(√)	%
Total Europe	49,699	49,899	34,760	4,054	138,412	68%
of which France	*26,675*	*22,409*	*12,920*	*3,986*	*65,990*	*33%*
Total North America	3,827	5,227	1,642	3,063	13,759	7%
Total South America	1,570		2,210	8,228	12,008	6%
Total Africa/Middle East	9,054	1,101	2,354	31	12,540	6%
Total Asia/Pacific	19,008	4,868	2,169	40	26,081	13%
Total World	**83,154**	**61,095**	**43,135**	**15,416**	**202,800****	**100%**

(√) Data checked by KPMG Audit with reasonable assurance.

Breakdown of employees by age bracket and gender				
Age	**Men (%)**	**Women (%)**	**Total 2013**	**% 2013**
Under 20 years	0.7%	0.6%	1,359	0.7%
20 to 24 years	4.6%	4.5%	9,361	4.6%
25 to 29 years	9.8%	11.0%	20,369	10.0%
30 to 34 years	12.1%	14.8%	25,581	12.6%
35 to 39 years	13.0%	15.0%	27,219	13.4%
40 to 44 years	14.7%	16.2%	30,383	15.0%
45 to 49 years	14.8%	15.3%	30,312	14.9%
50 to 54 years	14.0%	10.7%	27,056	13.3%
55 to 59 years	11.1%	8.5%	21,532	10.6%
60+ years	5.1%	3.3%	9,628	4.7%
TOTAL	**162,577**	**40,223**	**202,800**	**100.00%**

(√) Data checked by KPMG Audit with reasonable assurance

Breakdown of total workforce by type of contract and by category

	Total 2011		Total 2012		Total 2013	
	World	**France**	**World**	**France**	**World**	**France**
Total workforce as at December 31	231,477	69,158	219,739	68,816	202,800(√)	65,990
Employees with indefinite-term contracts	92.2%	94.6%	92.1%	94.8%	91.6%	95.1%
Employees with fixed- term contracts	7.8%	5.4%	7.9%	5.2%	8.4%	4.9%
Total managerial staff	11.6%	17.4%	11.7%	17.3%	12.7%	17.3%
Total non-managerial staff	88.4%	82.6%	88.3%	82.7%	87.3%	82.7%

(√) Data checked by KPMG Audit with reasonable assurance

Weighted average annual workforce

	Total 2011	Total 2012	Total 2013
Annual full-time equivalent workforce	230,080	215,254	198,215
Employees with indefinite term contracts (full-time equivalent) (permanent)	212,764	199,294	183,464
%	92.5%	92.6%	92.6%

This workforce corresponds to the equivalent number of employees Veolia Environnement would have if these employees had all worked full time throughout the year. It is calculated by weighting the total workforce against both the employment rate and the amount of time worked by each employee.

In France, there were 65,893 full-time equivalent employees in 2013, of which 62,748 (95.2%) were employees with indefinite term contracts.

Staff hired

	Total 2011	Total 2012	Total 2013
External recruitments with indefinite-term contracts	24,167	20,012	14,256
• External recruitments with fixed-term contracts	17,050	15,822	13,447
• Employees recruited after a market recovery	1,470	962	829
TOTAL	**42,687**	**36,796**	**28,532**

In 2013, the total number of staff hired was 28,532. In addition to new contracts, which represented 829employees, the Group recruited 14,256 people under indefinite term contracts on the job market (50% of total hires) and 13,447 people under fixed-term contracts. Of the employees with fixed-term contracts hired, 3,557 (26.5%) were transformed into indefinite term contracts during the year. The percentage of the full-time equivalent workforce on fixed-term contracts represented 7.4% of the average full-time equivalent workforce of all employees. Furthermore, 1,491 employees changed jobs through internal mobility between business lines.

In France, the total number of staff hired in 2013 was 6,812, made up of 2,246 external hires under indefinite term contracts and 3,718 under fixed-term contracts. A total of 1,073 fixed-term contracts were transformed into indefinite term contracts during the year. Furthermore, 417 of the external hires were executives. The percentage of the full-time equivalent workforce of all employees on fixed-term contracts corresponded to4.8% of the average full-time equivalent workforce in France.

Departures

The total number of departures in 2013 was 33,490, representing 16.2% of individual dismissals and 2.1% as part of layoffs.

In France, the total number of departures in 2013 was 8,074 representing 12.5% of individual dismissals and 23 employees (0.3%) as part of layoffs.

Changes in scope are taken into account on the date on which they become effective. It is however tolerated that acquisitions, creation of new companies or new contracts be accounted for only after a full year of operation.

For 2013, there was a total drop in workforce of 16,939, *i.e.*-7.7% in total, 15,134 were attributable to changes in scope, including mainly Berlin Water (-5,000 employees), Energy activities in Brazil (-4,200 employees) and SNCM (-1,934 employees).

Overtime[(1)]

The total number of overtime hours worked was 16,032,585, *i.e.*, an average per employee of 79 hours of overtime per year. The definition of overtime, however, varies from country to country, which sometimes makes it difficult to evaluate such an indicator. Moreover, in a services business, a large number of overtime hours are due to emergency work performed by on-call or on-site personnel, to restore water supplies or heating within a reasonable timeframe, for example.

In France, the total number of overtime hours worked was 2,081,483, which corresponds to an average of 31.5 overtime hours per employee, per year.

Information on planned reductions in workforce and job protection schemes, redeployment efforts, rehires and support measures

Changes in the scope of Veolia Environnement have led to employees being transferred, without their contracts being terminated. The restructuring plans that were implemented in 2013 most often corresponded to the loss of markets, or to reorganisation that was vital for certain business units. These operations were always carried out in compliance with the legislation and in consultation with labor and management representatives, and for the most part by giving priority to internal redeployment within the Group.

(1) With respect to the number of overtime hours paid, the definition used includes the total number of hours worked beyond the legal base which results in the payment of an overtime premiumand/or time off in lieu. There may be differences in method in some entities that take only paid overtime hours into account.

Organization and duration of working time

The ways in which working time is organized depend on the companies concerned, the nature of their business and where they are located, and are defined in order to best meet the requirements of the department to which the employees are assigned and the employees' preferences. Although working time is most often based on daily equivalent working time, work schedules may vary considerably (for example, the work may be spread over four, five or six days a week, punch-in and punch-out times may be shifted, flextime may be used, as well as alternate short and long work weeks, and working time may be calculated over the year).

The average work-week was 38.6 hours.

The total number of calendar days of absence was 2,759,868 during 2013, of which 1,864,912 were days of absence for sickness (68% of the total). Other reasons for absence were mainly industrial accidents, family events and maternity leave.

In France, the average working week is 34.9 hours. The total number of calendar days of absence was 1,280,752 in 2013, of which 878,038 were days of absence for sickness (69% of the total).

	Total 2011		**Total 2012**		**Total 2013**	
	World	**France**	**World**	**France**	**World**	**France**
Absenteeism rate	3.63%	5.57%	3.84%	5.58%	3.90%	5.75%

Compensation, social security charges and gender equality

Average annual gross compensation paid to all employees of the Group was €28,715 in 2013.

Average gross compensation paid to male employees was €29,484 (€29,940in 2012) and that paid to female employees was €25,412 (€24,674 in 2012), *i.e.*, a difference of €4,073. This difference is mainly due to the nature of the jobs carried out and the demands of this work, as well as differences in age, seniority and qualifications that are often observed between the two populations. Veolia Environnement's policy is to respect equality between men and women who have the same employment conditions and qualifications.

These averages are only indicative, however, and should be interpreted with an element of caution. They correspond to a wide diversity of situations due to the nature of the professions and jobs carried out and their geographical location and are affected by changes in the foreign exchange rate

In France, average annual gross compensation paid to all employees was €35,830 in 2013 (€35,443 in 2012). Average gross compensation paid to male employees was €35,811(€35,547 in 2012) and that paid to female employees was €35,916 (€34,972 in 2012), *i.e.*, an average difference of -€105.

Business relations and overview of collective bargaining agreements

Number of collective bargaining agreements signed in 2013 in the Group: 1,232 collective bargaining agreements were signed, including 689 agreements on compensation, 188 agreements on health, safety and working conditions, 133 agreements on social dialogue and 222 agreements on other subjects or comprising several subjects. There were 11,379 employee representatives.

Number of collective bargaining agreements signed in 2013 in France: 514 collective bargaining agreements were signed, including 313 agreements on compensation, 39 agreements on health, safety and working conditions, 83 agreements on social dialogue and 79 agreements on other subjects or comprising several subjects. There were 6,566 employee representatives in France in 2013.

Health and safety conditions

Details of methodology: With respect to the workplace accident severity rate, the definition used by the Group in calculating the number of work days lost due to workplace accidents includes the work days lost in the year as a result of workplace accidents that occurred during previous years. There may be differences in calculation method in some entities as to the application of these principles. Since 2012, accidentology data from the Environmental Services Division have been collected using the "Acciline" consolidation tool and are then consolidated into the Group with the social reporting tool Global Report Enablon.

	Total 2011	Total 2012	Total 2013
Workplace accidents leading to absence from work (excluding commuting)	6,298	5,659	4,485✓
• Calendar work days lost due to workplace accidents (excluding commuting) (indefinite and fixed-term contracts)	249,186	219,951	183,538✓
Workplace accident frequency rate	15.02	14.53	12.59✓
Workplace accident severity rate	0.59	0.56	0.52✓
• Number of employees trained in safety	117,272	110,114	116,240
• Number of units dedicated to the study of health and safety issues	2,561	2,540	2,503

✓*Data checked with a reasonable level of assurance by KPMG Audit.*

The Group has chosen a common definition of workplace accidents for all countries and subsidiaries, *i.e.*, all workplace accidents, not involving commutes, which resulted in at least one day of absence from work.

In 2013, the number of workplace accidents, not involving commutes, resulting in at least one day of absence from work was 4,485 (-21% compared with 2012).

In France, in 2013, 1,845 workplace accidents which resulted in at least one day's absence were recorded, and the number of calendar days lost due to workplace accidents was 114,060. This year, the number of workplace accidents per million hours worked (or "frequency rate") was 18.67 (compared with 22.78 in 2012) and the number of calendar days lost due to workplace accidents per thousand hours worked (or the "rate of severity") was 1.15 (compared with 1.31 in 2012). Furthermore, 198employees worldwide were recognized as suffering from work-related illnesses while 313 employees were declared unfit by the occupational doctor.

In 2013, 29,276 people took part in safety training, accounting for 42% of the total training hours and there were 430 units dedicated to occupational health and safety issues.

Training

Veolia Environnement also sets great store on skills development, maintaining staff employability and supporting staff through training, mobility and building motivational career paths. For France, individual training entitlements are included and time off for individual training are excluded as well as apprenticeship training times.

	Total 2011		Total 2012		Total 2013	
Training	**World**	**France**	**World**	**France**	**World**	**France**
Total number of people taking part in training programs	541,020	102,213	487,810	93,416	497,405	88,497
Of which managerial staff	13.4%	16.9%	14.1%	17.2%	13%	17%
Of which non-managerial staff	86.6%	83.1%	85.9%	82.8%	87%	83%
Men	75.9%	82.6%	78.4%	84.7%	75%	84%
Women	24.1%	17.4%	21.6%	15.3%	25%	16%
Rate of employees having taken at least one training course	74.2%	73.3%	73.3%	67.9%	76%	65%
Average duration of training programmes	8.54	12.36	7.77	12.17	6,94	12,35
Number of hours of training effectively given	4,621,443	1,263,590	3,791,844	1,136,458	3,450,928	1,092,994

Employment and social integration of the disabled

There were 3,934disabled employees as of December 31, 2013, compared with 4,233 in 2012.

In France, the number of disabled employees was 2,437 as of December 31, 2013 compared with 2,240 in 2012, up 9% compared with 2012.

Social welfare activities

The consolidated amount of grants for socialwelfareand cultural activities organized for employees was €69 million in 2013. This figure does not include all of the social welfare or solidarity-oriented work carried out by Group companies.

In France, the consolidated amount of grants for social welfare activities was €38 million.

Respect for fundamental rights

Promotion and compliance with the provisions of the fundamental conventions of the ILO relating to respect for freedom of association and the right to collective bargaining

Veolia Environnement sets great store by respect for fundamental international conventions, in particular those relating to employee relations and working conditions, such as those adopted under the aegis of the International Labor Organization (ILO). This commitment is reinforced by the Group’s decision to join the United Nations Global Compact in 2003. Principles 1 to 6 of this platform reflect the ILO’s objectives.

With respect to collective bargaining, Veolia Environnement draws both on direct relationships with all the social partners as well as joint organizations created according to the rules of each country.

For example, in 2013, 92% of the Group's employees were covered by a Social Dialogue system.

Promotion and compliance with the provisions of the fundamental conventions of the ILO relating to the elimination of discrimination in respect of employment and occupation

In line with the commitments made in relation to the ILO (see above), the commitments made by Veolia Environnement are set out in detail in Section 17.1.3.3 Diversity, equal opportunity and combating discrimination.

Promotion and compliance with the provisions of the fundamental conventions of the ILO relating to the elimination of forced or compulsory labor

In accordance with the commitments made to the ILO (see above), Veolia Environnement has prohibits any form of forced or compulsory labor.

These commitments are recalled in its "Guide to Ethics", in particular concerning compliance with international fundamental labor standards and the prohibition of the use of forced labor in all its operations.

Promotion and compliance with the provisions of the fundamental conventions of the ILO relating to the effective abolition of child labor

In accordance with the commitments made to the ILO (see above), Veolia Environnementstrictly prohibits child labor. In certain special cases particularly dual apprenticeships where minors can work but with strict compliance with all the provisions of the regulations. These commitments are recalled in the "Guide to Ethics", in particular concerning compliance with international fundamental labor standards and the prohibition of the use of child labor.

17.3 Stock option and bonus share plans

17.3.1 Company policy on the allocation of stock options and bonus shares

Company policy for the 2013 fiscal year

The Company did not allocate any stock options or bonus shares in 2013.

Company policy for the 2014 fiscal year

At its meeting of March 11, 2014, the Board of Directors, following recommendations made by the Nominations and Compensation Committee, laid down the Company's general policy with regard to incentive arrangements for executives and managers of the Group in 2014.

In this context, the Board of Directors decided not to grant any stock options in 2014 and to set up an employee savings plan specifically for the Group's senior executives (see Section 17.4.2).

In view of these recommendations, the authorization given by the Shareholders' Meeting on May 7, 2010 with a view to allocating to employees of the Company and its affiliated companies stock options, without discount, for a period of 26 months, representing up to 1% of the share capital as at the allocation decision date (half of which was used during the last issue – stock options plan decided by the Board of Director's meeting on September 28, 2010), ended on July 7, 2012. After this, the Shareholders' Meeting to be held on April 24, 2014 will not be asked to vote on a new resolution for allocating stock options.

Overview of stock option plans Year ended December 31, 2013

As a result of the capital increase recorded on July 10, 2007 (see Chapter 21, Section 21.1.6 below), and in order to preserve the rights of the holders of stock options, the exercise parity of the options was adjusted pursuant to Article L. 225-181 of the French Commercial Code. These adjustments entered into force on July 11, 2007.

	SUBSCRIPTION OPTIONS	SUBSCRIPTION OPTIONS	SUBSCRIPTION OPTIONS
	Plan No. 8	**Plan No. 7**	**PLAN No. 6**
Meeting date	5/7/2010	5/11/2006	5/12/2005
Date of Board meeting	9/28/2010	7/17/2007	3/28/2006
Total number of options initially granted	2,462,800	2,490,400	4,044,900
• Of which total number of options granted to corporate officers	0	110,000	150,000
Number of corporate officers initially concerned	0	1	1
Number of employees initially concerned	1,221	557	1,378
Exercise start date	9/29/2014	7/18/2011	3/29/2010
Expiration date	9/28/2018	7/17/2015	3/28/2014
Exercise price*	€22.50	€57.05	€44.03
Number of options exercised as of December 31, 2013	0	0	1,300
Total number of shares that could be subscribed or purchased as of December 31, 2013**	0***	537,950	2,949,147

* *Adjusted, where necessary, to take into account transactions affecting the Company's share capital.*

** *After application of legal adjustments and the plan performance conditions, after taking into account options exercised and any changes in the situation of the beneficiaries since each plan was set up.*

*** *Except in the case of a public offer on the Company's shares, in which case the 2,127,400 stock options of Plan No. 8 would become exercisable.*

A stock purchase option Plan No. 1 was implemented pursuant to a Management Board decision on June 23, 2000. This plan expired on June 23, 2008. At the maturity date, a total of 457,962 shares had been vested by Group executives and employees under this plan.

Plan No. 2 was set up on February 8, 2001, also pursuant to a Management Board decision. This plan expired on February 8, 2009. At the maturity date, 1,989,853 shares had been subscribed by Group executives and employees under this plan.

Plan No. 3 was set up on January 28, 2002, also pursuant to a Management Board decision. This plan expired on January 28, 2010. At the maturity date, 2,385,941 shares had been subscribed by Group executives and employees under this plan.

Plan No. 4 was set up on March 24, 2003, also pursuant to a Management Board decision. This plan expired on March 24, 2011. At the maturity date, 3,253,370 shares had been subscribed by Group executives and employees under this plan.

Plan No. 5 was set up on December 24, 2004, also pursuant to a Management Board decision. This plan expired on December 24, 2012. At the maturity date, 244,491 shares had been subscribed by Group executives and employees under this plan.

With regard to potential dilution relating to share subscription options and bonus shares, see Chapter 21, Section 21.1.5 below.

17.3.2 Options and bonus shares granted to and exercised by executive corporate officers in 2013

Stock subscription or purchase options allocated over the fiscal year to corporate officers by Veolia Environnement and by any Group company

Name of corporate officer	Plan number and date	Type of option	Number of options allocated over the fiscal year	Valuation of the options	Exercise price (in €)	Exercise period
Antoine Frérot (Chairman and Chief Executive Officer)	N/A	N/A	None	N/A	N/A	N/A

N/A: not applicable

Bonus shares allocated during the year to executive corporate officers by Veolia Environnement and any other Group companies

Name of corporate officer	Plan number and date	Number of options allocated over the fiscal year	Valuation of the shares	Availability date	Performance conditions
Antoine Frérot (Chairman and Chief Executive Officer)	N/A	None	N/A	N/A	N/A

N/A: not applicable

Stock subscription or purchase options exercised over the fiscal year by corporate officers

Name of corporate officer	Plan number and date	Number of options exercised during the year	Type of option	Exercise price (in €)
Antoine Frérot (Chairman and Chief Executive Officer)	N/A	None	N/A	N/A

N/A: not applicable

Free shares that became available over the fiscal year for corporate officers

Name of corporate officer	Plan number and date	Number of shares that became fully vested during the year	Vesting conditions
Antoine Frérot (Chairman and Chief Executive Officer)	N/A	None	N/A

N/A: not applicable

Share subscription options held by Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company as of December 31, 2013

Plan number and date	Exercise price (in €)	Maturity date	Number of options initially allocated	Number of shares remaining under option
Plan No. 1 – 2000	31.41	Expired (6/24/2008)	40,000	0
Plan No. 2 – 2001	40.59	Expired (2/8/2009)	41,600	0
Plan No. 3 – 2002	36.65	Expired (1/28/2010)	45,000	0
Plan No. 4 – 2003	22.14	Expired (3/24/2011)	70,000	0
Plan No. 5 – 2004	24.32	Expired (12/24/2012)	40,000	0
Plan No. 6 – 2006	44.03	3/28/2014	60,000	60,982
Plan No. 7 – 2007	57.05	7/17/2015	40,000	0
TOTAL			**336,600**	**60,982**

Mr. Frérot's options in force as of December 31, 2013 represented 0.01% of the Company's potential share capital at this date. The exercise prices at this same date for these options were all higher than the stock market price for Veolia Environnement shares.

No bonus shares were allocated to Mr. Frérot.

17.3.3 Options granted to the top ten employees who are not corporate officers over the 2012 fiscal year and options exercised by them over the fiscal year

Stock options granted to the top ten employee beneficiaries other than corporate officers and options exercised by these individuals	Total number of options granted/shares subscribed or purchased	Average weighted price**	Plan number
Options granted over the 2013 fiscal year by Veolia Environnement and any company within the scope of the option award, to the ten employees of Veolia Environnement and of any other company included within this scope, who were granted the highest number of shares in this way	None	N/A	N/A
Options held on Veolia Environnement and the companies referred to above, which were exercised during the 2013 fiscal year by the ten employees of Veolia Environnement and of the aforementioned companies, who exercised the highest number of options in this way*	None	N/A	N/A

N/A: not applicable

** This does not include options exercised by employees who have left the Group.*

*** Exercise price after legal adjustments.*

17.4 Employee savings plans within the Group

17.4.1 Profit-sharing and incentive agreements

Given the nature of its business, the parent company, VéoliaEnvironnementSA, is unable to allocate funds to the mandatory profit-sharing reserve, and has not therefore entered into any mandatory profit-sharing agreement. An optional profit-sharing agreement, on the other hand, applies to all employees of the Company. The terms of this agreement aim to give employees a vested interest in the performance of the Group and the Company. Four indicators were therefore defined for the 2011-2013 period: a financial indicator; an indicator related to the overall performance of the Group in terms of occupational health and safety levels; an indicator accounting for the Group's progress in its environmental results; and a local indicator linked to changes in energy use at the headquarters.

In general, the Group favors expanding optional profit-sharing schemes in order to give employees a vested interest in the performance of the scope to which they are assigned, on the basis of criteria tailored specifically to the business in question.

In 2013, efforts were focused on the roll-out to nearly all Group entities of investment processes for profit-sharing and incentive amounts in the Group employee savings and retirement savings plan.

Another new addition was the introduction, for the first time, of an investment mechanism for paid leave within the Group employee retirement savings plan.

17.4.2 Company savings plans and employee shareholding policy

17.4.4.1 Employee Savings

Following the launch in 2012 of the project for the harmonization of all Veolia Environnement Group employee savings plans, the amount of €100 million was transferred as of December 31, 2013 from all multi-company or dedicated funds and from the various local employee savings plans to the Veolia Environnement Group savings plan, corresponding to 28,000 opened accounts.

17.4.2.2 Employee Shareholding

Since 2002, Veolia Environnement employees have been able to invest in various instruments in the Group savings plan (PEG), including diversified funds and funds invested in Veolia Environnement shares.

Following a first capital increase in 2002 reserved exclusively for French employees, Veolia Environnement decided in 2004 to offer its employees domiciled abroad the possibility of acquiring shares in the Company during reserved capital increases. The plan was progressively rolled out internationally (it has covered up to 29 countries, including France, all mechanisms combined).

Two share ownership formulas have been proposed to date: a classic plan, in which the employee is exposed to changes in listed share prices, and a secured offer(with or without leverage), which protects employees from a fall in the share price while giving them the possibility of benefiting from its increase.

Depending on local particularities, the shares in these two plans are subscribed either directly or through the FCPE (company mutual fund). Additionally, ad hoc plans were put in place in the United Kingdom (Share Incentive Plan) and in China (synthetic plan that replicates the economic conditions of the low-risk shareholder plan) in order to take account of certain constraints such as tax and foreign exchange regulations.

The last transaction took place in late 2010 and resulted in the issuance of 1,692,862 new shares, representing 0.34% of share capital upon the plan's implementation. This capital increase reserved for employees was offered to 185,000 employees in 24 countries (excluding the United Kingdom).

As of December 31, 2013, some 35,300 Group employees(1) now hold shares in Veolia Environnement and, as of the date of the filing of this Registration Document, hold 1.23% of the Company's share capital.

In all, there are 74,822 accounts opened to date in Veolia Environnement's Group France and International savings plans, not including holders of profit-sharing investment accounts.

17.4.2.3 Group retirement savings plan

To supplement its employee savings plan and as part of an agreement with its social partners, Veolia Environnement now offers a Group retirement savings plan ("PERCO G") to allow any employee who so wishes to prepare for retirement under advantageous terms regarding taxes and social security contributions. This plan includes employer matching, now combined with the Group savings plan, which aims to encourage even the smallest employee contributions.

In 2013, 13,378 employees invested in the Group retirement savings plan, representing a total investment amount of €7,511,691, including the employer's contribution.

17.4.3 Implementation of a Management Incentive Plan (MIP) in 2014

The implementation of a motivation and loyalty-building system is planned for 2014, entitled "Management Incentive Plan", for the Group's 300 top executives (including the Chief Executive Officer). This deferred compensation (4 years) arrangement is based on a joint investment approach with the executive's personal investment in company shares with leverage funded by the Group (through the attribution of options to purchase company shares subject to performance conditions). The initial investment made by the executive will result in a limited warranty representing 80% of the value of the investment. This investment may not fall below a €5,000 minimum or exceed 3 months of gross salary (base salary + variable pay).

The leverage is linked to the achievement of performance criteria (adjusted net income attributable to owners of the Company per share). The plan will include a vesting rule on purchasing options for company's share based on three installments of one-third each, exercisable in 2016, 2017 and 2018, provided the performance criteria are achieved, it being understood that the final acquisition will be made at the end of the program, *i.e.* in 2018.

The Chief Executive Officer will be eligible for this arrangement.

(1) figures excluding Veolia Transdev.

17.5 Shares held by corporate officers and senior executives and transactions in the Company's shares

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF General Regulations, members of the Board of Directors and the Company's senior executives, or any person with close links to them, are required to notify the AMF of any acquisitions, sales, subscriptions or exchanges of Company securities or financial instruments, within five days of completing the transaction.

In addition, Directors and senior executives are also subject to French and US regulations on breach of duty and insider trading, which sanction the use or disclosure of privileged information[1].

Finally, Directors and senior executives are required to comply with the Company's code of conduct governing trading in its securities (see Sections 4.2.3.1. and 16.1.7 above). Under the provisions of this Code, the Company considers members of the Board of Directors and Executive Committee to be permanent insiders, who can only purchase or sell Company securities, directly or through an intermediary, under certain conditions and during specific, time-limited periods, in particular after the publication of the Company's annual and interim results.

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(1) Pursuant to Article L. 621-18-4 of the French Monetary and Financial Code, a list of permanent insiders has been drawn up which includes the members of the Veolia Environnement Board of Directors and the Executive Committee. This list has been made available to the AMF.

17.5.1 Share ownership by Directors and the non-voting Board member and transactions in Veolia Environnement shares

To the best of the Company's knowledge, members of the Board of Directors, including the non-voting member, held a total of 81,503,306 Veolia Environnement shares as of December 31, 2013, representing approximately 15% of the Company's share capital as of that date. The table below details the numbers of Veolia Environnement shares held individually by each of the Company's Directors and the non-voting Board member:

	Number of shares held as of 12/31/2013	**Number of shares held as of 12/31/2012**
Antoine Frérot	12,047	11,449
Louis Schweitzer	11,132	5,828
Jacques Achenbroich	2,104	2,000
MaryseAulagnon	1,000	1,000
Daniel Bouton	3,065	3,065
Caisse des Dépôts et Consignations, represented by Olivier Mareuse	48,570,712	48,570,712
Pierre-André de Chalendar	750	750
Marion Guillou	750	0*
Paul-Louis Girardot	1,168	1,110
Groupama SA, represented by Georges Ralli	1,549	1,549
GroupeIndustriel Marcel Dassault, represented by Olivier Costa de Beauregard	32,888,732	32,888,732
Philippe Kourilsky(1)	N/A	750
Serge Michel	3,094	3,094
BaudouinProt	1,687	1,687
Qatari Diar Real Estate Investment Company, represented by Khaled Mohamed Ebrahim Al Sayed(2)	750	750
Nathalie Rachou	793	750
Paolo Scaroni	916	866
Thierry Dassault (censeur)	3,057	3,057
TOTAL	**81,503,306**	81,495,600

N/A: not applicable.

(1) *The term of office of Philippe Kourilsky, which expired at the close of the Shareholders' Meeting of May 14, 2013, was not renewed.*

(2) *In a letter of September 8, 2013, Qatari Diar Real Estate Investment Company informed the Company of the change in its representative, Mr. Khaled Mohamed Ebrahim Al Sayed having replaced Mr. MohdAlhamadi.*

* *On March 8, 2013, Marion Guillou acquired 750 shares in the Company in line with the provisions of Article 11 of the Company's articles of association.*

The table below details transactions involving Veolia Environnement securities made over the 2013 fiscal year by the Directors of the Company. To the best of the Company's knowledge, no other declaration has been made of transactions involving the purchase or sale of Veolia Environnement securities by Directors or any person with close personal links to them over the 2013 fiscal year:

Name of director	Financial instrument	Type of transaction	Transaction date	Unit price (in €)	Total transaction amount (in €)
Marion Guillou	Shares	Purchase	March 8, 2013	10.67	8,002.50
GroupeIndustriel Marcel Dassault	Shares	Sale	June 12, 2013	9.362	2,874,134
GroupeIndustriel Marcel Dassault	Shares	Purchase	June 14, 2013	8.51	1,131,217.2
GroupeIndustriel Marcel Dassault	Shares	Dividend in shares	June 14, 2013	8.51	21,890,885.72
GroupeIndustriel Marcel Dassault	Shares	Sale	June 14, 2013	9.3022	3,255,770
Antoine Frérot	Shares	Subscription	June 14, 2013	8.51	5,088.98
Paul-Louis Girardot	Shares	Subscription	June 14, 2013	8.51	493.58
Louis Schweitzer	Shares	Subscription	June 14, 2013	8.51	2,587.04
Paolo Scaroni	Shares	Subscription	June 14, 2013	8.51	425.5
Caisse des Dépôts et Consignations	Shares	Dividend in shares	June 14, 2013	8.51	26,578,159.68
Caisse des Dépôts et Consignations	Shares	Sale	June 14, 2013	8.51	26,578,159.68
Nathalie Rachou	Shares	Purchase	June 14, 2013	8.51	365.93
GroupeIndustriel Marcel Dassault	Shares	Sale	June 19, 2013	9.408	7,800,502.08
GroupeIndustriel Marcel Dassault	Shares	Sale	June 25, 2013	8.7885	2,636,550
GroupeIndustriel Marcel Dassault	Shares	Sale	June 28, 2013	8.803	3,175,470.98
GroupeIndustriel Marcel Dassault	Shares	Sale	July 3, 2013	8.7462	2,738,846.29
GroupeIndustriel Marcel Dassault	Shares	Sale	July 5, 2013	8.6275	2,116,256.73
Louis Schweitzer	Shares	Purchase	August 30, 2013	11.655	58,275

17.5.2 Transactions in Veolia Environnement shares by Executive Committee members

The table below details transactions in Veolia Environnement shares by Executive Committee members in 2013 (see Section 16.4.1 above)[1]. To the best of the Company's knowledge, no other declaration has been made of transactions involving the purchase or sale of Veolia Environnement securities by these people or any person with close personal links to them during the 2013 fiscal year:

Name of director	Financial instrument	Type of transaction	Transaction date	Unit price (in €)	Total transaction amount (in €)
Antoine Frérot	Shares	Subscription	June 14, 2013	8.51	5,088.98

(1) This table, which has been drawn up pursuant to Article 223-26 of the AMF General Regulations, details the transactions reported to the AMF over the 2013 fiscal year by the Company's senior executives referred to in Article L. 621-18-2 of the French Monetary and Financial Code.

18

Principal Shareholders RFA

18.1 Shareholders of Veolia Environnement as of December 31, 2013

The table below shows the number of shares and the corresponding percentages of share capital and voting rights held as of December 31, 2013 by Veolia Environnement's principal known shareholders.

Each Veolia Environnement share entitles its holder to one vote. There are no shares with double voting rights or non-voting shares (however, the voting rights of treasury shares are not exercised).

To the best of the Company's knowledge, as of the date of the filing of this Registration Document, no shareholder other than those listed in the table below directly or indirectly held 4% or more of the Company's shares or voting rights.

Shareholders as of December 31, 2013	Number of shares	% of share capital	Theoretical number of voting rights	Number of voting rights that may be exercised	Percentage of voting rights***
Caisse des Dépôts	48,570,712	8.85	48,570,712	48,570,712	9.08
Groupe Industriel Marcel Dassault – GIMD(2)	32,888,732	5.99	32,888,732	32,888,732	6.15
Groupe Groupama	28,269,972	5.15	28,269,972	28,269,972	5.29
Velo Investissement (Qatari Diar)	24,745,371	4.51	24,745,371	24,745,371	4.63
Veolia Environnement (5)	14,237,927	2.59	0**	0**	0**
Public and other investors	400,162,984	72.90	400,162,984	400,162,984	74.85
TOTAL	**548,875,708***	**100.00**	**534,637,781***	**534,637,781***	**100.00**

** It must be specified that the share capital may change over the fiscal year depending on exercise of stock options.*

*** As of December 31, 2013 and the date this Registration Document was filed, Veolia Environnement held 14,237,927 treasury shares.*

**** Percentage of voting rights as a share of actual voting rights (Veolia Environnement treasury shares do not exercise voting rights).*

(1) According to the analysis of the Company's shareholders as of December 31, 2013. To the best of the Company's knowledge, the most recent declaration of threshold crossing of Caisse des Dépôts et Consignations was filed on June 15, 2009 (AMF Decision and Information No. 209C0862 dated June 15, 2009).

(2) According to the statement of registered shareholders as of December 31, 2013 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2013. To the best of the Company's knowledge, the most recent declaration of threshold crossing of Groupe Industriel Marcel Dassault (GIMD) was filed on March 11, 2010 (AMF Decision and Information No. 210C0246 dated March 15, 2010).

(3) According to the analysis of the Company's shareholders as of December 31, 2013. To the best of the Company's knowledge, the most recent declaration of threshold crossing of Groupama was filed on December 30, 2004 (AMF Decision and Information No. 205C0030 dated January 7, 2005).

(4) According to the analysis of the Company's shareholders as of December 31, 2013. To the best of the Company's knowledge, the most recent declaration of threshold crossing of Velo Investissement (Qatari Diar) was filed on April 15, 2010 (AMF Decision and Information No. 210C0335 dated April 16, 2010).

(5) Treasury shares without voting rights. This figure is included in the monthly report of transactions carried out by Veolia Environnement with respect to its own shares that was filed with the French Regulatory Authority (AMF) on March 4, 2013.

On March 12, 2010, Groupe Industriel Marcel Dassault (GIMD) reported it had acquired shares in excess of the 5% threshold of share capital and voting rights in Veolia Environnement and undertook to retain this holding for a period of five years. Therefore the Board of Directors of the company, in its meeting on March 24, 2010 has decided to propose to the General Meeting naming one Director and one Auditor to the Board of Directors of Veolia Environnement as long as GIMD holds more than 5% of the share capital and rights of vet in the Company.

On April 16, 2010, Veolia Environnement and the Qatari Diar fund announced the signature of an agreement aimed at setting up a long-term strategic partnership, including the acquisition by Qatari Diar of a 5% stake in Veolia Environnement with full voting rights. This acquisition reflects the groups' mutual ambition to work together on infrastructure and utilities projects in the Middle East and North Africa. The Qatari Diar fund gave an undertaking to the Group to retain its shareholding and voting rights for a period of three years. The appointment of Qatari Diar Real Estate Investment Company as Director was approved by the Shareholders' Meeting of May 7, 2010 for a four-year term.

To the best of the Company's knowledge, there is no agreement between one or more of the Company's other shareholders or any provision in a shareholders' agreement or agreement to which the Company is a party that could have a material impact on the Company's share price, and there is no shareholders' agreement or other agreement of such nature to which any significant non-listed subsidiary of the Company is a party, other than the agreements with (i) EDF described in Chapter 20, Section 20.1 (Notes 35 and 38.3 to the 2011 consolidated financial statements), and in Chapter 18 and 22 of this Registration Document and (ii) la Caisse des Dépôts et Consignations, described in Chapter 20, Section 20.1 (Notes 35 and 38.3 to the 2011 consolidated financial statements) of this Registration Document.

No third party controls Veolia Environnement and, to the Company's knowledge, there is no agreement in existence that, if implemented, could at a subsequent date result in a change of control or takeover of the Company.

Table summarizing changes in the Company's principal shareholders (that directly or indirectly have held more than 4% of the Company's shares) over the last three fiscal years**

	Situation as of December 31, 2013			Situation as of December 31, 2012			Situation as of December 31, 2011		
Shareholder	**Number of shares**	**% of share capital**	**% of voting rights****	**Number of shares**	**% of share capital**	**% of voting rights****	**Number of shares**	**% of share capital**	**% of voting rights****
Caisse des Dépôts	48,570,712	8.85	9.08	48,570,712	9.30	9.56	47,873,873	9.21	9.47
Groupe Industriel Marcel Dassault – GIMD	32,888,732	5.99	6.15	32,888,732	6.30	6.48	32,888,732	6.33	6.51
Groupe Groupama	28,269,972	5.15	5.28	28,322,858	5.42	5.58	29,366,758	5.65	5.81
Velo Investissement (Qatari Diar)	24,745,371	4.51	4.63	24,681,519	4.73	4.86	24,681,519	4.75	4.88
EDF	0	0	0	22,024,918	4.22	4.34	20,577,271	3.96	4.07

* *Figures are taken from the 2013, 2012 and 2011 Registration Documents. Figures for Capital Group Companies have been combined to take into account the percentages of the Company's share capital and voting rights held by all companies of that group.*

** *The percentage of voting rights refers to the theoretical number of voting rights (the percentage of voting rights that may be exercised is identical to the theoretical percentage of voting rights).*

*** *According to the statement of registered shareholders as of December 31, 2013 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2013.*

18.2 Changes in share ownership

- SNEGE, a wholly owned subsidiary of Vivendi Universal, held 99.99% of the Company's share capital from its incorporation until March 31, 1999. Between April 1 and April 9, 1999, Vivendi Universal acquired 100% of the Company's share capital at its par value.

- In July 2000, the Company's shares began trading on the Euronext Paris First Market, which led Vivendi Universal's equity stake in the Company to fall from 100% to 72.3%.

- In December 2001, Vivendi Universal made an over-the-counter block sale of 32.4 million of the Company's shares, representing 9.3% of the Company's total share capital, further reducing its stake in the Company to 63%.

- In July 2002, the Company carried out a capital increase without suspending preemptive subscription rights. This capital increase was completed on August 2, 2002. Pursuant to the terms of an agreement dated June 24, 2002, several financial investors, including Caisse des Dépôts et Consignations, Groupama, BNP Paribas, AGF, Société Générale, Dexia, Caisses d'Epargne, Crédit Lyonnais and Natexis Banques Populaires (the "Group of Declared Investors" or "GID 1"), acquired and exercised the preferential subscription rights which had been granted to Vivendi Universal and subscribed for the remainder of the shares not subscribed by the public. Upon conclusion of the transaction, the GID 1 held 9.4% of the Company's share capital.

- On November 24, 2002, Vivendi Universal, the Company, the GID 1 and a group of new long-term investors including EDF, Caisse des Dépôts et Consignations, Groupama SA, AXA, Compagnie d'Investissement de Paris SAS, Eurazeo, Aurélec, Dexia Crédit Local, Caisse Nationale des Caisses d'Epargne, Assurances Générales de France Holding, CNP-Assurances, Crédit Agricole Indosuez (Suisse) SA (on its own behalf and on behalf of a client), CIC, Generali, Crédit Lyonnais, Médéric Prévoyance and Wasserstein Family Trust LLC ("New Investors"), signed an amendment to the June 24, 2002 agreement[(1)], pursuant to which on December 24, 2002 Vivendi Universal sold to the New Investors and to Veolia Environnement a total of 82,486,072 of the Company's shares (of which 3,624,844 were sold to the Company, which represented approximately 0.9% of its share capital at the time of sale). For each share purchased, the Company and the New Investors also received an option to purchase the Company's shares at a price of €26.50 per share, exercisable at any time between December 24, 2002 and December 23, 2004 inclusive. As of the expiration date of these options, i.e., December 23, 2004, none had been exercised.

- On December 31, 2002, the Company certified completion of a capital increase reserved to employees of the Company and the Group, which had been approved on June 27, 2002. The Sequoia employee investment fund subscribed for these shares in the name and on behalf of its beneficiaries. Upon conclusion of this transaction, 1,183,158 new shares with a par value of €13.50 each had been subscribed at a price of €26.50 per share, thereby increasing share capital by €15,972,633, which represented approximately 1.28% of the Company's share capital.

- On December 6, 2004, the Company certified completion of a capital increase reserved to employees of the Company and the Group, which had been approved by the Board of Directors on September 16, 2004. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,351,468 new shares with a par value of €5 each had been subscribed for at a price of €18.71 per share, thereby increasing share capital by €6,757,340, which represented approximately 0.33% of the Company's share capital.

- On December 8 and December 9, 2004, Vivendi Universal disposed of 15% of the 20.36% stake it held in the Company through (i) a private placement for investors involving 10% of the Company's share capital; (ii) the conclusion of a derivative transaction with Société Générale involving 3% of the Company's share capital; and (iii) a redemption by Veolia Environnement of its shares, involving 2% of the share capital, which was completed on December 29, 2004.

- On December 6, 2005, the Company certified completion of a capital increase reserved to employees of the Company and the Group, which had been approved by the Board of Directors on September 15, 2005. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,281,928 new shares with a par value of €5 per share had been subscribed at a price of €28.11 per share, thereby increasing share capital by €6,409,640, which represented approximately 0.3% of the Company's share capital on the date completion was certified.

- On July 6, 2006, Vivendi (formerly Vivendi Universal) announced the completion of the sale of the 5.3% stake it still held in Veolia Environnement, representing a total of 21,523,527 shares, under an accelerated book building procedure. As a result of this transaction, Vivendi no longer holds any shares in the Company[1].

- On December 15, 2006, the Company certified completion of a capital increase reserved to employees of the Company and the Group, which had been approved by the Board of Directors on September 14, 2006. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,931,340 new shares with a par value of €5 each had been subscribed for at a price of €37.52 each, thereby increasing capital by €9,656,700, which represented approximately 0.47% of the Company's share capital on the date completion was certified.

- On July 10, 2007, the Company certified completion of a capital increase for cash with maintenance of preferential subscription rights, which had been approved by the Board of Directors on June 10, 2007. Upon conclusion of this transaction, 51,941,040 new shares with a par value of €5 each were issued, thereby increasing share capital by €259,705,200. The total amount of the capital increase, including the issue premium, was €2,581,469,688.

- On December 12, 2007, the Company certified completion of a capital increase consisting of (i) a capital increase reserved to current and retired employees of the Company and the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds; and (ii) a capital increase reserved for Sequoia Souscription International – SAR, a subsidiary of Calyon, acting pursuant to a structured share offer for employees from countries unable to participate in traditional employee shareholder plans. Upon completion of these transactions, 3,250,446 new shares with a par value of €5 each, which were subscribed for at a price of €48.18 and €60.23 (depending on the plan), were issued, thereby increasing share capital by €16,252,230, which represented approximately 0.7% of the Company's share capital on the date completion was certified.

- On June 4, 2009, the Company certified completion of a capital increase for cash for a total amount of €322,993,629, which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 7, 2009. This transaction resulted in the issuance of 20,111,683 new shares with a par value of €5 each, i.e., an increase in the Company's share capital of €100,558,415. Upon completion of this transaction, the Company's share capital had been increased to €2,463,441,745, divided into 492,688,349 shares with a par value of €5 each.

- On August 5, 2009, the Company recorded completion of a capital increase reserved for current and retired employees of the Company and the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds. Upon completion of this transaction, 911,014 new shares with a par value of €5 each had been issued, which were subscribed for at a price of €21.28, and which increased the Company's share capital by €4,555,070, which represented approximately 0.18% of the Company's share capital on the date completion was recorded.

- On March 4, 2010, the Company recorded completion of a capital increase pursuant to options exercised during 2009. After these options were exercised, 31,011 new shares with a par value of €5 each were issued, thereby increasing the Company's nominal share capital by €155,055. Upon conclusion of this transaction, the Company's share capital had been increased to €2,468,151,870, divided into 493,630,374 shares with a par value of €5 each.

- On June 7, 2010, the Company certified completion of a capital increase for cash for a total amount of €79,268,062.32, which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 7, 2010. This transaction resulted in the issuance of 3,732,018 new shares with a par value of €5 each, i.e., an increase in the Company's share capital of €18,660,090. Upon completion of this transaction, the Company's share capital had been increased to €2,486,811,960 divided into 497,362,392 shares with a par value of €5 each.

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(1) Following the transfer, Vivendi reported that as of July 11, 2006 it held less than 5% of the share capital and voting rights of Veolia Environnement and that it no longer held any securities of the Company (AMF Decision and Information no. 206C1511 of July 24, 2006).

- On December 15, 2010, the Company recorded completion of a capital increase reserved to current and retired employees of the Company and the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds. This transaction resulted in the issuance of 1,692,862 new shares with a par value of €5 each, which were subscribed for at a price of €17.74, and which increased the Company's nominal share capital by €8,464,310, which represented approximately 0.34% of the Company's share capital on the date completion was recorded. Upon completion of this transaction, the Company's share capital had been increased to €2,495,276,270 divided into 499,055,254 shares with a par value of €5 each.

  Following this transaction, the Company's employees held approximately 2% of the Company's share capital as of that date[1].

- On January 26, 2011, the Company recorded completion of a capital increase pursuant to options exercised during the first half of 2010. After these options were exercised, 71,113 new shares with a par value of €5 each were issued, thereby increasing the Company's nominal share capital by €355,565. Upon conclusion of this transaction, the Company's share capital had been increased to €2,495,631,835, divided into 499,126,367 shares with a par value of €5 each.

- On June 15, 2011, the Company certified completion of a capital increase for cash for a total amount of €383,465,301.04, which was carried out in order to pay a dividend in shares in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 17, 2011. This transaction resulted in the issuance of 20,462,396 new shares with a par value of €5 each, i.e., an increase in the Company's share capital of €102,311,980. Upon completion of this transaction, the Company's share capital had been increased to €2,597,943,815, divided into 519,588,763 shares with a par value of €5 each.

- On August 3, 2011, the Company recorded completion of a capital increase pursuant to options exercised during 2011. After those options were exercised, 64,197 new shares with a par value of €5 each were issued, thereby increasing the Company's nominal share capital by €320,985. Upon conclusion of this transaction, the Company's share capital had been increased to €2,598,264,800, divided into 519,652,960 shares with a par value of €5 each.

- On June 14, 2012, the Company certified completion of a capital increase for cash for a total amount of €24,217,195.55, which was carried out in order to pay a dividend in shares in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 16, 2012. This transaction resulted in the issuance of 2,433,889 new shares with a par value of €5, a nominal increase in the share capital of €12,169,445. Upon completion of this transaction, the Company's share capital had been increased from €2,598,264,800, divided into 519,652,960 shares, to €2,610,434,245, divided into 522,086,849 shares with a par value of €5 each.

  On May 14, 2013, the Company certified completion of a capital increase for cash for a total amount of €227,973,190.09, issue premium included, which was carried out in order to pay a dividend in shares in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 14, 2013. This transaction resulted in the issuance of 26,788,859 new shares with a par value of €5, a nominal increase in the share capital of €133,944,295. Upon completion of this transaction, the Company's share capital had been increased from €2,610,434,245, divided into 522,086,849 shares, to €2,744,378,540, divided into 548,875,708 shares with a par value of €5 each.

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(1) As of December 31, 2010, the Company's employees held 1.91% of its share capital.

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Related-party transactions

Information concerning transactions with related parties in 2013 is included in the special report of the Statutory Auditors concerning regulated agreements and commitments concluded in 2012 (Annex 1 to this Registration Document) and in Chapter 20, Section 20.1, Note 37 to the consolidated financial statements.

See also the Statutory Auditors' reports concerning regulated agreements for the 2011 and 2012 fiscal years, which are included as Annexes to Veolia Environnement's 2011 and 2012 Registration Documents.

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Financial information concerning the assets, financial position and results of the issuer

20.1 Consolidated Financial Statements

Consolidated Statement of Financial Position

Assets

(€ million)		As of December 31, 2013	As of December 31, 2012 represented[(1)]	As of December 31, 2011 represented[(1)]	As of January 1, 2011 represented[(1)]
Goodwill	Note 4	3,486.3	3,911.9	4,796.2	5,585.5
Concession intangible assets	Note 5	2,099.3	2,373.1	2,219.3	1,963.9
Other intangible assets	Note 6	719.3	926.3	1,014.9	1,206.7
Property, plant and equipment	Note 7	4,160.5	4,706.3	6,497.4	8,109.6
Investments in joint ventures	Note 8	2,905.1	2,914,.8	3,167.1	3,066.1
Investments in associates	Note 9	385.0	477.7	360.8	371.1
Non-consolidated investments	Note 10	40.5	47.0	65.4	71.2
Non-current operating financial assets	Note 11	1,698.1	2,215.9	2,091.5	2,209.2
Non–current derivative instruments - Assets	Note 29	258.3	280.0	745.0	621.6
Other non-current financial assets	Note 12	2,492.0	2,441.3	2,864.6	2,434.8
Deferred tax assets	Note 13	859.2	1,018.7	1,065.0	1,588.7
Non-current assets		**19,103.6**	**21,313.0**	**24,887.2**	**27,228.4**
Inventories and work-in-progress	Note 14	434.5	614.9	664.5	725.1
Operating receivables	Note 14	6,944.1	8,573.8	8,836.5	9,887.5
Current operating financial assets	Note 11	97.9	167.0	165.2	187.9
Other current financial assets	Note 12	628.0	1,488.6	978.9	290.1
Current derivative instruments – Assets	Note 29	60.7	45.4	49.6	36.1
Cash and cash equivalents	Note 15	4,274.4	4,998.0	5,025.4	4,754.9
Assets classified as held for sale	Note 24	4,698.9	1,276.0	460.0	699.1
Current assets		**17,138.5**	**17,163.7**	**16,180.1**	**16,580.7**
TOTAL ASSETS		**36,242.1**	**38,476.7**	**41,067.3**	**43,809.1**

(1) The consolidation standards presented in Note 1.1.4.1. and the IAS 19 revised Employee Benefits standard presented in Note 1.1.4.2. hereafter provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for comparative periods have been represented accordingly.
Furthermore, pursuant to IFRS 5.28 and IAS 28.21, the Group amended, retrospectively, the presentation of its investment in Transdev Group, which has been transferred from "Securities classified as held for sale" to "Investments in joint ventures, equity accounted".

The accompanying notes are an integral part of these consolidated financial statements.

Equity and Liabilities

(€ million)		As of December 31, 2013	As of December 31, 2012 represented[(1)]	As of December 31, 2011 represented[(1)]	As of January 1, 2011 represented[(1)]
Share capital		2,744.4	2,610.4	2,598.2	2,495.6
Additional paid-in capital		7,851.1	8,466.3	9,796.2	9,514.9
Reserves and retained earnings attributable to owners of the Company		(2,390.3)	(3,970.5)	(5,386.9)	(4,211.0)
Total equity attributable to owners of the Company	Note 16	**8,205.2**	**7,106.2**	**7,007.5**	**7,799.5**
Total equity attributable to non-controlling interests	Note 16.3	1,478.2	1,391.4	1,532.8	1,804.6
Equity	Note 16	**9,683.4**	**8,497.6**	**8,540.3**	**9,604.1**
Non-current provisions	Note 17	1,698.1	1,792.9	1,793.8	2,041.0
Non-current borrowings	Note 18	9,496.8	12,131.3	14,213.3	15,344.7
Non–current derivative instruments – Liabilities	Note 29	144.0	186.8	156.8	163.8
Deferred tax liabilities	Note 13	801.1	1,010.3	1,465.1	1,699.3
Non-current liabilities		**12,140.0**	**15,121.3**	**17,629.0**	**19,248.8**
Operating payables	Note 14	7,929.9	9,562.8	9,897.8	11,188.1
Current provisions	Note 17	439.7	466.7	533.6	634.7
Current borrowings	Note 18	2,912.8	3,606.1	3,753.2	2,370.5
Current derivative instruments – Liabilities	Note 29	37.9	73.6	85.0	51.1
Bank overdrafts and other cash position items	Note 15	216.1	252.7	390.5	339.6
Liabilities directly associated with assets classified as held for sale	Note 24	2,882.3	895.9	237.9	372.2
Current liabilities		**14,418.7**	**14,857.8**	**14,898.0**	**14,956.2**
TOTAL EQUITY AND LIABILITIES		**36,242.1**	**38,476.7**	**41,067.3**	**43,809.1**

(1) The consolidation standards presented in Note 1.1.4.1. and the revised Employee Benefits standard presented in Note 1.1.4.2. hereafter provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for comparative periods have been represented accordingly.
Furthermore, pursuant to IFRS 5.28 and IAS 28.21, the Group amended, retrospectively, the presentation of its investment in Transdev Group, which has been transferred from "Securities classified as held for sale" to "Investments in joint ventures, equity accounted".

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Income Statement

(€ million)		Year ended December 31, 2013[(1)]	2012[(1) (3)] represented	2011 [(1) (3)] represented
Revenue	Note 19	**22,314.8**	**23,238.9**	**22,482.4**
o/w Revenue from operating financial assets		175.9	184.4	188.4
Cost of sales		(18,959.9)	(19,563.0)	(18,881.3)
Selling costs		(536.0)	(532.9)	(516.7)
General and administrative expenses		(2,441.9)	(2,537.0)	(2,568.5)
Other operating revenue and expenses		113.5	105.3	56.1
Operating income	Note 20	**490.5**	**711.3**	**572.0**
Share of net income (loss) of equity-accounted entities		**178.7**	**(11.9)**	**(136.5)**
o/w share of net income (loss) of joint ventures	Note 8	160.3	(36.3)	(110.6)
o/w share of net income (loss) of associates	Note 9	18.4	24.4	(25.9)
Operating income after share of net income (loss) of equity-accounted entities		**669.2**	**699.4**	**435.5**
Finance costs	Note 21	(622.6)	(716.0)	(694.1)
Income from cash and cash equivalents	Note 21	46.4	71.8	102.0
Other financial income and expenses	Note 22	38.0	50.8	53.5
Income tax expense	Note 23	(128.3)	(52.9)	(439.1)
Share of net income (loss) of other equity-accounted entities	Notes 8 & 9	(51.5)	(45.3)	(470.9)
Net income (loss) from continuing operations		**(48.8)**	**7.8**	**(1,013.1)**
Net income (loss) from discontinued operations	Note 24	27.3	431.8	582.7
Net income for the year		**(21.5)**	**439.6**	**(430.4)**
Attributable to owners of the Company		**(135.3)**	**404.0**	**(488.1)**
Attributable to non-controlling interests in euros	Note 25	(113.8)	(35.6)	(57.7)
(in euros)				
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE[(2)]	Note 26			
Diluted		(0.29)	0.79	(0.99)
Basic		(0.29)	0.79	(0.99)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE[(2)]	Note 26			
Diluted		(0.32)	(0.15)	(2.16)
Basic		(0.32)	(0.15)	(2.16)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE[(2)]				
Diluted		0.03	0.94	1.17
Basic		0.03	0.94	1.17

(1) Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the income statements of:

- *discontinued operations in the course of divestiture, i.e. water activities in Morocco and global urban lighting activities (Citelum);*
- *discontinued operations divested, i.e. European wind energy activities divested in February 2013; the share of net income (loss) of the associate Berlin Water to December 2, 2013; regulated activities in the United Kingdom in the Water Division, divested in June 2012; solid waste activities in the United States in the Environmental Services Division, divested in November 2012;U.S. wind energy activities divested in December 2012; household assistance services (Proxiserve), divested in December 2011 and Environmental Services Division activities in Norway, divested in March 2011;*

are presented in a separate line, Net income (loss) from discontinued operations, for the years ended December 31, 2013, 2012 and 2011.

Furthermore, as described in Note 3.3.4, the contribution of the Transdev Group was transferred to continuing operations for fiscal years 2013, 2012 and 2011.

(2) The weighted average number of shares outstanding at December 31, 2013, is 523.5 million (basic and diluted) - See Note 26, Earnings per share.

Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year. Pursuant to IAS 33.19 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

(3) The consolidation standards presented in Note 1.1.4.1. and the revised IAS 19 Employee Benefits standard presented in Note 1.1.4.2. hereafter provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for comparative periods have been represented accordingly.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended December 31,		
(€ million)	**2013**	**2012[3] represented**	**2011[3] represented**
Net income (loss) for the year	**(21.5)**	**439.6**	**(430.4)**
Actuarial gains and losses on pension obligations	17.3	(113.5)	(13.6)
Related income tax expense	1.3	12.6	(29.5)
Amount net of tax	18.6	(100.9)	(43.1)
Other items of comprehensive income not subsequently released to net income	**18.6**	**(100.9)**	**(43.1)**
o/w attributable to joint ventures[2]	**2.1**	**(16.0)**	**(7.6)**
o/w attributable to associates	**(0.1)**	**(0.2)**	**0.1**
Fair value adjustments on available-for-sale assets	3.0	5.9	(1.1)
Related income tax expense	0.6	(0.9)	0.4
Amount net of tax	3.6	5.0	(0.7)
Fair value adjustments on cash flow hedge derivatives	38.6	2.8	(48.7)
Related income tax expense	(13.0)	(1.0)	14.2
Amount net of tax	25.6	1.8	(34.5)
Foreign exchange gains and losses			
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	(255.2)	96.6	98.7
Amount net of tax	(255.2)	96.6	98.7
• On the net financing of foreign operations	89.3	88.9	(4.2)
• Related income tax expense	(0.6)	(2.5)	(82.3)
Amount net of tax	88.7	86.4	(86.5)
Other items of comprehensive income subsequently released to net income	**(137.3)**	**189.8**	**(22.9)**
o/w attributable to joint ventures[2]	(37.1)	2.7	79.8
o/w attributable to associates	(4.1)	5.0	(12.7)
Total Other comprehensive income[1]	**(118.7)**	**88.9**	**(66.0)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(140.2)**	**528.5**	**(496.4)**
Attributable to owners of the Company	(208.3)	507.2	(547.2)
Attributable to non-controlling interests	*68.1*	*21.3*	*50.8*

(1) Other comprehensive income attributable to discontinued operations as defined in IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, is -€1.5 million for the year ended December 31, 2013, €136.5 million for the year ended December 31, 2012 and -€19.8 million for the year ended December 31, 2011.

(2) The share attributable to joint ventures mainly concerns Dalkia International, the Chinese Water concessions and Transdev Group.

(3) The consolidation standards presented in Note 1.1.4.1. and the revised IAS 19 Employee Benefits standard presented in Note 1.1.4.2. hereafter provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for comparative periods have been represented accordingly.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

(€ million)		Year ended December 31, 2013	2012 [(2)] represented	2011[(2)] represented
Net income for the year		(21,5)	439.6	(430.4)
Operating depreciation, amortization, provisions and impairment losses	Note 20	1,507.0	1,472.8	1,616.1
Financial amortization and impairment losses		19.3	(4.1)	(2.8)
Gains/losses on disposal and dilution	Note 20	(181.4)	(710.1)	(608.0)
Share of net income (loss) of joint ventures	Note 8	(109.3)	60.1	572.1
Share of net income (loss) of associates	Note 9	(28.0)	(29.0)	24.7
Dividends received	Note 22	(3.1)	(3.3)	(2.8)
Finance costs and finance income	Note 21	599.6	680.1	632.2
Income tax expense	Note 23	133.8	151.1	471.0
Other items		54.0	115.9	75.3
Operating cash flow before changes in working capital		**1,970.4**	**2,173.1**	**2,347.4**
Changes in operating working capital	Note 14	(4.3)	31.4	(224.1)
Income taxes paid		(203.1)	(226.2)	(240.5)
Net cash from operating activities		**1,763.0**	**1,978.3**	**1,882.8**
Including Net cash from operating activities of discontinued operations [(1)]		***65.9***	***160.7***	***132.8***
Industrial investments	Note 39	(1,226.9)	(1,680.7)	(1,567.3)
Proceeds on disposal of intangible assets and property plant and equipment		120.2	94.1	117.0
Purchases of investments		(79.8)	(123.0)	(107.1)
Proceeds on disposal of financial assets (*)		807.1	2,827.2	1,784.8
Operating financial assets				
New operating financial assets	Note 11	(224.2)	(249.5)	(182.5)
Principal payments on operating financial assets	Note 11	202.1	181.0	232.2
Dividends received (including dividends received from joint ventures and associates)	Notes 8, 9 & 22	115.2	123.3	135.7
New non-current loans granted		(698.3)	(141.1)	(1,089.2)
Principal payments on non-current loans		307.3	26.6	100.4
Net decrease/increase in current loans		345.7	(19.5)	(260.1)
Net cash used in investing activities		**(331.6)**	**1,038.4**	**(836.1)**
Including Net cash used in investing activities of discontinued operations (1)		***610.9***	***2,413.2***	***205.6***
Net increase/decrease in current borrowings	Note 18	(1,389.0)	(1,027.0)	(4.0)
New non-current borrowings and other debts	Note 18	164.0	1,065.6	502.6
Principal payments on non-current borrowings and other debts	Note 18	(1,577.1)	(1,593.7)	(261.5)
Proceeds on issue of shares		13.2	9.1	(2.8)
Share capital reduction		-	-	-
Transactions with non-controlling interests: partial purchases		(15.3)	(106.8)	(44.9)
Transactions with non-controlling interests: partial sales		2.7	(2.2)	0.1
Proceeds on issue of deeply subordinated securities	Notes 16 & 18	1,470.2	-	-
Coupons on deeply subordinated securities		(16.6)	-	-
Purchases of/proceeds from treasury shares		-	-	2.2
Dividends paid		(191.3)	(434.3)	(403.0)
Interest paid		(693.1)	(697.2)	(600.2)

(€ million)		Year ended December 31, 2013	2012 (2) represented	2011(2) represented
Net cash used in financing activities		**(2,232.3)**	**(2,786.5)**	**(811.5)**
Including Net cash used in financing activities of discontinued operations (1)		***(62.1)***	***107.6***	***(63.1)***
NET CASH AT THE BEGINNING OF THE YEAR		**4,745.3**	**4,634.9**	**4,415.3**
Effect of foreign exchange rate changes and other		113.9	(119.8)	(15.6)
NET CASH AT THE END OF THE YEAR		**4,058.3**	**4,745.3**	**4,634.9**
Cash and cash equivalents	Note 15	4,274.4	4,998.0	5,025.4
Bank overdrafts and other cash position items	Note 15	216.1	252.7	390.5
NET CASH AT THE END OF THE YEAR		**4,058.3**	**4,745.3**	**4,634.9**

(*) Proceeds on disposal of financial assets in the Consolidated Cash Flow Statement include financial disposals, cash and cash equivalents, bank overdrafts and other cash position items removed from the scope of consolidation.

In 2013, this amount includes, in particular, the divestiture of Berlin Water in the amount of €636 million, including the repayment of the VW Deutschland financial receivable for €547.7 million.

In 2012, this amount included, in particular, the disposal of regulated Water activities in the United Kingdom (€1,230 million) and solid waste activities in the United States in the Environmental Services Division (€1,461 million).

The accompanying notes are an integral part of these consolidated financial statements.

(1) Net cash flows attributable to discontinued operations as defined in IFRS 5 primarily concern:

a. Norwegian activities in the Environmental Services Division, divested in March 2011;

b. Household assistance services (Proxiserve), divested in December 2011;

c. Regulated Water activities in the United Kingdom divested in June 2012;

d. Solid waste activities in the United States in the Environmental Services Division, divested in November 2012;

e. U.S. wind energy activities, divested in December 2012;

f. European wind energy activities, divested in February 2013;

g. The Berlin Water associate to December 2, 2013;

h. Water activities in Morocco;

i. Global urban lighting activities (Citelum).

Discontinued operations are presented in Notes 3 and 24.

(2) The consolidation standards presented in Note 1.1.4.1. and the revised IAS 19 Employee Benefits standard presented in Note 1.1.4.2. hereafter provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for comparative periods have been represented accordingly.

Statement of changes in equity

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2011, represented	**499,126,367**	**2,495.6**	**9,514.9**	**(444.7)**	**(3,750.1)**	**18.0**	**(34.2)**	**7,799.5**	**1,804.6**	**9,604.1**
Issues of share capital of the parent company	20,462,396	102.3	280.4	-	-	-	-	382.7	-	382.7
Parent company dividend distribution	-	-	-	-	(586.8)	-	-	(586.8)	-	(586.8)
Elimination of treasury shares	-	-	-	2.2	-	-	-	2.2	-	2.2
Share-based payments	64,197	0.3	0.9	-	1.8	-	-	3.0	-	3.0
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	-
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	(199.7)	(199.7)
Transactions with non-controlling interests	-	-	-	-	(43.7)	-	-	(43.7)	(0.8)	(44.5)
Total transactions with non-controlling interests	**20,526,593**	**102.6**	**281.3**	**2.2**	**(628.7)**	**-**	**-**	**(242.6)**	**(200.5)**	**(443.1)**
Foreign exchange translation	-	-	-	-	-	104.7	-	104.7	(6.0)	98.7
Net foreign investments	-	-	-	-	-	(10.1)	-	(10.1)	4.8	(5.3)
Actuarial gains and losses on pension obligations	-	-	-	-	(40.1)	-	-	(40.1)	(3.0)	(43.1)
Fair value adjustments on cash flow hedge derivatives	-	-	-	-	-	(81.1)	(31.9)	(113.0)	(2.6)	(115.6)
Fair value adjustments on AFS assets	-	-	-	-	-	-	(0.6)	(0.6)	(0.1)	(0.7)
Total Other comprehensive income	-	-	-	-	(40.1)	13.5	(32.5)	(59.1)	(6.9)	(66.0)
Net income for the year	-	-	-	-	(488.1)	-	-	(488.1)	57.7	(430.4)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(528.2)**	**13.5**	**(32.5)**	**(547.2)**	**50.8**	**(496.4)**
Other changes	-	-	-	-	(2.2)	-	-	(2.2)	(122.1)	(124.3)
As of December 31, 2011, represented	**519,652,960**	**2,598.2**	**9,796.2**	**(442.5)**	**(4,909.2)**	**31.5**	**(66.7)**	**7,007.5**	**1,532.8**	**8,540.3**

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total e quity
As of December 31, 2011, represented	**519,652,960**	**2,598.2**	**9,796.2**	**(442.5)**	**(4,909.2)**	**31.5**	**(66.7)**	**7,007.5**	**1,532.8**	**8,540.3**
Issues of share capital of the parent company	2,433,889	12.2	11.7	-	-	-	-	23.9	-	23.9
Parent company dividend distribution	-	-	(1,341.6)	-	987.8	-	-	(353.8)	-	(353.8)
Elimination of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	(1.1)	-	-	(1.1)	-	(1.1)
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	3.2	3.2
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	(104.4)	(104.4)
Transactions with non-controlling interests	-	-	-	-	(67.4)	-	-	(67.4)	(72.1)	(139.5)
Total transactions with non-controlling interests	**2,433,889**	**12.2**	**(1,329.9)**	**-**	**919.3**	**-**	**-**	**(398.4)**	**(173.3)**	**(571.7)**
Foreign exchange translation	-	-	-	-	-	100.5	-	100.5	(3.9)	96.6
Net foreign investments	-	-	-	-	-	114.8	-	114.8	(3.9)	110.9
Actuarial gains and losses on pension obligations	-	-	-	-	(94.2)	-	-	(94.2)	(6.7)	(100.9)
Fair value adjustments on cash flow hedge derivatives	-	-	-	-	-	(24.5)	1.6	(22.9)	0.2	(22.7)
Fair value adjustments on AFS assets	-	-	-	-	-	-	5.0	5.0	-	5.0
Total Other comprehensive income	-	-	-	-	(94.2)	190.8	6.6	103.2	(14.3)	88.9
Net income for the year	-	-	-	-	404.0	-	-	404.0	35.6	439.6
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**309.8**	**190.8**	**6.6**	**507.2**	**21.3**	**528.5**
Other changes	-	-	-	-	(10.1)	-	-	(10.1)	10.6	0.5
As of December 31, 2012, represented	**522,086,849**	**2,610.4**	**8,466.3**	**(442.5)**	**(3,690.2)**	**222.3**	**(60.1)**	**7,106.2**	**1,391.4**	**8,497.6**

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of December 31, 2012, represented	**522,086,849**	**2,610.4**	**8,466.3**		**(442.5)**	**(3,690.2)**	**222.3**	**(60.1)**	**7,106.2**	**1,391.4**	**8,497.6**
Issues of share capital of the parent company	26,788,859	134.0	93.3	-	-	-	-	-	227.3	-	227.3
Issues of deeply subordinated securities	-	-	-	1,470.2	-	-	-	-	1,470.2	-	1,470.2
Coupon on deeply subordinated securities	-	-	-	(16.6)	-	-	-	-	(16.6)	-	(16,6)
Parent company dividend distribution	-	-	(708.5)	-	-	353.0	-	-	(355.5)	-	(355,5)
Elimination of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	13,2	13,2
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(63.1)	(63.1)
Transactions with non-controlling interests	-	-	-	-	-	(1.0)	-	-	(1.0)	(13.5)	(14.5)
Total transactions with non-controlling interests	**26,788,859**	**134.0**	**(615.2)**	**1,453.6**	**-**	**352.0**	**-**	**-**	**1,324.4**	**(63.4)**	**1,261.0**
Foreign exchange translation	-	-	-	-	-	-	*(204.3)*	-	*(204.3)*	*(50.9)*	*(255.2)*
Net foreign investments	-	-	-	-	-	-	*87.2*	-	*87.2*	*1.5*	*88.7*
Actuarial gains and losses on pension obligations	-	-	-	-	-	*18.2*	-	-	*18.2*	*0.4*	*18.6*
Fair value adjustments on cash flow hedge derivatives	-	-	-	-	-	-	-	*24.1*	*24.1*	*1.5*	*25.6*
Fair value adjustments on AFS assets	-	-	-	-	-	-	-	*1.8*	*1.8*	*1.8*	*3.6*
Total Other comprehensive income	-	-	-	-	-	18.2	(117.1)	25.9	(73.0)	(45.7)	(118.7)
Net income for the year	-	-	-	-	-	(135.3)	-	-	(135 .3)	113.8	(21.5)
Total comprehensive income for the year	-	-	-	-	-	**(117.1)**	**(117.1)**	**25.9**	**(208.3)**	**68.1**	**(140.2)**
Other changes	-	-	-	-	-	(17.1)	-	-	(17.1)	82.1	65.0
As of December 31, 2013	**548,875,708**	**2,744.4**	**7,851.1**	**1,453.6**	**(442.5)**	**(3,472.4)**	**105.2**	**(34.2)**	**8,205.2**	**1,478.2**	**9,683.4**

The dividend distribution per share for fiscal year 2013 is €0.70, compared with €0.70 for fiscal year 2012 and €0.70 for fiscal year 2011.

A dividend distribution of €0.70 per share is proposed to the Annual General Shareholders' Meeting of April 24, 2014.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €191 million, €434 million and €403 million for the years ended December 31, 2013, 2012 and 2011, respectively, breaks down as follows:

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012, represented**	**Year ended December 31, 2011, represented**
Parent company dividend distribution	(355)	(354)	(587)
Third party share in dividend distributions of subsidiaries	(63)	(104)	(200)
Scrip dividend (1)	227	24	384
TOTAL DIVIDEND PAID	**(191)**	**(434)**	**(403)**

(1) The lines "Proceeds on issue of shares" and "Dividends paid" in the Consolidated Cash Flow Statement are presented net of scrip dividends as such distributions do not generate cash flows.

Notes to the Consolidated Financial Statements

Note 1 Accounting principles and methods

1.1 Accounting standards framework

1.1.1 Basis underlying the preparation of the financial information

Pursuant to Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation no.297/2008 of March 11, 2008, the consolidated financial statements for the year ended December 31, 2013 are presented in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and IFRS as published by the International Accounting Standards Board (IASB). These standards may be consulted at the following European Union website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

These financial statements are accompanied, for comparative purposes, by financial statements for fiscal years 2012 and 2011 drawn up in accordance with the same standards framework.

In the absence of IFRS standards or interpretations and in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Veolia Environnement refers to other IFRS dealing with similar or related issues and the conceptual framework. Where appropriate, the Group may use other standard references and in particular U.S. standards.

1.1.2 Standards, standard amendments and interpretations applicable from fiscal year 2013

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2013 are identical to those applied by the Group as of December 31, 2012, with the exception of the following standards, standard amendments and interpretations which came into mandatory effect as of January 1, 2013:

- IAS 19, revised, mainly eliminating the possibility of deferring the recognition of actuarial gains and losses (the corridor approach)
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of interests in other entities
- IAS 28, Investments in associates and joint ventures
- Amendments to IFRS 10, IFRS 11 and IFRS 12 specifying transitional measures
- IFRS 13, Fair value measurement
- Amendments resulting from the IFRS annual improvement process (2009-2011 cycle)
- Amendments to IFRS 7, Financial Instruments: Offsetting financial assets and liabilities.

The first-time application of a certain number of these texts impacted the Group consolidated financial statements, as explained in Note 1.1.4, Changes in accounting method.

1.1.3 Texts which enter into mandatory effect after December 31, 2013

- Amendments to IAS 32, seeking to clarify the principles for offsetting financial assets and liabilities
- IFRS 9, Financial Instruments
- Amendments to IFRS 7 relating to disclosures on transition to IFRS 9
- IFRIC 21, Levies, which provides guidance on when to recognize a liability for a levy imposed by a government
- Amendments to IAS 36, Impairment of Assets, relating to required disclosures on the recoverable amount of non-financial assets
- Amendments to IAS 39, Financial Instruments :Recognition and Measurement, on novation of derivatives and continuation of hedge accounting
- Amendments to IAS 19, Employee Benefits: employee contributions to defined benefit plans*,* aimed at simplifying the accounting for contributions that are independent of the number of years of employee service
- Amendments resulting from the IFRS annual improvement process (2010-2012 and 2011-2013 cycles).

Subject to their definitive adoption by the European Union, these standards, standard amendments and interpretations are of mandatory application from January 1, 2014 or later. The Group is currently assessing the potential impact of the first-time application of these texts.

1.1.4 Changes in accounting method

1.1.4.1 First-time application of the new consolidation standards

The consolidation standards detailed above (IFRS 10, IFRS 11 and IFRS 12) were published in May 2011 and provide for retrospective application from fiscal years beginning on or after January 1, 2013. These standards were adopted by the European Union on December 29, 2012, with mandatory retrospective application from January 1, 2014 at the latest. Early adoption of these standards was however authorized.

The consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union and IFRS as published by the International Accounting Standards Board (IASB).

Accordingly, the Group has adopted these new standards early, with effect from January 1, 2013.

Impact of the first-time application of IFRS 10, *Consolidated Financial Statements*

IFRS 10 replaces the provisions on consolidated financial statements in IAS 27, Consolidated and Separate Financial Statements, and SIC 12, Consolidation – Special Purpose Entities.

IFRS 10 introduces a new single control model based on three criteria: "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". Previously, control was defined in IAS 27 as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

With a view to the first-time application of this standard, the Group undertook an analysis of its investments to determine the level of control exercised over them pursuant to the new definition of control, covering all periods presented. In order to assess the three control criteria defined in IFRS 10, the Group developed an analysis framework encompassing specific situations involving several partners in a complex contractual environment.

The procedures performed did not identify any material impact of the first-time application of this standard (see Note 1.1.4.4).

Impact of first-time application of IFRS 11, Joint Arrangements

IFRS 11 replaces IAS 31, Interests in Joint Ventures and SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. This new standard deals with how a joint arrangement should be classified when two or more parties have joint control. Pursuant to this new standard, there are only two types of joint arrangement: joint ventures and joint operations. Classification is based on the rights and obligations of the parties to the arrangement, taking into consideration the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

A joint venture is a joint arrangement whereby the parties (joint venturers) that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement whereby the parties (joint operators) have direct rights to the assets and obligations for the liabilities, relating to the arrangement.

IAS 31 defined three types of joint arrangement, based primarily on the legal form thereof. Pursuant to IAS 31, the Group accounted for its joint arrangements, classified as joint ventures, using the proportionate consolidation method.

Pursuant to IFRS 11, joint arrangements classified as joint ventures must be accounted for using the equity method (proportionate consolidation is no longer authorized). Each joint operator in a joint operation must account for the assets and liabilities (income and expenses) relating to its interest in the joint operation.

Given the changes concerning the forms of joint arrangements and to consolidation methods, the Group undertook a review of its joint arrangements, covering all periods presented.

The main arrangements under joint control within the Group qualify as joint ventures pursuant to IFRS 11 and must therefore be equity-accounted in accordance with IFRS 11.

The impacts of the first-time application of IFRS 11 on joint operations are presented in Note 1.1.4.4.

Impact of the first-time application of IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 concerns the disclosure of interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. First-time application of this standard results in the provision of more detailed disclosures in the notes to the financial statements.

Impact of first-time application of IAS 28, revised

The first-time application of this revised standard has no impact on the consolidated financial statements of the Group. The amendments to this standard are primarily the result of the new consolidation standards referred to above.

1.1.4.2 First-time application of the revised employee benefits standard

In June 2011, the IASB published a revised Employee Benefits standard, IAS 19R, subsequently approved by the European Parliament on June 5, 2012. This standard is applicable to fiscal years commencing on or after January 1, 2013 and is of retrospective application.

The main changes to this revised standard are as follows:

- Immediate recognition of actuarial gains and losses in Other Comprehensive Income, removing the “corridor” option contained in the previous version of the standard. As the Group historically elected to apply the “SORIE” option, consisting in the immediate recognition of actuarial gains and losses arising in Other Comprehensive Income, this amendment has no impact on the consolidated financial statements;

- Immediate recognition in profit or loss of all past service costs; the recognition of past services costs relating to unvested post-employment benefits, through their deferral and recognition over the residual vesting period is therefore removed. Accordingly, all plan amendments and new plan introductions are recognized immediately and in full in profit or loss of the period;

- Introduction of a new concept: net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate used to calculate the defined benefit obligation. In practice, the expected return on plan assets in the previous version of the standard is replaced by the discount rate used to measure the defined benefit obligation.

1.1.4.3 First-time application of the new fair value measurement standard

IFRS 13 is a transversal standard applicable to all IFRS applying the fair value concept for measurement or disclosure purposes.

This standard seeks to define fair value, set out a framework for measuring fair value and clarify the disclosures required about fair value measurements.

This standard does not change the application scope of fair value within IFRS, but provides a certain number of clarifications on measurement and disclosures.

First-time application of this revised standard, of prospective application, does not have a material impact on the consolidated financial statements of the Group for the year ended December 31, 2013.

1.1.4.4 Impact of the first-time application of these new standards on the consolidated financial statements

The main entities concerned by the application of these standards and, in particular, IFRS 11 are:

- Dalkia International, a joint venture in the Energy Services Division held 75% by Dalkia and 25% by EDF ;

- Proactiva group, a joint venture in the "Other Segments" Division, held 50% with FCC until November 28, 2013, the date of acquisition of control (see Note 3.3);

- The Chinese Water concessions, comprising approximately twenty joint ventures in the Water Division with ultimate percentage interests of between 21% and 50%. The most significant concessions, in terms of revenue, are Shenzhen and Shanghai;

- Transdev Group, a joint venture between Caisse des dépôts et consignations and Veolia Environnement.

Impact of the first-time application of these new standards on the Group Consolidated Income Statements for the periods presented

The various lines of the Group Consolidated Income Statements presented below reflect the Consolidated Income Statement in its current presentation format, following the entry into effect of the new consolidation standards and recommendation no. 2013-01 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013 on the presentation of the share of net income of equity-accounted entities in Consolidated Income Statements prepared in accordance with international accounting standards. In application of this recommendation and taking account of the nature of the activities of the Group's equity-accounted entities, the share of net income of the Group's equity-accounted entities, representing an extension of the Group's businesses, is included in the line "Operating income after share of net income (loss) of equity-accounted entities".

Accordingly, as described in Note 3.3.4 and given the Group's confirmed desire to continue its withdrawal from Transdev, the investments in Transdev/SNCM do not represent an extension of the Group's businesses within the meaning of the French Accounting Standards Authority's recommendation of April 4, 2013. The share of net income is therefore presented on the line "Share of net income (loss) of other equity-accounted entities".

These tables also present the impact of the reclassification of net income of operations divested or in the course of divestiture (solid waste activities in the United States, regulated water activities in the United Kingdom, U.S. and European wind energy activities, Water activities in Morocco, and the contribution of Berlin Water) to "Net income of discontinued operations" in accordance with IFRS 5 (see Note 24). While this is not an impact of a new standard, the IFRS 5 column was included to facilitate the reconciliation of published and represented comparative figures.

