VEOLIA ENVIRONNEMENT
Form 20-F
April 16, 2014

As filed with the Securities and Exchange Commission on April 16, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2013
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-15248

VEOLIA ENVIRONNEMENT

(Exact name of Registrant as specified in its charter)

N/A	36/38, avenue Kléber,	Republic of France
(Translation of Registrant s name into English)	75116 Paris, France	(Jurisdiction of incorporation or organization)

(Address of principal executive offices)
Eric Haza, Group Chief Legal Officer, 36/38 avenue Kléber, 75116 Paris France 011 33 1 71 75 00 75
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary shares, nominal value €5 per share represented by American Depositary Shares (as evidenced by American Depositary Receipts), each American Depositary Share representing one ordinary share*	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

548,875,708 ordinary shares, nominal value €5 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).*

Yes No

* This requirement is not currently applicable to the registrant.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

* Listed, not for trading or quotation purposes, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Form 20-F

2013

FORWARD-LOOKING STATEMENTS

We make some forward-looking statements in this document. When we use the words aim(s), expect(s), feel(s), wi may, believe(s), anticipate(s) and similar expressions in this document, we are intending to identify those statement as forward-looking. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this document. In particular, from time to time in this document we state our expectations in terms of revenue to be generated under new contracts recently won or awarded or from new investments made and new assets or operations acquired, though we may have not yet commenced operations under these new contracts nor begun operating these new assets and operations at the time we make these statements. Some of these revenue estimates are based on our management s current assumptions regarding future sales volumes and prices, which are subject to a number of risks and uncertainties that may cause actual sales volumes and prices to differ materially from those anticipated. As a result, actual revenue recorded under these new contracts or from these new investments, assets and operations may differ materially from those set forth in this document. Except to the extent required by applicable securities laws, we undertake no obligation to publish updated forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. We urge you to carefully review and consider the various disclosures we make concerning the factors that may affect our business, including the disclosures made in Item 3. Key Information Risk Factors, Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 8. Financial Information Significant Changes and Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Unless otherwise indicated, information and statistics presented herein regarding market trends and our market share relative to our competitors are based on our own research and various publicly available sources.

Information on websites referenced herein is not incorporated by reference in this annual report.

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PART I

ITEM 1.

IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2.

OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

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ITEM 3.

KEY INFORMATION

SELECTED FINANCIAL DATA

You should read the following selected financial data together with Item 5. Operating and Financial Review and Prospects and our Consolidated Financial Statements contained in Item 18. Financial Statements. Our Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS as adopted by the European Union. See Item 5. Operating and Financial Review and Prospects for a discussion of accounting changes, business combinations and dispositions of business operations that affect the comparability of the information provided below.

The presentation of our results of operations in 2013 has been changed substantially compared to prior years. Most significantly, we have applied for the first time IFRS 10 and 11, with the result that our joint ventures that were previously accounted for under the proportional consolidation method are now accounted for under the equity method. This has had a significant impact on our revenues and adjusted operating cash flow, particularly in our Energy Services division. In accordance with a recommendation of the French Accounting Standards Authority dated April 4, 2013, we present our operating income both before and after our share of income (or loss) from equity affiliates in our core business areas. See Item 5 Overview Changes in Accounting Method for Joint Ventures for further details.

Our results of operations for 2012 and 2011 have been represented compared to previously published figures to reflect the application of IFRS 10 and 11, as well as amendments to IAS 19 relating to employee benefit obligations. We have not represented our results of operations for 2010 and 2009, as we could not practicably do so given the large number of entities involved.

	At and for the year ended December 31,					
	(in US$)[1]	**(in €)**				
(millions, except per share amounts)[3] [4]	**2013[3] [4]**	**2013[3] [4]**	**2012[3] [4]**	**2011[3] [4]**	**2010[6]**	**2009[6]**
INCOME STATEMENT DATA:						
Revenue	30,774.3	22,314.8	23,238.9	22,482.4	27,851.6	26,845.6
Operating income	676.4	490.5	711.3	572.0	1,776.1	1,585.8
Share of net income (loss) of equity-accounted entities	246.4	178.7	(11.9)	(136.5)	-	-
Operating income after share of net income (loss) of equity-accounted entities	922.9	669.2	699.4	435.5	-	-
Net income from continuing operations	(67.3)	(48.8)	7.8	(1,013.1)	702.6	685.3
Net income (expense) from	37.6	27.3	431.8	582.7	146.4	131.5