(€ million)	Year-ended Dec. 31, 2011, published	IFRS 5	First-time application of IFRS 10	First-time application of IFRS 11	First-time application of consolidation standards	First-time application of IFRS 19 R	Year-ended Dec. 31, 2011, represented
Revenue	29,647.3	(947.1)_	(538.9)	(5,678.9)	(6,217.8)	0	22,482.4
Operating income	1,017.2	(159.2)_	(67.5)	(220.9)	(288.4)	2.4	572.0
Operating income after share of net income (loss) of equity-accounted entities	1,017.2	(167.5)_	(37.0)	(378.9)	(415.9)	1.7	435.5
Net income (loss) from continuing operations	(314.2)	(520.6)*	(16.3)	(159.4)	(175.7)	(2.6)	(1,013.1)
Net income (loss) from discontinued operations	(2.4)	520.6*	0	66.4	66.4	(1.9)	582.7
Net income for the year	(316.6)	0.0_	(16.2)	(93.1)	(109.3)	(4.5)	(430.4)
Attributable to owners of the Company	*(489.8)*	*0_*	*5.5*	*2*	7.5	*(5.8)*	(488.1)
Attributable to non-controlling interests	*(173.2)*	*0_*	*21.7*	*95.1*	116.8	*(1.3)*	(57.7)
Net income (loss) attributable to owners of the Company		_					
- diluted	(0.99)	0_	0	0	0	0	(0.99)
- basic	(0.99)	0_	0	0	0	0	(0.99)

* *including the reclassification of Veolia Transdev (see Note 3): -€399 million*

(€ million)	Year-ended Dec. 31, 2011, published	First-time application of IFRS 10	First-time application of IFRS 11	First-time application of consolidation standards	First-time application of IFRS 19 R	Year-ended Dec. 31, 2011, represented
Net income (loss) for the year	**(316.6)**	**(16.2)**	**(93.1)**	**(109.3)**	**(4.5)**	**(430.4)**
Other items of comprehensive income not subsequently released to net income	(59.5)	0	4.0	4.0	12.4	(43.1)
Other items of comprehensive income subsequently released to net income	(43.4)	1.5	19.0	20.5	0	(22.9)
Total comprehensive income for the year	**(419.5)**	**(14.7)**	**(70.1)**	**(84.8)**	**7.9**	**(496.4)**

(€ million)	**Year-ended Dec. 31, 2012, published**	IFRS 5	First-time application of IFRS 10	First-time application of IFRS 11	First-time application of consolidation standards	First-time application of IFRS 19 R	**Year-ended Dec. 31, 2012, represented**
Revenue	29,438.5	0.0	(552.5)	(5,647.1)	(6,199.6)	0.0	23,238.9
Operating income	1,095.0	0.0	(65.9)	(329.4)	(395.3)	11.6	711.3
Operating income after share of net income (loss) of equity-accounted entities	1,095.0	(22.4)	(35.8)	(348.2)	(384.0)	10.8	699.4
Net income (loss) from continuing operations	143.7	(61.4)*	(15.5)	(65.6)	(81.1)	6.6	7.8
Net income (loss) from discontinued operations	386.1	61.4*	0.0	(11.2)	(11.2)	(4.5)	431.8
Net income (loss) for the year	529.8	0.0	(15.5)	(76.8)	(92.3)	2.1	439.6
Attributable to owners of the Company	*393.8*	*0.0*	*7.2*	*1.0*	8.2	*2.0*	404.0
Attributable to non-controlling interests	*(136.0)*	*0.0*	*22.7*	*77.8*	100.5	*(0.1)*	(35.6)
Net income (loss) attributable to owners of the Company							
- diluted	0.78	0	0.01	0	0.01	0	0.79
- basic	0.78	0	0.01	0	0.01	0	0.79

* *including the reclassification of Veolia Transdev: €25.3 million*

(€ million)	**Year-ended Dec. 31, 2012, published**	First-time application of IFRS 10	First-time application of IFRS 11	First-time application of consolidation standards	First-time application of IFRS 19 R	**Year-ended Dec. 31, 2012, represented**
Net income (loss) for the year	**529.8**	**(15.5)**	**(76.8)**	**(92.3)**	**2.1**	**439.6**
Other items of comprehensive income not subsequently released to net income	(111.2)	0.0	4.4	**4.4**	5.9	**(100.9)**
Other items of comprehensive income subsequently released to net income	214.6	(1.3)	(23.5)	**(24.8)**	0.0	**189.8**
Total comprehensive income for the year	**633.2**	**(16.8)**	**(95.9)**	**(112.7)**	**8.0**	**528.5**

Impact of the first-time application of these new standards on the Group Consolidated Statements of Financial Position for the periods presented

(€ million)	**As of January 1, 2011, published**	First-time application of IFRS 10	First-time application of IFRS 11	**First-time application of consolidation standards**	**First-time application of IFRS 19 R**	**As of January 1, 2011, represented**
Goodwill	**6,840.2**	(179.6)	(1,075.1)	(1,254.7)		**5,585.5**
Concession intangible assets	**4,164.6**	(9.3)	(2,191.4)	(2,200.7)		**1,963.9**
Other intangible assets	**1,505.8**	(4.1)	(295.0)	(299.1)		**1,206.7**
Property, plant and equipment	**9,703.3**	(196.2)	(1,397.5)	(1,593.7)		**8,109.6**
Investments in joint ventures	**0.0**	231.0	2,837.5	3,068.5	(2.4)	**3,066.1**
Investments in associates	**311.7**	(0.9)	60.3	59.4		**371.1**
Non-consolidated investments	**130.7**	(32.8)	(26.7)	(59.5)		**71.2**
Non-current operating financial assets	**5,255.3**	(18.0)	(3,028.1)	(3,046.1)		**2,209.2**
Non-current derivative instruments - Assets	**621.1**	0.0	0.5	0.5		**621.6**
Other non-current financial assets	**773.1**	(27.3)	1,689.0	1,661.7		**2,434.8**
Deferred tax assets	**1,749.6**	(8.8)	(168.6)	(177.4)	16.5	**1,588.7**
Non-current assets	**31,055.4**	**(246.0)**	**(3,595.1)**	**(3,841.1)**	**14.1**	**27,228.4**
Inventories and work-in-progress	**1,130.6**	(18.2)	(387.3)	(405.5)		**725.1**
Operating receivables	**12,488.7**	(102.6)	(2,498.6)	(2,601.2)		**9,887.5**
Current operating financial assets	**373.3**	(5.5)	(179.9)	(185.4)		**187.9**
Other current financial assets	**132.3**	0.1	157.7	157.8		**290.1**
Current derivative instruments - Assets	**34.6**	0.0	1.5	1.5		**36.1**
Cash and cash equivalents	**5,406.8**	(81.2)	(570.7)	(651.9)		**4,754.9**
Assets classified as held for sale	**805.6**	0.0	(106.5)	(106.5)		**699.1**
Current assets	**20,371.9**	**(207.4)**	**(3,583.8)**	**(3,791.2)**	**0.0**	**16,580.7**
TOTAL ASSETS	**51,427.3**	**(453.4)**	**(7,178.9)**	**(7,632.3)**	**14.1**	**43,809.1**
Total equity attributable to owners of the company	**7,875.9**	25.6	(31.2)	(5.6)	(70.8)	**7,799.5**
Total equity attributable to non-controlling interests	**2,928.5**	(103.3)	(1,011.6)	(1,114.9)	(9.0)	**1,804.6**
Equity	**10,804.4**	**(77.7)**	**(1,042.8)**	**(1,120.5)**	**(79.8)**	**9,604.1**
Non-current provisions	**2,313.9**	(70.1)	(296.7)	(366.8)	93.9	**2,041.0**
Non-current borrowings	**17,896.1**	(19.3)	(2,532.1)	(2,551.4)		**15,344.7**
Non-current derivative instruments - Liabilities	**195.1**	0.0	(31.3)	(31.3)		**163.8**
Deferred tax liabilities	**2,101.4**	(9.1)	(393.0)	(402.1)		**1,699.3**
Non-current liabilities	**22,506.5**	**(98.5)**	**(3,253.1)**	**(3,351.6)**	**93.9**	**19,248.8**
Operating payables	**13,773.9**	(94.1)	(2,491.7)	(2,585.8)		**11,188.1**
Current provisions	**689.9**	(3.9)	(51.3)	(55.2)		**634.7**
Current borrowings	**2,827.1**	(189.8)	(266.8)	(456.6)		**2,370.5**
Current derivative instruments - Liabilities	**51.7**	0.1	(0.7)	(0.6)		**51.1**
Bank overdrafts and other cash position items	**387.0**	10.5	(57.9)	(47.4)		**339.6**
Liabilities directly associated with assets classified as held for sale	**386.8**	0	(14.6)	(14.6)		**372.2**
Current liabilities	**18,116.4**	**(277.2)**	**(2,883.0)**	**(3,160.2)**	**0.0**	**14,956.2**
TOTAL EQUITY AND LIABILITIES	**51,427.3**	**(453.4)**	**(7,178.9)**	**(7,632.3)**	**14.1**	**43,809.1**

As of January 1, 2011, the impact of application of these new standards on equity attributable to non-controlling interests mainly concerns the equity-accounting of companies previously accounted for using proportionate consolidation and particularly:

- Berlin Water activities in the amount of €(678.7) million
- Dalkia International in the amount of €(262.0) million

(€ million)	**As of Dec. 31, 2011, published**	IFRS 5	First-time application of IFRS 10	First-time application of IFRS 11	**First-time application of consolidation standards**	**First-time application of IFRS 19 R**	**Year ended Dec. 31, 2011, represented**
Goodwill	**5,795.9**		(172.9)	(826.8)	(999.7)	0.0	**4,796.2**
Concession intangible assets	**4,629.1**		(8.6)	(2,401.2)	(2,409.8)	0.0	**2,219.3**
Other intangible assets	**1,280.8**		(28.0)	(237.9)	(265.9)	0.0	**1,014.9**
Property, plant and equipment	**8,488.3**		(198.4)	(1,792.5)	(1,990.9)	0.0	**6,497.4**
Investments in joint ventures	**0.0**	227.5	237.6	2,706.1	2,943.7	(4.1)	**3,167.1**
Investments in associates	**325.2**		0.2	35.4	35.6	0.0	**360.8**
Non-consolidated investments	**106.3**		(32.4)	(8.5)	(40.9)	0.0	**65.4**
Non-current operating financial assets	**5,088.3**		(16.4)	(2,980.4)	(2,996.8)	0.0	**2,091.5**
Non-current derivative instruments - Assets	**742.8**		0.0	2.2	2.2	0.0	**745.0**
Other non-current financial assets	**736.5**		(28.1)	2,156.2	2,128.1	0.0	**2,864.6**
Deferred tax assets	**1,263.9**		(11.0)	(198.6)	(209.6)	10.7	**1,065.0**
Non-current assets	**28,457.1**	**227.5**	**(258.0)**	**(3,546.0)**	**(3,804.0)**	**6.6**	**24,887.2**
Inventories and work-in-progress	**1,020.8**		(21.5)	(334.8)	(356.3)	0.0	**664.5**
Operating receivables	**11,427.6**		(119.9)	(2,471.2)	(2,591.1)	0.0	**8,836.5**
Current operating financial assets	**357.0**		(5.0)	(186.8)	(191.8)	0.0	**165.2**
Other current financial assets	**114.6**		0.1	864.2	864.3	0.0	**978.9**
Current derivative instruments - Assets	**48.1**		0.0	1.5	1.5	0.0	**49.6**
Cash and cash equivalents	**5,723.9**		(85.8)	(612.7)	(698.5)	0.0	**5,025.4**
Assets classified as held for sale	**3,256.5**	**(227.5)**	0.0	(2,569.0)	(2,569.0)	0.0	**460.0**
Current assets	**21,948.5**	**(227.5)**	**(232.1)**	**(5,308.8)**	**(5,540.9)**	**0.0**	**16,180.1**
TOTAL ASSETS	**50,405.6**	**0.0**	**(490.1)**	**(8,854.8)**	**(9,344.9)**	**6.6**	**41,067.3**
Total equity attributable to owners of the company	**7,069.7**		33.0	(31.2)	1.8	(64.0)	**7,007.5**
Total equity attributable to non-controlling interests	**2,765.4**		(104.2)	(1,121.5)	(1,225.7)	(6.9)	**1,532.8**
Equity	**9,835.1**		**(71.2)**	**(1,152.7)**	**(1,223.9)**	**(70.9)**	**8,540.3**
Non-current provisions	**2,077.1**		(75.4)	(285.4)	(360.8)	77.5	**1,793.8**
Non-current borrowings	**16,706.7**		(15.9)	(2,477.5)	(2,493.4)	0.0	**14,213.3**
Non-current derivative instruments - Liabilities	**215.4**		0.0	(58.6)	(58.6)	0.0	**156.8**
Deferred tax liabilities	**1,891.1**		(13.9)	(412.1)	(426.0)	0.0	**1,465.1**
Non-current liabilities	**20,890.3**		**(105.2)**	**(3,233.6)**	**(3,338.8)**	**77.5**	**17,629.0**
Operating payables	**12,598.6**		(111.2)	(2,589.6)	(2,700.8)	0.0	**9,897.8**
Current provisions	**604.8**		(3.0)	(68.2)	(71.2)	0.0	**533.6**
Current borrowings	**3,942.3**		(200.1)	11.0	(189.1)	0.0	**3,753.2**
Current derivative instruments - Liabilities	**81.5**		0.0	3.5	3.5	0.0	**85.0**
Bank overdrafts and other cash position items	**440.2**		0.6	(50.3)	(49.7)	0.0	**390.5**
Liabilities directly associated with assets classified as held for sale	**2,012.8**		0.0	(1,774.9)	(1,774.9)	0.0	**237.9**
Current liabilities	**19,680.2**		**(313.7)**	**(4,468.5)**	**(4,782.2)**	**0.0**	**14,898.0**
TOTAL EQUITY AND LIABILITIES	**50,405.6**		**(490.1)**	**(8,854.8)**	**(9,344.9)**	**6.6**	**41,067.3**

(€ million)	**As of Dec. 31, 2012, published**	IFRS 5	First-time application of IFRS 10	First-time application of IFRS 11	**First-time application of consolidation standards**	**First-time application of IFRS 19 R**	**As of Dec. 31, 2012, represented**
Goodwill	**4,795.0**		(189.6)	(693.5)	(883.1)	0.0	**3,911.9**
Concession intangible assets	**4,518.6**		(8.2)	(2,137.3)	(2,145.5)	0.0	**2,373.1**
Other intangible assets	**1,142.9**		(6.6)	(210.0)	(216.6)	0.0	**926.3**
Property, plant and equipment	**6,837.9**		(200.1)	(1,931.5)	(2,131.6)	0.0	**4,706.3**
Investments in joint ventures	**0.0**	193.6	246.0	2,476.7	2,722.7	(1.5)	**2,914.8**
Investments in associates	**441.5**		(0.3)	36.5	36.2	0.0	**477.7**
Non-consolidated investments	**77.4**		(38.2)	7.8	(30.4)	0.0	**47.0**
Non-current operating financial assets	**2,650.7**		(17.4)	(417.4)	(434.8)	0.0	**2,215.9**
Non-current derivative instruments - Assets	**277.6**		0.0	2.4	2.4	0.0	**280.0**
Other non-current financial assets	**589.0**		(32.2)	1,884.5	1,852.3	0.0	**2,441.3**
Deferred tax assets	**1,243.1**		(13.0)	(220.0)	(233.0)	8.6	**1,018.7**
Non-current assets	**22,573.7**	**193.6**	**(259.6)**	**(1,201.8)**	**(1,461.4)**	**7.1**	**21,313.0**
Inventories and work-in-progress	**1,018.4**		(22.2)	(381.3)	(403.5)	0.0	**614.9**
Operating receivables	**10,305.9**		(125.0)	(1,607.0)	(1,732.0)	(0.1)	**8,573.8**
Current operating financial assets	**202.0**		(4.6)	(30.4)	(35.0)	0.0	**167.0**
Other current financial assets	**944.8**		(25.5)	569.3	543.8	0.0	**1,488.6**
Current derivative instruments - Assets	**45.2**		0.0	0.2	0.2	0.0	**45.4**
Cash and cash equivalents	**5,547.8**		(54.6)	(495.2)	(549.8)	0.0	**4,998.0**
Assets classified as held for sale	**3,974.3**	(193.6)	0.0	(2,500.9)	(2,500.9)	(3.8)	**1,276.0**
Current assets	**22,038.4**	**(193.6**	**(231.9)**	**(4,445.3)**	**(4,677.2)**	**(3.9)**	**17,163.7**
TOTAL ASSETS	**44,612.1**	**0.0**	**(491.5)**	**(5,647.1)**	**(6,138.6)**	**3.2**	**38,476.7**
Total equity attributable to owners of the company	**7,152.1**		41.9	(31.9)	10.0	(55.9)	**7,106.2**
Total equity attributable to non-controlling interests	**1,973.6**		(128.5)	(447.4)	(575.9)	(6.3)	**1,391.4**
Equity	**9,125.7**		**(86.6)**	**(479.3)**	**(565.9)**	**(62.2)**	**8,497.6**
Non-current provisions	**2,092.7**		(81.3)	(284.0)	(365.3)	65.5	**1,792.9**
Non-current borrowings	**13,083.7**		(5.2)	(947.2)	(952.4)	0.0	**12,131.3**
Non-current derivative instruments - Liabilities	**235.1**		0.0	(48.4)	(48.4)	0.1	**186.8**
Deferred tax liabilities	**1,392.5**		(13.1)	(368.9)	(382.0)	(0.2)	**1,010.3**
Non-current liabilities	**16,804.0**		**(99.6)**	**(1,648.5)**	**(1,748.1)**	**65.4**	**15,121.3**
Operating payables	**11,598.7**		(129.4)	(1,906.5)	(2,035.9)	0.0	**9,562.8**
Current provisions	**543.0**		(3.9)	(72.4)	(76.3)	0.0	**466.7**
Current borrowings	**3,629.2**		(168.9)	145.8	(23.1)	0.0	**3,606.1**
Current derivative instruments - Liabilities	**71.8**		0.0	1.8	1.8	0.0	**73.6**
Bank overdrafts and other cash position items	**288.7**		(3.1)	(32.9)	(36.0)	0.0	**252.7**
Liabilities directly associated with assets classified as held for sale	**2,551.0**		0.0	(1,655.1)	(1,655.1)	0.0	**895.9**
Current liabilities	**18,682.4**		**(305.3)**	**(3,519.3)**	**(3,824.6)**	**0.0**	**14,857.8**
TOTAL EQUITY AND LIABILITIES	**44,612.1**		**(491.5)**	**(5,647.1)**	**(6,138.6)**	**3.2**	**38,476.7**

Impact of the first-time application of these new standards on the Group Consolidated Cash Flow Statements for the periods presented

(€ million)	**CFS for the year ended Dec. 31, 2011, published**	First-time application of IFRS 10	First-time application of IFRS 11	**First-time application of consolidation standards**	**First-time application of IFRS 19 R**	**CFS for the year ended Dec. 31, 2011, represented**
Net cash from operating activities	2,944.0	(98.4)	(962.8)	(1,061.2)	0.0	**1,882.8**
Net cash used in investing activities	(1,137.6)	90.6	210.9	301.5	0.0	**(836.1)**
Net cash used in financing activities	(1,375.9)	12.5	551.9	564.4	0.0	**(811.5)**
Effect of foreign exchange rate changes and other	(166.6)	0.6	150.4	151.0	0.0	**(15.6)**
Net cash at the beginning of the year	5,019.8	(91.7)	(512.8)	(604.5)	0.0	**4,415.3**
Net cash at the end of the year	5,283.7	(86.4)	(562.4)	(648.8)	0.0	**4,634.9**

(€ million)	**CFS for the year ended Dec. 31, 2012, published**	First-time application of IFRS 10	First-time application of IFRS 11	**First-time application of consolidation standards**	**First-time application of IFRS 19 R**	**CFS for the year ended Dec. 31, 2012, represented**
Net cash from operating activities	2,851.5	(111.6)	(761.6)	(873.2)	0.0	**1,978.3**
Net cash used in investing activities	427.9	58.1	552.4	610.5	0.0	**1,038.4**
Net cash used in financing activities	(3,114.8)	59.9	268.4	328.3	0.0	**(2,786.5)**
Effect of foreign exchange rate changes and other	(189.2)	28.5	40.9	69.4	0.0	**(119.8)**
Net cash at the beginning of the year	5,283.7	(86.4)	(562.4)	(648.8)	0.0	**4,634.9**
Net cash at the end of the year	5,259.1	(51.5)	(462.3)	(513.8)	0.0	**4,745.3**

1.2 General principles underlying the preparation of the financial statements

The accounting methods presented below have been applied consistently for all periods presented in the consolidated financial statements.

The consolidated financial statements are presented on a historical cost basis, with the exception of assets and liabilities held for sale measured in accordance with IFRS 5 and assets and liabilities recognized at fair value: derivatives, financial instruments held for trading, financial instruments designated at fair value and available-for-sale financial instruments (in accordance with IAS 32 and IAS 39).

The Veolia Environnement consolidated financial statements for the year ended December 31, 2013 were adopted by the Board of Directors on February 26, 2014 and will be presented for approval at the Annual General Shareholders' Meeting on April 24, 2014.

1.3 Basis of presentation as of December 31, 2013

The consolidated financial statements are presented in millions of euros, unless stated otherwise.

The consolidated financial statements comprise the financial statements of Veolia Environnement SA, the entities it controls (its subsidiaries) and the entities over which it exercises significant influence. The financial statements of subsidiaries are drawn up for the same reference period as those of the parent company, from January 1, to December 31, 2013, in accordance with uniform accounting policies and methods.

The Group reassess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

1.4 Principles of Consolidation

1.4.1 Controlled entities

Veolia Environnement fully consolidates all entities over which it exercises control.

Definition of control

Control exists when the Group (i) holds power over an entity, (ii) is exposed or has rights to variable returns from its involvement with the entity and (iii) has the ability to use its power over the entity to effect the amount of its returns.

Full consolidation

The Group consolidates a subsidiary in its consolidated financial statements from the date it obtains control of the entity to the date it ceases to control the entity.

Non-controlling interests represent the equity in a subsidiary that is not directly or indirectly attributable to the Group.

Net income and each component of other comprehensive income are attributed to owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests, even if this results in non-controlling interests having a deficit balance.

Change in ownership interests in consolidated subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a change in control over the subsidiaries are accounted for as equity transactions, as they are transactions performed by shareholders acting in this capacity.

The effects of these transactions are recognized in equity at their net-of-tax amount and do not therefore impact the Consolidated Income Statement of the Group.

These transactions are presented in financing activities in the Consolidated Cash Flow Statement.

1.4.2 Investments in joint ventures and associates

Definitions

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to its net assets.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity method

The results and assets and liabilities of associates or joint ventures are incorporated in the Group consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

Under the equity method, the investment in the associate or joint venture is initially recognized at acquisition cost and subsequently adjusted to recognize the Group's share of the net income and other comprehensive income of the associate or joint venture.

An investment is accounted for using the equity method from the date on which the entity becomes an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the entity's identifiable assets and liabilities is recognized as goodwill. Any excess of the net fair value of the entity's identifiable assets and liabilities over the cost of the investment is recognized in profit or loss.

The share of net income (loss) of equity-accounted entities is included in the Group Consolidated Income Statement. Pursuant to recommendation no. 2013-01 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, the share of net income (loss) of equity-accounted entities must be included in "Operating income after share of net income (loss) of equity-accounted entities" or presented in a separate line "Share of net income (loss) of other equity-accounted entities" depending on whether the activities of such entities represent an extension of the Group's businesses.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transaction with the associate or joint venture are recognized in the Group consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Impairment tests

The requirements of IAS 39, Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to test an investment in an associate or joint venture for impairment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets.

Loss of significant influence or joint control

The equity method is discontinued from the date the investment ceases to be an associate or a joint venture. Where the Group retains a residual interest in the entity and that interest is a financial asset, the financial asset is measured at fair value at the date the investment ceases to be an associate or a joint venture.

Where an investment in an associate becomes an investment in a joint venture, or vice versa, the equity method continues to be applied and the change in ownership interest does not trigger remeasurement to fair value.

1.4.3 Investments in joint operations

Definition

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities, relating to the arrangement.

Accounting for joint operations

As a joint operator in a joint operation, the Group recognizes in relation to its interest in the joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation;
- Its expenses, including its share of any expenses incurred jointly.

As a joint operator, the Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

1.5 Transactions impacting the consolidation scope

1.5.1 Business combinations and goodwill

Business combinations are recorded in accordance with the acquisition method as defined in IFRS 3.

Under this method, identifiable assets acquired and liabilities assumed of the acquiree are recorded at fair value at the acquisition date.

The goodwill arising from the business combination is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and, where applicable, the fair value of any previously held interest, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

This goodwill is measured in the functional currency of the company acquired and recognized in assets in the Consolidated Statement of Financial Position.

The Group may elect, on an individual transaction basis, at the acquisition date, to measure non-controlling interests either at fair value (full goodwill) or at the share in the fair value of the identifiable net assets of the company acquired.

Pursuant to IFRS, goodwill is not amortized but is subject to impairment tests performed annually or more frequently where there is evidence calling into question the net carrying amount recorded in assets in the Statement of Financial Position (see Note 1.11, Impairment of intangible assets, property, plant and equipment and non–financial assets).

Where the terms and conditions of a business combination are advantageous, negative goodwill arises. The corresponding profit is recognized in net income at the acquisition date.

Acquisition-related costs are expensed in the period in which the costs are incurred and the services received.

Pursuant to the provisions of IFRS 3, the Group may finalize the recognition of the business combination during the measurement period. This period ends when all the necessary information has been obtained and no later than one year after the acquisition date.

In the absence of specific IFRS provisions on the creation of joint ventures, the Group applies the acquisition method set-out in IFRS 3, Business combinations, when accounting for acquisitions of joint ventures.

1.5.2 Assets/liabilities classified as held for sale, discontinued operations

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

The standard notably requires the separate presentation of assets held for sale in the Consolidated Statement of Financial Position at the lower of net carrying amount and fair value less costs to sell, where the criteria set-out in the standard are satisfied.

When the Group is committed to a sales process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale where the standard classification criteria are met, irrespective of whether the Group retains a residual interest in the entity after sale.

When the Group is committed to a sales process involving an investment or a portion of an investment in an associate or joint venture, the investment or portion of the investment for sale is classified as held for sale from the date the standard classification criteria are met and the equity method is no longer applied to the investment or portion of the investment classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale. After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39, unless the retained interest continues to be an associate or a joint venture, in which case the equity method is applied.

In addition, the standard requires the separate presentation in the Consolidated Income Statement of the results of discontinued operations for all comparative periods on a retrospective basis.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or major geographical area of operations or;
- Is a subsidiary acquired exclusively with a view to resale.

1.6 Translation of foreign subsidiaries' financial statements

Statements of financial position, income statements and cash flow statements of subsidiaries whose functional currency is different from the presentation currency of the Group are translated into the presentation currency at the applicable rate of exchange (i.e. the year-end rate for statement of financial position items and the average annual rate for income statement and cash flow items). Foreign exchange translation gains and losses are recorded in other comprehensive income in equity. The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

Year-end exchange rate *(one foreign currency unit = €xx)*	**As of December 31, 2013**	**As of December 31, 2012**	**As of December 31, 2011**
U.S. Dollar	0.7251	0.7579	0.7729
Pound Sterling	1.1995	1.2253	1.1972
Chinese Renminbi yuan	0.1198	0.1216	0.1226
Australian Dollar	0.6483	0.7867	0.7860
Average annual exchange rate *(one foreign currency unit = €xx)*	**Average annual rate 2013**	**Average annual rate 2012**	**Average annual rate 2011**
U.S. Dollar	0.7529	0.7778	0.7185
Pound Sterling	1.1776	1.2329	1.1523
Chinese Renminbi yuan	0.1225	0.1233	0.1112
Australian Dollar	0.7263	0.8056	0.7418

1.7 Foreign currency transactions

Foreign currency transactions are translated into euro at the exchange rate prevailing at the transaction date. At the year end, foreign currency-denominated monetary assets and liabilities are remeasured in euro at year-end exchange rates. The resulting foreign exchange gains and losses are recorded in net income for the period.

Loans to a foreign subsidiary, the settlement of which is neither planned nor probable in the foreseeable future represent, in substance, a portion of the Group's net investment in this foreign operation. Foreign exchange gains and losses on monetary items forming part of a net investment are recognized directly in other comprehensive income in foreign exchange translation adjustments and are released to income on the disposal of the net investment.

Exchange gains and losses on foreign currency-denominated borrowings or on currency derivatives that qualify as hedges of a net investment in a foreign operation, are recognized directly in other comprehensive income as foreign exchange translation adjustments. Amounts recognized in other comprehensive income are released to income on the sale date of the relevant investment.

Foreign currency-denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency-denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

1.8 Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost to the Group, less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life.

Useful lives are as follows:

	Range of useful lives in number of years *
Buildings	20 to 50
Technical systems	7 to 24
Vehicles	3 to 25
Other plant and equipment	3 to 12

* *The range of useful lives is due to the diversity of property, plant and equipment concerned.*

Property, plant and equipment are primarily depreciated on a straight-line basis, unless another systematic depreciation basis better reflects the rate of consumption of the asset.

Borrowing costs attributable to the acquisition or construction of identified installations, incurred during the construction period, are included in the cost of those assets in accordance with IAS 23, Borrowing costs.

A finance lease contract is a contract that transfers to the Group substantially all the risks and rewards related to the ownership of an asset.

Pursuant to IAS 17, assets financed by finance lease are initially recorded at the lower of fair value and the present value of future minimum lease payments. Subsequently, the Group does not apply the remeasurement model but the cost model as authorized by IAS 16 and IAS 38.

These assets are depreciated over the shorter of the expected useful life of the asset and the lease term, unless it is reasonably certain that the asset will become the property of the lessee at the end of the contract. This accounting policy complies with IAS 17 and Group accounting methods regarding the recognition and measurement of intangible assets and property, plant and equipment.

Given the nature of the Group's businesses, the subsidiaries do not own investment property in the normal course of their operations.

1.9 Government grants

1.9.1 Investment grants for property, plant and equipment

In accordance with the option offered by IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, investment grants are deducted from the gross carrying amount of property, plant and equipment to which they relate.

They are recognized as a reduction in the depreciation charge over the useful life of the depreciable asset.

When the construction of an asset covers more than one period, the portion of the grant not yet used is recorded in "Other liabilities" in the Consolidated Statement of Financial Position.

1.9.2 Investment grants relating to concession arrangements

Investment grants received in respect of concession arrangements (see Note 1.20) are generally definitively earned and, therefore, are not repayable.

In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets or financial assets depending on the applicable model following an analysis of each concession arrangement (IFRIC 12).

Under the intangible asset model, the grant reduces the amortization charge in respect of the concession intangible asset over the residual term of the concession arrangement.

Under the financial asset model, investment grants are equated to a means of repaying the operating financial asset.

1.9.3 Operating grants

Operating grants concern, by definition, operating items.

Where operating grants are intended to offset costs incurred, they are recognized as a deduction from the cost of goods sold over the period that matches them with related costs.

Where operating grants represent additional contractual remuneration of a recurring nature, such as contributions or compensation for inadequate revenue provided under certain public service delegation contracts, they are recognized in revenue.

1.10 Intangible assets excluding goodwill

Intangible assets are identifiable non-monetary assets without physical substance. They are recorded at acquisition cost less accumulated amortization and any accumulated impairment losses.

Intangible assets mainly consist of certain assets recognized in respect of concession arrangements (IFRIC 12), entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations ("contractual rights"), patents, licenses, software and operating rights.

Intangible assets are amortized on a straight-line basis over their useful life, unless another systematic amortization basis better reflects the rate of consumption of the asset.

Useful lives are as follows:

	Range of useful lives in number of years *
Entry fees paid to local authorities	3 to 80
Purchased contractual rights	3 to 34
Purchased software	3 to 10
Other intangible assets	1 to 28

* *The range of useful lives is due to the diversity of intangible assets concerned.*

1.11 Impairment of intangible assets, property, plant and equipment and non-financial assets

The net carrying amount of non-financial assets, other than inventory and deferred tax assets is reviewed at each period end in order to assess the existence of any indication of loss in value. Where such indication exists, the recoverable amount of the asset or group of assets is estimated.

Goodwill and other assets with an indefinite useful life are subject to systematic annual impairment tests following the update of the long-term plan and more frequent tests where there is an indication of loss in value.

Where the resulting recoverable amount is less than the net carrying amount of the asset or group of assets, an impairment is recorded.

Impairment losses can be reversed, with the exception of those relating to goodwill.

Goodwill and impairment tests

A Cash-Generating Unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Given the Group’s activities, cash-generating units and groups of cash-generating units are below operating segments in the organizational structure and generally represent a country in each Division.

For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units or each of the groups of cash-generating units that are expected to benefit from the business combination.

A cash-generating unit to which goodwill has been allocated is subject to annual impairment tests and more frequent tests where there is an indication of impairment, by comparing the net carrying amount of the CGU, including the goodwill, to its recoverable amount.

Therefore, changes in the general economic and financial environment, or changes in the Group’s economic performance or stock market capitalization represent, in particular, external indicators of impairment that are analyzed by the Group to determine whether it is appropriate to perform more frequent impairment tests.

Where appropriate, goodwill impairment is recognized in operating income and is definitive.

Measuring recoverable amount

The need to recognize an impairment is assessed by comparing the net carrying amount of the assets and liabilities of the CGU or group of CGUs with their recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is determined based on available information enabling the best estimate of the amount obtainable from the sale of the cash-generating unit in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

The value in usedetermined by the Group is equal to the present value of the future cash flows expected to be derived from the CGU or group of CGUs, taking account of their residual value and based on the following:

- Forecast cash flows taken from the long-term plan prepared each year in June and validated by the Board of Directors in November. This plan covers the year in progress and the next six years. This period is representative of the average duration of the Group's long-term contract portfolio and its short-term activities. Exceptionally, the long–term plan was extended to 2025 for the “Water– China” CGU, in order to identify standard flows for the calculation of the terminal value, as Water activities in China follow a specific economic model, with extremely long contract terms (fifty years) and high investment flows during the initial contract years;

- Terminal values are calculated based on discounted forecast flows for the last year of the long-term plan (2019). These flows are determined for each CGU or group of CGUs based on a perpetual growth rate which takes account of factors such as inflation;

- A discount rate (weighted average cost of capital) is determined for each asset, CGU or group of CGUs: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks (see Note 2). The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the CGU or group of CGUs is exposed, with the other risks reflected in the expected future cash flows from the assets;

- Investments included in forecast future cash flows are those investments that enable the level of economic benefits expected to arise from the assets to be maintained in their current condition;

- Restructuring plans to which the Group is not committed are not included in forecast cash flows used to determine values in use.

1.12 Inventories

In accordance with IAS 2, Inventories, inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.13 Provisions

Pursuant to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

As part of its obligations under public services contracts, Veolia Environnement generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

In the case of provisions for rehabilitation of landfill facilities, Veolia Environnement accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component and taking into account inflation and the date on which expenses will be incurred (discounting). The asset is amortized based on its depletion.

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

1.14 Financial instruments

1.14.1 Financial assets and liabilities

Financial assets include assets classified as available-for-sale and held-to maturity, assets at fair value through the Consolidated Income Statement, asset derivative instruments, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing and bank overdrafts, liability derivative instruments and operating payables.

The recognition and measurement of financial assets and liabilities is governed by IAS 39. Fair value measurement incorporates, in particular, the risk of non-performance by the Group or its counterparties, determined based on default probabilities taken from rating agency tables.

1.14.2 Measurement, recognition and derecognition of financial assets

Financial assets are initially recognized at fair value plus transaction costs, where the assets concerned are not subsequently measured at fair value through the Consolidated Income Statement. Where the assets are measured at fair value through the Consolidated Income Statement, transaction costs are expensed directly to net income.

The Group classifies financial assets in one of the four categories identified by IAS 39 on the acquisition date.

1.14.2.1 Held-to-maturity assets

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables that the Group acquires with the positive intention and ability to hold to maturity. After initial recognition at fair value, held-to-maturity assets are recognized and measured at amortized cost using the effective interest method.

Held-to-maturity assets are reviewed for objective evidence of impairment. An impairment loss is recognized if the carrying amount of the financial asset exceeds the present value of future cash flows discounted at the initial effective interest rate (EIR). The impairment loss is recognized in the Consolidated Income Statement.

Net gains and losses on held-to-maturity assets consist of interest income and impairment losses.

1.14.2.2 Available-for-sale assets

Available-for-sale assets mainly consist of non-consolidated investments and marketable securities that do not qualify for inclusion in other financial asset categories. They are measured at fair value, with fair value movements recognized directly in other comprehensive income, except where there is a material or long-term unrealized capital loss. This can arise when future cash flows decrease to such an extent that the fair value of these assets falls materially or long-term below the historical cost. Where this is the case, the impairment loss is recognized in the Consolidated Income Statement. Impairment reversals are recognized in the Consolidated Income Statement for debt securities only (receivables and bonds).

Amounts recognized in other comprehensive income are released to income on the sale of the available-for-sale assets. Fair value is equal to market value in the case of quoted securities and an estimate of the fair value in the case of unquoted securities, determined based on financial criteria most appropriate to the specific situation of each security. Non-consolidated investments which are not quoted in an active market and for which the fair value cannot be measured reliably, are recorded as a last resort by the Group at historical cost less any accumulated impairment losses.

Net gains and losses on available-for-sale assets consist of interest income, dividends, impairment losses and capital gains and losses on disposals.

1.14.2.3 Loans and receivables

This category includes loans to non-consolidated investments, operating financial assets, other loans and receivables and trade receivables. After initial recognition at fair value, these instruments are recognized and measured at amortized cost using the effective interest method.

An impairment loss is recognized if, where there exists an indication of impairment, the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR. The impairment loss is recognized in the Consolidated Income Statement.

The impairment of trade receivables is calculated using two methods:

- A statistical method: this method is based on past losses and involves the application of a provision rate by category of aged receivables. The analysis is performed for a group of similar receivables, presenting similar credit characteristics as a result of belonging to a customer category and country;

- An individual method: the probability and amount of the loss is assessed on an individual case basis in particular for non-State public debtors (past due period, other receivables or payables with the counterparty, rating issued by an external rating agency, geographical location).

Net gains and losses on loans and receivables consist of interest income and impairment losses.

1.14.2.4 Assets and liabilities at fair value through the Consolidated Income Statement

This category includes:

- Trading assets and liabilities acquired by the Group for the purpose of selling them in the near term and which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives not qualifying for hedge accounting are also considered trading assets and liabilities;

- Assets designated at fair value and primarily the portfolio of cash UCITS whose performance and management is based on fair value.

Changes in the value of these assets are recognized in the Consolidated Income Statement.

Net gains and losses on assets at fair value through the Consolidated Income Statement consist of interest income, dividends and fair value adjustments.

Net gains and losses on derivatives entered into for trading purposes consist of swapped flows and the change in the value of the instrument.

1.14.2.5 Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which nearly all the rights and obligations inherent to ownership of the financial asset are transferred. Any interest created or retained by the Group in a financial asset is recognized separately as an asset or liability.

1.14.2.6 Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments. In order to be considered a cash equivalent, an investment must be readily convertible to a known amount of cash and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and monetary UCITS.

Term deposit accounts and negotiable debt instruments present characteristics satisfying the requirements of IAS 7 when their yield is based on short-term money-market rates (such as Eonia) and their maturity is less than 3 months (contractually or due to an early exit option exercisable at least every 3 months and held at a low or nil cost, without loss of capital or remuneration received net of the early exit penalty of less than the yield on short-term investments).

UCITS classified in “cash equivalents” comply with Directive 2009/65/EC of the European Commission of July 13, 2009 and constitute short-term monetary UCITS or monetary UICTS (pursuant to the AMF classification no. 2005-0212 of January 25, 2005, as amended on May 3, 2011). Pursuant to AMF Position no. 2011-13 of September 23, 2011, these UCITS are presumed to satisfy the cash equivalent criteria defined by IAS 7. These UCITS can be sold daily on demand, conferring on them the characteristics of short-term, highly liquid investments that are readily convertible to known amounts of cash. These instruments are not intended to be held more than three months and offer a yield similar to the EONIA (European Overnight Index Average) interbank rate, thereby limiting sensitivity to interest rates. The regularity of performance trends does not expose them to a material risk of change in value.

Cash and cash equivalents are valued at fair value through the Consolidated Income Statement. Note 1.26 sets out the method of determining fair value. Cash and cash equivalents belong to fair value levels 1 and 2:

- Instruments with a quoted price in an active market in level 1;

- Other instruments that are not quoted but the fair value of which is determined using valuation techniques involving standard mathematical calculation methods integrating observable market data, in level 2.

Bank overdrafts repayable on demand which form an integral part of the Group's cash management policy represent a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

1.14.3 Measurement and recognition of financial liabilities

With the exception of trading liabilities and liability derivative instruments which are measured at fair value, borrowings and other financial liabilities are recognized initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

When the financial liability issued includes an embedded derivative which must be recognized separately, the amortized cost is calculated on the debt component only. The amortized cost at the acquisition date is equal to the proceeds from the issue less the fair value of the embedded derivative.

1.14.4 Non-controlling interest put options

Pursuant to IFRS 10, non-controlling interests in fully consolidated subsidiaries are considered a component of equity.

Furthermore, in accordance with IAS 32, Financial Instruments: Presentation, non–controlling interest put options are recognized as liabilities.

1.14.5 Measurement and recognition of derivative instruments

The Group uses various derivative instruments to manage its exposure to interest rate and foreign exchange risks resulting from its operating, financial and investment activities. Certain transactions performed in accordance with the Group interest rate and foreign exchange risk management policy do not satisfy hedge accounting criteria and are recorded as trading instruments.

Derivative instruments are recognized in the Consolidated Statement of Financial Position at fair value. Other than the exceptions detailed below, changes in the fair value of derivative instruments are recorded through the Consolidated Income Statement. The fair value of derivatives is estimated using standard valuation models which take into account active market data.

Net gains and losses on instruments at fair value through the Consolidated Income Statement consist of swapped flows and the change in the value of the instrument.

Derivative instruments may be designated as hedges under one of three types of hedging relationship: fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation:

- A fair value hedge is a hedge of exposure to changes in fair value of a recognized asset or liability, or an identified portion of such an asset or liability, that is attributable to a specific risk (primarily interest rate or foreign exchange risk), and could affect net income for the period;

- A cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction (such as a planned purchase or sale) and could affect net income for the period;

- A hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of a foreign operation including loans considered part of the investment (IAS 21, The Effects of Changes in Foreign Exchange Rates).

An asset, liability, firm commitment, future cash-flow or net investment in a foreign operation qualifies for hedge accounting if:

- The hedging relationship is precisely defined and documented at the inception date;

- The effectiveness of the hedge is demonstrated at inception and by regular verification of the offsetting nature of movements in the market value of the hedging instrument and the hedged item. The ineffective portion of the hedge is systematically recognized in the Consolidated Income Statement.

The use of hedge accounting has the following consequences:

- In the case of fair value hedges of existing assets and liabilities, the hedged portion of these items is measured at fair value in the Consolidated Statement of Financial Position. The gain or loss on remeasurement is recognized in the Consolidated Income Statement, where it is offset against matching gains or losses arising on the fair value remeasurement of the hedging financial instrument, to the extent it is effective;

- In the case of cash flow hedges, the portion of the gain or loss on the fair value remeasurement of the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, while the gain or loss on the fair value remeasurement of the underlying item is not recognized in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss on the hedging instrument is recognized in the Consolidated Income Statement. Gains or losses recognized in other comprehensive income are released to the Consolidated Income Statement in the same period or periods in which the asset acquired or liability issued impacts net income;

- In the case of net investment hedges, the effective portion of the gain or loss on the hedging instrument is recognized in translation reserves in other comprehensive income, while the ineffective portion is recognized in the Consolidated Income Statement. Gains and losses recognized in foreign exchange translation reserves are released to the Consolidated Income Statement when the foreign investment is sold.

1.14.6 Embedded derivatives

An embedded derivative is a component of a host contract that satisfies the definition of a derivative instrument and whose economic characteristics are not closely related to that of the host contract. An embedded derivative must be separated from its host contract and accounted for as a derivative if, and only if, the following three conditions are satisfied:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

- The embedded derivative satisfies the definition of a derivative laid down in IAS 39; and

- The hybrid instrument is not measured at fair value with changes in fair value recognized in the Consolidated Income Statement.

1.14.7 Treasury shares

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

1.15 Pension plans and other post-employment benefits

Veolia Environnement and its subsidiaries have several pension plans.

Defined contribution plans: plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments.

These obligations are expensed in the Consolidated Income Statement when due.

Defined benefit plans: all plans which do not meet the definition of a defined contribution plan. The net obligations of each Group entity are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. The amount of the obligation is discounted to present value and the fair value of plan assets is deducted.

Where the calculation shows a plan surplus, the asset recognized is capped at the total of the discounted present value of profits, in the form of future repayments or reductions in plan contributions. The plan surplus is recognized in non-current financial assets.

Certain obligations of the Group or Group entities may enjoy a right to reimbursement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. This right to reimbursement is recognized in non-current financial assets.

The financing of defined benefit pension plans may lead the Group to make voluntary contributions to pension funds. Where applicable, these voluntary contributions are presented in Net cash from operating activities in the Consolidated Cash Flow Statement, in the same way as other employer contributions.

Employee obligations of the Group are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with companies in the Group until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary area. They are determined based on the yield offered by bonds issued by leading companies (rated AA) or treasury bonds where the market is not liquid, with maturities equivalent to the average term of the plans valued in the relevant region. This results in the recognition of pension-related assets or provisions in the Consolidated Statement of Financial Position and the recognition of the related net expenses.

Pursuant to IAS 19, Employee Benefits, actuarial gains and losses are recognized in other comprehensive income.

1.16 Share-based payments

Pursuant to IFRS 2, *Share-based Payment*, an expense is recorded in respect of share purchase or subscription plans and other share-based compensation granted by the Group to its employees. The fair value of these plans at grant date is expensed in the Consolidated Income Statement and recognized directly in equity in the period in which the benefit is vested and the service is rendered.

The fair value of purchase and subscription options is calculated using the Black and Scholes model, taking into account the expected life of the options, the risk-free interest rate, expected volatility, determined based on observed volatility in the past and dividends expected on the shares.

The compensation expense in respect of employee saving plans corresponds to the difference between the subscription price and the average share price at each subscription date, less a discount for non-transferability and to the Company's contribution to subscribers.

1.17 Revenue

Revenue represents sales of goods and services measured at the fair value of the counterparty received or receivable.

Revenue from the sale of goods or services is recognized when the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- The significant risks and rewards of ownership of the goods have been transferred to the buyer, in the case of sales of goods;
- The stage of completion of the transaction at the year-end may be reasonably determined in the case of sales of services;
- The recovery of the counterparty is considered probable;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17.1 Sales of goods

Sales of goods mainly concern the sale of technological procedures and solutions relating to the treatment of water (drinking water and wastewater treatment) in the Water Division and sales of products related to recycling activities in the Environmental Services Division.

Revenue relating to these sales is recognized on physical delivery of the goods, which represents the transfer of the inherent risks of ownership of these goods.

1.17.2 Sales of services

The provision of services represents the majority of Group businesses such as the processing of waste, water distribution and related services, network operation and energy services (heat distribution, thermal services and public lighting).

Revenue from these activities is recognized when the service is rendered and it is probable that the economic benefits will flow to Group entities.

These activities involve the performance of a service agreed contractually (nature, price) with a public sector or industrial customer, within a set period. Billing is therefore based on the waste tonnage processed/incinerated, the volume of water distributed, the thermal power delivered or the number of passengers transported, multiplied by the contractually agreed price.

It should be noted that fees and taxes collected on behalf of local authorities are excluded from Revenue when the Group does not bear the risk of payment default by third parties.

1.17.3 Construction contracts (excluding service concession arrangements)

Construction contracts primarily concern the design and construction of the infrastructures necessary for water treatment/distribution and wastewater treatment activities.

The related revenue is recognized in accordance with IAS 11, Construction Contracts (see Note 1.22).

1.17.4 IFRIC 4 Contracts

Contracts falling within the scope of IFRIC 4, Determining Whether an Arrangement Contains a Lease (see Note 1.21), involve services generally rendered to industrial/private customers. All service components to which the parties have agreed are detailed in contracts such as BOT (Build, Operate, Transfer) contracts.

Services include the design, construction and financing of the construction of a specific asset/installation on behalf of the customer and the operation of the asset concerned. In this context and in accordance with IFRIC 4, revenue is recognized in accordance with the accounting method applicable to construction contracts.

Construction revenue is recognized in accordance with the percentage completion method and, more generally, the principles set out in IAS 11. At the same time, the amount of built assets is recorded in “Operating financial assets”.

The service invoiced to the customer includes a component representing the operation of the specific asset/installation concerned and a second component representing the financing of the construction.

- Revenue relating to the operation of the asset is recognized on delivery of the goods or performance of the service, in accordance with IAS 18.

- The financing of construction work involves finance costs that are invoiced to the customer and recognized in Revenue, under Revenue from operating financial assets. This interest is recognized in Revenue from the start of construction work and represents remuneration received by the builder/lender.

1.17.5 Concession arrangements (IFRIC)

See Note 1.20 on service concession arrangements.

1.18 Financial items in the Consolidated Income Statement

Finance costs consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

Interest costs included in payments under lease finance contracts are recorded using the effective interest method.

Finance income consists of gains on interest rate derivatives, both qualifying and not qualifying as hedges and income from cash investments and equivalents.

Interest income is recognized in the Consolidated Income Statement when earned, using the effective interest method.

Other financial income and expenses primarily include income on financial receivables calculated using the effective interest method, dividends, foreign exchange gains and losses, impairment losses on financial assets and the unwinding of discounts on provisions.

1.19 Income taxes

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

Deferred tax assets are recognized on deductible timing differences and/or tax loss carry forwards.

Deferred tax assets arising from timing differences are only recognized when it is probable that:

- There are sufficient taxable timing differences within the same tax group or tax entity that are expected to reverse in the same periods as the expected reversal of such deductible timing differences or in the periods when the deferred tax assets arising from tax losses can be carried back or forward;

- Or the Group is likely to generate sufficient future taxable profits against which the asset can be offset.

At each period end, the Group reviews the recoverable amount of deferred tax assets arising from material tax losses carried-forward.

Deferred tax assets arising from these tax losses are no longer recognized or are reduced when required by the specific facts and circumstances of each company or tax group concerned, and particularly when:

- The forecast period and uncertainties regarding the economic environment no longer enable the probability of utilization to be assessed;

- The companies have not started utilizing the losses;

- The forecast utilization period exceeds the carry forward period authorized by tax legislation;

- Offset against future taxable profits is uncertain due to the risk of different interpretations of the application of tax legislation.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

1.20 Description of Group concession activities

In the course of its business, Veolia Environnement provides collective services (distribution of drinking water and heating, passenger transport network, household waste collection, etc.) to local authorities in return for a remuneration based on services rendered.

These collective services (also known as services of general interest or general economic interest or public services) are generally managed by Veolia Environnement under contracts entered into at the request of public bodies which retain control thereof.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated installations built by Veolia Environnement, or made available to it for a fee or nil consideration:

- These contracts define "public service obligations" in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term;

- Veolia Environnement can, in certain cases, be responsible for a given service as it holds the service support network (water/heat distribution network, water treatment network). Such situations are the result of full or partial privatizations. Provisions impose public service obligations and the means by which the local authority may recover control of the concession holder.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where appropriate, a provision for contractual commitments is recorded in respect of commitments resulting from delays in the performance of work.

The nature and extent of the Group's rights and obligations under these different contracts differ according to the public services rendered by the different Group divisions.

The accounting treatment is disclosed in Notes 5 and 11.

Water

Veolia Environnement manages municipal drinking water and/or waste water services. These services encompass all or part of the water cycle (extraction from natural sources, treatment, storage and distribution followed by collection and treatment of waste water and release into the environment).

In France, these services are primarily rendered under public service delegation "affermage" contracts with a term of 8 to 20 years. They concern the production and distribution of drinking water and/or the collection and treatment of waste water. They use specific assets, such as distribution or wastewater treatment networks and drinking water or wastewater treatment plants, which are generally provided by the concession grantor and returned to it at the end of the contract.

Abroad, Veolia Environnement renders its services under contracts which reflect local legislation, the economic situation of the country and the investment needs of each partner.

These contracts are generally concession arrangements, service contracts or O&M (Operate & Manage) and BOT contracts with an average term of between 7 and 40 years, and sometimes longer.

Contracts can also be entered into with public entities in which Veolia Environnement purchased an interest on their partial privatization. The profitability of these contracts is not fundamentally different from other contracts, but operations are based on a partnership agreement with the local authority.

Environmental Services

Both in France and abroad, the main concession arrangements entered into by Veolia Environnement concern the treatment and recovery of waste in sorting units, storage and incineration. These contracts have an average term of 18 to 30 years.

Energy Services

Veolia Environnement has developed a range of energy management activities: heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, and integration services for the comprehensive management of buildings and electrical services on public roadways.

The main contracts concern the management of heating and air-conditioning networks under urban concessions or on behalf of local authorities.

In Eastern Europe, Veolia Environnement's Energy Services Division provides services under mixed partial privatizations or through public-private partnerships with local authorities responsible for the production and distribution of thermal energy.

Accounting for service concession arrangements

Concession arrangements are recognized in accordance with IFRIC 12, Service Concession Arrangements.

A substantial portion of the Group's assets is used within the framework of concession or affermage contracts granted by public sector customers ("grantors") and/or by concession companies purchased by the Group on full or partial privatization. The characteristics of these contracts vary significantly depending on the country and activity concerned.

Nonetheless, they generally provide, directly or indirectly, for customer involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

IFRIC 12 is applicable to concession arrangements comprising a public service obligation and satisfying all of the following criteria:

- The concession grantor controls or regulates the services to be provided by the operator using the asset, the infrastructure, the beneficiaries of the services and prices applied;

- The grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to IFRIC 12, such infrastructures are not recognized in assets of the operator as property, plant and equipment but in financial assets ("financial asset model") and/or intangible assets ("intangible asset model") depending on the remuneration commitments given by the grantor.

1.20.1 Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor in remuneration for concession services.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- Amounts specified or determined in the contract or

- The shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Financial assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets" and recognized at amortized cost.

Unless otherwise indicated in the contract, the effective interest rate is equal to the weighted average cost of capital of the entities carrying the assets concerned.

Cash flows relating to these operating financial assets are included in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement.

Pursuant to IAS 39, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR.

The portion falling due within less than one year is presented in "Current operating financial assets," while the portion falling due within more than one year is presented in the non-current heading.

Revenue associated with this financial model includes:

- Revenue recorded on a completion basis, in the case of construction operating financial assets (in accordance with IAS 11);

- The remuneration of the operating financial asset recorded in Revenue from operating financial assets (excluding principal payments);

- Service remuneration.

1.20.2 Intangible asset model

The intangible asset model applies where the operator is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the recoverable amount. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service in remuneration of concession services.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Concession intangible assets" and are amortized, generally on a straight-line basis, over the contract term.

Cash outflows, that is disbursements, relating to the construction of infrastructures under concession arrangements accounted using the "intangible asset model" are presented in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement, while cash inflows are presented in Net cash from operating activities.

Under the intangible asset model, Revenue includes:

- Revenue recorded on a completion basis for assets and infrastructure under construction (in accordance with IAS 11);

- Service remuneration.

1.20.3 Mixed or bifurcation model

The choice of the financial asset or intangible asset model depends on the existence of payment guarantees granted by the concession grantor.

However, certain contracts may include a payment commitment on the part of the concession grantor covering only part of the investment, with the balance covered by royalties charged to users.

Where this is the case, the investment amount guaranteed by the concession grantor is recognized under the financial asset model and the residual balance is recognized under the intangible asset model.

1.21 Finance leases

IFRIC 4 seeks to identify the contractual terms and conditions of agreements which, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract remuneration. It identifies in such agreements a lease contract which is then analyzed and accounted for in accordance with the criteria laid down in IAS 17, based on the allocation of the risks and rewards of ownership.

The contract operator therefore becomes the lessor of its customers. Where the lease transfers the risks and rewards of ownership of the asset in accordance with IAS 17 criteria, the operator recognizes a financial asset to reflect the corresponding financing, rather than an item of property, plant and equipment.

These financial assets are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets". They are initially recorded at the lower of fair value and total future flows and subsequently at amortized cost using the effective interest rate of the contract.

The portion falling due within less than one year is presented in "Current operating financial assets," while the portion falling due within more than one year is presented in the non-current heading.

Contracts falling within the scope of IFRIC 4 are either outsourcing contracts with industrial customers, BOT (Build, Operate and Transfer) contracts, or incineration or cogeneration contracts under which, notably, demand or volume risk is, in substance, transferred to the prime contractor.

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue in the Consolidated Income Statement, in accordance with the percentage completion method laid down in IAS 11 on construction contracts.

The financial receivables resulting from this analysis are initially measured at the fair value of lease payments receivable and then amortized using the effective interest method.

After a review of the contract and its financing, the implied interest rate on the financial receivable is based on either the Group financing rate and /or the borrowing rate associated with the contract.

1.22 Construction contracts

Veolia Environnement recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts as defined by IAS 11.

Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably.

The percentage of completion is determined by comparing costs incurred at the period end with total estimated costs under the contract. Costs incurred comprise costs directly attributable to the contract and borrowing costs incurred up to completion of the work. However, prospection costs, costs incurred prior to contract signature, and administrative and selling costs are expensed in the period incurred and do not therefore contribute to contract completion.

Where total contract costs exceed total contract revenue, the Group recognizes a loss to completion as an expense of the period, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably. Provisions for losses to completion are recorded as liabilities in the Consolidated Statement of Financial Position.

The amount of costs incurred, plus profits and less losses recognized and intermediary billings is determined on an individual contract basis. In accordance with IAS 11, where positive, this amount is recognized in assets in "amounts due from customers for construction contract work" (in “Other operating receivables”). Where negative, it is recognized in liabilities in "amounts due to customers for construction contract work" (in “Other operating payables”).

Partial payments received under construction contracts before the corresponding work has been performed, are recognized in liabilities in the Consolidated Statement of Financial Position under advances and down-payments received.

1.23 Electricity purchase and sale contracts

Certain Veolia Environnement subsidiaries are required to purchase or sell electricity on the market, in order to manage supplies and optimize costs.

1.23.1 Revenue

After analysis of contractual terms and conditions, the net margin on trading activity transactions is recognized in "Revenue".

1.23.2 Financial instruments

Certain subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IAS 39.

1.23.2.1 Application scope of IAS 39

Options and forward purchase and sale contracts with physical delivery are excluded from the application scope of IAS 39 if entered into for own use (exception for own-use).

This exception is applicable when the following conditions are satisfied:

- The volumes purchased or sold under the contracts reflect the operating requirements of the subsidiary;
- The contracts are not subject to net settlement as defined by IAS 39 and, in particular, physical delivery is systematic;
- The contracts are not equivalent to sales of options, as defined by IAS 39.

1.23.2.2 Recognition and measurement of instruments falling within the application scope of IAS 39

Instruments falling within the application scope of IAS 39 are derivative instruments and are measured at fair value, calculated using models mostly based on observable data (see Note 1.26). Fair value movements are recorded in operating income. The net impact of the unwinding of these transactions is recorded in revenue (see Note 19).

1.24 Greenhouse gas emission rights

Pursuant to the Kyoto Protocol signed in 1997, the European Union undertook to reduce its greenhouse gas emissions by 8% in 2012 compared to 1990. Directive 2003/87/EC introduced an Emissions Trading Scheme (ETS) to transfer this commitment to the main emitters, that is, electricity and heat production combustion installations with thermal output greater than 20 MW and the main industrial sites in the European Union.

Directive 2009/29/EU extends the ETS beyond the EU's commitment under the Kyoto Protocol and provides for a 20% reduction in greenhouse gases in 2020 compared with 1990, through an equivalent reduction in emission allowances created. In this new phase, effective since July 1, 2013, the proportion of allowances granted free of charge decreases substantially in 2013 and then progressively each year. The new calculation method is no longer based on past emissions at each site, but on benchmark emissions for each sector and an annual reduction factor. On September 5, 2013, the European Commission set the total amount of allowances granted free of charge (Decision 2013/448/EU).

The actual emissions position is determined each year and the corresponding rights surrendered. The Group then purchases or sells emission rights, depending on whether actual emissions are greater or lesser than emission rights allocated.

In the absence of specific IFRS provisions, the Group has adopted the "net liability approach," which involves the recognition of a liability at the period end if actual emissions exceed allowances held, in accordance with IAS 37.

Allowances are managed as a production cost and, in this respect, are recognized in inventories at:

- Nil value, when they are received free of charge;
- Acquisition cost, if purchased for valuable consideration on the market.

Consumption of this inventory is recognized on a weighted-average unit cost basis.

Transactions in these allowances performed on the forward market are generally recognized outside the application scope of IAS 39 ("own use" exemption), except for certain specific transactions related to the hedging of electricity production activities.

1.25 Segment reporting

The operating segments are components of the Group that engage in activities and whose operating results are reviewed by the Group Chairman and Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance.

Information presented to the Chief Operating Decision Maker is taken from the Group internal reporting system.

Following the first-time application of the new consolidation standards with effect from fiscal year 2013, the Group now accounts for joint ventures using the equity method and not the proportionate consolidation method, as previously. The two major joint ventures, Dalkia International and Chinese Water concessions form an integral part of the Group's strategic development objectives. Accordingly, the operating performance of these joint ventures, based on proportional data, is followed by the Group Chairman and Chief Executive Officer inside their respective segment.

The following operating segments are therefore presented by the Group:

- **The Water segment,** including primarily drinking water and wastewater activities such as water distribution, water and wastewater treatment, industrial process water, manufacturing of water treatment equipment and systems.
- **The Environmental Services segment,** the main activities of which are the collection, processing and disposal of household, trade and industrial waste.
- **The Energy Services segment,** comprising the activities of Dalkia and TNAI in the United States.
- **"Other Segments",** grouping together the activities of Proactiva MedioAmbiente and the various Group holding companies.

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements. For Dalkia International and Chinese Water concessions, main financial aggregates, in group share, are presented in the context of IFRS 8 disclosures.

The announcement on July 8, 2013 of the new organizational structure of the Group, does not change the terms of performance monitoring or resource allocation for the current year, which are based on decisions made at the beginning of the fiscal year, and therefore does not impact segment reporting in 2013.

Segment reporting will be modified from 2014 to take account of the reorganization of the Group (see Note 3.2).

1.26 Fair value determination principles

The fair value of all financial assets and liabilities is determined at the period end; either for recognition in the accounts or disclosure in the notes to the financial statements (see Note 27).

Fair value is determined:

i. Based on quoted prices in an active market (level 1) or;

ii. Using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of Veolia Group or the counterparty (level 2) or;

iii. Using internal valuation techniques integrating factors estimated by the Group in the absence of observable market data (level 3).

1.26.1 Quoted prices in an active market (level 1)

When quoted prices in an active market are available, they are adopted in priority for the determination of the market value. Marketable securities and certain quoted bond issues are valued in this way.

1.26.2 Fair values determined using models integrating observable market data (level 2)

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Veolia Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Veolia Group credit risk.

1.26.3 Fair values determined using models integrating certain non-observable data (level 3)

Derivative instruments valued using internal models integrating certain non-observable data include certain electricity derivative instruments for which there are no quoted prices in an active market (notably for electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials, interest-rate curves, etc.), in particular for distant maturities.

Note 2 Use of management estimates in the application of Group accounting standards

Veolia Environnement may be required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Future results may be different from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered as reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change.

Accounting estimates underlying the preparation of the accounts were made in an uncertain economic and financial environment (volatile financial markets, government austerity measures, etc.) making economic forecasting more difficult. In this context, the consolidated financial statements for the period were prepared based on the current environment, particularly with respect to the estimates presented below:

Veolia Environnement must make assumptions and judgments when assessing the level of control exercised over certain investments and particularly when defining relevant activities and identifying substantial rights. These judgments are reassessed when the facts and circumstances change.

Pursuant to the provisions of IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, the Group must exercise judgment in determining whether the criteria for recognizing an asset or group of assets as held for sale are met. Furthermore, discontinued operations are identified with respect to criteria also defined in IFRS 5. These assessments are reviewed at each period end taking account of any changes in facts or circumstances.

Notes 1.5.1 and 4 on goodwill and business combinations present the methods adopted for the fair value measurement of identifiable assets acquired and liabilities assumed in business combinations. Allocations are based on future cash flow assumptions and discount rates.

Notes 1.11, 4 and 20 concern goodwill and non-current asset impairment tests. Group management performed tests based on best forecasts of discounted future cash flows of the activities of the cash-generating units concerned. Sensitivity analyses were also performed on invested capital values and are presented in the aforementioned notes.

Notes 1.14 and 1.26 describe the principles adopted for the determination of financial instrument fair values.

Notes 13 and 23 concern deferred tax asset and liability balances and the income tax expense. They present the tax position of the Group and are based, primarily in France and in the United States, on best estimates available to the Group of results of tax audits in progress and trends in future tax results.

Notes 17, 30 and 35 on provisions, employee benefit obligation and contingent assets and liabilities, detail the provisions recognized by Veolia Environnement. Veolia Environnement determined these provisions based on best estimates of these obligations.

Note 29 on derivative instruments describes the accounting treatment of derivative instruments. Veolia Environnement valued these derivative instruments, allocated them and tested their effectiveness where necessary.

All these estimates are based on organized procedures for the collection of forecast information on future flows, validated by operating management, and on expected market data based on external indicators and used in accordance with consistent and documented methodologies.

The following calculation method was adopted for discount rates:

- Application of IAS 36, Impairment of assets: in accordance with Group practice, the discount rates used correspond to the weighted-average cost of capital, calculated annually at the end of the first half-year. A specific risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro zone and the following countries on the periphery of the euro zone: Belgium, Spain, Ireland, Italy, Portugal, Slovakia and Slovenia;

- Application of IAS 37, Provisions, Contingent Liabilities and Contingent Assets: the discount rates used consist of a risk-free interest rate and a risk premium specific to the underlying assets and liabilities;

- Application of IAS 19 revised, Employee Benefits: commitments were measured using a range of market indices and, in particular the Iboxx index, and data provided by actuaries. The same method was used year-on-year.

Note 3 Significant events

3.1 Economic and operating context

Fiscal year 2013 resisted well, in an uncertain economic context. It was primarily marked by:

- A fall in recycled raw material prices and volumes and a downturn in activity in Europe (primarily France and Germany) in the Waste Division;

- The contractual erosion in the Water Division in France, partially offset by the favorable impact of price increases in France and Central and Eastern Europe and by a slowdown in the Technologies and Networks business;

- The programmed stoppage of Gas cogeneration contracts partially offset by the favorable impact of energy prices compared with 2012 and favorable weather conditions in the Energy Services Division.

3.2 Ongoing implementation of the organization transformation plan

The Group continued its transformation plan and extensive program to optimize the asset portfolio.

3.2.1 Transformation of the Group organizational structure

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"thanks 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 activities 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 activities, business operations are now brought together within each country, with Country Directors in charge of both Water and Environmental Services activities. The integrated and direct Group monitoring, under the operational authority of the Chief Operating Officer, is organized around country groupings, representing the first level of resource allocation.

Dalkia International, a subsidiary of Veolia Environnement and EDF, retains its current organizational structure but will be integrated into this new structure in due course.

Global specialty entities, whose markets are widely globalized, are included in a specific organization.

The composition of the Group Management Committee and Executive Committee was reviewed to better reflect this geographic structure and privilege the development of country-based synergies.

The announcement of the new organizational structure of the Group does not change the terms of performance monitoring or resource allocation for the current year and therefore does not impact segment reporting in 2013.

From 2014, the new organizational structure will lead the Group to adapt its segment reporting to better reflect the Group's performance as reviewed by the chief operating decision maker.

3.2.2 Shareholding restructuring of the Energy Services Division

In addition, on October 28, 2013, EDF and Veolia Environnement announced the launch of advanced discussions for the conclusion of an agreement on their joint subsidiary Dalkia. The Boards of Directors of these two groups met and approved the continuation of negotiations.

On completion of these discussions, EDF would acquire all Dalkia group activities in France, while Veolia Environnement would acquire the activities of Dalkia International; the sale of Dalkia France shares to EDF and the sale of Dalkia International shares by EDF to the Group are inseparable parts of the planned transaction. Under this transaction, Veolia Environnement would make a cash payment to EDF to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities. The amount of this cash payment, estimated at €550 million, is likely to be adjusted to take account of the definitive structure of the transaction and the cash position of Dalkia SAS as of December 31, 2013.

Given the progress with the different processes necessary to the completion of the transaction (employee representative bodies, anti-trust authorities, carve-out), the transaction should be finalized in 2014.

This transaction will not lead to the Group’s withdrawal from any countries nor the cessation of any of the Group’s businesses, in particularly Energy Services.

Accordingly, this transaction is reflected as follows in the Group consolidated financial statements as of December 31, 2013:

- Transfer of Dalkia’s assets and liabilities in France to “Assets classified as held for sale” and “Liabilities directly associated with assets classified as held for sale” in the consolidated statement of financial position, pursuant to IFRS 5, for a net asset amount of €1,529.1 million, including Dalkia France external debt of €203.8 million;

- Remeasurement of Dalkia France assets and liabilities at the lower of net carrying amount and fair value less costs to sell, without any impact on the consolidated accounts of the Group as of December 31, 2013.

Furthermore, until the transaction completion date, the Group’s investment in Dalkia International remains equity accounted.

Overall, the transaction should not impact the net financial debt of Veolia Environnement, which currently provides most of Dalkia group financing.

Following completion of the transaction, Dalkia’s international activities will be held exclusively by the Group and fully consolidated.

The transaction will secure the development of Dalkia group activities internationally, while strengthening Veolia Environnement's ambitions in the energy services sector. It will also put an end to the litigation between EDF and Veolia Environnement pending before the Paris Commercial Court.

Once finalized, the draft agreement will be submitted for approval to EDF's and Veolia Environnement's respective Boards of Directors.

3.3 Changes in Group structure

3.3.1 Acquisition of Proactiva Medio Ambiente

On November 28, 2013, Veolia completed the acquisition of the 50% stake in Proactiva Medio Ambiente historically held by the Fomento de Construcciones y Contratas (FCC) group. This transaction will allow Veolia Environnement to consolidate its positions in Latin America in waste management and water treatment and support its development strategy in high-growth regions.

Had the acquisition been completed on January 1, 2013, Proactiva Medio Ambiente would have contributed revenue and operating income after share of net income (loss) of equity-accounted entities of €510.1 million and €42.7 million respectively.

The transaction was performed for a total consideration of €150 million, comprising a cash payment of €125 million paid on the date of acquisition of control, a reverse earn-out of €20 million tied to activity growth in one of the countries where Proactiva Medio Ambiente operates and a further €5 million tied to the renewal of the Buenos Aires contract, signed at the end of January 2014. In addition, acquisition costs borne by the Group total €3 million.

FCC group granted the Group vendor warranties of up to €22.5 million, including capped individual warranties covering environmental, legal and tax risks.

Accordingly, in 2013, Proactiva Medio Ambiente was equity accounted up to the date of acquisition of control and fully consolidated thereafter in accordance with the provisions of IFRS 3R, Business Combinations. Given the effective date of completion of the transaction, work on the valuation of Proactiva Medio Ambiente's assets and liabilities, as required by IFRS 3, is in progress. The measurement and calculation of goodwill will be finalized within the 12 months following the acquisition date.

This transaction is therefore reflected by:

- The recognition of net income of €82 million, equal to the fair value remeasurement of the investment stake previously held in Proactiva Medio Ambiente ;
- The recognition of provisional goodwill of €193 million;
- A financial investment of €238 million (enterprise value), comprising the cash payment of €125 million and additional Proactiva Medio Ambiente debt of €113 million, presented in "Purchases of investments" in the Consolidated Cash Flow Statement;
- In guarantee of the Reverse Earn Out clause, the Group placed part of the acquisition consideration (€20 million) in an escrow account. This frozen deposit is recognized as a financial receivable together with a corresponding financial investment liability to FCC group of €20 million.

3.3.2 Divestiture of Berlin Water

On September 10, 2013, the Group announced the signature of an agreement with the Federal State of Berlin authorities to sell its 24.95% stake in Berlin Water (BerlinWasser).

This transaction was presented for approval to the Council of Ministers and Parliament at the end of September 2013. The sale was completed on December 2, 2013 for a consideration of €636 million (enterprise value).

3.3.3 Other divestitures

The Group continued to implement its strategy, particularly through the following transactions:

- The divestiture of Eolfi's European activities on February 28, 2013, presented in discontinued operations since December 31, 2012;
- 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 €91 million. This company had been presented in assets held for sale since March 28, 2013, the date of signature of the agreement with the buyer;
- The initial public offering on the Oman stock exchange of 35% (of which 19.25% held by the Group) of the shares of Sharqiyah Desalinisation Company on June 13, 2013, resulting for the Group in the sale of 1,255,128 shares for €2.7 million. Following the loss of control of Sharqiyah Desalinisation Company and given the residual investment of 35.75%, this entity was equity accounted as of December 31, 2013. The impact on Group net financial debt is €89 million;
- The deconsolidation of practically all Environmental Services activities in Italy, following the approval of the group voluntary liquidation plan (*Concordato preventivo di gruppo*, CPG) on July 17, 2013. The impact on Group net financial debt is €90 million;
- The divestiture of Marine Services Offshore on August 29, 2013 for an enterprise value of €23 million to Harkland Global Holdings Limited (US fund);
- The divestiture of Regaz by Dalkia France on December 12, 2013, for a consideration of €46.5 million.

Overall, these financial (in enterprise value) and industrial divestitures represented a total of €1,237 million in the year ended December 31, 2013.

3.3.4 Developments in the withdrawal process from the Transportation business

On May 4, 2010, the Caisse des dépôts et consignations and Veolia Environnement had concluded an agreement on the Transdev-Veolia Transport combination by the creation of a 50/50 joint venture combining Transdev and Veolia Transport.Following completion of the combination on **March 3, 2011**, Veolia Environnement became the industrial operator of the new entity and Caisse des dépôts et consignations a long-term strategic partner.From this date and pursuant to IFRS, Veolia Environnement lost exclusive control of Veolia Transport in exchange for a 50% investment in the Veolia Transdev joint venture, which was equity-accounted as a joint venture.

On December 6, 2011, during the Investor Day, the Group presented its strategic plan encompassing the refocusing of its activities and business portfolio and leading to the decision to withdraw from the Transportation sector. The announcement of this refocusing and progress with the withdrawal process as of December 31, 2011, led the Group to classify the Transportation business as a discontinued operation as defined by IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, and measure it at the lower of net carrying amount and disposal value.

In 2012, ongoing preparations for the withdrawal from the Transportation business and discussions with Caisse des dépôts et consignations, led the Group to reclassify the activities of the SNCM sub-group in continuing operations, this sub-group having been excluded from the divestiture process, while retaining the activities of Transdev Group, excluding SNCM, in discontinued operations, measured at the lower of net carrying amount and disposal value.

In 2013, the difficulties of Société nationale Corse Méditerranée (SNCM) did not enable Veolia Environnement to withdraw from Transdev Group.

The Memorandum of Understanding signed by Transdev Group's two shareholders in October 2012 and providing for an increase in Caisse des dépôts et consignations's stake in the share capital of Transdev Group to 60% and the transfer by Transdev Group to Veolia of its 66% stake in SNCM, lapsed on October 31, 2013, the deadline for signature of an agreement.

Accordingly, the Group modified the accounting presentation of its investment in Transdev Group for the publication of its 2013 financial statements, transferring it from "Assets classified as held for sale" (discontinued operations) to "Investments in joint ventures" (continuing operations), accounted for using the equity method. Pursuant to IFRS 5.28 and IAS 28.21, the Group modified retrospectively the accounting presentation of its investment in 2012 and 2011. Given the Group's confirmed desire to continue its withdrawal from Transdev, the Group's investment in the Transdev Group does not represent an extension of the Group's businesses within the meaning of the French Accounting Standards Authority's recommendation of April 4, 2013.

SNCM remains equity-accounted indirectly through the recognition of the Transdev Group joint venture. During closing procedures on the Group consolidated financial statements for the year ended December 31, 2013, the Group assessed its net exposure to SNCM as a result of its indirect interest.

Given the litigation proceedings disclosed in Note 35, Contingent assets and liabilities, the Group considers the best way to reflect in the accounts the exposure arising from its indirect interest in SNCM, is to recognize the amounts that would be payable under the most probable scenario, that is an appropriate collective procedure with a disposal plan associated with a transaction:

- In the Group consolidated financial statements as of December 31, 2013, the equity-accounting value of Transdev Group reflects a fair appraisal of the Group's exposure to its interest in SNCM;

- Veolia Environnement's receivable on SNCM of €14 million is fully provided in the Group consolidated financial statements as of December 31, 2013.

Under this scenario, the repayments claimed by the European Commission pursuant to the disputes regarding the privatization process (€220 million excluding interest) and compensation paid for so-called complementary services (€220 million excluding interest, representing the majority of the €300 million amount noted associated with risks related to SNCM in our quarterly financial report ending September 30, 2013), would not be paid (see Note 35, Contingent assets and liabilities). Should this scenario not prevail, the Company would reassess the financial impacts.

An assessment by the Group of the value in use of Transdev Group (excluding SNCM) confirmed its net carrying amount.

3.4 Group financing

3.4.1 Issuance of subordinated perpetual hybrid debt in Euros and Pound Sterling

At the beginning of January 2013, Veolia Environnement launched the issuance of deeply subordinated perpetual hybrid debt in euros and pound sterling (€1 billion at 4.5% yield for the tranche in euros and £400 million at 4.875% yield for the tranche in sterling, redeemable from April 2018). This transaction enables the Group to reinforce its financial structure in conjunction with its transformation while strengthening its credit ratios. This issuance is treated as equity in the Group's consolidated IFRS accounts.

3.4.2 Financing of Dalkia's international activities

On February 8, 2013, an agreement relating to the financing of Dalkia International was signed by Veolia Environnement, EDF and Dalkia International.

This agreement entered into effect on February 27, 2013 and led to the issuance of €600 million in deeply subordinated bonds by Dalkia International, subscribed by its shareholders in proportion to their direct interest in the capital i.e. €144 million for EDF and €456 million for Dalkia, financed by a long-term loan from Veolia Environnement.

In addition, the debt of SPEC, a Polish subsidiary of the joint venture Dalkia International, co-financed by Dalkia France and EDF, was repaid early in the amount of €375 million at the beginning of August 2013.

3.4.3 Buyback of U.S. dollar and euro-denominated bonds

At the beginning of June 2013, Veolia Environnement performed partial buybacks of its bond lines: €200 million of the euro-denominated bond line paying a coupon of 5.25% and maturing in April 2014, €103 million of the euro-denominated bond line paying a coupon of 4.0% and maturing in February 2016, €86 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in January 2017, €129 million of the euro-denominated bond line paying a coupon of 5.375% and maturing in May 2018, €109 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in December 2020 and USD 94 million of the USD-denominated bond line paying a coupon of 6.0% and maturing in June 2018. The total cost of these buybacks of €43 million was recorded as adjustment to net finance costs.

On December 17, 2013, Veolia Environnement performed partial buybacks of its bond lines: €25 million of the euro-denominated bond line paying a coupon of 5.25% and maturing in April 2014, €33 million of the euro-denominated bond line paying a coupon of 4% and maturing in February 2016, €42 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in January 2017, €19 million of the euro-denominated bond line paying a coupon of 5.375% and maturing in May 2018, €60 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in December 2020, €150 million of the euro-denominated bond line paying a coupon of 5.125% and maturing in May 2022 and USD 23 million of the USD-denominated bond line paying a coupon of 6% and maturing in June 2018. The total cost of these buybacks of €30 million was recorded as adjustment to net finance costs.

These transactions form part of the active debt management and financing cost optimization strategy adopted by Veolia Environnement to reduce the cost of carry of available cash following the divestitures performed in 2012 and 2013.

3.4.4 Dividend payment

As decided at the Annual General Shareholders' Meeting of May 14, 2013, the Group offered shareholders a choice of payment of the dividend in cash or shares. The share payment option was taken-up for 64.86% of coupons payable, resulting in the creation of 26,788,859 shares representing approximately 4.88% of share capital and 5.01% of voting rights. Accordingly, the dividend payment in cash totaled €127.5 million and was paid on June 14, 2013.

3.5 Other major events

3.5.1 Closure of the European Commission investigation

In a decision dated April 23, 2013, the European Commission after reviewing the documents filed, decided to close the procedure opened in 2010 into suspicions of the existence of a cartel and abuse of a dominant position in the water distribution and wastewater treatment delegated management sector in France.

3.5.2 Reorganization of Water activities in France

During the second half of 2013, Executive Management of the Water Division announced a reorganization of Water activities in France. The Group recognized a restructuring provision of €97 million in this respect as of December 31, 2013 (see also Note 20).

Note 4 Goodwill

4.1 Movements in goodwill

Goodwill breaks down as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012 represented	As of December 31, 2011, represented
Gross	4,233.6	4,567.9	5,415.9
Accumulated impairment losses	(747.3)	(656.0)	(619.7)
NET	**3,486.3**	**3,911.9**	**4,796.2**

The main goodwill balances in net carrying amount by cash-generating unit (amounts in excess of €200 million) are as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
Water – Distribution France	868.9	868.9	869.3
Environmental Services - United Kingdom	747.4	763.2	744.4
Environmental Services – Germany	247.7	397.7	397.6
Water Solutions & Technologies	293.0	304.7	289.7
Environmental Services - France	256.3	255.6	254.3
Water – Czech Republic	214.3	233.1	227.5
Goodwill balances > €200 million as of December 31, 2013	**2,627.6**	**2,823.2**	**2,782.8**
Dalkia – France (1)	-	317.9	317.9
Water - United Kingdom	-	-	236.7
Environmental Services - North America Solid Waste	-	0.9	660.1
Goodwill balances > €200 million on divestitures during 2012 and 2013	**-**	**318.8**	**1,214.7**
Other goodwill balances < €200 million	858.7	769.9	798.7
TOTAL GOODWILL	**3,486.3**	**3,911.9**	**4,796.2**

(1) Transferred to "Assets classified as held for sale" – see Note 3

Goodwill balances of less than €200 million break down by Division as follows:

Goodwill < €200 million (€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
Water	292.2	311.9	299.9
Environmental Services	362.8	391.0	412.1
Energy Services	-	56.1	56.1
Other	203.7(2)	10.9	30.6
TOTAL	**858.7**	**769.9**	**798.7**

(2) Including provisional goodwill of Proactiva Medio Ambiente: €193 million as of December 31, 2013

As of December 31, 2013, accumulated impairment losses total €747.3 million and mainly concern goodwill of the "Environmental Services - Germany" cash-generating unit (€493.0 million), the "Energy Services - United States" cash-generating unit (€154.5 million) and the "Water - United Kingdom" cash-generating unit (€50.5 million).

Movements in the net carrying amount of goodwill by Division are as follows:

(€ million)	**As of December 31, 2012, represented**	**Changes in consolidation scope**	**Foreign exchange translation**	**Impairment losses**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2013**
Water	1,718.6	(11.2)	(39.8)	(0.6)	1.4	-	**1,668.4**
Environmental Services	1,808.4	14.0	(39.4)	(168.0)	(0.8)	-	**1,614.2**
Energy Services	374.0	-	-	-	(374.0)	-	**-**
Other	10.9	192.9	(0.1)	-	-	-	**203.7**
GOODWILL	**3,911.9**	**195.7**	**(79.3)**	**(168.6)**	**(373.4)**	**-**	**3,486.3**

Changes in consolidation scope primarily concern the acquisition of an additional stake in Proactiva Medio Ambiente (see Note 3.3) in the amount of €193.0 million.

Foreign exchange translation gains and losses are primarily due to movements in the Australian dollar, the Czech crown, the pound sterling, the Japanese yen and the US dollar against the euro in the amount of -€16.8 million, -€19.0 million, -€17.0 million, -€6.1 million and -€5.9 million, respectively.

Transfers to Assets classified as held for sale primarily concern Dalkia France as of December 31, 2013 (see Note 3.2.1).

Impairment losses recognized in the year total -€168.6 million, including -€0.2 million transferred to net income (loss) from discontinued operations and -€168.4 million presented in operating income. A detailed breakdown is provided in Note 20. These impairment losses mainly concern Environmental Services activities in Germany (-€150.0 million) and in Poland (-€17.9 million).

Recap: Movements in the net carrying amount of goodwill during **2012** are as follows:

(€ million)	**As of December 31, 2011, represented**	**Changes in consolidation scope**	**Foreign exchange translation**	**Impairment losses**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2012, represented**
Water	1,923.1	(120.6)	10.3	(92.4)	(1.3)	(0.5)	1,718.6
Environmental Services	2,468.5	(668.5)	24.9	(13.2)	-	(3.3)	1,808.4
Energy Services	374.0	-	(1.8)	(11.1)	12.9	-	374.0
Other	30.6	3.5	-	(23.2)	-	-	10.9
GOODWILL	**4,796.2**	**(785.6)**	**33.4**	**(139.9)**	**11.6**	**(3.8)**	**3,911.9**

Changes in consolidation scope primarily concern the acquisition of control of Azaliya (+€58.6 million) and the divestiture of regulated Water activities in the United Kingdom (-€192.8 million) and of solid waste activities in the United States (-€666.2 million).

Foreign exchange translation gains and losses are primarily due to the appreciation of the pound sterling and the U.S. dollar against the euro in the amount of €26.6 million and €3.9 million, respectively.

Transfers to Assets classified as held for sale mainly concern the assets of Water activities in Morocco in line with the reclassification to discontinued operations of these activities as of December 31, 2012.

Impairment losses recognized in the year total -€139.9 million, including -€75.1 million transferred to net income (loss) from discontinued operations and -€64.8 million presented in operating income. A detailed breakdown is provided in Note 20.

Impairment losses transferred to net income (loss) from discontinued operations mainly concern Water activities in Morocco (-€40.8 million), and European wind energy activities (-€23.2 million).

Recap: Movements in the net carrying amount of goodwill during **2011** are as follows:

(€ million)	As of December 31, 2010, represented	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other	As of December 31, 2011, represented
Water	1,934.4	(11.0)	2.8	(17.0)	13.0	0.9	1,923.1
Environmental Services	2,498.7	3.0	46.0	(75.9)	(3.3)	-	2,468.5
Energy Services	573.0	(25.1)	(7.9)	(153.1)	(12.9)	-	374.0
Transportation	549.0	(543.6)	(5.4)	-	-	-	-
Other	30.4	-	0.2	-	-	-	30.6
GOODWILL	**5,585.5**	**(576.9)**	**35.7**	**(246.0)**	**(3.2)**	**0.9**	**4,796.2**

Changes in consolidation scope primarily concern the deconsolidation of the goodwill of fully-consolidated Veolia Transport activities following the Transdev Group transaction resulting in the recognition of Veolia Transdev Group as a joint venture from March 3, 2011 (-€543.6 million).

Foreign exchange translation gains and losses are primarily due to movements in the pound sterling and the U.S. dollar and the depreciation of the Czech crown against the euro in the amount of €30.2 million, €18.6 million and -€6.5million, respectively.

Transfers to Assets classified as held for sale mainly concern the global activities of the Citelum sub-group for -€12.9 million and the reclassification to continuing operations of Water activities in Gabon following the interruption of the divestiture process at the beginning of 2012 for €13 million.

Impairment losses recognized in the year total -€246.0 million, including -€153.1 million in the United States in the Energy Services Division, -€75.9 million in Italy in the Environmental Services Division and -€16.5 million in Italy in the Water Division.

4.2 Impairment tests

Veolia Environnement performs systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life. More frequent tests are performed where there is indication that the cash-generating unit may have suffered a loss in value, in accordance with the procedures set out in Note 1.11.

Veolia Environnement Group has 41 cash-generating units as of December 31, 2013, including 19 cash-generating units with allocated goodwill in excess of €20 million.

Key assumptions underlying the determination of recoverable amounts

The calculation basis for recoverable amounts is presented in Note 1.11.

Changes in the economic and financial context, as well as changes in the competitive or regulatory environment may impact estimates of recoverable amounts, as may unforeseen changes in the political, economic or legal systems of certain countries.

Cash flow projections in the long-term plan reflect changes in volumes, prices, direct costs and investment in the period, determined based on contracts and activities and in line with past data and expected changes over the period covered by the long-term plan.

Other assumptions influencing the determination of recoverable amounts are the discount rate and the perpetual growth rate:

Discount rates and perpetual growth rates used to determine terminal values, reflect the country or geographical area of the cash-generating unit, in accordance with the criteria set out in Notes 1.11 and 2.

The assumptions underlying the impairment tests on Group cash-generating units with material goodwill balances are as follows:

	Geographic area	Recoverable amount determination method	Discount rate	Perpetual growth rate
Water – Distribution France	France	Value in use	6.50%	1.90%
Environmental Services - United Kingdom	UK	Value in use	6.40%	1.90%
Environmental Services – Germany	Germany	Value in use	6.50%	2.10%
Water – Czech Republic	Czech Republic	Value in use	7.40%	2.00%

As at the prior year end, impairment tests were performed based on the 2014 budget for all Group cash-generating units: a reduction in cash flows in the 2014 budget prepared at the end of 2013 of over 10% compared with 2014 figures in the long-term plan, led the Group to review its business plans for the following cash-generating units: Environmental Services – Germany and Environmental Services - Poland.

Impairment tests and the fair value remeasurement of assets and liabilities held for sale, led to the recognition of impairment of €168.6 million in 2013 (in operating income and net income (loss) from discontinued operations), primarily in the Environmental Services Division in Germany and Poland (€167.9 million).

A breakdown of the main impairment losses is presented in Note 20.

4.2.1 Sensitivity of recoverable amounts

Recoverable amounts determined for impairment testing purposes were tested for their sensitivity to a 1% increase in discount rates, a 1% decrease in perpetual growth rates and a 5% decrease in operating cash flows.

The changes in operating cash flows taken into account for the purpose of these sensitivity tests include operating cash flow before changes in working capital as defined in Note 39, less investments net of divestitures as defined in Note 1.11, plus changes in working capital. They also include the impact of Efficiency and Convergence plans launched by each cash-generating unit at the date of preparation of the long-term plan.

These assumptions are considered reasonable given the Group's activities and the geographic areas of its operations.

For a certain number of cash-generating units, these tests led to the identification of recoverable amounts lower than the net carrying amount of the cash-generating unit, adjusted where appropriate for impairments recognized during the period:

(€ million)			Difference between the recoverable amount and the net carrying amount			
Cash-generating unit	Net carrying amount	*o/w goodwill*	Difference between the recoverable amount and the net carrying amount	Difference between the recoverable amount and the net carrying amount, with an increase in the discount rate (1%)	Difference between the recoverable amount and the net carrying amount, with a decrease in the perpetual growth rate (1%)	Difference between the recoverable amount and the net carrying amount, with a decrease in operating cash flows (5%)
Environmental Services – Germany	513.5	247.7	-	(90.7)	(88.6)	(29.9)
Environmental Services - Poland	37.4	-	-	(5.0)	(2.5)	(2.3)
TOTAL	**550.9**	**247.7**	**-**	**(95.7)**	**(91.1)**	**(32.2)**

Actions launched by new management of the France – Water cash-generating unit and, in particular, the expected effects of the restructuring plan, result in a recoverable amount in excess of the net carrying amount, including with a 1% increase in the discount rate, a 1% decrease in the perpetual growth rate, or a 5% drop in operating cash flows. However, the value of the cash-generating unit remains sensitive to the realization of forecast savings and contract renewal terms and conditions.

Note 5 Concession intangible assets

Movements in the net carrying amount of concession intangible assets during 2013 are as follows:

(€ million)	As of December 31, 2012, represented	Additions	Disposals	Impairment losses	Amortization/ reversals	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2013
Concession intangible assets, gross	4,226.8	428.6	(29.9)	-	-	78.8	(23.0)	(876.6)	(43.2)	3,761.5
Amortization and impairment losses	(1,853.7)	-	24.7	(48.1)	(254.1)	19.1	7.3	404.3	38.3	(1,662.2)
CONCESSION INTANGIBLE ASSETS, NET	**2,373.1**	**428.6**	**(5.2)**	**(48.1)**	**(254.1)**	**97.9**	**(15.7)**	**(472.3)**	**(4.9)**	**2,099.3**

Additions primarily concern the Water Division in the amount of €196.3 million, the Energy Services Division in the amount of €115.8 million and the Environmental Services Division in the amount of €113.5 million.

Impairment losses recognized in 2013 are broken down in Note 20 and mainly concern the Water Division (-€50.0 million). They primarily result from the fair value remeasurement of the assets of Water activities in Morocco, transferred to discontinued operations as of December 31, 2013, in the amount of -€48.4 million.

Changes in consolidation scope primarily concern the divestiture of activities in Portugal in the Water Division (-€71.1 million) and the acquisition of Formento de Construcciones y Contratas' (FCC) stake in Proactiva Medio Ambiente (€169.2 million).

Foreign exchange translation gains and losses are primarily due to movements in the pound sterling (-€6.6 million), the Moroccan dirham (-€3.1 million) and the Chinese renminbi yuan (-€1.1 million).

Other movements primarily concern the Energy Services Division (-€8.8 million) and Proactiva Medio Ambiente (€2.3 million).

Transfers to Assets classified as held for sale mainly concern the reclassification in "Assets classified as held for sale" of the activities of Dalkia France (-€497.5 million).

Concession intangible assets break down by Division as follows:

	As of December 31, 2013			Net carrying amount as of December 31, 2012, represented	Net carrying amount as of December 31, 2011, represented
(€ million)	Gross carrying amount	Amortization and impairment losses	Net carrying amount		
Water	2,646.6	(1,254.7)	1,391.9	1,478.8	1,415.4
Environmental Services	873.6	(337.0)	536.6	460.5	358.9
Energy Services	-	-	-	433.8	445.0
Other	241.3	(70.5)	170.8	-	-
CONCESSION INTANGIBLE ASSETS	**3,761.5**	**(1,662.2)**	**2,099.3**	**2,373.1**	**2,219.3**

Recap: Movements in the net carrying amount of concession intangible assets during 2012 are as follows:

(€ million)	As of December 31, 2011, represented	Additions	Disposals	Impairment losses	Amortization/ reversals	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2012, represented
Concession intangible assets, gross	3,910.8	447.9	(101.9)	-	-	547.9	(8.2)	(592.1)	22.4	4,226.8
Amortization and impairment losses	(1,691.5)	-	98.6	(58.1)	(250.5)	(123.7)	3.8	167.6	0.1	(1,853.7)
CONCESSION INTANGIBLE ASSETS, NET	**2,219.3**	**447.9**	**(3.3)**	**(58.1)**	**(250.5)**	**424.2**	**(4.4)**	**(424.5)**	**22.5**	**2,373.1**

Additions concern the Water division in the amount of €243.4 million, the Energy Services division in the amount of €106.5 million and the Environmental Services Division in the amount of €98.0 million.

Impairment losses recognized in 2012 mainly concern:

• The Water Division in Morocco (-€23.4 million), before reclassification to discontinued operations and in France (-€4.4 million);

• The Environmental Services Division in Italy (-€17.7 million);

• The Energy Services Division (-€10.6 million);

Changes in consolidation scope primarily concern the acquisition of control of Azaliya (+€457.0 million).

Foreign exchange translation gains and losses are primarily due to movements in the Moroccan dirham (-€7.0 million), the pound sterling (+€7.0 million) and the Romanian leu (-€3.3 million) against the euro.

Transfers to Assets classified as held for sale mainly concern the reclassification to “Assets classified as held for sale” of Water activities in Morocco (-€432.0 million) in the course of divestiture.

Note 6 Other intangible assets

Other intangible assets break down as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	**14.4**	**14.9**	**14.7**
Intangible assets with an definite useful life, gross	2,772.1	2,914.3	2,946.5
Amortization and impairment losses	(2,067.2)	(2,002.9)	(1,946.3)
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	**704.9**	**911.4**	**1,000.2**
OTHER INTANGIBLE ASSETS, NET	**719.3**	**926.3**	**1,014.9**

Movements in the net carrying amount of other intangible assets during **2013** are as follows:

(€ million)	As of December 31, 2012, represented	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2013
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	**14.9**	**-**	**0.1**	**(0.8)**	**-**	**-**	**(0.6)**	**-**	**0.8**	**14.4**
Entry fees paid to local authorities	252.8	2.8	(0.3)	-	(67.5)	7.1	(0.9)	-	(0.2)	**193.8**
Purchased contractual rights	217.5	-	(1.5)	-	(40.1)	0.1	(8.0)	0.1	-	**168.1**
Purchased software	141.7	64.7	(1.0)	0.2	(68.6)	(0.4)	(5.1)	(48.1)	8.2	**91.6**
Purchased customer portfolios	49.1	-	-	-	(7.4)	0.8	(5.8)	-	(0.2)	**36.5**
Other purchased intangible assets	100.5	10.7	(3.8)	(7.6)	(10.6)	(3.7)	(2.3)	(0.1)	(1.1)	**82.0**
Other internally-developed intangible assets	149.8	15.8	(0.8)	-	(39.8)	-	(0.6)	(0.9)	9.4	**132.9**
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	**911.4**	**94.0**	**(7.4)**	**(7.4)**	**(234.0)**	**3.9**	**(22.7)**	**(49.0)**	**16.1**	**704.9**
OTHER INTANGIBLE ASSETS	**926.3**	**94.0**	**(7.3)**	**(8.2)**	**(234.0)**	**3.9**	**(23.3)**	**(49.0)**	**16.9**	**719.3**

Intangible assets with an indefinite useful life are primarily trademarks.

Entry fees paid to local authorities in respect of public service contracts total €193.8 million as of December 31, 2013, including €186.6 million for the Water Division. Amortization of entry fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€67.5 million in 2013, including -€67.4 million for the Water Division.

Additions mainly concern customer IT projects in the Water Division (€30.5 million), investment in operating and decision-making software in the Energy Services Division (€15.9 million) and ERP roll-out projects in VE SA and VE Tech (€14.5 million).

Impairment losses recognized in 2013 are broken down in Note 20 and mainly concern the Environmental Services Division (-€8.5 million).

Other movements primarily concern the Environment Services Division (€13.2 million) and the transfer of intangible assets in progress and prepaid expenses to intangible assets.

Transfers to Assets classified as held for sale mainly concern the reclassification in "Assets classified as held for sale" of the activities of Dalkia France (-€49.1 million).

Recap: Movements in the net carrying amount of other intangible assets during 2012 are as follows:

(€ million)	**As of December 31, 2011, represented**	**Additions**	**Disposals**	**Impairment losses**	**Amortization**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2012, represented**
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	**14.7**	**0.6**	**-**	**(0.8)**	**-**	**-**	**(0.1)**	**-**	**0.5**	**14.9**
Entry fees paid to local authorities	297.0	11.9	(0.4)	(0.2)	(56.3)	6.5	(0.1)	(6.6)	1.0	252.8
Purchased contractual rights	219.2	0.1	-	(11.4)	(36.0)	52.3	(0.1)	(7.7)	1.1	217.5
Purchased software	130.4	61.1	(0.3)	(1.7)	(46.3)	1.3	(1.1)	0.8	(2.5)	141.7
Purchased customer portfolios	65.6	-	-	-	(7.3)	(7.3)	(1.7)	-	(0.2)	49.1
Other purchased intangible assets	114.0	3.4	(0.3)	(5.8)	(13.6)	(2.1)	0.1	2.9	1.9	100.5
Other internally-developed intangible assets	174.0	19.0	(0.3)	(8.0)	(39.7)	4.8	(0.2)	1.7	(1.5)	149.8
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	**1,000.2**	**95.5**	**(1.3)**	**(27.1)**	**(199.2)**	**55.5**	**(3.1)**	**(8.9)**	**(0.2)**	**911.4**
OTHER INTANGIBLE ASSETS	**1,014.9**	**96.1**	**(1.3)**	**(27.9)**	**(199.2)**	**55.5**	**(3.2)**	**(8.9)**	**0.3**	**926.3**

Intangible assets with an indefinite useful life are primarily trademarks.

Entry fees paid to local authorities in respect of public service contracts total €252.8 million as of December 31, 2012, including €252.5 million for the Water Division. The amortization of entry fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€56.3 million, primarily in the Water Division.

The main **impairment losses** recognized in 2012 primarily concern the Energy Services Division (-€11.5 million) and the Environmental Services Division (-€9.1 million).

Additions mainly concern customer IT projects in the Water Division (€20.4 million) and investment in operating and decision-making software in the Energy Services Division (€14.8 million).

Changes in consolidation scope primarily concern the acquisition of control of Azaliya (€65.8 million) and the divestiture of solid waste activities in the United States (-€13.6 million).

Transfers to Assets classified as held for sale mainly concern the reclassification to "Assets classified as held for sale" of Water activities in Morocco (-€19.7 million).

Note 7 Property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during **2013** are as follows:

(€ million)	**As of December 31, 2012, represented**	**Additions**	**Disposals**	**Impairment losses**	**Depreciation**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2013**
Property, plant and equipment, gross	11,608.9	727.8	(442.9)	-	-	136.4	(294.6)	(593.8)	109.7	**11,251.5**
Depreciation and impairment losses	(6,902.6)	-	393.1	(23.4)	(741.1)	(180.0)	168.4	225.2	(30.6)	**(7,091.0)**
PROPERTY, PLANT AND EQUIPMENT, NET	**4,706.3**	**727.8**	**(49.8)**	**(23.4)**	**(741.1)**	**(43.6)**	**(126.2)**	**(368.6)**	**79.1**	**4,160.5**

Additions mainly concern the Water Division in the amount of €175.5 million, the Environmental Services Division in the amount of €425.0 million, the Energy Services Division in the amount of €107.1 million and the "Other Segments" Division in the amount of €20.2 million.

Disposals, net of impairment losses and depreciation, of -€49.8 million, mainly concern the Water Division in the amount of -€11.8 million, the Environmental Services Division in the amount of -€34.5 million, the Energy Services Division in the amount of -€1.7 million and the "Other Segments" Division in the amount of -€1.8 million.

Impairment losses recognized in 2013 are broken down in Note 20 and mainly concern the Environmental Services Division in the United States (-€21.4 million).

Depreciation of -€741.1 mainly concerns the Water Division (-€159.9 million) and the Environmental Services Division (-€506.2 million).

Foreign exchange translation gains and losses are primarily due to the appreciation of the Australian dollar, U.S. dollar, Canadian dollar and pound sterling against the euro in the amount of -€47.9 million, -€31.9 million, -€11.9 million and -€9.7 million, respectively.

Other movements primarily concern the Environmental Services Division (€67.1 million) and mainly the remeasurement of environmental assets and the unwinding of the discount.

Changes in consolidation scope mainly concern the full consolidation of Proactiva (€63.9 million) and the divestiture of ERC projects to third parties (-€119.5 million).

Transfers to Assets classified as held for sale mainly concern Dalkia France assets (-€357.6 million).

Property, plant and equipment break down by Division as follows:

(€ million)	As of December 31, 2013 Gross carrying amount	Depreciation and impairment losses	Net carrying amount	Net carrying amount as of December 31, 2012, represented	Net carrying amount as of December 31, 2011, represented
Water	2,669.8	(1,686.3)	**983.5**	1,005.8	2,209.1
Environmental Services	7,424.7	(4,957.2)	**2,467.5**	2,609.9	3,320.9
Energy Services	637.8	(119.5)	**518.3**	951.2	820.0
Other	519.2	(328.0)	**191.2**	139.4	147.4
PROPERTY, PLANT AND EQUIPMENT	**11,251.5**	**(7,091.0)**	**4,160.5**	**4,706.3**	**6,497.4**

The breakdown of property, plant and equipment by class of assets is as follows:

(€ million)	As of December 31, 2013 Gross carrying amount	Depreciation and impairment losses	Net carrying amount	Net carrying amount as of December 31, 2012, represented	Net carrying amount as of December 31, 2011, represented
Land	876.5	(480.1)	396.4	424.8	772.3
Buildings	2,038.5	(1,104.3)	934.2	974.0	1,157.2
Technical installations, plant and equipment	4,844.1	(2,984.1)	1,860.0	2,162.6	3,107.1
Travelling systems and other vehicles	1,694.0	(1,291.5)	402.5	425.9	566.5
Other property, plant and equipment	1,476.2	(1,229.0)	247.2	274.2	419.3
Property, plant and equipment in progress	322.2	(2.0)	320.2	444.8	475.0
PROPERTY, PLANT AND EQUIPMENT	**11,251.5**	**(7,091.0)**	**4,160.5**	**4,706.3**	**6,497.4**

The decrease in "Technical installations, plant and equipment" between December 31, 2012 and 2013 is due to the transfer of Dalkia France assets to "Assets classified as held for sale".

The decrease in "Land" between December 31, 2011 and 2012 is due to the divestiture of solid waste activities in the United States in the Environmental Services Division in the amount of €357.2 million.

The decrease in "Technical installations, plant and equipment" between December 31, 2011 and 2012 is due to the divestiture of regulated Water activities in the United Kingdom in the amount of €911.3 million, the divestiture of Eolfi American activities in the amount of €181.8 million and the divestiture of solid waste activities in the United States in the amount of €110.8 million.

Recap: Movements in the net carrying amount of property, plant and equipment during 2012 are as follows:

(€ million)	As of December 31, 2011, represented	Additions	Disposals	Impairment losses	Depreciation	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2012, represented
Property, plant and equipment, gross	14,468.0	1,198.4	(486.3)	-	-	(3,749.5)	102.5	(74.7)	150.5	11,608.9
Depreciation and impairment losses	(7,970.6)	-	395.5	(88.1)	(779.6)	1,583.2	(46.7)	100.8	(97.1)	(6,902.6)
PROPERTY, PLANT AND EQUIPMENT, NET	**6,497.4**	**1,198.4**	**(90.8)**	**(88.1)**	**(779.6)**	**(2,166.3)**	**55.8**	**26.1**	**53.4**	**4,706.3**

Additions mainly concern the Water Division in the amount of €220.6 million, the Environmental Services Division in the amount of €579.5 million, the Energy Services Division in the amount of €184.1 million and the "Other Segments" Division in the amount of €214.2 million.

Disposals, net of impairment losses and depreciation of -€90.8 million, mainly concern the Water Division in the amount of -€33.3 million, the Environmental Services Division in the amount of -€51.6 million, the Energy Services Division in the amount of -€2.7 million and the "Other Segments" Division in the amount of -€3.2 million.

The main **impairment losses** recognized in 2012 mainly concern the Environmental Services Division in the United Kingdom (-€17.7 million) and the United States (-€36.7 million).

Changes in consolidation scope mainly concern the divestiture of regulated Water activities in the United Kingdom (-€1,250.9 million), solid waste activities in the United States (-€673.8 million) and American wind energy activities (-€181.8 million).

Other movements mainly concern the Environmental Services Division for €34.1 million, in respect of the discounting of provisions for site rehabilitation.

Note 8 Investments in joint ventures

	Share of equity			Share of net income (loss)		
(€ million)	**As of Dec. 31, 2013**	**As of Dec. 31, 2012, represented**	**As of Dec. 31, 2011, represented**	**Year ended Dec. 31, 2013**	**Year ended Dec. 31, 2012, represented**	**Year ended Dec. 31, 2011, represented**
Dalkia International	791.2	787.4	933.4	25.0	(119.8)	(198.5)
Chinese Water concessions	1,354.1	1,377.9	1,368.7	9.0	20.1	19.5
Other	759.8	749.5	865.0(*)	75.2 (**)	39.6	(393.1)
o/w Transdev Group	*380.6*	*168.1*	*227.6*	*(51.5)*	*(45.3)*	*(470.9)*
TOTAL	**2,905.1**	**2,914.8**	**3,167.1**	**109.2**	**(60.1)**	**(572.1)**
o/w share of net income (loss) of equity-accounted entities in continuing operations				108.8 (**)	(81.6)	(581.5)
o/w share of net income (loss) of equity-accounted entities in discontinued operations				0.4	21.5	9.4

(*) o/w Berlin Water activities: €45.9 million as of December 31, 2011

(**) Including the fair value remeasurement of the investment previously held in Proactiva Medio Ambiente of €82.0 million

The decrease in investments in joint ventures in 2013 is mainly due to:

- Dividend payments during the period (-€91.2 million);
- The €560 million share capital increased performed by Transdev Group and subscribed equally by VE SA and Caisse des dépôts et consignations in the amount of €280.0 million;
- The full consolidation of the Proactiva Medio Ambiente sub-group from November 28, 2013 (-€49.1 million);
- The transfer to assets held for sale of Dalkia Investissement and the joint ventures held by Dalkia France (-€154.4 million).

8.1 Material joint ventures

The Group's material joint ventures as of December 31, 2013 are as follows:

- Dalkia International in the Energy Services Division, operating primarily in Italy, Poland, the Czech Republic and the Baltic countries;
- the Chinese concessions in the Water Division, comprising a combination of approximately twenty separate legal entities in which the Group holds interests of between 21% and 50% as of December 31, 2013; the most significant concessions, in terms of revenues, are Shenzhen (25% interest) and Shanghai (50% interest).

Summarized financial information (at 100%) in respect of the Group's material joint ventures is set out below. The summarized financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

Summarized financial information at 100% - Dalkia International joint venture	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
Current assets	2,642.0	2,990.0	3,016.4
Non-current assets	4,189.3	4,268.8	4,091.7
TOTAL ASSETS	**6,831.3**	**7,258.8**	**7,108.1**
Equity attributable to the Company	2,025.6	1,989.4	2,182.8
Equity attributable to non-controlling interests	351.4	376.1	387.7
Current liabilities	2,081.7	2,744.7	2,214.0
Non-current liabilities	2,372.6	2,148.6	2,323.6
TOTAL EQUITY AND LIABILITIES	**6,831.3**	**7,258.8**	**7,108.1**
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	691.8	792.9	649.9
Current financial liabilities (excluding trade and other payables and provisions)	507.0	959.7	434.4
Non-current financial liabilities (excluding trade and other payables and provisions)	1,982.0	1,733.3	1,927.3
INCOME STATEMENT			
Revenue	4,551.1	4,831.1	4,506.0
Operating income	244.4	94.4	(94.1)
Net income (loss) from continuing operations	70.4	(116.0)	(218.6)
Post-tax net income (loss) from discontinued operations	0.0	0.0	(10.0)
Net income (loss) attributable to non-controlling interests	(37.5)	(41.9)	(33.3)
Net income (loss) attributable to owners of the Company at Dalkia International level	32.9	(157.9)	(261.9)
Net income (loss) for the year	70.4	(116.0)	(228.6)
Other comprehensive income for the year	(32.6)	16.8	(55.1)
Total comprehensive income for the year	37.7	(99.2)	(283.7)
The above net income (loss) for the year includes the following:			
Depreciation and amortization	(207.8)	(208.9)	(178.6)
Interest income	12.1	9.6	11.1
Interest expense	(140.7)	(128.3)	(90.3)
Income tax (expense) income	(54.6)	(67.3)	(21.6)
DIVIDENDS			
Dividends received from the joint venture	0.0	0.0	0.0

Reconciliation of the above summarized financial information on the Dalkia International joint venture to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

€ million	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
Net assets of the Dalkia International joint venture	2,025.6	1,989.4	2,182.8
Proportion of the Group's ownership interest in the Dalkia International joint venture	75.81%	75.80%	75.81%
Goodwill	320.8	348.6	348.8
Other adjustments (*)	(1,065.2)	(1,069.2)	(1,070.2)
Carrying amount of the Group's interest in the Dalkia International joint venture	**791.2**	**787.4**	**933.4**

(*) Other adjustments presented in the reconciliation between the summarized financial information of Dalkia International Group and the carrying amount of the interest in the joint venture are primarily attributable to capital gains recorded historically by Dalkia France when transferring foreign subsidiaries to Dalkia International on its creation and eliminated at Group level.

(€ million)	Year-ended December 31, 2013	Year-ended December 31, 2012	Year-ended December 31, 2011
Net income (loss) for the year of the Dalkia International joint venture	32.9	(157.9)	(261.9)
Proportion of the Group's ownership interest in the Dalkia International joint venture	75.81%	75.80%	75.81%
Group share of net income (loss) of the Dalkia International joint venture	**25.0**	**(119.8)**	**(198.5)**

Summarized financial information at 100% – Chinese Water concessions joint venture	**As of December 31, 2013**	**As of December 31, 2012**	**As of December 31, 2011**
Current assets	992.5	886.1	888.3
Non-current assets	4,691.4	4,782.7	4,814.5
TOTAL ASSETS	**5,683.9**	**5,668.8**	**5,702.8**
Equity attributable to the Company	2,890.2	2,900.7	2,871.8
Equity attributable to non-controlling interests	233.6	231.7	232.5
Current liabilities	1,502.9	1,358.7	1,381.4
Non-current liabilities	1,057.2	1,177.7	1,217.1
TOTAL EQUITY AND LIABILITIES	**5,683.9**	**5,668.8**	**5,702.8**
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	413.9	378.6	412.8
Current financial liabilities (excluding trade and other payables and provisions)	556.5	509.4	541.1
Non-current financial liabilities (excluding trade and other payables and provisions)	572.2	698.2	746.5
INCOME STATEMENT			
Revenue	1,493.2	1,481.3	1,341.1
Operating income	170.3	160.4	136.5
Net income (loss) from continuing operations	37.7	73.6	64.8
Post-tax net income (loss) from discontinued operations	0.0	0.0	0.0
Net income (loss) attributable to non-controlling interests	(7.9)	(7.2)	(0.4)
Net income (loss) attributable to owners of the Company at the Chinese Water concessions level	29.8	66.4	64.4
Net income for the year	37.7	73.6	64.8
Other comprehensive income for the year	(56.2)	(25.0)	257.6
Total comprehensive income for the year	(18.5)	48.6	322.4
The above net income (loss) for the year includes the following:			
Depreciation and amortization	(137.2)	(135.4)	(118.3)
Interest income	5.4	5.3	3.9
Interest expense	(68.3)	(71.3)	(59.8)
Income tax (expense) income	(37.7)	(28.7)	(23.1)
DIVIDENDS			
Dividends received from the joint venture	8.2	8.9	10.4

Reconciliation of the above summarized financial information on the Chinese Water concessions to the carrying amount of the interest in these joint ventures recognized in the consolidated financial statements:

€ million	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
Net assets of the Chinese Water concessions joint venture	2,890.2	2,900.7	2,871.8
Proportion of the Group's ownership interest in the Chinese Water concessions joint venture	30.24%	30.24%	30.24%
Goodwill	245.9	261.9	263.9
Other adjustments	234.2	238.8	236.4
Carrying amount of the Group's interest in the Chinese Water concessions joint venture	**1,354.1**	**1,377.9**	**1,368.7**

As the Chinese Water concessions represent approximately twenty individual concessions, in which the Group holds percentage interests varying from 21% to 50%, the percentage interest indicated in the above reconciliation is a weighted-average rate of the contribution of each concession within the combination.

Accordingly, the "Other adjustments" line in the reconciliation of the summarized financial information on the Chinese Water concessions as a whole, to their carrying amount in the Consolidated Statement of Financial Position, represents the adjustment between the share in net assets obtained by applying the weighted average percentage interest for all Chinese Water concessions and the share in net assets recognized in the financial statements, calculated using the effective interest held in each of the Chinese Water concessions individually.

(€ million)	Year-ended December 31, 2013	Year-ended December 31, 2012	Year-ended December 31, 2011
Net income (loss) for the year of the Chinese Water concessions joint venture	29.8	66.4	64.4
Proportion of the Group's ownership interest in the Chinese Water concessions joint venture	30.24%	30.24%	30.24%
Group share of net income (loss) of the Chinese Water concessions joint venture	**9.0**	**20.1**	**19.5**

8.2 Other joint ventures

As described in Note 3.3.4, the Group modified the accounting presentation of its investment in Transdev Group, transferring it from "Assets classified as held for sale" (discontinued operations) to "Investments in joint ventures" (continuing operations), accounted for using the equity method. Pursuant to IFRS 5.28 and IAS 28.21, this reclassification was performed retrospectively across all accounting periods presented.

This investment totals €380.6 million as of December 31, 2013, €168.1 million as of December 31, 2012 and €227.6 million as of December 31, 2011.

The following table presents summarized financial information for Transdev (at 100%) in respect of 2013. This information reflects amounts presented in the joint venture's financial statements prepared in accordance with IFRSs, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

Summarized financial information - Transdev	As of December 31, 2013
Current assets	2,345.1
Non-current assets	2,778.2
TOTAL ASSETS	**5,123.3**
Equity attributable to the Company	747.4
Equity attributable to non-controlling interests	84.8
Current liabilities	2,248.1
Non-current liabilities	2,043.0
TOTAL EQUITY AND LIABILITIES	**5,123.3**

Summarized financial information - Transdev	As of December 31, 2013
INCOME STATEMENT	
Revenue	6,606.1
Operating income	38.5
Net income (loss) from continuing operations	(26.1)
Post-tax net income (loss) from discontinued operations	(114.2)
Net income (loss) for the year	(140.3)

The Group also holds interests in joint ventures that are not individually material, with a total net carrying amount of €379.2 million as of December 31, 2013.

8.3 Unrecognized share of losses of joint ventures

As all joint ventures are partnerships in which the Group exercises joint control, the share of any losses is recognized in full at the year-end.

Note 9 Investments in associates

9.1 Material associates

(€ million)	Share of equity			Share of net income (loss)		
	As of Dec. 31, 2013	As of Dec. 31, 2012, represented	As of Dec. 31, 2011, represented	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012, represented	Year ended Dec. 31, 2011, represented
Berlin Water	-	44.3	-	9.6	4.2	-
Other	385.0	433.4	360.8	18.4	24.8	(24.7)
o/w AFF W A Ltd (*)	*41.5*	*45.3*	-	*3.8*	*2.2*	-
Total	**385.0**	**477.7**	**360.8**	**28.0**	**29.0**	**(24.7)**
o/w share of net income (loss) of equity-accounted entities in continuing operations				18.4	24.4	(25.9)
o/w share of net income (loss) of equity-accounted entities in discontinued operations				9.6	4.6	1.2

(*) Formerly Rift Acquisition Holding Co, recognized as an associate in 2012 in the context of the divestiture of the regulated Water activities.

The Group exercised joint control over the entity RVB/BwB (Berlin Water) until the end of October 2012. This entity is now accounted for as a joint venture. At the end of October 2012, the Berlin parliament adopted a resolution concerning the purchase of RVB shares by the Land of Berlin from RWE. The transfer of shares between RWE and the Land of Berlin was completed on October 30, 2012, leading to:

- The loss of joint control exercised by the group over the RVB/BWB entity: the Land of Berlin now owns 75.05% of BWB (the Berlin water management company) and obtained new appointment rights within the governance bodies, conferring on it financial and operating control of these entities. Veolia Environnement nonetheless retains significant influence through its presence in these same governance bodies;

- The equity accounting of the Group's shareholding with effect from October 31, 2012.

As of December 31, 2012, the total value of the investment in Berlin Water was €619.9 million, including €44.3 million recognized in "Investments in associates" and €575.6 million recognized in financial receivables.

As described in Note 3, on September 10, 2013 the Group announced the signature of an agreement with the Berlin Federal State authorities for the sale of its 24.95% investment in Berlin Water. This transaction, which required the approval of the Berlin Senate and Parliament, as well as European anti-trust authorities, was completed on December 2, 2013.

The decrease in investments in associates in 2013 breaks down as follows:

(€ million)	As of December 31, 2012, represented	Net income	Dividend distribution	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2013
Investments in associates	**477.7**	28.0	(20.9)	(79.8)	(8.3)	(11.7)	**385.0**

Changes in consolidation scope mainly comprise the divestiture of Berlin Water (-€53.9 million) and the divestiture of Regaz (-€26.7 million) in the Energy Services Division.

Othermovements mainly comprise the transfer of the associate Dalkia France to assets held for sale (-€14.3 million).

9.2 Other associates

The Group also holds interests in associates (that are not individually material) with a total net carrying amount of €385.0 million as of December 31, 2013.

9.3 Unrecognized share of losses of associates

As all associates are companies in which the Group exercises significant influence, the share of any losses is recognized in full.

Note 10 Non-consolidated investments

In accordance with IAS 39, non-consolidated investments are recognized at fair value. Unrealized gains and losses are recognized directly through other comprehensive income, except for unrealized losses considered long-term or material which are expensed in the Consolidated Income Statement in "Other financial income and expenses" (see Note 22).

Movements in non-consolidated investments during **2013** are as follows:

(€ million)	**As of December 31, 2012 represented**	**Additions**	**Disposals**	**Changes in consolidation scope**	**Fair value adjustments**	**Impairment losses**	**Foreign exchange translation**	**Transfers to Assets Held for sale**	**Other**	**As of December 31, 2013**
Non-consolidated investments	47.0	7.1	(9.3)	3.7	-	(2.2)	(0.3)	(2.7)	(2.8)	40.5

Disposals mainly concern the divestiture of Jacobi securities in the Water Division in the amount of €7.0 million.

Transfers to assets held for sale mainly concern the non-consolidated securities held by Dalkia France in the amount of -€2.7 million.

The Group did not hold any non-consolidated investment lines in excess of €10 million as of December 31, 2013.

Recap: Movements in non-consolidated investments during **2012** are as follows:

(€ million)	**As of December 31, 2011, represented**	**Additions**	**Disposals**	**Changes in consolidation scope**	**Fair value adjustments**	**Impairment losses**	**Foreign exchange translation**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2012, represented**
Non-consolidated investments	65.4	(0.8)	(4.4)	(14.1)	-	0.9	(0.1)	(0.9)	1.0	47.0

Transfers to Assets classified as held for sale mainly concern Eolfi investments in line with the reclassification to discontinued operations of this sub-group (-€1.0 million).

The Group did not hold any non-consolidated investment lines in excess of €10 million as of December 31, 2012.

Note 11 Non-current and current operating financial assets

Operating financial assets comprise financial assets resulting from the application of IFRIC 12 on accounting for concession arrangements and from the application of IFRIC 4 (see Notes 1.20 and 1.21).

Movements in the net carrying amount of non-current and current operating financial assets during **2013** are as follows:

(€ million)	As of December 31, 2012, represented	New operating financial assets	Repayments / disposals	Impairment losses (1)	Changes in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2013
Gross	2,263.7	213.8	(36.7)	-	(179.4)	(36.1)	(168.5)	(304.6)	(24.6)	1,727.6
Impairment losses	(47.8)	-	-	(16.9)	35.2	0.1	-	-	(0.1)	(29.5)
NON-CURRENT OPERATING FINANCIAL ASSETS	**2,215.9**	**213.8**	**(36.7)**	**(16.9)**	**(144.2)**	**(36.0)**	**(168.5)**	**(304.6)**	**(24.7)**	**1,698.1**
Gross	167.0	0.8	(165.3)	-	(26.8)	(2.4)	168.5	(42.3)	(1.6)	97.9
Impairment losses	-	-	-	-	-	-	-	-	-	-
CURRENT OPERATING FINANCIAL ASSETS	**167.0**	**0.8**	**(165.3)**	**-**	**(26.8)**	**(2.4)**	**168.5**	**(42.3)**	**(1.6)**	**97.9**
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	**2,382.9**	**214.6(2)**	**(202.0)**	**(16.9)**	**(171.0)**	**(38.4)**	**-**	**(346.9)**	**(26.3)**	**1 ,796.0**

(1) Impairment losses are recorded in operating income.

(2) New operating financial assets presented in the Consolidated Cash Flow Statement equal new operating financial assets presented above (€224.2 million), net of the related acquisition debt (€9.6 million as of December 31, 2013).

The principal **new operating financial assets** in **2013** mainly concern:

- The Water Division in the amount of €54.7 million and in particular investments in Germany under the Braunschweig contract of €15.0 million;
- The Energy Services Division in the amount of €99.9 million and in particular cogeneration plants in France (€69.1 million);
- The Environmental Services Division in the amount of €54.7 million, in particular in the United Kingdom for €44.3 million.

The principal **repayments and disposals of operating financial assets** in 2013 concern:

- The Water Division in the amount of €61.5 million;
- The Energy Services Division in the amount of €102.4 million and in particular cogeneration plants (€61.8 million);
- The Environmental Services Division in the amount of €29.4 million, in particular in the United Kingdom.

Foreign exchange translation gains and losses on current and non-current operating financial assets mainly concern the Water Division (-€26.5 million) and the Environmental Services Division (-€10.1 million), primarily due to movements in the Korean won (-€9.7 million), the pound sterling (-€9.3 million) and the Australian dollar (-€7.0 million) against the euro.

Non-current/current reclassifications mainly concern:

- The Water Division in the amount of €67.2 million and in particular industrial contracts in Korea (€28.0 million);
- The Energy Services Division in the amount of €69.2 million and in particular cogeneration plants in France.

Changes in consolidation scope mainly concern the Water Division, following the Sharqiyah (Oman) IPO in the amount of -€113.6 million (see Note 3) and the Environmental Services Division in the amount of -€56.7 million, following the deconsolidation of Environmental Services activities in Italy.

Transfers to assets held for sale mainly concern the reclassification of Dalkia France assets (see Note 3) in the amount of -€358.7 million.

Operating financial assets held by the Group in countries considered high-risk by the International Monetary Fund are not material in amount.

The breakdown of operating financial assets by Division is as follows:

	As of December 31,								
	Non-current			Current			Total		
(€ million)	**2013**	**2012 represented**	**2011 represented**	**2013**	**2012 represented**	**2011 represented**	**2013**	**2012 represented**	**2011 represented**
Water	**1,006.6**	1,152.0	1,029.4	**61.3**	64.1	49.1	**1,067.9**	1,216.1	1,078.5
Environmental Services	**611.4**	635.6	667.4	**36.4**	52.3	48.3	**647.8**	687.9	715.7
Energy Services	**1.0**	332.7	298.5	**0.2**	47.6	64.8	**1.2**	380.3	363.3
Other	**79.1**	95.6	96.2	**-**	3.0	3.0	**79.1**	98.6	99.2
OPERATING FINANCIAL ASSETS	**1,698.1**	**2,215.9**	**2,091.5**	**97.9**	**167.0**	**165.2**	**1,796.0**	**2,382.9**	**2,256.7**

IFRIC 12 operating financial assets maturity schedule:

(€ million)	**1 year**	**2 to 3 years**	**4 to 5 years**	**More than 5 years**	**Total**
Water	23.2	107.9	70.9	499.5	701.5
Environmental Services	36.0	113.4	90.4	404.7	644.5
Energy Services	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**59.2**	**221.3**	**161.3**	**904.2**	**1,346.0**

IFRIC 4 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
Water	38.0	73.6	78.9	175.8	366.3
Environmental Services	0.5	2.1	0.8	-	3.4
Energy Services	0.2	0.7	0.2	0.1	1.2
Other	-	8.4	9.1	61.6	79.1
TOTAL	**38.7**	**84.8**	**89.0**	**237.5**	**450.0**

Recap: Movements in the net carrying amount of non-current and current operating financial assets during 2012 are as follows:

(€ million)	As of December 31, 2011, represented	New	Repayments / disposals	Impairment losses (1)	Changes in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2012, represented
Gross	2,139.2	249.9	(1.8)	-	122.4	13.8	(171.8)	(42.2)	(45.8)	2,263.7
Impairment losses	(47.7)	-	-	-	-	(0.1)	-	-	-	(47.8)
NON-CURRENT OPERATING FINANCIAL ASSETS	**2,091.5**	**249.9**	**(1.8)**	-	**122.4**	**13.7**	**(171.8)**	**(42.2)**	**(45.8)**	**2,215.9**
Gross	165.2	0.8	(179.2)	-	7.6	0.8	171.8	(0.2)	0.2	167.0
Impairment losses	-	-	-	-	-	-	-	-	-	-
CURRENT OPERATING FINANCIAL ASSETS	**165.2**	**0.8**	**(179.2)**	-	**7.6**	**0.8**	**171.8**	**(0.2)**	**0.2**	**167.0**
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	**2,256.7**	**250.7(2)**	**(181.0)**	-	**130.0**	**14.5**	-	**(42.4)**	**(45.6)**	**2,382.9**

(1) Impairment losses are recorded in operating income.

(2) New operating financial assets presented in the Consolidated Cash Flow Statement equal new operating financial assets presented above (€249.5 million), net of the related acquisition debt (€1.2 million as of December 31, 2012).

The principal **new operating financial assets** in 2012 mainly concern:

- The Water Division in the amount of €58.8 million, with investments in Germany (€19.7 million, including the Braunschweig contract) and Korea;
- The Energy Services Division in the amount of €147.9 million and in particular cogeneration plants in France;
- The Environmental Services Division in the amount of €41.2 million, in particular in the United Kingdom (€32.3 million) and France (€8.5 million).

The **principal repayments and disposals of operating financial assets** in 2012 concern:

- The Water Division in the amount of €60.2 million and in particular industrial contracts in Korea (€20.9 million);
- The Energy Services Division in the amount of €90.4 million and in particular cogeneration plants;
- The Environmental Services Division in the amount of €27.2 million.

Foreign exchange translation gains and losses on current and non-current operating financial assets mainly concern the Water Division (€4.9 million) and the Environmental Services Division (€9.6 million), primarily due to movements in the Korean won and the pound sterling against the euro.

Non-current/current reclassifications mainly concern:

- The Water Division in the amount of €61.7 million and in particular industrial contracts in Korea (€25.6 million);
- The Energy Services Division in the amount of €73.1 million and in particular cogeneration plants in France;

Changes in consolidation scope mainly concern the impact of the change in consolidation method of Azaliya and its subsidiaries now fully consolidated from August 2, 2012 (+€129.5 million).

Operating financial assets held by the Group in countries considered high-risk by the IMF are not material in amount.

Note 12 Other non-current and current financial assets

(€ million)	Non-current 2013	Non-current 2012 represented	Non-current 2011 represented	Current 2013	Current 2012 represented	Current 2011 represented	Total 2013	Total 2012 represented	Total 2011 represented
Gross	2,533.4	2,477.3	2,896.6	633.3	1,511.7	1,006.9	3,166.7	3,989.0	3,903.5
Impairment losses	(66.0)	(69.3)	(69.8)	(10.2)	(25.5)	(31.5)	(76.2)	(94.8)	(101.3)
FINANCIAL ASSETS IN LOANS AND RECEIVABLES	**2,467.4**	**2,408.0**	**2,826.8**	**623.1**	**1,486.2**	**975.4**	**3,090.5**	**3,894.2**	**3,802.2**
OTHER FINANCIAL ASSETS	**24.6**	**33.3**	**37.8**	**4.9**	**2.4**	**3.5**	**29.5**	**35.7**	**41.3**
TOTAL OTHER FINANCIAL ASSETS	**2,492.0**	**2,441.3**	**2,864.6**	**628.0**	**1,488.6**	**978.9**	**3,120.0**	**3,929.9**	**3,843.5**

As of December 31,

12.1 Movements in other non-current financial assets

Movements in the value of other non-current financial assets during **2013** are as follows:

(€ million)	As of December 31, 2012, represented	Additions	Repayments / disposals	Changes in consolidation scope	Impairment losses (1)	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2013
Gross	2,477.3	723.8	(588.5)	7.7	-	(29.1)	(51.1)	(4.0)	(2.7)	2,533.4
Impairment losses	(69.3)	-	-	-	(1.0)	3.7	0.8	-	(0.2)	(66.0)
NON-CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES	**2,408.0**	**723.8**	**(588.5)**	**7.7**	**(1.0)**	**(25.4)**	**(50.3)**	**(4.0)**	**(2.9)**	**2,467.4**
OTHER NON-CURRENT FINANCIAL ASSETS	**33.3**	**3.7**	**(51.2)**	**44.2**	**(3.1)**	**(0.3)**	**-**	**(1.1)**	**(0.9)**	**24.6**
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**2,441.3**	**727.5(2)**	**(639.7)(3)**	**51.9**	**(4.1)**	**(25.7)**	**(50.3)**	**(5.1)**	**(3.8)**	**2,492.0**

(1) Impairment losses are recorded in financial income and expenses.

(2) "New non-current loans granted" in the Consolidated Cash Flow Statement of -€698.3 million, include additions to other non-current financial assets of €727.5 million, excluding additions to receivables on financial asset disposals (€25.6 million), presented in "Proceeds on disposal of financial assets" and additions to other current financial assets available for sale (€3.6 million) presented in "Purchases of investments".

(3) "Principal payments on non-current loans" in the Consolidated Cash Flow Statement of €307.3 million, include repayments/disposals of other non-current financial assets (€639.7 million), excluding

- *repayments on disposals of financial assets of -€1.2 million;*
- *repayments on other financial assets available for sale (-€51.2 million) presented in "Proceeds on disposal of financial assets";*
- *and finally the subscription of the Transdev Group share capital increase (-€280.0 million) presented in the Consolidated Cash Flow Statement in "Purchases of investments".*

New loans mainly concern loans granted to Dalkia International maturing in 2017 (€102.7 million) and the subscription by Dalkia SAS of the deeply subordinated securities issue performed by Dalkia International (€461.6 million).

As described in Note 3.4.2, an agreement was finalized in February 2013 between Dalkia and EDF shareholders. This agreement led to the issuance of €600 million in deeply subordinated bonds convertible into shares, subscribed by each shareholder in proportion to its interest in the share capital. Dalkia's subscription was financed by Veolia Environnement in the amount of €456 million (excluding interest).

Repayments mainly concern the early repayment of the SPEC loan (-€281.6 million) and the impact of the subscription of the Transdev Group share capital increase by capitalization of the current account (-€280.0 million).

Changes in consolidation scope mainly concern the impact of the divestiture of Marine Services (€45.9 million), the full consolidation of Proactiva Medio Ambiente (€15.7 million) and the deconsolidation of Italian activities (-€8.1 million).

12.1.1 Non-current financial assets in loans and receivables

As of December 31, 2013, the principal non-current financial assets in loans and receivables primarily represented loans granted to equity-accounted joint ventures totaling €2,178.7 million, compared with €2,175.6 million as of December 31, 2012.

These loans mainly concerned:

- Dalkia International for €1,464.0 million;
- Transdev Group for €621.4 million;
- The Chinese Water Concessions for €69.9 million.

12.1.2 Other non-current financial assets

Other non-current financial assets are classified as "Available-for-sale assets" in accordance with the principles set out in Note 1.14.2.

Other financial assets held by the Group in countries considered high-risk by the IMF are not material in amount.

Recap: Movements in other non-current financial assets during 2012 are as follows:

(€ million)	As of December 31, 2011, represented	Additions	Repayments / disposals	Changes in consolidation scope	Impairment losses (1)	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2012, represented
Gross	2,896.6	146.6	(26.7)	(121.0)	-	33.1	(476.0)	(2.9)	27.6	2,477.3
Impairment losses	(69.8)	-	-	(0.2)	(1.3)	2.0	-	-	-	(69.3)
NON-CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES	**2,826.8**	**146.6**	**(26.7)**	**(121.2)**	**(1.3)**	**35.1**	**(476.0)**	**(2.9)**	**27.6**	**2,408.0**
OTHER NON-CURRENT FINANCIAL ASSETS	**37.8**	**11.7**	**(2.4)**	**(8.3)**	**(3.0)**	**(0.1)**	**(0.3)**	**(0.1)**	**(2.0)**	**33.3**
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**2,864.6**	**158.3**	**(29.1)**	**(129.5)**	**(4.3)**	**35.0**	**(476.3)**	**(3.0)**	**25.6**	**2,441.3**

(1) Impairment losses are recorded in financial income and expenses.

Changes in consolidation scope mainly concern the impact of full consolidation of Azaliya (-€106.2 million) and the divestiture of regulated Water activities in the United Kingdom (-€11.3 million).

Transfers to other current financial assets mainly comprise the transfer to current financial assets of the Berlin Water receivable (-€469.0 million), the portion of Dalkia International loans reaching maturity (-€285.4 million) and the new SPEC loan following the signature of the loan agreement (maturing in 2016) (+€281.6 million).

Other movements mainly concern the reclassification of the pension fund surplus in the United Kingdom (€20.0 million).

12.1.3 Non-current financial assets in loans and receivables

As of December 31, 2012, the principal non-current financial assets in loans and receivables were primarily loans granted to equity-accounted joint ventures of €2,175.6 million.

These loans mainly concerned:

- Dalkia International for €1,266.8 million;
- Transdev Group for €901.4 million.

12.1.4 Other non-current financial assets

Other non-current financial assets are classified as "Available-for-sale assets" in accordance with the principles set out in Note 1.14.2.

12.2 Movements in current financial assets

Movements in other current financial assets during **2013** are as follows:

(€ million)	As of December 31, 2012, represented	Repayments / disposals	Changes in consolidation scope	Fair value adjustments	Impairment losses [1]	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2013
Gross	1,511.7	(893.3)	17.0	-	-	(8.5)	51.1	(39.2)	(5.5)	633.3
Impairment losses	(25.5)	-	(0.1)	-	2.6	0.3	(0.8)	13.3	-	(10.2)
CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	**1,486.2**	**(893.3)**	**16.9**	**-**	**2.6**	**(8.2)**	**50.3**	**(25.9)**	**(5.5)**	**623.1**
OTHER CURRENT FINANCIAL ASSETS	**2.4**	**(0.5)**	**3.1**	**0.2**	**-**	**(0.3)**	**-**	**-**	**-**	**4.9**
TOTAL OTHER CURRENT FINANCIAL ASSETS, NET	**1,488.6**	**(893.8)[2]**	**20.0**	**0.2**	**2.6**	**(8.5)**	**50.3**	**(25.9)**	**(5.5)**	**628.0**

(1) Impairment losses are recorded in financial income and expenses.

(2) "Net decrease/increase in current loans" in the Consolidated Cash Flow Statement (€345.7 million) includes repayments/disposals of other current financial assets of €893.8 million, excluding accrued interest on current and non-current loans (€0.1 million) presented in "Interest paid", the net increase/decrease in other current financial assets available for sale (-€0.5 million) presented in "Purchases of/Proceeds on disposal of financial assets" and the repayment of the Berlin Water current account in VW Deutschland (-€547.7 million) presented in ""Proceeds on disposal of financial assets".

The accounting treatment of other current financial assets in loans and receivables complies with the required treatment of loans and receivables as defined by IAS 39.

Other financial assets are classified as available-for-sale assets in accordance with the accounting principles described in Note 1.14.2.

Repayments mainly concern:

- Repayment of the receivable recognized in VW Deutschland in respect of the loan granted by the Group to Berlin Water (-€547.7 million);

- Repayment of the VE SA loan to Dalkia International (-€334.3 million).

Changes in consolidation scope mainly concern the impact of the full consolidation of Proactiva Medio Ambiente (€16.0 million).

Recap: Movements in other current financial assets during 2012 are as follows:

(€ million)	As of December 31, 2011, represented	Repayments / disposals	Changes in consolidation scope	Fair value adjustments	Impairment losses (1)	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2012, represented
Gross	1,006.9	19.5	(19.3)	-	-	22.4	476.0	(8.4)	14.6	1,511.7
Impairment losses	(31.5)	-	-	-	5.5	0.2	-	0.1	0.2	(25.5)
CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	**975.4**	**19.5**	**(19.3)**	**-**	**5.5**	**22.6**	**476.0**	**(8.3)**	**14.8**	**1,486.2**
OTHER CURRENT FINANCIAL ASSETS	**3.5**	**(0.2)**	**-**	**(1.0)**	**-**	**-**	**0.3**	**-**	**(0.2)**	**2.4**
TOTAL OTHER CURRENT FINANCIAL ASSETS, NET	**978.9**	**19.3**	**(19.3)**	**(1.0)**	**5.5**	**22.6**	**476.3**	**(8.3)**	**14.6**	**1,488.6**

(1) Impairment losses are recorded in financial income and expenses.

The accounting treatment of other current financial assets in loans and receivables complies with the required treatment of loans and receivables as defined by IAS 39.

Other financial assets are classified as available-for-sale assets in accordance with the accounting principles described in Note 1.14.2.

Transfers to other current financial assets are presented in 12.1.

Note 13 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities during **2013** are as follows:

(€ million)	As of December 31, 2012, represented	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets / liabilities classified as held for sale	Other	As of December 31, 2013
Deferred tax assets, gross	1,976.8	90.3	(6.9)	(7.1)	(61.3)	(112.9)	38.1	1,917.0
Deferred tax assets not recognized	(958.1)	(128.8)	7.4	27.9	30.5	13.0	(49.7)	(1,057.8)
DEFERRED TAX ASSETS, NET	**1,018.7**	**(38.5)**	**0.5**	**20.8**	**(30.8)**	**(99.9)**	**(11.6)**	**859.2**
DEFERRED TAX LIABILITIES	**1,010.3**	**(80.1)**	**2.0**	**(7.3)**	**(19.9)**	**(102.0)**	**(1.9)**	**801.1**

As of December 31, 2013, deferred tax assets not recognized totaled -€1,057.8 million, including -€751.7 million on tax losses and -€306.1 million on timing differences. As of December 31, 2012, represented, such deferred tax assets totaled -€958.1 million, including -€554.5 million on tax losses and -€403.6 million on timing differences.

In France, based on taxable projected income, the Veolia Environnement tax group restricted the recognition of deferred tax assets to the amount of deferred tax liabilities, as at the previous year end.

As of December 31, 2013, the tax group in the United States has ordinary tax losses carried forward, relating to the restructuring of Water businesses in 2006 and associated with losses incurred by the former activities of U.S. Filter. These tax losses, which may exceed USD 4 billion, are currently being reviewed by the U.S. tax authorities (see Note 33).

Changes in business through equity mainly include the tax effect of fair value adjustments and actuarial gains and losses and the impact of the change in impairment of deferred tax assets of the France tax group initially recognized in equity.

Changes in consolidation scope mainly concern:

- The acquisition of an additional interest in Proactiva Medio Ambiente (€35.4 million in respect of deferred tax assets and €9.7 million in respect of deferred tax liabilities);

- The deconsolidation of Environmental Services activities in Italy (-€13.3 million in respect of deferred tax assets and -€13.4 million in respect of deferred tax liabilities).

Foreign exchange translation gains and losses are mainly due to fluctuations in the U.S. dollar, the Japanese yen, the pound sterling and the Australian dollar against the euro.

Transfers to Assets and liabilities classified as held for sale mainly concern Dalkia France activities and Water activities in Morocco (see Note 24).

Deferred tax assets and liabilities **break down by nature** as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
DEFERRED TAX ASSETS			
Tax losses	986.1	806.1	812.0
Provisions and impairment losses	301.9	350.2	417.8
Employee benefits	184.2	234.3	213.9
Financial instruments	155.1	253.4	178.2
Operating financial assets	48.0	76.5	93.5
Fair value remeasurement of assets purchased	1.8	5.9	18.2
Foreign exchange translation	0.1	-	-
Finance leases	13.0	22.0	22.8
Intangible assets and Property, plant and equipment	7.6	8.4	7.6
Other	219.2	220.0	219.8
DEFERRED TAX ASSETS, GROSS (1)	**1,917.0**	**1,976.8**	**1,983.8**
DEFERRED TAX ASSETS NOT RECOGNIZED	**(1,057.8)**	**(958.1)**	**(918.8)**
RECOGNIZED DEFERRED TAX ASSETS	**859.2**	**1,018.7**	**1,065.0**

(1) Gross deferred tax assets decreased €59.8 million including €106.3 million between December 31, 2012 and 2013 following the transfer of Dalkia France to assets held for sale.

(€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
DEFERRED TAX LIABILITIES			
Intangible assets and Property, plant and equipment (1)	360.3	391.0	728.4
Fair value remeasurement of assets purchased	53.8	67.0	103.2
Operating financial assets	90.8	149.1	149.1
Financial instruments	46.0	83.3	83.5
Finance leases	81.7	86.1	86.5
Provisions	42.2	43.3	50.0
Foreign exchange translation	11.8	10.6	13.9
Employee benefits	28.8	16.2	27.0
Other	85.7	163.7	223.5
DEFERRED TAX LIABILITIES (2)	**801.1**	**1,010.3**	**1,465.1**

(1) Deferred tax liabilities on property, plant and equipment decreased €337.4 million between December 31, 2011 and December 31, 2012, including €206.7 million in respect of the divestiture of regulated Water activities in the United Kingdom and €130.2 million in respect of the divestiture of solid waste activities in the United States in the Environmental Services Division.

(2) Deferred tax liabilities decreased €209.8 million, including €106.8 million between December 31, 2012 and 2013 following the transfer of Dalkia France to liabilities directly associated with assets classified as held for sale.

The breakdown **by main tax group** as of December 31, 2013 is as follows:

(€ million)	Recognized deferred tax assets on tax losses	Recognized deferred tax assets on timing differences	Deferred tax liabilities on timing differences	Net recognized deferred tax position
France Veolia Environnement tax group	-	184.5	(184.5)	-
United States tax group	178.4	135.2	(160.5)	153.1
United Kingdom tax group	-	62.5	(132.3)	(69.8)
TOTAL FOR THE MAIN TAX GROUPS	**178.4**	**382.2**	**(477.3)**	**83.3**

The timing schedule for the reversal of the net deferred tax position on timing differences and the deferred tax asset position on tax losses of the France Veolia Environnement tax group and the United States tax group is as follows:

	Deferred tax assets on tax losses			Net deferred tax on timing differences			Total		
(€ million)	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total
France Veolia Environnement tax group	-	-	-	-	-	-	-	-	-
United States tax group	178.4	-	178.4	39.2	(64.5)	(25.3)	217.6	(64.5)	153.1

The **expiry schedule** for deferred tax assets on tax losses recognized and not recognized as of December 31, 2013 is as follows:

	Expiry			
(€ million)	5 years or less	More than 5 years	Unlimited	Total
Recognized tax losses	**6.7**	**184.8**	**42.9**	**234.4**
o/w French tax groups	-	-	-	-
o/w United States tax group	-	*178.4*	-	*178.4*
o/w United Kingdom tax group	-	-	-	-
Tax losses not recognized	**(32.9)**	**(51.3)**	**(667.5)**	**(751.7)**
o/w French tax groups	-	-	*(295.2)*	*(295.2)*
o/w United States tax group	-	-	-	-
o/w United Kingdom tax group	-	-	-	-

Deferred tax assets and liabilities **break down by destination** as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
DEFERRED TAX ASSETS, NET			
Deferred tax assets through net income	807.2	948.0	986.5
Deferred tax assets through equity	52.0	70.7	78.5
DEFERRED TAX ASSETS, NET	**859.2**	**1,018.7**	**1,065.0**
DEFERRED TAX LIABILITIES			
Deferred tax liabilities through net income	775.7	984.0	1,431.8
Deferred tax liabilities through equity	25.4	26.3	33.3
DEFERRED TAX LIABILITIES	**801.1**	**1,010.3**	**1,465.1**

Recap: Movements in deferred tax assets and liabilities during 2012 are as follows:

(€ million)	As of December 31, 2011, represented	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets / liabilities classified as held for sale	Other	As of December 31, 2012, represented
Deferred tax assets, gross	1,983.8	173.2	(19.1)	(65.8)	(14.3)	(77.6)	(3.4)	1,976.8
Deferred tax assets not recognized	(918.8)	(90.5)	24.9	(16.4)	3.2	36.3	3.2	(958.1)
DEFERRED TAX ASSETS, NET	**1,065.0**	**82.7**	**5.8**	**(82.2)**	**(11.1)**	**(41.3)**	**(0.2)**	**1,018.7**
DEFERRED TAX LIABILITIES	**1,465.1**	**(13.0)**	**(3.1)**	**(407.0)**	**10.5**	**(39.4)**	**(2.8)**	**1,010.3**

Note 14 Working capital

Movements in net working capital during 2013 are as follows:

(€ million)	**As of December 31, 2012, represented**	**Change in business**	**Impairment losses**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets / liabilities classified as held for sale**	**Other**	**As of December 31, 2013**
Inventories and work-in-progress, net	614.9	(36.3)	15.9	20.1	(9.7)	(168.1)	(2.3)	434.5
Operating receivables, net	8,573.8	(92.5)	(41.4)	120.6	(170.1)	(1,424.2)	(22.1)	6,944.1
Operating payables	9,562.8	(145.7)	-	91.1	(144.4)	(1,398.9)	(35.0)	7,929.9
NET WORKING CAPITAL	**(374.1)**	**16.9**	**(25.5)**	**49.6**	**(35.4)**	**(193.4)**	**10.6**	**(551.3)**

Net amounts transferred to "**Assets classified as held for sale"** and **"Liabilities directly associated with assets classified as held for sale"** mainly concern the transfer of Dalkia France assets and liabilities (-€180.0 million) in line with the transaction described in Note 3.2.2.

Net impairment losses were mainly recognized in the "Other Segments" Division in VE SA in the amount of -€23.9 million and in the Water Division in France in the amount of -€11.7 million.

Changes in consolidation scope mainly concern the full consolidation of Proactiva Medio Ambiente (€43.7 million) and the deconsolidation of Environmental Services activities in Italy (€9.2 million)

Net working capital includes "operating" working capital (inventories, trade receivables, trade payables and other operating receivables and payables, tax receivables and payables other than current tax), "tax" working capital (current tax receivables and payables) and "investment" working capital (receivables and payables in respect of industrial investments).

Movements in each of these working capital categories in **2013** are as follows:

(€ million)	**As of December 31, 2012, represented**	**Changes in business**	**Impairment losses, net**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets / liabilities classified as held for sale**	**Other**	**As of December 31, 2013**
Inventories and work-in-progress, net	614.9	(36.3)	15.9	20.1	(9.7)	(168.1)	(2.3)	434.5
Operating receivables (including tax receivables other than current tax)	8,406.8	(36,1)	(41,0)	121,4	(167,0)	(1,429.3)	(22,1)	6,832.7
Operating payables (including tax payables other than current tax)	(9,149.7)	101.8	-	(66.4)	141.6	1,387.6	14.7	(7,570.4)
OPERATING WORKING CAPITAL [(1)]	***(128.0)***	***29.4***	***(25.1)***	***75.1***	***(35.1)***	***(209.8)***	***(9.7)***	***(303.2)***
Tax receivables (current tax)	140.3	(35.3)	-	(0.8)	(2.9)	5.1	(0.4)	106.0
Tax payables (current tax)	(158.2)	63.1	-	(30.9)	0.3	3.2	3.9	(118.6)
TAX WORKING CAPITAL	***(17.9)***	***27.8***	***-***	***(31.7)***	***(2.6)***	***8.3***	***3.5***	***(12.6)***
Receivables on non-current asset disposals	26.7	(21.1)	(0.4)	-	(0.2)	-	0.4	5.4
Industrial investment payables	(254.9)	(19.2)	-	6.2	2.5	8.1	16.4	(240.9)
INVESTMENT WORKING CAPITAL	***(228.2)***	***(40.3)***	***(0.4)***	***6.2***	***2.3***	***8.1***	***16.8***	***(235.5)***
NET WORKING CAPITAL	**(374.1)**	**16.9**	**(25.5)**	**49.6**	**(35.4)**	**(193.4)**	**10.6**	**(551.3)**

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and impairment losses presented above.

Movements in inventories during **2013** are as follows:

Inventories *(€ million)*	**As of December 31, 2012, represented**	**Changes in business**	**Impairment losses**	**Reversal of impairment losses**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2013**
Raw materials and supplies	345.7	2.7	-	-	20.5	(7.0)	(37.5)	-	324.3
Work-in-progress	201.0	(34.8)	-	-	-	(1.5)	(122.9)	1.0	42.8
Other inventories(1)	95.8	(4.2)	-	-	-	(1.6)	(4.1)	-	86.0
INVENTORIES AND WORK-IN-PROGRESS, GROSS	**642.5**	**(36.3)**	**-**	**-**	**20.5**	**(10.1)**	**(164.5)**	**1.0**	**453.1**
IMPAIRMENT LOSSES ON INVENTORIES AND WORK-IN-PROGRESS	**(27.6)**	**-**	**(10.8)**	**26.7**	**(0.4)**	**0.4**	**(3.6)**	**(3.3)**	**(18.6)**
INVENTORIES AND WORK-IN-PROGRESS, NET	**614.9**	**(36.3)**	**(10.8)**	**26.7**	**20.1**	**(9.7)**	**(168.1)**	**(2.3)**	**434.5**

(1) Including CO_2 inventories.

Inventories mainly concern the Water Division in the amount of €249.7 million and the Environmental Services Division in the amount of €148.0 million.

Movements in operating receivables during **2013** are as follows:

Operating receivables *(€ million)*	**As of December 31, 2012, represented**	**Changes in business**	**Impairment losses(1)**	**Reversal of impairment losses(1)**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2013**
Trade receivables	6,551.8	(33.3)	-	-	167.3	(120.7)	(847.0)	(16.1)	5,702.0
Impairment losses on trade receivables	(422.7)	-	(119.4)	81.9	(55.4)	8.3	17.1	1.2	(489.0)
TRADE RECEIVABLES. NET(2)	**6,129.1**	**(33.3)**	**(119.4)**	**81.9**	**111.9**	**(112.4)**	**(829.9)**	**(14.9)**	**5,213.0**
Other current operating receivables	602.6	25.1	-	-	(42.8)	(17.7)	(65.4)	(10.4)	491.4
Impairment losses on other current operating receivables	(54.2)	-	(6.5)	2.7	11.8	1.0	6.6	1.3	(37.3)
OTHER OPERATING RECEIVABLES, NET(2)	**548.4**	**25.1**	**(6.5)**	**2.7**	**(31.0)**	**(16.7)**	**(58.8)**	**(9.1)**	**454.1**
Other receivables(3)	843.9	(127.7)	(0.1)	-	1.4	(29.8)	(168.0)	(0.8)	518.9
Tax receivables	1,052.4	43.4	-	-	38.3	(11.2)	(367.5)	2.7	758.1
OPERATING RECEIVABLES, NET	**8,573.8**	**(92.5)**	**(126.0)**	**84.6**	**120.6**	**(170.1)**	**(1,424.2)**	**(22.1)**	**6,944.1**

(1) Impairment losses are recorded in operating income and included in the line "Changes in working capital" in the Consolidated Cash Flow Statement.

(2) Financial assets as defined by IAS 39, valued in accordance with the rules applicable to loans and receivables.

(3) Receivables recognized on a percentage completion basis in respect of construction activities and prepayments.

Short-term commercial receivables and payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Changes in consolidation scope primarily concern the full consolidation of Proactiva (€202.6 million) and the deconsolidation of Environmental Services activities in Italy (-€60.9 million).

Transfers to Assets classified as held for sale mainly concern Dalkia France operating receivables (-€1,456.5 million).

Net impairment losses mainly concern trade receivables (-€37.5 million) and are tied to the write-down of trade receivables in VE SA (-€23.9 million) and in Water distribution activities in France (-€11.7 million).

Operating receivables held by the Group in countries considered high-risk by the IMF are not material in amount.

Movements in operating payables during 2013 are as follows:

Operating payables *(€ million)*	As of December 31, 2012, represented	Changes in business	Changes in consolidation scope	Foreign exchange translation	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2013
Trade payables [(1)]	3,997.7	(31.4)	31.9	(70.8)	(716.2)	(14.9)	3,196.3
Other operating payables[(1)]	3,687.7	(30.6)	(15.5)	(50.1)	(131.0)	(0.4)	3,460.1
Other liabilities[(2)]	638.5	3.1	(0.6)	(12.4)	(165.9)	(16.6)	446.1
Tax and employee-related liabilities	1,238.9	(86.8) [(3)]	75.3	(11.1)	(385.8)	(3.1)	827.4
OPERATING PAYABLES	**9,562.8**	**(145.7)**	**91.1**	**(144.4)**	**(1,398.9)**	**(35.0)**	**7,929.9**

(1) Financial liabilities as defined by IAS 39, measured at amortized cost.

(2) Primarily deferred income.

(3) Changes in business mainly concern the Water Division in the amount of -€67.8 million

Trade payables are recognized as liabilities at amortized cost in accordance with IAS 39 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Changes in consolidation scope primarily concern the full consolidation of Proactiva (€179.9 million) and the deconsolidation of Environmental Services activities in Italy (-€70.5 million).

Transfers to assets classified as held for sale mainly concern Dalkia France operating payables (-€1,441.5 million).

Recap: Movements in net working capital during 2012 are as follows:

(€ million)	As of December 31, 2011, represented	Changes in business	Impairment losses, net	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets / liabilities classified as held for sale	Other	As of December 31, 2012, represented
Inventories and work-in-progress, net	664.5	23.1	(36.5)	(35.5)	(1.3)	(4.4)	5.0	614.9
Operating receivables, net	8,836.5	126.8	(26.5)	(67.6)	(28.1)	(233.2)	(34.1)	8,573.8
Operating payables	9,897.8	146.8	-	(83.6)	(19.2)	(339.1)	(39.9)	9,562.8
NET WORKING CAPITAL	**(396.8)**	**3.1**	**(63.0)**	**(19.5)**	**(10.2)**	**101.5**	**10.8**	**(374.1)**

(€ million)	**As of December 31, 2011 represented**	**Changes in business**	**Impairment losses, net**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets / liabilities classified as held for sale**	**Other**	**As of December 31, 2012, represented**
Inventories and work-in-progress, net	664.5	23.1	(36.5)	(35.5)	(1.3)	(4.4)	5.0	614.9
Operating receivables (including tax receivables other than current tax)	8,692.3	79.6	(26.0)	(68.8)	(27.9)	(224.4)	(18.0)	8,406.8
Operating payables (including tax payables other than current tax)	(9,465.8)	(71.6)	-	77.2	19.1	279.3	12.1	(9,149.7)
OPERATING WORKING CAPITAL (1)	**(109.0)**	**31.1**	**(62.5)**	**(27.1)**	**(10.1)**	**50.5**	**(0.9)**	**(128.0)**
Tax receivables (current tax)	126.0	26.5	-	1.2	(0.2)	(8.8)	(4.4)	140.3
Tax payables (current tax)	(113.8)	(54.6)	-	3.1	0.5	4.8	1.8	(158.2)
TAX WORKING CAPITAL	**12.2**	**(28.1)**	**-**	**4.3**	**0.3**	**(4.0)**	**(2.6)**	**(17.9)**
Receivables on non-current asset disposals	18.2	20.7	(0.5)	-	-	-	(11.7)	26.7
Industrial investment payables	(318.2)	(20.6)	-	3.3	(0.4)	55.0	26.0	(254.9)
INVESTMENT WORKING CAPITAL	**(300.0)**	**0.1**	**(0.5)**	**3.3**	**(0.4)**	**55.0**	**14.3**	**(228.2)**
NET WORKING CAPITAL	**(396.8)**	**3.1**	**(63.0)**	**(19.5)**	**(10.2)**	**101.5**	**10.8**	**(374.1)**

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and impairment losses presented above.

Recap: Movements in inventories during **2012** are as follows:

Inventories (€ million)	As of December 31, 2011, represented	Changes in business	Impairment losses	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2012, represented
Raw materials and supplies	341.4	9.9	-	-	(1.0)	(0.4)	(5.8)	1.6	345.7
Work-in-progress	244.3	9.2	-	-	(45.9)	(1.2)	(6.5)	1.1	201.0
Other inventories (1)	106.5	4.0	-	-	(4.8)	(0.1)	(7.8)	(2.0)	95.8
INVENTORIES AND WORK-IN-PROGRESS, GROSS	**692.2**	**23.1**	**-**	**-**	**(51.7)**	**(1.7)**	**(20.1)**	**0.7**	**642.5**
IMPAIRMENT LOSSES ON INVENTORIES AND WORK-IN-PROGRESS	(27.7)	-	(50.6)	14.1	16.2	0.4	15.7	4.3	(27.6)
INVENTORIES AND WORK-IN-PROGRESS, NET	**664.5**	**23.1**	**(50.6)**	**14.1**	**(35.5)**	**(1.3)**	**(4.4)**	**5.0**	**614.9**

(1) Including CO_2 inventories.

Inventories mainly concern the Water Division in the amount of €245.0 million and the Energy Services Division in the amount of €208.2 million.

Recap: Movements in operating receivables during **2012** are as follows:

Operating receivables (€ million)	As of December 31, 2011, represented	Changes in business	Impairment losses (1)	Reversal of impairment losses (1)	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2012, represented
Trade receivables	6,770.5	108.2	-	-	(76.9)	(13.1)	(220.2)	(16.7)	6,551.8
Impairment losses on trade receivables	(435.3)	-	(128.6)	108.5	6.1	0.5	26.1	-	(422.7)
TRADE RECEIVABLES, NET(2)	**6,335.2**	**108.2**	**(128.6)**	**108.5**	**(70.8)**	**(12.6)**	**(194.1)**	**(16.7)**	**6,129.1**
Other current operating receivables	626.2	(5.3)	-	-	11.2	(3.3)	(12.9)	(13.3)	602.6
Impairment losses on other current operating receivables	(47.9)	-	(11.6)	5.4	(0.2)	0.6	-	(0.5)	(54.2)
OTHER OPERATING RECEIVABLES, NET(2)	**578.3**	**(5.3)**	**(11.6)**	**5.4**	**11.0**	**(2.7)**	**(12.9)**	**(13.8)**	**548.4**
Other receivables (3)	815.8	61.4	(0.2)	-	(19.8)	(12.0)	(0.9)	(0.4)	843.9
Tax receivables	1,107.2	(37.5)	-	-	12.0	(0.8)	(25.3)	(3.2)	1,052.4
OPERATING RECEIVABLES, NET	**8,836.5**	**126.8**	**(140.4)**	**113.9**	**(67.6)**	**(28.1)**	**(233.2)**	**(34.1)**	**8,573.8**

(1) Impairment losses are recorded in operating income and included in the line "Changes in working capital" in the Consolidated Cash Flow Statement.

(2) Financial assets as defined by IAS 39, valued in accordance with the rules applicable to loans and receivables.

(3) Receivables recognized on a percentage completion basis in respect of construction activities and prepayments.

Short-term commercial receivables and payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Transfers to Assets classified as held for sale mainly concern Water activities in Morocco (-€178.5 million) and global urban lighting activities (Citelum) for -€50.2 million.

Changes in consolidation scope primarily concern the divestiture of regulated activities in the United Kingdom (-€213.9 million), the divestiture of solid waste activities in the United States in the Environmental Services Division (-€81.6 million) and the acquisition of Azaliya (€112.0 million).

Net impairment losses mainly concern trade receivables (-€20.1 million).

Recap: Movements in operating payables during **2012** are as follows:

Operating payables *(€ million)*	**As of December 31, 2011, represented**	**Changes in business**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Liabilities classified as held for sale**	**Other**	**As of December 31, 2012, represented**
Trade payables [(1)]	3,927.6	202.3	35.3	(9.0)	(148.4)	(10.1)	3,997.7
Other operating payables[(1)]	4,040.4	(185.3)	(39.7)	(8.6)	(116.0)	(3.1)	3,687.7
Other liabilities[(2)]	751.6	57.3	(132.5)	0.2	(16.4)	(21.7)	638.5
Tax and employee-related liabilities	1,178.2	72.5	53.3	(1.8)	(58.3)	(5.0)	1,238.9
OPERATING PAYABLES	**9,897.8**	**146.8**	**(83.6)**	**(19.2)**	**(339.1)**	**(39.9)**	**9,562.8**

(1) Financial liabilities as defined by IAS 39, measured at amortized cost.

(2) Primarily deferred income.

Trade payables are recognized as liabilities at amortized cost in accordance with IAS 39 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Transfers to Assets classified as held for sale mainly concern Water activities in Morocco (-€273.5 million) and global urban lighting activities (Citelum) for -€60.5 million.

Recap: Movements in net working capital during **2011** are as follows:

(€ million)	**As of December 31, 2010 represented**	**Changes in business**	**Impairment losses, net**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets / liabilities classified as held for sale**	**Other**	**As of December 31, 2011, represented**
Inventories and work-in-progress, net	725.1	67.7	6.7	(130.0)	3.4	(1.9)	(6.5)	664.5
Operating receivables, net	9,887.6	391.8	(12.1)	(1,264.2)	31.5	(136.7)	(61.4)	8,836.5
Operating payables	11,188.1	245.1	-	(1,460.1)	34.9	(34.5)	(75.7)	9,897.8
NET WORKING CAPITAL	**(575.4)**	**214.4**	**(5.4)**	**65.9**	**-**	**(104.1)**	**7.8**	**(396.8)**

(€ million)	As of December 31, 2010, represented	Changes in business	Impairment losses, net	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets / liabilities classified as held for sale	Other	As of December 31, 2011, represented
Inventories and work-in-progress, net	725.1	67.7	6.7	(130.0)	3.4	(1.9)	(6.5)	664.5
Operating receivables (including tax receivables other than current tax)	9,730.5	309.4	(12.0)	(1,193.5)	31.0	(140.0)	(33.1)	8,692.3
Operating payables (including tax payables other than current tax)	(10,746.9)	(147.7)	-	1,385.7	(27.1)	46.2	24.0	(9,465.8)
OPERATING WORKING CAPITAL [(1)]	**(291.3)**	**229.4**	**(5.3)**	**62.2**	**7.3**	**(95.7)**	**(15.6)**	**(109.0)**
Tax receivables (current tax)	135.1	79.3	-	(42.9)	0.2	3.3	(49.0)	126.0
Tax payables (current tax)	(156.6)	(58.0)	-	39.9	(0.5)	1.6	59.8	(113.8)
TAX WORKING CAPITAL	**(21.5)**	**21.3**	**-**	**(3.0)**	**(0.3)**	**4.9**	**10.8**	**12.2**
Receivables on non-current asset disposals	22.0	3.1	(0.1)	(27.8)	0.3	-	20.7	18.2
Industrial investment payables	(284.6)	(39.4)	-	34.5	(7.3)	(13.3)	(8.1)	(318.2)
INVESTMENT WORKING CAPITAL	**(262.6)**	**(36.3)**	**(0.1)**	**6.7**	**(7.0)**	**(13.3)**	**12.6**	**(300.0)**
NET WORKING CAPITAL	**(575.4)**	**214.4**	**(5.4)**	**65.9**	**-**	**(104.1)**	**7.8**	**(396.8)**

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and impairment losses presented above.