discontinued operations						
Non controlling interests	(156.9)	(113.8)	(35.6)	(57.7)	290.5	257.8
Net income attributable to equity holders of the parent	(186.6)	(135.3)	404.0	(488.1)	558.5	559.0
Net income attributable to equity holders of the parent per share - Basic	(0.40)	(0.29)	0.79	(0.99)	1.16	1.19
Net income attributable to equity holders of the parent per share - Diluted	(0.40)	(0.29)	0.79	(0.99)	1.16	1.19
Net income from continuing operations to equity holders of the parent per share - Basic	(0.44)	(0.32)	(0.15)	(2.16)	0.84	0.94
Net income from continuing operations to equity holders of the parent per share - Diluted	(0.44)	(0.32)	(0.15)	(2.16)	0.84	0.94
Dividends per share in €	-	0.70[(2)]	0.70	0.70	1.21	1.21
Dividends per share in US$[(5)]	0.97	0.97	0.92	0.91	1.62	1.74
Number of shares (adjusted to reflect changes in capital)	548,875,708	548,875,708	522,086,849	519,652,960	499,126,367	493,630,374
BALANCE SHEET DATA (AT PERIOD END):						
Share capital	3,784.8	2,744.4	2,610.4	2,598.2	2,495.6	2,468.2
Equity attributable to equity holders of the parent	11,315.8	8,205.2	7,106.2	7,007.5	7,875.9	7,397.4
Non controlling interests	2,038.6	1,478.2	1,391.4	1,532.8	2,928.5	2,670.1
Total assets	49,981.5	36,242.1	38,476.7	41,067.3	51,427.3	49,754.7
Total non-current assets	26,345.8	19,103.6	21,313.0	24,887.2	31,055.4	29,558.5
Total non-current liabilities	16,742.3	12,140.0	15,121.3	17,629.0	22,506.5	22,028.9
CASH FLOW DATA:						
Net cash flow from operating activities	2,431.4	1,763.0	1,978.3	1,882.8	3,456.6	3,601.3
Operating cash flow before changes in working capital	2,717.4	1,970.4	2,173.1	2,347.4	3,718.7	3,559.4
Net cash from (used in) investing activities	(457.3)	(331.6)	1,038.4	(836.1)	(1,817.2)	(1,351.9)
Net cash from (used in) financing activities	(3,078.6)	(2,232.3)	(2,786.5)	(811.5)	(1,878.4)	(488.4)
Purchases of Property plant and equipment	(1,692.0)	(1,226.9)	(1,680.7)	(1,567.3)	(2,083.7)	(2,104.8)

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(1)

For your convenience we have converted the euro amounts in our selected financial data into U.S dollars using the December 31, 2013 rate of 1.00US$=0.72511€. This does not mean that we actually converted, or could have converted, those amounts into U.S dollars on this or any other date.

(2)

Amount of dividend per share to be proposed to the Annual Shareholders' Meeting of April 24, 2014.

(3)

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 of 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.

(4)

The IFRS 10 and 11 consolidation standards 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 the years ended 2012 and 2011 have been retrospectively adjusted for this change.

(5)

Based on relevant year-end exchange rates.

(6)

Financial data for the years ended December 31, 2009 and 2010 have not been retrospectively adjusted for the application of IFRS 5 and 10 and 11 and IAS 19R.

Dividends

Under French law and our by-laws (*statuts*), our statutory net income in each fiscal year, as increased or reduced, as the case may be, by any profits or losses carried forward from prior years, less any contributions to legal reserves, is available for distribution to our shareholders as dividends, subject to other applicable requirements of French law and our by-laws.

At our General Shareholders’ Meeting to be held on April 24, 2014, our shareholders will vote on a dividend payment proposed to be €0.70 per share in respect of our 2013 fiscal year, which will be paid beginning on May 28, 2014. The dividend will be payable in cash or in shares, and the period during which shareholders may choose between being paid the dividend in cash or in shares, subject to applicable legal restrictions, will begin on April 30, 2014 and end on May 16, 2014. Subject to the approval of the General Shareholders Meeting, new shares will be issued at a price equal to 95% of the average opening price on Euronext Paris of the shares over the twenty trading days prior to the day of the General Shareholders Meeting approving the dividend, less the amount of the dividend, rounded up to the next highest euro cent. We expect that Bank of New York Mellon as depositary will make this option available to ADR holders. On June 14, 2013, we paid a dividend of €0.70 per share in respect of our 2012 fiscal year. On June 18, 2012, we paid a dividend of €0.70 per share in respect of our 2011 fiscal year. On June 17, 2011, we paid a dividend of €1.21 per share in respect of our 2010 fiscal year. On June 9, 2010, we paid a dividend of €1.21 per share in respect of our 2009 fiscal year. On June 8, 2009, we paid a dividend of €1.21 per share in respect of our 2008 fiscal year.