Movements in inventories during **2011** are as follows:

Inventories (€ million)	As of December 31, 2010, represented	Changes in business	Impairment losses	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets / liabilities classified as held for sale	Other	As of December 31, 2011, represented
Raw materials and supplies	430.0	37.8	-	-	(129.1)	1.2	2.0	(0.5)	341.4
Work-in-progress	225.4	24.1	-	-	(1.4)	2.4	(0.6)	(5.6)	244.3
Other inventories [(1)]	118.1	5.8	-	-	(14.6)	(0.1)	(2.7)	-	106.5
INVENTORIES AND WORK-IN-PROGRESS, GROSS	**773.5**	**67.7**	**-**	**-**	**(145.1)**	**3.5**	**(1.3)**	**(6.1)**	**692.2**
IMPAIRMENT LOSSES ON INVENTORIES AND WORK-IN-PROGRESS	(48.4)	-	(12.2)	18.9	15.1	(0.1)	(0.6)	(0.4)	(27.7)
INVENTORIES AND WORK-IN-PROGRESS, NET	**725.1**	**67.7**	**(12.2)**	**18.9**	**(130.0)**	**3.4**	**(1.9)**	**(6.5)**	**664.5**

(1) Including CO_2 inventories.

Recap: Movements in operating receivables during **2011** are as follows:

Operating receivables *(€ million)*	**As of December 31, 2010, represented**	**Changes in business**	**Impairment losses (1)**	**Reversal of impairment losses (1)**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets / liabilities classified as held for sale**	**Other**	**As of December 31, 2011, represented**
Trade receivables	7,578.9	128.7	-	-	(830.6)	20.0	(104.6)	(21.9)	6,770.5
Impairment losses on trade receivables	(443.0)		(153.2)	142.1	33.6	(1.9)	(9.0)	(3.9)	(435.3)
TRADE RECEIVABLES, NET(2)	**7,135.9**	**128.7**	**(153.2)**	**142.1**	**(797.0)**	**18.1**	**(113.6)**	**(25.8)**	**6,335.2**
Other current operating receivables	908.3	(32.0)	-	-	(261.7)	2.5	(6.2)	15.3	626.2
Impairment losses on other current operating receivables	(52.6)	-	(10.7)	9.7	8.7	(0.4)	(0.5)	(2.1)	(47.9)
OTHER OPERATING RECEIVABLES, NET(2)	**855.7**	**(32.0)**	**(10.7)**	**9.7**	**(253.0)**	**2.1**	**(6.7)**	**13.2**	**578.3**
Other receivables (3)	737.3	125.5	-	-	(60.2)	13.0	(2.9)	3.1	815.8
Tax receivables	1,158.7	169.6	-	-	(154.0)	(1.7)	(13.5)	(51.9)	1,107.2
OPERATING RECEIVABLES, NET	**9,887.6**	**391.8**	**(163.9)**	**151.8**	**(1,264.2)**	**31.5**	**(136.7)**	**(61.4)**	**8,836.5**

(1) Impairment losses are recorded in operating income and included in the line "Changes in working capital" in the Consolidated Cash Flow Statement.

(2) Financial assets as defined by IAS 39, valued in accordance with the rules applicable to loans and receivables.

(3) Receivables recognized on a percentage completion basis in respect of construction activities and prepayments.

Recap: Movements in operating payables during 2011 are as follows:

Operating payables *(€ million)*	**As of December 31, 2010, represented**	**Changes in business**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets / liabilities classified as held for sale**	**Other**	**As of December 31, 2011, represented**
Trade payables (1)	4,394.2	18.3	(449.7)	15.3	(48.0)	(2.5)	3,927.6
Other operating payables (1)	4,697.1	28.6	(757.0)	17.7	37.9	16.1	4,040.4
Other liabilities (2)	776.3	116.5	(127.9)	0.7	11.5	(25.5)	751.6
Tax and employee-related liabilities	1,320.5	81.7	(125.5)	1.2	(35.9)	(63.8)	1,178.2
OPERATING PAYABLES	**11,188.1**	**245.1**	**(1,460.1)**	**34.9**	**(34.5)**	**(75.7)**	**9,897.8**

(1) Financial liabilities as defined by IAS 39, measured at amortized cost.

(2) Primarily deferred income.

14.1 Transfers of financial assets

In 2013, Veolia Environnement had several programs for the assignment of receivables through factoring, discounting and assignment by way of security. No securitization programs were set-up in 2013 following termination of the Water Division program in May 2012.

Factoring

There are currently two trade receivable factoring programs in the Energy Services Division, representing maximum aggregate outstandings of €260 million.

Under these programs, set-up in 2010 and 2012 and renewed annually, the Group subsidiaries have agreed to assign, on a renewable basis, trade receivables by contractual subrogation without recourse against the risk of default by the debtor. The analysis of the risks and rewards as defined by IAS 39 led the Group to derecognize almost all the receivables assigned under these factoring programs. In addition, the subsidiaries remain responsible for invoicing and debt recovery, for which they receive remuneration but do not retain control.

Accordingly, receivables totaling €1,133 million were assigned under the aforementioned programs in 2013, compared with €1,009 million in 2012. Receivables derecognized as of December 31, 2013 total €185.0 million, compared with €179.7 million as of December 31, 2012. These assignments were performed on a recurring basis throughout the year.

Discounting and assignment by way of security

Under Public-Private partnerships, all Veolia Environnement Division subsidiaries can assign the fraction of future payments guaranteed by local authorities / private customers (recognized in financial receivables pursuant to IFRIC 12 or IFRIC 4-IAS 17) to the bodies funding the project, through discounting or assignment by way of security programs (such as Dailly programs in France).

For the majority of partnerships concerned by these financial receivable assignments, the assignment agreements negotiated and the contractual clauses agreed between the stakeholders are sufficient to satisfy the derecognition criteria set out in IAS 39. The residual risk retained by the companies (considered immaterial) is generally tied solely to late customer payment due to late/deferred invoicing of royalties by Group subsidiaries. Group subsidiaries are mandated by the financial institutions to manage the invoicing and recovery of the receivables covered by these programs. Veolia Environnement analyzed the management and recovery procedures falling to Group subsidiaries and concluded they these services did not constitute continuing involvement.

Two assignments by way of security performed in 2005 and 2006 in connection with the specific terms and conditions of finance lease agreements entered into by the Environmental Services Division operate differently and do not permit the derecognition of the receivables assigned. The assignment terms provide for the provision of a joint surety by the subsidiaries and their partners to the assignee financial institutions. Receivables of €83.1 million and corresponding to finance lease obligations maturing in 2025 and 2026 of €82.4 million are recognized in Veolia Environnement's balance sheet as of December 31, 2013 in respect of these contracts (€85.0 million and €86.0 million, respectively, as of December 31, 2012).

Note 15 Cash and cash equivalents

Movements in cash and cash equivalents and bank overdrafts and other cash position items during **2013** are as follows:

(€ million)	**As of December 31, 2012, represented**	**Changes in business**	**Changes in consolidation scope**	**Fair value adjustments [1]**	**Foreign exchange translation**	**Transfers to Assets / liabilities classified as held for sale**	**Other**	**As of December 31, 2013**
Cash	617.5	(119.8)	(41.6)	-	3.6	29.5	0.4	489.6
Cash equivalents	4,380.5	(592.1)	3.4	-	(5.4)	(0.8)	(0.8)	3,784.8
CASH AND CASH EQUIVALENTS	**4,998.0**	**(711.9)**	**(38.2)**	**-**	**(1.8)**	**28.7**	**(0.4)**	**4,274.4**
Bank overdrafts and other cash position items	**252.7**	**48.6**	**(1.8)**	**-**	**(6.3)**	**(76.9)**	**0.2**	**216.1**
Net cash	**4,745.3**	**(760.5)**	**(36.4)**	**-**	**4.5**	**105.6**	**(0.2)**	**4,058.3**

(1) Fair value adjustments are recorded in financial income and expenses.

Transfers to Assets classified as held for sale mainly concern the net cash of Dalkia France (€41.5 million) and wind energy activities (€68.1 million).

As of December 31, 2013, cash and cash equivalents total €4,274.4 million, compared with €4,998.0 million as of December 31, 2012. This heading includes cash balances and cash equivalents “subject to restrictions” of €157 million as of December 31, 2013.

The decrease in net cash mainly reflects debt repayments and repurchases and the payment of the Veolia Environnement dividend to shareholders, partially offset by the deeply subordinated security issue and disposals.

As of December 31, 2013, the Water Division held cash of €285.6 million, the Environmental Services Division held cash of €118.5 million, the Energy Services Division held cash of €2.1 million, Veolia Environnement SA held cash of €18.2 million and certain subsidiaries held cash of €65.2 million, including €33.5 million held by Proactiva Medio Ambiente.

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement SA level, are invested in accordance with procedures defined by the Group. Note 28.4 – Management of liquidity risk, presents a breakdown of investments by nature.

As of December 31, 2013, cash equivalents were primarily held by Veolia Environnement SA in the amount of €3,652.3 million including monetary UCITS of €2,034.5 million, negotiable debt instruments (bank certificates of deposit, negotiable medium term notes and treasury notes with a maturity of less than three months) of €502.4 million and term deposit accounts of €1,115.4 million. Cash equivalents are accounted for as assets at fair value through the Consolidated Income Statement.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

Recap: Movements in cash and cash equivalents during **2012** are as follows:

(€ million)	As of December 31, 2011, represented	Changes in business	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Transfers to Assets / liabilities classified as held for sale	Other	As of December 31, 2012, represented
Cash	644.2	124.4	(49.0)	-	(10.4)	(88.8)	(2.9)	617.5
Cash equivalents	4,381.2	(17.6)	41.2	-	2.7	2.1	(29.1)	4,380.5
CASH AND CASH EQUIVALENTS	**5,025.4**	**106.8**	**(7.8)**	-	**(7.7)**	**(86.7)**	**(32.0)**	**4,998.0**
Bank overdrafts and other cash position items	**390.5**	**(166.2)**	**16.4**	-	**(1.3)**	**9.5**	**3.8**	**252.7**
Net cash	**4,634.9**	**273.0**	**(24.2)**	-	**(6.4)**	**(96.2)**	**(35.8)**	**4,745.3**

(1) Fair value adjustments are recorded in financial income and expenses.

Transfers to assets classified as held for sale mainly concern the net cash of Water Division activities in Morocco (-€25.9 million) and wind energy activities (-€68.1 million).

As of December 31, 2012, cash and cash equivalents total €4,998.0 million, compared with €5,025.4 million as of December 31, 2011. This heading includes cash balances "subject to restrictions" of €182 million as of December 31, 2012.

As of December 31, 2012, the Water Division held cash of €280.8 million, the Environmental Services Division held cash of €144.6 million, the Energy Services Division held cash of €26.2 million, Veolia Environnement SA held cash of €114.9 million and certain subsidiaries (primarily insurance) held cash of €51.0 million.

Investment supports used by the Group include monetary UCITS (Undertakings for Collective Investment in Transferable Securities), negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) and monetary notes.

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement SA level, are invested in accordance with procedures defined by the Group. Note 28.4.2 – Management of liquidity risk, presents a breakdown of investments by nature.

As of December 31, 2012, cash equivalents were primarily held by Veolia Environnement SA in the amount of €4,234.7 million including monetary UCITS of €3,210.4 million, negotiable debt instruments (bank certificates of deposit, negotiable medium term notes and treasury notes with a maturity of less than three months) of €399.0 million and term deposit accounts of €625.3 million. Cash equivalents are accounted for as assets at fair value through the Consolidated Income Statement.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

Note 16 Equity

16.1 Share capital management objectives, policies and procedures

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure easy access to French and international capital markets, to enable investments in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining an "Investment Grade" credit rating.

This policy has led Veolia Environnement to define a debt coverage ratio: Adjusted net financial debt / (Operating cash flow before changes in working capital + principal payments on operating financial assets) of 3 to 2014 +/-5%.

Adjusted net financial debt is equal to net financial debt less loans and receivables to joint ventures. Net financial debt is equal to gross borrowings (non-current borrowings, current borrowings, bank overdrafts and other cash position items), less cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt.

16.2 Equity attributable to owners of the Company

16.2.1 Share capital

The share capital is fully paid up.

16.2.1.1 Share capital increases

In 2011, Veolia Environnement performed a share capital increase of €1.2 million following the exercise of share purchase and subscription options.

In addition, Veolia Environnement performed a share capital increase of €382.7 million (net of issuance costs) on the payment of scrip dividends. As decided at the Annual General Shareholders' Meeting of May 17, 2011, the Group offered shareholders a choice of payment of the dividend in cash or shares. The option to receive payment of the dividend in shares led to the creation of 20,462,396 shares.

In 2012, Veolia Environnement performed a share capital increase of €23.9 million on the payment of scrip dividends. As decided at the Annual General Shareholders' Meeting of May 16, 2012, the Group offered shareholders a choice of payment of the dividend in cash or shares. The option to receive payment of the dividend in shares led to the creation of 2,433,889 shares.

During 2013, Veolia Environnement performed a share capital increase of €227.3 million (net of issuance costs) on the payment of scrip dividends. As decided at the Annual General Shareholders' Meeting of May 14, 2013, the Group offered shareholders a choice of payment of the dividend in cash or shares. The option to receive payment of the dividend in shares led to the creation of 26,788,859 shares.

16.2.1.2 Number of shares outstanding and par value

The number of shares outstanding was 519,652,960 as of December 31, 2011 (including treasury shares), 522,086,849 as of December 31, 2012 and 548,875,708 as of December 31, 2013. The par value of each share is €5.

16.2.1.3 Authorized but unissued shares

The Veolia Environnement Combined General Shareholders' Meeting grants two types of share issuance authorizations to the Board of Directors: (i) authorizations for the issuance of new shares, which are collectively limited to 70% of the number of shares outstanding on the date of the general shareholders' meeting; and (ii) authorizations for the preferential issuance of warrants, which is limited to 25% of the number of shares outstanding on the date of the decision to issue and which may only be used in the context of an outstanding tender offer on the Company's shares. The first category of authorizations yields an exact number of authorized but unissued shares, whereas the number of shares authorized but unissued under the second category of authorizations will depend on the number of shares already outstanding on the date of the decision. Both types of authorizations, with the same limitations on issuance, i.e. 70% and 25%, were approved at the Combined General Shareholders' Meetings in 2009 and 2010.

Fiscal years 2011, 2012 and 2013

For 2011, authorized but unissued shares under the first category amounted to 349,388,456 shares on the basis of 499,126,367 shares outstanding on May 17, 2011, the date of the Combined General Shareholders' Meeting.

As of December 31, 2011, 20,462,396 shares had been issued from among the 349,388,456 above-mentioned authorized shares.

For 2012, authorized but unissued shares under the first category amounted to 363,757,072 shares on the basis of 519,652,960 shares outstanding on May 16, 2012, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2012, 2,433,889 shares had been issued from among the 363,757,072 above-mentioned authorized shares.

For 2013, authorized but unissued shares under the first category amounted to 365,460,794, shares on the basis of 522,086,849 shares outstanding on May 14, 2013, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2013, 26,788,859 shares had been issued from among the 365,460,794 above-mentioned authorized shares.

16.2.2 Offset of treasury shares against equity

In 2011, Veolia Environnement transferred 100,976 shares in part payment of the scrip dividend. As of December 31, 2011, the Group held 14,237,927 of its own shares.

Veolia Environnement did not purchase or sell any treasury shares in 2012 and 2013.

16.2.3 Appropriation of net income and dividend distribution

A dividend of €355.5 million was distributed by Veolia Environnement SA in 2013 and deducted from "Additional paid-in capital" and "Reserves". 2012 net income attributable to owners of the Company of €404.0 million was appropriated to "Consolidated reserves".

16.2.4 Foreign exchange translation

Re-presented accumulated foreign exchange translation reserves total €18.0 million as of January 1, 2011 (Group share).

Accumulated foreign exchange translation reserves total €31.5 million as of December 31, 2011 (Group share).

The change in foreign exchange translation reserves primarily reflects the appreciation of the Chinese renminbi yuan (+€124.2 million, Group share), U.S. dollar (+€33.7 million, Group share) and pound sterling (+€38.4 million, Group share) against the euro in 2011. Movements in foreign exchange translation reserves are nonetheless significantly limited by the Group policy of securing borrowings in the local currency.

Accumulated foreign exchange translation reserves total €222.3 million as of December 31, 2012 (Group share).

The change in foreign exchange translation reserves primarily reflects the release to the Consolidated Income Statement of the foreign exchange translation reserves of regulated Water activities in the United Kingdom and solid waste activities in the United States, following their divestiture in 2012 as detailed below.

It also reflects movements in the Chinese renminbi yuan (+€8.4 million, Group share), the US dollar (-€39.3 million, Group share), the Korean won (+€15.6 million) and the pound sterling (+€18.7 million) against the euro in 2012.

Accumulated foreign exchange translation reserves total €105.2 million as of December 31, 2013 (Group share).

The change in foreign exchange translation reserves primarily reflects the appreciation of the Chinese renminbi yuan (-€19.9 million), the Czech crown (-€36.3 million), the Australian dollar (-€21.3 million) and the pound sterling (-€23.2 million).

Movements in foreign exchange translation reserves (attributable to owners of the Company and to non-controlling interests)

(€ million)	**Total**	**o/w Attributable to owners of the Company**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	383.0	279.7
Translation differences on net foreign investments	(245.7)	(248.2)
As of December 31, 2011, represented	**137.3**	**31.5**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	479.8	380.2
Translation differences on net foreign investments	(159.5)	(157.9)
As of December 31, 2012, represented	**320.3**	**222.3**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(255.2)	(204.3)
Translation differences on net foreign investments	88.7	87.2
Movements in 2013	**(166.5)**	**(117.1)**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	224.6	175.9
Translation differences on net foreign investments	(70.8)	(70.7)
As of December 31, 2013	**153.8**	**105.2**

Amounts released from Group foreign exchange translation reserves to the Consolidated Income Statement in 2012 following the divestiture of regulated Water activities in the United Kingdom and solid waste activities in the United States in the Environmental Services Division totaled €96.8 million and €49.9 million, respectively.

Breakdown by currency of Foreign exchange translation reserves attributable to owners of the Company

(€ million)	As of December 31, 2011, represented	As of December 31, 2012, represented	Movement	As of December 31, 2013
Chinese renminbi yuan	261.9	270.3	(19.9)	250.4
Czech crown	72.9	78.5	(36.3)	42.2
Australian dollar	73.7	67.4	(21.3)	46.1
U.S. dollar	60.3	70.9	(12.6)	58.3
Canadian dollar	9.7	9.9	(8.0)	1.9
Slovakian crown	16.4	16.4	(2.4)	14.0
Swiss franc	10.3	4.7	(0.7)	4.0
Swedish crown	0.4	(1.7)	2.0	0.3
Norwegian crown	0.2	0.4	(0.3)	0.1
Pound Sterling	(246.8)	(131.3)	(23.2)	(154.5)
Hong Kong dollar	(67.6)	(57.2)	33.9	(23.3)
Polish zloty	(30.2)	(22.3)	(0.6)	(22.9)
Romanian leu	(15.6)	(18.9)	(1.1)	(20.0)
Korean won	(7.2)	8.4	0.3	8.7
Mexican peso	(11.9)	(10.4)	8.2	(2.2)
Hungarian forint	(19.8)	(11.6)	(1.5)	(13.1)
Other currencies	(75.2)	(51.2)	(33.6)	(84.8)
TOTAL	**31.5**	**222.3**	**(117.1)**	**105.2**

Recap: the movement in 2012 mainly reflects the impact on foreign exchange translation reserves of the divestiture of regulated Water activities in the United Kingdom and solid waste activities in the United States.

16.2.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€66.7 million as of December 31, 2011,-€60.1 million as of December 31, 2012 and -€34.2 million as of December 2013, and break down as follows:

(€ million)	Available-for-sale securities	Commodity derivatives hedging cash flows	Foreign currency derivatives hedging cash flows	Interest rate derivatives hedging cash flows	Total	o/w Attributable to owners of the Company
As of December 31, 2011, represented	**9.4**	**0.3**	**3.1**	**(80.7)**	**(67.9)**	**(66.7)**
Fair value adjustments	4.1	(6.0)	(2.0)	6.7	2.8	2.9
Other movements	1.0	0.3	1.8	0.9	4.0	3.7
As of December 31, 2012, represented	**14.5**	**(5.4)**	**2.9**	**(73.1)**	**(61.1)**	**(60.1)**
Fair value adjustments	3.6	-	3.9	18.8	26.3	23.0
Other movements	-	-	(0.1)	3.0	2.9	2.9
As of December 31, 2013	**18.1**	**(5.4)**	**6.7**	**(51.3)**	**(31.9)**	**(34.2)**

Amounts are presented net of tax.

No material amounts were released to the Consolidated Income Statement in respect of interest rate derivatives hedging cash flows and recorded in finance costs and income.

16.3 Non-controlling interests

Non-controlling interests as of December 31, 2013, 2012 and 2011 break down by Division as follows:

(€ million)	**As of December 31, 2013**	**As of December 31, 2012**	**As of December 31, 2011**
Water	648.6	642.6	701.0
Environmental Services	73.9	73.0	76.0
Energy Services	690.5	668.6	732.1
Other	65.2	7.2	23.7
TOTAL	**1,478.2**	**1,391.4**	**1,532.8**

A breakdown of the movement in non-controlling interests is presented in the Statement of Changes in Equity.

The increase in non-controlling interests in 2013 is mainly due to net income for the year (€113.8 million), changes in consolidation scope (€68.6 million), the dividend distribution (-€63.1 million) and foreign exchange gains and losses (-€49.4 million).

16.4 Deeply subordinated securities

As disclosed in Note 3, in January 2013 Veolia Environnement issued deeply subordinated perpetual securities in euros and pound sterling redeemable from April 2018. The issue comprised a euro tranche of €1 billion at 4.5% yield and a pound sterling tranche of £400 million at 4.875% yield.

This issue is recognized in equity in accordance with IAS 32 and given its intrinsic terms and conditions.

Note 17 Non-current and current provisions

In accordance with IAS 37 (see Note 1.13), provisions maturing after more than one year are discounted. Changes in discount rates applied to “Provisions for closure and post-closure costs” (waste storage facilities), which make up the majority of non-current provisions, are as follows:

17.1 Changes in discount rates

	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
Euros			
2 to 5 years	2.63%	3.28%	3.28 %
6 to 10 years	3.93%	4.43%	4.59 %
More than 10 years	5.02%	5.42%	5.67 %
U.S. Dollar			
2 to 5 years	3.04%	3.59%	2.72%
6 to 10 years	4.24%	4.53%	4.35 %
More than 10 years	5.32%	5.53%	5.74 %
Pound Sterling			
2 to 5 years	3.28%	4.17%	3.76%
6 to 10 years	4.46%	4.98%	5.04 %
More than 10 years	5.46%	5.77%	5.84 %

The discount rate calculation methodology is presented in Note 2, Use of management estimates in the application of Group accounting standards.

Movements in non-current provisions during **2013** are as follows:

(€ million)	As of December 31, 2012, represented	Additions/ Charge	Repayment/ Utilization	Reversal	Actuarial gains (losses)	Unwinding of the discount	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2013
Tax litigation	84.4	9.6	-	(12.2)	-	0.1	0.2	(1.0)	(0.9)	(0.9)	79.3
Employee litigation	4.0	0.6	-	(0.5)	-	-	0.1	-	(0.1)	(0.1)	4.0
Other litigation	37.4	3.5	-	(2.4)	-	0.5	(2.5)	(0.8)	(3.0)	1.4	34.1
Contractual commitments	272.7	192.3	(196.5)	(0.9)	-	0.7	-	(0.2)	-	(94.2)	173.9
Provisions for work-in-progress and losses to completion on long-term contracts	114.5	22.5	-	(4.6)	-	2.3	(7.2)	(1.3)	(29.3)	(0.7)	96.2
Closure and post-closure costs	417.3	17.2	-	(5.9)	-	88.5	12.2	(7.6)	(43.3)	5.1	483.5
Restructuring provisions	0.1	61.0	-	-	-	-	-	-	-	(0.1)	61.0
Self-insurance provisions	105.8	14.4	-	(0.5)	-	1.9	0.3	(0.5)	(16.8)	(7.8)	96.8
Other provisions	17.0	43.6	-	(3.4)	-	-	13.5	0.4	(10.7)	50.1	110.5
Non-current provisions excl. pensions and other employee benefits	**1,053.2**	**364.7**	**(196.5)**	**(30.4)**	**-**	**94.0**	**16.6**	**(11.0)**	**(104.1)**	**(47.2)**	**1,139.3**
Provisions for pensions and other employee benefits	**739.7**	**51.8**	**(57.6)**	**(44.7)**	**(9.7)**	**21.1**	**14.6**	**(12.9)**	**-**	**(143.5)**	**558.8**
NON-CURRENT PROVISIONS	**1,792.9**	**416.5**	**(254.1)**	**(75.1)**	**(9.7)**	**115.1**	**31.2**	**(23.9)**	**(104.1)**	**(190.7)**	**1,698.1**

Other movements mainly concern the transfer to "Liabilities directly associated with assets classified as held for sale" of Dalkia France activities (-€207.1 million).

Provision reversals mainly concern provisions for pensions and other employee benefits.

As disclosed in Note 30.2.1, the Board of Directors meeting of March 14, 2013, having received a favorable opinion from the Works Council and at the recommendation of the Nominations and Compensation Committee, approved the closure of two supplementary defined benefits collective pension plans, one for members of the Executive Committee (including the corporate officer) and the other for senior Group executives (excluding the Executive Committee). The beneficiaries of these closed pension plans were transferred with effect from July 1, 2013 to a pre-existing defined benefits plan for certain categories of executive manager.

The closure of these two pension plans generated an impact of €40.3 million, recognized in operating income in 2013.

Movements in current provisions during **2013** are as follows:

(€ million)	As of December 31, 2012, represented	Charge	Utilization	Reversal	Changes in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Other	As of December 31, 2013
Tax litigation	43.7	16.2	(8.7)	(11.5)	(1.8)	(0.8)	0.9	(2.1)	35.9
Employee litigation	22.1	7.3	(8.6)	(1.9)	(0.2)	(0.1)	0.1	(3.3)	15.4
Other litigation	86.5	50.7	(31.8)	(11.3)	1.1	(0.8)	3.0	(32.2)	65.2
Provisions for work-in-progress and losses to completion on long-term contracts	67.6	40.1	(47.6)	(7.6)	4.1	(1.6)	29.3	1.4	85.7
Closure and post-closure costs	76.6	9.1	(38.5)	(3.4)	(0.9)	(1.2)	43.3	(3.6)	81.4
Restructuring provisions	25.3	47.7	(19.8)	(3.9)	-	(0.3)	-	(3.1)	45.9
Self-insurance provisions	53.5	27.2	(36.6)	(5.6)	0.3	(1.5)	16.8	(28.7)	25.4
Other provisions	91.4	46.9	(39.3)	(10.3)	(6.3)	(0.9)	10.7	(7.4)	84.8
CURRENT PROVISIONS	**466.7**	**245.2**	**(230.9)**	**(55.5)**	**(3.7)**	**(7.2)**	**104.1**	**(79.0)**	**439.7**

Other movements mainly concern the transfer to “Liabilities directly associated with assets classified as held for sale” of Dalkia France activities (-€66.9 million).

Movements in current and non-current provisions break down as follows:

17.2 Litigation

This provision covers all losses that are considered probable and that relate to litigation (taxation, employee or other) arising in the normal course of Veolia Environnement’s business operations.

Additional information on the main litigation (particularly estimates of financial impacts) is presented in Note 35.

Provisions for litigation total €233.9 million as of December 31, 2013, compared with €278.1 million as of December 31, 2012.

The Water, Environmental Services and Energy Services Divisions account for €143.9 million, €47.8 million and €3.5 million of these provisions, respectively, as of December 31, 2013.

17.3 Contractual commitments

As part of its obligations under public services contracts, Veolia Environnement generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

These provisions total €173.9 million as of December 31, 2013 and exclusively concern the Water Division.

17.4 Provisions for work-in-progress and losses to completion on long-term contracts

These provisions total €181.9 million as of December 31, 2013 and mainly concern activities of the Environmental Services Division in the amount of €81.6 million and of the Water Division in the amount of €91.6 million.

17.5 Closure and post-closure costs

This provision encompasses the legal and contractual obligations of the Group on the completion of operating activities at a site (primarily site rehabilitation provisions) and, more generally, expenditure associated with environmental protection as defined in the ethics charter of each entity (provision for environmental risks).

These provisions total €564.9 million and mainly concern:

- The Environmental Services Division in the amount of €515.7 million in 2013, compared with €460.7 million in 2012 and €561.8 million in 2011;

- The Energy Services Division in the amount of €20.6 million in 2013, compared with €21.7 million in 2012 and €20.7 million in 2011;

The increase in these provisions in 2013 is mainly due to changes in interest rates and the unwinding of the discount in the amount of €88.5 million. The decrease in the provision in 2012 was due to the divestiture of solid waste activities in the United States in the Environmental Services Division and changes in interest rates and the unwinding of the discount.

By nature of obligation, these provisions concern:

- **Provisions for site rehabilitation** which cover obligations relating to closure and post-closure costs at waste disposal facilities operated by the Group and for which it is responsible. These provisions primarily concern the Environmental Services Division. Forecast site rehabilitation costs are provided pro rata to waste tonnage deposited over the authorized duration of the sites and total €490.1 million at the end of 2013, (including €460.3 million in respect of the Environmental Services Division) compared with €421.7 million at the end of 2012 and €541.7 million at the end of 2011;

- Provisions for environmental risks in the amount of €56.3 million in 2013 compared with €57.1 million in 2012 and €34.2 million in 2011;

- **Provisions for plant dismantling**, essentially in the Water, Energy Services and Environmental Services Divisions in the amount of €18.5 million in 2013, compared with €15.0 million in 2012 and €14.5 million in 2011.

17.6 Self-insurance provisions

As of December 31, 2013, self-insurance provisions total €122.2 million, compared with €159.3 million as of December 31, 2012. They were mainly recorded by Group insurance and reinsurance subsidiaries in the amount of €106.0 million, the Water Division in the amount of €9.3 million and the Environmental Services Division in the amount of €6.4 million.

17.7 Other provisions

Other provisions include various obligations recorded as part of the normal operation of the Group's subsidiaries and which are of immaterial individual amount.

Overall these **other provisions** total €195.3 million as of December 31, 2013, compared with €108.4 million as of December 31, 2012, and mainly concern:

- the Water Division in the amount of €113.9 million as of December 31, 2013, compared with €96.8 million as of December 31, 2012;
- the Environmental Services Division in the amount of €62.2 million as of December 31, 2013, compared with €45.7 million as of December 31, 2012.

17.8 Provisions for pensions and other employee benefits

Provisions for pensions and other employee benefits as of December 31, 2013 total €558.8 million, and include provisions for pensions and other post-employment benefits of €492.3 million (governed by IAS 19 and detailed in Note 30, Employee benefit obligation) and provisions for other long-term benefits of €66.5 million.

Recap: Movements in non-current provisions during 2012 are as follows:

(€ million)	As of December 31, 2011, represented	Additions/ Charge	Repayment/ Utilization	Reversal	Actuarial gains (losses)	Unwinding of the discount	Changes in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Other	As of December 31, 2012, represented
Tax litigation	67.8	34.2	-	(0.2)	-	0.2	(0.6)	(0.4)	(16.0)	(0.6)	84.4
Employee litigation	3.8	0.5	-	(0.4)	-	-	-	-	(0.4)	0.5	4.0
Other litigation	40.0	7.3	-	(1.4)	-	0.5	(0.4)	(0.3)	(10.4)	2.1	37.4
Contractual commitments	271.6	189.5	(189.0)	(0.6)	-	0.8	0.5	0.1	-	(0.2)	272.7
Provisions for work-in-progress and losses to completion on long-term contracts	132.4	19.3	-	-	-	2.4	(10.6)	(0.2)	(33.5)	4.7	114.5
Closure and post-closure costs	508.5	14.8	-	(1.8)	-	71.5	(146.8)	3.2	(46.8)	14.7	417.3
Restructuring provisions	0.7	-	-	(0.1)	-	-	-	-	(0.5)	-	0.1
Self-insurance provisions	98.8	24.2	-	(1.0)	-	3.5	-	-	(19.7)	-	105.8
Other provisions	-	42.3	-	(1.7)	-	0.1	(0.9)	(0.1)	(18.7)	(4.0)	17.0
Non-current provisions excl. pensions and other employee benefits	**1,123.6**	**332.1**	**(189.0)**	**(7.2)**	**-**	**79.0**	**(158.8)**	**2.3**	**(146.0)**	**17.2**	**1,053.2**
Provisions for pensions and other employee benefits	**670.2**	**41.8**	**(91.7)**	**(6.2)**	**91.6**	**24.7**	**-**	**(0.3)**	**-**	**9.6**	**739.7**
NON-CURRENT PROVISIONS	**1,793.8**	**373.9**	**(280.7)**	**(13.4)**	**91.6**	**103.7**	**(158.8)**	**2.0**	**(146.0)**	**26.8**	**1,792.9**

Recap: Movements in current provisions during 2012 are as follows:

(€ million)	**As of December 31, 2011, represented**	**Charge**	**Utilization**	**Reversal**	**Changes in consolidation scope**	**Foreign exchange translation**	**Non-current/ current reclassification**	**Other**	**As of December 31, 2012, represented**
Tax litigation	69.5	13.1	(37.9)	(21.5)	1.3	(0.7)	16.0	3.9	43.7
Employee litigation	18.8	9.4	(8.5)	(1.1)	-	-	0.4	3.1	22.1
Other litigation	76.5	48.6	(29.6)	(14.5)	(0.4)	(0.5)	10.4	(4.0)	86.5
Provisions for work-in-progress and losses to completion on long-term contracts	30.2	36.4	(27.9)	(23.5)	(1.9)	(0.3)	33.5	21.1	67.6
Closure and post-closure costs	79.9	8.4	(55.9)	(3.3)	(15.3)	1.0	46.8	15.0	76.6
Restructuring provisions	14.3	26.1	(5.5)	(10.0)	-	(0.1)	0.5	-	25.3
Self-insurance provisions	85.4	60.1	(75.6)	(12.5)	(23.5)	0.2	19.7	(0.3)	53.5
Other provisions	159.0	44.6	(65.0)	(19.7)	9.4	0.2	18.7	(55.8)	91.4
CURRENT PROVISIONS	**533.6**	**246.7**	**(305.9)**	**(106.1)**	**(30.4)**	**(0.2)**	**146.0**	**(17.0)**	**466.7**

Note 18 Non-current and current borrowings

	As of December 31,								
	Non-current			Current			Total		
(€ million)	2013	2012 represented	2011 represented	2013	2012 represented	2011 represented	2013	2012 represented	2011 represented
Bond issues	**8,953.6**	**10,821.2**	**13,027.9**	**594.6**	**829.5**	**686.0**	**9,548.2**	**11,650.7**	**13,713.9**
• maturing in < 1 year	-	-	-	594.6	829.5	686.0	594.6	829.5	686.0
• maturing in 2-3 years	1,492.6	1,874.8	2,375.6	-	-	-	1,492.6	1,874.8	2,375.6
• maturing in 4-5 years	1,919.2	1,805.8	2,122.3	-	-	-	1,919.2	1,805.8	2,122.3
• maturing in > 5 years	5,541.8	7,140.6	8,530.0	-	-	-	5,541.8	7,140.6	8,530.0
Other borrowings	**543.2**	**1,310.1**	**1,185.4**	**2,318.2**	**2,776.6**	**3,067.2**	**2,861.4**	**4,086.7**	**4,252.6**
• maturing in < 1 year	-	-	-	2,318.2	2,776.6	3,067.2	2,318.2	2,776.6	3,067.2
• maturing in 2-3 years	211.3	747.5	618.7	-	-	-	211.3	747.5	618.7
• maturing in 4-5 years	114.3	177.8	191.6	-	-	-	114.3	177.8	191,6
• maturing in > 5 years	217.6	384.8	375.1	-	-	-	217.6	384.8	375.1
TOTAL NON-CURRENT AND CURRENT BORROWINGS	**9,496.8**	**12,131.3**	**14,213.3**	**2,912.8**	**3,606.1**	**3,753.2**	**12,409.6**	**15,737.4**	**17,966.5**

The heading "Net increase/decrease in current borrowings" in the Consolidated Cash Flow Statement includes redemptions of current bonds in the amount of -€773.0 million in 2013 and increases and repayments of other current borrowings of -€664.6 million. This heading does not include accrued interest payable of -€48.6 million in 2013, presented on the line "Interest paid" in the Consolidated Cash Flow Statement.

The heading "New non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes non-current bond issues in the amount of €6.0 million in 2013 and new other non-current borrowings of €176.1 million. However, it excludes new finance lease obligations of €18.1 million in 2013, presented in investment flows.

The heading "Principal payments on non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes redemptions of non-current bonds in the amount of -€1,160.9 million in 2013 and principal payments on other non-current borrowings of -€416.2 million.

18.1 Movements in non-current and current bond issues

Movements in non-current and current bond issues during **2013** are as follows:

(€ million)	As of December 31, 2012, represented	Increases/ subscriptions	Repayments	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Non-current/ current reclassification	Other	As of December 31, 2013
Non-current bonds	10,821.2	6.0	(1,160.9)	5.1	(53.7)	(65.2)	(598.7)	(0.2)	8,953.6
Current bonds	829.5	-	(773.0)	5.7	(5.7)	(60.6)	598.7	-	594.6
TOTAL BONDS	**11,650.7**	**6.0**	**(1,933.9)**	**10.8**	**(59.4)**	**(125.8)**	**-**	**(0.2)**	**9,548.2**

(1) Fair value adjustments are recorded in financial income and expenses.

Non-current borrowings are recorded as financial liabilities at amortized cost for accounting purposes. Hedging transactions were entered into in respect of certain fixed-rate borrowings. Fair value hedge accounting was applied to these transactions.

Repayments mainly comprise:

- The amortization of the euro-bond line maturing in May 2013 in the amount of €432 million and the US dollar bond line maturing in June 2013 in the amount of USD 490 million;

- Buybacks performed at the beginning of June 2013 on euro-denominated bond lines maturing in 2014, 2016, 2017, 2018 and 2020 and on the USD-denominated bond line maturing in 2018 in a total euro-equivalent nominal amount of €699 million;

- Buybacks performed mid-December 2013 on euro-denominated bonds lines maturing in 2014, 2016, 2017, 2018, 2020 and 2022 and on the USD-denominated bond line maturing in 2018 in a total euro-equivalent nominal amount of €346 million.

Non-current/current reclassifications mainly concern the transfer to current bond issues of the European public issue maturing in April 2014 (€578.4 million).

Changes in consolidation scope concern the full consolidation of Proactiva Medio Ambiente in the amount of €10.8 million (see Note 3.3).

Non-current bonds break down by maturity as follows:

(€ million)	As of December 31, 2011, represented	As of December 31, 2012, represented	As of December 31, 2013	Maturing in 2 to 3 years	Maturing in 4 to 5 years	Maturing in > 5 years
Publicly offered or traded issuances [(a)]	12,264.2	10,645.6	8,792.5	1,465.4	1,883.8	5,443.3
European market [(i)]	10,940.1	9,859.5	8,137.6	1,465.4	1,546.0	5,126.2
U.S. market [(ii)]	1,324.1	786.1	654.9	-	337.8	317.1
Private placements [(b)]	338.8	-	-	-	-	-
Three Valleys bond issue [(c)]	235.5	-	-	-	-	-
Stirling Water Seafield Finance bond issue[(d)]	89.2	87.2	81.1	9.4	10.8	60.9
Other amounts < €50 million in 2013	100.2	88.4	80.0	17.8	24.6	37.6
NON-CURRENT BOND ISSUES	**13,027.9**	**10,821.2**	**8,953.6**	**1,492.6**	**1,919.2**	**5,541.8**

(a) Publicly offered or traded issuances.

(i) European market: As of December 31, 2013, an amount of €8,716.0 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €8,137.6 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €99.4 million at the year-end (non-current portion).

(ii) U.S. market: As of December 31, 2013, nominal outstandings on the bond issues performed in the United States on May 27, 2008 total €602.0 million (euro equivalent), fully maturing in more than one year. These fixed-rate bond issues total USD 0.8 billion and comprise two tranches (Tranche 1 of USD 490 million, bearing fixed-rate interest of 5.25% matured on June 3, 2013):

- Tranche 2, maturing June 1, 2018, of USD 430 million, bearing fixed-rate interest of 6%, after partial buybacks in 2012 and 2013,
- Tranche 3, maturing June 1, 2038, of USD 400 million, bearing fixed-rate interest of 6.75%;

(b) Private placements: the private placements were redeemed early on February 2, 2012 in the amount of €350 million (euro-equivalent)

(c) VW Central (formerly Three Valleys) bond issue: the £200 million bond issue performed by VW Central in the U.K. (Water Division) in July 2004, bearing interest of 5.875%, was removed from the accounts following the divestiture of regulated Water activities in the United Kingdom.

(d) Stirling Water Seafield Finance bond issue: the outstanding balance as of December 31, 2013 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water Division), is £71.2 million. This bond issue is recognized at amortized cost for a euro equivalent of €81.1 million as of December 31, 2013 (non-current portion). This bond matures on September 26, 2026.

Breakdown of **non-current bond issues** by component:

Transaction *(all amounts are in € million)*	**Final maturity**	**Currency**	**Nominal**	**Interest rate**	**Net carrying amount**
Series 11	05/28/2018	EUR	472	5.375 %	535
Series 12	11/25/2033	EUR	700	6.125 %	695
Series 15	06/17/2015	EUR	875	1.75 % (indexed to European inflation)	1,024
Series 17	02/12/2016	EUR	422	4.000 %	442
Series 18	12/11/2020	EUR	431	4.375 %	480
Series 21	01/16/2017	EUR	616	4.375 %	692
Series 23	05/24/2022	EUR	850	5.125 %	910
Series 24	10/29/2037	GBP	780	6.125 %	792
Series 26	04/24/2019	EUR	750	6.750 %	794
Series 27	06/29/2017	EUR	250	5.700 %	260
Series 28 (PEO)	01/06/2021	EUR	834	4.247 %	784
Series 29 (PEO)	03/30/2027	EUR	750	4.625 %	671
Series 30	06/26/2017	CNY	60	4.500 %	59
Total bond issues (EMTN)	**n/a**	**n/a**	**7,790**	**n/a**	**8,138**
USD Series Tranche 2	06/01/2018	USD	312	6.000 %	338
USD Series Tranche 3	06/01/2038	USD	290	6.750 %	317
Total publicly offered or traded issuances in USD	**n/a**	**n/a**	**602**		**655**
Stirling Water Seafield Finance bond issue	09/26/2026	GBP	85	5.822 %	81
Total principle bond issues	**n/a**	**n/a**	**8,477**	**n/a**	**8,874**
Total other bond issues	**n/a**	**n/a**		**n/a**	**80**
TOTAL NON-CURRENT BOND ISSUES	**n/a**	**n/a**		**n/a**	**8,954**

Recap: Movements in non-current and current bond issues during **2012** are as follows:

(€ million)	**As of December 31, 2011, represented**	**Increases/ subscriptions**	**Repayments**	**Changes in consolidation scope**	**Fair value adjustments (1)**	**Foreign exchange translation**	**Non-current/ current reclassification**	**Other**	**As of December 31, 2012, represented**
Non-current bond issues	13,027.9	732.8	(1,573.7)	(246.4)	(390.3)	106.9	(836.0)	-	10,821.2
Current bonds	686.0	-	(692.3)	-	(0.4)	0.2	836.0	-	829.5
TOTAL BONDS	**13,713.9**	**732.8**	**(2,266.0)**	**(246.4)**	**(390.7)**	**107.1**	**-**		**(11,650.7)**

(1) Fair value adjustments are recorded in financial income and expenses.

18.2 Movements in other borrowings

(€ million)	**As of December 31, 2012, represented**	**Net movement**	**Changes in consolidation scope**	**Fair value adjustments (1)**	**Foreign exchange translation**	**Non-current / current reclassification**	**Transfers to Liabilities classified as held for sale**	**Other**	**As of December 31, 2013**
Other non-current borrowings	1,310.1	(240.1)	(149.8)	-	(8.5)	(271.8)	(95.2)	(1.5)	**543.2**
Other current borrowings	2,776.6	(664.6)	(13.1)	-	(36.7)	271.8	(28.9)	13.1	**2,318.2**
OTHER BORROWINGS	**4,086.7**	**(904.7)**	**(162.9)**	**-**	**(45.2)**	**-**	**(124.1)**	**11.6**	**2,861.4**

The decrease in other **non-current borrowings** in **2013** breaks down as follows:

The **net movement** is mainly due to the repayment of the Polish zloty syndicated loan facility in April 2013 (€393 million euro-equivalent as of December 31, 2012).

Changes in consolidation scope mainly concern:

- The change in consolidation method of Proactiva Medio Ambiente, now fully consolidated (see Note 3.3), in the amount of +€49.8 million;
- The loss of control of Sharqiyah Desalinisation Company (see Note 3.3), now equity accounted, in the amount of -€86.6 million;
- The sale of the assets of the Energy Regulation Commission project, resulting in the removal of related borrowings in the amount of -€115.9 million;
- The divestiture of wind energy activities in the amount of -€3.5 million.

Transfers to Liabilities classified as held for sale mainly concern the transfer to "Liabilities directly associated with assets held for sale" of the other current borrowings of Dalkia France in the amount of -€132.9 million.

Breakdown of **other non-current borrowings** by main component:

(€ million)	**As of December 31, 2011, represented**	**As of December 31, 2012, represented**	**As of December 31, 2013**	**Maturing in**		
				2 to 3 years	**4 to 5 years**	**> 5 years**
Finance lease obligations [(a)]	367.9	317.4	192.4	71.4	33.7	87.3
Multi-currency syndicated loan facility [(b)]	307.3	392.7	-	-	-	-
Non-controlling interest put options (Note 1.14.5)	6.5	103.1	9.2	-	8.7	0.5
SHARQIYAH [(c)]	-	89.0	-	-	-	-
Other amounts < €70 million	503.7	407.9	341.6	139.9	71.9	129.8
OTHER NON-CURRENT BORROWINGS	**1,185.4**	**1,310.1**	**543.2**	**211.3**	**114.3**	**217.6**

(a) *Finance lease obligations: as of December 2013, finance lease obligations fall due between 2014 and 2095. Interest rates are fixed or floating (indexed to EONIA, euro T4M and euro TAM or their equivalent for financing in other currencies). The decrease between December 31, 2012 and 2013 is mainly due to the transfer of Dalkia France obligations to Liabilities directly associated with assets classified as held for sale.*

(b) *Multi-currency syndicated loan facility: this €4 billion multi-currency syndicated loan facility maturing in 2012 was refinanced early in April 2011 by two syndicated loan facilities: a 5-year €2.5 billion multi-currency loan facility and a 3-year €500 million loan facility available for drawdown in Polish zloty, Czech crown and Hungarian forint. Both facilities include two one-year extension options that were exercised and accepted in the vast majority in 2012 and 2013. As of December 31, 2013, the syndicated loan facility is not drawn.*

(c) *Sharqiyah: financing carried by Sharqiyah Desalination Company, fully consolidated from August 2, 2012, of €89.0 million as of December 31, 2012 and maturing in December 2028. This floating-rate financing is hedged 76% by a 6.10% fixed rate swap; the company is no longer consolidated as of December 31, 2013.*

Current borrowings are recorded as financial liabilities at amortized cost for accounting purposes.

Other current borrowings total €2,318.2 million as of December 31, 2013, compared with €2,776.6 million as of December 31, 2012 and €3,067.2 million as of December 31, 2011.

Net movements in other current borrowings in **2013** mainly reflect the decrease in treasury notes issued in the amount of €363 million and the change in cash and cash equivalents invested by equity-accounted entities with the Group financing holding companies.

Changes in consolidation scope mainly concern:

- The change in consolidation method of Proactiva Medio Ambiente, now fully consolidated (see Note 3.3), in the amount of +€116.4 million;

- The removal of TEC and TEV in Italy in the amount of -€88.0 million.

As of December 31, 2013, current borrowings mainly concern:

- Veolia Environnement SA for €1,820.3 million (including bond issues of €578.5 million, treasury notes of €580.7 million, accrued interest on debt of €232.6 million and cash and cash equivalents invested by equity-accounted entities with Group financing holding companies of €426.0 million);

- Certain subsidiaries in the amount of €382.1 million, including Proactiva Medio Ambiente borrowings of €113.0 million. The remaining balance mainly concerns cash invested by equity-accounted entities with other financing holding companies;

- The Water Division for €298.6 million;

- The Environmental Services Division for €124.3 million;

- The Energy Services Division for €287.5 million.

The current portion of Group finance lease obligations is €45.2 million as of December 31, 2013, compared with €62.9 million as of December 31, 2012 and €76.2 million as of December 31, 2011.

Recap: Movements in other borrowings during **2012** are as follows:

(€ million)	**As of December 31, 2011, represented**	**Net movement**	**Changes in consolidation scope**	**Fair value adjustments [1]**	**Foreign exchange translation**	**Non-current / current reclassification**	**Transfers to Liabilities classified as held for sale**	**Other**	**As of December 31, 2012, represented**
Other non-current borrowings	1,185.4	340.3	262.9	(2.5)	2.0	(214.2)	(278.8)	15.0	1,310.1
Other current borrowings	3,067.2	(401.0)	(99.9)	(2.1)	13.1	214.2	7.9	(22.8)	2,776.6
OTHER BORROWINGS	**4,252.6**	**(60.7)**	**163.0**	**(4.6)**	**15.1**	**-**	**(270.9)**	**(7.8)**	**4,086.7**

The decrease in other non-current borrowings in **2012** breaks down as follows:

Increases and repayments mainly concern draw-downs on project debt and on the Polish zloty syndicated loan facility and the change in cash and cash equivalents invested by equity-accounted entities with the Group financing holding companies.

Transfers to Liabilities classified as held for sale mainly concern the transfer to Liabilities directly associated with assets classified as held for sale of other borrowings held by Morocco Water in line with the reclassification to discontinued operations of these activities (€272.4 million).

Changes in consolidation scope mainly concern the divestiture of regulated Water activities in the United Kingdom.

18.3 Breakdown of non-current and current borrowings by currency

Borrowings are primarily denominated in euro, pound sterling, U.S. dollar, Chinese renminbi yuan and Polish zloty.

Borrowings break down by original currency (before currency swaps) as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
Euro	10,046.9	12,336.8	14,220.5
Pound Sterling	939.2	999.5	1,274.1
U.S. Dollar	798.2	1,396.3	1,816.8
Polish zloty	197.7	640.3	311.2
Chinese renminbi yuan	172.7	178.5	110.4
Chilean peso	41.2	-	1.9
Israeli shekel	38.8	45.0	53.9
Brazilian real	31.2	1.0	5.6
Mexican peso	25.5	-	-
CFA franc BEAC	16.7	24.0	26.7
Columbian peso	15.7	-	-
Korean won	15.5	22.1	26.8
Hong Kong dollar	15.7	17.6	23.1
Hungarian forint	10.6	10.6	10.6
Czech Crown	3.8	11.4	52.3
Other < €10 million	40.2	54.3	32.6
NON-CURRENT AND CURRENT BORROWINGS	**12,409.6**	**15,737.4**	**17,966.5**

18.4 Finance leases

The Group uses finance leases to finance the purchase of certain operating property, plant and equipment and real estate assets recognized as assets in the Consolidated Statement of Financial Position.

Assets financed by **finance lease** break down by category as follows:

(€ million)	Property, plant and equipment, net	Concession intangible assets	Operating financial assets	Total
As of December 31, 2013	**96.1**	**38.8**	**105.3**	**240.2**
As of December 31, 2012, represented	93.6	86.8	177.4	357.8
As of December 31, 2011, represented	183.8	73.2	199.9	456.9

The decrease in assets financed by finance lease between December 31, 2011 and 2012 is mainly due to the divestiture of solid waste activities in the United States.

The decrease in assets financed by finance lease between December 31, 2012 and 2013 is mainly due to the transfer of Dalkia France assets to assets classified as held for sale.

As of December 31, 2013, future minimum lease payments under these contracts are as follows:

(€ million)	**Finance leases**
Less than 1 year	49.3
2 to 3 years	73.9
4 to 5 years	42.5
More than 5 years	140.5
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**306.2**
Less amounts representing interest	81.9
PRESENT VALUE OF MINIMUM LEASE PAYMENTS (FINANCE LEASES)	**224.3**

Contingent rent and sub-lease income for the period recorded in the Consolidated Income Statement is not material.

Note 19 Revenue

As for other Income Statement headings, Revenue does not include amounts relating to discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations (see Note 24).

The results of these activities are presented in a separate line, "Net income (loss) from discontinued operations", for fiscal year 2013 and fiscal years 2012 and 2011 presented for comparison purposes (see Note 24).

Breakdown of Revenue (see Note 1.17)

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012, represented**	**Year ended December 31, 2011, represented**
Services rendered	16,757.6	17,096.8	16,410.7
Sales of goods	1,858.7	2,019.1	2,141.3
Revenue from operating financial assets	175.9	184.4	188.4
Construction	3,522.6	3,938.6	3,742.0
REVENUE	**22,314.8**	**23,238.9**	**22,482.4**

Sales of goods mainly concern sales of technological solutions in the Water Division and sales of products relating to recycling activities in the Environmental Services Division.

The drop in construction revenue in 2013 is mainly due to the downturn in the Technologies and Networks business in the Water Division (see also Note 3.1).

A breakdown of revenue by operating segment is presented in Note 39.

Note 20 Operating income

Operating income is calculated as follows:

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011 represented
Revenue	**22,314.8**	**23,238.9**	**22,482.4**
Cost of sales	**(18,959.9)**	**(19,563.0)**	**(18,881.3)**
o/w:			
• impairment losses on goodwill, net of negative goodwill recognized in the Consolidated Income Statement	(168.4)	(64.8)	(246.0)
• impairment losses (excl. working capital) and provisions	(6.5)	(74.1)	(68.9)
• restructuring costs	(39.9)	(7.9)	2.9
• replacement costs	(403.5)	(417.6)	(421.2)
Selling costs	**(536.0)**	**(532.9)**	**(516.7)**
General and administrative expenses	**(2,441.9)**	**(2,537.0)**	**(2,568.5)**
o/w			
• Research and development costs	(81.9)	(101.4)	(108.6)
• Restructuring costs	(120.6)	(37.3)	(6.0)
Other operating revenue and expenses	**113.5**	**105.3**	**56.1**
o/w:			
• Capital gains (losses) on disposal of financial assets	113.5	106.1	56.3
• Other	-	(0.8)	(0.2)
OPERATING INCOME	**490.5**	**711.3**	**572.0**
Share of net income (loss) of equity-accounted entities	**178.7**	**(11.9)**	**(136.5)**
Operating income after share of net income (loss) of equity-accounted entities	**669.2**	**699.4**	**435.5**

Breakdown of capital gains and losses on disposal

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011 represented
Capital gains and losses on disposals of property, plant and equipment	37.7	13.4	15.6
Capital gains and losses on disposals of financial assets	113.5	106.1	56.3
Capital gains and losses on disposals recognized in operating income	**151.2**	**119.5**	**71.9**
Capital gains and losses on disposals recognized in financial income (loss)	**0.1**	**(0.3)**	**(2.4)**
Capital gains and losses on disposals of PP&E and financial assets	3.7	12.5	24.1
Capital gains and losses on disposals of discontinued operations	26.4	578.4	514.4
Capital gains and losses on disposals recognized in net income (loss) from discontinued operations	**30.1**	**590.9**	**538.5**
TOTAL CAPITAL GAINS AND LOSSES ON DISPOSALS IN THE CONSOLIDATED CASH FLOW STATEMENT	**181.4**	**710.1**	**608.0**

Capital gains and losses on disposals of financial assets recognized in operating income in 2013 mainly consist of:

- The capital gain on the divesture of the Water subsidiary in Portugal (€15.6 million);

- The capital gain on the deconsolidation without divestiture of Environmental Services activities in Italy (€77.7 million).

A breakdown of capital gains and losses on disposals of discontinued operations is provided in Note 24.

Breakdown of impairment losses

The main impairment losses recognized as of December 31, 2013 break down as follows:

- Impairment losses on goodwill in the amount of -€168.4 million, mainly concerning:
  - Environmental Services activities in Germany in the amount of -€150.0 million;
  - Environmental Services activities in Poland in the amount of -€17.9 million.
- Impairment losses (excluding WCR) and provisions recognized in cost of sales in the amount of -€6.5 million, mainly concerning:
  - The Environmental Services Division in the amount of +€13.4 million, including reversals of provisions for site rehabilitation in France in the amount of +€17.1 million and reversals of provisions for pensions in the United Kingdom in the amount of €8.4 million.
  - The "Other Segments" Division in the amount of -€16.4 million, including impairment of the Artelia I4-I12 financial receivable in Portugal in the amount of -€16.1 million, reflecting the worsening of the financial position of the client and the associated credit risk.

The main impairment losses recognized as of December 31, 2012 break down as follows:

- Impairment losses on goodwill in the amount of -€64.8 million, mainly concerning:
  - Group non-regulated activities in the United Kingdom in the Water Division in the amount of -€51.9 million;
  - Environmental Services Division activities in Estonia and Lithuania in the amount of -€13.2 million;
- Impairment losses and provisions recognized in cost of sales in the amount of -€74.1 million, mainly concerning:
  - The Environmental Services Division in the amount of -€73.2 million, including the impairment loss on Marine Services assets in the amount of -€36.7 million;
  - The Water Division in the amount of -€21.1 million, relating to the hedging of risks on contractual items.

As of December 31, 2011, impairment losses on goodwill and impairment losses and provisions recognized in cost of sales mainly concern:

- The Environmental Services Division in the amount of -€192.0 million, including -€75.8 million on the goodwill of Environmental Services activities in Italy;
- The Energy Services Division in the amount of -€153.1 million on goodwill of Energy Services activities in the United States.

Breakdown of operating depreciation, amortization, provisions and impairment losses

Operating depreciation, amortization, provisions and impairment losses included in operating income in **2013** break down as follows:

(€ million)	Charge	Reversal	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011, represented
OPERATING DEPRECIATION, AMORTIZATION AND PROVISIONS, NET					
Depreciation and amortization	**(1,220.7)**	**0.9**	**(1,219.8)**	**(1,173.9)**	**(1,102.9)**
Property, plant and equipment	(736.8)	0.9	(735.9)	(740.4)	(719.3)
Intangible assets	(483.9)	-	(483.9)	(433.5)	(383.6)
Impairment losses	**(201.4)**	**122.9**	**(78.5)**	**(129.6)**	**(199.4)**
Property, plant and equipment	(31.9)	7.9	(24.0)	(63.3)	(63.1)
Intangible assets and operating financial assets	(38.3)	19.6	(18.7)	(34.7)	(135.8)
Inventories	(10.4)	14.5	4.1	(5.4)	6.9
Trade receivables	(114.6)	78.2	(36.4)	(20.4)	(6.7)
Other operating and non-operating receivables	(6.2)	2.7	(3.5)	(5.8)	(0.7)
Non-current and current operating provisions	**(595.8)**	**585.6**	**(10.2)**	**29.0**	**121.0**
Non-current operating provisions	(412.6)	324.6	(88.0)	(88.2)	(29.6)
Current operating provisions	(183.2)	261.0	77.8	117.2	150.6
IMPAIRMENT LOSSES AND IMPACT OF DISPOSALS ON GOODWILL AND NEGATIVE GOODWILL RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT	**(168.4)**	**-**	**(168.4)**	**(64.8)**	**(246.0)**
OPERATING DEPRECIATION, AMORTIZATION, PROVISIONS AND IMPAIRMENT LOSSES	**(2,186.3)**	**709.4**	**(1,476.9)**	**(1,339.3)**	**(1,427.3)**

Operating depreciation, amortization, charges to provisions and impairment losses in the Consolidated Cash Flow Statement include operating depreciation, amortization, provisions and impairment losses transferred to Net income from discontinued operations in the amount of -€65.9 million in 2013, -€165.1 million in 2012 and -€189.3 million in 2011.

Impairment losses on inventories and receivables are recorded in changes in working capital in the Consolidated Cash Flow Statement.

Restructuring costs

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011, represented
Restructuring costs	(77.6)	(35.1)	-
Net charge to restructuring provisions	(85.0)	(10.6)	(4.1)
RESTRUCTURING COSTS	**(162.6)**	**(45.7)**	**(4.1)**

In 2013, restructuring costs are included in cost of sales in the amount of €39.9 million, selling costs in the amount of €2.1 million and general and administrative expenses in the amount of €120.6 million.

Restructuring costs included in operating income in 2013 primarily concern the Water Division in the amount of €125.6 million and mainly include the cost of voluntary redundancy plans in France.

At the end of 2013, Executive Management of the Water Division in France announced a reorganization of Water activities in France. This reorganization was outlined to the Board of Directors of VE SA on December 11, 2013 and the accompanying measures and departments concerned were presented to the Central Works Council on December 20, 2013.

The Group recognized a restructuring provision of €97 million in respect of this plan as of December 31, 2013 (including €14 million in cost of sales and €83 million in general and administrative expenses).

In 2012, restructuring costs primarily concerned the “Other” segment in the amount of €14.5 million and mainly included the cost of voluntary redundancy plans in the Group holding companies.

Personnel costs

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012, represented**	**Year ended December 31, 2011, represented**
Employee costs	(6,447.0)	(6,667.1)	(6,460.0)
Profit-sharing and incentive schemes	(122.8)	(138.2)	(152.3)
Share-based compensation (IFRS 2)	-	1.0	(1.5)
PERSONNEL COSTS	**(6,569.8)**	**(6,804.3)**	**(6,613.8)**

Research and development costs

Research and developments costs totaled €81.9 million, €101.4 million and €108.6 million in fiscal years 2013, 2012 and 2011 respectively.

Note 21 Net finance costs

The income and expense balances making up net finance costs are as follows:

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011, represented
Finance income	46.4	71.8	102.0
Finance costs	(622.6)	(716.0)	(694.1)
NET FINANCE COSTS	**(576.2)**	**(644.2)**	**(592.1)**

Finance costs and finance income represent the cost of borrowings net of cash and cash equivalents. In addition, net finance costs include net gains and losses on derivatives allocated to borrowings, irrespective of whether they qualify for hedge accounting.

Net finance costs total €576.2 million in 2013, compared with €644.2 million in 2012.

Net finance costs presented in the Consolidated Cash Flow Statement reflect the net finance costs of continuing operations presented above and the net finance costs of discontinued operations of €23.4 million in 2013.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the net finance costs of continuing and discontinued operations adjusted for accrued interest of €48.6 million and fair value adjustments to hedging derivatives of -€44.9 million in 2013.

The decrease in net finance costs between 2012 and 2013 is mainly due to the decrease in expenses relating to partial buybacks of bond issues performed in 2012 and 2013, the redemption of the bond line maturing in May 2013 in the amount of €432 million (4.875%) and the US dollar bond line maturing in June 2013 in the amount of USD 490 million (5.25%) and the repayment of Polish zloty amounts drawn on the multi-currency syndicated loan facility in April 2013 in the amount of €390 million (euro-equivalent) (see also Note 3.4.3).

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011, represented
Financial liabilities measured using the effective interest method	(593.9)	(733.8)	(792.1)
Commission on undrawn credit facilities	(8.6)	(9.4)	(10.0)
Expenses on gross debt	**(602.5)**	**(743.2)**	**(802.1)**
Assets at fair value through the Consolidated Income Statement (fair value option)*	**30.9**	**40.7**	**74.0**
Net gains and losses on derivative instruments, hedging relationships and other	**(4.6)**	**58.3**	**136.0**
NET FINANCE COSTS	**(576.2)**	**(644.2)**	**(592.1)**

* *Cash equivalents are valued at fair value through the Consolidated Income Statement.*

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for fiscal year 2013:

- Interest income on hedging relationships (fair value hedges and cash flow hedges) of €39.9 million, as a result of the fall in interest rates in fiscal year 2013;

- The unwinding of the discount on non–controlling interest put options in the amount of -€42.4 million.

In addition, the charge relating to the ineffective portion of net investment hedges and cash flow hedges was not material in 2013 or 2012.

Interest income on instruments measured using the effective interest method (including interest income recorded in operating income and in other financial income and expenses) totals €294.7 million in 2013, compared with €312.3 million in 2012 and €293.9 million in 2011.

Note 22 Other financial income and expenses

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012, represented**	**Year ended December 31, 2011, represented**
Net gains and losses on loans and receivables	99.6	132.3	105.4
Net gains and losses on available-for-sale assets(1)	3.9	3.8	3.2
Assets and liabilities at fair value through the Consolidated Income Statement	0.2	(1.1)	-
Unwinding of the discount on provisions	(41.3)	(50.3)	(45.9)
Foreign exchange gains and losses	(5.8)	(23.2)	(1.3)
Other	(18.6)	(10.7)	(7.9)
OTHER FINANCIAL INCOME AND EXPENSES	**38.0**	**50.8**	**53.5**

(1) Including dividends received of €3.0 million in 2013, compared with €3.3 million in 2012 and €2.7 million in 2011.

Net gains and losses on loans and receivables include income from joint venture loans, including loans to Dalkia International of €88.9 million in 2013, €91.9 million in 2012 and €65.3 million in 2011 and loans to Transdev Group of €20.4 million in 2013, €25.3 million in 2012 and €26.0 million in 2011.

Note 23 Income tax expense

23.1 Analysis of the income tax expense

The income tax expense breaks down as follows:

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011, represented
Current income tax (expense) income	**(167.5)**	**(225.9)**	**(192,8)**
France	(52.6)	(93.0)	(72.4)
Other countries	(114.9)	(132.9)	(120.4)
Deferred tax (expense) income	**39.2**	**173.0**	**(246.3)**
France	1.0	(3.7)	(73.2)
Other countries	38.2	176.7	(173.1)
TOTAL INCOME TAX EXPENSE	**(128.3)**	**(52.9)**	**(439.1)**

The income tax expense presented in the Consolidated Cash Flow Statement reflects the income tax expense of continuing operations presented above and the income tax expense of discontinued operations.

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company (five-year agreement, renewed in 2011). Veolia Environnement is liable to the French treasury department for the full income tax charge, calculated based on the group tax return. Any tax savings are recognized at the level of Veolia Environnement SA.

The US tax group was reorganized in 2006. This reorganization is still being reviewed by the U.S. tax authorities (see Notes 13 and 33).

The Group bears a net income tax expense of €128.3 million in 2013, compared with €52.9 million in 2012, represented.

23.2 Effective tax rate

	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011, represented
Net income from continuing operations (a)	(48.8)	7.8	(1,013.1)
Share of net income (loss) of associates (b)	18.4	24.4	(25.9)
Share of net income (loss) of joint ventures (c)	160.3	(36.3)	(110.6)
Share of net income (loss) of other equity-accounted entities (d)	(51.5)	(45.3)	(470.9)
Income tax expense (e)	(128.3)	(52.9)	(439.1)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d) – (e)	(47.7)	117.9	33.4
Effective tax rate (e) / (f)	**-268.97%**	**44.87%**	**1,314.67%**
Theoretical tax rate(1)	**34.43%**	**34.43%**	**34.43%**
Net impairment losses on goodwill not deductible for tax purposes	-86.79%	9.25%	253.29%
Differences in tax rate	35.43%	0.26%	-103.29%
Capital gains and losses on disposals	73.38%	-8.82%	-93.11%
Dividends(2)	-82.39%	23.75%	106.59%
Taxation without basis	-42.14%	3.65%	135.93%
Effect of tax projections	-270.23%	-46.06%	1,108.18%
Other permanent differences(2)	69.34%	28.41%	-128.15%
EFFECTIVE TAX RATE	**-268.97%**	**44.87%**	**1,314.67%**

(1) *The tax rate indicated is the statutory tax rate in France excluding the exceptional contribution applicable in fiscal years 2011 to 2014.*

(2) *The main elements explaining the effective tax rate are as follows:*

- impairment losses on goodwill not tax deductible;

- tax visibility, encompassing primarily tax consolidation gains and impairment losses on deferred tax assets.

Recap: the 2012 effective tax rate mainly reflects taxable dividends and various expenses not deductible for tax purposes, partially offset by the impact of adjustments to profit forecasts and changes in scope in the United States.

Recap: the 2011 effective tax rate was mainly due to:

- Net impairment losses on goodwill not deductible for tax purposes;
- The non-capitalization of Veolia Environnement tax group losses and the recognition of an impairment to reduce the amount of deferred tax assets to that of deferred tax liabilities;
- The estimated consequences of changes in the scope of the US tax group.

Note 24 Assets classified as held for sale, discontinued operations and divestitures

24.1 Assets/liabilities classified as held for sale

Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale are presented separately in the Group Consolidated Statement of Financial Position as follows:

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012, represented	Year ended December 31, 2011, represented
Assets classified as held for sale	4,698.9	1,276.0	460.0
Liabilities directly associated with assets classified as held for sale	2,882.3	895.9	237.9

As of December 31, 2013, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale primarily concern:

- Water activities in Morocco;
- The activities of Dalkia France (see Note 3.2.2);
- Global urban lighting activities (Citelum).

The urban lighting activities reclassified to discontinued operations as of December 31, 2011 were retained in discontinued operations as of December 31, 2013, in view of progress with the divestiture process at the year end. Citelum assets and liabilities are recorded in the accounts as of December 31, 2013 at a fair value of €140 million (enterprise value), unchanged on December 31, 2012.

Water activities in Morocco, reclassified to discontinued operations as of December 31, 2012, were retained in discontinued operations as of December 31, 2013, in view of progress with sales agreement negotiations in the second half of 2013. The assets and liabilities of these operations are recorded in the accounts as of December 31, 2013 at a fair value of €123 million (enterprise value).

Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale as of December 31, 2012 primarily concern Citelum, Marine Services in the Environmental Services Division, Water Division activities in Morocco and European wind energy activities.

Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale as of December 31, 2011 primarily concern Citelum and Marine Services in the Environmental Services Division.

In 2013, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by Division as follows:

(€ million)	Water	Energy Services	Environmental Services	Other	Total
Assets					
Non-current assets	467.1	1,967.8	34.1	-	2,469.0
Current assets	215.5	1,920.2	6.9	-	2,142.6
Cash and cash equivalents	8.0	79.3	-	-	87.3
ASSETS CLASSIFIED AS HELD FOR SALE	**690.6**	**3,967.3**	**41.0**	**-**	**4,698.9**
Liabilities					
Non-current liabilities	257.3	485.9	3.0	-	746.2
Current liabilities	354.3	1,779.4	2.4	-	2,136.1
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**611.6**	**2,265.3**	**5.4**	**-**	**2,882.3**

In 2012, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by Division as follows:

(€ million)	Water	Energy Services	Environmental Services	Other	Total
Assets					
Non-current assets	476.8	123.4	57.2	7.5	664.9
Current assets	192.1	270.9	20.5	9.7	493.2
Cash and cash equivalents	26.0	23.8	-	68.1	117.9
ASSETS CLASSIFIED AS HELD FOR SALE	**694.9**	**418.1**	**77.7**	**85.3**	**1,276.0**
Liabilities					
Non-current liabilities	287.1	44.6	-	8.1	339.8
Current liabilities	320.6	223.5	6.3	5.7	556.1
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**607.7**	**268.1**	**6.3**	**13.8**	**895.9**

In 2011, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by Division as follows:

(€ million)	Water	Energy Services	Environmental Services	Other	Total
Assets					
Non-current assets	-	91.4	89.2	-	180.6
Current assets	-	227.3	20.8	-	248.1
Cash and cash equivalents	-	31.3	-	-	31.3
ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**350.0**	**110.0**	**-**	**460.0**
Liabilities					
Non-current liabilities	-	12.9	-	-	12.9
Current liabilities	-	172.3	52.7	-	225.0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**185.2**	**52.7**	**-**	**237.9**

24.2 Discontinued operations

In the Consolidated Income Statement presented for comparative purposes, the net income (loss) of operations divested or in the course of divestiture was reclassified to "Net income (loss) from discontinued operations". This concerns the following operations:

- Operations in the course of divestiture:
  - Global urban lighting activities (Citelum) ;
  - The Water activity in Morocco;
- Operations divested:
  - Norwegian activities in the Environmental Services Division, divested in March 2011;
  - The household assistance services business (Proxiserve), divested in December 2011;
  - Regulated Water activities in the United Kingdom, divested in June 2012;
  - Solid waste activities in the United States in the Environmental Services Division, divested in November 2012;
  - U.S. wind energy activities, divested in December 2012;
  - European wind energy activities, divested in February 2013;
  - The Group share of the net income of the Berlin Water associate to December 2, 2013.

Changes in **Net income (loss) from discontinued operations** are as follows:

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012, represented**	**Year ended December 31, 2011, represented**
Net income (loss) from discontinued operations	13.0	(3.8)	68.3
Capital gains and losses on disposal	18.4	508.5	514.4
Income tax expense	(4.1)	(72.9)	-
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**27.3**	**431.8**	**582.7**

Net income (loss) from discontinued operations for the year ended **December 31, 2013** breaks down by Division as follows:

(€ million)	**Water**	**Energy Services**	**Environmental Services**	**Other**	**Total**
Net income (loss) from discontinued operations	26.0	(12.8)	-	(0.2)	13.0
Capital gains and losses on disposal(*)	7.1	(1.4)	16.5	(3.8)	18.4
Income tax expense	-	-	(4.1)	-	(4.1)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**33.1**	**(14.2)**	**12.4**	**(4.0)**	**27.3**

(*) including disposal costs on discontinued operations of €8.0 million in 2013.

The main Consolidated Income Statement items for discontinued operations for the year ended **December 31, 2013** break down by Division as follows:

(€ million)	**Water**	**Energy Services**	**Environmental Services**	**Other**	**Total**
Revenue	504.8	274.0	-	3.0	781.8
Operating income after share of net income (loss) of equity-accounted entities	34.6	(3.3)	-	0.5	31.8
Financial items	(5.9)	(10.5)	-	(1.0)	(17.4)
Income tax expense	(2.7)	1.0	-	0.3	(1.4)
Share of net income of associates					
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**26.0**	**(12.8)**	**-**	**(0.2)**	**13.0**

Net income (loss) from discontinued operations for the year ended **December 31, 2012** breaks down by Division as follows:

(€ million)	**Water**	**Energy Services**	**Environmental Services**	**Other**	**Total**
Net income (loss) from discontinued operations	39.7	(66.1)	97.4	(74.8)	(3.8)
Capital gains and losses on disposal (*)	233.3	(2.5)	281.3	(3.6)	508.5
Income tax expense	-	-	(72.9)	-	(72.9)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**273.0**	**(68.6)**	**305.8**	**(78.4)**	**431.8**

(*) including disposal costs on discontinued operations of €69.9 million in 2012.

The main Consolidated Income Statement items for discontinued operations for the year ended **December 31, 2012** break down by Division as follows:

(€ million)	**Water**	**Energy Services**	**Environmental Services**	**Other**	**Total**
Revenue	390.7	330.0	574.2	14.9	**1,309.8**
Operating income after share of net income (loss) of equity-accounted entities	43.6	(56.3)	140.4	(61.9)	**65.8**
Financial items	(9.1)	(4.8)	(11.2)	(19.2)	**(44.3)**
Income tax expense	5.2	(5.0)	(31.8)	6.3	**(25.3)**
Share of net income of associates	-	-	-	-	**-**
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**39.7**	**(66.1)**	**97.4**	**(74.8)**	**(3.8)**

Net income (loss) from discontinued operations for the year ended **December 31, 2011** breaks down by Division as follows:

(€ million)	**Water**	**Energy Services**	**Environmental Services**	**Other**	**Total**
Net income (loss) from discontinued operations	88.6	(4.1)	43.0	(59.2)	68.3
Capital gains and losses on disposal	1.8	1.4	62.2	449.0	514.4
Income tax expense	-	-	-	-	-
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**90.4**	**(2.7)**	**105.2**	**389.8**	**582.7**

The main Consolidated Income Statement items for discontinued operations for the year ended **December 31, 2011** break down by Division as follows:

(€ million)	**Water**	**Energy Services**	**Environmental Services**	**Other**	**Total**
Revenue	460.7	409.6	587.5	985.7	**2,443.5**
Operating income after share of net income (loss) of equity-accounted entities	99.8	5.7	78.8	(44.8)	**139.5**
Financial items	(12.1)	(4.6)	(10.1)	(12.2)	**(39.0)**
Income tax expense	0.9	(5.2)	(25.7)	(2.2)	**(32.2)**
Share of net income of associates	-	-	-	-	**-**
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**88.6**	**(4.1)**	**43.0**	**(59.2)**	**68.3**

Note 25 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests is €113.8 million for the year ended December 31, 2013, compared with €35.6 million for the year ended December 31, 2012 and €57.7 million for the year ended December 31, 2011.

The increase in net income attributable to non-controlling interests in the Energy Services Division between December 31, 2012 and 2013, mainly concerns the share of EDF minority interests (34%) in Dalkia 2013 net income, which was higher than in 2012 due to write-downs on receivables recognized in Italy in 2012.

Net income (loss) attributable to non-controlling interests breaks down by Division as follows:

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012**	**Year ended December 31, 2011**
Water[(a)]	68.9	57.4	77.4
Environmental Services	8.6	11.9	20.4
Energy Services[(b)]	36.0	(19.0)	(31.5)
Other	0.3	(14.7)	(8.6)
NON-CONTROLLING INTERESTS	**113.8**	**35.6**	**57.7**

(a) *Including net income attributable to non-controlling interests in Germany (Stadtwerke de Braunschweig): €15.8 million in 2011, €14.4 million in 2012 and €7.6 million in 2013.*

(b) *Including EDF's share in Dalkia activities in France and abroad:-€38.9 million in 2011, -€20.0 million in 2012 and €30.5 million in 2013.*

Note 26 Earnings per share

Pursuant to IAS 33, the weighted average number of shares outstanding taken into account for the calculation of net income per share is adjusted for the distribution of scrip dividends during the year. The adjusted weighted average number of shares outstanding is 523.5 million (basic and diluted) in 2013, compared with 509.0 million shares in 2012.

Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year. Pursuant to IAS 33.9 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

Diluted earnings per share is calculated by dividing net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.

Net income and the number of shares used to calculate basic and diluted earnings per share are presented below for all businesses.

(in million)	**Year ended December 31, 2013**	**Year ended December 31, 2012, represented**	**Year ended December 31, 2011, represented**
Weighted average number of ordinary shares	523.5	509.0	498.5
Weighted average number of ordinary shares for the calculation of basic earnings per share	523.5	509.0	498.5
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options	0	0	0
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**523.5**	**509.0**	**498.5**
Net income attributable to owners of the Company per share			
Net income attributable to owners of the Company	(151.9)(*)	404.0	(488.1)
Net income attributable to owners of the Company per share:			
Basic	(0.29)	0.79	(0.99)
Diluted	(0.29)	0.79	(0.99)
Net income (loss) from discontinued operations attributable to owners of the Company per share			
Net income (loss) from discontinued operations attributable to owners of the Company	15.5	479.0	590.3
Net income (loss) from discontinued operations attributable to owners of the Company per share:			
Basic	0.03	0.94	1.17
Diluted	0.03	0.94	1.17
Net income (loss) from continuing operations attributable to owners of the Company per share			
Net income (loss) from continuing operations attributable to owners of the Company	(167.3)	(75.0)	(1,078.4)
Net income (loss) from continuing operations attributable to owners of the Company per share:			
Basic	(0.32)	(0.15)	(2.16)
Diluted	(0.32)	(0.15)	(2.16)

(*) *Pursuant to IAS 33.9 and 12, adjusted net income attributable to owners of the Company includes the cost of the coupon attributable to holders of the deeply subordinated securities issued by Veolia Environnement (-€16.6 million)*

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 30.

Note 27 Additional information on the fair value of financial assets and liabilities (excluding derivatives)

27.1 Financial assets

The following tables present the net carrying amount and fair value of Group financial assets as of December 31, 2013, 2012 and 2011, grouped together in accordance with IFRS 7 categories. Fair values are determined in accordance with the principles set out in Note 1.26.

		As of December 31, 2013							
		Net carrying amount	**Financial assets at fair value**			**Fair value**	**Method for determining fair value**		
(€ million)	**Note**	**Total**	**Available-for-sale assets**	**Loans and receivables**	**Assets designated at fair value through the Consolidated Income Statement**	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-consolidated investments	10	40.5	40.5	-	-	40.5	-	40.5	-
Non-current and current operating financial assets	11	1,796.0	-	1,796.0	-	1,905.4	-	1,905.4	-
Other non-current financial assets	12	2,492.0	24.6	2,467.4	-	2,492.0	-	2,492.0	-
Trade receivables	14	5,213.0	-	5,213.0	-	5,213.0	-	5,213.0	-
Other current operating receivables	14	454.1	-	454.1	-	454.1	-	454.1	-
Other current financial assets	12	628.0	4.9	623.1	-	628.0	-	628.0	-
Cash and cash equivalents	15	4,274.4	-	-	4,274.4	4,274.4	3,046.2	1,228.2	-
TOTAL		**14,898.0**	**70.0**	**10,553.6**	**4,274.4**	**15,007.4**	**3,046.2**	**11,961.2**	

		As of December 31, 2012, represented							
		Net carrying amount	**Financial assets at fair value**			**Fair value**	**Method for determining fair value**		
(€ million)	**Note**	**Total**	**Available-for-sale assets**	**Loans and receivables**	**Assets designated at fair value through the Consolidated Income Statement**	**TOTAL**	**Level 1**	**Level 2**	**Level 3**
Non-consolidated investments	10	47.0	47.0	-	-	47.0	3.6	43.4	-
Non-current and current operating financial assets	11	2,382.9	-	2,382.9	-	2,614.0	-	2,614.0	-
Other non-current financial assets	12	2,441.3	33.3	2,408.0		2,441.3		2,441.3	-
Trade receivables	14	6,129.1	-	6,129.1	-	6,129.1	-	6,129.1	-
Other current operating receivables	14	548.4	-	548.4	-	548.4	-	548.4	-
Other current financial assets	12	1,488.6	2.4	1,486.2	-	1,488.6	-	1,488.6	-
Cash and cash equivalents	15	4,998.0	-	-	4,998.0	4,998.0	4,171.0	827.0	-
TOTAL		**18,035.3**	**82.7**	**12,954.6**	**4,998.0**	**18,266.4**	**4,174.6**	**14,091.8**	**-**

Level 2 cash and cash equivalents mainly consist of negotiable debt instruments and term deposit accounts.

		As of December 31, 2011, represented							
		Net carrying amount	Financial assets at fair value			Fair value	Method for determining fair value		
(€ million)	**Note**	**Total**	**Available-for-sale assets**	**Loans and receivables**	**Assets designated at fair value through the Consolidated Income Statement**	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-consolidated investments	10	65.4	65.4	-	-	65.4	2.8	62.6	-
Non-current and current operating financial assets	11	2,256.7	-	2,256.7	-	2,311.9	-	2,311.9	-
Other non-current financial assets	12	2,864.6	37.8	2,826.8		2,864.6		2,864.6	-
Trade receivables	14	6,335.2	-	6,335.2	-	6,335.2	-	6,335.2	-
Other current operating receivables	14	578.3	-	578.3	-	578.3	-	578.3	-
Other current financial assets	12	978.9	3.5	975.4	-	978.9	-	978.9	-
Cash and cash equivalents	15	5,025.4	-	-	5,025.4	5,025.4	2,747.2	2,278.2	-
TOTAL		**18,104.5**	**106.7**	**12,972.4**	**5,025.4**	**18,159.7**	**2,750.0**	**15,409.7**	**-**

27.2 Financial liabilities

The following tables present the net carrying amount and fair value of Group financial liabilities as of December 31, 2013, 2012 and 2011, grouped together in accordance with IFRS 7 categories.

Financial liability fair values are determined pursuant to the measurement principles presented in Note 1.26.

		As of December 31, 2013							
		Net carrying amount	Financial liabilities at fair value			Fair value	Method for determining fair value		
(€ million)	Note	Total	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
• non-current bonds	18	8,953.6	8,953.6	-	-	9,932.2	9,846.7	85.5	-
• other non-current borrowings	18	543.2	543.2	-	-	565.5	-	565.5	-
• current borrowings	18	2,912.8	2,912.8	-	-	2,912.8	-	2,912.8	-
• bank overdrafts and other cash position items	15	216.1	216.1	-	-	216.1	-	216.1	-
Trade payables	14	3,196.3	3,196.3	-	-	3,196.3	-	3,196.3	-
Other operating payables	14	3,460.1	3,460.1	-	-	3,460.1	-	3,460.1	-
TOTAL		**19,282.1**	**19,282.1**			**20,283.0**	**9,846.7**	**10,436.3**	**-**

		As of December 31, 2012, represented							
		Net carrying amount	Financial liabilities at fair value			Fair value	Method for determining fair value		
(€ million)	Note	Total	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
• non-current bonds	18	10,821.2	10,821.2	-	-	12,136.9	12,044.9	92.0	-
• other non-current borrowings	18	1,310.1	1,310.1	-	-	1,360.9	-	1,360.9	-
• current borrowings	18	3,606.1	3,606.1	-	-	3,606.1	-	3,606.1	-
• bank overdrafts and other cash position items	15	252.7	252.7	-	-	252.7	-	252.7	-
Trade payables	14	3,997.7	3,997.7	-	-	3,997.7	-	3,997.7	
Other operating payables	14	3,687.7	3,687.7	-	-	3,687.7	-	3,687.7	-
TOTAL		**23,675.5**	**23,675.5**	**-**	**-**	**25,042.0**	**12,044.9**	**12,997.1**	**-**

		As of December 31, 2011, represented							
		Net carrying amount		Financial liabilities at fair value		Fair value	Method for determining fair value		
(€ million)	Note	Total	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
• non-current bonds	18	13,027.9	13,027.9	-	-	13,806.5	13,391.6	414.9	-
• other non-current borrowings	18	1,185.4	1,185.4	-	-	1,195.0	-	1,195.0	-
• current borrowings	18	3,753.2	3,753.2	-	-	3,753.2	-	3,753.2	
• bank overdrafts and other cash position items	15	390.5	390.5	-	-	390.5	-	390.5	
Trade payables	14	3,927.6	3,927.6			3,927.6		3,927.6	-
Other operating payables	14	4,040.4	4,040.4			4,040.4		4,040.4	-
TOTAL		**26,325.0**	**26,325.0**			**27,113.2**	**13,391.6**	**13,721.6**	**-**

27.3 Offsetting of financial assets and liabilities

As of December 31, 2013, derivatives managed under ISDA or EFET agreements are the only financial assets and/or liabilities covered by a legally enforceable master netting agreement. These instruments may only be offset in the event of default by one of the parties to the agreement. They are not therefore offset in the accounts.

Such derivatives are recognized in assets in the amount of €319.0 million and in liabilities in the amount of €181.9 million in the Consolidated Statement of Financial Position as of December 31, 2013.

Note 28 Financial risk management

28.1 Group objectives and organization

The Group is exposed to the following financial risks in the course of its operating and financial activities:

- Market risks presented in Note 28.2:
  - Interest-rate risk, presented in Note 28.2.1 (interest-rate fair value hedges, cash flow hedges and derivatives not qualifying for hedge accounting);
  - Foreign exchange risk, presented in Note 28.2.2 (hedges of a net investment in a foreign operation, hedges of balance sheet foreign exchange exposure by derivatives not qualifying for hedge accounting, embedded derivatives, overall foreign exchange risk exposure);
  - Commodity risk, presented in Note 28.2.3 (fuel and electricity risks, greenhouse gas emission rights);
- Equity risk, presented in Note 28.3;
- Liquidity risk, presented in Note 28.4;
- Credit risk, presented in Note 28.5.

28.2 Market risk management

28.2.1 Management of interest rate risk

The financing structure of the Group exposes it naturally to the risk of interest rate fluctuations. As such, the cash and cash equivalents position covers floating-rate debt which impacts future financial results according to fluctuations in interest rates.

Short-term debt is primarily indexed to short-term indexes (Eonia for the treasury note program and Euribor/Libor for the main short-term credit lines). Medium and long-term debt comprises both fixed and floating-rate debt.

The Group manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments.

These swaps may be classified as fair value hedges or cash flow hedges.

The following table shows the interest-rate exposure of gross debt (defined as the sum of non-current borrowings, current borrowings and bank overdrafts and other cash position items) before and after hedging.

	As of December 31, 2013		As of December 31, 2012, represented		As of December 31, 2011, represented	
(€ million)	**Outstandings**	**% total debt**	**Outstandings**	**% total debt**	**Outstandings**	**% total debt**
Fixed rate	8,857.2	71.1%	10,834.6	68.5%	13,265.2	74.9%
Floating rate	3,593.9	28.9%	4,985.1	31.5%	4,456.3	25.1%
Gross debt before hedging	**12,451.1**	**100.0%**	**15,819.7**	**100.0%**	**17,721.5**	**100.0%**
Fixed rate	5,801.6	46.0%	10,331.9	64.6%	8,726.0	47.5%
Floating rate	6,824.1	54.0%	5,658.2	35.4%	9,631.0	52.5%
Gross debt after hedging and fair value remeasurement of fixed-rate debt	**12,625.7**	**100.0%**	**15,990.1**	**100.0%**	**18,357.0**	**100.0%**
Fair value adjustments to (asset)/liability hedging derivatives	**(174.6)**		(170.4)		(635.5)	
GROSS DEBT AT AMORTIZED COST	**12,451.1**		**15,819.7**		**17,721.5**	

Total gross debt as of December 31, 2013 after hedging is 46% fixed-rate and 54% floating-rate. No caps are active as of December 31, 2012. Excluding inactive caps (€120 million), the fixed-rate portion of gross debt is 47% and the floating-rate portion is 53%.

As of December 31, 2013, the Group has cash and cash equivalents of €4,274.4 million, the majority of which bears interest at floating rates.

Net financial debt totals €8,176.7 million and is 69% fixed-rate and 31% floating-rate.

28.2.1.1 Sensitivity of the Consolidated Income Statement and equity

The Group manages its exposure to interest rate fluctuations based on floating-rate gross debt net of cash.

The breakdown of the Group's floating-rate debt by maturity as of December 31, 2013 is as follows:

(€ million)	**Overnight and less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Total assets (cash and cash equivalents)	4,274.4	-	-	4,274.4
Total floating-rate liabilities	(3,133.3)	(186.1)	(274.5)	(3,593.9)
Net floating-rate position before active hedging	**1,141.1**	**(186.1)**	**(274.5)**	**680.5**
Derivative instruments(1)	(0.1)	2,176.3	1,053.9	3,230.1
NET FLOATING-RATE POSITION AFTER ACTIVE MANAGEMENT AND HEDGING	**1,141.0**	**1,990.2**	**779.4**	**3,910.6**

(1) Financial instruments hedging debt excluding inactive caps of €120 million (euro equivalent).

The analysis of the sensitivity of finance costs to interest rate risk covers financial assets and liabilities and the derivative portfolio as of December 31, 2013. Given the net debt structure of the Group and its derivative portfolio, a change in interest rates would impact the Consolidated Income Statement via the cost of floating-rate debt (after hedging), the fair value of trading derivatives and Group investments.

The analysis of the sensitivity of equity to interest rate risk concerns the cash flow hedge reserve. This sensitivity corresponds to fair market value movements as a result of an instantaneous change in interest rates.

Assuming a constant net debt structure and management policy, an increase in the fair value of the effective portion of derivatives designated as cash flow hedges, following a 0.5% increase in interest rates at the year end, would not have a material impact on fair value reserves in equity. The impact on floating-rate debt and floating-rate payer swaps on fixed-rate debt would decrease net income by €15.3 million. A decrease in interest rates of 0.5% would have the opposite impact on net income. All other variables have been assumed to be constant for the purpose of this analysis and the change in net income and equity is attributable to a uniform change in all floating interest rates to which the Group is exposed.

28.2.2 Management of foreign exchange risk

The Group's international activities generate significant foreign currency flows.

The Group's central treasury department manages foreign exchange risk centrally within limits set by the Chief Finance Officer.

Foreign exchange risk, as defined by IFRS 7, mainly results from:

a) Foreign currency-denominated purchases and sales of goods and services relating to operating activities and the related hedges (e.g. currency forwards). The Group has no significant exposure to foreign exchange transaction risk. The activities of the Group are performed by subsidiaries operating in their own country and their own currency. Exposure to foreign exchange risk is therefore naturally limited;

b) Foreign-currency denominated financial assets and liabilities including foreign currency-denominated loans/borrowings and related hedges (e.g. forex swaps). With many operations worldwide, Veolia organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. In order to limit the impact of this risk, Veolia Environnement has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with intercompany receivables denominated in the same currency. The asset exposure hedging strategy primarily involves hedging certain net foreign investments and ensuring that Group companies do not have a material balance sheet foreign exchange position that could generate significant volatility in foreign exchange gains and losses (see Note 28.1.2.2);

c) Investments in foreign subsidiaries reflected by the translation of accounts impacting the translation reserves (see Note 28.1.2.3).

28.2.2.1 Translation risk

Due to its international presence, the translation of the income statements of the Group's foreign subsidiaries is sensitive to exchange rate fluctuations.

The following table summarizes the sensitivity of certain Group Consolidated Income Statement aggregates to a 10% increase or decrease in foreign exchange rates against the euro, with regard to the translation of financial statements of foreign subsidiaries.

	Contribution to the consolidated financial statements									Sensitivity to an increase or decrease in currencies against the euro	
(€ million)	**EUR**	**GBP**	**USD**	**PLN**	**CZK**	**AUD**	**CNY**	**Other currencies**	**Total**	**+10%**	**-10%**
Revenue	14,098.5	1,932.6	1,703.0	81.2	627.3	919.2	260.9	2,692.1	**22,314.8**	(705.5)	862.2
Operating income	287.7	114.3	22.9	(14.9)	73.3	50.1	61.5	74.3	**669.2**	(31.2)	38.2

28.2.2.2 Foreign exchange risk with regard to the net finance cost

With many operations worldwide, Veolia organizes financing in local currencies.

The foreign currency debt borne by the parent company, Veolia Environnement SA, is generally hedged using either derivative instruments or assets in the same currency.

The following table shows the exposure to exchange rate fluctuations of the foreign currency net financial debt of the entities that bear the main foreign exchange risks. It also presents the sensitivity of these entities to a 10% increase or decrease in the parities of the corresponding foreign currencies.

	Net finance cost Currency exposure *(in millions of currency)*					Total euro equivalent	Sensitivity to an increase or decrease in the 4 main currencies against the euro *(€ million)*	
	GBP	**USD**	**PLN**	**CNY**	**Other currencies** *(in euros)*		**+10%**	**-10%**
Veolia Environnement SA	(34.3)	(63.6)	(38,5)	(23.7)	(424.6)	(524.6)	(11.1)	9.1
Other Group subsidiaries	(7.0)	(4.4)	0,1	(55.4)	(33.4)	(51.6)	(2.0)	1.7
Total in foreign currency	**(41.3)**	**(68.0)**	**(38,4)**	**(79.1)**	**(458.0)**	**(576.2)**		
TOTAL EURO EQUIVALENT	**(48.3)**	**(50.9)**	**(9,3)**	**(9.7)**	**(458.0)**[(1)]	**(576.2)**	**(13.1)**	**10.8**

(1) o/w -€405.4 million in euro.

28.2.2.3 Foreign exchange and translation risk in the Consolidated Statement of Financial Position

Due to its international presence, the Group's Consolidated Statement of Financial Position is exposed to exchange rate fluctuations. A fluctuation in the euro impacts the translation of subsidiary foreign currency denominated assets in the Consolidated Statement of Financial Position. The main currencies concerned are the U.S. dollar and the pound sterling.

For its most significant assets, the Group has issued debt in the relevant currencies.

The following table shows the net asset amounts for the main currencies:

	Contribution to the consolidated financial statements					**Sensitivity to an increase or decrease in the 2 main currencies against the euro**	
(€ million)	**EUR**	**USD**	**GBP**	**Other currencies**	**Total**	**+10%**	**-10%**
Assets excluding net financial debt by currency	9,803	1,108	2,019	4,930	**17,860**	348	(284)
Net financial debt by currency after hedging	2,667	875	1,876	2,759	**8,177**	306	(250)
Net assets by currency	**7,136**	**233**	**143**	**2,171**	**9,683**	**42**	**(34)**

Management of commodity risk

Fuel or electricity prices can be subject to significant fluctuations. Nonetheless, Veolia Environnement's activities have not been materially affected and should not be materially affected in the future by cost increases or the availability of fuel or other commodities. The long-term contracts entered into by Veolia Environnement generally include price review and/or indexation clauses which enable it to pass on the majority of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

Nonetheless, as part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities (see Note 34) and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

28.2.2.4 Fuel risks

As part of its transportation activities, the Group uses firm fuel purchase contracts (classified as "for own use") and derivatives defined in line with forecast requirements. The majority of these derivatives are swaps used to set the forward purchase price of fuel. They are classified as hedging instruments pursuant to IAS 39 (cash flow hedges) (see Note 27).

28.2.2.5 Coal, gas and electricity risks

The Group has entered into long-term gas, coal, electricity and biomass purchase contracts in order to secure its supplies. The majority of these commitments are reciprocal; the third parties concerned are obliged to deliver the quantities indicated in these contracts and the Group is obliged to take them.

Conversely, as part of electricity sales activities on the wholesale market, the Group may be required to contract forward electricity sales contacts aimed at securing future production (with maturities not exceeding 3 years).

These purchase / sales contracts are generally recognized outside the scope of IAS 39 ("own use" exemption), except for certain specific transactions in gas, $C0_2$ and electricity. For these specific transactions, cash flow hedge accounting is systematically preferred. Certain electricity instruments in Germany do not however qualify for this classification (see Note 34 on off-balance sheet commitments and Note 29.3.1 on electricity derivatives).

28.3 Management of equity risk

As of December 31, 2013, Veolia Environnement holds 14,237,927 of its own shares, of which 8,389,059 are allocated to external growth operations and 5,848,868 were acquired for allocation to employees under employee savings plans, with a market value of €168.8 million, based on a share price of €11.855 and a net carrying amount of €442.5 million deducted from equity.

As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

The Group is also exposed to equity risk through the plan assets of certain of its pension plans (see Note 30, Employee benefit obligation).

28.4 Management of liquidity risk

The operational management of liquidity and financing is managed by the Treasury and Financing Department. This management involves the centralization of major financing in order to optimize liquidity and cash.

The Group secures financing on international bond markets, international private placement markets, the treasury note market and the bank lending market (see Note 19, Non-current and current borrowings).

28.4.1 Maturity of financial liabilities

As of December 31, 2013, **undiscounted contractual flows on net financial debt** (nominal value) break down by maturity date as follows:

	As of December 31, 2013		Maturity of undiscounted contractual flows					
(€ million)	**Gross carrying amount**	**Total undiscounted contractual flows**	**2014**	**2015**	**2016**	**2017**	**2018**	**More than 5 years**
Bond issues[1]	9,548.2	9,288.0	586.5	1,045.3	435.7	939.2	798.5	5,482.8
Treasury notes	580.7	580.7	580.7					
Finance lease obligations	237.6	218.5	45.2	25.3	22.3	14.9	14.6	96.2
Other borrowings	2,043.1	1,925.0	1,692.3	52.0	42.5	38.4	21.3	78.5
Bank overdrafts and other cash position items	216.1	216.1	216.1					
Gross borrowings excluding the impact of amortized cost and hedging derivatives	**12,625.7**	**12,228.3**	**3,120.8**	**1,122.6**	**500.5**	**992.5**	**834.4**	**5,657.5**
Impact of amortized cost and derivatives hedging debt	(174.6)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross borrowings	**12,451.1**	**12,228.3**	**3,120.8**	**1,222.6**	**500.5**	**992.5**	**834.4**	**5,657.5**
Cash and cash equivalents	(4,274.4)	(4,274.4)	(4,274.4)					
Net financial debt	**8,176.7**	**7,953.9**	**(1,153.6)**	**1,122.6**	**500.5**	**992.5**	**834.4**	**5,657.5**

(1) Excluding the impact of amortized cost and derivatives hedging debt.

As of December 31, 2013, the average maturity of net financial debt is 10.1 years, compared with 9.6 years as of December 31, 2012.

Most trade payables have a maturity of less than one year (see Note 14).

As of December 31, 2013, **undiscounted contractual interest flows** on outstanding borrowings break down by maturity date as follows:

	As of December 31, 2013	Maturity of undiscounted contractual flows					
(€ million)	Total flows	2014	2015	2016	2017	2018	More than 5 years
Undiscounted contractual interest flows on outstanding borrowings	**4,930.0**	**470.5**	**436.1**	**414.5**	**394.4**	**347.9**	**2,866.6**

As of December 31, 2013, **undiscounted contractual interest flows on derivative outstandings** recorded in liabilities and assets break down by maturity date as follows:

	As of December 31, 2013		Maturity of undiscounted contractual flows					
(€ million)	Carrying amount	Total undiscounted contractual flows	2014	2015	2016	2017	2018	More than 5 years
Interest-rate derivatives	**190.0**	**203.0**	**35.1**	**40.7**	**44.6**	**29.3**	**21.3**	**32.0**
Fair value hedges	166.8	232.8	48.3	47.9	46.3	30.2	22.2	37.9
Inflows	172.8	819.4	170.2	169.5	165.9	110.6	83.5	119.7
Outflows	(6.0)	(586.6)	(121.9)	(121.6)	(119.6)	(80.4)	(61.3)	(81.8)
Cash flow hedges	26.0	(20.5)	(12.4)	(6.5)	(0.9)	(0.1)	(0.1)	(0.5)
Inflows	58.4	27.3	18.4	8.6	0.2	-	-	0.1
Outflows	(32.4)	(47.8)	(30.8)	(15.1)	(1.1)	(0.1)	(0.1)	(0.6)
Derivatives not qualifying for hedge accounting	(2.8)	(9.3)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)	(5.4)
Inflows	4.4	7.6	1.0	1.0	0.9	0.9	0.9	2.9
Outflows	(7.2)	(16.9)	(1.8)	(1.7)	(1.7)	(1.7)	(1.7)	(8.3)
Foreign currency derivatives excluding net investment hedges	**(18.8)**	**15.7**	**11.9**	**1.8**	**1.7**	**0.3**	**-**	**-**
Fair value hedges	5.8	6.1	6.0	0.4	(0.3)	-	-	-
Inflows	9.9	397.9	267.5	101.7	21.7	0.2	6.8	-
Outflows	(4.1)	(391.8)	(261.5)	(101.3)	(22.0)	(0.2)	(6.8)	-
Cash flow hedges	4.5	3.7	0.5	1.2	1.7	0.3	-	-
Inflows	4.8	244.1	139.3	47.7	44.4	12.7	-	-
Outflows	(0.3)	(240.4)	(138.8)	(46.5)	(42.7)	(12.4)	-	-
Derivatives not qualifying for hedge accounting	(29.1)	5.9	5.4	0.2	0.3	-	-	-
Inflows	44.2	6,369.7	6,249.1	74.3	43.9	2.4	-	-
Outflows	(73.3)	(6,363.8)	(6,243.7)	(74.1)	(43.6)	(2.4)	-	-
Foreign currency derivatives hedging a net investment	**7.6**	**0.7**	**3.3**	**-**	**-**	**-**	**-**	**(2.6)**

In order to best reflect the economic reality of transactions, cash flows relating to derivatives recorded in assets and liabilities are presented net. Asset values are indicated as positive amounts and liabilities as negative amounts in the above table.

28.4.2 Net liquid asset positions

Net liquid assets of the Group as of December 31, 2013 break down as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
Veolia Environnement:			
Undrawn MT syndicated loan facility	3,000.0	2,607.3	2,692.7
Undrawn MT bilateral credit lines	975.0	625.0	700.0
Undrawn ST bilateral credit lines	-	300.0	300.0
Letters of credit facility	350.2	473.7	483.0
Cash and cash equivalents	3,670.4	4,349.6	4,283.3
Subsidiaries:			
Cash and cash equivalents	604.0	648.4	742.2
Total liquid assets	**8,599.6**	**9,004.0**	**9,201.2**
Current debts and bank overdrafts and other cash position items			
Current debt	2,912.8	3,606.1	3,753.3
Bank overdrafts and other cash position items	216.1	252.7	390.5
Total current debt and bank overdrafts and other cash position items	**3,128.9**	**3,858.8**	**4,143.8**
TOTAL LIQUID ASSETS NET OF CURRENT DEBT AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	**5,470.7**	**5,145.2**	**5,057.4**

As of December 31, 2013, Veolia Environnement had total liquid assets of €8.6 billion, including cash and cash equivalents of €4.3 billion.

As of December 31, 2013, cash equivalents were mainly held by Veolia Environnement SA in the amount of €3,652.3 million. They comprise monetary UCITS of €2,034.5 million, negotiable debt instruments (bank certificates of deposit, negotiable medium term notes and treasury notes with a maturity of less than three months) of €502.4 million and term deposit accounts of €1,115.4 million. These amounts include interest.

Veolia Environnement signed two syndicated loan facilities on April 7, 2011: a 5-year €2.5 billion multi-currency loan facility and a 3-year €500 million loan facility available for drawdown in Polish zloty, Czech crown and Hungarian forint (this facility has two one-year extension options that were exercised and accepted in the vast majority and is not drawn as of December 31, 2012).

Undrawn credit lines total €975 million as of December 31, 2013.

In the second quarter of 2013, Veolia Environnement reduced by USD 400 million the amount of the U.S. letters of credit facility signed on November 22, 2010, initially for an amount of USD 1.25 billion. As of December 31, 2013, the facility is drawn USD 367.0 million in the form of letters of credit. The portion that may be drawn in cash is USD 483.0 million (€350.2 million euro equivalent) and is recorded in the liquidity table above.

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

Undrawn credit lines mature as follows:

	As of December 31, 2013	Maturity				
(€ million)	Total	2014	2015	2016	2017	2018
Undrawn syndicated loan facility	3,000.0	37.5	-	691.0	-	2,271.5
Undrawn credit lines	975.0	-	625.0	350.0	-	-
Letters of credit facility	350.2	-	350.2	-	-	-
TOTAL	**4,325.2**	**37.5**	**975.2**	**1,041.0**	**-**	**2,271.5**

28.4.3 Information on early debt repayment clauses

28.4.3.1 Veolia Environnement SA debt

The legal documentation for bank financing and bond issues contracted by the Company does not contain any financial covenants, *i.e.* obligations to comply with a debt coverage ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing.

28.4.3.2 Subsidiary debt

Certain project financing or financing granted by multilateral development banks to the Group's subsidiaries contain financial covenants (as defined above).

Based on diligences performed within the subsidiaries, the Company considers that the covenants included in the documentation of material financing were satisfied (or had been waived by lenders) as of December 31, 2013.

28.5 Management of credit risk

The Group is exposed to counterparty risk in various areas: its operating activities, cash investment activities and derivatives.

28.5.1 Counterparty risk relating to operating activities

Credit risk must be considered separately with respect to operating financial assets and operating receivables. Credit risk on operating financial assets is appraised via the rating of primarily public customers. Credit risk on other operating receivables is appraised through an analysis of risk dilution and late payments for private customers and exceptionally, for public customers, by a credit analysis.

Group customer credit risk analysis may be broken down into the following four categories (Public customers - Delegating authority, Private customers - Individuals, Public customers - Other and Private customers - Companies):

		As of December 31, 2013			Breakdown by customer type			
(€ million)	Note	Gross carrying amount	Impairment losses	Net carrying amount	Public customers– Delegating authority	Private customers – Individuals	Public customers – Other	Private customers – Companies
Non-current and current operating financial assets	11	1,825.5	(29.5)	1,796.0	1,378.8	-	20.9	396.3
Trade receivables	14	5,702.0	(489.0)	5,213.0	753.1	1,212.8	1,043.3	2,203.8
Other current operating receivables	14	491.4	(37.3)	454.1	30.6	48.9	61.4	313.2
Other non-current financial assets in loans and receivables	12	2,533.4	(66.0)	2,467.4	44.3	27.5	3.2	2,392.4
Current financial assets in loans and receivables	12	633.3	(10.2)	623.1	13.3	1.5	40.8	567.5
LOANS AND RECEIVABLES		**11,185.6**	**(632.0)**	**10,553.6**	**2,220.1**	**1,290.7**	**1,169.6**	**5,873.2**
Other non-current financial assets	12	**50.6**	**(26.0)**	**24.6**	**0.4**	-	**0.6**	**23.6**
Other current financial assets	12	**4.9**	-	**4.9**	**2.9**	**1.4**	-	**0.6**
TOTAL		**11,241.1**	**(658.0)**	**10,583.1**	**2,223.4**	**1,292.1**	**1,170.2**	**5,897.4**

The analysis of Group customer credit risk as of **December 31, 2012** is as follows:

(€ million)	Note	As of December 31, 2012, represented			Breakdown by customer type			
		Gross carrying amount	**Impairment losses**	**Net carrying amount**	**Public customers – Delegating authority**	**Private customers – Individuals**	**Public customers – Other**	**Private customers – Companies**
Non-current and current operating financial assets	11	2,430.7	(47.8)	2,382.9	1,453.0	-	253.8	676.1
Trade receivables	14	6,551.8	(422.7)	6,129.1	686.2	1,546.9	1,280.4	2,615.6
Other current operating receivables	14	602.6	(54.2)	548.4	71.7	94.6	125.0	257.1
Other non-current financial assets in loans and receivables	12	2,477.3	(69.3)	2,408.0	65.8	20.8	416.9	1,904.5
Current financial assets in loans and receivables	12	1,511.7	(25.5)	1,486.2	28.6	26.9	33.3	1,397.4
LOANS AND RECEIVABLES		**13,574.1**	**(619.5)**	**12,954.6**	**2,305.3**	**1,689.2**	**2,109.4**	**6,850.7**
Other non-current financial assets	12	**55.2**	**(21.9)**	**33.3**	**0.3**	**1.8**	**0,9**	**30.3**
Other current financial assets	12	**2.4**	**-**	**2.4**		**1.6**	**-**	**0.8**
TOTAL		**13,631.7**	**(641.4)**	**12,990.3**	**2,305.6**	**1,692.6**	**2,110.3**	**6,881.8**

The analysis of Group customer credit risk as of **December 31, 2011** is as follows:

(€ million)	Note	As of December 31, 2011, represented			Breakdown by customer type			
		Gross carrying amount	**Impairment losses**	**Net carrying amount**	**Public customers – Delegating authority**	**Private customers – Individuals**	**Public customers – Other**	**Private customers – Companies**
Non-current and current operating financial assets	11	2,304.4	(47.7)	2,256.7	1,474.4	-	104.0	678.3
Trade receivables	14	6,770.5	(435.3)	6,335.2	795.9	1,513.6	1,554.8	2,470.9
Other current operating receivables	14	626.2	(47.9)	578.3	84.1	129.1	84.7	280.4
Other non-current financial assets in loans and receivables	12	2,896.6	(69.8)	2,826.8	58.8	6.6	421.9	2,339.5
Current financial assets in loans and receivables	12	1,006.9	(31.5)	975.4	25.4	1.4	43.1	905.5
LOANS AND RECEIVABLES		**13,604.6**	**(632.2)**	**12,972.4**	**2,438.6**	**1,650.7**	**2,208.5**	**6,674.6**
Other non-current financial assets	12	**56.8**	**(19.0)**	**37.8**	**0.5**	**0.8**	**0.7**	**35.8**
Other current financial assets	12	**3.6**	**(0.1)**	**3.5**	**-**	**2.2**	**-**	**1.3**
TOTAL		**13,665.0**	**(651.3)**	**13,013.7**	**2,439.1**	**1,653.7**	**2,209.2**	**6,711.7**

Assets past due and not impaired break down as follows:

(€ million)	Note	As of December 31, 2013 Gross carrying amount	Impairment losses	Net carrying amount	Assets not yet due	Assets past due but not impaired 0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	11	1,825.5	(29.5)	1,796.0	1,795.2	0.8	-	-
Trade receivables	14	5,702.0	(489.0)	5,213.0	3,925.2	1,036.6	111.1	140.1
Other current operating receivables	14	491.4	(37.3)	454.1	348.4	58.4	17.7	29.6
Other non-current financial assets in loans and receivables	12	2,533.4	(66.0)	2,467.4	2,467.4	-	-	-
Current financial assets in loans and receivables	12	633.3	(10.2)	623.1	599.8	2.0	-	21.3
LOANS AND RECEIVABLES		**11,185.6**	**(632.0)**	**10,553.6**	**9,136.0**	**1,097.8**	**128.8**	**191.0**
Other non-current financial assets	12	**50.6**	**(26.0)**	**24.6**	**24.6**	**-**	**-**	**-**
Other current financial assets	12	**4.9**	**-**	**4.9**	**1.4**	**-**	**-**	**3.5**

In France, net trade receivables past due over 6 months total €86.0 million at the end of 2013 (€123.5 million at the end of 2012), representing 2.9% of customer outstandings (including €43.9 million past due over one year). The majority of this balance concerns amounts invoiced on behalf of local authorities and public bodies, receivables on local authorities and public bodies and VAT.

Financial assets maturity schedules as of December 31, 2012 and 2011:

(€ million)	Note	As of December 31, 2012, represented Gross carrying amount	Impairment losses	Net carrying amount	Assets not yet due	Assets past due but not impaired 0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	11	2,430.7	(47.8)	2,382.9	2,355.8	21.0	4.2	1.9
Trade receivables	14	6,551.8	(422.7)	6,129.1	4,744.3	1,136.8	104.3	143.7
Other current operating receivables	14	602.6	(54.2)	548.4	373.5	85.2	27.4	62.3
Other non-current financial assets in loans and receivables	12	2,477.3	(69.3)	2,408.0	2,408.0	-	-	-
Current financial assets in loans and receivables	12	1,511.7	(25.5)	1,486.2	1,291.8	2.8	184.6	7.0
LOANS AND RECEIVABLES		**13,574.1**	**(619.5)**	**12,954.6**	**11,173.4**	**1,245.8**	**320.5**	**214.9**
Other non-current financial assets	12	**55.2**	**(21.9)**	**33.3**	**33.3**	**-**	**-**	**-**
Other current financial assets	12	**2.4**	**-**	**2.4**	**1.2**	**-**	**-**	**1.2**

(€ million)	Note	As of December 31, 2011, represented Gross carrying amount	Impairment losses	Net carrying amount	Assets not yet due	Assets past due but not impaired 0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	11	2,304.4	(47.7)	2,256.7	2,239.3	9.7	5.7	2.0
Trade receivables	14	6,770.5	(435.3)	6,335.2	4,804.5	1,154.2	145.7	230.8
Other current operating receivables	14	626.2	(47.9)	578.3	411.7	67.5	55.0	44.1
Other non-current financial assets in loans and receivables	12	2,896.6	(69.8)	2,826.8	2,826.8	-	-	-
Current financial assets in loans and receivables	12	1,006.9	(31.5)	975.4	955.5	16.5	1.9	1.5
LOANS AND RECEIVABLES		**13,604.6**	**(632.2)**	**12,972.4**	**11,237.8**	**1,247.9**	**208.3**	**278.4**
Other non-current financial assets	12	**56.8**	**(19.0)**	**37.8**	**37.8**	**-**	**-**	**-**
Other current financial assets	12	**3.6**	**(0.1)**	**3.5**	**3.4**	**-**	**-**	**0.1**

28.5.2 Counterparty risk relating to investment and hedging activities

The Group is exposed to credit risk relating to the investment of its surplus cash and its use of derivative instruments in order to manage interest rate and foreign exchange risk. Credit risk corresponds to the loss that the Group may incur should a counterparty default on its contractual obligations. In the case of derivative financial instruments, this risk corresponds to the fair value of all the instruments contracted with a counterparty insofar as this value is positive.

The Group minimizes counterparty risk through internal control procedures limiting the choice of banking counterparties to leading banks and financial institutions (banks and financial institutions with a minimum Moody's, Standard & Poor's or Fitch's rating of A1/P1/F1 respectively for transactions with a term of less than one year and of A2/A/A respectively for transactions with a term of more than one year, unless justified). Limits are determined for each counterparty based primarily on the rating awarded by the rating agencies, the size of their equity and commitments given to the Group and are reviewed monthly. In addition, new derivative transactions must only be entered into with counterparties with whom the Group has an ISDA or FBF framework agreement.

Counterparty risk on financial transactions is monitored on an ongoing basis by the middle-office. The Group is not exposed to any risk as a result of material concentration.

As of December 31, 2013, Veolia Environnement SA outstandings exposed to credit risk total €3,670.4 million with regard to investments and €205.2 million with regard to derivative instruments (sum of the fair values of assets and liabilities). These counterparties are investment grade for 100% of the total exposure.

Veolia Environnement SA cash surpluses (€3.7 billion as of December 31, 2013) are managed with a profitability objective close to that of the money market, avoiding exposure to capital risk and maintaining a low level of volatility.

They were injected into the following types of investment:

- Non-dynamic monetary UCITS (with the AMF Monetary classification of short-term monetary or monetary) for €2,034.5 million;

- Term deposit accounts classified as cash equivalents, mainly with leading French banks, with a short-term rating from Standard & Poor's, Moody's or Fitch of A1/P1/F1+, for €1,115.4 million;

- Monetary notes and certificates of deposit with a maturity of less than three months issued by leading French banks with a short-term rating from Standard & Poor's, Moody's or Fitch of A1/P1/F1 for €502.4 million.

Note 29 Derivatives

The Group uses derivatives to manage and reduce its exposure to fluctuations in interest rates, exchange rates and commodity prices (see Note 28, Financial Risk Management).

The fair value of derivatives in the Consolidated Statement of Financial Position breaks down as follows:

		As of December 31, 2013		As of December 31, 2012, represented		As of December 31, 2011, represented	
(€ million)	Note	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	29.1	**235.6**	**45.6**	**272.1**	**97.6**	**713.9**	**70.5**
Fair value hedges		172.8	6.0	190.6	-	654.3	-
Cash flow hedges		58.4	32.4	75.6	84.6	56.6	49.7
Derivatives not qualifying for hedge accounting		4.4	7.2	5.9	13.0	3.0	20.8
Foreign currency derivatives	29.2	**73.9**	**85.1**	**45.4**	**114.1**	**44.2**	**119.4**
Net investment hedges		15.0	7.4	4.3	21.4	11.6	30.1
Fair value hedges		9.9	4.1	3.5	3.4	5.9	11.9
Cash flow hedges		4.8	0.3	2.5	1.3	0.6	1.7
Derivatives not qualifying for hedge accounting		44.2	73.3	35.1	88.0	26.1	75.7
Commodity derivatives	29.3	**9.5**	**51.2**	**7.9**	**48.7**	**36.5**	**51.9**
TOTAL DERIVATIVES		**319.0**	**181.9**	**325.4**	**260.4**	**794.6**	**241.8**
o/w non-current derivatives		**258.3**	**144.0**	**280.0**	**186.8**	**745.0**	**156.8**
o/w current derivatives		**60.7**	**37.9**	**45.4**	**73.6**	**49.6**	**85.0**

The fair value of derivatives recognized in the Consolidated Statement of Financial Position is determined (as described in Note 1.26) and breaks down as follows:

	As of December 31, 2013		Level 2 (%)		Level 3 (%)	
(€ million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	235.6	45.6	100.0%	100.0%	-	-
Foreign currency derivatives	73.9	85.1	100.0%	100.0%	-	-
Commodity derivatives	9.5	51.2	33.4%	19.5%	66.6%	80.5%
TOTAL DERIVATIVES	**319.0**	**181.9**	**98.0%**	**77.4%**	**2.0%**	**22.6%**

Derivatives valued using internal models integrating certain non-observable data are primarily electricity derivatives (see Note 29.3.1) for which there are no quoted prices in an active market (mainly electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials), in particular for distant maturities. In such cases, data is estimated by Veolia Environnement experts.

	As of December 31, 2012, represented		Level 2 (%)		Level 3 (%)	
(€ million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	272.1	97.6	100.0%	100.0%	-	-
Foreign currency derivatives	45.4	114.1	100.0%	100.0%	-	-
Commodity derivatives	7.9	48.7	26.6%	37.6%	73.4%	62.4%
TOTAL DERIVATIVES	**325.4**	**260.4**	**98.2%**	**88.3%**	**1.8%**	**11.7%**

(€ million)	As of December 31, 2011, represented Assets	Liabilities	Level 2 (%) Assets	Liabilities	Level 3 (%) Assets	Liabilities
Interest-rate derivatives	713.9	70.5	100.0%	100.0%	-	-
Foreign currency derivatives	44.2	119.4	100.0%	100.0%	-	-
Commodity derivatives	36.5	51.9	55.1%	70.1%	44.9%	29.9%
TOTAL DERIVATIVES	**794.6**	**241.8**	**97.9%**	**93.6%**	**2.1%**	**6.4%**

29.1 Interest-rate derivatives

The fair value of interest rate derivatives recognized in the Consolidated Statement of Financial Position breaks down as follows:

(€ million)	Note	As of December 31, 2013 Assets	Liabilities	As of December 31, 2012, represented Assets	Liabilities	As of December 31, 2011, represented Assets	Liabilities
Interest-rate derivatives		**235.6**	**45.6**	**272.1**	**97.6**	**713.9**	**70.5**
Fair value hedges	29.1.1	172.8	6.0	190.6	-	654.3	-
Cash flow hedges	29.1.2	58.4	32.4	75.6	84.6	56.6	49.7
Derivatives not qualifying for hedge accounting	29.1.3	4.4	7.2	5.9	13.0	3.0	20.8

29.1.1 Fair value hedges

The risk of volatility in the value of debt is hedged by fixed–rate receiver/floating-rate payer swaps which change bond issues to floating-rate debt (see Notes 18 and 28).

Fair value hedging swaps represent a notional outstanding amount of €3,279.4 million as of December 31, 2013, compared with €1,472.5 million as of December 31, 2012, with a net fair value in the Consolidated Statement of Financial Position of €166.8 million, as follows:

Fixed-rate receiver / floating-rate payer swaps (€ million)	Notional contract amount by maturity Total	Less than 1 year	1 to 5 years	More than 5 years	Fair value of derivatives Total assets	Total liabilities
As of December 31, 2013	**3,279.4**	**-**	**2,199.4**	**1,080.0**	**172.8**	**6.0**
As of December 31, 2012, represented	1,472.5	386.5	622.5	463.5	190.6	-
As of December 31, 2011, represented	5,582.3	200.0	2,679.2	2,703.1	654.3	-

The movement in the nominal value of the fair value hedging portfolio is mainly due to:

- The expiry at maturity of swaps hedging the USD EMTN issue maturing in June 2013 in the amount of €387 million;
- The set-up, for a total amount of €2,203 million, of swaps hedging the 2018, 2019, 2020 and 2021 euro EMTN issues and the 2018 US dollar EMTN issue;
- The impact of exchange rate fluctuations on the nominal amount of swaps denominated in pound sterling and U.S. dollar of -€9.0 million.

The change in the fair value of floating-rate payer swaps is mainly due to the increase in euro, pound sterling and USD dollar interest rates in 2013.

29.1.2 Cash flow hedges

Cash flow hedges comprise floating-rate receiver/fixed-rate payer swaps mainly on debt secured to finance BOT (Build, Operate, Transfer) contracts, to the extent the underlying assets generate fixed-rate flows.

Floating-rate receiver / fixed-rate payer swaps / purchase of caps	Notional contract amount by maturity				Fair value of derivatives	
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
As of December 31, 2013	**899.6**	**0.1**	**895.7**	**3.8**	**58.4**	**32.4**
As of December 31, 2012, represented	1,884.0	8.3	1,800.8	74.9	75.6	84.6
As of December 31, 2011, represented	1,389.0	-	1,389.0	-	56.6	49.7

€24.1 million, net of tax, was recorded directly in equity attributable to owners of the Company in respect of cash flow hedge interest-rate derivatives as of December 31, 2013.

Contractual flows on interest rate swaps are paid at the same time as contractual flows on floating-rate borrowings and the amount recorded in other comprehensive income is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

The decrease in the cash-flow hedging portfolio between December 31, 2012 and 2013 is mainly due to the expiry at maturity or termination of transactions in the amount of €902 million.

The change in the fair value of fixed-rate payer swaps is mainly due to the early termination of swaps hedging the Polish-zloty-denominated syndicated loan facility and the change in consolidation method of the Oman subsidiary.

29.1.3 Interest-rate derivatives not qualifying for hedge accounting

A certain number of derivatives do not qualify as hedges under IAS 39. The Group does not, however, consider these transactions to be of a speculative nature and views them as necessary for the effective management of its exposure to interest rate risk.

	Notional amount as of December 31, 2013				Fair value of derivatives	
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Fixed-rate receiver / floating-rate payer swaps	515.5	464.1	12.8	38.6	3.2	0.2
Floating-rate receiver / fixed-rate payer swaps	398.2	338.3	15.3	44.6	0.1	7.0
Floating-rate receiver / floating-rate payer swaps	-	-	-	-	-	-
Total firm financial instruments	**913.7**	**802.4**	**28.1**	**83.2**	**3.3**	**7.2**
Purchases of caps	119.9	119.9	-	-	1.1	-
Sales of caps	-	-	-	-	-	-
Sales of swaptions	-	-	-	-	-	-
Total optional financial instruments	119.9	119.9	-	-	1.1	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**1,033.6**	**922.3**	**28.1**	**83.2**	**4.4**	**7.2**

The variation in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2013 and 2012 is mainly due to:

- Expiry at maturity of financial instruments of approximately €1,000 million, including short-term transactions hedging cash investments of €830 million;
- The set-up of new transactions hedging cash investments in the amount of €800 million.

Recap: the breakdown as of **December 31, 2012 and 2011** is as follows:

	Notional amount as of December 31, 2012				Fair value of derivatives	
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Fixed-rate receiver / floating-rate payer swaps	674.9	624.9	30.7	19.3	5.9	-
Floating-rate receiver / fixed-rate payer swaps	425.9	332.7	44.7	48.5	-	13.0
Floating-rate receiver / floating-rate payer swaps	-	-	-	-	-	-
Total firm financial instruments	**1,100.8**	**957.6**	**75.4**	**67.8**	**5.9**	**13.0**
Purchases of vanilla and structured caps	122.5	-	122.5	-	-	-
Sales of caps	-	-	-	-	-	-
Sales of swaptions	-	-	-	-	-	-
Total optional financial instruments	**122.5**	**-**	**122.5**	**-**	**-**	**-**
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**1,223.3**	**957.6**	**197.9**	**67.8**	**5.9**	**13.0**

The decrease in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2012 and 2011 is mainly due to:

- The early termination of the majority of the options portfolio held by Veolia Environnement SA and certain swaps not qualified as hedges, in the total amount of €1,420 million;
- Expiry at maturity of short-term financial instruments hedging cash investments of approximately €1,800 million;
- The set-up of new transactions in the amount of €878 million and primarily short-term swaps hedging cash investments in the amount of €830 million.

	Notional amount as of December 31, 2011				Fair value of derivatives	
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Fixed-rate receiver / floating-rate payer swaps	246.0	209.6	36.4	-	0.9	-
Floating-rate receiver / fixed-rate payer swaps	1,740.8	1,593.5	97.5	49.8	-	10.3
Floating-rate receiver / floating-rate payer swaps	250.0	-	250.0	-	1.7	-
Total firm financial instruments	**2,236.8**	**1,803.1**	**383.9**	**49.8**	**2.6**	**10.3**
Purchases of vanilla and structured caps	1,290.2	300.0	990.2	-	0.4	10.5
Sales of caps	-	-	-	-	-	-
Sales of swaptions	-	-	-	-	-	-
Total optional financial instruments	**1,290.2**	**300.0**	**990.2**	**-**	**0.4**	**10.5**
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**3,527.0**	**2,103.1**	**1,374.1**	**49.8**	**3.0**	**20.8**

29.2 Foreign currency derivatives

The fair value of foreign currency derivatives recognized in the Consolidated Statement of Financial Position breaks down as follows:

		As of December 31, 2013		As of December 31, 2012, represented		As of December 31, 2011, represented	
(€ million)	Note	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FOREIGN CURRENCY DERIVATIVES		**73.9**	**85.1**	**45.4**	**114.1**	**44.2**	**119.4**
Net investment hedges	29.2.1	15.0	7.4	4.3	21.4	11.6	30.1
Fair value hedges	29.2.3	9.9	4.1	3.5	3.4	5.9	11.9
Cash flow hedges	29.2.3	4.8	0.3	2.5	1.3	0.6	1.7
Derivatives not qualifying for hedge accounting	29.2.4	44.2	37.2	35.1	46.9	26.1	51.4
Embedded derivatives		-	36.1	-	41.1	-	24.3

29.2.1 Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

Financial instrument	Notional amount as of December 31, 2013 by currency and maturity					Fair value of derivatives	
(€ million)	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency payer swaps	AUD	59.7	59.7	-	-	1.0	-
	CNY	70.2	17.6	-	52.6	2.3	-
	CZK	183.5	183.5	-	-	-	0.2
	HKD	196.1	196.1	-	-	3.7	-
	JPY	56.9	56.9	-	-	1.4	-
	PLN	160.0	160.0	-	-	-	1.3
	Other	83.2	83.2	-	-	0.2	0.4
Tunnel options	AUD	74.9	74.9	-	-	0.7	0.4
Embedded derivatives (forward sale)	KRW	74.8	17.8	57.0	-	5.7	-
Cross currency swaps: fixed-rate payer / fixed-rate receiver	CNY	60.0	-	-	60.0	-	5.1
Total foreign currency derivatives		**1,019.3**	**849.7**	**57.0**	**112.6**	**15.0**	**7.4**
USD borrowings	USD	547.4	-	257.4	290.0	n/a	n/a
GBP borrowings	GBP	-	-	-	-	n/a	n/a
Syndicated loan facility	PLN	-	-	-	-	n/a	n/a
Total financing		**547.4**	**-**	**257.4**	**290.0**	**n/a**	**n/a**
TOTAL		**1,566.7**	**849.7**	**314.4**	**402.6**	**15.0**	**7.4**

The above currency swaps are short-term but are generally renewed at maturity, until financing of an appropriate term is secured in the currency of the related country.

Fair value movements compared with December 31, 2012 are mainly due to:

- The increase in the fair value of euro/Chinese renminbi yuan cross currency swaps for €12.9 million;
- The increase in the fair value of HKD, CNY and AUD currency swaps for €7.0 million.
- The increase in the fair value of the Korean won embedded derivative for €4.8 million.

Inter-company loans and receivables forming part of a foreign investment (IAS 21) are nearly systematically hedged by foreign currency external financing or foreign currency derivatives (cross currency swaps. currency forwards) meeting IAS 39 criteria for hedge accounting. Foreign exchange gains and losses recorded in foreign exchange translation reserves in respect of hedging instruments are systematically offset by foreign exchange gains and losses recognized in foreign exchange translation reserves on loans forming part of the net investment, unless:

- The inter-company loan forming part of the net investment in a foreign operation is not hedged;
- The hedge is partially ineffective due to a difference between the nominal amount of the hedge and the amount of the hedged net asset;
- Only the net assets of the foreign subsidiary (excluding the loan forming part of the net investment) are hedged.

Net foreign exchange gains recorded in Group foreign exchange translation reserves as of December 31, 2013 of €87.2 million mainly comprise:

- The impact of exchange rate fluctuations on hedges of Water Division investments, particularly in China, Hong Kong, Korea, the Czech Republic, Japan and the United States of €33.2 million;
- The impact of exchange rate fluctuations on hedges of Environmental Services Division investments in Australia of €24.4 million;
- The €24.9 million impact of exchange rate fluctuations on hedges of Veolia Environnement SA investments in the United States (€6.7 million) and the cancellation of deferred tax assets in the tax consolidation scope (€18.6 million).

Recap: the breakdown as of **December 31, 2012 and 2011** is as follows:

Financial instrument		**Notional amount as of December 31, 2012, represented by currency and maturity**				**Fair value of derivatives**	
(€ million)	**Currency**	**Amount**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Currency payer swaps	CZK	200.5	200.5	-	-	0.4	-
	SEK	63.1	63.1	-	-	-	0.2
	HKD	255.3	255.3	-	-	1.0	0.7
	HUF	38.2	38.2	-	-	-	0.1
	ILS	19.6	19.6	-	-	-	0.1
	JPY	-	-	-	-	-	-
	PLN	216.9	216.9	-	-	-	2.9
	Other	102.8	102.8	-	-	2.0	-
Embedded derivatives (forward sale)	KRW	82.4	15.1	63.2	4.1	0.9	-
Cross currency swaps: fixed-rate payer / fixed-rate receiver	CNY	120.0	60.0	-	60.0	-	17.4
Total foreign currency derivatives		**1,098.8**	**971.5**	**63.2**	**64.1**	**4.3**	**21.4**
USD borrowings	USD	1,070.1	352.5	-	717.6	n/a	n/a
GBP borrowings	GBP	796.5	-	-	796.5	n/a	n/a
Syndicated loan facility	PLN	392.7	-	392.7	-	n/a	n/a
Total financing		**2,259.3**	**352.5**	**392.7**	**1,514.1**	**n/a**	**n/a**
TOTAL		**3,358.1**	**1,324.0**	**455.9**	**1,578.2**	**4.3**	**21.4**

Financial instrument		Notional amount as of December 31, 2011, represented by currency and maturity				Fair value of derivatives	
(€ million)	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency payer swaps	CZK	195.2	195.2	-	-	-	0.2
	SEK	60.4	60.4	-	-	-	0.4
	HKD	255.5	255.5	-	-	0.3	4.8
	HUF	36.0	36.0	-	-	0.7	-
	ILS	19.6	19.6	-	-	0.1	-
	JPY	78.9	78.9	-	-	-	1.5
	PLN	246.5	246.5	-	-	4.3	-
	Other	17.2	17.2	-	-	-	-
Embedded derivatives (forward sale)	KRW	85.9	12.9	53.3	19.7	6.2	-
Cross currency swaps: fixed-rate payer / fixed-rate receiver	CNY	120.0	-	60.0	60.0	-	23.2
Total foreign currency derivatives		**1,115.2**	**922.2**	**113.3**	**79.7**	**11.6**	**30.1**
USD borrowings	USD	1,224.5	-	326.3	898.2	n/a	n/a
GBP borrowings	GBP	778.2	-	-	778.2	n/a	n/a
Syndicated loan facility	PLN	307.3	307.3	-	-	n/a	n/a
Total financing		**2,310.0**	**307.3**	**326.3**	**1,676.4**	**n/a**	**n/a**
TOTAL		**3,425.2**	**1,229.5**	**439.6**	**1,756.1**	**11.6**	**30.1**

29.2.2 Fair value hedges

Financial instruments designated as fair value hedges break down as follows:

Financial instrument		Notional amount as of December 31, 2013 by currency and maturity				Fair value of derivatives	
(€ million)	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchase	CAD	9.9	9.1	0.8	-	-	0.3
Forward purchase	USD	26.3	21.0	5.3	-	-	0.9
Forward sale	AUD	5.5	5.5	-	-	0.3	-
Forward sale	CAD	9.6	9.6	-	-	0.2	-
Forward sale	GBP	8.8	8.8	-	-	-	0.2
Forward sale	HKD	23.8	23.8	-	-	0.8	-
Forward sale	KWD	8.6	8.6	-	-	0.1	-
Forward sale	USD	257.3	168.9	88.4	-	8.2	2.4
Other currencies		(1.8)	(6.6)	4.8	-	0.3	0.3
TOTAL FOREIGN CURRENCY DERIVATIVES						**9.9**	**4.1**

The fair value hedges presented above mainly consist of foreign currency hedges in respect of construction contracts for water treatment plants and a thermal desalination plant construction contract in Kuwait.

29.2.3 Cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument	Notional amount as of December 31, 2013 by currency and maturity					Fair value of derivatives	
(€ million)	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchase	GBP	9.5	9.3	0.2	-	0.2	-
Forward sale	CAD	83.2	83.2	-	-	-	0.3
Forward sale	GBP	137.7	39.5	98.3	-	4.2	-
Forward sale	RON	5.6	-	5.6	-	0.3	
Forward sale	USD	6.9	6.9	-	-	0.1	
TOTAL FOREIGN CURRENCY DERIVATIVES						**4.8**	**0.3**

The cash flow hedges presented above mainly consist of forward purchases/sales of foreign currencies different from the functional currencies of the entities concerned, in connection with their own activities and particularly hedges entered into in respect of Private Finance Initiatives (PFI) in the United Kingdom.

These projects concern in particular the districts of Staffordshire, Leeds and Shropshire.

29.2.4 Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting

Fair value	As of December 31, 2013							
(€ million)	Total	USD	CZK	HUF	HKD	PLN	KRW	Other
Forward purchases	(5.4)	(1.0)	(6.1)	-	-	1.3	-	0.4
Currency receiver swaps	7.4	(0.1)	-	0.6	(0.3)	7.9	-	(0.7)
Total currency swaps and forward purchases	**2.0**	**(1.1)**	**(6.1)**	**0.6**	**(0.3)**	**9.2**	**-**	**(0.3)**
Forward sales	(33.6)	0.4	6.0	-	-	(1.3)	(38.4)	(0.3)
Currency payer swaps	2.3	0.3	-	(0.9)	14.1	(9.6)	-	(1.6)
Total currency swaps and forward sales	**(31.3)**	**0.7**	**6.0**	**(0.9)**	**14.1**	**(10.9)**	**(38.4)**	**(1.9)**
Call options	-	-	-	-	-	-	-	-
Put options	0.2	-	-	-	-	-	0.2	-
Total currency options	**0.2**	**-**	**-**	**-**	**-**	**-**	**0.2**	**-**
TOTAL DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**(29.1)**	**(0.4)**	**(0.1)**	**(0.3)**	**13.8**	**(1.7)**	**(38.2)**	**(2.2)**

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement SA to hedge its foreign currency-denominated net financial debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

Recap: Hedges as of **December 31, 2012 and 2011** are as follows:

Fair value	**As of December 31, 2012, represented**						
(€ million)	**Total**	**USD**	**GBP**	**NOK**	**HKD**	**KRW**	**Other**
Forward purchases	9.4	-	-	8.2	-	-	1.2
Currency receiver swaps	(31.6)	(28.5)	(2.6)	-	-	-	(0.5)
Total currency swaps and forward purchases	**(22.2)**	**(28.5)**	**(2.6)**	**8.2**	**-**	**-**	**0.7**
Forward sales	(42.8)	0.1	0.2	(0.1)	-	(41.8)	(1.2)
Currency payer swaps	12.2	0.3	8.0	(0.1)	4.2	-	(0.2)
Total currency swaps and forward sales	**(30.6)**	**0.4**	**8.2**	**(0.2)**	**4.2**	**(41.8)**	**(1.4)**
Call options	-	-	-	-	-	-	-
Put options	(0.1)	0.3	-	-	-	(0.4)	-
Total currency options	**(0.1)**	**0.3**	**-**	**-**	**-**	**(0.4)**	**-**
TOTAL DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**(52.9)**	**(27.8)**	**5.6**	**8.0**	**4.2**	**(42.2)**	**(0.7)**

Fair value	**As of December 31, 2011, represented**						
(€ million)	**Total**	**USD**	**GBP**	**NOK**	**HKD**	**KRW**	**Other**
Forward purchases	(1.1)	(0.5)	0.1	3.0	-	-	(3.7)
Currency receiver swaps	2.0	1.8	0.1	-	-	-	0.1
Total currency swaps and forward purchases	**0.9**	**1.3**	**0.2**	**3.0**	**-**	**-**	**(3.6)**
Forward sales	(16.7)	(1.5)	(0.1)	-	(0.1)	(24.3)	9.3
Currency payer swaps	(30.9)	(3.8)	(20.5)	-	(8.5)	-	1.9
Total currency swaps and forward sales	**(47.6)**	**(5.3)**	**(20.6)**	**-**	**(8.6)**	**(24.3)**	**11.2**
Call options	-	-	-	-	-	-	-
Put options	(2.9)	-	-	-	-	(2.9)	-
Total currency options	**(2.9)**	**-**	**-**	**-**	**-**	**(2.9)**	**-**
TOTAL DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**(49.6)**	**(4.0)**	**(20.4)**	**3.0**	**(8.6)**	**(27.2)**	**7.6**

29.3 Commodity derivatives

As of December 31, 2013, the fair value of commodity derivatives totals €9.5 million in assets and €51.2 million in liabilities. The €0.9 million decrease in fair value on December 31, 2012 is mainly due to the impact of:

- A €10.6 million decrease in the fair value of electricity instruments, due to a fall in electricity prices (see Section 29.3.1 below);
- A €8.8 million increase in the fair value of gas/crude oil/coal transactions, due to the expiry of gas contracts (indexed gas block purchases in France);
- A €0.9 million increase tied to the set-up of a metal hedge derivative in respect of the thermal desalination plant construction contract in Kuwait.

(€ million)	As of December 31, 2013 Assets	Liabilities	As of December 31, 2012, represented Assets	Liabilities	As of December 31, 2011, represented Assets	Liabilities
Commodity derivatives	**9.5**	**51.2**	**7.9**	**48.7**	**36.5**	**51.9**
Electricity	7.1	42.5	6.8	31.6	22.2	21.6
Petroleum products*	0.1	0.5	0.9	1.5	4.3	3.6
Gas *	-	-	-	9.2	0	15.9
CO_2	0.3	0.3	0.1	0.1	8.9	4.9
Coal *	1.1	7.9	0.1	6.3	1.1	4.6
Other	0.9	-	-	-	-	1.3

(*) Transactions concerning gas, coal or other petroleum products are primarily swaps maturing in 2014.

These derivatives break down by hedge type as follows:

(€ million)	As of December 31, 2013 Assets	Liabilities	As of December 31, 2012, represented Assets	Liabilities	As of December 31, 2011, represented Assets	Liabilities
Commodity derivatives	**9.5**	**51.2**	**7.9**	**48.7**	**36.5**	**51.9**
Fair value hedges	-	-	-	-	-	1.3
Cash flow hedges	2.0	8.1	0.7	16.1	6.0	19.3
Derivatives not qualifying for hedge accounting	7.5	43.1	7.2	32.6	30.5	31.3

Material contract notional amounts (electricity – see Note 1.23) are as follows:

29.3.1 Electricity

	Notional contract amount as of December 31, 2013 by maturity			
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Electricity purchase instruments:				
• in Gwh	9,397	990	2,204	6,203
• in € million	523	48	122	353
Electricity sales instruments:				
• in Gwh	1,938	1,062	876	0
• in € million	78	44	34	0

Electricity purchase instruments covering the period 2013 to 2025 have a market value of –€35 million (based on valuation assumptions at the year-end) and sales instruments maturing in 2014 have a net market value of -€0.4 million. These transactions are recorded in the Consolidated Statement of Financial Position at fair value based on the quoted price of commodities with similar maturities and using internal models integrating non-observable data in the absence of a liquid market.

A 10% increase or decrease in the price of electricity (all other things being equal) would have an impact on net income of +€1.5 million and -€1.1 million, respectively.

	Notional contract amount as of December 31, 2012, represented, by maturity			
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Electricity purchase instruments:				
• in Gwh	9,535	868	2,239	6,428
• in € million	580	47	135	398
Electricity sales instruments:				
• in Gwh	1,178	953	225	-
• in € million	58	47	11	-

	Notional contract amount as of December 31, 2011, represented, by maturity			
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Electricity purchase instruments:				
• in Gwh	11,420	774	2,293	8,353
• in € million	734	43	147	544
Electricity sales instruments:				
• in Gwh	831	831	-	-
• in € million	58	58	-	-

29.3.2 Greenhouse gas emission rights

In 2011 the market value of CO_2 transactions mainly reflected forward purchases and sales designated as cash flow hedges and other transactions not qualifying for hedge accounting relating to contracts swapping greenhouse gas emission rights (EUA) for Carbon Emission certificates.

The majority of these transactions had expired at the end of 2012 and 2013, explaining the immaterial value of CO_2 transactions.

Employee benefit obligation

Note 30 Employee Benefit obligation

30.1 Share-based compensation

30.1.1 Veolia Environnement share purchase and subscription option plans

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Outstanding option plans at the end of 2013 were as follows:

	No. 8	No. 7	No. 6
	2010	**2007**	**2006**
Grant date	09/28/2010	07/17/2007	03/28/2006
Number of options granted	2,462,800	2,490,400	4,044,900
Number of options not exercised	0***	537,950*	2,949,147
Plan term	8 years	8 years	8 years
Vesting conditions	4 years' service plus performance conditions	4 years' service plus performance conditions	4 years' service
Vesting method	After 4 years	After 4 years	After 4 years
Strike price *(in euros)*	22.50	57.05	44.03**

* *Given the performance criteria, the number of options effectively exercisable was reduced by 1,742,650 in 2008.*

** *Strike price adjusted to take account of transactions impacting the share capital of the Company. The initial strike price for plan no.6 was €44.75.*

*** *Following failure to achieve performance criteria, validated by the Board of Directors' meeting of March 14, 2013. In the event of a public offering targeting the Company's shares, 2,127,400 options would become available for exercise.*

2011, 2012 and 2013

The Group did not grant any share options in 2011, 2012 or 2013.

2010

In 2010, the Group granted 2,462,800 share options to members of the Executive Committee (excluding the Chief Executive Officer) and three employee groups. The first group comprised Veolia Environnement Group key management, including members of the Executive Committee. The second group comprised other Group management members and the third one included high-performing executive and non-executive employees. The estimated fair value of each option granted in 2010 was €1.86. This value was calculated using the Black and Scholes model, based on the following underlying assumptions: share price of €19.72, volatility of 26.6% based on share prices over a 6-year period in line with the estimated maturity of the plan, expected annual yield of 6.14%, risk-free interest rate of 1.97% and estimated exercise maturity of six years.

The options granted under the plan may only be exercised after a period of four years commencing the grant date, that is from September 29, 2014, provided the Group return on capital employed as of December 31, 2012 is at least equal to 8.4% (application of this performance criteria varies according to the employee category).

As this condition was not satisfied at the 2012 year-end, the Board of Directors' meeting of March 14, 2013 duly noted that the options cannot be exercised. In the event of a public offering targeting the Company's shares, 2,127,400 options would become available for exercise.

2008 and 2009

The Group did not grant any share options in 2008 or 2009.

2007

In 2007, the Group granted 2,490,400 share options to two employee groups. The first group comprised Veolia Environnement Group management, including members of the Executive Committee. The second group comprised senior managers of Veolia Environnement Group companies and employees recognized for their excellent performance in 2006. The estimated fair value of each option granted in 2007 was €13.91. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €57.26, historical volatility of 21.75%, expected dividend yield of 2%, risk-free interest rate of 4.59% and estimated exercise maturity of 6 years.

In 2007, the Group granted 333,700 free shares to employees recognized for their excellent performance in 2006. In France, rights vest after two years, followed by a two year lock-in period and are subject to performance conditions. Outside France, rights vest after four years subject to performance conditions. The estimated fair value of each free share granted in 2007 was €57.26, net of dividends not received during the vesting period and for shares granted to French employees, a discount for non-transferability.

Finally, in 2007 the Group granted 205,200 stock appreciation rights (SAR) on ordinary shares to three employee groups: firstly, Veolia Environnement Group management, secondly senior managers of Veolia Environnement Group companies and thirdly employees recognized for their excellent performance in 2006. Rights vest after four years subject to performance conditions. As of December 31, 2010, the estimated fair value of each option granted in 2007 was €0.03. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €21.86, historical volatility of 32.38%, expected dividend yield of 5.48%, risk-free interest rate of 1.12%, estimated exercise maturity of two years, subscription price of €57.20.

The performance condition determining the number of options granted under the three 2007 plans (share options, free shares and SAR) was the increase in net earnings per share between December 31, 2006 and December 31, 2008. This was taken into account in the calculation of the number of options vested and the compensation expense.

2006

In 2006, the Group granted 4,044,900 share options to three employee groups. The first group comprised Veolia Environnement Group management, including members of the Executive Committee. The second group comprised senior management of Veolia Environnement Group companies. The third group comprised Group employees recognized for their excellent performance. The estimated fair value of each option granted in 2006 was €10.01. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €44.75, historical volatility of 22.6%, expected dividend yield of 1.92%, risk-free interest rate of 3.69% and estimated exercise maturity of 6 years.

Information on share purchase and subscription options is presented below, with a breakdown of movements in 2009, 2010, 2011, 2012 and 2013 (share option plans excluding free share plans and SAR plans (settled in cash)):

	Number of options	Weighted average strike price *(in euros)*
As of December 31, 2008	**12,488,527**	**35.53**
Granted	-	-
Exercised	(31,011)	25.06
Cancelled	(148,418)	46.05
Expired	(1,382,525)	40.59
As of December 31, 2009	**10,926,573**	**34.78**
Granted	2,462,800	22.50
Exercised	(71,113)	29.46
Cancelled	(310,576)	45.43
Expired	(1,895,041)	36.65
As of December 31, 2010	**11,112,643**	**31.48**
Granted	-	-
Exercised	(64,197)	22.14
Cancelled	(287,140)	38.30
Expired	(1,480,043)	22.14
As of December 31, 2011	**9,281,263**	**32.82**
Granted	-	-
Exercised	-	-
Cancelled	(514,480)	34.08
Expired	(5,185,688)*	23.57
As of December 31, 2012	**3,581,095**	**46.02**
Granted	**-**	**-**
Exercised	-	-
Cancelled	(93,998)	45.51
Expired	-	-
As of December 31, 2013	**3,487,097**	**46.04**

* *Including 2,127,400 due to failure to meet performance conditions.*

No options were exercised in 2013.

Details of Veolia Environnement share purchase and subscription options outstanding as of December 31, 2013 are as follows:

Strike price	Number of options outstanding	Weighted average strike price *(in euros)*	Average residual term *(in years)*	Number of options vested
40-45	2,949,147	45.27	0.24	2,949,147
55-60	537,950	57.05	1.54	537,950
Total	**3,487,097**	**46.04**	**0.44**	**3,487,097**

As of December 31, 2013, 3,487,097 options can be exercised.

30.1.2 Employee savings plans

Veolia Environnement has regularly set-up standard and leveraged savings plans which enable a large number of employees of Veolia Environnement and its subsidiaries to subscribe for Veolia Environnement shares. Shares subscribed by employees under these plans are subject to certain restrictions regarding their sale or transfer by employees.

No savings plans were set up in 2011, 2012 or 2013.

30.2 Pension plans and other post-employment benefits

The following disclosures concern pension plans offered by fully consolidated entities.

30.2.1 Description of plans

In accordance with the regulatory environment and collective agreements, the Group has established defined benefit and defined contribution pension plans (company or multi-employer) in favor of employees and other post-employment benefits.

Defined contribution plans

As described in Note 1.15, defined contribution plans are plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments. These obligations are expensed in the Consolidated Income Statement when due. Basic mandatory pension plans in the various countries where the Group operates are generally defined contribution plans.

Supplementary defined contribution plans have been set up in certain subsidiaries. Expenses incurred by the Group under these plans total €60 million for 2013 and €62 million for 2012.

Defined benefit plans

Some Group companies have established defined benefit pension plans and/or offer other post-employment benefits (mainly retirement termination payments).

The tables in Note 30.2 § b present the obligations in respect of defined benefit pension plans (see Note 1.15) and other post-employment benefits.

The measurement of these obligations is reflected by the DBO (Defined Benefit Obligation) or actuarial liability. These future outflow commitments may be partially or fully funded ("plan assets").

The greatest obligations are located in the United Kingdom and France.

United Kingdom

The defined benefit obligation in the United Kingdom is €677.2 million as of December 31, 2013 (compared with €697.5 million as of December 2012) and is funded by plan assets of €606.6 million at this date (compared with €603.9 million as of December 31, 2012).

The average duration of these plans is approximately 20 years.

In the United Kingdom, defined benefit pension plans are mainly final salary plans. Most of these plans are closed to new employees and the majority are also closed to the acquisition of new rights. These plans are financed by employer and employee contributions paid to an independent pension fund (the Trustee). Local regulations ensure the independence of the pension fund, which has 9 members (including 5 employer representatives, 3 representatives of active and retired employees and 1 independent member).

Plan rules authorize the employer to recover excess funds paid at the end of the plans.

These plans allow retirees to take part of the benefit as a lump-sum and the balance as a pension. In the case of a pension, the related risk is tied to the longevity of beneficiaries.

France

In France, the defined benefit obligation for all plans totaled €487.5 million as of December 31, 2013 (€519.9 million as of December 31, 2012) and is funded by plan assets of €106.3 million at this date (€116.9 million as of December 31, 2012).
Nearly 82% of the obligation relates to retirement indemnities (legally required payments) paid in a lump sum. These indemnities represent a number of months' salary based on Group seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee's retirement. A portion of these obligations is covered by insurance contracts, but this funding is at the discretion of the employer. The average duration of these plans is approximately 11 years.

The risk associated with this type of plan is legislative risk, in terms of potential adjustments to redundancy payments to which retirement indemnities are linked in certain collective bargaining agreements. Furthermore, the renegotiation of collective bargaining agreements could also generate adjustments to indemnities granted.

With respect to executive plans, the Board of Directors meeting of March 14, 2013, having received a favorable opinion from the Works Council and at the recommendation of the Nominations and Compensation Committee, approved the closure of the two supplementary defined benefits collective pension plans for members of the Executive Committee (including the corporate officer) and senior Group executives (excluding the Executive Committee members). The General Shareholders' Meeting of May 14, 2013 approved the resolution authorizing the amendment of the corporate officer's pension plan which is considered a regulated agreement. The beneficiaries of these closed pension plans were transferred with effect from July 1 to a pre-existing defined benefits plan for certain categories of executive manager. The closure of these two pension plans had an impact of €40.3 million on operating income for the year ended December 31, 2013.

Multi-employer plans

Under collective agreements, some Group companies participate in multi-employer defined benefit pension plans. However, these plans are unable to provide a consistent and reliable basis for the allocation of the obligation, assets and costs between the different participating entities. They are therefore recorded as defined contribution plans in accordance with IAS 19, revised. The multi-employer plans concern approximately 1,700 employees in 2013 and are mainly located in Germany, where such plans are generally funded by redistribution.

The corresponding expense recorded in the Consolidated Income Statement is equal to annual contributions and totals approximately €5 million in 2013.

The Group also offers post-employment benefits and notably health insurance plans in France and the United States.

30.2.2 Change in the funding status of post-employment benefit obligations and the provision

	As of December 31,											
	United Kingdom			France			Other countries			TOTAL		
(€ million)	2013	2012 represented	2011 represented	2013	2012 represented	2011 represented	2013	2012 represented	2011 represented	2013	2012 represented	2011 represented
(a) Defined benefit obligation at the year end	677.2	697.5	1,009.6	487.5	519.9	463.6	226.3	225.0	193.4	1,391.0	1,442.4	1,666.6
(b) Fair value of plan assets at the year end	606.6	603.9	898.0	106.3	116.9	119.1	74.7	68.4	61.4	787.6	789.2	1,078.5
Funding status = (b) – (a)	**(70.6)**	**(93.6)**	**(111.6)**	**(381.2)**	**(403.0)**	**(344.5)**	**(151.6)**	**(156.6)**	**(132.0)**	**(603.4)**	**(653.2)**	**(588.1)**
Provisions	(87.5)	(112.2)	(121.1)	(381.5)	(403.2)	(345.5)	(151.6)	(156.6)	(132.0)	(620.6)	(672.0)	(598.6)
Prepaid benefits (regimes with a funding surplus)	16.9	18.6	9.5	0.3	0.2	1.0	-	-	-	17.2	18.8	10.5

Provisions for post-employment benefits total €620.6 million, compared with €672.0 million in 2012. In 2013, this amount includes in particular provisions of €128.3 million reclassified in the Consolidated Statement of Financial Position in Liabilities directly associated with assets held for sale, i.e. an amount of €492.3 million recorded in the Consolidated Statement of Financial Position.

30.2.3 Obligations in respect of defined benefit pension plans and other post-employment benefits.

Actuarial assumptions

Actuarial assumptions used for calculation purposes vary depending on the country in which the plan is implemented.

The benefit obligation in respect of pension plans and post-employment benefits as of December 31, 2013, 2012 and 2011 is based on the following average assumptions:

	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
Discount rate	**3.95%**	**3.78%**	**4.54%**
United Kingdom	**4.60%**	**4.40%**	**4.70%**
Euro zone	**3.20%**	**3.20%**	**4.70%**
Expected rate of salary increase	**3.41%**	**2.97%**	**3.58%**

Change in the Defined Benefit Obligation (DBO)

	As of December 31,											
Change in the DBO	**United Kingdom**			**France**			**Other countries**			**TOTAL**		
(€ million)	**2013**	**2012 represented**	**2011 represented**	**2013**	**2012 represented**	**2011 represented**	**2013**	**2012 represented**	**2011 represented**	**2013**	**2012 represented**	**2011 represented**
Defined benefit obligation at beginning of year	697.5	1,009.6	970.9	519.9	463.6	434.4	225.0	193.4	212.7	1,442.4	1,666.6	1,618.0
Current service cost	4.3	8.7	13.3	24.6	22.9	22.4	11.2	10.6	10.0	40.1	42.2	45.7
Plan amendments or new plan (contract win) (*)	2.0	-	0.8	(2.2)	3.7	10.9	1.4	-	(0.9)	1.2	3.7	10.8
Curtailments and liquidations (*)	(23.5)	(2.4)	-	(50.6)	(19.1)	(6.3)	(0.9)	(1.5)	(28.7)	(75.0)	(23.0)	(35.0)
Interest cost	28.3	39.2	48.7	14.6	19.8	19.1	6.9	7.3	7.4	49.8	66.3	75.2
Actuarial gains and losses	2.4	37.7	(24.8)	7.7	50.6	19.0	(2.9)	22.5	3.5	7.2	110.8	(2.3)
o/w actuarial gains and losses arising from experience adjustments	*(1.5)*	*(1.3)*	*(28.2)*	*0.6*	*(0.8)*	*8.3*	*0.4*	*3.7*	*(0.3)*	*(0.5)*	*1.6*	*(20.2)*
o/w actuarial gains and losses arising from changes in demographic assumptions	*(4.7)*	*12.1*	*11.1*	*0.9*	*(3.5)*	*2.8*	*3.3*	*(0.6)*	*-*	*(0.5)*	*8.0*	*13.9*
o/w actuarial gains and losses arising from changes in financial assumptions	*8.6*	*26.9*	*(7.7)*	*6.2*	*54.9*	*7.9*	*(6.6)*	*19.4*	*3.8*	*8.2*	*101.2*	*4.0*
Plan participants' contributions	0.8	1.7	2.8	-	-	-	0.8	0.9	0.9	1.6	2.6	3.7
Benefits paid	(19.7)	(29.6)	(30.9)	(25.5)	(22.3)	(22.2)	(10.9)	(13.1)	(12.8)	(56.1)	(65.0)	(65.9)
Benefit obligation assumed on acquisition of subsidiaries	-	-	-	-	0.4	0.4	4.1	9.0	-	4.1	9.4	0.4
Benefit obligation transferred on divestiture of subsidiaries (**)	-	(398.5)	-	(0.1)	(1.1)	(15.1)	-	(2.3)	(5.5)	(0.1)	(401.9)	(20.6)
Foreign exchange translation	(14.8)	31.3	29.9	-	-	-	(8.5)	(2.7)	3.7	(23.3)	28.6	33.6
Other	(0.1)	(0.2)	(1.1)	(0.9)	1.4	1.0	0.1	0.9	3.1	(0.9)	2.1	3.0
(a) Defined benefit obligation at end of year	**677.2**	**697.5**	**1,009.6**	**487.5**	**519.9**	**463.6**	**226.3**	**225.0**	**193.4**	**1,391.0**	**1,442.4**	**1,666.6**

(*) Primarily in 2011, the early termination of the management agreement between the City of Indianapolis and Veolia leading to a reduction in the DBO of €15 million. In 2013, the decrease includes €40.3 million in respect of the closure of executive plans in France and €23.4 million in respect of a UK pension plan, following the divestiture of regulated Water activities in 2012 and the resulting transfer of the DBO relating to this plan to the buyer.

(**) In 2012, this line includes the decrease in the DBO associated with the divestiture of regulated Water activities in the United Kingdom of €398.5 million. In 2011, the divestiture of Proxiserve (Energy Services) generated a decrease in the DBO of €12.8 million.

Sensitivity of the benefit obligation and the current service cost

The Group benefit obligation is especially sensitive to discount and inflation rates.

A 1% increase in the discount rate would decrease the benefit obligation by approximately €186 million and the current service cost of the next year by €5 million. A 1% decrease in the discount rate would increase the benefit obligation by €221 million and the current service cost of the next year by €6 million.

Conversely, a 1% increase in the inflation rate would increase the benefit obligation by approximately €174 million and the current service cost of the next year by €6 million. A 1% decrease in the inflation rate would decrease the benefit obligation by €152 million and the current service cost by €5 million.

30.2.4 Plan assets

Change in plan assets

The following table presents plan assets funding obligations in respect of defined benefit pension plans and other post-employment benefits.

	As of December 31,											
Change in plan assets	**United Kingdom**			**France**			**Other countries**			**TOTAL**		
(€ million)	**2013**	**2012 represented**	**2011 represented**	**2013**	**2012 represented**	**2011 represented**	**2013**	**2012 represented**	**2011 represented**	**2013**	**2012 represented**	**2011 represented**
Fair value of plan assets at beginning of year	**603.9**	**898.0**	**826.1**	**116.9**	**119.1**	**119.2**	**68.4**	**61.4**	**78.0**	**789.2**	**1,078.5**	**1,023.3**
Actual return on plan assets	38.0	54.7	45.1	3.3	3.3	4.8	5.6	4.9	(3.0)	46.9	62.9	46.9
o/w interest income	24.8	35.7	42.1	3.7	5.6	5.5	1.5	1.8	2.4	30.0	43.1	50.0
o/w return on plan assets excluding amounts included in the interest income	13.2	19.0	3.0	(0.4)	(2.3)	(0.7)	4.1	3.1	(5.4)	16.9	19.8	(3.1)
Group contributions	13.6	52.2	27.8	0.2	0.3	-	3.2	3.7	4.2	17.0	56.2	32.0
Plan participants' contributions	0.8	1.7	2.8	-	-	-	0.8	0.9	0.8	1.6	2.6	3.6
Plan assets acquired on acquisition of subsidiaries	-	-	-	-	-	0.2	-	-	-	-	-	0.2
Plan assets transferred on divestiture of subsidiaries *	-	(404.2)	-	-	-	(0.2)	-	-	(2.5)	-	(404.2)	(2.7)
Liquidations**	(17.4)	-	-	(8.4)	-	-	-	(0.5)	(13.6)	(25.8)	(0.5)	(13.6)
Benefits paid	(19.6)	(29.6)	(30.8)	(5.7)	(5.7)	(5.0)	(1.9)	(2.0)	(4.7)	(27.2)	(37.3)	(40.5)
Administrative expenses paid by the fund	-	-	-	-	-	-	(0.1)	-	-	(0.1)	-	-
Foreign exchange translation	(12.5)	31.1	26.9	-	-	-	(1.7)	-	1.3	(14.2)	31.1	28.2
Other	(0.2)	-	0.1	-	(0.1)	0.1	0.4	-	0.9	0.2	(0.1)	1.1
(b) Fair value of plan assets at end of year	**606.6**	**603.9**	**898.0**	**106.3**	**116.9**	**119.1**	**74.7**	**68.4**	**61.4**	**787.6**	**789.2**	**1,078.5**

(*) In 2012, plan assets transferred mainly concern the divestiture of regulated Water activities in the United Kingdom in the amount of €404.2 million.

**) *In 2013, the transfer of the plan assets of a UK pension plan following the loss of a contract led to liquidations of €17.4 million. In France, employer contributions of €6.8 million were repaid following the closure of executive plans.*

In the United Kingdom, the investment policy is defined by the pension fund. Funding levels and the contribution payment schedule are negotiated by the employer and the Trustee, based on triennial actuarial valuations. Contributions include both the recovery of the shortfall in relation to past rights and service costs for future years. In 2013, a triennial valuation was performed for one of the eight United Kingdom funds.

United Kingdom pension funds aim at attaining 100% technical coverage of liabilities within 10 years, while maintaining a risk level considered as acceptable by all parties (Trustees and employers). In order to achieve that goal, plan assets are allocated within two portfolios:

- A Liability Driven Investment portfolio (where flows best match liabilities and the value of which fluctuates in line with the liability value). This portfolio mainly includes inflation-linked bonds issued or guaranteed by the UK government and derivatives with leading banking counterparties (rated A or higher), with which collateralization contracts have been signed in order to minimize counterparty risk.

- A portfolio of growth assets invested in a diverse range of asset classes (equities, bonds, diversified funds, etc.) and seeking to outperform the liabilities. For most of these asset classes, the investment isimplemented through passive management funds with the objective of replicating a given index (the various FTSE indexes for the different global regions in the case of shares, etc.). Over the last few years, an asset class diversification policy has reached a considerable reduction in the risk exposure of this growth portfolio, while maintaining expected return at a level allowing the deficit reduction objective to be achieved.

Along the year, a hedging policy for some financial risks (such as foreign exchange, inflation and interest rate) has been implemented, in order to reduce the fund’s exposure to these risks and therefore reduce the risk of increased contributions. These hedges were done through derivatives (FX forwards, total return swaps on gilts, interest rate swaps, etc.).

In France, the Group’s assets are placed primarily with insurance companies and invested in the general insurance fund. The French General Insurance Code (*Code général des assurances*) requires insurance companies to provide a minimum rate of return on these funds, calculated primarily based on the rate offered by government bonds.

For the Group as a whole, the actual return on plan assets in 2013, 2012, and 2011 was 5.9%, 6.7% and 4.5% respectively and reflects market performance based on the asset investment profile.

The Group plans to make contributions of €18.3 million to defined benefit plans in 2013.

On average, Group pension plan assets were invested as follows as of December 31, 2013, 2012 and 2011:

	2013	2012 represented	2011 represented
Unquoted assets	**23.8%**	**23.0%**	**19.6%**
Liquid unquoted assets - Investment funds (general insurance fund)	13.9%	14.8%	11.0%
Non-liquid unquoted assets - Investment funds (*)	9.6%	7.9%	8.4%
Non-liquid unquoted assets - Other	0.3%	0.3%	0.2%
Quoted assets (liquid)	**75.6%**	**76.4%**	**79.9%**
Government bonds (**)	22.5%	22.1%	24.1%
Corporate bonds	3.6%	3.1%	2.2%
Shares	9.7%	9.7%	5.6%
Investment funds	39.2%	41.5%	48.0%
Liquid quoted assets – Other	0.6%	**-**	**-**
Liquid assets	**0.6%**	**0.6%**	**0.5%**
TOTAL	**100.0%**	**100.0%**	**100.0%**

(*) *The line "Non-liquid unquoted assets - Investment funds" consists of funds without guaranteed monthly liquidity (e.g. real estate funds, infrastructure funds).*

(**) *The portion of government bonds from high-risk countries is not material.*

Change in right to reimbursement

Right to reimbursement is recorded in assets as of December 31, 2013 at a value of €4.9 million, compared with €5.6 million as of December 31, 2012. Right to reimbursement concerns the portion of employee rights to post-employment benefits corresponding to periods during which the employee was employed by a previous employer or where the operating contract stipulates that employee entitlement to post-employment benefits is assumed by a third party.

30.2.5 Impact on Comprehensive Income

The net benefit cost breaks down as follows:

	As of December 31											
	United Kingdom represented			France represented			Other countries represented			TOTAL represented		
(€ million)	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Service cost	0.3	6.3	13.3	(24.0)	7.6	27.0	11.5	10.4	(5.1)	(12.2)	24.3	35.2
o/w Current service cost	4.3	8.7	13.3	24.6	22.9	22.4	11.2	10.6	10.0	40.1	42.2	45.7
o/w Past service cost	(4.0)	(2.4)	-	(48.6)	(15.3)	4.6	0.3	(0.2)	(15.1)	(52.3)	(17.9)	(10.5)
Net interest expense	3.5	3.5	6.6	10.9	14.2	13.6	5.4	5.5	5.0	19.8	23.2	25.2
o/w Interest cost	28.3	39.2	48.7	14.6	19.8	19.1	6.9	7.3	7.4	49.8	66.3	75.2
o/w Interest income on plan assets	(24.8)	(35.7)	(42.1)	(3.7)	(5.6)	(5.5)	(1.5)	(1.8)	(2.4)	(30.0)	(43.1)	(50.0)
Interest income on right to reimbursement	-	-	-	(0.2)	(0.2)	(0.3)	-	-	-	(0.2)	(0.2)	(0.3)
Administrative expenses paid by the fund	-	-	-	-	-	-	(0.1)	-	-	(0.1)	-	-
Other	(0.1)	-	-	0.1	-	-	0.8	0.6	1.9	0.8	0.6	1.9
Net benefit cost recognized in the Consolidated Income Statement	**3.7**	**9.8**	**19.9**	**(13.2)**	**21.6**	**40.3**	**17.6**	**16.5**	**1.8**	**8.1**	**47.9**	**62.0**
Return on plan assets excluding amounts included in interest income	(13.2)	(19.0)	(3.0)	0.4	2.3	0.7	(4.1)	(3.1)	5.4	(16.9)	(19.8)	3.1
Actuarial gains (losses) arising from experience adjustments	(1.5)	(1.3)	(28.2)	0.6	(0.8)	8.3	0.4	3.7	(0.3)	(0.5)	1.6	(20.2)
Actuarial gains and losses arising from changes in demographic assumptions	(4.7)	12.1	11.1	0.9	(3.5)	2.8	3.3	(0.6)	-	(0.5)	8.0	13.9
Actuarial gains and losses arising from changes in financial assumptions	8.6	26.9	(7.7)	6.2	54.9	7.9	(6.6)	19.4	3.8	8.2	101.2	4.0
Net benefit cost recognized in other comprehensive income	**(10.8)**	**18.7**	**(27.8)**	**8.1**	**52.9**	**19.7**	**(7.0)**	**19.4**	**8.9**	**(9.7)**	**91.0**	**0.8**
Total net benefit cost	**(7.1)**	**28.5**	**(7,9)**	**(5.1)**	**74.5**	**60.0**	**10.6**	**35.9**	**10.7**	**(1.6)**	**138.9**	**62.8**

The costs expensed in the Consolidated Income Statement are recorded in operating income, except for the interest cost, recorded in net finance costs and net benefit costs in the income statement of discontinued operations, recorded in net income (loss) from discontinued operations (€0.5 million in 2013).

Note 31 Construction contracts

As described in Note 1.22. Veolia Group recognizes its construction contracts under the percentage of completion method. At each period end, a contract statement compares the amount of costs incurred, plus profits (including any provisions for losses to completion) with intermediary billings: "Construction contracts in progress / Assets" therefore represents contracts for which the costs incurred and profits recognized exceed amounts billed.

(€ million)	**As of December 31, 2013**	**As of December 31, 2012, represented**	**As of December 31, 2011, represented**
Construction contracts in progress / Assets (A)	537.7	798.5	596.6
Construction contracts in progress / Liabilities (B)	233.6	248.0	294.1
Construction contracts in progress, net (A) – (B)	**303.7**	**550.5**	**302.5**
Costs incurred plus income and losses recognized to date (C)	3,942.3	4,279.3	5,454.4
Amounts billed (D)	(3,638.6)	3,728.8	5,151.9
Construction contracts in progress, net (C) – (D)	**303.7**	**550.5**	**302.5**
Customer advances	**71.3**	**45.6**	**73.0**

Note 32 Operating leases

The Group enters into operating leases (mainly for transportation equipment and buildings).

Future minimum lease payments under operating leases amount to €1,396.3 million as of December 31, 2013, compared with €1,579.4 million as of December 31, 2012 and €1,693.0 million as of December 31, 2011.

The €183.1 million decrease in 2013 mainly concerns the Environmental Services Division (-€161.6 million) and primarily the sale of Veolia ES Special Services Inc's offshore activities for -€84.4 million.

As of December 31, 2013, future minimum lease payments under these contracts were as follows:

(€ million)	**Operating lease**
2014	380.6
2015 & 2016	426.7
2017 & 2018	230.5
2019 and thereafter	358.5
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**1,396.3**

32.1 Lease payments for the period

(€ million)	**As of December 31, 2013**	**As of December 31, 2012, represented**	**As of December 31, 2011, represented**
Minimum lease payments expensed in the year	477.0	488.9	457.3
Contingent rent expensed in the year	4.7	24.2	18.6
TOTAL LEASE PAYMENTS FOR THE YEAR	**481.7**	**513.1**	**475.9**

Sub-lease revenue is not material.

32.2 Assets leased under operating leases

The value of assets concerned by operating leases within the Group is not material.

Note 33 Tax audits

In the normal course of their business, the Group entities in France and abroad are subjected to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37 criteria.

The tax authorities have also carried out various tax audits in respect of both consolidated tax groups and individual entities. To date, none of these reviews have led to liabilities to the tax authorities materially in excess of amounts estimated during the review of tax risks.

In estimating the risk as of December 31, 2013, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

In Italy, in the Energy Services Division, Siram received revised tax assessments in respect of fiscal years 2004 and 2005. Litigation proceedings are ongoing with respect to these tax assessments. The liabilities arising from this tax litigation have been anticipated and provided for in accordance with IAS 37.

On March 10, 2010, Veolia Environnement through its subsidiary VENAO received notices of proposed adjustments ("NOPAs") from the U.S. Internal Revenue Service (IRS) relating to a number of tax positions concerning its U.S. subsidiaries, including primarily tax losses resulting from the reorganization of the former US Filter (Worthless Stock Deduction), in the amount of USD 4.5 billion (tax base). They also relate to certain other issues relating to tax losses for the 2004, 2005 and 2006 tax years, in an aggregate amount of a similar order of magnitude as the Worthless Stock Deduction. The NOPAs are preliminary assessments that do not reflect a definitive audit position and are subject to change. These NOPA's were received following the request by the Group for a pre-filing agreement from the Internal Revenue Service (IRS) in order to validate the amount of tax losses as of December 31, 2006.

Since 2010, the Group continues to discuss these NOPAs with the IRS with a view to resolving or narrowing the issues and the issuance of a formal assessment notice for any unresolved issues, which could be appealed within the IRS or in court. As of December 31, 2013, the remaining NOPAs, before any penalties, relate to the Worthless Stock Deduction for USD 4.5 billion (tax base). As the NOPAs are still subject to the continuing IRS audit process, there is no requirement at this time for any payment of taxes. Based on information available to the Company at the year-end, Veolia Environnement has not recorded any provisions in its consolidated financial statements in respect of the NOPAs and has recorded a deferred tax asset relating to these tax losses.

In the context of this audit, the IRS issued several summonses in reply to which VENAO submitted a number of documents. On January 5, 2013, considering the response to the summonses inadequate, the US Department of Justice brought an action against VENAO before the US District Court of the State of Delaware for enforcement of the summonses. The Court of Delaware has not yet handed down its judgment.

Furthermore, the audit launched in 2011 in respect of fiscal years 2007 and 2008 for all of the Group's U.S. entities is still ongoing. No major risks have been identified to date.

Note 34 Off-balance sheet commitments and collateral

34.1 Commitments relating to the Group and its subsidiaries

34.1.1 Commitments given

Off-balance sheet commitments given break down as follows:

(€ million)	As of December 31, 2011, represented	As of December 31, 2012, represented	As of December 31, 2013	Maturity		
				Less than 1 year	1 to 5 years	More than 5 years
Commitments relating to operating activities	**8,408.6**	**8,272.5**	**9,290.3**	**4,932.1**	**2,303.1**	**2,055.1**
Operational guarantees including performance bonds	8,340.5	8,235.1	9,242.9	4,907.5	2,290.5	2,044.9
Purchase commitments	68.1	37.4	47.4	24.6	12.6	10.2
Commitments relating to the consolidation scope	**949.6**	**877.5**	**1,322.1**	**317.6**	**375.7**	**628.8**
Vendor warranties	703.1	855.7	1,299.8	309.1	363.9	626.8
Purchase commitments	0.7	10.0	7.6	5.1	1.4	1.1
Sale commitments	2.1	1.4	0.3	0.3	-	-
Other commitments relating to the consolidation scope	243.7	10.4	14.4	3.1	10.4	0.9
Financing commitments	**412.7**	**794.0**	**813.4**	**363.9**	**200.1**	**249.4**
Letters of credit	230.5	325.2	451.9	277.5	170.4	4.0
Debt guarantees	182.2	468.8	361.5	86.4	29.7	245.4
TOTAL COMMITMENTS GIVEN	**9,770.9**	**9,944.0**	**11,425.8**	**5,613.6**	**2,878.9**	**2,933.3**

In addition to commitments given, Veolia Environnement has also granted commitments of unlimited amount concerning:

- A performance bond given by certain Water Division subsidiaries in respect of a shareholders' agreement entered into on the acquisition of a municipal company in Germany;
- Operational performance bonds given by certain subsidiaries of Water Division in respect of a construction contract and operating contract for a sludge incinerator in Hong Kong.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

34.1.1.1 Commitments given relating to operating activities

Operational guarantees: operational or operating guarantees encompass all commitments not relating to the financing of operations, required in respect of contracts and markets and more generally the operations and activities of Group companies. Such guarantees include bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

The main categories of commitments include:

- Commitments related to site rehabilitation:

Pursuant to environmental texts and legislation concerning the operation of waste storage facilities, the Group is obliged to provide financial guarantees to local authorities/government agencies. These guarantees notably encompass the rehabilitation and supervision of the site during 30 years or more, depending on national legislation (currently 60 years in the United Kingdom), following its operation.

In this context, performance bonds and letters of credit are issued to local authorities and other public bodies.

Depending on the contract, these guarantees cover the costs necessary for the rehabilitation of all or part of the site and the supervision of the site during 30 years.

These guarantees are quantified in accordance with legal or contractually-defined procedures. These guarantees, which are given in their total amount from the start of operations, expire at the end of the commitment (termination of rehabilitation work and site supervision).

Therefore, the amount of our commitment for the rehabilitation and supervision of waste storage facilities is in general different from the amount of the provision recorded in the Group accounts (see Note 1.13 and Note 17).

Provisions calculated by the Group are based on different valuations (based on internal policies regarding site security and designed for optimal environmental protection), which take into account the progressive nature of the obligation: operation of the storage facility results in progressive damage to the site and, as such, a related liability is recognized as the facility is operated.

If the amount of the commitment is less than the provision at the balance sheet date, an off-balance sheet commitment is not disclosed. Conversely, if the amount of the commitment is greater than the provision, an off-balance sheet commitment is disclosed in the amount not provided.

- Commitments related to engineering and construction activities:

Total commitments given in respect of construction activities in the Water Division (Veolia Water Solutions & Technologies) amount to €3,715.8 million as of December 31, 2013, compared with €3,431.5 million as of December 31, 2012 and €3,236.9 million as of December 31, 2011.

Total commitments received (see below) in respect of these same activities amount to €521.7 million as of December 31, 2013, compared with €594.7 million as of December 31, 2012 and €651.8 million as of December 31, 2011.

Commitments given and received in respect of the three main contracts account for approximately 43.5% of total commitments.

- Commitments given in respect of concession contracts:

Pursuant to public service contracts with a public entity, the Group may be called on/obliged to invest in infrastructures that will then be operated and remunerated in accordance with contractual terms and conditions.

The contractual commitment may concern both the financing of installations and infrastructures to be used in operations and also the maintenance and replacement of infrastructures necessary to operations.

An analysis of the accounting treatment of these commitments is presented in Notes 1.20, 1.13 and 17.

Expenditure relating to the replacement or restoration of installations is monitored and recognized through any timing differences between the total contractual commitment over the contract term and its realization, in accordance with IAS 37 on Provisions.

Expenditure relating to the construction, maintenance and restoration of concession assets is reviewed with respect to IFRIC 12 and detailed in Note 1.20.

- Firm commodity purchase commitments:

As part of supply management and cost optimization, certain Group subsidiaries may be required, depending on their activities, to set-up derivatives to fix the cost of commodity supplies where the contracts do not offer appropriate protection (see Note 29.3) or contract forward purchases or sales of commodities.

Firm commodity purchase commitments mainly concern:

- Gas in the Energy Services Division (mainly in France) and in the Water Division (commitments mature in less than 5 years);

- Electricity in the Water Division (purchase commitments mature in less than 3 years due to poor liquidity in the electricity market). With regard to both gas and electricity, the number of contracts signed enables the Group to significantly reduce political and counterparty risk;

- Biomass in the Energy Services Division in France.

  In parallel, firm electricity sales contracts are entered into to secure selling prices over a period of less than 3 years. These commitments concern production activities exposed to the electricity wholesale market and primarily:

- The Environmental Services Division in the United Kingdom (electricity produced by waste incineration);

- The Water Division in Germany.

34.1.1.2 Commitments given relating to the consolidation scope

Vendor warranties: these mainly include:

- Warranties given in connection with the divestiture of the investment in Berlin Water in the amount of €484.0 million;

- Warranties linked to the sale in 2004 of Water activities in the United States in the amount of €257.5 million;

- Warranties given to Caisse des dépôts et consignations concerning Veolia Transport in connection with the March 3, 2011 combination of Veolia Transport and Transdev Group, estimated at approximately €201.3 million;

- Warranties given in connection with the divestiture of regulated Water activities in the United Kingdom in the amount of €115.5 million. In addition Veolia Environnement gave the buyer a 4-year vendor warranty covering tax risks up to the amount of the purchase consideration;

- Warranties given in connection with the divestiture of solid waste activities in the amount of €68.9 million;

- Warranties given in connection with the divestiture of American and European wind energy activities in the amount of €67.7 million.

Purchase commitments: these include commitments given by Group companies to purchase shares in other companies or to invest. As of December 31, 2013, these commitments total €7.9 million.

Agreements with EDF: Veolia Environnement granted EDF a call option covering all of its Dalkia shares in the event an EDF competitor takes control of the company.

Likewise EDF granted Veolia Environnement a call option covering all of its Dalkia shares, exercisable in the event of a change in the legal status of EDF and should a Veolia Environnement competitor, acting alone or in concert, take control of EDF. Failing an agreement on the share transfer price, this would be decided by an expert.

Agreements with Caisse des dépôts et consignations: Veolia Environnement granted Caisse des dépôts et consignations a call option covering all its Transdev Group shares exercisable in the event of a change in control of Veolia Environnement.

34.1.1.3 Financing commitments

Debt guarantees: these relate to guarantees given to financial institutions in connection with the borrowings of non-consolidated companies, equity associates, or the non-consolidated portion of borrowings of proportionately consolidated companies when the commitment covers the entire amount.

Letters of credit: letters of credit delivered by financial institutions to Group creditors, customers and suppliers guaranteeing operating activities.

Commitments given break down by Division as follows:

(€ million)	**As of December 31, 2013**	**As of December 31, 2012, represented**	**As of December 31, 2011, represented**
Water	8,244.7	7,177.4	7,209.0
Environmental Services	515.9	572.4	619.3
Energy Services	462.3	419.8	310.4
Other	2,202.9	1,774.4	1,632.2
TOTAL	**11,425.8**	**9,944.0**	**9,770.9**

In addition to vendor warranties given on the divestiture of Berlin Water, the €1,067.3 million increase in Water Division commitments concerns operating guarantees given on new contracts in the amount of €632.3 million.

Commitments on lease contracts entered into by the Group are analyzed in Notes 18 and 32.

34.1.1.4 Collateral guaranteeing borrowings

As of December 31, 2013, the Group has given €188 million of collateral guarantees in support of borrowings including €109.5 million in support of borrowings of its joint ventures.

The breakdown by type of asset is as follows (€ million):

Type of pledge / mortgage *(€ million)*	**Amount pledged (a)**	**Total Consolidated Statement of Financial Position amount (b)**	**Corresponding % (a)/(b)**
Intangible assets	-	719	0.0%
Property, plant and equipment	23	4,160	0.6%
Financial assets *	139		
TOTAL NON-CURRENT ASSETS	**162**		
Current assets	26	17,138	0.2%
TOTAL ASSETS	**188**		

* *As a majority of financial assets pledged as collateral are shares of consolidated subsidiaries and other financial assets, the ratio is not significant.*

The breakdown by maturity is as follows:

(€ million)	As of December 31, 2011, represented	As of December 31, 2012, represented	As of December 31, 2013	Maturity		
				Less than 1 year	1 to 5 years	More than 5 years
Intangible assets	-	-	-	-	-	-
Property, plant and equipment	**27**	**21**	**23**	**-**	**2**	**21**
Mortgage pledge	17	11	10	-	1	9
Other PP&E pledge [(1)]	10	10	13	-	1	12
Financial assets [(2)]	**149**	**262**	**139**	**18**	**54**	**67**
Current assets	**30**	**24**	**26**	**26**	**-**	**-**
Pledges on receivables	29	23	25	25	-	-
Pledges on inventories	1	1	1	1	-	-
TOTAL	**206**	**307**	**188**	**44**	**56**	**88**

(1) *Mainly equipment and traveling systems.*

(2) *Including non-consolidated investments of €128.3 million and other financial assets (primarily operating financial assets) of €10.8 million as of December 31, 2013.*

34.1.2 Commitments received

Off-balance sheet commitments received break down as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012, represented	As of December 31, 2011, represented
Guarantees received	**1,456.4**	**1,584.5**	**1,495.7**
Operational guarantees	902.9	941.3	944.2
Guarantees relating to the consolidation scope	219.9	160.2	244.2
Financing guarantees	333.6	483.0	307.3

Commitments mainly consist of commitments received from our partners in respect of construction contracts.

The change in 2013 was mainly due to:

- An increase in operational guarantees (+€38 million);
- A decrease in undrawn credit facilities granted (-€107million);
- The pledge received on Marine Shipco securities guaranteeing the vendor loan in the context of the divestiture of Marine Services (+€23.3 million);
- Guarantees relating to Ridgeline and its subsidiaries negotiated between Veolia Environnement and Atlantic Power in respect of the divestiture on December 31, 2012 (+€16 million);
- Guarantees relating to Proactiva Medio Ambiente negotiated between Veolia Environnement and Fomento de Construcciones y Contratas (FCC) in respect of the purchase of FCC's 50% stake in Proactiva Medio Ambiente on November 28, 2013 (+€22.5 million);
- Extinguishment of guarantees received from FCC following the purchase of 50% of the Proactiva Medio Ambiente sub-group (-€21 million);
- Changes in consolidation scope (-€73.6 million);
- Foreign exchange translation adjustments (-€37.8 million).

Commitments primarily include the portion of vendor warranties concerning Transdev Group given by Caisse des dépôts et consignations and still in effect, estimated at approximately €115 million.

In addition, the Group has undrawn medium and short-term credit lines and syndicated loan facilities in the amount of €4.3 billion (see Note 28.4.2).

34.2 Commitments relating to joint ventures

Group commitments given in respect of joint ventures (100%) are as follows:

(€ million)	**As of December 31, 2013**	**As of December 31, 2012, represented**	**As of December 31, 2011, represented**
Commitments relating to operating activities	571.5	574.7	703.0
Commitments relating to the consolidation scope	-	-	124.0
Financing commitments	471.2	387.0	263.0
Total commitments given	**1,042.7**	**961.7**	**1,090.0**

Commitments relating to operating activities as of December 31, 2013 mainly concern the Water Division in the amount of €566.7 million and in particular the Al Wathba VB Waste Water Co joint venture for €341.5 million.

Financing commitments as of December 31, 2013 mainly concern Veolia Environnement SA in the amount of €374.3 million which includes lines of credit to Transdev Group for €266.6 million, of which €180 million due: December 2014, and €107.8 million of debt guarantees in respect of Dalkia China subsidiaries, and the Energy Services Division in the amount of €79.4 million.

Commitments relating to the consolidation scope as of December 31, 2011 concern the Redal and Amendis joint ventures, fully consolidated from fiscal year 2012.

Note 35 Contingent assets and liabilities

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income in respect of the following legal or arbitration proceedings as of December 31, 2013, due to the uncertain nature of their outcome.

The main contingent assets and liabilities relating to legal or arbitration proceedings are presented below:

Water - Berliner Wasserbetriebe A.ö.R

The transfer to the Land of Berlin of Veolia Wasser GmbH's entire interest in RWE-Veolia Berlinwasser Beteiligungs GmbH ("RVB") took place on December 2, 2013.

Subsequent to the administrative investigation by the German Federal Cartels Office ("the FCO") initiated in March 2010 against Berliner Wasserbetriebe A.ö.R ("BWB") and the FCO's decision of June 4, 2012 enjoining BWB to decrease its average annual proceeds, BWB introduced on June 12, 2012, judicial proceedings on the merits against this decision before the Düsseldorf Court of appeals. The proceedings are pending and BWB is defending its position. In this context, Veolia Wasser GmbH was admitted to the proceedings as a third party and will maintain this position until the procedure is completed. This status has no legal consequences for the Group.

Concerning the procedure pending before the arbitration court initiated in April 2009 by RVB against the Land of Berlin for approval of its method of recalculation reflecting depreciation on a replacement cost basis in tariffs charged to users ("*Wiederbeschaffungszeitwerte*" ou "WBZW"), it is now up to RVB (now 100% owned by the *Land*) to make the decision of withdrawing from the proceedings and from its action. The Group is no longer affected as a consequence of this procedure.

Environmental Services – Italy

As a result of the severe economic imbalances in the concession contracts of its two principal subsidiaries, Termo Energia Calabria ("TEC") and Termo Energia Versilia ("TEV"), and as result of chronic late payments by the concession authorities vis-à-vis those, the group of companies Veolia Servizi Ambientali Tecnitalia S.p.A ("VSAT"), which specializes in waste incineration in Italy, filed a request for an amicable settlement procedure, called *concordato preventivo di gruppo* ("CPG"). One of the advantages of the CPG is that it allows the procedures to be joined before a single judge, the same court appointed administrator(s) and uses a single mass of debts and receivables for all concerned entities. Concomitantly, on January 31, 2012 and on May 15, 2012, TEC and TEV terminated their respective concession contracts and returned the equipment respectively on November 23, 2012 and June 29, 2012.

Following the adoption of amendments of the relevant legal framework of *concordato preventivo* in summer 2012, a new CPG was filed on September 17, 2012 with La Spezia Civil Court and admitted on December 5, 2012. The creditors' vote was set for February 11, 2013, plus 20 days for postal vote, i.e. until March 4, 2013. On March 20, 2013, La Spezia Civil Court acknowledged that the majority of creditors, in number and in value, had voted in favor of the CPG. A hearing to discuss objections was held on May 20, 2013. On July 17, 2013, the Court overruled these objections, thereby closing the procedure in favor of the CPG. Several creditors appealed this ruling before the Genoa Court. On January 9, 2014, the Genoa Court reversed the decision. VSAT has already filed a request for ordinary revocation before the Genoa Court of appeal, based on the existence of a manifest material mistake; a first audience has been scheduled on April 8th 2014.

Simultaneously, VSAT was filed a claim before the Supreme Court on March 4, 2014. As this appeal has a suspensive effect, the CPG remains approved until the Supreme Court renders its decision.

Moreover, a hearing before La Spezia Civil Court on February 18, 2014 was held. The case has been adjourned for deliberation but a date has not been set for the decision to be rendered.

The events occurred since the beginning of 2014 do not jeopardize the accounting impacts registered in the consolidated accounts as at December 31, 2013.

Other segments – Société Nationale Maritime Corse Méditerranée (« SNCM »)

Corsica Ferries has brought a number of legal proceedings against *Société Nationale Maritime Corse Méditerranée* (“SNCM”), a subsidiary of Transdev Ile de France.

Corsica Ferries requested the invalidation of the June 7, 2007 decision awarding a contract (a public service delegation agreement) for marine service to Corsica to the SNCM/CMN group for the 2007-2013 period. This request was denied by a judgment of the Bastia administrative court on January 24, 2008. Corsica Ferries appealed this decision to the Marseille administrative court of appeals. In an order dated November 7, 2011, the administrative court of appeals quashed the judgment of the Bastia administrative court, instructing the concession authority either to negotiate a voluntary agreement for the termination of the public service delegation agreement from September 1, 2012, or to institute proceedings before the Bastia administrative court within six months of the notification (i.e. before May 7, 2012) to take the appropriate measures. As a result, on February 24, 2012, the concession authority filed a motion with the Bastia administrative court for termination of the public service delegation agreement, but subsequently withdrew this motion on January 14, 2013. On January 5, 2012, SNCM appealed the November 7, 2011 order to the French Administrative Supreme Court. On July 13, 2012, the French Administrative Supreme Court quashed the November 7, 2011 decision of the Marseille administrative court of appeals and remanded the matter back to that court. A procedural hearing took place on September 24, 2012. An order for the termination of the proceedings or notice of hearing from the Marseille administrative court of appeal is on hold.

The acquisition by Veolia Transport (now Transdev Ile de France) of an interest in SNCM from *Compagnie Générale Maritime et Financière* (“CGMF”)in 2006 was notably conditioned on the concession authority maintaining the marine service to Corsica under a public service delegation agreement. On January 13, 2012, in the absence of an appeal by the concession authority, Veolia Transport notified CGMF of its decision to exercise the cancellation clause in the privatization Memorandum of Understanding of May 16, 2006. On January 25, 2012, CGMF contested the exercise of this cancellation clause. On May 11, 2012, Veolia Transport brought a legal action before the Paris commercial court against CGMF. The next hearing was scheduled for September 23, 2013 and was postponed to February 10, 2014. During this hearing, the proceedings were suspended and are now pending.

Moreover, the new public service delegation agreement, allocated to SNCM/CMN for a ten-year term from January 1, 2014, was signed on September 24, 2013. Corsica Ferries brought, on November 15, 2013, an action before the Bastia administrative court for annulment of the new public service delegation agreement and the European Commission is examining the validity thereof.

Corsica Ferries has also contested the validity of a European Commission decision of July 8, 2008, which held that certain payments by the French Government in connection with the SNCM privatization process did not constitute State aid within the meaning of article 107 of the Treaty on the Functioning of the European Union ("TFEU") and authorized other payments made by the French Government prior to the privatization. Under the TFEU, governments may only provide subsidies (known as "State aid") to commercial entities in specific circumstances, with European Commission prior authorization. On September 11, 2012, the General Court of the European Union partially annulled the European Commission decision of July 8, 2008. As a result, the reconsideration of the measures provided (which includes the measures provided within the context of the privatization process and part of the measures provided prior to the privatization) was remanded to the European Commission, which has opened a new investigation of the matter. On November 22, 2012, SNCM and the French Republic each appealed this judgment. On January 15, 2014, the Advocate General contended that the appeal should be dismissed. The decision of the Court of Justice of the European Union is due in a few months. Shortly before, on November 20, 2013, the European Commission rendered a new decision qualifying the measures adopted by the State in the context of the restructuring and privatization of SNCM as illegal state aid incompatible with the common market. Consequently, it ordered that SNCM return this illegal state aid (in an amount assessed qby the Commission at approximately €220 million, excluding interest) to the French authorities. The French Authorities filed an appeal against this decision before the General Court of the European Union. As the decision has not been published yet, the time limitation vis-à-vis interested third-parties such as SNCM has not started yet.

On June 27, 2012, the European Commission announced that it had opened investigative proceedings aimed at determining whether the payments received by SNCM and CMN for the maritime service from Marseille to Corsica, in the context of the public service delegation for the 2007-2013 period, were in line with the European Union state aid rules. In a decision dated May 2, 2013, the Commission found the subsidies received for the “basic service” to be compatible with state aid rules but ordered France to recover certain aids received by SNCM for the “additional service”. According to the Commission, these aids could amount to approximately €220 million, excluding interest. On July 12, 2013, the French state filed, respectively with the General Court of the European Union and with its president, a motion to dismiss the decision of the Commission and a motion for stay of its execution. On August 14, 2013, the Company was informed that the territorial collectivity of Corsica suspended the payment of the additional service to

SNCM. On August 26, 2013, the Company also filed an application for annulment of the decision of the European Commission of May 2, 2013. On August 29, 2013, the motion for a stay of execution filed by the French Republic was rejected on the ground of lack of urgency and on January 21, 2014, the State's appeal against the order of August 29, was rejected by the Court of Justice of the European Union. It should be noted that, should the French authorities issue a revenue order intended to enforce the decision of May 2, SNCM would then have the option of filing a motion having a suspensive effect before the domestic court. SNCM also has the option of seeking a temporary suspension injunction in summary proceedings before the General Court of the European Union. On November 20, 2013, the Commission announced its decision to file an action for failure to fulfill obligations against France, having acknowledged that the French State had not recovered the disputed amounts within the legal time limitations. To date however, it still has not referred the matter to the Court of Justice.

SNCM recently filed several actions against the *Office des Transports de Corse* ("OTC"). On October 27, 2013, it filed an action on the merits before the Bastia administrative court against the implicit rejection decision resulting from OTC's silence on SNCM's claim relating to the compensation of the financial consequences of the strikes in the 1st quarter 2011, seeking the payment of a €16.6 million indemnity and the annulment of the penalties applied by OTC in an amount of €7.4 million with regard to the disturbances observed. On November 27, 2013, SNCM filed an action on the merits before the Bastia administrative court against the implicit rejection decision resulting from OTC's silence on SNCM's claim of November 12, 2013 relating to the compensation for the additional cost of fuels for 2011 and 2012, for an indemnification amount of €22.7 million. Finally, on December 10, 2013, SNCM requested an interim payment order from the Bastia administrative court for purposes of indemnification of the delays in the payment of the flat rate contribution for the additional service in an amount of €18.1 million excluding tax.

In addition, in an action before the French Competition Council, Corsica Ferries has contended that SNCM and CMN had formed an unjustified grouping that constituted an anti-competitive cartel, that this grouping constituted an abuse of a dominant position and, lastly, that presenting a bid requesting excessive subsidies (suggesting the existence of cross-subsidies) also constituted an abuse of a dominant position. On April 6, 2007, the French Competition Council dismissed the two claims concerning the grouping. Proceedings on the merits and the investigation of the French Competition Authority (the successor to the French Competition Council) on the claim of excessive subsidies are underway. The investigation is also focusing on the performance terms of the public service delegation agreement (monitoring the application of the guaranteed receipts clause and the corresponding changes in the amount of subsidies received by the parties being awarded the contract). As of this date, no statement of objections has been served.

Recently, on December 18, 2013, the board of directors of Transdev Group authorized, in the context of the conciliation opened on October 11, 2013 by the Presiding Judge of the Marseille Commercial court, the opening of a €13 million credit facility to SNCM, to allow it to face its short-term liquidity requirements. This amount, in addition to the € 17 million advanced to SNCM on October 29, 2013, is part of the conditional commitment made on June 14, by the President of Transdev Group to pay €30 million to SNCM before the end of 2013. As indicated in Transdev press release dated the same day, the Directors and particularly the representatives of the shareholders Veolia Environnement and Caisse des dépôts et consignations have unanimously declared that no further financial support will be brought to SNCM.

On December 31, the French Prime Minister promised a €30 million financial contribution to SNCM and asked for an adaptation of the long-term plan ("PLT"). Trade unions rejected this approach and led a 9-day strike from January 1, that blocked SNCM's activity. The strike came to an end thanks to the State's acceptance to set up a Caisse des Dépôts et Consignation / Banque Publique d'Investissement working group in charge of studying, before April 15, 2014, financing solutions for the 4 new ships planned in the PLT in expectation of an order before June 30, as well as to the promise of the adoption of a decree imposing the application of French Labour law to cabotage activities in French waters. On January 23, 2014, the State became a direct shareholder of SNCM. On the day after, the State granted SNCM a €10 million shareholder's advance reimbursable at the end of 2014.

The State thus participates directly in the financing of SNCM and in the definition of its industrial strategy. During the meeting of the Supervisory Board of SNCM on January 22, 2014, Transdev's representatives expressed that they no longer believed in SNCM's long-term plan, notably due to the numerous legal uncertainties and to certain commercial and financial assumptions deemed excessively optimistic.

Veolia Environnement's financial statements were approved based on the reasonable assumption that Veolia Environnement will cease all financing and that any solution of discontinuity will be carried out under appropriate insolvency proceedings.

In this context, the Group used the accounting treatment as described in note 3.3 above.

Other segments – State aids on airports

The European Commission is currently conducting several investigations on potential State aid within the meaning of article 107 of the TFEU in the air transport sector. On April 4, April 25 and May 30, 2012, the European Commission opened several investigations into certain subsidies received by customer airlines and successive operators of the Carcassone, Nîmes and Beauvais airports, including companies partly or wholly owned by Transdev Group. Following the announcement of these investigative proceedings in the Official Journal of the European Union, the relevant subsidiaries of Transdev Group submitted their comments to the European Commission as third party interveners.

At this point, the Company is not able to assess the consequences of these proceedings on the Company's financial position or results of operations.

Note 36 Greenhouse gas emission rights

The process governing the grant and valuation of these rights is presented in Note 1.24, Greenhouse gas emission rights.

The position in **2013** is as follows:

Volume (in thousands of metric tons)	**As of January 1, 2013**	**Changes in consolidation scope**	**Granted**	**Purchased / sold /cancelled**	**Used in**	**As of December 31, 2013**
Total	**724(*)**	**0**	**+1,267**	**+548**	**(1,953)**	**586**

(*) Opening balance as of January 1, 2013 represented, excluding Dalkia International, following application of the new consolidation standards.

January 1, 2013 was marked by the launch of Phase III of the Emissions Trading Scheme (ETS) covering the period 2013-2020. Accordingly, the portion of allowances granted free of charges decreased substantially in 2013 and will subsequently reduce progressively each year.

Total allowances granted free of charge were set by the European Commission on September 5, 2013 (Decision 2013/448/EU). Free allocations in respect of phase III (2013/2020) are estimated at €29 million. Future allocations were measured using the spot price as of December 31, 2013.

Note 37 Related party transactions

37.1 “Related party” concept

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised,Related Party Disclosures.

37.2 Compensation and related benefits of key management personnel

Group Executive Committee members and directors represent the key management personnel of the Group.

The following table summarizes amounts paid by the Group in respect of compensation and other benefits granted to members of the Company Executive Committee.

Short-term benefits include fixed and variable compensation, employee benefits and directors’ fees. Variable compensation comprises amounts paid in fiscal year Y in respect of respect of fiscal year Y-1. The increase in “short-term benefits excluding employer contributions” between December 31, 2012 and December 31, 2013 is mainly due to the new composition of the Group Executive Committee, including 11 members as of December 31, 2013, compared to 9 members as of December 31, 2012.

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012**	**Year ended December 31, 2011**
Short-term benefits, excluding employer contributions	6.2	4.7	6.9
Employer contributions	1.9	1.7	2.4
Post-employment benefits [(a)]	0.8	1.5	1.4
Other long-term benefits [(b)]	-	-	-
Share-based payments	-	-	0.1
Others	1.0	-	-
TOTAL	**9.9**	**7.9**	**10.8**

(a) Current service cost.

(b) Other compensation vested but payable in the long-term.

As of December 31, 2013, total pension obligations in respect of members of the Executive Committee amount to €3.0 million, compared with €31.1 million as of December 31, 2012. Movements between 2012 and 2013 are primarily due to the closure of the two supplementary defined benefits collective pension plans (see note 30.2).

With the exception of the Chairman, the members of the Board of Directors receive no compensation other than directors’ fees from the Company and, if applicable, from controlled companies.The total gross amount of directors’ fees (before withholding tax) paid by the Company and controlled companies to directors and the censor was €729,899 in 2013 (excluding the Chairman), €734,150 in 2012 (excluding the Chairman) and €870,661 in 2011 (excluding the Chairman and the Chief Executive Officer).

Chapter 15 of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

37.3 Transactions with other related parties

37.3.1 Relations with joint ventures and equity associates

In 2013, the Group granted loans totaling €2,725.0 million to joint ventures, including €1,944.4 million to Dalkia International and its subsidiaries and €622.0 million to Transdev Group, accounted for using the equity method. These loans are recorded in assets in the Group Consolidated Statement of Financial Position (see Note 12, other non-current and current financial assets).

In addition, given the Group's businesses, operating flows between companies are generally limited to companies operating in the same country. As such, the level of operating transactions between the Group and equity-accounted companies is not material.

However, certain contractual agreements within the Water Division, particularly in Asia and Central Europe, impose the existence of a holding company (generally equity accounted or proportionately consolidated) and companies carrying the operating contract (generally fully consolidated). These complex legal arrangements generate "asset supply" flows between the companies generally jointly controlled or subject to significant influence and the companies controlled by the Group. Assets are generally supplied for a specific remuneration that may or may not include the maintenance of the installations in good working order or the technical improvement of the installations.

37.3.2 Transactions with other related parties

Caisse des dépôts et consignations (9.08% shareholding as of December 31, 2013)

The Caisse des dépôts et consignations, considered a related party, sits on the Board of Directors of Veolia Environnement as a legal entity.

The financing agreements between the two groups bear interest at market conditions.

On May 4, 2010, the Caisse des dépôts et consignations and Veolia Environnement concluded their agreement on the Transdev-Veolia Transport combination by the creation of a 50/50 joint venture combining Transdev and Veolia Transport.

This combination was effectively completed on March 3, 2011. From this date and in accordance with IAS/IFRS, Veolia Environnement through its reduced 50% stake exercises joint control together with Caisse des dépôts et consignations over Veolia Transdev.

The combination gave rise on the same date to contract amendments and agreements resulting from the shareholders' agreement between Veolia Environnement and Caisse des dépôts et consignations.

This shareholders' agreement determines in particular the financing policy of the new entity and the terms and conditions of the call option granted to Caisse des dépôts et consignations over all shares in Veolia Transdev and its subsidiaries held by Veolia Environnement, exercisable in the event of a change in control of this latter (see Note 35, Off-balance sheet commitments and collateral).

Three agreements were signed by Veolia Environnement and Caisse des dépôts et consignations in 2012:

- On March 30, 2012, an agreement for negotiation was signed that envisions the transfer of Veolia Transdev's 66% shareholding in SNCM to Veolia Environnement, for a consideration of €1;

- On October 22, 2012, Veolia Environnement (VE) and Caisse des dépôts et consignations (CDC) signed a new agreement for negotiation under which Caisse des dépôts et consignations and Veolia Environnement would subscribe to a €800 million share capital increase by conversion of existing shareholder loans. Following this transaction, the Caisse des dépôts et consignations would hold 60% of the share capital of Veolia Transdev and would take exclusive control of that company. Veolia Environnement would retain a 40% shareholding. The agreement also provides for asset disposals by Veolia Transdev and refinancing to repay the Veolia Environnement shareholder loan. Concomitantly to the signature of this agreement, Veolia Environnement and Caisse des Dépôts et Consignations agreed to negotiate in good faith a decrease in Veolia Environnement's stake in Veolia Transdev to 20%, through the purchase by Caisse des dépôts et consignations of Veolia Transdev shares held by Veolia Environnement within a period of two years from the completion of the above transaction. This agreement specified that the sale of SNCM to VE was a condition precedent to the refinancing and takeover of Transdev Group by CDC;

  As the transactions set out in the agreements of March and October 2012 could not be performed before expiry of these agreements, VE, CDC and Transdev signed a new agreement on July 9, 2013 extending the deadline for completing these transactions to October 31, 2013. The sale of SNCM to VE could not be completed before this date and accordingly the agreement was rendered null and void. Discussions nonetheless continue and the parties signed an agreement on December 16, 2013 extending the term of their respective loans and performing a concomitant share capital increase.

- Finally, on October 31, 2012, a memorandum of understanding concerning the new Group headquarters project in Aubervilliers and the terms of cooperation between the parties was signed by Veolia Environnement and Icade SA, a subsidiary of Caisse des dépôts et consignations. This memorandum led to the signature on January 31, 2013 of two simultaneous agreements defining the terms of compensation of Icade should Veolia Environnement withdraw from this project and the terms of a nine-year firm lease for premises to be completed.

All these relations are subject to normal market terms and conditions.

Electricité de France

On November 25, 2009, Mr. Proglio was appointed Chairman and Chief Executive Officer of EDF Group by ministerial decree; he also acted as Chairman of the Veolia Environnement Board of Directors from November 27, 2009 (publication date of the decree) to December 12, 2010. Mr. Proglio was a director of the Company from that date to October 10, 2012 when he resigned his office.

EDF Group is no longer a shareholder of Veolia Environnement as of December 2013. There are under certain conditions cross-call options between Veolia Environnement and EDF covering all subsidiary shares held by each party and exercisable in the event of the takeover of either party (see Note 34, Off-balance sheet commitments).

Relations with BNP Paribas, Groupama, ENI and Saint-Gobain

These Groups and Veolia Environnement have common directors.

Any business relations, including financing and advisory relations, between these groups and Veolia are at normal market conditions.

Relations with Soficot

Soficot is a company providing services to Veolia Environnement and the Group. The company's Chairman is Serge Michel who sits on the Board of Directors of Veolia Environnement. The services provided by Soficot to Veolia Environnement in 2013 are described in the Special Auditors' Report on Regulated Agreements.

In addition, in 2013 Soficot provided services and assistance to Veolia Eau-compagnie générale des eaux (VE-CGE) for the Eau France zone. These services involved: (1) producing a diagnostic of the situation of Veolia Eau France and drawing up a transformation and turnaround plan for that business, (2) restructuring and optimizing all its information systems and (3) providing systems management and online document management services, in particular for the company's contracts.

Soficot was paid €1,389,000 for those services in 2013.

Lastly, in 2010, Dalkia International used the services of Soficot to help it overcome its operational problems in Italy and more generally in its southern zone.

The amount invoiced under that agreement in 2013 was €1,278,543.

With the turnaround of Siram largely under way, a new, reduced agreement was signed to replace the original 2010 contract, which was terminated in July 2013. Starting from that date, and in order to ensure the continuity of the recovery efforts in place since 2010, Dalkia International entrusted Soficot with the task of providing assistance and support to the new senior management team of SIRAM by making available a part-time manager to perform the functions of non-executive Chairman of the Board of Directors of that company. The amount invoiced under this new contract in 2013 was €147,230.

Note 38 Consolidated employees

Consolidated employees* break down as follows:

By Division	2013 (**)	2012 (**)	2011 (**)
Water	66,896	66,236	66,559
Environmental Services	55,606	63,122	65,755
Energy Services	15,265	16,477	17,376
Other	4,662	3,445	3,074
CONSOLIDATED EMPLOYEES (*)	**142,429**	**149,280**	**152,764**

By company	2013	2012	2011
Fully consolidated companies	142,226	148,896	152,553
Joint operations	203	384	211
CONSOLIDATED EMPLOYEES (*)	**142,429**	**149,280**	**152,764**

(*) Consolidated employees, excluding employees of equity-accounted subsidiaries..

(**) The above figures include employees of discontinued operations of 7,595 in 2013, 9,274 in 2012 and 10,870 in 2011.

The decrease in the number of employees in 2013 mainly concerns the Environmental Services Division and is primarily due to the divestiture of solid waste activities in November 2012.

The decrease in the number of employees in 2012 was mainly due to the impact of changes in Group structure and in particular the divestiture of Proxiserve in December 2011 and the divestiture of regulated Water activities in the United Kingdom in 2012.

Note 39 Reporting by operating segment

The operating segments are components of the Group that engage in activities and whose operating results are reviewed by the Group Chairman and Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance.

Information presented to the Chief Operating Decision Maker is taken from the Group internal reporting system.

Until December 31, 2012, the presentation by operating segment corresponded to the Group's traditional four businesses, that is, Water, Environmental Services, Energy Services and Other Segments.

As disclosed in Note 1.25, following the first-time application of the new consolidation standards with effect from fiscal year 2013, the Group now accounts for joint ventures using the equity method and not the proportionate consolidation method, as previously. However, the Dalkia International and Chinese Water concession joint ventures form an integral part of the Group's strategic development objectives. Accordingly, their operating performance is followed by the Group Chairman and Chief Executive Officer inside their respective segment.

The announcement on July 8, 2013 of the new organizational structure of the Group, does not change the terms of performance monitoring or resource allocation for the current year, which are based on decisions taken at the beginning of the fiscal year.

In accordance with the provisions of IFRS 8 on the identification of operating segments and after taking account of regrouping criteria, the following segments are now presented:

- The **Water** segment integrates drinking water and wastewater activities such as water distribution, water and wastewater treatment, industrial process water, manufacturing of water treatment equipment and systems;

- The **Environmental Services** segment collects, processes and disposes of household, trade and industrial waste;

- The Energy Services segment, comprising the activities of Dalkia and TNAI in the United States;

- **Other Segments**groups together the activities of Proactiva MedioAmbiente and the various Group holding companies.

Segment reporting for prior periods was restated for this change.

In accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the income statements of activities in the course of divestiture and activities divested were transferred to "Net income (loss) from discontinued operations" (see Note 24).

Segment reporting will be modified from 2014 to take account of the reorganization of the Group (see Note 3.2)

39.1 Reporting by operating segment

2013						Joint ventures (Data in Group share)	
(€ million)	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Revenue	10,221.9	8,075.5	3,756.5	260.9	**22,314.8**	**3,450.2**	**555.0**
Operating cash flow before changes in working capital	900.9	828.7	276.8	(36.0)	**1,970.4**	**362.3**	**116.4**
Adjusted operating cash flow	833.1	846.7	228.7	(112.2)	**1,796.3**	**357.1**	**114.4**
Net charges to operating provisions	*(94.4)*	*(6.9)*	*(2.6)*	*51*	*(52.9)*	*(0.9)*	*0*
Net depreciation and amortization	*(491.2)*	*(587.3)*	*(89.9)*	*(51.4)*	*(1,219.8)*	*(157.5)*	*(54.4)*
Impairment of goodwill and negative goodwill	*(0.5)*	*(168.0)*	*0.0*	*0.1*	*(168.4)*	*(8.6)*	*(12.2)*
Capital gains (losses) on disposal of non-current assets	*51.4*	*80.3*	*18.5*	*1.0*	*151.2*	*(13.2)*	*0.1*
Other	*(8.2)*	*(8.2)*	*0.1*	*0.4*	*(15.9)*	*0.2*	*0*
Operating income	**290.2**	**156.6**	**154.8**	**(111.1)**	**490.5**	**177.1**	**47.9**
Share of net income (loss) of equity-accounted entities	*26.3*	*32.7*	*35.8*	*83.9*	**178.7**	*8.1*	*0.5*
Operating income after share of net income (loss) of equity-accounted entities	316.5	189.3	190.6	(27.2)	**669.2**	**185.2**	**48.4**
Industrial investments	(403.4)	(556.8)	(220.4)	(46.3)	**(1,226.9)**	**(200.3)**	**(47.2)**

2012						Joint ventures (Data in Group share)	
(€ million)	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Revenue	**10,696.2**	**8,512.0**	**3,852.0**	**178.7**	**23,238.9**	**3,662.2**	**549.3**
Operating cash flow before changes in working capital	**880.7**	**1,011.0**	**263.6**	**17.8**	**2,173.1**	**278.5**	**113.2**
Adjusted operating cash flow	**853.6**	**911.3**	**244.8**	**(91.0)**	**1,918.7**	**273.6**	**111.0**
Net charges to operating provisions	*(5.8)*	*(65.8)*	*13.0*	*(10.4)*	*(69.0)*	*(1.4)*	*0.0*
Net depreciation and amortization	*(448.2)*	*(580.0)*	*(97.0)*	*(48.7)*	*(1,173.9)*	*(158.4)*	*(54.1)*
Impairment of goodwill and negative goodwill	*(51.6)*	*(13.2)*	*0.0*	*0.0*	*(64.8)*	*(16.6)*	*0.0*
Capital gains (losses) on disposal of non-current assets	*63.1*	*9.0*	*48.7*	*(1.3)*	*119.5*	*(36.0)*	*0.2*
Other	*(24.2)*	*5.8*	*0.7*	*(1.5)*	*(19.2)*	*2.7*	*0.0*
Operating income	**386.9**	**267.1**	**210.2**	**(152.9)**	**711.3**	**63.9**	**57.1**
Share of net income (loss) of equity-accounted entities	*32.4*	*48.4*	*(100.2)*	*7.5*	*(11.9)*	*7.6*	*0.0*
Operating income after share of net income (loss) of equity-accounted entities	**419.3**	**315.5**	**110**	**(145.4)**	**699.4**	**71.5**	**57.1**
Industrial investments	**(497.9)**	**(668.9)**	**(287.6)**	**(226.3)**	**(1,680.7)**	**(270.4)**	**(57.9)**

2011						Joint ventures (Data in Group share)	
(€ million)	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Revenue	**10,372.2**	**8,448.3**	**3,531.1**	**130.8**	**22,482.4**	**3,416.0**	**500.8**
Operating cash flow before changes in working capital	**1,026.2**	**1,010.8**	**272.5**	**37.9**	**2,347.4**	**292.5**	**99.6**
Adjusted operating cash flow	**903.8**	**879.8**	**256.7**	**(94.5)**	**1,945.8**	**297.4**	**97.2**
Net charges to operating provisions	*75.7*	*(123.3)*	*(4.8)*	*(25.5)*	*(77.9)*	*(26.0)*	*(1.0)*
Net depreciation and amortization	*(422.8)*	*(548.1)*	*(94.0)*	*(38.0)*	*(1,102.9)*	*(135.4)*	*(47.8)*
Impairment of goodwill and negative goodwill	*(17.0)*	*(75.9)*	*(153.1)*	*0.0*	*(246.0)*	*(212.0)*	*0.0*
Capital gains (losses) on disposal of non-current assets	*12.8*	*54.0*	*5.2*	*(0.1)*	*71.9*	*7.4*	*0.0*
Other	*(19.2)*	*2.5*	*(1.6)*	*(0.6)*	*(18.9)*	*(5.1)*	*0.0*
Operating income	**533.3**	**189.0**	**8.4**	**(158.7)**	**572.0**	(73.7)	**48.4**
Share of net income (loss) of equity-accounted entities	*(14.7)*	*42.6*	*(170.0)*	*5.6*	(136.5)	*2.4*	*0.0*
Operating income after share of net income (loss) of equity-accounted entities	**518.6**	**231.6**	**(161.6)**	**(153.1)**	**435.5**	**(71.3)**	**48.4**
Industrial investments	**(476.0)**	**(742.8)**	**(204.7)**	**(143.8)**	**(1,567.3)**	**(332.7)**	**(88.7)**

2013						**Joint ventures (Data in Group share)**	
Assets by segment *(€ million)*	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Goodwill, net	1,668.4	1,614.2	0.0	203.7	**3,486.3**	949.1	245.9
Intangible assets and Property, plant and equipment, net	2,842.8	3,138.7	529.0	468.6	**6,979.1**	1,857.2	1,760.6
Operating financial assets	1,067.8	647.8	1.2	79.2	**1,796.0**	156.4	23.4
Working capital assets, including DTA	5,068.8	2,310.3	95.9	762.8	**8,237.8**	1,564.4	194.2
Total segment assets	10,647.8	7,711.0	626.1	1,514.3	**20,499.2**	4,527.1	2,224.1
Investments in joint ventures	1,424.0	300.1	791.2	389.8	**2,905.1**	13.7	0
Investments in associates	285.2	76.3	21.7	1.8	**385.0**	51.5	3.3
Other unallocated assets				12,452.8	**12,452.8**	586.1	(946.6)
Total assets	**12,357.0**	**8,087.4**	**1,439.0**	**14,358.7**	**36,242.1**	**5,178.4**	**1,280.8**

2012						**Joint ventures (Data in Group share)**	
Assets by segment *(€ million)*	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Goodwill, net	1,718.6	1,808.4	374.0	10.9	3,911.9	951.1	261.9
Intangible assets and Property, plant and equipment, net	3,086.4	3,233.7	1,438.7	246.8	8,005.6	1,919.2	1,800.4
Operating financial assets	1,216.1	687.9	380.3	98.6	2,382.9	158.8	27.0
Working capital assets, including DTA	5,234.8	2,546.9	1,922.9	502.6	10,207.2	1,752.4	183.0
Total segment assets	**11,255.9**	**8,276.9**	**4,115.9**	**858.9**	**24,507.6**	**4,781.5**	**2,272.3**
Investments in joint ventures	1,397.0	325.2	968.9	223.7	2,914.8	17.0	0.0
Investments in associates	336.8	74.1	66.8	0.0	477.7	30.6	3.2
Other unallocated assets	0.0	0.0	0.0	10,576.6	10,576.6	674.6	(981.1)
Total assets	**12,989.7**	**8,676.2**	**5,151.6**	**11,659.2**	**38,476.7**	**5,503.7**	**1,294.4**

2011						Joint ventures (Data in Group share)	
Assets by segment *(€ million)*	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Goodwill, net	1,923.1	2,468.5	374.0	30.6	4,796.2	995.1	263.9
Intangible assets and Property, plant and equipment, net	4,245.7	3,894.4	1,313.4	278.0	9,731.5	1,813.6	1,812.2
Operating financial assets	1,078.5	715.7	363.4	99.1	2,256.7	102.2	29.8
Working capital assets, including DTA	5,368.3	2,709.7	1,928.5	559.4	10,565.9	1,894.8	167.1
Total segment assets	**12,615.6**	**9,788.3**	**3,979.3**	**967.1**	**27,350.3**	**4,805.7**	**2,273.0**
Investments in joint ventures	1,458.9	306.1	1,126.6	275.5	3,167.1	18.4	0.0
Investments in associates	221.3	60.1	66.3	13.1	360.8	30.3	4.0
Other unallocated assets	0.0	0.0	0.0	10,189.1	10,189.1	533.8	(960.2)
Total assets	**14,295.8**	**10,154.5**	**5,172.2**	**11,444.8**	**41,067.3**	**5,388.2**	**1,316.8**

2013						Joint ventures (Data in Group share)	
Liabilities by segment *(€ million)*	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Provisions for contingencies and losses	901.5	933.4	24.6	278.3	2,137.8	197.9	23.1
Working capital liabilities including DTL	5,715.0	2,224.5	176.8	614.8	8,731.1	1,290.7	520.6
Total segment liabilities	**6,616.5**	**3,157.9**	**201.4**	**893.1**	**10,868.9**	**1,488.6**	**543.7**
Other unallocated liabilities				25,373.2	25,373.2	3,689.8	737.1
Total liabilities	**6,616.5**	**3,157.9**	**201.4**	**26,266.3**	**36,242.1**	**5,178.4**	**1,280.8**

2012						Joint ventures (Data in Group share)	
Liabilities by segment *(€ million)*	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Provisions for contingencies and losses	797.3	923.5	289.3	249.5	2,259.6	224.9	22.1
Working capital liabilities including DTL	5,889.7	2,488.1	1,824.5	370.8	10,573.1	1,444.1	479.4
Total segment liabilities	**6,687.0**	**3,411.6**	**2,113.8**	**620.3**	**12,832.7**	**1,669.0**	**501.5**
Other unallocated liabilities				25,644.0	25,644.0	3,834.7	792.9
Total liabilities	**6,687.0**	**3,411.6**	**2,113.8**	**26,264.3**	**38,476.7**	**5,503.7**	**1,294.4**

2011						Joint ventures (Data in Group share)	
Liabilities by segment *(€ million)*	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
Provisions for contingencies and losses	805.4	1,025.7	286.5	209.7	2,327.3	204.2	21.1
Working capital liabilities including DTL	6,437.6	2,787.1	1,798.3	339.9	11,362.9	1,445.8	471.2
Total segment liabilities	**7,243.0**	**3,812.8**	**2,084.8**	**549.6**	**13,690.2**	**1,650.0**	**492.3**
Other unallocated liabilities				27,377.1	27,377.1	3,738.2	824.5
Total liabilities	**7,243.0**	**3,812.8**	**2,084.8**	**27,926.7**	**41,067.3**	**5,388.2**	**1,316.8**

39.2 Reporting by geographical area

2013		Joint ventures (Data in Group share)	
Revenue *(€ million)*	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
France	**11,303.6**	2.5	0.0
Germany	**1,968.8**	0.0	0.0
United Kingdom	**1,988.4**	151.7	0.0
Central and Eastern Europe	**1,201.4**	1,586.1	0.0
Rest of Europe	**810.3**	1,322.1	0.0
United States	**1,699.6**	19.9	0.0
Oceania	**952.1**	54.7	0.0
Asia	**1,074.0**	104.1	555.0
Middle East	**364.2**	88.8	0.0
Rest of the world	**952.4**	120.3	0.0
Total	**22,314.8**	**3,450.2**	**555.0**

2013		Joint ventures (Data in Group share)	
Non-current assets *(€ million)*	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
France	**7,921.6**	2,638.8	0.0
Germany	**1,496.3**	0.0	0.0
United Kingdom	**2,401.6**	156.7	0.0
Central and Eastern Europe	**1,093.8**	2,756.6	0.0
Rest of Europe	**1,393.5**	785.9	0.0
United States	**1,326.4**	34.1	0.0
Oceania	**412.5**	26.3	0.0
Asia	**2,388.1**	464.5	2,053.9
Middle East	**174.3**	50.9	0.0
Rest of the world	**495.5**	31.0	0.0
Total	**19,103.6**	**6,944.8**	**2,053.9**

(1) excluding elimination of securities held

2012		Joint ventures (Data in Group share)	
Revenue *(€ million)*	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
France	**11,622.3**	2.7	0.0
Germany	**1,938.0**	8.6	0.0
United Kingdom	**2,049.7**	154.8	0.0
Central and Eastern Europe	**1,219.7**	1,630.1	0.0
Rest of Europe	**948.6**	1,407.8	0.0
United States	**1,774.1**	18.7	0.0
Oceania	**1,041.0**	57.1	0.0
Asia	**1,305.2**	113.0	549.3
Middle East	**346.4**	99.2	0.0
Rest of the world	**993.9**	170.2	0.0
Total	**23,238.9**	**3,662.2**	**549.3**

2012		Joint ventures (Data in Group share)	
Non-current assets *(€ million)*	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
France	**9,770.6**	2,600.0	0.0
Germany	**1,727.8**	24.1	0.0
United Kingdom	**2,385.1**	172.4	0.0
Central and Eastern Europe	**1,137.9**	2,884.4	0.0
Rest of Europe	**1,164.4**	660.1	0.0
United States	**1,370.9**	34.9	0.0
Oceania	**494.2**	28.7	0.0
Asia	**2,398.1**	453.0	2,131.0
Middle East	**268.5**	21.3	0.0
Rest of the world	**595.5**	103.1	0.0
Total	**21,313.0**	**6,982.0**	**2,131.0**

(1) excluding elimination of securities held

2011		Joint ventures (Data in Group share)	
Revenue *(€ million)*	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
France	**11,201.1**	3.3	0.0
Germany	**2,068.1**	9.5	0.0
United Kingdom	**1,954.6**	137.0	0.0
Central and Eastern Europe	**1,150.9**	1,414.2	0.0
Rest of Europe	**1,024.7**	1,436.1	0.0
United States	**1,650.9**	16.8	0.0
Oceania	**943.2**	49.8	0.0
Asia	**1,249.9**	98.7	500.8
Middle East	**298.7**	92.0	0.0
Rest of the world	**940.3**	158.6	0.0
Total	**22,482.4**	**3,416.0**	**500.8**

2011		Joint ventures (Data in Group share)	
Non-current assets *(€ million)*	**Total Consolidated Financial Statements**	**Dalkia International**	**Chinese Water concessions**
France	**10,329.2**	2,463.9	0.0
Germany	**2,262.7**	23.2	0.0
United Kingdom	**3,694.3**	163.7	0.0
Central and Eastern Europe	**1,114.8**	2,780.7	0.0
Rest of Europe	**1,260.4**	647.3	0.0
United States	**2,660.7**	35.5	0.0
Oceania	**494.6**	28.9	0.0
Asia	**2,402.0**	357.7	2,145.2
Middle East	**91.5**	21.6	0.0
Rest of the world	**577.0**	103.1	0.0
Total	**24,887.2**	**6,625.6**	**2,145.2**

(1) excluding elimination of securities held

Note 40 Subsequent events

CPG Italy

On January 9, 2014, the Genoa Appeal Court cancelled the approval of the CPG. VSAT has already filed a request for ordinary revocation on February 3, 2014 before the Genoa Court of appeal, based on the existence of a manifest material mistake; a first audience has been scheduled on April 8th 2014.

Simultaneously, VSAT has filed a claim before the Supreme Court on March 4, 2014. As this appeal has a suspensive effect, the CPG remains approved until the Supreme Court renders its decision.

Moreover, a hearing before the La Spezia Court was held on February 18, 2014; the case has been adjourned for deliberation but a date has not been set for the decision to be rendered.

The events occurred since the beginning of 2014 do not jeopardize the accounting impacts registered in the consolidated accounts for the year ended December 31, 2013.

SNCM

The agenda for SNCM's Supervisory Board meeting of February 25, 2014 included a proposal to give the Chairman of the Management Board the authority to sign a three-month long letter of intent with a shipyard for the construction of ships and the terms of the transformation of the letter of intent to an actual order.

Transdev's representatives voted against this proposal and the State's representatives abstained, resulting in the rejection of the proposal. A new Supervisory Board meeting was then convened for March 7, 2014.

Despite the opposition of Transdev's representatives, during the March 7, 2014 meeting, SNCM's Supervisory Board approved, with the support of the State as a shareholder, a three-month long letter of intent for the order of four ships (two firm and two optional). So, The Supervisory Board authorized and mandated the Chairman of the Supervisory Board of SNCM to initiate negotiations with shipyards for the construction of the ships within the framework set by the letter of intent.

The results of these negotiations will be evaluated during the next Supervisory Board meeting of SNCM, scheduled for March 18, 2014, in order to possibly grant the Chairman of the Supervisory Board the power to sign the letter of intent that will enable SNCM to enter into exclusive negotiations with the chosen shipyard. In parallel, the financing of these new ships, which is a condition of the letter of intent, is still under evaluation by the Caisse des Dépôts et Consignation / Banque Publique d'Investissement working group, designated by the State as responsible for providing financing solutions by April 15, 2014.

Subsidies granted under the plan for improvement of public transportation services

Transdev Group was recently informed by a letter from the President of the Ile-de-France Regional Council dated March 3, 2014, and received on March 5, 2014, that the Ile-de-France Region was ordered by the Paris Administrative Court, on June 4, 2013, to proceed with the recovery of subsidies granted to operators under the plan for improvement of public transportation services. These subsidies were deemed to be illegal state aid by the Administrative Court, on the ground that no notification was made to the European Commission. According to the terms of the said letter, this restitution obligation could affect certain of Transdev Group's subsidiaries which may have benefited from these subsidies, because the Paris Administrative Court rejected the Ile-de-France region's request for a stay of execution on the restitution injunction. The Region appealed the administrative court decision, but this has not a suspensive effect.

This first notification was also sent to other regular line operators in the outer Paris suburbs. This request for repayment is a legal dispute between the Region and an occasional transportation company, and to which no subsidiary of the Transdev Group is a party. Although the Region mentions in its letter an estimated subsidized amount of approximately €98.7 million (not including interest) that would have been attributed to Transdev Group's subsidiaries, this estimate remains uncertain due to the complexity of the assessment resulting from, (i) the time the plan has existed, (ii) the number of operators that received the subsidies, a large number of which have since restructured/consolidated their activities, (iii) the guidelines of the plan, which involve local authorities with evolving scopes of responsibility and are either intermediaries (the sums paid by the Region passing through them) or economic beneficiaries under the plan.

If the Ile-de-France Region were to issue a revenue order, a suspensory appeal would be brought against the Transdev Group or its concerned subsidiaries before the administrative court.

At this very preliminary stage, Transdev Group maintains the position that the local authorities (Departments, Municipal Associations, Towns…), rather than Transdev Group and its subsidiaries, are the direct recipients of this financial aid because they benefit from contractual terms with reduced prices for transportation services billed to these local authorities.

Transdev Group, together with OPTILE (Organisation Professionnelle des Transports d'Ile-de-France, an association of all the private companies that operate regular lines in the Ile-de-France Transportation Plan), will contest any potential claims for repayment and will take any legal action necessary to defend its interests.

Finally, in a press release dated March 11, 2014, the European Commission announced that, following a complaint filed in 2008, it is opening an in-depth investigation into the subsidies granted to companies that operate public transportation services in Ile-de-France. It also stated that the total amount of subsidies between 1994 and 2008 equaled €263 million and involved 253 recipients. In particular, the Commission will verify if the recipients took on additional costs related to the obligation of public service, and, if so, whether or not their services were subject to overcompensation. Lastly, the Commission stated that its investigation will focus on a similar system of subsidies which may have continued after 2008. The opening of an in-depth investigation does not in any way affect the outcome of the ongoing investigation described above.

Note 41 Main companies included in the consolidated financial statements

In 2013, Veolia Environnement Group consolidated or accounted for a total of 2,620 companies, of which the main companies are:

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Veolia Environnement SA 36-38, avenue Kléber – 75116 Paris	40 321 003 200 047	FC	100.00	100.00
Société d'Environnement et de Services de l'Est SAS 75, avenue Oehmichen BP 21100 Technoland 25461 Etupes Cedex	44 459 092 100 052	FC	100.00	100.00
PROACTIVA Medio Ambiente SA Calle Cardenal Marcelo Spinola 8 – 3A 28016 Madrid (Spain)		FC	100.00	100.00
Thermal North America Inc. 99 summer street ; suite 900 Boston Massachusetts 02110 (United States)		FC	100.00	100.00
Water				
Veolia Eau – Compagnie Générale des Eaux 52, rue d'Anjou – 75008 Paris	57 202 552 600 029	FC	100.00	100.00
Veolia Water 52, rue d'Anjou – 75008 Paris	42 134 504 200 012	FC	100.00	100.00
Including the following companies in France:				
Compagnie des Eaux et de l'Ozone 52, rue d'Anjou – 75008 Paris	77 566 736 301 597	FC	100.00	100.00
Société Française de Distribution d'Eau 28 boulevard de Pesaro – 92000 Nanterre	54 205 494 500 382	FC	99.56	99.56
Compagnie Fermière de Services Publics 6, rue Nathalie Sarraute 44100 Nantes	57 575 016 100 912	FC	99.87	99.87
Compagnie Méditerranéenne d'Exploitation des Services d'Eau – CMESE 12, boulevard René-Cassin – 06100 Nice	78 015 329 200 112	FC	99.72	99.72
Société des Eaux de Melun Zone Industrielle – 198/398, rue Foch 77000 Vaux Le Pénil	78 575 105 800 047	FC	99.29	99.29
Société des Eaux de Marseille 25, rue Edouard-Delanglade 13000 Marseille	5 780 615 000 017	FC	97.76	97.74
Sade-Compagnie Générale de Travaux d'Hydraulique (CGTH-SADE) and its subsidiaries SADE – CGTH (S0401) 17-19 rue Laperouse – 75016 Paris	56 207 750 302 576	FC	99.41	99.41
Veolia Water Solutions & Technologies and its subsidiaries l'Aquarène 1, place Montgolfier 94417 St Maurice Cedex	41 498 621 600 037	FC	100.00	100.00
OTV l'Aquarène – 1 place Montgolfier 94417 St Maurice Cedex	433 998 473 000 14	FC	100.00	100.00
Société Internationale de Dessalement (SIDEM) 20-22 rue de Clichy – 75009 Paris	342 500 956 000 20	FC	100.00	100.00
Inlcuding the following foreign companies:				
Veolia Water UK Ltd and its subsidiaries 210 Pentoville Road, London N1 9JY (United Kingdom)		FC	100.00	100.00
Affinity Water Acquisitions (Holdco) Limited Governors House		EA	10.00	10.00

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Laurence Pountney Hill London EC4R 0HH (United Kingdom)				
Veolia Water North America and its subsidiaries 101 W. Washington Street, Suite 1400E Indianapolis, IN 46204 (United States)		FC	100.00	100.00
Veolia Wasser GmbH and its subsidiaries Lindencorso Unter den linden 21 10 117 Berlin (Germany)		FC	100.00	100.00
Braunschweiger Versorgungs- AG &Co.KG Taubenstrasse 7 38 106 Braunschweig (Germany)		FC	74.90	74.90
Aquiris SA Avenue de Vilvorde-450 1130 Brussels (Belgium)		FC	99.00	99.00
Apa Nova Bucuresti Srl Strada Aristide Demetriade nr 2, Sector 1 Bucarest (Romania)		FC	73.69	73.69
Veolia Voda and its subsidiaries 52, rue d'Anjou – 75 008 Paris	434 934 809 00016	FC	82.12	82.12
Prazske Vodovody A Kanalizace a.s. 11 Parizska 11 000 Prague 1 (Czech Republic)		FC	100.00	82.12
Severoceske Vodovody A Kanalizace a.s. 1 689 Pritkovska 41 550 Teplice (Czech Republic)		FC	50.10	41.14
Shenzhen Water (Group) Co. Ltd and its subsidiaries 23 Floor, Wan De Building Shennan Zhong Road SHENZHEN (China)		EA	45.00	25.00
Shanghai Pudong Veolia Water Corporation Ltd No. 703 Pujian Road, Pudong New District 200127 SHANGHAI (China)		EA	50.00	50.00
Changzhou CGE Water Co Ltd No.12 Juqian Road, CHANGZHOU Municipality, Jiangsu Province 213000 (China)		EA	49.00	24.99
Kunming CGE Water Supply Co Ltd No.6 Siyuan Road, Kunming Municipality, Yunnan Province 650231 (China)		EA	49.00	24.99
Veolia Water Korea Investment Co Ltd and its subsidiaries East 16 F Signature Towers Building Chungyechou-ro 100 Jung-gu (South Korea)		FC	100.00	100.00
Veolia Water Australia and its subsidiaries Level 4, Bay Center, 65 Pirrama Road, Pyrmont NSW 2009 (Australia)		FC	100.00	100.00
Société d'Énergie et d'Eau du Gabon Avenue Felix Eboué – BP 2082 – Libreville (Gabon)		FC	51.00	41.08
Veolia Water Middle East (Veolia Water MENA) and its subsidiaries 52, rue d'Anjou – 75008 Paris	505 190 801 00017	FC	100.00	100.00
Veolia Water Middle East North Africa (Veolia Water MENA) and its subsidiaries 52, rue d'Anjou – 75008 Paris	403 105 919 00019	FC	80.55	80.55
Amendis 23, rue Carnot – 90 000 Tanger (Morocco)		FC	100.00	80.55
REDAL SA 6 Zankat Al Hoceima, BP 161 – 10 000 Rabat (Morocco)		FC	100.00	80.74
Lanzhou Veolia Water (Group) Co LTD No. 2 Hua Gong Street, Xigu District, LANZHOU, Gansu Province (China)		EA	45.00	22.95
Sharqiyah Desalination Co. SAOC PO Box 685, EA 114 Jibroo, Sultanate of Oman	1 011 277	EA	35.75	35.75

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Biothane Systems International B.V. Thanthofdreef 21 – PO BOX 5068 2623 EW Delft (Netherlands)	27267973	FC	100.00	100.00
Tianjin Jinbin Veolia Water Co No2 Xinxiang Road, Bridge 4 Jin Tang Expressway, Dongli District Tianjin Municipality (China)		EA	49.00	49.00
Changle Veolia Water Supply Co Ltd (N° 2 Water Plant) Pan Ye Village, Hang Cheng Jie Dao, Changle Municipality, Fujian Province (China)		EA	49.00	49.00
Veolia Water – Veolia Environmental Service Ltd (Hong Kong) - VW- VES (HK) Ltd Units 7601-03&06-13,76/F, The Center, 99 Queen's Road Central, , Hong Kong		FC	100.00	100.00
Sofiyska Voda AD Mladost region Mladost 4 Business Park Street Building 2a 1000 Sofia Sofia (Bulgaria)		FC	77.10	63.32
Environmental Services				
Veolia Propreté Parc des Fontaines – 163/169, avenue Georges Clemenceau 92000 Nanterre	57 222 103 400 778	FC	100.00	100.00
Société d'Assainissement Rationnel et de Pompage (SARP) and its subsidiaries 52 avenue des Champs Pierreux – 92000 Nanterre	77 573 481 700 387	FC	100.00	99.57
SARP Industries and its subsidiaries 427, route du Hazay – Zone Portuaire Limay-Porcheville 78520 Limay	30 377 298 200 029	FC	100.00	99.85
Routière de l'Est Parisien 28 boulevard de Pesaro 92000 NANTERRE	61 200 696 500 182	FC	100.00	100.00
ONYX Auvergne Rhône-Alpes 105 avenue du 8 mai 1945 69140 Rillieux-La-Pape	30 259 089 800 524	FC	100.00	100.00
Onyx Est ZI de la Hardt – Route de Haspelschiedt 57 230 Bitche	30 520 541 100 070	FC	95.00	95.00
Paul Grandjouan SACO 6 rue Nathalie Sarraute 44 200 Nantes	86 780 051 800 609	FC	100.00	100.00
OTUS 28 boulevard de Pesaro 92000 NANTERRE	62 205 759 400 385	FC	100.00	100.00
Bartin Recycling Group and its subsidiaries 5 rue Pleyel 93 200 Saint Denis	48 141 629 500 022	FC	100.00	100.00
Including the following foreign companies:				
Veolia ES Holding Ltd and its subsidiaries 8th floor – 210 Pentonville Road LONDON - N19JY (United Kingdom)		FC	100.00	100.00
Veolia Environmental Services North America Corp. 200 East Randolph Street – Suite 7900 Chicago –IL 60601 (United States)		FC	100.00	100.00
VES Technical Solutions LLC Butterfield Center 700 East Butterfield Road, #201 LOMBARD IL 60148 (United States)		FC	100.00	100.00
Veolia ES Industrial Services, Inc. 2525 South Shore Blvd, Suite 410 LEAGUE CITY 77573 Texas (United States)		FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Veolia ES Canada Industrial Services Inc. 1705, 3ème avenue H1B 5M9 Montreal – Quebec (Canada)		FC	100.00	100.00
Veolia Environmental Services Australia Pty Ltd Level 4, Bay Center – 65 Pirrama Road NSW 2009 – Pyrmont (Australia)		FC	100.00	100.00
Veolia Environmental Services Asia Pte Ltd 5 Loyang Way 1-WMX Technologies Building 508706 Singapore		FC	100.00	100.00
Veolia Environmental Services China LTD Rm 4114 Sun Hung Kai Centre – 30 Harbour Road Wanchai – HONG-KONG		FC	100.00	100.00
Veolia Umweltservice GmbH and its subsidiaries Hammerbrookstrasse 69 20097 Hamburg (Germany)		FC	100.00	100.00
Energy Services				
Dalkia – Saint-André 37, avenue du Mal-de-Lattre-de-Tassigny 59350 St André les Lille	40 321 129 500 023	FC	66.00	66.00
Dalkia France 37, avenue du Mal-de-Lattre-de-Tassigny 59350 St André les Lille	45 650 053 700 018	FC	99.94	65.96
Dalkia Investissement 37, avenue du Mal-de-Lattre-de-Tassigny 59350 St André les Lille	40 443 498 700 073	EA	50.00	33.00
Dalkia International 37, avenue du Mal-de-Lattre-de-Tassigny 59350 St André les Lille	43 353 956 600 011	EA	75.81	50.03
Citelum and its subsidiaries 37, rue de Lyon – 75012 Paris	38 964 385 900 019	FC	99.94	65.96
Including the following foreign companies:				
Dalkia PLC and its subsidiaries Elizabeth House – 56-60 London Road Staines TW18 4BQ (United Kingdom)		EA	75.81	50.03
Dalkia NV and its subsidiaries 52, quai Fernand-Demets 1070 – Anderlecht (Belgium)		EA	75.81	50.03
Siram SPA and its subsidiaries Via Bisceglie, 95 – 20152 Milan (Italy)		EA	75.81	50.03
Dalkia Espana and its subsidiaries Cl Juan Ignacio Luca De tgna, 4 28 027 Madrid (Spain)		EA	75.81	50.03
Dalkia SGPS SA and its subsidiaries Estrada de Paço d'Arcos 2770 – 129 Paco d'Arços (Portugal)		EA	75.81	50.03
Dalkia Polska and its subsidiaries Ul Mysia 5 – 00 496 Warsaw (Poland)		EA	75.81	30.02
Zespol Elektrocieplownl w Lodzi and its subsidiary Ul.Jadzi. Andrzejewskiej Street 90-975 Lodz (Poland)		EA	75.81	27.64
Dalkia Term SA and its subsidiaries UL B.Czecha 36 – 04 -555 Warszawa (Poland)		EA	75.81	30.02
Dalkia Warszawa and its subsidiary UI Stefana Batorego 2 02-591 Warszawa (Poland)		EA	75.81	25.52
Dalkia AB and its subsidiaries Hälsingegatan 47 – 113 31 Stockholm (Sweden)		EA	75.81	50.03
UAB Vilnius Energija Joconiu St. 13 – 02300 VILNIUS (Lithuania)		EA	75.81	44.47
Dalkia Energia Zrt. and its subsidiaries Budafoki út 91-93 – H-1117 Budapest (Hungary)		EA	75.81	50.01
Dalkia a.s and its subsidiaries Kutlíkova 17 – Technopol 851 02 Bratislava 5 (Slovakia)		EA	75.81	50.03

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Dalkia Ceska Republika and its subsidiaries 28.Rijna 3123/152 709 74 Ostrava (Czech Republic)		EA	75.81	36.55
TRANSPORTATION				
Transdev Group 32 boulevard Gallieni 92 130 Issy les Moulineaux	52 147 785 100 013	EA	50.00	50.00
Société européenne pour le développement des transports public - Transdev 32, Boulevard Galliéni 92130 Issy les Moulineaux	542 104 377 00610	EA	50.00	50.00
Transdev IDF 32, Boulevard Galliéni 92130 Issy les Moulineaux	383 607 090 00016	EA	50.00	50.00
Voyages et Transports de Normandie 10 Boulevard Industriel, SOTTEVILLE LES ROUEN (76300)	775 558 463 00011	EA	50.00	33.00
Société Nationale Maritime Corse-Méditerranée (SNCM) 42, Rue de Ruffi 13003 Marseille	775 558 463 00011	EA	50.00	33.00
CFTI (Compagnie Française de Transport Interurbain) Parc des Fontaines 32, Boulevard Galliéni 92130 Issy les Moulineaux	552 022 063 01075	EA	49.97	49.97
Transdev Urbain Parc des Fontaines 32, Boulevard Galliéni 92130 Issy les Moulineaux	344 379 060 00082	EA	50.00	50.00
VT Eurolines Parc des Fontaines 32, Boulevard Galliéni 92130 Issy les Moulineaux	434 009 254 00021	EA	50.00	50.00
Including the following foreign companies:				
Veolia Transportation Inc. 720 E Butterfield Road Suite 309 Lombard 60148 IL (United States)		EA	50.00	50.00
Super Shuttle International Inc., and its subsidiaries 14500 N. Northsight boulevard, Suite 329 Scottsdale, AZ 85260 (United States)		EA	50.00	50.00
Veolia Transport Australasia Level 12, 114 William Street Melbourne, Victoria 3000 (Australia)		EA	50.00	50.00
Veolia Transport Northern Europe Actiebolag Englundavägen 9, Box 1820 SE-171 24 Solna (Sweden)		EA	50.00	50.00
Connexxion holding NV, and its subsidiaries Laapersveld 75 1213 VB Hilversum (Netherlands)		EA	50.00	25.00
Transdev PLC, and its subsidiaries 401 King Street Hammersmith London, W6 9NJ (United Kingdom)		EA	50.00	50.00
Transdev Participações SGPS SA, and its subsidiaries Avenida D. Afonso Henriques, 1462 – 1º 4450-013 Matosinhos (Portugal)		EA	50.00	50.00
Veolia Transport Nederland Holding BV and its subsidiaries Mastbosstraat 12 – Postbus 3306 4800 GT Breda (Netherlands)		EA	50.00	50.00
Veolia Transport Belgium nv and its subsidiaries Groenendaallaan 387 2030 Antwerp (Belgium)		EA	50.00	50.00

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Veolia Verkehr GmbH and its subsidiaries Georgenstrasse 22 10117 Berlin (Germany)		EA	50.00	50.00
Veolia Transdev Canada INC, and its subsidiaries St-Jean-sur-Richelieu (Quebec)		EA	50.00	50.00
JV VT RATP ASIA 25/F, Office Building 1, Beijing Landmark Towers, 8 North Dongsanhuan Road, Chaoyang District, Beijing 100004, China		EA	50.00	50.00
Veolia Transport Chile Hernando de Aguire, 162, offic.1203, Providencia Santiago, Chile	28302	EA	50.00	50.00

Consolidation method :
FC: Full Consolidation; EA: Proportionate Consolidation; EA: Equity Associate.

Note 42 Audit fees

Audit fees incurred by the Group, including fees related to subsidiaries accounted for under the equity method, during fiscal years 2013, 2012 and 2011 total €42.7 million, €50.7 million and €52.6 million, respectively, including:

- €36.7 million in 2013, €40.6 million in 2012 and €41.8 million in 2011 in respect of the statutory audit of the accounts; and
- €6.0 million in 2013, €10.1 million in 2012 and €10.8 million in 2011 in respect of services falling within the scope of diligences directly related to the audit engagement.

These fees include 100% of equity-accounted entities.

Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2013

To the Shareholders,

In compliance with the assignment entrusted to us at your Annual General Meetings, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Veolia Environnement;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying the opinion expressed above, we draw your attention to Note 1.1.4 - Changes in accounting method - of the condensed interim consolidated financial statements which sets out the effects of the application of the standards IFRS 10, IFRS 11, IFRS 12, IAS 28 Revised and IAS19 Revised.

2 Justification of our assessments

Accounting estimates underlying the preparation of the accounts were made in an uncertain economic and financial environment (volatile financial markets, government austerity measures, etc.) making economic forecasting more difficult.

Such is the context in which we made our own assessments and we bring to your attention the following matters in accordance with the requirements of article L.823-9 of the Code de commerce (French Commercial Code):

Management's significant judgments and estimations, disclosed in Note 2 to the consolidated financial statements, are determined based on past experience and other factors considered as reasonable given the circumstances. As a result, those estimates may not accurately reflect reality.

These judgments and estimates relate principally to:

- Goodwill and other intangible assets with an indefinite useful life which are subject to regular annual impairment tests, or when a triggering event occurs as described in Notes 1-11 and 4 to the consolidated financial statements. We have analyzed the implementation procedures for these tests and the assumptions used to compute future cash flows and have verified that the information disclosed in Notes 4 and 6 to the financial statements is appropriate.

- Fixed assets and other intangible assets with a definite useful life (Notes 1-11, 1-20, 5, 6 and 7), financial assets (Notes 11 and 12), Operating receivables (Note 1-14, 14, 28), income taxes (Notes 1-19, 13 and 23), provisions and post-employment benefits (Notes 1-13, 1-15, 16 and 29) and financial instruments (Notes 1-13, 1-26, 27, 28 and 29). Our work consisted in assessing the financial information and assumptions underlying these judgments and estimates, reviewing, on a test basis, the calculations made by the Company and verifying that the information disclosed in the notes to the consolidated financial statements is appropriate.

- Assets and liabilities available for sale and methods of determining possible impairments are described in Notes 1.5.3, 3-2, 3-3 and 24 to the consolidated financial statements. We have analyzed the classification criteria and the valuation and have verified that the information disclosed in Notes 3.2 and 24 to the financial statements is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Auditors

French original signed by

Paris-La Défense, March 18, 2014

KPMG Audit		ERNST & YOUNG et Autres	
A division of KPMG S.A.			
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

20.2 Company Financial Statements

Balance Sheet as of December 31, 2013

(in € thousands)	12/31/2013			12/31/2012
ASSETS	GROSS	DEP., AMORT. & PROV.	NET	NET
SHARE CAPITAL SUBSCRIBED BUT NOT CALLED	-	-	-	-
NON-CURRENT ASSETS				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes, software, rights and similar	1,335	1,309	26	64
Purchased goodwill (1)	-	-		-
Other intangibles	-	-		-
Intangible assets under construction	2,139		2,139	2,716
Property, plant and equipment				
Land	-	-	-	-
Buildings	-	-	-	-
Industrial and technical plant	-	-	-	-
Other plant and equipment	358	309	49	78
PP&E under construction	-		-	-
Payments on account - PP&E	-	-	-	-
Long-term loans and investments (2)				
Equity investments	15,708,732	3,795,429	11,913,303	12,856,660
Loans to equity investments	7,386,101	-	7,386,101	7,480,231
Long-term portfolio investments (TIAP)	-	-	-	-
Other long-term investment securities	2,338	121	2,217	3,476
Loans	762,490	-	762,490	272,867
Other long-term loans and investments	320,046	204,349	115,697	74,910
TOTAL (I)	**24,183,539**	**4,001,517**	**20,182,022**	**20,691,002**

(in € thousands)	12/31/2013			12/31/2012
ASSETS	**GROSS**	**DEP., AMORT. & PROV.**	**NET**	**NET**
CURRENT ASSETS				
Inventories and work-in-progress				
Raw materials & supplies	-	-	-	-
Work in process - goods and services	-	-	-	-
Semi-finished and finished goods	-	-	-	-
Bought-in goods	-	-	-	-
Payments on account – inventories	5,800	-	5,800	1,271
Receivables(3)				
Trade receivables				
Trade receivables and related accounts	151,326	1,478	149,848	208,387
Other receivables	1,624,424	47,752	1,576,672	2,513,817
Miscellaneous receivables				
Share capital subscribed and called but not paid in	-	-	-	-
Marketable securities				
Treasury shares	134,115	67,579	66,536	51,983
Other securities	2,533,713	-	2,533,713	3,608,910
Treasury instruments - Assets	176,169	-	176,169	144,756
Cash at bank and in hand	393,215	-	393,215	508,371
Prepayments(4)	13,011	-	13,011	8,361
TOTAL (II)	**5,031,773**	**116,809**	**4,914,964**	**7,045,856**
ACCRUED INCOME AND DEFERRED CHARGES				
Deferred charges **(III)**	96,568	-	96,568	100,118
Bond redemption premiums **(IV)**	81,673	-	81,673	96,008
Unrealized foreign exchange losses **(V)**	165,257	-	165,257	211,113
	29,558,810	**4,118,326**	**25,440,484**	**28,144,096**
(1) Of which leasehold rights			-	-
(2) Portion due in less than one year			716,845	284,417
(3) Portion due in more than one year			51,871	51,312
(4) Portion due in more than one year			171	2,422

EQUITY AND LIABILITIES	2013	2012
SHAREHOLDERS' EQUITY		
Share capital (of which paid in: 2,744,378,540)	2,744,379	2,610,434
Additional paid-in capital	7,663,824	8,278,993
Revaluation reserves	-	-
Equity accounting revaluation reserve	-	-
Reserves		
Reserve required by law	239,251	239,251
Reserves required under the bylaws or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	-	-
Retained earnings	-	-
Net income /(loss) for the period	(418,424)	(352,913)
SUB-TOTAL: Shareholders' equity	**10,229,030**	**10,775,765**
INVESTMENT SUBSIDIES	-	-
TAX-DRIVEN PROVISIONS:	55	550
TOTAL (I)	**10,229,085**	**10,776,315**
EQUITY EQUIVALENTS		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other:	-	
TOTAL (I B)	**-**	**-**
PROVISIONS		
Provisions for contingencies	209,111	187,973
Provisions for losses	2,762	15,400
TOTAL (II)	**211,873**	**203,373**
LIABILITIES(1)		
Convertible bonds	-	-
Other bond issues	9,359,386	11,302,666
Bank borrowings(2)	61,882	451,907
Other borrowings(3)	4,774,671	4,431,732
Payments received on account for work-in-progress		
Operating liabilities		
Trade payables and related accounts	102,970	87,506
Tax and employee-related liabilities	120,406	155,932
Other operating liabilities	-	-
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	113	26
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	87,331	30,578
Treasury instruments – Liabilities	124,979	159,311
ACCRUED INCOME AND DEFERRED CHARGES		
Deferred income	282,977	444,953
TOTAL (III)	**14,914,715**	**17,064,611**
UNREALIZED FOREIGN EXCHANGE GAINS **(IV)**	**84,811**	**99,797**
GRAND TOTAL (I+II+III+IV)	**25,440,484**	**28,144,096**
(1) Portion due in more than one year	10,323,292	10,982,539
Portion due in less than one year	4,584,978	5,995,027
(2) Of which overdrafts and current bank facilities	61,882	55,195
(3) Of which equity equivalent loans	-	-

Income Statement for the year ended December 31, 2013

(in € thousands)	**2013**	**2012**
OPERATING REVENUE [1]		
Sales of bought-in goods	-	-
Sales of own goods and services	212,851	231,333
NET SALES	212,851	231,333
Of which export sales		
Changes in inventory of own production of goods and services	-	-
Own production capitalized	2,301	2,658
Operating subsidies	3	-
Write-back of provisions (depreciation and amortization) and expense reclassifications	26,139	16,279
Other revenue	227,489	235,761
TOTAL (I)	**468,783**	**486,031**
OPERATING EXPENSES [2]		
Purchases of bought-in goods	-	-
Change in inventories of bought-in goods	-	-
Purchases of raw materials and other supplies	-	-
Change in inventories of raw materials and other supplies	-	-
Other purchases and external charges (*)	171,465	190,328
Duties and taxes other than income tax	14,552	13,702
Wages and salaries	114,172	105,832
Social security contributions	41,819	45,023
Depreciation, amortization and charges to provisions		
On non-current assets: depreciation and amortization	13,682	11,697
On non-current assets: charges to provisions	-	-
On current assets: charges to provisions	1,479	-
For contingencies and losses: charges to provisions	25,228	19,584
Other expenses	226,851	248,147
TOTAL (II)	**609,248**	**634,313**
1. OPERATING LOSS(I – II)	**(140,465)**	**(148,282)**
JOINT VENTURE OPERATIONS		
Profits transferred in or losses transferred out **(III)**	-	-
Profits transferred out or losses transferred in **(IV)**	-	-
(*) *Of which: Equipment finance lease installments*		
Real estate finance lease installments	-	-
[1] Of which income relating *to* prior periods	-	-
[2] Of which expenses *relating* to prior periods	-	-

	2013	2012
FINANCIAL INCOME [(3)]		
Financial income from equity investments	1,239,334	1,107,065
Financial income from other securities and long-term receivables	7,605	7,870
Other interest and similar income	315,181	393,128
Write-back of provisions and expense reclassifications	328,761	344,246
Foreign exchange gains	2,285,849	2,465,923
Net proceeds from sales of marketable securities	6,406	11,016
TOTAL (V)	**4,183,136**	**4,329,248**
FINANCIAL EXPENSES		
Amortization and charges to provisions for financial items	1,492,678	1,311,025
Interest and similar expenses [(4)]	687,791	726,934
Foreign exchange losses	2,300,179	2,460,826
Net expenses on sales of marketable securities	0	9
TOTAL (VI)	**4,480,648**	**4,498,794**
2.NET FINANCIAL INCOME (EXPENSE) (V–VI)	**(297,512)**	**(169,546)**
3.NET INCOME/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	**(437,977)**	**(317,828)**
EXCEPTIONAL INCOME		
Exceptional income from non-capital transactions	6,977	-
Exceptional income from capital transactions	278,790	11,310
Write-back of provisions and expense reclassifications	3,551	33,552
TOTAL (VII)	**289,318**	**44,862**
EXCEPTIONAL EXPENSES		
Exceptional expenses on non-capital transactions	85	529
Exceptional expenses on capital transactions	398,245	137,591
Exceptional depreciation, amortization and charges to provisions	5,208	26,639
TOTAL (VII)	**403,538**	**164,759**
4. NET EXCEPTIONAL ITEMS (VII–VIII)	(114,220)	(119,897)
STATUTORY EMPLOYEE PROFIT-SHARING **(IX)**	-	-
INCOME TAX EXPENSE **(X)**	133,773	84,812
TOTAL INCOME (I+III+V+VII)	**4,941,237**	**4,944,953**
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	**5,359,661**	**5,297,866**
NET INCOME / (LOSS)	**(418,424)**	**(352,913)**
(3) Of which income from related parties	2,162,120	2,107,149
(4) Of which interest charged by related parties	24,116	54,149

Proposed Appropriation of 2013 Net Income

(in euros)	**2013**
2013 accounting net loss	**(418,423,818)**
Prior year retained earnings	-
2013 retained deficit after reducing prior year retained earnings to zero	**(418,423,818)**
Proposed appropriation and distribution "Additional paid-in capital" after reducing the 2013 retained deficit to zero by offset	**7,245,399,898**
Distributable amounts after reducing the 2013 retained deficit to zero	
Additional paid-in capital	7,245,399,898
Other reserves	-
Total	**7,245,399,898**
Proposed distribution	**374,246,447**
Dividend payment (€0.70 x 534,637,781 shares)(1) by deduction from the following accounts	
Other reserves	
Additional paid-in capital	374,246,447
Shareholders' equity accounts after appropriation and distribution of the dividend	
Share capital	2,744,378,540
Additional paid-in capital	6,871,153,451
Reserve required by law	239,250,761
Other reserves	-
2013 retained earnings/deficit	-
Total (2)	**9,854,782,752**

(1) The total dividend distribution presented in the above table is calculated based on 548,875,708 shares outstanding as of December 31, 2013, including 14,237,927 treasury shares and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date. Consequently, amounts deducted from "Additional paid-in capital" may change depending on the definitive dividend amount paid.

(2) After appropriation of the net loss and distribution of the proposed dividend for 2013, the shareholders' equity of the Company shall be €9,854,782,752, including distributable amounts of €6,871,153,451 recorded in "Additional paid-in capital".

Statement of Source and Application of Funds

(in € thousands)	2013	2012
SOURCE OF FUNDS:		
Operating cash before changes in working capital	751,199	628,072
Disposals or decreases in non-current assets:		
Disposals of intangible assets and PP&E	2,914	1,930
Disposals of equity investments	275,874	701,205
Repayment of financial receivables (long-term advances)	1,414,945	1,136,473
Repayment of other long-term loans and investments	350	27,668
Increase in shareholders' equity	-	-
New borrowings	1,862,669	137,326
TOTAL SOURCE OF FUNDS	**4,307,952**	**2,632,674**
APPLICATION OF FUNDS:		
Dividend distribution (excluding withholding tax)(1)	128,300	329,902
Acquisitions or purchases of non-current assets:		
Intangible assets and PP&E	2,374	2,657
Long-term loans and investments:		
Equity investments	494,246	121,136
Long-term financial receivables	1,417,360	1,106,129
Other long-term loans and investments	509,201	-
Decrease in shareholders' equity	-	-
Principal payments on borrowings	2,579,722	2,037,125
TOTAL APPLICATION OF FUNDS	**5,131,203**	**3,596,950**
Increase / decrease in working capital requirements	(823,253)	(964,276)
Total	**4,307,952**	**2,632,674**

(1) Dividends paid in 2013 in respect of fiscal year 2012: €355,494 thousand, including dividends of €127,521 thousand paid in cash (excluding registration fees) and dividends of €227,973 thousand paid in shares.

Notes to the Company Financial Statements

Note 1 Major events of the period

1.1 Company financing

1.1.1 Share capital increase resulting from the payment of the dividend for fiscal year 2013 in shares

Pursuant to the decision of the combined general shareholders' meeting of May 14, 2013 in the fifth resolution, to offer shareholders the option of receiving payment of the dividend for fiscal year 2012 in new Veolia Environnement shares, the Board of Directors, meeting on the same day, sub-delegated to Chairman and Chief Executive Officer, the necessary powers to perform the share capital increase resulting from the exercise of this option. The option exercise period was set from May 20 to June 4, 2013 inclusive.

At the end of the option exercise period and based on a certificate of deposit prepared by Société Générale, the Chairman and Chief Executive Officer duly noted a share capital increase in the amount of €227,973,190.09 on June 12, 2013.

This led to the issue of 26,788,859 new shares with a par value of €5 each, representing an increase in the share capital of the Company of €133,944,245, and the recognition of additional paid-in capital of €94,028,895.09. The expenses relating to this transaction were deducted from additional paid-in capital for a net of tax amount of €662,411.93.

1.1.2. Events regarding bond issues and syndicated loan facilities

Early redemptions:

On March 28, 2013, Veolia Environnement bought back €18,200,000 of the 2014 EMTN bond line.

On June 12, 2013, Veolia Environnement partially bought back its USD-denominated bonds for a nominal amount of $94,106,000 and its euro-denominated bonds maturing in 2014, 2016, 2017, 2018 and 2020 for a nominal amount of €627,767,000. The buy-back of the euro-denominated bonds breaks down as follows:

- €200,479,000 for the EMTN bond line paying a coupon of 5.25% and maturing in 2014,
- €103,368,000 for the EMTN bond line paying a coupon of 4% and maturing in 2016,
- €85,733,000 for the EMTN bond line paying a coupon of 4.375% and maturing in 2017,
- €129,242,000 for the EMTN bond line paying a coupon of 5.375% and maturing in 2018, and
- €108,945,000 for the EMTN bond line paying a coupon of 4.375% and maturing in 2020.

The buy-back took place on June 12, 2013.

On December 17, 2013, Veolia Environnement partially bought back its USD-denominated bonds for a nominal amount of $22,516,000 and its euro-denominated bonds maturing in 2014, 2016, 2017, 2018 2020, and 2022 for a nominal amount of €329,600,000. The buy-back of the euro-denominated bonds breaks down as follows:

- €25,177,000 for the EMTN bond line paying a coupon of 5.25% and maturing in 2014,
- €33,403,000 for the EMTN bond line paying a coupon of 4% and maturing in 2016,
- €41,973,000 for the EMTN bond line paying a coupon of 4.375% and maturing in 2017,
- €19,243,000 for the EMTN bond line paying a coupon of 5.375% and maturing in 2018,
- €59,874,000 for the EMTN bond line paying a coupon of 4.375% and maturing in 2020, and
- €149,930,000 for the EMTN bond line paying a coupon of 5.125% and maturing in 2022.

Redemption of bonds maturing in 2013:

Veolia Environnement redeemed two bond issues maturing on May 28, 2013 and June 3, 2013 for €431.7 million and $490 million, respectively.

Repayment of the syndicated loan draw-down:

Veolia Environnement repaid its 1,600 million Polish zloty draw-down on April 22, 2014.

1.1.3. Issue of the hybrid debt

Veolia Environnement issued €1.5 billion in deeply subordinated perpetual debt:

- €1 billion with a 4.45% yield on the euro tranche, and
- £400 million with a 4.85% yield on the sterling tranche.

1.2. Subsidiary financing

1.2.1. Eolfi

On January 21, 2013, Veolia Environnement sold its interest in Eolfi. The shares had a gross value of €80.1 million and were impaired in the amount of €55.8 million as of December 31, 2012.

This disposal generated a capital loss of €56.7 million, partially offset by a reversal of the provision for share impairment of €55.8 million.

1.2.2. Veolia Environnement North America Operations

On May 21, 2013, Veolia Environnement North America Operations reduced its share capital by purchasing 42.5 of the financial stock for an amount of $325 million. This transaction reduced the share value of Veolia Environnement North America Operations in the Veolia Environnement financial statements by €179.5 million and generated a capital gain of €72.7 million due to the foreign exchange impact.

1.2.3. Veolia Services Support France

On November 25, 2013, Veolia Environnement subscribed to the entire share capital increase performed by Veolia Services Support France in the fully paid-up amount of €61.8 million in order to offset the liquid debts payable to the company.

1.2.4. Proactiva Medio Ambiente

On November 28, 2013, Veolia Environnement acquired 50% of the share capital of de Proactiva Medio Ambiante for €150.5 million, thus becoming the company's 100% shareholder. The amount includes an earn-out of €5 million whose payment is subject to the renewal of the Buenos Aires contract, which was signed at the end of January 2014. In addition to the €20 million disbursed on the signing and deposited in an escrow account, the amount (in full or in part) will be definitively earned by FCC no later than November 2015, subject to the fulfilment of certain conditions relating to the Guayaquil contract in Ecuador.

1.2.5. Veolia Environnement Ingénierie Conseil

On December 17, 2013, Veolia Environnement subscribed to the entire share capital increase performed by Veolia Environnement Ingénierie Conseil in the fully paid-up amount of €1.9 million in order to offset the liquid debts payable to the company.

1.3. Other major events

1.3.1. Treasury shares

In 2013, due to the rise in its share price, Veolia Environnement recorded a variation to the treasury share impairment provision resulting in a gain of €35.4 million, based on an average share price in December 2013 of €11.38, compared to €8.89 in December 2012.

The gross value of the 14,237,927 treasury shares held as of December 31, 2013 is €433.9 million, provided for in the amount of €271.9 million, and representing a net carrying amount of €162 million.

Note 2 Accounting principles and methods

2.1. Basis of preparation

The company financial statements for the year ended December 31, 2013 are prepared and presented in accordance with legislative and regulatory provisions applicable in France.

Amounts recorded in the accounts are valued on a historical cost basis.

The accounting period ends on December 31, 2013 and has duration of 12 months.

2.2. Main accounting policies

Non-current assets: On initial recognition in the accounts, non-current assets are recorded at acquisition cost if acquired for valuable consideration, at market value if acquired for nil consideration or at production cost if produced by the company.

Intangible assets: In the course of major IT projects, the company incurs project costs which it capitalizes when they satisfy certain criteria. These costs are not amortized prior to asset commissioning. At this date, capitalized project costs are transferred at their net carrying amount to Veolia Environnement Technologies France, which is then responsible for providing the corresponding service.

Property, plant and equipment: Depreciation is calculated over the expected period of use.More specifically, fixtures and fittings and installations are depreciated on a straight-line basis over periods of six to ten years.Furniture and office equipment is depreciated on a straight-line basis over periods of between five and ten years.Finally, vehicles are depreciated on a straight-line basis over five years.

Equity investments: This heading records the acquisition cost of securities held by Veolia Environnement in companies over which it exercises control or significant influence, directly or indirectly.

At the date of entry into company assets, the net carrying amount of “Equity investments” is their acquisition cost. The company has elected to capitalize costs relating to the acquisition of equity investments. At all other dates, equity investments are measured at their value in use to the company, determined based on criteria encompassing profitability, growth perspectives, net assets and the stock market value of securities held, where applicable. Where the net carrying amount of an equity investment exceeds its value in use, an impairment provision is recorded in the amount of the difference.

Pursuant to the change in tax regime applicable to equity investment acquisition costs introduced by Article 21 of the 2007 Finance Act and completed by Article 209 of the French General Tax Code and based on Opinion no. 2007-C of June 15, 2007 issued by the Urgent Issues Taskforce of the French National Accounting Institute (Conseil National de la Comptabilité), Veolia Environnement has recognized the tax deferral of security acquisition costs over a period of five years in the accelerated depreciation account since January 1, 2007.

Other long-term loans and investments: Treasury shares are recorded in long-term investment securities when earmarked for external growth operations. They are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Term accounts not classified as cash equivalents are recorded in Other long-term loans and investments.

Marketable securities: Marketable securities comprise treasury shares held in respect of Group Savings Plans and share option plans and other highly liquid investment securities. Treasury shares are classified as marketable securities when purchased for presentation to employees under share option plans and employee savings plans benefiting certain employees. Marketable securities are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Cash at bank and in hand: Term accounts classified as cash equivalents are recorded in Cash at bank and in hand.

Foreign currency-denominated transactions: During the year, foreign currency-denominated transactions are translated into euro at the daily exchange rate.

Liabilities, receivables and cash balances denominated in currencies other than the euro are recorded in the balance sheet at their euro equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign currency liabilities and receivables and related hedge transactions at year-end exchange rates are recorded in Unrealized foreign exchange gains and losses.

In accordance with Article 342-7 of the French General Chart of Accounts, unrealized foreign exchange gains and losses on foreign currency cash accounts are recognized directly in foreign exchange gains and losses. Similarly, foreign exchange gains and losses on subsidiary current accounts equivalent in nature to cash accounts are recognized directly in foreign exchange gains and losses.

Pursuant to Articles 372.2 and 342.6.I of the 1999 French General Chart of Accounts, Veolia Environnement applies hedge accounting to clearly identified and documented matching structural foreign exchange positions, which seek to perfectly hedge the consequences of currency fluctuations. Foreign exchange gains and losses arising on components of this matching exposure are recognized in order to offset the hedged item.

This approach is also applied to equity investments denominated in a foreign currency, hedged by borrowings or currency derivatives.

Other liabilities, receivables and currency derivatives not forming part of matching hedge relationships are included in the overall foreign exchange position per currency, as provided in Article 346 III of the French General Chart of Accounts.

Contingency provisions are recorded in respect of all unrealized foreign exchange losses identified on matching foreign exchange positions and overall foreign exchange positions by currency, in the amount of the total net loss.

Recognition of financial transactions: Financial transactions (loans, borrowings, derivatives, etc.) are recognized at the value date, with the exception of cash pooling transactions with subsidiaries which are recognized at the trade date.

Inflation-linked bond issue: the issue premium is fixed on issue and amortized on a time-apportioned basis over the bond term. The redemption premium, equal to the difference between the redemption value and the nominal value is revalued based on the inflation ratio observed at each balance sheet date.

Deeply subordinated perpetual securities (TSSDI): These securities are classified in borrowings. The paid-in capital is recognized in balance sheet assets and the tax-deductible interest paid annually is recorded under finance cost in the income statement. The issues costs are amortized on a straight-line basis over a 5-year term.

Derivatives: Veolia Environnement manages its market risks resulting from fluctuations in interest rates and foreign exchange rates using derivatives and notably interest rate swaps, interest rate option contracts (caps and floors), currency forwards, currency swaps and currency options. These instruments are primarily used for hedging purposes.

The notional amounts of instruments are recorded in specific off-balance sheet accounts.

Interest-rate derivatives: Income and expenses relating to the use of these instruments are recognized in the Income statement to match income and expenses on the hedged transactions.

Certain transactions satisfying the criteria laid down in the Veolia Environnement hedging policy are not recognized as hedges for accounting purposes.

These transactions are recognized as follows:

- unrealized losses, calculated for each instrument traded over-the-counter (OTC), are provided in full;
- unrealized gains on OTC instruments are recognized in income on the unwinding of the transaction only;
- unrealized gains and losses on instruments traded on organized markets are recognized directly in profit or loss.

Currency derivatives: Firm currency financial instruments are valued by comparison with the closing exchange rate defined by the European Central Bank. The difference between the spot rate of the instrument and the closing rate is recognized in unrealized foreign exchange gains and losses and the difference between the forward rate and the spot rate of the instrument is recorded in a specific financial instruments account entitled "premium/discount". This distinguishes the interest rate impact from the currency impact.

Currency derivatives hedge either an overall foreign exchange position or an identified structural foreign exchange position.

Valuation of contingencies and losses: These provisions are valued at the best estimate of the outflow of resources necessary to settle the obligation. When valuing a single obligation in the presence of several valuation assumptions concerning the outflow of resources necessary, the best estimate is the most probable assumption.

Valuation of provisions for incentive schemes

Under the current agreement, the unit amount of incentive payments is based on:

- the rate of growth in group adjusted operating income;
- the decrease in the rate of workplace accidents, consolidated at group level;
- the extent of rollout of the environmental management system;
- the decrease in energy consumption at the Kléber site.

Based on the observed growth rate and other criteria, the level of incentive payments is determined using a contractually defined chart. The total amount of incentive payments provided is equal to the individual amount determined above multiplied by the number of beneficiaries communicated by the Human Resources Department.

Valuation of provisions for bonuses: This provision is determined based on the amount of bonuses awarded in the previous year multiplied by an estimated percentage increase and changes in employee numbers.

Concept of Income from ordinary activities and Exceptional items: Items concerning the ordinary activities of the company, even if exceptional in amount or frequency, are included in Income from ordinary activities. Only those items that do not concern the ordinary activities of the company are recognized in exceptional items.

Valuation of employee-related commitments: Pursuant to Article L. 123-13 of the French Commercial Code, Veolia Environnement has elected not to recognize a provision for retirement benefits and other employee commitments. This information is presented in off-balance sheet commitments in the notes to the financial statements.

Note 3 Balance Sheet Assets

3.1. Non-current assets

Movements in gross values:

(in € thousands)	Opening balance	Additions	Disposals	Closing balance	Notes
Intangible assets	4,014	2,374	2,914	3,474	**3.1.1**
Property, plant and equipment	358	0	0	358	
Long-term loans and investments					
Equity investments	15,474,419	494,246	259,933	15,708,732	**3.1.2**
Loans to equity investments	7,480,231	1,335,252	1,429,382	7,386,100	**3.1.3**
Other long-term investment securities	3,476	0	1,138	2,338	**3.1.4**
Loans	272,868	739,811	250,188	762,490	**3.1.5**
Other long-term loans and investments	300,133	20,001	88	320,046	**3.1.6**
Total	**23,535,499**	**2,591,683**	**1,943,643**	**24,183,539**	

Movements in depreciation, amortization and non-current asset provisions:

(in € thousands)	Opening balance	Increase	Utilization/ Write-back	Closing balance	Notes
Amortization of intangible assets	1,234	74	0	1,309	
Depreciation of property, plant and equipment	280	29	0	309	
Equity investment impairment provisions	2,617,759	1,243,882	66,090	3,795,550	**3.1.7**
Treasury share impairment provisions	225,223	0	20,873	204,349	**3.1.7**
Total	**2,844,496**	**1,243,985**	**86,963**	**4,001,517**	
Nature of charges and write-backs:					
. Operating		103	0		
. Financial		1,243,882	86,963		**3.1.7**
. Exceptional		0	0		
Total		**1,243,985**	**86,963**		

3.1.1. Intangible assets

Intangible asset additions concern the capitalization of a migration project towards a new integrated management system. On commissioning, these IT applications are transferred to Veolia Environnement Technologies France at net carrying amount.

3.1.2. Long-term loans and investments: Equity investments

Equity investments total €15,708.7 million as of December 31, 2013.

Movements recorded in 2013 break down as follows in € thousands:

Increase	Amount
Transdev Group share capital increase	280,000
Acquisition of Proactiva shares	150,485
Veolia Environnement CSP share capital increase	61,826
VEIC share capital increase	1,908
Acquisition of V2S Allemagne shares	25
Acquisition of V2S Pologne shares	1
Total	**494,245**
Decrease	**Amount**
VENAO share capital reduction	179,466
Sale of Eolfi	80,143
Sale of Centre d'Analyse Environnementale (CAE)	225
Sale of Vigie 23	37
Sale of Veolia Environnement France Régions	37
Sale of Sud Développement	23
Other shares sold	2
Total	**259,933**

3.1.3. Long-term loans and investments: Loans to equity investments

This heading totals €7,386 million as of December 31, 2013.

Movements recorded in 2013 break down as follows:

(in € thousands)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Veolia Eau (Compagnie Générale des Eaux)	2,067,176	11,775	653,784	(48,209)	1,376,958
Veolia Propreté	1,424,556	11,753	78,854	(2,232)	1,355,223
Dalkia International	1,438,737	5,014	323,854	(9,453)	1,110,444
Transdev Group	902,200	627	280,837	0	621,990
Dalkia Holding	281,572	204,651	0	(18,994)	467,229
Veolia Environnement Technologies France	82,416	23,321	0	0	105,737
Collex PTY Ltd	133,732	652	23,019	(488)	110,877
Artelia	100,389	6,334	0	0	106,723
Veolia Water Solutions et Technologies	224,530	74,261	0	(6,292)	292,499
Veolia Environnement CSP	41,313	174	41,313	0	174
Veolia Environnement Industries	32,583	5,375	0	0	37,958
Campus Veolia Environnement	13,106	10,641	0	0	23,747
Veolia Environnement Campus VE Centre Est	17,300	62	0	0	17,362
Veolia Environnement Campus Nord	15 990	6,047	0	0	22,037
Association Vecteur Pyrénées	7,254	314	621	0	6,947
Veolia Environnement France Régions	5,750	5,540	0	0	11,290
Centre d'Analyses Environnementales	4,900	17	0	0	4,917
Sade	0	776	0	(49)	728
Veolia Environnement Recherche et Innovation	8,000	29	0	0	8,029
Veolia Environnement Campus VE Sud-Ouest	2,783	10	0	0	2,793

(in € thousands)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Veolia Environnement Ingénierie (Ex-Vigie 32)	2,845	10	0	0	2,855
Veolia Environnement UK	468,378	646,909	0	(15,757)	1,099,530
Veolia Water Japan K.K.	50,183	132	0	(10,785)	39,530
Veolia Water Resource Development Co Ltd	39,787	137	0	(1,226)	38,698
Veolia Water Mena	32,253	8,026	0	0	40,279
S.A.R.P.	22,000	5,087	0	0	27,087
Eolfi	16,674	0	16,584	(90)	0
Meadow Creek	9,613	0	9,613	0	0
Veolia Water China Ltd	8,577	74,701	0	2	83,280
Société des Eaux de Toulon	7,580	0	903	0	6,677
Veolia Water	6,499	103,507	0	201	110,207
VES China Ltd	6,082	5,808	0	(205)	11,685
Veolia Water Asia	3,972	13	0	(174)	3,811
Société de Logistique et de Préparation pour la Biomasse	1,500	5	0	0	1,505
SNCM	0	14,317	0	0	14,317
Veolia Water India Africa	0	11,457	0	0	11,457
Veolia Water Middle East	0	3,256	0	(120)	3,136
Ecospace Limited	0	8,421	0	(355)	8,066
COVES	0	4,454	0	(32)	4,422
Veolia Es Singapore Pte Ltd	0	7,288	0	(45)	7,243
Bartin Recycling Groupe	0	3,637	0	0	3,637
Bartin Recycling	0	44,210	0	0	44,210
SARPI	0	103,859	0	270	104,129
CGEA Israël	0	6,350	0	(63)	6,287
Veolia Water South China Ltd	0	31,304	0	(914)	30,390
Total	**7,480,230**	**1,450,261**	**1,429,382**	**(115,010)**	**7,386,101**

3.1.4. Long-term loans and investments: Other long-term investment securities

Other long-term investments securities total €2.3 million as of December 31, 2013.

This heading comprises shares in the Demeter venture capital mutual fund of €2.3 million, which were impaired by €0.1 million in 2013. Veolia Environnement was recognized as a qualified investor in the Demeter mutual fund, within the meaning of Article L.411-2 of the French Monetary and Financial Code.

3.1.5. Long-term loans and investments: Loans

Other long-term investments securities total €762.5 million as of December 31, 2013.

Loans include a guarantee deposit in respect of subsidiary financing arrangements of £18.5 million, or €22.2 million euro-equivalent (including accrued interest) and term accounts not classified as cash equivalents of €740.3 million (including accrued interest).

3.1.6. Other long-term loans and investments

This heading totals €320 million as of December 31, 2013 and essentially comprises 8,389,059 treasury shares held by Veolia Environnement with a gross value of €299.8 million.

3.1.7. Financial impairment provisions

Charges to financial impairment provisions of €1,243.9 million were recognized in 2013, of which €1,086.6 million for Veolia Eau – Compagnie Générale des Eaux shares.

Write-backs of financial impairment provisions totaled €87 million in 2013.

3.2. Trade receivables

Trade receivables total €149.8 million as of December 31, 2013 and primarily concern services billed internally to Veolia Environnement group subsidiaries.

3.3. Other receivables

Other receivables total €1,624 million and comprise the following balances:

(in € thousands)	2013	2012
Current accounts with Group subsidiaries	**1,476,086**	**2,438,219**
Other receivables	**129,213**	**110,926**
• Income tax credit	96,118	72,462
• "C" shares relating to the securitization program	0	-
• Financial receivables on derivatives	25,758	29,453
• Receivables on non-current asset disposals	0	523
• Accrued interest on current accounts	7,337	8,488

3.4. Marketable securities

3.4.1. Treasury shares

Veolia Environnement holds 14,237,927 treasury shares purchased under share purchase programs, including 8,389,059 shares recorded in "Other long-term loans and investments" (see Note 3.1.6.).
The remaining 5,848,868 shares recorded in marketable securities and earmarked for an Employee Savings Plan have a gross carrying amount of €134.1 million and a net carrying amount of €66.5 million at the end of 2013.
The impairment provision of €67.6 million represents the difference between the purchase cost of the Veolia Environnement shares and the average stock market price during the twenty trading days preceding December 31, 2013. A charge to provisions of €6.9 million and a provision write-back of €21.5 million were recorded in fiscal year 2013.

3.4.2. Other securities

Other securities total €2,534 million as of December 31, 2013 and break down as follows:

- Mutual fund investments (SICAV): €2,031.3 million,
- Monetary notes: €496.2 million,
- Accrued interest on other portfolio securities: €6.2 million.

3.4.3. Treasury instruments

Treasury instruments total €176.17 million as of December 31, 2013 and break down as follows:

- Interest-rate derivative spreads: €98.3 million,
- Interest rate derivatives: €0.1 million,
- Currency derivatives: €73.2 million,
- Premium/discount: €4.5 million.

3.5. Cash at bank and in hand

Liquid assets total €393.2 million as of December 31, 2013 and include term accounts classified as cash equivalents and related accrued interest in the amount of €375.1 million.

3.6. Prepayments

Prepaid expenses total €13 million and include balancing cash adjustments paid on interest rate swaps of €11.8 million, operating prepaid expenses of €1 million, particularly involving insurance costs and supplier rebates, and interest paid in advance on treasury notes of €0.2 million.

3.7. ACCRUED INCOME AND DEFERRED CHARGES

3.7.1. Deferred charges: bond issue costs

Bond issue costs are spread on a straight-line basis over the bond term. Net deferred charges as of December 31, 2013 total €90.2 million.

Other deferred charges total €6.4 million and mainly comprise credit line issue costs, amortized on a straight-line basis over the repayment term.

3.7.2. Bond redemption premiums

Unamortized bond redemption premiums total €81.7 million and are amortized on a straight-line basis over the bond term.

3.8. Foreign exchange gains and losses

Foreign exchange gains and losses result from hedges of matching foreign exchange structural positions and overall foreign exchange positions by currency.

(in € thousands)	**Unrealized foreign exchange losses**	**Unrealized foreign exchange gains**	**Notes**
Foreign exchange hedges of structural foreign exchange positions	75,223	51,102	3.8.1
Overall foreign exchange position	90,034	33,710	3.8.2
Total	**165,257**	**84,812**	

The following tables present the foreign exchange positions for the main currencies determined at the balance sheet date.

Unrealized foreign exchange gains and losses on matching foreign exchange positions

Unrealized foreign exchange gains and losses detailed below include not only unrealized gains and losses, but also realized gains and losses neutralized by the application of matching foreign exchange position rules.

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	**Unrealized foreign exchange losses**	**Unrealized foreign exchange gains**	**Total net Unrealized foreign exchange loss**	**Provision for contingencies**
Loans	5,660	13,569		
Borrowings	28,212	-		
Currency derivatives	1,348	9,427		
Total CZK	**35,220**	**22,996**	**12,224**	**12,224**
Borrowings	103,336	-		
Currency derivatives	12,671	53,008		
Total USD on matching positions(*)	**116,007**	**53,008**	**62,999**	
Grand total	**151,227**	**76,004**	**75,223**	**12,224**

(*) A provision was not booked in respect of the U.S. dollar net unrealized foreign exchange loss on matching positions in the amount of USD 63 million, as it corresponds to a hedge of securities.

	Unrealized foreign exchange losses	**Unrealized foreign exchange gains**	**Total net unrealized foreign exchange gain**
Loans	-	-	
Borrowings	8,948	47,190	
Currency derivatives	54,875	16,632	
Total PLN	**63,823**	**63,822**	**0**
Loans	-	-	
Borrowings	54,212	192,157	
Current accounts	46,641	-	
Currency derivatives	389,525	298,377	
Total GBP	**490,378**	**490,534**	**(156)**
Loans	36,225	55,552	
Borrowings	85,304	95,863	
Current accounts	5	21,636	
Currency derivatives	1,927	1,356	
Total USD on matching positions	**123,461**	**174,407**	**(50,946)**
Grand total	**677,662**	**728,763**	**(51,102)**

3.8.2. Unrealized foreign exchange gains and losses on overall foreign exchange positions excluding matching foreign exchange positions

	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Loans	1,146	-		
Currency derivatives	-	244		
Total AED	**1,146**	**244**	**902**	
Loans	26,949			
Currency derivatives		3,746		
Operating	137			
Total AUD	**27,086**	**3,746**	**23,340**	
Loans				
Currency derivatives		2		
Total BGN	**0**	**2**		**2**
Loans				
Currency derivatives		227		
Total BHD		**227**		**227**
Loans	75			
Currency derivatives		877		
Operating				
Total CAD	**75**	**877**		**802**
Loans		32		
Currency derivatives		11		
Total CHF	**0**	**43**		**43**
Loans	643			
Currency derivatives	35			
Total CLP	**678**	**0**	**678**	**0**
Loans	1,925			
Borrowings		2,715		
Currency derivatives		3,721		
Total CNY	**1,925**	**6,436**		**4,511**
Loans				
Borrowings				
Currency derivatives	392			
Total CZK	**392**	**0**	**392**	**0**
Loans				
Currency derivatives		9		
Total DKK	**0**	**9**		**9**
Loans Bank deposits	7,198	14,727		
Borrowings		18,895		
Currency derivatives	57,479			
Operating	23			
Total GBP	**64,700**	**33,622**	**31,078**	

	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Loans	2,994			
Currency derivatives		17,419		
Total HKD	**2,994**	**17,419**		**14,425**
Loans	3,571			
Currency derivatives	201			
Total HUF	**3,772**		**3,772**	
Loans		2,525		
Currency derivatives	437			
TOTAL ILS	**437**	**2,525**		**2,088**
Loans	19,900			
Currency derivatives		2,536		
Operating				
Total JPY	**19,900**	**2,536**	**17,364**	
Loans	1,328			
Currency derivatives		90		
Total KRW	**1,328**	**90**	**1,238**	
Loans				
Currency derivatives	7			
Total KWD	**7**	**0**	**7**	
Loans		15		
Currency derivatives				
TOTAL LVL	**0**	**15**	**0**	**15**
Loans		28		
Currency derivatives		316		
Total MXM	**0**	**344**		**344**
Loans	3,282			
Currency derivatives		1,698		
Total NOK	**3,282**	**1,698**	**1,584**	
Loans				
Currency derivatives	47			
Total NZD	**47**		**47**	
Loans				
Currency derivatives	8			
Total OMR	**8**		**8**	
Loans		3,435		
Borrowings				
Currency derivatives	10,088			
Total PLN	**10,088**	**3,435**	**6,653**	
Loans				
Currency derivatives		1		
Total QAR		**1**		**1**
Loans	529			
Currency derivatives	3			
Total RON	**532**	**0**	**532**	
Loans				
Currency derivatives		62		
Total RUB		**62**		**62**
Loans	1,032			
Currency derivatives		443		
Total SEK	**1,032**	**443**	**589**	

	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Loans	221			
Currency derivatives		549		
Total SGD	**221**	**549**		**328**
Loans	475 2,559			
Currency derivatives	88			
Borrowings		13,975		
Operating	133			
Total USD	**3,255**	**13,975**	**133**	**10,853**
Loans	2,359			
Currency derivatives		642		
Total ZAR	**2,359**	**642**	**1,717**	
Grand total			**90,034**	**33,710**

Contingency provisions for foreign exchange risk, concerning the overall foreign exchange position in the amount of €160.9 million, are determined based on the foreign exchange position of each currency and year of maturity.

Note 4 Balance sheet equity and liabilities

4.1. Share capital and reserves

(in € thousands)	Opening balance	Increase	Decrease	Closing balance
Share capital	2,610,434	133,944	-	2,744,379
Additional paid-in capital	4,147,316	94,029	709,198	3,532,147
Additional paid-in capital (2003 share capital reduction)	3,443,099			3,443,099
Additional paid-in capital in respect of contributions	3,971			3,971
Additional paid-in capital in respect of bonds convertible into shares	681,881			681,881
Additional paid-in capital in respect of share subscription warrants	2,725			2,725
Reserve required by law	239,251			239,251
Special long-term capital gains reserve	-			-
Frozen reserves	-			-
Other reserves	-			-
Retained earnings	0			0
Prior year net income/(loss)	(352,913)	352,913	-	-
Tax-driven provisions:	550	55	550	55
TOTAL BEFORE NET LOSS FOR THE YEAR	**10,776,314**	**580,941**	**709,748**	**10,647,509**
Net loss for the year		(418,424)		
TOTAL AFTER NET LOSS FOR THE YEAR	**10,776,314**	**162,517**	**709,748**	**10,229,085**

The share capital comprises 548,875,708 shares with a par value of €5 each, compared with 522,086,849 shares of €5 par value each as of December 31, 2012.

The €133.9 million share capital increase is subsequent to the payment in 2013 of the 2012 dividend in shares (net of issue costs).

The €94 million increase in “Additional paid-in capital” is also attributable to this share capital increase.

The loss for 2012 in the amount of €352.9 million was appropriated to “Additional paid-in capital.”

The dividend for €355.5 million was financed by reducing “Additional paid-in capital.”

Finally, share capital increase costs were offset against “Additional paid-in capital" for €0.7 million.

As stipulated in Article L. 225-210 of the French Commercial Code (Code de Commerce), Veolia Environnement has Reserve required by law, of an amount at least equal to treasury shares held. These frozen reserves are not recorded in a separate balance sheet account as authorized by the same article. Note that issue, contribution and merger additional paid-in capital, with the exception of revaluation gains and losses, all constitute reserves targeted by this obligation.

4.2. Provisions for contingencies and losses

Movements in provisions for contingencies and losses:

(in € thousands)	Opening balance	Charge	Utilization	Write-back	Closing balance
Provision for foreign exchange risk	159,403	160,997	159,403	-	160,997
Provisions for other contingencies	28,569	27,619	8,074	-	48,114
Provisions for losses	15,400	2,762	15,400	-	2,762
Total	**203,373**	**191,378**	**182,877**	**-**	**211,873**
Nature of charges and write-backs:					
. Operating		25,228	20,400	-	
. Financial		160,997	159,478	-	
. Exceptional		5,153	3,000	-	
Total		**191,378**	**182,878**	**-**	

4.3. Bond issues

(in € thousands)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bond issues	11,026,767	12,347	1,792,258	(119,964)	9,126,892
Accrued interest on other bond issues	275,899	232,494	275,899		232,494
Total	**11,302,666**	**244,841**	**2,068,157**	**(119,964)**	**9,359,386**

The €1,792.258 million decrease breaks down as follows:

- The maturity on May 28, 2013 of the EUR bond line paying a coupon of 4.875% for €431.702 million;
- The maturity on June 3, 2013 of the USD bond line paying a coupon of 5.25% for €310.99 million (USD 490.121 million);
- The buyback on June 12, 2013 and December 17, 2013 of a portion of the USD SECUSD18 bond line paying a coupon of 6% and maturing on June 1, 2018 for €74 million (USD 116.622 million);
- The buyback on June 12, 2013 and December 17, 2013 of a portion of the EUR SERIE 10 bond line maturing on May 28, 2018 for €148.485 million;
- The buyback on June 12, 2013 and December 17, 2013 of a portion of the EUR SERIE 17 bond line maturing on February 12, 2016 for €136.771 million;
- The buyback on June 12, 2013 and December 17, 2013 of a portion of the EUR SERIE 18 bond line maturing on December 11, 2020 for 168.82 million;
- The buyback on June 12, 2013 and December 17, 2013 of a portion of the EUR bond line paying a coupon of 4.3750% and maturing on January 16, 2017 for €127.7 million;
- The buyback on December 17, 2013 of a portion of the EUR bond line paying a coupon of 5.125% and maturing on May 24, 2022 for €149.93 million;
- The buyback on March 28, 2013, June 12, 2013 and December 17, 2013 of a portion of the EUR bond line paying a coupon of 5.25% and maturing on April 24, 2014 for €243.856 million.

4.4. Bank and other borrowings

Bank and other borrowings total €4,836.6 million and break down as follows:

(in € thousands)	2013	2012
Current accounts with Group subsidiaries	2,565,346	3,434,036
Treasury note outstandings	581,085	944,233
Deeply subordinated perpetual debt	1,527,878	-
Syndicated loan facilities	0	396,711
Borrowings from subsidiaries	0	14,418
Tax group current accounts	100,362	39,045
Bank accounts in overdraft	61,882	55,195
Total	**4,836,553**	**4,883,638**

4.5. Operating liabilities

4.5.1. Tax and employee-related liabilities: €120.4 million

This heading includes:

- accrued expenses (performance bonuses and employee departures): €46.1 million,
- Social welfare organizations: €22.3 million,
- VAT: €44.7 million,
- French State - accrued expenses: €7 million,
- Tax liability: €0.3 million.

4.6. Miscellaneous liabilities

4.6.1. Treasury instruments – Liabilities: €124.9 million

This heading includes:

- Interest-rate derivative spreads: €8.5 million,
- Currency derivatives: €109.4 million,
- Premium/discount: €7 million.

4.6.2. Deferred income: €283 million

Deferred income mainly concerns financial instruments:

- Balancing payments on derivatives of €280.6 million;
- Bond issue premiums for €0.7 million;
- Deferred income relating to operating items for €1.6 million

Note 5 Receivables and debt maturity analysis

(in € thousands)	Amount	Falling due in one year	Falling due in more than one year
Non-current assets			
Loans to equity investments	7,386,101	51,545	7,334,555
Other long-term investment securities	2,338		2,338
Loans	762,490	665,300	97,190
Other long-term loans and investments	320,046		320,046
Current assets			
Payments on account – inventories	5,800	5,800	
Trade receivables and related accounts	151,326	151,326	
Group and associates	1,476,086	1,476,086	
Other receivables	148,338	96,467	51,871
Marketable securities	2,843,996	2,829,931	14,065
Cash at bank and in hand	18,136	18,136	
Prepayments	13,011	12,840	171
Total receivables	**13,127,668**	**5,307,431**	**7,820,237**

(in € thousands)	Amount	Falling due in one year	Falling due in one to five years	Falling due after five years
Liabilities				
Bond issues	9,359,386	807,902	3,166,082	5,385,402
Deeply subordinated perpetual debt	1,527,878			1,527,878
Other borrowings	581,085	581,085		
Group and associates	2,665,708	2,665,708		
Bank overdrafts	61,882	61,882		
Group loans	0			0
Miscellaneous liabilities				
Other:	717,847	468,399	186,444	63,004
Total liabilities	**14,913,786**	**4,584,976**	**3,352,526**	**6,976,284**

Note 6 Income Statement

6.1. Net loss from ordinary activities

The net loss from ordinary activities before tax is €431 million.

6.1.1. Operating income

(in € million)	2013	2012	Notes
Sales of services and other	212,851	231,333	
Own production capitalized	2,301	2,658	Note 1
Operating subsidies	3	-	
Write-back of provisions, depreciation and amortization and expense reclassifications	26,139	16,279	
Other revenue	227,489	235 761	Note 2
TOTAL	**468,783**	**486 031**	

NOTE 1 – Own production capitalized reflects major IT project costs billed to a Group subsidiary (see Note 3.1.1. above).

NOTE 2 – Other revenue includes indemnities in full and final settlement of repair and maintenance work (see Note 7.2. below*)*.

6.1.2. Operating expenses

(in € million)	2013	2012	Notes
Other purchases and external charges	171,465	190,328	
Taxes other than income tax	14,552	13,702	
Personnel costs (wages, salaries and social security contributions)	155,991	150,855	
Depreciation, amortization and charges to provisions	40,389	31,281	
Other expenses	226,851	248,147	Note 1
TOTAL	**609,248**	**634,313**	

NOTE 1 – Other expenses include €225.6 million in 2013 and €247.2 million in 2012 in respect of indemnities paid in respect of repair and maintenance work.

6.1.3. Financial income and expenses

(in € million)	2013	2012	Notes
Expenses on long-term borrowings	**(597)**	**(642)**	
Income from other securities and long-term receivables	**8**	**8**	
Foreign exchange gains and losses	**(14)**	**5**	
Other financial income and expenses	224	308	
Amortization and charges to provisions for financial items	(1,493)	(1,311)	Note 1
Investment income	1,239	1,107	
Net gain/loss on sales of marketable securities	6	11	
Write-back of provisions and expense reclassifications	329	344	Note 2
Other financial income and expenses	**305**	**459**	
Net financial income (expense)	**(298)**	**(170)**	

NOTE 1: Financial charges in 2013 break down as follows:

- foreign exchange loss in the amount of €161 million in 2013, compared to €159.4 million in 2012,
- treasury shares (financial assets and marketable securities) for €17 million in 2013, compared to €12.6 million in 2012,
- equity investments for €1,243.9 million in 2013, compared to €1,076 million in 2012,
- impairment of intra-group current accounts for €41.7 million in 2013, compared to €20.9 million in 2012,
- amortization of redemption premiums for €29.2 million in 2013, compared to €42.1 million in 2012.

NOTE 2 – Provision write-backs in 2013 include write-backs of provisions for foreign exchange losses of €159.4 million, **THE** write-back of an equity investment provision in the amount of €118.4 million and the reversal of an impairment loss for loans and current accounts in the amount of €50.9 million.

6.2. Exceptional items

Exceptional items, representing a net expense of €114.2 million, mainly comprised a loss of €135.4 million on the buybacks of bond issues carried out during the year.

A loss of €56.8 million was also recognized on the sale of Eolfi equity investments. This capital loss on disposal was offset by a provision reversal in the same amount, recognized in financial income.

A capital gain on disposal of €72.7 million was recorded following a share capital decrease of Veolia Environnement North America Operations.

6.3. Income tax and the consolidated tax group

Within the framework of a tax group agreement, Veolia Environnement forms a tax group with those subsidiaries at least 95% owned that have elected to adopt this regime. Veolia Environnement is liable for the full income tax charge due by the resulting tax group. It is also liable for the minimum income tax charge payable by tax group companies.

The income tax expense is allocated to the different entities comprising the tax group according to the “neutrality” method. Each subsidiary bears the tax charge to which it would have been liable if it were not a member of the tax group. The parent company records its own tax charge and the tax saving or additional charge resulting from application of the tax group regime

The tax group election came into force on January 1, 2001 for a period of five years and benefits from tacit renewal failing explicit termination by Veolia Environnement at the end of this five-year period.

The application of the tax group regime in 2013 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries of €121.7 million. The share of the group tax credit benefiting Veolia Environnement is €1.5 million for 2013.

In addition, a tax expense of €0.3 million concerns share capital increase costs deducted from corresponding additional paid-in capital.

A charge of €3.9 million corresponding to the 3% contribution on the dividends paid was also recorded.

Finally, corrections to prior year tax expenses and tax audits generated tax income of €6.7 million and tax expenses of €1.1 million.

6.4. NET LOSS FOR THE PERIOD

Veolia Environnement reported a net loss of €418 million for 2013.

Note 7 Other information

7.1. Off-balance sheet commitments

Commitments given by Veolia Environnement total €2,932.93 million as of December 2013, (including counter-guarantees) and primarily consist of financing and performance guarantees given on behalf of subsidiaries:

(in € thousands)	**31/12/2013**	**31/12/2012**	**Notes**
Commitments given			
Discounted notes not yet matured		-	
Endorsements and guarantees	2,887,169	2,260,621	**Note 1**
Equipment finance lease commitments		-	
Real estate finance lease commitments		-	
Pension obligations and related benefits	45,763	61,130	**Note 2**
Total	**2,932,932**	**2,321,751**	**Note 3**
Commitments received			
Endorsements and guarantees	**253,623**	**229,492**	

Note 1 - Main endorsements and guarantees

The increase of endorsements and guarantees between December 31th, 2013 and December 31th, 2012 is principally due to:

- + €485 million for the guarantee of the execution of the obligation subscribed by Veolia Wasser towards The Land of Berlin as regards of the GAP provided in the SPA signed on September 10th, 2013;
- + 180 M€ for the guarantee of the financial repercussions due at the breach of the obligations by VEIS (wholly-owned subsidiary of VEI) in conformance with the agreement of outsourcing services contracted with NOVARTIS on October 17th, 2013.

Operational guarantees include guarantees granted by Veolia Environnement to insurance companies guaranteeing up to a maximum total amount of USD 1,055 million, to enable such insurance companies to issue surety bonds at the request of U.S. subsidiaries in the course of their activities (operating guarantees, site restoration guarantees, etc.). As of December 31, 2013, drawn outstandings guaranteed by Veolia Environnement represented a euro equivalent of €61.9 million.

Veolia Environnement also guarantees a group syndicated credit line of a maximum amount of USD 1.25 billion covering the issue of letters of credit to U.S. subsidiaries for the purpose of their activities (operating guarantees, site restoration guarantees, etc.). As of December 31, 2013, total outstandings guaranteed by Veolia Environnement in respect of this credit line represented a euro equivalent of €265.93 million.

Note 2 - Pension obligations and related benefits

A breakdown of obligations, net of plan assets, is presented below (in € thousands):

Pension obligations pursuant to Article 14 of the Collective Agreement	17,454
Collective insurance contract in favor of Group executives (active and retired)	25,847
Insurance company contract in favor of Executive Committee members (retired)	2,462
Total(*)	**45,763**

(*) of which obligations for Executive Committee members as of December 31, 2013: €2.2 million.

In 2013, a refund of employer contributions for €6.8 million was received as part of the closure of the plans covering members of the Executive Committee.

With respect to plans covering members of the Executive Committee, the Board of Directors' meeting of March 14, 2013, having received a favorable opinion from the Works Council and at the recommendation of the Nominations and Compensation Committee, approved the closure of two supplementary defined benefit collective pension plans for members of the Executive Committee (including the corporate officer) and the pension plan for Group senior executives (not members of the Executive Committee). The Shareholders Meeting of May 14, 2013 approved the resolution authorizing the modification of the corporate officer's pension plan which is considered a regulated agreement. The beneficiaries of these closed pension plans were transferred with effect from July 1, 2013 to a pre-existing defined benefits plan for certain categories of executive managers.

Note 3 – Other commitments given

In addition to commitments given of €2,932.93 million, Veolia Environnement also granted two commitments of unlimited amount in respect of operational performance bonds granted by certain subsidiaries in the Water and Environmental Services divisions, in respect of a construction contract and operating contracts for waste processing in Hong Kong.

These commitments are limited to the term of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

7.2. Specific contractual commitments

The financial management of maintenance and repair costs for installations provided by delegating authorities, for the majority of French subsidiaries, was mutualized and centralized until December 31, 2003 within Veolia Environnement and, partially, since January 1, 2004 within Veolia Eau (Compagnie Générale des Eaux).

Therefore, Veolia Environnement, as an active partner of all water and heating subsidiaries, has undertaken to repay all maintenance and repair costs resulting from contractual obligations to local authorities under public service delegation contracts. In return, the subsidiaries pay an indemnity in full and final settlement to Veolia Environnement, the amount of which is approved annually by the Supervisory Board of each subsidiary benefiting from this guarantee.

7.3. Derivative financial instruments and counterparty risk

Veolia Environnement is exposed to the following financial risks in the course of its business:

Market risk

- Interest rate risk (interest rate hedges, cash flow hedges)

The financing structure of Veolia Environnement exposes it naturally to the risk of interest rate fluctuations. As such, floating-rate debt impacts future financial results in line with changes in interest rates. Veolia Environnement manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments.

- Foreign exchange risk (hedges of balance sheet foreign exchange exposure and overall foreign exchange risk exposure)

Foreign exchange risk is primarily managed using foreign-currency denominated financial assets and liabilities including foreign-currency denominated loans/borrowings and related hedges (e.g. currency swaps). With many offices worldwide, Veolia organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. To limit the impact of this risk, Veolia Environnement has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with intercompany receivables denominated in the same currency.

Equity risk: As of December 31, 2013, Veolia Environnement held 14,237,927 treasury shares, of which 8,389,059 were allocated to external growth operations and 5,848,868 were acquired for allocation to employees under employee savings plans. As part of its cash management strategy, Veolia Environnement holds UCITS shares. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

Liquidity risk: Liquidity management involves the centralization of financing in order to optimize liquidity and cash. Veolia Environnement secures financing on international bond markets, international private placement markets, the treasury note market and the bank lending market.

Credit risk: Veolia Environnement is exposed to credit risk on the investment of its surplus cash and on its use of derivative instruments to manage interest rate and foreign exchange risk. Credit risk reflects the loss that Veolia Environnement may incur should a counterparty default on its contractual obligations. Veolia Environnement minimizes counterparty risk through internal control procedures limiting the choice of counterparties to leading banks and financial institutions. Veolia Environnement does not expect the default of any counterparties which could have a material impact on transaction positions or results.

As of December 31, 2013, the main derivative products held primarily comprised:

- Caps,
- Interest rate swaps,
- Trading swaps,
- Cross-currency swaps,
- Forward purchases of currency,
- Forward sales of currency,
- Currency options.

The following table presents the net carrying amount of derivatives at the balance sheet date:

(in € thousands)	**Assets**	**Equity and liabilities**
Accrued interest on swaps	98,326	8,493
Interest rate option premiums	119	
Stock option premiums		0
Currency derivatives	73,224	109,417
Equity derivatives		
Premium/discount *	4,499	7,069
Prepayments	11,817	
Deferred income		281,351
Total	**187,985**	**406,330**

(*) The premium/discount represents the difference between the spot rate and the forward rate of the instruments. It is amortized over the term of the financial instrument.

The fair value of derivatives at the balance sheet date is presented below:

(in € thousands)	**Assets**	**Equity and liabilities**
Interest rate derivatives		
Hedging derivatives	242,776	49,294
Derivatives not qualifying for hedge accounting (trading)	60	88
Currency derivatives		
Hedging derivatives	73,084	112,544
Derivatives not qualifying for hedge accounting (trading)	103	100
Total	**316,023**	**162,026**

The notional amounts of interest-rate swaps globally designated as interest rate hedges at the balance sheet date are presented in the following table:

(in € thousands)		Foreign currency amount	€ equivalent
Swaps hedging debt			
Fixed-rate payer/floating-rate receiver swaps	EUR	1,812,623	1,812,623
Fixed-rate payer/floating-rate receiver swaps	CZK		
Fixed-rate payer/floating-rate receiver swaps	GBP		
Fixed-rate payer/floating-rate receiver swaps	USD		
Fixed-rate payer/floating-rate receiver swaps	PLN		
Floating-rate payer/fixed-rate receiver swaps	EUR	3,134,268	3,134,268
Floating-rate payer/fixed-rate receiver swaps	CZK		
Floating-rate payer/fixed-rate receiver swaps	GBP	200,000	239,894
Floating-rate payer/fixed-rate receiver swaps	USD	220,000	159,524
Floating-rate payer/fixed-rate receiver swaps	PLN		
		Total	**5,346,309**
Trading swaps			
Floating-rate payer/fixed-rate receiver swaps	EUR	460,502	460,502
Floating-rate payer/fixed-rate receiver swaps	CZK		
Floating-rate payer/fixed-rate receiver swaps	PLN		
Floating-rate payer/fixed-rate receiver swaps	EUR	334,657	334,657
Floating-rate payer/fixed-rate receiver swaps	CZK		
		Total	**795,159**
Caps hedging short-term debt			
Caps denominated in euro	GBP	100,000	119,947
Trading caps			
Caps dominated in foreign currency	USD		
Caps denominated in euro	EUR		
		Total	**119,947**

The notional amounts of cross-currency swaps, currency swaps and currency forwards at the balance sheet date are presented in the following table:

(in € thousands)	**Purchases**	**Sales**
Currency hedging instruments:		
Cross-currency swaps:		
EUR	60,000	60,000
CNY	75,242	75,242
Total	**135,242**	**135,242**
Currency forwards:		
AED	42,739	4,565
AUD	282,967	71,544
BGN	12,184	5,333
BHD	29,182	0
CAD	173,204	119,178
CHF	15,077	24,535
CLP	4,242	0
CNY	133,294	28,830
CZK	294,172	150,608
DKK	12,696	35,678
EUR	3,409,389	5,970,599
GBP	2,187,444	1,931,471
HKD	987,562	81,627
HUF	141,574	91,862
ILS	153,390	20,886
INR	1,353	1,353
JPY	106,072	4,206
KRW	38,561	0
KWD	8,473	9,602
LTL	54,484	0
LVL	679	679
MXN	20,312	3,899
MYR	548	548
NOK	101,245	78,789
NZD	1,828	6,699
OMR	0	387
PLN	971,980	755,269
QAR	5,140	0
RON	66,969	24,032
RUB	7,003	0
SEK	130,837	19,994
SGD	35,111	6,277
THB	838	838
TWD	1,737	1,737
USD	577,102	517,671
ZAR	13,893	0
Total	**10,023,281**	**9,968,694**

7.4. Average workforce

	2013		2012	
	Salaried employees	Employees at the disposal of the company	Salaried employees	Employees at the disposal of the company
Executives	572	39	614	19
Supervisors and technicians	16	-	16	-
Administrative employees	17	-	23	-
Workers	-	-	-	-
Total	**605**	**39**	**653**	**19**

7.5. Management compensation

Compensation granted to members of *(in euros)*	**Amount**
Management bodies	2,311,225

The above amount only includes compensation borne by the company.

Compensation paid by other entities is, therefore, excluded.

7.6. Specific information on individual training entitlement

Entitlement to individual training vested since the introduction of this measure up to December 31, 2013 represents 68,149 cumulative training hours. A training request has not yet been received in respect of 61,804 hours.

7.7. Deferred tax

Increases in the deferred tax liability *(in € thousands)*	**Amount**
Tax-driven provisions:	
Accelerated depreciation	54
Provisions for price increase	
Provisions for exchange rate fluctuations	
Other:	
Investment subsidy	
Income temporarily non-taxable	
Income deferred for accounting but not tax purposes	
Unrealized foreign exchange losses	165,257
Total	**165,311**

Reductions in the deferred tax liability	Amount
Provisions not deductible in the year recorded:	
-Provisions for paid leave	
-Statutory employee profit-sharing	
-Provisions for contingencies and losses	
-Other non-deductible provisions	263,462
Other:	
-Taxed income not recognized	274,075
-Difference between the NCA/tax value of treasury shares	72,168
-Amortization of option premiums	119
-Unrealized foreign exchange gains	84,811
Total	**694,635**
Tax losses carried forward	2,905,708
Long-term capital losses	-

If the company were taxed separately, the impact of these timing differences on the financial statements would generate a theoretical net tax receivable of €1,182.7 million.

7.8. Related party transactions

Related parties are companies over which Veolia Environnement exercises:

- Direct or indirect control through one or more intermediaries,
- Significant influence,
- Joint control.

The main transactions with related parties and amounts due to or from related parties are as follows:

(in € thousands)	2013	2012
Equity investments net of provisions	11,913,302	12,856,623
Loans to equity investments	7,386,101	7,480,235
Other receivables	1,520,184	2,488,369
Trade receivables	123,718	206,985
Borrowings	2,665,708	3,487,499
Other liabilities	57,024	36,708
Operating income	411,371	460,413
Operating expenses	312,135	330,571
Financial income (1)	2,162,120	2,107,149
Financial expenses (1)	2,141,227	1,804,179
Exceptional income	(278,540)	1,926
Exceptional expenses	262,823	3,305

(1) Financial income and expenses include foreign exchange gains and losses on transactions with related parties provided in accordance with the overall foreign exchange position per currency principle.

7.9. Audit fees

Audit fees billed in respect of the statutory audit of the accounts and services falling within the scope of related diligence procedures are presented in the Veolia Environnement Group annual financial report.

7.10 Share-based payments

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Current option plans as of December 2013, were as follows:

	No. 8 **2010**	**No. 7** **2007**	**No. 6** **2006**
Grant date	09/28/2010	07/17/2007	03/28/2006
Number of options granted	2,462,800	2,490,400	4,044,900
Number of options not exercised	0***	537,950*	2,949,147
Plan term	8 years	8 years	8 years
Vesting conditions	4 years' service plus performance conditions	4 years' service plus performance conditions	4 years' service
Vesting method	After 4 years	After 4 years	After 4 years
Strike price (in euros)	22.50	57.05	44.03**

* *Given the performance criteria, the number of options effectively exercisable was reduced by 1,742,650 in 2008.*

** *Strike price adjusted to take account of transactions impacting the share capital of the Company. The initial strike price for plan no.6 was €44.75.*

*** *Given the non-fulfillment of the performance criteria which was validated by the Board of Directors' meeting of March 14, 2013. In the case of a public offer on the Company's shares, 2,127,400 stock options would become exercisable.*

7.11 Post-balance sheet events

On February 5, 2014, Veolia purchased a portion of the USD SECUSD 18 bond line paying a coupon of 6% and maturing on June 1, 2018, in the amount of USD 25.4 million.

7.12 Subsidiaries and equity investments

Investments:

Investments within the meaning of Article L. 233-7 of the French Commercial Code (crossing of investment thresholds laid down by law):

SUBSIDIARIES AND EQUITY INVESTMENTS

Company	Number of shares held	Share capital [2]	Shareholders' equity other thanshare capital* [2]	% share capital held	Carrying amount of shares held: GROSS[2]	Carrying amount of shares held: NET[2]	Loans and advances granted by the company (gross)** [2]	Guarantees provided by the company[2]	2012 revenue[2]	2013 revenue[2]	2012 net income[2]	2013 net income[2]	Dividends recorded in the last fiscal year[2]	Year-end
Veolia Eau -Compagnie Générale des Eaux(1) 52 rue d'Anjou 75008 Paris	214,187,292	2,207,287	424,293	100.00%	8,300,000	5,316,473	1,857,725	-	2,641,591	2,670,391	(66,806)	190,281	197,052	Dec. 31, 2013
Veolia Environnement Europe Services	31,500,999	2,450,100	75,154	100.00%	2,450,100	2,450,100	(689,445)	-	30,640	63,941	36,632	43,368	44,153	Dec. 31, 2013
Veolia Propreté(1) 163-169 av. G. Clemenceau, 92000 Nanterre	8,967,090	143,473	1,337,695	100.00%	1,929,898	1,929,898	657,939	-	770,676	1,346,954	482,681	732,560	600,078	Dec. 31, 2013
Veolia Environnement North America Operations INC[3],	198	-	720,214	13.44%	693,526	693,526	(17,063)	-	9,704	17,057	148,389	67,352	149,360	Dec. 31, 2013
Transdev Group	59,101,850	1,137,120	(11,980)	50.00%	971,019	410,001	372,974	-	132,328	149,895	(239,220)	(12,300)	-	Dec. 31, 2013
Veolia Energie (Dalkia)(1), 37 av. Mal. de Lattre de Tassigny 59350 Saint-André-Lez-Lille cedex	42,069,294	968,869	364,293	66.00%	641,342	641,342	505,327	-	136,747	92,243	55,989	19,136	0	Dec. 31, 2013
Veolia 3.Environnement Energie et Valorisation	13,703,700	137,037	13,327	100.00%	137,037	137,037	(11,797)	-	1	13,237	119,694	13,013	-	Dec. 31, 2013
Proactiva Medio Ambiente SA, Torre Puerta de Europa, Paseo de la Castellana, Madrid	9,420	56,520	29,867	100.00%	270,219	270,219	(24,185)	-	23,316	19,364	9,546	5,525	1,561	Dec. 31, 2013
Veolia Environnement Services-Ré	4,100,000	41,000	(1,882)	100.00%	41,000	39,130	(150,862)	-	53,473	43,005	9,825	8,781	-	Dec. 31, 2013
CODEVE	3,000,000	3,000	19,613	100.00%	38,000	22,613	-	-	25,524	19,976	1,345	113	-	Dec. 31, 2013
Campus Veolia Environnement	2,395,200	26,130	(27,692)	91.66%	23,952	0	28,683	-	31,556	35,115	(5,582)	(9,615)	-	Dec. 31, 2013
Veolia Environnement Technologies France	1,170,000	11,700	(22,768)	100.00%	131,832	0	122,622	-	85,886	104,877	(33,503)	(24,362)	-	Dec. 31, 2013
Veolia Support Services France	3,700	37	169	100.00%	71,363	169	1,367	-	26,538	26,294	(15,904)	(13,912)	-	Dec. 31, 2013
VIGIE 9 AS	3,700	37	(10)	100.00%	1,453	37	(32)	-	4	0	(18)	(4)	108	Dec. 31, 2013
VIGIE 14 AS	3,700	349	82	100.00%	2,179	346	(433)	-	0	0	0	86	-	Dec. 31, 2013
Veolia Environnement Industries	33,334	500	184	100.00%	1,113	189	34,946	-	7,647	9,000	(2,313)	1,195	-	Dec. 31, 2013
SASLT 65	60,000	2,311	(2,037)	12.98%	300	0	-	-	4,291	4,440	(457)	143	-	Dec. 31, 2013
VIGIE 3 AS	41,829	251	31,638	100.00%	266	266	1,434	-	0	0	5,658	6,703	-	Dec. 31, 2013
Artelia Ambiente S.A.	9,996	50	(12,999)	99,96%	50	0	238	-	30,998	42,356	(4,140)	(13,802)	-	Dec. 31, 2013
VIGIE 1	3,814	38	(25)	99.84%	38	38	(15)	-	0	0	(1)	-2	-	Dec. 31, 2013
VIGIE 2	3,814	38	(5,550)	99.84%	38	0	6,264	-	0	0	(158)	(475)	-	Dec. 31, 2013
SIG 41	2,494	38	(21)	99.76%	38	38	(20)	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 28 AS	3,700	37	8	100.00%	37	37	(31)	-	0	0	7	4	-	Dec. 31, 2013
VE Conseil Aménagement	3,700	37	(704)	100.00%	37	0	1,474	-	2,267	2,092	(997)	237	-	Dec. 31, 2013
VE ingéniérie Conseil	3,700	37	(405)	100.00%	1,945	0	5,339	-	1,048	2,402	10	(1,527)	-	Dec. 31, 2013
VIGIE 45	3,700	37	(3)	100.00%	¨37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 33	3,694	37	(7)	99.84%	37	37	(32)	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 34	3,694	37	(7)	99.84%	37	37	(32)	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 37 AS	3,700	37	(6)	100.00%	37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 38 AS	3,700	37	(5)	100.00%	37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 39 AS	3,700	37	(5)	100.00%	37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 40 AS	3,700	37	(5)	100.00%	37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 41 AS	3,700	37	(5)	100.00%	37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 42 AS	3,700	37	(5	100.00%	37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 43 AS	3,700	37	(5)	100.00%	37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
G.I.E GECIR.	5	0	0	5,00%	¨35	35	-	-	0	0	0	(620)	-	Dec. 31, 2013
GIE KLEBER	2	0	0	33,33%	0	0	14,803	-	26,946	20,646	(5,014)	0	-	Dec. 31, 2013
Veolia Eau d'Ile de France	100	100	0	1.00%	1	1	-	-	395,217	387,017	9,958	10,525	100	Dec. 31, 2013
SLOVEO AS	1	33	1,168	1.00%	0	0	-	-	10,359	10,502	244	243	2	Dec. 31, 2013
Veolia Support Services China	1	0	0	100.00%	0	0	-	-						Dec. 31, 2013
Veolia Support Services Deutschland	1	25	0	100.00%	25	25	-	-						Dec. 31, 2013
Veolia Support Services Spolka	50	1	10	100.00%	1	1	-	-		632		10		Dec. 31, 2013
Other subsidiaries and equity investments (less than 1% of share capital)														
Veolia Environnement UK [1]	866,733	652,541	89,423	0.16%	1,387	1,387	1,083,206	-	(647)	2,911	(476)	1,046,05 0	-	Dec. 31, 2013
VIGEO	1,300	3,447	31	0.75%	130	25	-	-	6,740	8,124	135	0	-	Dec. 31, 2013

Company	Number of shares held	Share capital [2]	Shareholders' equity other thanshare capital* [2]	% share capital held	Carrying amount of shares held		Loans and advances granted by the company (gross)** [2]	Guarantees provided by the company[2]	2012 revenue[2]	2013 revenue[2]	2012 net income[2]	2013 net income[2]	Dividends recorded in the last fiscal year[2]	Year-end
					GROSS[2]	NET[2]								
Veolia Eau -Compagnie Générale des Eaux(1) 52 rue d'Anjou 75008 Paris	214,187,292	2,207,287	424,293	100.00%	8,300,000	5,316,473	1,857,725	-	2,641,591	2,670,391	(66,806)	190,281	197,052	Dec. 31, 2013
Veolia Environnement Europe Services	31,500,999	2,450,100	75,154	100.00%	2,450,100	2,450,100	(689,445)	-	30,640	63,941	36,632	43,368	44,153	Dec. 31, 2013
Veolia Propreté(1) 163-169 av. G. Clemenceau, 92000 Nanterre	8,967,090	143,473	1,337,695	100.00%	1,929,898	1,929,898	657,939	-	770,676	1,346,954	482,681	732,560	600,078	Dec. 31, 2013
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Transdev Group	59,101,850	1,137,120	(11,980)	50.00%	971,019	410,001	372,974	-	132,328	149,895	(239,220)	(12,300)	-	Dec. 31, 2013
Veolia Energie (Dalkia)(1), 37 av. Mal. de Lattre de Tassigny 59350 Saint-André-Lez-Lille cedex	42,069,294	968,869	364,293	66.00%	641,342	641,342	505,327	-	136,747	92,243	55,989	19,136	0	Dec. 31, 2013
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CODEVE	3,000,000	3,000	19,613	100.00%	38,000	22,613	-	-	25,524	19,976	1,345	113	-	Dec. 31, 2013
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SASLT 65	60,000	2,311	(2,037)	12.98%	300	0	-	-	4,291	4,440	(457)	143	-	Dec. 31, 2013
VIGIE 3 AS	41,829	251	31,638	100.00%	266	266	1,434	-	0	0	5,658	6,703	-	Dec. 31, 2013
Artelia Ambiente S.A.	9,996	50	(12,999)	99,96%	50	0	238	-	30,998	42,356	(4,140)	(13,802)	-	Dec. 31, 2013
VIGIE 1	3,814	38	(25)	99.84%	38	38	(15)	-	0	0	(1)	-2	-	Dec. 31, 2013
VIGIE 2	3,814	38	(5,550)	99.84%	38	0	6,264	-	0	0	(158)	(475)	-	Dec. 31, 2013
SIG 41	2,494	38	(21)	99.76%	38	38	(20)	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 28 AS	3,700	37	8	100.00%	37	37	(31)	-	0	0	7	4	-	Dec. 31, 2013
VE Conseil Aménagement	3,700	37	(704)	100.00%	37	0	1,474	-	2,267	2,092	(997)	237	-	Dec. 31, 2013
VE ingéniérie Conseil	3,700	37	(405)	100.00%	1,945	0	5,339	-	1,048	2,402	10	(1,527)	-	Dec. 31, 2013
VIGIE 45	3,700	37	(3)	100.00%	¨37	37	-	-	0	0	(1)	(2)	-	Dec. 31, 2013
VIGIE 33	3,694	37	(7)	99.84%	37	37	(32)	-	0	0	(1)	(2)	-	Dec. 31, 2013
VESTALIA(ex : V.I.G.I.E. 16 AS°	1	37	3,345	0.03%	0.01	0.01	-	-	85,995	75,011	3,006	3,334	-	Dec. 31, 2013

* Including net income for the year.

** Including partner current accounts.

(1) Company which is primarily a holding company. The "Revenue" column includes operating revenue and financial income.

(2) In € thousands.

(3) The main activity of this company consists in being the head holding company of the US consolidated tax group.

(4) *i.e.* GBP 544,023,813 as of December 31, 2013 exchange rates.

Statutory Auditors' report on the financial statements

Year ended December 31, 2013

To the Shareholders,

In compliance with the assignment entrusted to us at your Annual General Meetings, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying financial statements of Veolia Environnement;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

2 Justification of our assessments

In accordance with the requirements of article L. 823-9 of the Code de commerce (French Commercial Code) relating to the justification of our assessments, we bring to your attention the following matters:

As mentioned in Note 2.2 to the financial statements in respect of the accounting principles for financial investments, your Company recognizes provisions for impairment when the net carrying amount of a financial investment exceeds its value in use. The value in use for the investment is determined on criteria that include profitability and growth potential, net assets and the stock market value of the securities. Based on the current information available, we performed our assessment of the methods used by your Company, and reviewed, through audit sampling, their application.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the Code de commerce (French Commercial Code) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders have been properly disclosed in the management report.

The Auditors

French original signed by

Paris-La Défense, March 18, 2014

KPMG Audit *A division of KPMG S.A.*	ERNST & YOUNG et Autres

Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

20.3 Dividend policy

20.3.1 Dividends paid during the last five fiscal years

(in euros)	**2008 dividend**	**2009 dividend**	**2010 dividend**	**2011 dividend**	**2012 dividend**
Gross Dividend Per Share	1.21	1.21	1.21	0.7	0.7
Net Dividend Per Share	1.21*	1.21*	1.21*	0.7*	0.7*
Total Amount of Dividends Paid	**553,824,460**	**579,538,650**	**586,792,691**	**353,790,523**	**355,494,245**
** Dividend eligible for 40% tax reduction*					

A dividend payment of €0.70 per share for each of the Company's outstanding shares carrying dividend rights as of January 1, 2013 was approved at the combined general shareholders' meeting of May 14, 2013. The right to this dividend was detached from the share on May 20, 2013 (ex-dividend date) and was paid as of June 14, 2013.

As of December 31, 2012, the Company's capital was composed of 522,086,849 shares, including 14,237,927 treasury shares. The total distribution amount was adjusted based on the total number of new shares created following the exercise of share subscription and purchase options and the number of treasury shares held by Veolia Environnement on the date of payment. Treasury shares do not enjoy dividend rights.

Pursuant to the fifth resolution adopted by the combined general shareholders' meeting held on May 14, 2013, which offered shareholders an option to receive payment of the dividend for the 2012 fiscal year either in cash, in accordance with the terms described above, or in Veolia Environnement shares, the Board of Directors on that same date sub-delegated to the Chairman all powers to pay the dividend in shares and to carry out the capital increase ensuing from exercise of that option. The option period during which shareholders could choose between a payment of the dividend in cash or shares lasted from May 20 to June 4, 2013 inclusive.

At the end of this option period and on the basis of a depositary's certificate issued by Société Générale, the Chairman certified on June 12, 2013 that a capital increase in cash for a total amount of €227,973,190.09 had been carried out. This resulted in the issuance of 26,788,859 new shares with a par value of €5 each, thereby increasing the Company's stated capital by €133,944,295.

It will be proposed that the combined general shareholders' meeting of April 24, 2014 vote to retain the distribution of a dividend of €0.70 per share for 2013, payable in cash or Veolia Environnement shares. If the shareholders' meeting approves this proposal and if this option is exercised, these new shares will be issued at a price equal to 95% of the average opening prices over the twenty trading sessions on the regulated stock market of NYSE Euronext Paris preceding the general shareholders meeting of April 24, 2014, less the amount of the dividend that may be approved pursuant to the fourth resolution voted by the combined general shareholders' meeting, rounded to the next upper euro cent. The shares issued will carry dividend rights as of January 1, 2014.

Shareholders may opt for the payment of the dividend in cash or in new shares between April 30, 2014 and May 16, 2014 inclusive, by sending their request to the financial intermediaries authorized to pay the dividend or, in the case of shareholders registered in pure registered accounts held by the Company, to its agent (Société Générale, Securities and Stock Transactions Department, CS 30812 – 44308 Nantes Cedex 3). When this option period expires, shareholders who have not opted for payment in shares will receive a dividend in cash as of May 28, 2014. On that same date, shares will be delivered to shareholders who have opted for the payment of the dividend in shares.

For individual shareholders who are French tax residents, dividends, whether paid in cash or in shares, are automatically included in total income, which is taxed on a progressive scale. As such, a mandatory levy of 21% will be deducted at source as an 'on account' payment against the income tax due in the following year. However, taxpayers whose 'reference' taxable income is less than €50,000 for singles and €75,000 for couples may request to be exempted from paying this levy.

Whatever the mode of payment, dividends are eligible for an uncapped 40% reduction on the gross amount received. All shares of Veolia Environnement are eligible for this scheme.

Social security contributions and additional levies applicable to dividends paid to shareholders are subject to tax withholding by the paying agent at the rate of 15.5% (including 5.1% deductible social security contribution)

For beneficiaries who are not French tax residents, dividends are subject to withholding at the rate in force in the tax residence country.

20.3.2 Dividend policy

The Company's dividend policy is determined by the Board of Directors, which may consider a number of factors, such as the Company's net income and financial position, as well as the dividends paid by other French and international companies within the same sector.

20.3.3 Period during which dividend payments must be claimed

Dividends that are not claimed within five years from the date on which they are made available for payment revert to the French government.

20.4 Litigation

The most significant litigation involving the Company or its subsidiaries is described hereinafter. In addition, tax audits and disputes are described in note 33 to the consolidated financial statements (see Chapter 20.1 above).

Other than as described below, there are no other current or threatened legal, governmental or arbitration proceedings involving the Company or its subsidiaries which, during the past twelve months, have had or may in the future have a material adverse effect on the financial condition or profitability of the Company or the Group.

The global consolidated amount provisioned for all of the Group's litigation (see Chapter 20, 20.1, note 17 of the consolidated financial statements), including the provisions for litigation relating to tax or social matters, aggregates a large number of individual disputes with insignificant liability amounts. These provisions include all losses deemed probable relating to the disputes of all natures that Veolia Environnement faces in the conduct of its activities. The most significant provision on disputes aside from tax and social disputes in the financial statements as at December 31, 2013 amounted to €7 M.

Water

Aquiris

Since 2001, Aquiris, a 99% subsidiary of the Company, has held a concession pursuant to which it is responsible for constructing and operating the Brussels-North wastewater treatment plant (the size of which is defined in the contract specifications as equivalent to 1,100,000 residents). As a result of extensive obstruction of the plant's security chambers following the arrival of what it deemed to be abnormal and extraordinary quantities of rubble and other solid waste through the public sewer lines, Aquiris decided to suspend operation of the plant from December 8 to December 19, 2009 due to significant safety risks to persons and to the plant. This suspension permitted a partial return to normal operations.

At the end of December 2009, several disputes regarding liability for the disruption and the possible environmental consequences of the suspension in wastewater treatment services were initiated against Aquiris. In the course of these disputes, two expert reports were produced. The first report on the "causes" of the disruption was delivered on January 13, 2011. This report concludes, in error according to Aquiris, that there was no legitimate reason to suspend operations at the station. During a September 17, 2012 hearing, the final version of the second report on the alleged environmental damage caused by the disruption was delivered. This report estimates the indemnifiable damages caused by Aquiris at €800,000. Aquiris contests both its civil liability as well as the existence of any environmental damage. As of the date hereof, neither of these reports has given rise to follow-up proceedings seeking damages.

In addition, during the course of 2010, Aquiris filed legal proceedings before the civil court of Brussels against SBGE, the concession authority, claiming that the Brussels-North treatment plant is faced with sizing issues that are attributable to the concession authority. Aquiris claims compensation for its losses and has requested confirmation that the significant upgrading costs that will be required should be borne by the concession authority. Aquiris and SBGE asked a panel of experts to render a technical opinion concerning these matters. The panel of experts delivered their "remedies" report on December 8, 2011. The experts concluded that, when the contractual performance parameters were not satisfied, it was notably because the characteristics of the wastewater received by Aquiris did not conform to specification (40% of water received did not meet specification). They also confirmed that certain structures are too small for the installation and made a series of technical recommendations, which included a variable allocation of costs between the parties depending on the measure recommended. Following this report, Aquiris and SBGE commenced negotiations on the final acceptance of the plant and a possible modification of the concession contract. These negotiations have, to date, not yielded an agreement. During this period, in order to comply with the European standards for wastewater treatment for a population of 1,290,000 inhabitants, Aquiris was forced to reduce the station's marginal hydraulic treatment capacity during periods of heavy rain. Furthermore, Aquiris is still facing additional operating costs. Aquiris and SBGE conducted guaranteed performance tests at the end of 2012. These tests resulted in a recording of SBGE passing the tests, however SBGE refused to accept them conclusively due to the station's reduced hydraulic treatment capacity during heavy rain. Concomitantly, the court case is on-going with the next hearing set for March 3rd and 10th, 2014. SBGE counterclaimed on June 12, 2012 and on May 31, 2013 for (i) compensation from Aquiris for the damages it allegedly suffered, primarily to its reputation, as a result of the disruption of the Brussels-North treatment plant from December 8 to December 19, 2009 and (ii) restoration of the overall capacity of the plant within the 18 months of the judgment, subject to a daily fine of €10,000 per day for each day of delay.

On May 29, 2012, Aquiris brought an action against SBGE before the Brussels commercial court seeking payment of outstanding amounts on several annuities. This case was to be argued on April 26, 2013. Upon agreement of the parties, the hearing was postponed until June 6, 2014, pending the judgment on the action brought by Aquiris before the civil court of Brussels against SBGE (see above).

Based on the currently available information, the Company believes that these proceedings will not have a material impact on its financial position or results of operations.

Lastly, on June 17, 2009, the company SA Ondernemingen Jan de Nul ("Jan de Nul"), to which Aquiris entrusted the design and construction of the Brussels-North wastewater treatment plant, filed a claim against Aquiris for compensation of the increase in metal prices that Jan de Nul was unable to recover from the Brussels Capital-Region, the grantor authority. On December 8, 2011, the trial court ordered Aquiris to pay Jan de Nul €5 million plus legal costs and interest accrued after the date of filing (June 17, 2009). On March 9, 2012, Aquiris appealed the trial court decision. The parties exchanged written briefs on June 2013. The date of the hearing has not yet been set, but is not expected to be before the end of 2014.

Berliner Wasserbetriebe A.ö.R

The transfer to the *Land* of Berlin of Veolia Wasser GmbH's entire interest in RWE-Veolia Berlinwasser Beteiligungs GmbH ("RVB") took place on December 2, 2013.

Subsequent to the administrative investigation by the German Federal Cartels Office ("the FCO") initiated in March 2010 against Berliner Wasserbetriebe A.ö.R ("BWB") and the FCO's decision of June 4, 2012 enjoining BWB to decrease its average annual proceeds, BWB introduced on June 12, 2012, judicial proceedings on the merits against this decision before the Düsseldorf Court of appeals. The proceedings are pending and BWB is defending its position. In this context, Veolia Wasser GmbH was admitted to the proceedings as a third party and will maintain this position until the proceedings are completed. This status has no legal consequences for the Group.

With respect to the proceeding pending before the arbitration court initiated in April 2009 by RVB against the *Land* of Berlin for approval of its method of recalculation reflecting depreciation on a replacement cost basis in tariffs charged to users ("*Wiederbeschaffungszeitwerte*" or "WBZW"), it is now up to RVB (now 100% owned by the *Land*) to make the decision to withdraw from the proceedings and from its action. The Group will therefore no longer be affected by this proceeding.

Finally, concerning the claim filed on March 12, 2012 before the German Federal Constitutional Court by Veolia Wasser GmbH and RVB against the law on public disclosure ("*Offenlegungsgesetz*"), both companies sent a letter on December 11, 2013 whereby they informed the Court of their decision to withdraw from these proceedings.

Veolia Water North America Operating Services

Atlanta

In June 2006, Veolia Water North America Operating Services, LLC ("VWNAOS") initiated legal proceedings against the City of Atlanta (the "City"), a former municipal customer, alleging, among other things, unpaid invoices for services performed, withheld retainage, the call of a $9.5 million letter of credit, and breach of contract. The City filed counterclaims alleging VWNAOS failed to fulfill certain of its obligations under their contract and for alleged damage to City-owned property. After discovery, and various procedural and legal issues were addressed by the Court, trial of the matter commenced in United States District Court in Atlanta on October 4, 2010. The case was tried before the Judge without a jury. The last day of testimony was October 18, 2010, and the parties thereafter submitted proposed findings of fact and conclusions of law to the Judge. Closing arguments took place on December 22, 2010.

At trial, the City asserted damages against VWNAOS totaling $25.1 million. The City has acknowledged offsets (including the $9.5 million letter of credit it seized and various unpaid invoices) of $11.1 million, reducing the total amount allegedly due to the City from VWNAOS to $14 million, plus interest and attorney's fees. On the other hand, VWNAOS asserted damages totaling $30.8 million (plus interest from December 10, 2010 until paid). This amount consists of unpaid invoices in the amount of $17.8 million (including interest through December 10, 2010), and the $9.5 million letter of credit, plus interest on the letter of credit of $3.2 million. On June 3, 2011, the trial court issued an Order and Judgment, resulting in a net verdict of approximately $5 million in favor of VWNAOS. The court awarded VWNAOS $15,192,788.52 in damages and awarded the City $10,184,343.53 in damages. On July 1, 2011, VWNAOS filed a motion with the trial court challenging, as being contrary to applicable law, certain rulings in the Order and Judgment awarding damages in favor of the City and failing to award prejudgment interest to VWNAOS. On the same date, the City filed a motion with the trial court seeking a reduction in the amount awarded to VWNAOS asserting that the trial court miscalculated certain amounts the City had improperly deducted from VWNAOS' invoices and also seeking an as yet unstated amount for attorney's fees allegedly due to the City under the contract between the parties. The City also requested prejudgment interest on the amounts awarded in its favor.

On August 26, 2011, the trial court denied the motions of both parties, except that it granted the requests for prejudgment interest. As a result, it entered an Amended Judgment in favor of VWNAOS in the net amount of $10,001,991.58. Both sides have appealed the case to the United States Court of Appeals for the 11th Circuit. A decision was rendered in October 2013 amending the damages awarded to VWNAOS in three respects. First, the Court determined that the City had rightfully drawn on the letter of credit and that VWNAOS should not have been awarded interest on it. Consequently it reduced the net amount owed to VWNAOS by $3,804,763.62.

Second, the Court held that the City had to repay to VWNAOS the amount of bank interest earned on the proceeds of the letter of credit since the date of its drawdown. Failing so, the City would receive a double recovery (i.e., it would benefit from both the interest on the contractual damages awarded and the interest received on the proceeds of credit since drawdown in 2006).

Third, pursuant to the law of the state of Georgia, the calculation of the City's damages requires that costs not incurred but that would have been incurred if the agreement had not been breached be taken into account. The Court noted that the City presented no evidence establishing these costs. The Court remanded to the District Court the determination of the amount not incurred by the City. Once it is determined, it will be taken into account in the calculation of the net amount of the damages owed to VWNAOS.

A hearing on the disputed issues remanded to the District Court is expected to be held in 2014. The Court's decision will be subject to appeal.

While the outcome of this dispute cannot be determined with certainty, the Company does not believe its ultimate outcome will have a material adverse effect on its consolidated financial position or results of operations.

WASCO and Aqua Alliance Inc.

Several current and former indirect subsidiaries of Veolia Eau in the United States [(1)] are defendants in lawsuits in the United States in which the plaintiffs seek recovery for personal injuries and other damages allegedly due to exposure to asbestos, silica and other potentially hazardous substances. With respect to the lawsuits against Veolia Eau's former subsidiaries, certain of Veolia Eau's current subsidiaries retain liability and in certain cases manage the defense of the lawsuits. In addition, in certain instances, the acquirers of the former subsidiaries benefit from indemnification obligations provided by Veolia Eau or Veolia Environnement in respect of these lawsuits. These lawsuits typically allege that the plaintiffs' injuries resulted from the use of products manufactured or sold by Veolia Eau's current or former subsidiaries or their predecessors. There are generally numerous other defendants, in addition to Veolia Eau's current or former subsidiaries, which are accused of having contributed to the injuries alleged. Reserves have been booked for the possible liability of current subsidiaries in these cases, based on the nexus between the injuries claimed and the products manufactured or sold by these subsidiaries or their predecessors, the extent of the injuries allegedly sustained by the plaintiffs, the involvement of other defendants and the settlement history in similar cases. These reserves are booked at the time such liability becomes probable and can be reasonably assessed, and do not include reserves for possible liability in lawsuits that have not been initiated.

As of the date of this document, a number of such claims have been resolved either through settlement or dismissal. To date, none of the claims has resulted in a finding of liability.

During the ten-year period ended December 31, 2013, the average annual costs that the Company has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been approximately $1,270,000, after reimbursements by insurance companies. Although it is possible that these expenses may increase in the future, the Company currently has no reason to believe that any material increase is likely to occur, nor does it expect these claims to have a material adverse effect on its business, financial position or results of operations.

[(1)] *Subsidiaries of the Aqua Alliance group or of WASCO (formerly Water Applications & Systems Corporation and United States Filter Corporation), the parent company of the former U.S. Filter group, most of whose businesses were sold to various buyers in 2003 and 2004.*

Energy

Prodith – Elvya

On September 3, 1970, a concession agreement was concluded between Prodith, a subsidiary of Dalkia France, and the Lyon metropolitan authority (Communauté Urbaine de Lyon) which called for the construction and operation, for an initial 30-year period, of a public heating and cooling system service on behalf of the Lyon metropolitan authority.

Following the early termination of the agreement with Prodith, the Lyon metropolitan authority initiated a competitive bid procedure to award the contract for providing a public heating and cooling system service. At the conclusion of this procedure, the contract was awarded to Dalkia France, which was replaced by its subsidiary, Elvya. That contract was signed on July 23, 2004.

In 2009, a competitor of Elvya initiated proceedings before the administrative Court of Lyon seeking the liability of the Lyon metropolitan authority for irregularities in the competitive bid procedure and therefore claiming compensation in the amount of €7.7 million. The Lyon metropolitan authority considers that this claim is without merit and interpleaded the Group, claiming that it should bear half of any potential compensation amount. The administrative Court of Lyon informed the Group of this claim in September 2011.

On July 5, 2012, the Lyon administrative Court ordered the metropolitan authority to pay €6.3 million to the plaintiff and rejected the claim that the Group should bear half of any potential compensation amount. In August 2012, the Lyon metropolitan authority lodged an appeal and applied for a stay of execution of this judgment. This stay of execution was rejected. The proceedings were carried out before the Administrative Court of Appealsand the Group was not called as guarantor again. The decision was rendered on October 17, 2013 and amended the first-instance judgment by decreasing the metropolitan authority's sentence to a sum of €176,652.

Siram / Polare

On April 3, 2012, the Italian Energy Services company, Siram, had its premises searched as part of a preliminary investigation concerning in particular the research body, Polytechnic Laboratory of Research SCaRL ("Polare"), among others. Siram had in the past solicited research services from Polare which gave rise to research tax credits. The criminal proceedings are still ongoing.

During the summer of 2012, Siram applied for a tax clearance procedure in respect of such research tax credits for an amount of €5.6 million. Siram is currently considering whether to apply for a further tax clearance for an amount of €2.4 million.

Concomitantly, in August 2012, the Venice civil court issued an injunction against Siram to pay €2.8 million to Polare for allegedly unpaid receivables and interim provisional enforcement. On August 29, 2012, Siram was granted a suspension of this provisional enforcement and counterclaimed for the repayment of substantially all of the advance payments made to Polare, which equal approximately €10 million. A hearing was held on June 26, 2013.

In December of 2012, Polare filed a request for a *concordato preventivo*. However, the Venice court did not comply with the request of Polare's liquidator and pronounced its bankruptcy (*fallimento*) in July 2013.

As a result, the proceedings resumed ex novo before the bankruptcy court; the next hearing has been scheduled for May 7, 2014.

Environmental Services

TEC

In April and May 2008, three actions were initiated against the Calabria region or the Extraordinary Commissioner of Calabria ("the Commissioner") for payments due in relation to a concession agreement for the TEC 1 incinerator in Calabria:

- An action by Termo Energia Calabria ("TEC"), a 98.76% subsidiary of Veolia Servizi Ambientali Tecnitalia S.p.a. ("VSAT") against the Calabria region for non-payment of subsidies ("*Contributo*") in the amount of €26.9 million. In February 2011, an Italian administrative court ordered the Calabria region to pay the subsidies. The decision has been appealed by the region before the Rome Supreme Court. Following a hearing held on April 24, 2012, the Rome Supreme Court dismissed the appeal of the region on October 23, 2012 and confirmed the decision of the administrative court dated February 28, 2011. The region now has to decide whether it will pay a new *Contributo*. If not, it must provide a clear basis for its refusal to pay.

- An action by TEC against the Commissioner for €62.2 million in operating fees, cost reimbursement and other amounts due under the concession agreement. In July 2010, a Rome arbitration court awarded €27 million to TEC (excluding "gate fees" and statutory interest), and dismissed the counterclaims. The decision was declared enforceable by the Rome Civil Court on September 17, 2010.

- An action by Termomeccanica Ecologia S.p.a. ("TME"), which sold to Veolia Propreté and Veolia Servizi Ambientali S.p.a. ("VSA") a 75% interest in VSAT in 2007 and remained minority partner through SIEE until July 2011, in the name of TEC, against the Commissioner for payments due in respect of the construction of the TEC 1 incinerator. This action was taken over directly by TEC in July 2011. On October 11, 2010, an award of €28 million was made in favor of TEC (excluding statutory interest).

The Commissioner and the Italian State have appealed these two arbitration awards (second and third actions above) to the Rome Court of Appeals, which rejected a request for stay of execution on June 23, 2011. In December 2011, €94 million was placed in an escrow account with the Bank of Italy, representing the awards (including interest) plus an additional 50%. On July 19, 2012, the provisional payment of €65 million to TEC was authorized by the Rome civil court and effectively credited to TEC's account on August 27, 2012 by the Bank of Italy. The appellate hearing on the merits was held on January 14, 2014, and the decision is expected no sooner than in the summer 2014.

In December 2011, TEC also made a formal claim against the Commissioner (concession authority) seeking payment of €139.8 million (the subsidies, the amount of the two arbitration awards and certain other amounts due). TEC notified the Commissioner that, in the absence of payment by January 31, 2012, the concession agreement would be terminated with retroactive effect as a result of the authority's breach. On January 13, 2012, the Commissioner requested that TEC ensure the continuation of public service. On January 31, 2012, TEC formally notified the Commissioner of the termination of the concession agreement, and agreed to provide the public service on a transitional basis under a "*prorogatio*" against reimbursement of its costs. The Commissioner agreed to this transitional arrangement and made an initial payment in February 2012. On March 8, 2012, the Commissioner challenged the termination of the concession agreement.

In the meantime, TEC filed a request for a voluntary liquidation plan, known as a "*Concordato Preventivo*", with a court in La Spezia on February 10, 2012, which was admitted on February 23, 2012. This procedure allows for a proposal of full payment of preferential creditors and partial payment of all other creditors (in full and final settlement).

Concordato Preventivo di Gruppo

Simultaneously with the admission of TEC's *Concordato Preventivo*, some creditors of TEV and VSAT launched judicial procedures for recovery.

As a result, a request for a group voluntary liquidation plan, i.e., a "*Concordato Preventivo di Gruppo*" ("CPG"), was filed on April 18, 2012 with the La Spezia Civil Court in relation to the VSAT group, which includes TEC and TEV. On April 20, 2012, the request for CPG was admitted by the court. One of the advantages of the CPG is that it allows the procedures to be joined before a single judge, the same court appointed administrator(s) and uses a single mass of debts and receivables for all concerned entities. From the date of admission (and concomitant revocation of its *Concordato Preventivo*) onwards, TEC is part of the CPG and all legal proceedings involving the VSAT group (as detailed above) are now under the control of two court-appointed administrators.

Following the revocation of the CPG filed on April 18, 2012 consecutive to the promulgation in August 2012 of a decree-law amending the legal framework of the "*Concordato Preventivo*" (which allowed abstention of a creditor to be considered as a vote in favor of the *Concordato*), a new request for CPG was filed on September 17, 2012. The court admitted the CPG on December 5, 2012 and set the vote date for creditors. Following the positive vote of the creditors in favor of the CPG, such CPG was approved by the civil court of La Spezia on July 17, 2013. Several creditors filed an appeal against the decision of approval before the appeal court of Genoa. On January 9, 2014, the Court of Appeals reversed the approval. VSAT filed on February 3, 2014 a request for ordinary revocation before the Genoa Court of Appeals, grounded on the existence of a manifest material error; a first hearing has been scheduled for April 8, 2014.

In parallel, VSAT filed a special appeal on points of law on March 4, 2014. As this appeal has a suspensive effect, the CPG remains approved until the Supreme Court renders its decision.

In addition, a hearing before the La Spezia Court was held on February 18, 2014; the case has been adjourned for deliberation but a date has not been set for the decision to be rendered.

Other sectors

DGCCRF – Veolia Transport (now Transdev Ile de France)

In 1998, the DGCCRF (a French administrative body with jurisdiction over competition matters) conducted an inspection and seized evidence on the premises of the Company's transportation subsidiary Connex (now Transdev Ile de France) and other companies in the public transportation market, for the purpose of obtaining proof relating to possible anti-competitive practices in this market. In September 2003, the French Competition Council served notice of two grievances on Transdev Ile de France alleging possible collusion among operators between 1994 and 1999 which may have limited competition at the local and national level in the public passenger transportation market for urban, inter-urban and school services.

In September 2004, the Competition Council served Transdev Ile de France with notice of additional grievances alleging the existence of an anticompetitive agreement at the European Union level. On July 5, 2005, the Competition Council issued a decision in which it partially validated the claims of the competition authorities, and ordered Transdev Ile de France to pay a fine of approximately €5 million, which the Company paid. The Paris Court of Appeals affirmed the decision of the Competition Council on February 7, 2006 and on March 7, 2006, Transdev Ile de France filed an appeal with the French Supreme Court. The French Supreme Court found in favor of certain arguments made by Transdev Ile de France and, in its decision dated October 9, 2007, reversed the decision of the Court of Appeals of Paris and remanded the case to a different panel of the same court.

On October 8, 2009, Transdev Ile de France brought the case before this new panel of the appellate court. In a decision rendered on June 15, 2010, and notwithstanding the French Supreme Court's decision, the Paris Court of Appeals upheld the principle and amount of a €5 million fine. Transdev Ile de France has therefore filed another appeal with the French Supreme Court. On November 15, 2011, the French Supreme Court reversed the decision of the Court of Appeals of Paris a second time, on the grounds that the same formation of the Court could not serve as both judge of the advisability of the investigation and judge on the merits of the case, without infringing the principle of impartiality guaranteed by the European Convention on Human Rights, and remanded the case to a different panel of the same court. On June 29, 2012, Transdev Ile de France brought the case before this new panel of the appellate court contesting the French Competition Council's decision dated July 5, 2005 and the order authorizing the original search and seizures dated November 27, 1998.

On July 3, 2012, the Paris Court of Appeals decided to treat both appeals separately.

In relation to Transdev Ile de France's appeal against the order authorizing the initial search and seizures, the hearing originally set for May 21, 2013, and postponed to December 3, 2013, has been brought forward to October 16, 2013. Subsequent to this hearing, and after the date of the judgment was postponed several times, the Paris Court of Appeals rendered on January 15, 2014, an interlocutory decision ordering the reopening of the debates due to the new exhibits produced in the Court file. A new trial hearing has been scheduled for April 2, 2014. Transdev Ile de France may file submissions before that date.

By a statement dated January 20, 2014, Transdev Ile de France filed an appeal, in accordance with criminal procedure, on points of law against the interlocutory decision of the Paris Court of Appeals dated January 15, 2014, along with a request for the immediate examination of such appeal on points of law by the Supreme Court. On February 24, 2014, Transdev Ile de France submitted a petition to the President of the Criminal Chamber of the Paris Supreme Court to support its request for the immediate examination of its appeal.

By a statement dated February 13, 2014, Transdev Ile de France filed (in view of the uncertainty of the competent Chamber of the Supreme Court with jurisdiction over the matter) an appeal, in accordance with the rules of civil procedure, against the interlocutory decision of the Paris Court of Appeals dated January 15, 2014.

In relation to the appeal against the French Competition Council's decision before the Paris Court of Appeals, a hearing was initially set for June 20, 2013. This was cancelled awaiting a decision regarding the appeal against the order authorizing the initial search and seizures. A new procedural hearing was set for September 18, 2014. To date, no date for the oral argument has been set.

Société Nationale Maritime Corse Méditerranée (SNCM)

Corsica Ferries has brought a number of legal proceedings against *Société Nationale Maritime Corse Méditerranée* ("SNCM"), a subsidiary of Transdev Ile de France.

Corsica Ferries requested the invalidation of the June 7, 2007 decision awarding a contract (a public service delegation agreement) for marine service to Corsica to the SNCM/CMN group for the 2007-2013 period. This request was denied by a judgment of the Bastia administrative court on January 24, 2008. Corsica Ferries appealed this decision to the Marseille administrative court of appeals. In an order dated November 7, 2011, the administrative court of appeals quashed the judgment of the Bastia administrative court, instructing the concession authority either to negotiate a voluntary agreement for the termination of the public service delegation agreement from September 1, 2012, or to institute proceedings before the Bastia administrative court within six months of the notification (i.e., before May 7, 2012) to take the appropriate measures. As a result, on February 24, 2012, the concession authority filed a motion with the Bastia administrative court for termination of the public service delegation agreement, but subsequently withdrew this motion on January 14, 2013. On January 5, 2012, SNCM appealed the November 7, 2011 order to the French Administrative Supreme Court. On July 13, 2012, the French Administrative Supreme Court quashed the November 7, 2011 decision of the Marseille administrative court of appeals and remanded the matter back to that court. A procedural hearing took place on September 24, 2012. An order for the termination of the proceedings or notice of hearing from the Marseille administrative court of appeal is on hold.

The acquisition by Veolia Transport (now Transdev Ile de France) of an interest in SNCM from *Compagnie Générale Maritime et Financière* ("CGMF") in 2006 was notably conditioned on the concession authority maintaining the marine service to Corsica under a public service delegation agreement. On January 13, 2012, in the absence of an appeal by the concession authority, Veolia Transport notified CGMF of its decision to exercise the cancellation clause in the privatization Memorandum of Understanding of May 16, 2006. On January 25, 2012, CGMF contested the exercise of this cancellation clause. On May 11, 2012, Veolia Transport brought a legal action before the Paris commercial court against CGMF. The next hearing was scheduled for September 23, 2013 and was postponed to February 10, 2014. During this hearing, the proceedings were suspended and are now pending.

Moreover, the new public service delegation agreement, awarded to SNCM/CMN for a ten-year term from January 1, 2014~~,~~ was signed on September 24, 2013. Corsica Ferries brought, on November 15, 2013, an action before the Bastia administrative court for the annulment of the new public service delegation agreement and the European Commission is examining the validity thereof.

Corsica Ferries has also contested the validity of a European Commission decision of July 8, 2008, which held that certain payments by the French Government in connection with the SNCM privatization process did not constitute State aid within the meaning of article 107 of the Treaty on the Functioning of the European Union ("TFEU") and authorized other payments made by the French Government prior to the privatization. Under the TFEU, governments may only provide subsidies (known as "State aid") to commercial entities in specific circumstances, with European Commission prior authorization. On September 11, 2012, the General Court of the European Union partially annulled the European Commission decision of July 8, 2008. As a result, the reconsideration of the measures provided (which includes the measures provided within the context of the privatization process and part of the measures provided prior to the privatization) was remanded to the European Commission, which has opened a new investigation of the matter. On November 22, 2012, SNCM and the French Republic each appealed this judgment. On January 15, 2014, the Advocate General contended that the appeal should be dismissed. The decision of the Court of Justice of the European Union is due in a few months. Shortly before, on November 20, 2013, the European Commission rendered a new decision qualifying the measures adopted by the State in the context of the restructuring and privatization of SNCM as illegal state aid incompatible with the common market. Consequently, it ordered that SNCM return this illegal state aid (in an amount assessed by the Commission at approximately €220 million, excluding interest) to the French authorities. The French Authorities filed an appeal againstthis decision before the General Court of the European Union. As the decision has not been published yet, the time limitation vis-à-vis interested third-parties such as SNCM has not started yet.

On June 27, 2012, the European Commission announced that it had opened investigative proceedings aimed at determining whether the payments received by SNCM and CMN for the maritime service from Marseille to Corsica, in the context of the public service delegation for the 2007-2013 period, were in line with the European Union state aid rules. In a decision dated May 2, 2013, the Commission found the subsidies received for the "basic service" to be compatible with state aid rules but ordered France to recover certain aids received by SNCM for the "additional service". According to the Commission, these aids could amount to approximately €220M, excluding interest. On July 12, 2013, the French state filed, respectively with the General Court of the European Union and with its president, a motion to dismiss the decision of the Commission and a motion for stay of its execution. On August 14, 2013, the Company was informed that the territorial collectivity of Corsica suspended the payment of the additional service to SNCM. On August 26, 2013, the Company also filed an application for the annulment of the decision of the European Commission of May 2, 2013. On August 29, 2013, the motion for a stay of execution filed by the French Republic was rejected on the ground of lack of urgency and on January 21, 2014, the State's appeal against the order of August 29, was rejected by the Court of Justice of the European Union. It should be noted that, should the French authorities issue a revenue order intended to enforce the decision of May 2, SNCM would then have the option of filing a motion having a suspensive effect before the French court. SNCM also has the option of seeking a temporary suspension injunction in summary proceedings before the General Court of the European Union. On November 20, 2013, the Commission announced its decision to file an action against France, for failure to fulfill its obligations, noting that the French State had not recovered the disputed amounts within the legal time limitations. To date however, it still has not referred the matter to the Court of Justice.

SNCM recently filed several actions against the *Office des Transports de Corse* ("OTC"). On October 27, 2013, it filed an action on the merits before the Bastia administrative court against the implicit rejection decision resulting from OTC's silence on SNCM's claim relating to the compensation of the financial consequences of the strikes in the first quarter of 2011, seeking the payment of a €16.6million indemnity and the annulment of the penalties applied by OTC in an amount of €7.4 million with regard to the disturbances observed. On November 27, 2013, SNCM filed an action on the merits before the Bastia administrative court against the implicit rejection decision resulting from OTC's silence on SNCM's claim of November 12, 2013 relating to the compensation for the additional cost of fuels for 2011 and 2012, for an indemnification amount of €22.7 million. Finally, on December 10, 2013, SNCM requested an interim payment order from the Bastia administrative court for purposes of indemnification of the delays in the payment of the flat rate contribution for the additional service in an amount of €18.1 million excluding tax.

In addition, in an action before the French Competition Council, Corsica Ferries has contended that SNCM and CMN had formed an unjustified grouping that constituted an anti-competitive cartel, that this grouping constituted an abuse of a dominant position and, lastly, that presenting a bid requesting excessive subsidies (suggesting the existence of cross-subsidies) also constituted an abuse of a dominant position. On April 6, 2007, the French Competition Council dismissed the two claims concerning the grouping. Proceedings on the merits and the investigation of the French Competition Authority (the successor to the French Competition Council) on the claim of excessive subsidies are underway. The investigation is also focusing on the performance terms of the public service delegation agreement (monitoring the application of the guaranteed receipts clause and the corresponding changes in the amount of subsidies received by the parties being awarded the contract). As of this date, no statement of objections has been served.

Recently, on December 18, 2013, the board of directors of Transdev Group authorized, in the context of the conciliation opened on October 11, 2013 by the Presiding Judge of the Marseille Commercial court, the opening of a €13 million credit facility to SNCM, to allow it to face its short-term liquidity requirements. This amount, in addition to the € 17 million advanced to SNCM on October 29, 2013, is part of the conditional commitment made on June 14 by the President of Transdev Group to pay €30 million to SNCM before the end of 2013. As indicated in Transdev's press release dated the same day, the Directors and particularly the representatives of the shareholders Veolia Environnement and Caisse des dépôts et Consignation have unanimously declared that no further financial support will be provided to SNCM.

On December 31, 2013the French Prime Minister promised a €30 million financial contribution to SNCM and asked for an adaptation of the long-term plan (“PLT”). Trade unions rejected this approach and led a 9-day strike from January 1, 2014 that blocked SNCM’s activity. The strike came to an end thanks to the State’s agreement to set up a Caisse des Dépôts et Consignation / Banque Publique d’Investissement working group in charge of studying, before April 15, 2014, financing solutions for the 4 new ships planned in the PLT in expectation of an order before June 30, as well as its promise to adopt a decree imposing the application of French labor law to cabotage activities in French waters. On January 23, 2014, the State became a direct shareholder of SNCM. On the following day, the State granted SNCM a €10 million shareholder’s advance reimbursable at the end of 2014.

The State thus participates directly in the financing of SNCM and in the definition of its industrial strategy. During the meeting of the Supervisory Board on January 22, 2014, Transdev’s representatives expressed that they no longer believed in SNCM’s long-term plan, notably due to the numerous legal uncertainties and to certain commercial and financial assumptions deemed excessively optimistic.

Veolia Environnement’s financial statements were approved based on the reasonable assumption that Veolia Environnement will cease all financing and that any decision to discontinue will be carried out through appropriate insolvency proceedings.

State aid on airports

The European Commission is currently conducting several investigations on potential State aid within the meaning of article 107 of the TFEU in the air transport sector. On April 4, April 25 and May 30, 2012, the European Commission opened several investigations into certain subsidies received by customer airlines and successive operators of the Carcassone, Nîmes and Beauvais airports, including companies partly or wholly owned by Transdev Group. Following the announcement of these investigative proceedings in the Official Journal of the European Union, the relevant subsidiaries of Transdev Group submitted their comments to the European Commission as third party interveners.

At this point, the Company is not able to assess the consequences of these proceedings on its financial position or results of operations.

Connex Railroad

On October 17, 2012, several insurance companies that contributed to the compensation fund for victims of the September 2008 rail accident in Chatsworth, California, launched proceedings before the courts of Los Angeles County, California, against Connex Railroad LLC, Connex North America, Inc. and Veolia Transportation, Inc., seeking repayment of $132.5 million. The Company considers this claim unfounded and the defendant subsidiaries are seeking its dismissal. A request for the case to be dismissed on the merits is under appeal before the California Supreme Court. No date has been set for the decision.

At this point, the Company is not able to assess the consequences of this proceeding on its financial position or results of operations.

Veolia Environnement

EDF lawsuit

On October 22, 2012, EDF filed a lawsuit against Veolia Environnement before the Paris commercial court to obtain, in addition to damages and interest amounting to €207 million or €447 million, the right to own 50% of Dalkia SAS, a specialist in energy services. The Group notes that EDF lost its right to increase its ownership in the capital of Dalkia SAS in 2005. Veolia Environnement, which owns 66% of Dalkia SAS' share capital, has always supported its subsidiary, in particular through the financing of its international growth. The Group therefore intends to vigorously defend against EDF's claim, which it views as without merit.

As discussions are currently ongoing in view of a takeover of Dalkia France by EDF and of Dalkia International by Veolia, including a cash payment of €550 million by Veolia Environnement, the matter was referred to the parties, pending the conclusion of an agreement.

20.5 Material changes in financial position or commercial situation

There has been no material change in the financial position or commercial situation of the Company since the close of its 2013 fiscal year. The events or circumstances that could reasonably be expected to have a material effect on the Company's outlook for the current fiscal year are described in Chapter 6, Chapter 9 and Chapter 12 above and were communicated by the Company during the presentation of its 2013 annual results on February 27, 2014.

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Additional information on share capital

21.1 Information on share capital

21.1.1 Share capital

As of member 31, 2013, Veolia Environnement's share capital amounted to €2,744,378,540, divided into 548,875,708 fully paid-up shares, all in the same class, with a par value of €5 each (see the table of changes in share capital, in Section 21.1.6 below).

As of the filing date of this registration document, the Company's share capital is still the same.

21.1.2 Market for the Company's shares

The Company's shares have been admitted to trading on the Euronext Paris Regulated market (Compartment A) since July 20, 2000, under ISIN code FR 0000124141-VIE, Reuters code VIE. PA and Bloomberg code VIE. FP. Veolia Environnement securities are eligible for the Service de règlement différé (deferred settlement service or "SRD"). Company shares have also been listed on the New York Stock Exchange in the form of American Depositary Receipts (ADR) under the symbol "VE", and Bloomberg's codes "VE UN" and "VE UP" since October 5, 2001.

Company shares have been included in the CAC 40, the main share index published by NYSE Euronext Paris, since August 8, 2001.

The tables below describe the highest and lowest listed prices and the volume of Veolia Environnement securities traded on the Euronext Paris Regulated market and the New York Stock Exchange over the past eighteen months.

Euronext Paris

Year (month/quarter)	Share price *(in €)* Highest	Lowest	Trading Volume (in number of securities)
2013			
Fourth quarter	*13.945*	*11.085*	*159,280,863*
December	11.935	11.085	39,568,074
November	13.17	11.795	58,691,247
October	13.945	12.32	61,021,542
Third quarter	*13.305*	*8.512*	*190,516,475*
September	13.305	11.73	53,042,476
August	12	10.1	68,796,881
July	10.18	8.512	68,677,118
Second quarter	*11.095*	*8.551*	*231,458,865*
June	9.8	8.551	63,540,601
May	11.095	9.52	81,230,494
April	10.55	9.307	86,687,770
First quarter	*10.79*	*8.49*	*260,864,031*
March	10.79	9.395	80,631,678
February	10.305	9	94,441,966
January	9.8	8.49	85,790,387
2012			
Fourth quarter	*9.360*	*7.377*	*245,157,186*
December	9.360	8.313	58,404,336
November	8.545	7.377	97,465,416
October	8.766	7.500	89,287,434
Third quarter	*10.290*	*8.080*	*233,976,595*
September	9.574	8.381	67,972,195
August	9.410	8.080	75,897,940
July	10.290	8.361	90,106,460

Source: Bloomberg.

New York Stock Exchange

Year (month/quarter)	**Share price** *(in USD)* **Highest**	**Lowest**	**Trading Volume (in number of securities)**
2013			
Fourth quarter	*18.8*	*15.22*	*3,378,966*
December	16.39	15.22	1,113,093
November	17.05	15.99	1,037,102
October	18.8	16.98	1,228,771
Third quarter	*17.95*	*10.99*	*4,125,566*
September	17.95	15.52	1,490,296
August	15.86	13.3	1,722,021
July	13.43	10.99	913,249
Second quarter	*14.05*	*11.17*	*3,685,329*
June	12.71	11.17	1,531,774
May	14.05	12.28	1,037,002
April	13.82	12.17	1,116,553
First quarter	*13.83*	*11.33*	*5,043,327*
March	13.83	12.21	2,477,803
February	13.17	11.71	1,072,515
January	12.98	11.33	1,493,009
2012			
Fourth quarter	*12.380*	*9.370*	*7,766,098*
December	12.380	10.810	2,012,984
November	11.000	9.370	3,277,247
October	11.370	9.920	2,475,867
Third quarter	*12.750*	*9.830*	*11,008,364*
September	12.520	10.500	4,165,596
August	11.410	9.830	2,830,574
July	12.750	10.090	4,012,194

Source: Bloomberg.

21.1.3 Purchase of treasury shares by the Company[1]

21.1.3.1 Repurchase plan in effect as of the date of the filing of this Registration Document (plan authorized by the Combined Shareholders' Meeting of May 14, 2013)

During the Combined Shareholders' Meeting of May 14, 2013, the Company's shareholders authorized a share repurchase plan that allows the Company to purchase, sell or transfer its shares at any time, **except during a public offer**, within the limits authorized by provisions set forth by law and regulations in force, and by any means, on regulated markets, on multilateral trading systems, with systematic internalizes or over the counter, including through block sales or purchases (with no limit as to the proportion of the share repurchase plan that may be implemented by this method), via public purchase, or exchange offers, or by the use of options or other financial futures that are traded on regulated markets, on multilateral trading systems, with systematic internalizes or over the counter or by the delivery of shares following the issue of securities that grant access to the Company's share capital by means of conversion, exchange, redemption, exercise of warrants or in any other way, either directly or indirectly via the intermediary of an investment services provider.

The share purchases may be for a number of shares such that the number of shares that the Company purchases throughout the term of the repurchase plan does not exceed at any time whatsoever 10% of the shares that make up the Company's share capital, and such that the number of shares that the Company holds at any given time does not exceed 10% of the shares that make up the Company's share capital.

This authorization allows the Company to trade in its own shares with the following objectives: (i) implementing all Company stock option plans or any similar plan; (ii) awarding bonus shares; (iii) awarding or selling shares to employees in respect of their association with the benefits of the Company's expansion or the implementation of any company savings plan; (iv) delivering shares when rights are exercised that are attached to securities that grant access to the capital via redemption, conversion, exchange, presentation of a warrant or in any other way; (v) delivering shares within the scope of external growth transactions, mergers, spin-offs or contributions; (vi) stimulating the secondary market for or the liquidity of Veolia Environnement shares through an investment services provider, within the scope of a liquidity contract, which complies with the ethics charter recognized by the AMF; or (vii) retiring all or part of the shares thus repurchased.

Under the repurchase plan, the Shareholders' Meeting of May 14, 2013 set the maximum purchase price at €13 per share, and set the maximum amount that the Company may allocate to the share repurchase plan at €600 million. The Shareholders' Meeting granted full powers to the Board of Directors, with the option of sub-delegation under the conditions laid down by law, in order to decide on and implement this authorization.

The authorization described above, which is in force as of the date of the filing of this Registration Document, will expire at the latest within eighteen months from the time of the Combined Shareholders' Meeting of May 14, 2013, i.e., on November 14, 2014, unless a new plan is authorized at the next Shareholders' Meeting.

21.1.3.2 Summary of transactions completed by Veolia Environnement on its own securities during the 2013 fiscal year

Percentage of the Company's share capital held as treasury shares as of December 31, 2013	2.59%
Number of treasury shares held as of December 31, 2013	14,237,927
Carrying value of the portfolio as of December 31, 2013*	€433,896,767
Market value of the portfolio as of December 31, 2013**	€168,790,625
Number of shares retired over the last 24 months	0

** Carrying value excluding provisions.*

*** Based on the closing price as of December 31, 2013 (€11.855).*

No transactions involving treasury shares were carried out in 2013.

[1] *This paragraph contains the information that must be included in the plan description, pursuant to Article 241-2 of the Autorité des marches financiers General Regulations and the information required pursuant to the provisions of Article L. 225-211 of the French Commercial Code.*

21.1.3.3 Objectives of transactions carried out in 2013 and allocation of the treasury shares held

No transactions involving treasury shares were carried out in 2013.

As of December 31, 2013, Veolia Environnement held a total of 14,237,927 treasury shares, representing 2.59% of the Company's share capital, and no shares were held directly or indirectly by subsidiaries of Veolia Environnement. On this date, the portfolio of treasury shares was allocated as follows:

- 5,848,868 shares were allocated to cover stock option programs or other share award programs to Group employees;
- 8,389,059 shares were allocated to external growth transactions.

21.1.3.4 Description of the program submitted for the authorization of the Shareholders' Meeting of April 24, 2014

The authorization for share repurchases described in Section 21.1.3.1 above will expire at the latest on November 14, 2014, unless the Combined Shareholders' Meeting of April 24, 2014 approves the resolution adopted in accordance with the provisions of Articles L. 225-209 and seq. of the French Commercial Code set out below.

This resolution, with registration to the report by the Board of Directors, authorizes the Company to implement a new plan to repurchase shares under the following conditions:

- This authorization would be intended to allow the Company to trade in its own shares with the following objectives: (i) implementing all Company stock option plans within the scope of the provisions of Articles L. 225-177 and seq. of the French Commercial Code, or any similar plan; (ii) awarding or selling shares to employees in respect of their profit-sharing plan, or the implementation of any company or group savings plan (or equivalent plan) under the conditions provided for by law, in particular Articles L. 3332-1 and seq. of the French Labor Code; (iii) awarding bonus shares under the provisions of Articles L. 225-197-1 and seq. of the French Commercial Code; (iv) in general, honoring commitments relating to stock option plans or other plans involving shares awarded to the employees of the issuer or affiliated companies; (v) delivering shares when rights are exercised that are attached to securities granting access to the share capital via redemption, conversion, exchange, presentation of a warrant, or in any other way; (vi) retiring all or part of the shares thus repurchased, pursuant to the fifteenth resolution adopted by the combined general meeting of May 14, 2013, or to any resolution of the same nature that may follow said resolution during the period of validity of the present authorization; (vii) delivering shares (as exchange, payment or otherwise) within the scope of external growth transactions, mergers, spin-offs or contributions; (viii) stimulating the secondary market for, or the liquidity of, Veolia Environnement shares through an investment services provider, as part of a liquidity contract that complies with the ethics charter recognized by the AMF.

This program is also intended to enable the implementation of all market practices that shall come to be permitted by the AMF and, in general, the completion of all other transactions that comply with the regulations in force. In such a case, the Company will inform its shareholders by way of press release.

Purchases of Company shares may be for a number of shares such that:

- the number of shares that the Company purchases throughout the term of the share repurchase plan, at any time whatsoever, does not exceed 10% of the shares that make up the Company's share capital (this percentage will apply to the share capital, as adjusted in light of transactions that affect it after this Shareholders' Meeting), thus 53,463,778 shares as of the date of the filing of this Registration Document, it being specified that (i) the number of shares acquired with a view to being retained and subsequently delivered as part of a merger, spin-off, or contribution cannot exceed 5% of its share capital; and (ii) when shares are repurchased in order to encourage liquidity under the conditions defined by the AMF General Regulations, the number of shares taken into account to calculate the 10% limit provided for in the first paragraph corresponds to the number of shares purchased, less the number of shares resold during the authorization period;
- the number of shares that the Company holds at any given time whatsoever does not exceed 10% of the shares that make up the Company's share capital on the date in question;

- Shares may be sold, bought or transferred at any time, within the limits authorized by the legal and regulatory provisions in force, **but not during a public offer, and by any method**, on regulated markets, multilateral trading systems, with systematic internalizes or over the counter, including by block purchases or sales (without limiting the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other financial futures traded on regulated markets, multilateral trading systems, with systematic internalizes or concluded over the counter or through delivery of shares following the issue of securities that grant access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider;

- The maximum purchase price of the shares under this resolution will be €20 per share (or the counter-value of said amount on the same date in any other currency); said maximum price is only applicable to acquisitions decided as from the date of the Combined Shareholders' Meeting of April 24, 2014 and not to future transactions concluded pursuant to an authorization granted by a previous Shareholders' Meeting that provides for acquisitions of shares subsequent to the date of said meeting.

The Shareholders' Meeting delegates to the Board of Directors, in the event of a change in the par value of shares, a capital increase via capitalization of reserves, award of bonus shares, division or regrouping of securities, distribution of reserves or of any other assets, redemption of capital or any other transaction concerning the shareholders' equity, the power to adjust the maximum aforementioned purchase price in order to take into account the impact on the share value of said transactions.

The total amount allocated to the share repurchase plan authorized above may not exceed €600 million.

This authorization would cancel, as from the day of the Combined Shareholders' Meeting of April 24, 2014, any prior authorization granted to the Board of Directors to trade in the Company's shares, and if applicable, for the value of any unused portion of any prior authorization. Said authorization is granted for a period of eighteen months from the date of said combined general meeting.

The Shareholders' Meeting would grant full powers to the Board of Directors, including the option of sub-delegation under the conditions provided for by law, to decide on and implement this authorization, to specify, if necessary, the terms thereof and decide on the conditions thereof, to carry out the purchase plan, and, in particular, to place all stock market orders, enter into all agreements, allocate or reallocate the shares acquired to the desired objectives under the applicable statutory and regulatory provisions, determine the terms and conditions under which, if applicable, the rights of holders of securities or options will be protected, in compliance with the statutory, regulatory and contractual provisions, make all declarations to the AMF and to all competent authorities, carry out all other formalities and, in general, do what is necessary.

21.1.4 Share capital authorized but not issued

21.1.4.1 Authorizations adopted at the Shareholders' Meeting of May 14, 2013

Concerned securities/transactions	Duration of the authorization and expiration date	Upper limits for use of the authorizations *(in million euros and/or percentage)*
Share repurchase program Use excluded during any tender offer period (resolution 15)	18 months October 24, 2015	€20 per share, up to a limit of 53,463,778 shares and €600 million; the Company may not hold more than 10% of its share capital
Issuances with preferential subscription rights (PSR)* Issuance of all types of securities (resolution 16)	26 months June 24, 2016	€1.09 billion (nominal value) representing approximately 40% of the capital on the date of the Shareholders' Meeting (counting towards the global nominal amount limit of €1.09 billion (hereinafter, the "global cap"))
Issuances with preferential subscription rights (PSR)* Issuance of all types of securities by a public offering – mandatory priority subscription period (resolution 17)	26 months June 24, 2016	€274 million (nominal value) representing approximately 10% of the share capital on the date of the Shareholders' Meeting (counting towards the global cap)
Issuances with preferential subscription rights (PSR)* Issuance of all types of securities, by way of private placement (resolution 18)	26 months June 24, 2016	€274 million (nominal value) representing approximately 10% of the share capital on the date of the Shareholders' Meeting (counting towards the nominal upper limit of €274 million for capital increases without PSR and towards the global cap)
Issuances of securities as payment for contributions in kind* (resolution 19)	26 months June 24, 2016	10% of share capital (counting towards the nominal upper limit of €274 million for capital increases without PSR and towards the global cap)
Increase in the number of securities in the event of capital increases with or without preferential subscription rights (green shoe option) ») * (resolution 20)	26 months June 24, 2016	Expansion by no more than 15% of a capital increase made with or without PSR (additional issuance counting towards the upper limit of the relevant resolution with or without PSR and towards the global cap, and where applicable, towards the nominal upper limit of 274 million euros for capital increases without PSR)
Increase in capital through the capitalization of premiums, reserves, profits or other items* (resolution 21)	26 months June 24, 2016	€400 million (nominal value) representing approximately 14.6% of the share capital on the date of the Shareholders' Meeting (this nominal maximum amount counts towards the global cap)
Share issues reserved for members of employee savings plans without preferential subscription rights'' * Capital increase by issuing ''shares or securities that provide access to the Company's share capital (resolution 22)	26 months June 24, 2016	€54,887,570 million (nominal value) representing approximately 2% of the share capital on the date of'the Shareholders' Meeting (this nominal maximum amount counts towards the global cap)
Share issues reserved for employees without preferential subscription rights * /** Capital increase reserved for one category of beneficiaries (resolution 23)	18 months November 24, 2014	€5,488,757 million (nominal value) representing approximately 0.2% of the share capital on the date of the Shareholders' Meeting (this nominal maximum amount counts towards the global cap)
Cancellation of treasury shares (resolution 24)	26 months June 24, 2016	10% of the share capital within any 24-month period

* *The nominal total amount of capital increases that may be carried out pursuant to this resolution will count towards the global cap of 1.09 billion euros set forth in the 16th resolution of the combined general meeting of April 24, 2014.*

** *Capital increase reserved for (i) employees and corporate officers of affiliated companies as provided under Article L. 225-180 of the French Commercial Code and Articles L. 3341-1 and L. 3344-2 of the French Labor Code and/or (ii) share ownership funds (UCITS or similar) invested in the Company's shares and whose share capital is held by the employees and corporate officers referred to in (i) and/or (iii) any lending institution (or subsidiary of such an institution) acting at the request of Veolia Environnement in order to set up a structured offering of shares to employees and corporate officers of affiliated companies having their registered office in countries where, for regulatory reasons or otherwise, employees may not participate in the usual employees' shareholding mechanisms (share issues reserved for employees, members of savings plans).*

21.1.4.2 Authorizations submitted for voting at the Combined Shareholders' Meeting of April 24, 2014

Term of authorization	Upper limits for use of the authorizations	Concerned Securities/Transactions and expiration date *(in million euros and/or percentage)*
Share repurchase program Use excluded during any tender offer period (resolution 15)	18 months October 24, 2015	€20 per share, up to a limit of €600 million euros; the Company may not hold more than 10% of its share capital
Issuances with preferential subscription rights (PSR)* * Issuance of all types of securities (resolution 16)	26 months June 24, 2016	€1.3 billion (nominal value) representing approximately 50% of the capital on the date of the Shareholders' Meeting (counting towards the global nominal amount limit of €1.3 billion (hereinafter, the "global cap"))
Issuances without preferential subscription rights (PSR)* * Issuance of all types of securities by a public offering (resolution 17)	26 months June 24, 2016	€274 million (nominal value) representing approximately 10% of the share capital on the date of the Shareholders' Meeting (counting towards the global cap)
Issuances without preferential subscription rights (PSR)* * Issuance of all types of securities, by way of private placement (resolution 18)	26 months June 24, 2016	€274 million (nominal value) representing approximately 10% of the share capital on the date of the Shareholders' Meeting (counting towards the nominal upper limit of €274 million for capital increases without PSR and towards the global cap)
Issuances of securities as payment for contributions in kind* * (resolution 19)	26 months June 24, 2016	€274 million (nominal value) representing approximately 10% of the share capital on the date of the Shareholders' Meeting (counting towards the nominal upper limit of €274 million for capital increases without PSR and towards the global cap)
Increase in the number of securities in the event of capital increases with or without preferential subscription rights (green shoe option)* * (resolution 20)	26 months June 24, 2016	Expansion by no more than 15% of a capital increase made with or without PSR (additional issuance counting towards the upper limit of the relevant resolution with or without PSR and towards the global cap, and where applicable, towards the nominal upper limit of €274 million for capital increases without preferential subscription rights)
Increase in capital through the capitalization of premiums, reserves, profits or other items* * (resolution 21)	26 months June 24, 2016	€400 million (nominal value) representing approximately 14.6% of the share capital on the date of the Shareholders' Meeting (this nominal maximum amount counts towards the global cap)
Share issues reserved for members of employee savings plans without preferential subscription rights''' ** Capital increase by issuing ''shares or securities that provide access to the Company's share capital (resolution 22)	26 months June 24, 2016	0.2% of the share capital as of the date of the Shareholders' Meeting or ''€5.4 million (nominal value)
Share issues reserved for employees without preferential subscription rights** Capital increase reserved for one category of beneficiaries (resolution 23)	18 months October 24, 2015	0.2% of the share capital as of the date of the Shareholders' Meeting or ''€5.4 million (nominal value)
Cancellation of treasury shares (resolution 24)	26 months June 24, 2016	10% of the share capital within any 24-month period

(*) The nominal total amount of capital increases that may be carried out pursuant to this resolution will count towards the global cap of €1.3 billion set forth in the sixteenth resolution of the Combined Shareholders' Meeting of April 24, 2014.

** *Capital increase reserved for (i) employees and corporate officers of affiliated companies as provided under Article L. 225-180 of the French Commercial Code and Articles L. 3341-1 and L. 3344-2 of the French Labor Code and/or (ii) share ownership funds (UCITS or similar) invested in the Company's shares and whose share capital is held by the employees and corporate officers referred to in (i) and/or (iii) any lending institution (or subsidiary of such an institution) acting at the request of Veolia Environnement in order to set up a structured offering of shares to employees and corporate officers of affiliated companies having their registered office in countries where, for regulatory reasons or otherwise, employees may not participate in the usual employees' shareholding mechanisms (share issues reserved for employees, members of savings plans).*

21.1.5 Other securities that grant access to the capital

Potential dilutive effect of options and stock warrants[1]

As of December 31, 2013, the Company had granted a total of 8,998,100 subscription options that grant the right to subscribe to 3,487,097 Company shares[2] after adjustments and exercise (see Chapter 17, Section 17.3.3 above).

As of December 31, 2013, the Company had 548,875,708 shares. As of this date, if all the subscription options (plans 6 to 8) had been exercised, 3,487,097 new shares would have been created, representing a dilution ratio of 0.64%.

(1) *As the performance conditions were not met, the awardees of free shares under plan no. 1 lost all their rights, except in the case of a public offer for the Company's shares (cf. chapter 17, section 17.3.2 above).*

(2) *As the performance conditions were not met, the awardees of stock options under plan no. 8 may not exercise their rights, except in the case of a public offer for the Company's shares (cf. chapter 17, section 17.3.1 above).*

21.1.6 Changes in share capital as of December 31, 2013

The table below shows the changes in the Veolia Environnement share capital since the start of the 2009 fiscal year:

Meeting date	Transaction	Number of shares issued	Par value of the shares *(in €)*	Nominal amount of the capital increase *(in €)*	Issue or contribution premium *(in €)*	Total amount of the capital	Total number of shares
4/25/2002 5/12/2004 (recorded by the Board of Directors on March 5, 2009)	Exercise of stock options	40,218	5	201,090	707,064.28	2,362,883,330	472,576,666
5/7/2009 (recorded by the Chairman and Chief Executive Officer on June 4, 2009)	Capital increase resulting from payment of the dividend in shares	20,111,683	5	100,558,415	222,435,213.98	2,463,441,745	492,688,349
5/7/2009 (recorded by the Chairman and Chief Executive Officer on August 5, 2009)	Capital increase reserved for employees (Group saving plans)	911,014	5	4,455,070	14,831,307.92	2,467,996,815	493,599,363
6/21/2000 4/25/2002 5/12/2004 (recorded by the Board of Directors on March 4, 2010)	Exercise of stock options	31,011	5	155,055	508,755	2,468,151,870	493,630,374
5/7/2010 (recorded by the Chairman of the Board of Directors on June 7, 2010)	Increase increase resulting from the payment of the dividend in shares	3,732,018	5	18,660,090	60,607,972.32	2,486,811,960	497,362,392
5/7/2010 (recorded by the Chairman and Chief Executive Officer on December 15, 2010)	Capital increase reserved for employees (Group saving plans)	1,692,862	5	8,464,310	21,567,061.88	2,495,276,270	499,055,254
6/21/2000 4/25/2002 5/12/2004 (recorded by the Chairman and Chief Executive Officer on January 26, 2011)	Exercise of stock options	71,113	5	355,565	1,239,807.13	2,495,631,835	499,126,367
5/17/2011 (recorded by the Chairman and Chief Executive Officer on June 15, 2011)	Increase increase resulting from the payment of the dividend in shares	20,462,396	5	102,311,980	281,153,321.04	2,597,943,815	519,588,763
4/25/2002 (recorded by the Board of Directors' meeting dated 08/03/2011)	Exercise of stock options	64,197	5	320,985	862,347.57	2,598,264,800	519,652,960
5/16/2012 (recorded by the Chairman and Chief Executive Officer on June 14, 2012)	Increase increase resulting from the payment of the dividend in shares	2,433,889	5	12,169,445	12,047,750.55	2,610,434,245	522,086,849
5/14/2013 (recorded by the Chairman and Chief Executive Officer on June 12, 2013)	Increase increase resulting from the payment of the dividend in shares	26,788,859	5	133,944,295	94,028,895.09	2,744,378,540	548,875,708

21.1.7 Non-equity securities

EMTN program

In June 2001, a Euro Medium Term Note (EMTN) program was implemented for a maximum amount of €4 billion.

On June 26, 2002, this limit was raised to €8 billion, to €12 billion on June 9, 2006, and to €16 billion on July 13, 2009.

The main issuances that make up the outstanding amounts of this program as of December 31, 2013 are as follows:

Issue date	Nominal issue amount	Complementary issuances/partial repurchases	Nominal amount outstanding as of December 31, 2013	Rate	Maturity
May 28, 2003	€750 million				
March 2012		(€130 million)			
June 2013		(€129 million)			
December 2013		(€19 million)	€472 million	5.375%	May 28, 2018
November 25, 2003	€700 million		€700 million	6.125%	November 25, 2033
June 17, 2005	€600 million		€875 million	1.75% + inflation rate in the euro zone (excluding tobacco)	June 17, 2015
April 1, 2008		€275 million			
December 12, 2005	€900 million		€422 million	4.00%	February 12, 2016
December 2012		(€341 million)			
June 2013		(€103 million)			
December 2013		(€33 million)			
December 12, 2005	€600 million		€431 million	4.375%	December 11, 2020
June 2013		(€109 million)			
December 2013		(€60 million)			
November 24, 2006	€1 billion		€616 million	4.375%	January 16, 2017
March 14, 2008		€140 million			
March 2012		(€140 million)			
December 2012		(€256 million)			
June 2013		(€86 million)			
December 2013		(€42 million)			
May 24, 2007	€1 billion		€850 million	5.125%	May 24, 2022
December 2013		(€150 million)			
October 29, 2007	£500 million		£650 million	6.125%	October 29, 2037
January 7, 2008		£150 million			
April 24, 2009	€1.250 billion		€576 million	5.25%	April 24, 2014
March 2012		(€431 million)			
March 2013		(€18 million)			
June 2013		(€200 million)			
December 2013		(€25 million)			
April 24, 2009	€750 million		€750 million	6.75%	April 24, 2019
June 29, 2009	€250 million		€250 million	5.70%	June 29, 2017
July 6, 2010	€834 million		€834 million	4.247%	January 6, 2021
March 30, 2012	€750 million		€750 million	4.625%	March 30, 2027
June 28, 2012	CNY 500 million		CNY 500 million	4.50%	June 28, 2017

At the beginning of June 2013, Veolia Environnement performed partial buybacks of its bond lines: €200 million of the euro-denominated bond line paying a coupon of 5.25% and maturing in April 2014, €103 million of the euro-denominated bond line paying a coupon of 4.0% and maturing in February 2016, €86 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in January 2017, €129 million of the euro-denominated bond line paying a coupon of 5.375% and maturing in May 2018, and €109 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in December 2020.

On December 17, 2013, Veolia Environnement performed partial buybacks of its bond lines: €25 million of the euro-denominated bond line paying a coupon of 5.25% and maturing in April 2014, €33 million of the euro-denominated bond line paying a coupon of 4.0% and maturing in February 2016, €42 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in January 2017, €19 million of the euro-denominated bond line paying a coupon of 5.375% and maturing in May 2018, €60 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in December 2020, and €150 million of the euro-denominated bond line paying a coupon of 5.125% and maturing in May 2022.

As of December 31, 2013, the nominal amount outstanding under the EMTN program was €8,366 million, €7.790 million of which will mature in more than one year.

Public issue on the US market

On May 28, 2008 Veolia Environnement issued bonds registered with the US Securities and Exchange Commission for an amount of USD 1.8 billion, at a fixed rate and in three tranches: The first tranche of US$490 million matured on June 3, 2013. The issues comprising the outstanding balance are as follows:

Issue date	Nominal issue amount	Complementary issuances/partial repurchases	Nominal amount outstanding as of December 31, 2013	Rate	Maturity
May 21, 2008	US$700 million		US$430 million	6.00%	June [1], 2018
December 2012		(US$153 million)			
June 2013		(US$94 million)			
December 2013		(US$23 million)			
May 21, 2008	US$400 million		US$400 million	6.75%	June [1], 2038

In 2013, Veolia Environnement performed partial buybacks of the USD-denominated bond line paying a coupon of 6.0% and maturing in June 2018, in the amount of US$94 million at the beginning of June 2013 and in the amount of US$23 million on December 17, 2013.

As of December 31, 2013, the nominal outstanding amount of this loan was US$830 million (€602 million euro-equivalent), all of which will mature in more than one year.

Commercial paper

As of December 31, 2013, the outstanding amount of the commercial paper issued by the Company was €581 million.

21.2 Provisions of the Bylaws

Please refer to the information set out in Chapter 5, Section 5.1.2 (General information concerning the Company).

21.2.1 Corporate purpose

Pursuant to Article 3 of the Company's Bylaws, Veolia Environnement's corporate purpose, directly and indirectly, in France and in all other countries, involves:

- conducting all service activities, for private, professional and public customers, that are related to the environment, in particular, water, wastewater, energy, transportation and waste management;
- the acquisition, use and exploitation of all patents, licenses, trademarks and models that are directly or indirectly related to corporate activities;
- the acquisition of all participating interests, in the form of subscriptions, purchases, contributions, exchanges or by any other means, and the acquisition of shares, bonds and all other securities in existing or future enterprises, groupings or companies, and the option of disposing of such interests;
- in general, all commercial, industrial, financial or non-trading transactions, whether in personal or real property, that are directly or indirectly related to the aforementioned corporate purpose, and, in particular, the issue of all guarantees, first-demand guarantees, sureties and other security interests, in particular for the benefit of all groupings, enterprises or companies in which the Company holds a participating interest within the scope of its business activities, as well as the financing or refinancing of its business activities.

21.2.2 Fiscal year

The Company's fiscal year starts on January 1 and closes on December 31 of each calendar year.

21.2.3 Appropriation of income under the Bylaws

Each share grants entitlement to an amount of the profit in proportion to the percentage of the capital that such share represents.

The distributable profit is made up of the net profit for the fiscal year, minus any deferred losses and the various deductions provided for by law, plus the deferred profit.

The Shareholders' Meeting may decide to distribute amounts drawn from the reserves of which it may freely dispose, by expressly stating the reserve items from which the amounts are drawn.

After approving the financial statements and recording the existence of amounts that are eligible for distribution (including the distributable profit and the amounts drawn from reserves referred to above, if any), the Shareholders' Meeting may decide to distribute all or part of such amounts to the shareholders as dividends, to allocate them to reserve items, or to carry them forward.

The Shareholders' Meeting has the option of granting the shareholders, for all or part of the dividends paid out or interim dividends, an option of payment in cash or payment in shares under the conditions laid down by the law. Furthermore, the Shareholders' Meeting may decide, for all or part of the dividend, interim dividends, distributed reserves or premiums, or for any capital reduction, that such distribution or such capital reduction will be carried out in kind by delivery of Company assets.

The Board of Directors has the option of distributing interim dividends prior to the approval of the annual financial statements, under the conditions provided for by law.

21.2.4 Changes to the Bylaws, the share capital, and the rights attached to shares

All changes to the Articles of Association, the capital or the voting rights attached to the securities that make up the capital are subject to the requirements of the law, as the Articles of Association do not contain any specific provisions.

21.2.5 Shareholders' Meetings

21.2.5.1 Convening notices to meetings

General meetings are convened and deliberate under the conditions provided for by law. Meetings are held at the Company's registered office or at any another location stated in the convening notice.

Shareholder's decisions are taken in ordinary, extraordinary, special or combined meetings, depending on the nature of the decisions that shareholders are called upon to make.

21.2.5.2 Attendance at Meetings

Conditions

All shareholders, regardless of the number of shares they hold, are entitled to attend meetings in accordance with the laws and regulations in force, either by attending them in person, by being represented at them, by voting by post, or by giving proxy to the Chairman of the meeting.

In accordance with Article R. 225-85 of the French Commercial Code, only shareholders must provide proof of ownership through the securities being registered in the accounts in their name, or in the name of the intermediary registered as acting on their behalf, no later than the third business day prior to the meeting at midnight, Paris time (hereafter, D-3), either in the registered securities accounts, or in bearer securities accounts held by their authorized intermediary.

With regard to registered shareholders, this accounting recognition in the registered securities accounts on D-3 is sufficient for them to be able to attend.

With regard to holders of bearer securities, it is the responsibility of the authorized intermediaries that hold the bearer securities accounts to justify their position as a shareholder on their client's behalf to the centralizing establishment of the assembly appointed by Veolia Environnement, through providing evidence of a participation certificate which they annex to the single postal voting form or proxy form or to the admission card request drawn up in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Procedures

Shareholders wishing to attend the Shareholders' Meeting in person must apply for an admission card:

- registered shareholders should apply directly to the centralizing institution of the Meeting appointed by Veolia Environnement (hereinafter "the centralizing institution");
- holders of bearer securities should apply to their financial intermediary.

If a holder of bearer securities wishing to attend the meeting in person has not received their admission card by D-3, they must submit a request to their financial intermediary to issue them with a participation certificate enabling them to provide evidence of their position as a shareholder as of D-3 in order to be admitted.

A notice of the meeting, including a single postal voting or proxy or admission card request form, is automatically sent to all registered shareholders. Holders of bearer securities must contact the financial intermediary with whom their shares are registered in order to obtain the postal voting or proxy or admission card request form.

Remote voting

Shareholders who are unable to attend the Shareholders' Meeting in person may choose from one of the following three options:

- give a written proxy to another shareholder, to their spouse or their partner or any other natural or legal person of their choice;
- give a proxy to the Chairman of the meeting;
- vote by post.

Votes made by post or by proxy can only be taken into account if the forms, duly filled in and signed, (and accompanied by the participation certificate for bearer securities) are received by the centralizing institution no later than the third business day prior to the meeting at midnight, Paris time.

In accordance with the provisions of Article R. 225-79 of the French Commercial Code, notification of the appointment and dismissal of a proxy holder may also be made by electronic means.

Only notifications of appointment to or dismissal from positions duly signed, completed and received no later than three days before the date of the meeting may be taken into account.

In accordance with the provisions of Article R. 225-85 of the French Commercial Code, any shareholder that has already voted by post, or sent a proxy or an admission card request is no longer able to choose another method of participation in the meeting, but may nonetheless sell all or part of their shares. However, if the sale takes place before D-3, the Company invalidates or changes accordingly, as appropriate, the remote vote, the proxy, the admission card or the participation certificate. To this end, the authorized intermediary holding the account notifies the Company or its proxy holder of the sale and communicates the necessary information to it. No sale or any other transaction made after D-3, regardless of the method used, is notified by the authorized intermediary holding the account or taken into consideration by the Company, notwithstanding any contrary agreement. It is noted that if a shareholder does not name a proxy holder in a proxy form, the Chairman of the Shareholders' Meeting shall register a vote in favor of adopting draft resolutions submitted or approved by the Board of Directors, and shall register a vote against the adoption of all other draft resolutions. In order to issue any other vote, the shareholder must choose a proxy holder who agrees to vote as directed by the shareholder.

Under the terms of Article 22, paragraph 4 of the Company's Bylaws, the Board of Directors may decide that shareholders may participate in the Shareholders' Meeting via videoconference or by means of telecommunication or electronically, including via the internet, under the conditions provided for by the applicable regulations at the time of use. In this case, these shareholders are regarded as being present when calculating the quorum and the majority of the meeting. This option has not yet been used by the Company as of the date of the filing of this Registration Document.

21.2.5.3 Key powers and quorum required for Shareholders' Meetings

Ordinary General Meeting

The Ordinary Shareholders' Meeting is called to take all decisions which do not make changes to the Bylaws. It is held at least once a year, within six months of the close of each financial year, in order to present its observations on the accounts of this financial year. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one fifth of the shares with voting rights. When it is convened for the second time, no quorum is required. The deliberations of the Ordinary Shareholders' Meeting are taken by a majority of the votes of the shareholders present, represented or having voted remotely.

Extraordinary General Meeting

The Extraordinary Shareholders' Meeting is the only meeting authorized to make changes to the provisions of the Bylaws. It may not, however, increase the commitments of shareholders, subject to transactions resulting from a grouping together of shares, duly and properly carried out. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one quarter, and, when it is convened for the second time, one fifth of the shares with voting rights. The deliberations of the Extraordinary Shareholders' Meeting are taken by a majority of two-thirds of the votes of the shareholders present, represented or having voted remotely.

21.2.5.4 Shareholders' rights

Inclusion of points or draft resolutions on the agenda

Requests for the inclusion of points or draft resolutions on the agenda must reach the Company's registered office (Veolia Environnement, Office of the Company Secretary, 36/38, avenue Kléber, 75116 Paris) by registered letter with acknowledgment of receipt or by e-mail at the following address: AGveoliaenvironnement.ve@veolia.com, no later than twenty days after the publication of the notice of the meeting in the "*Bulletin des Annonces Légales et Obligatoires*" (BALO).

The request for the inclusion of a point on the agenda must be justified. The request for the inclusion of draft resolutions must be accompanied by the text of draft resolutions, which may be accompanied by a brief explanatory statement. Such requests from shareholders must be accompanied by a certificate justifying their status as shareholders, either in the registered securities accounts or in the bearer securities accounts held by a financial intermediary, as well as the percentage of share capital required by the regulations. Examination of the point or draft resolution proposed in line with the regulations is subject to the submission, by the authors of the request, of a new certificate evidencing the accounting recognition of the securities in the same accounts by D-3.

Written questions

In accordance with the provisions of Article R. 225-84 of the French Commercial Code, any shareholder wishing to ask written questions must address them to the Chairman of the Board of Directors, via the Company's registered office (Veolia Environnement, Office of the Company Secretary, 36/38, avenue Kléber, 75116 Paris) by registered letter with acknowledgment of receipt, no later than four business days before the meeting; in order to be taken into account, it is imperative that these questions are accompanied by a share registration certificate. It is understood that the answers to the written questions may be published directly on the Company's website at the following address: www.finance.veolia.com, in the "Shareholders' Meetings" section.

Consultation of the documents made available

Documents and information relating to Shareholders' Meetings are made available to shareholders in accordance with the laws and regulations in force and, in particular, the information referred to in Article R. 225-73-1 of the French Commercial Code is published on the Company's website at the following address: www.finance.veolia.com, in the "Shareholders' Meetings" section, no later than twenty-one days before the meeting.

Voting rights

The voting rights attached to shares are proportional to the percentage of share capital that such shares represent, and each share carries the right to cast one vote. There are no double voting rights.

The voting right attached to shares subject to beneficial ownership is exercised by the income beneficiary in Ordinary Shareholders' Meetings and by the bare title owner in Extraordinary Shareholders' Meetings.

21.2.6 Identification of shareholders

When shares are fully paid up, they may be in registered or bearer form, at the discretion of the shareholder, subject to provisions of the laws and regulations in force and the Company's Bylaws. Until the shares are fully paid up, they must be in registered form.

Company shares are registered in an account under the conditions and in accordance with the terms provided for by the law and regulations in force. However, when the owner of the shares does not reside in France or French Overseas Territories, within the meaning of Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner, in accordance with the provisions of Article L. 228-1 of the French Commercial Code.

Furthermore, the Company's Bylaws provide that the Company may seek to identify all holders of securities that grant an immediate or deferred right to vote in its meetings, in accordance with the procedures set forth in Articles L. 228-2 et seq. of the French Commercial Code. Pursuant to these provisions, the Company reviews its share ownership four times per year on average.

Failure by the holders of securities or their intermediaries to comply with their data disclosure obligations set forth in Articles L. 228-2 et seq. of the French Commercial Code causes, under the conditions provided for by law, the temporary deprival of voting rights and, under certain circumstances, the suspension of the dividend attached to the shares.

21.2.7 Crossing of shareholding thresholds

In addition to thresholds provided by the law and the regulations in force, the Company's Bylaws provide that all individuals or legal entities, acting alone or in concert with others, that enter into possession or that no longer hold, either directly or indirectly, a fraction of the share capital, voting rights or securities that grant future access to the Company's share capital equal to or more than 1% or any multiple of 1%, must inform the Company, by registered letter with return receipt requested, within fifteen days of exceeding one of such thresholds, of their identity, the identity of the person(s) with whom they are acting in concert, as well as the total number of shares, voting rights and securities that grant future access to the Company's share capital they hold on their own, directly or indirectly, or in concert with others.

Failure to comply with the above provisions will be penalized by the deprival of voting rights for the shares that exceed the threshold that should have been declared, for all shareholders' meetings that are held until the expiration of a two-year period following the date on which the aforementioned notice is brought into compliance, if the application of this penalty is requested by one or more shareholders who together hold at least 1% of the Company's share capital. This request is recorded in the minutes of the general meeting.

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Significant contracts RFA

Impact of a change in control of Veolia Environnement[1]

In many countries, including France, not only can local authorities terminate contracts entered into with subsidiaries of the Veolia Environnement Group (see Chapter 4, Section 4.1.*2*.5 above), but a change of control of Veolia Environnement could also affect certain contracts of the Group that include change of control clauses.

Furthermore, under the partnership agreements with EDF signed in December 2000, if a competitor of EDF takes over the Company, EDF has the right to purchase all of the Dalkia shares held by the Company. The same applies to the agreements signed with Caisse des Depôts et Consignations on May 4, 2010, pursuant to which Veolia Environnement granted to Caisse des Depôts et Consignations the right to purchase all of the Veolia Transdev shares held by the Company in the event of a change in control of the Company (see Chapter 20, Section 20.1, Notes 34 and 37 to the consolidated financial statements).

Finally, the stock-option plans implemented by the Company which are currently in force (See Chapter 17, Section 17.3.1 above) provide that options become immediately exercisable without condition in the event a public tender offer is launched on the Company.

[1] *Article L. 225-100-3 of the French Commercial Code.*

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Third party information, expert statements and declaration of interests

Not applicable.

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Documents available to the public

The Company's press releases, annual reports, including historical financial information relating to the Company and any related updates filed with the AMF, as well as the Company's Form 20-F filed with the U.S. Securities and Exchange Commission, are available on the Company's website: www.finance.veolia.com. Copies of these documents may also be obtained at the Company's registered office at 36/38, avenue Kléber, 75116 Paris, France.

All of the information disclosed to the public by the Company during the preceding twelve months in France, other EU member states, and in the United States pursuant to any securities regulation applicable to the Company is available on the Company's website at the address indicated above, as well as on the AMF's website: www.amf-france.org.

All of the regulated information published by the Company, pursuant to Article 221-1 et seq., in the AMF's general regulation, is available on Veolia Environnement's website at the following address: www.finance.veolia.com in the "Regulated Information" section.

Finally, the Company's Bylaws, as well as the minutes of general shareholders' meetings, the Statutory Auditors' reports and all other corporate documents, may be viewed at the Company's registered office.

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Information regarding Company interests

Information concerning companies in which Veolia Environnement holds a portion of the share capital likely to have a material impact on its assets, financial condition or results of operations is set forth in Chapter 6, Section 6.1.3 above and in Chapter 20, Section 20.1, Note 41 to the consolidated financial statements above.

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