Dividends paid to holders of our ADSs and non-French resident holders of our shares are subject to a French withholding tax generally at a rate of 30%. However, U.S. holders that are entitled to and comply with the procedures for claiming benefits under the applicable tax treaty may be subject to a 15% rate of withholding tax. See Item 10. Additional Information Taxation for a summary of the material U.S. federal and French tax consequences to holders of shares and ADSs. Holders of shares or ADSs should consult their own tax advisers with respect to the tax consequences of an investment in the shares or ADSs. In addition, dividends paid to holders of ADSs will be subject to a charge by the depositary for any expenses incurred by the depositary of the ADSs in the conversion of euro to dollars.

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Exchange Rate Information

Share capital in our Company is represented by ordinary shares with a nominal value of €5 per share (generally referred to as our shares). Our shares are denominated in euro. Because we intend to pay cash dividends denominated in euro, exchange rate fluctuations will affect the U.S. dollar amounts that shareholders will receive on conversion of dividends from euro to dollars.

The following table shows the euro/U.S. dollar exchange rate from 2009 through April 11, 2014 based on the noon buying-rate, as defined below, expressed in U.S. dollars per euro. The information concerning the U.S. dollar exchange rate is based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate). We provide the exchange rates below solely for your convenience. We do not represent that euros were, could have been, or could be, converted into U.S. dollars at these rates or at any other rate. For information regarding the effect of currency fluctuations on our results of operations, see Item 5. Operating and Financial Review and Prospects.

Month **U.S. dollar/Euro**	**Period End**	**Average rate[(1)]**	**High**	**Low**
April 2014 (through April 11, 2014)	1.39	1.38	1.39	1.37
March 2014	1.38	1.38	1.39	1.37
February 2014	1.38	1.37	1.38	1.35
January 2014	1.35	1.30	1.37	1.35
December 2013	1.38	1.37	1.38	1.36
November 2013	1.36	1.35	1.36	1.35
October 2013	1.36	1.36	1.38	1.35
Year **U.S. dollar/Euro**				
2013	1.38	1.33	1.38	1.28
2012	1.32	1.29	1.35	1.21
2011	1.30	1.40	1.49	1.29
2010	1.33	1.32	1.45	1.20
2009	1.43	1.39	1.51	1.25

(1)

The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for year average; on each business day of the month (or portion thereof) for monthly average.

Solely for the convenience of the reader, this annual report contains translations of certain euro amounts into U.S. dollars. These translations should not be construed as representations that the converted amounts actually represent such U.S. dollar amounts or could have been or will be converted into U.S. dollars at the rate indicated or at all. On April 15, 2014, the exchange rate as published by Bloomberg at approximately 9:00 a.m. (New York time) was US$1.3802 per one euro.

RISK FACTORS

You should carefully consider the risk factors described below in addition to the other information presented in this document.

Risks Relating to the Environment in Which We Conduct Our Operations

We May Fail to Maintain or Increase Our Competitiveness and Adapt Our Business Model to Rapid Changes in Environment-Related Businesses.

Our business is highly competitive and requires substantial human and capital resources and cutting-edge technical expertise in numerous areas. Large international companies, local niche companies and companies whose overheads or profitability requirements are lower than ours (in particular public sector operators such as mixed public-private companies in France and *Stadtwerke* in Germany) serve each of the markets in which we compete. Accordingly, we must constantly strive to reduce our cost structure to remain competitive and convince potential customers of the quality and value of our services. Otherwise, we may suffer the loss of existing contracts or a substantial fall in profitability on contract renewals or no longer have access to new contracts. We may also need to develop new technologies and services or decrease our overhead in order to maintain or increase our competitive position, which could result in significant costs.

In addition, our contracts may not be renewed at the end of their term, which, in the case of major contracts, may require us to implement costly reorganization measures. When the contract does not provide for the transfer of the related assets and employees to the succeeding operator and/or appropriate compensation to cover our costs of termination, the impact on our results could be substantial. Public authorities may also increasingly seek to assume direct management of water or waste services (particularly under management contracts), increasing the risk of non-renewal.

Even when we are able to renew our contracts, the new terms may be less favorable than the prior terms. Moreover, certain contracts provide for periodic renegotiation of terms, and we may face pressure to agree to less favorable terms upon renegotiation.

Our Cost Savings and Transformation Plans May Fail to Generate the Expected Cost Savings.

We have set cost reduction targets under two plans, but we may not be able to realize the savings objectives in these plans. In 2003, we began our cost-cutting Efficiency Plan, which we continue to implement. In 2011, we began to implement the new Convergence Plan, which is part of the transformation of our organization, aimed at standardizing processes, improving the control of operations and streamlining our structure. Key features of these plans are described under Item 4. Information on the Company Our Overall Strategy.

These plans could take longer to implement than expected and, with respect to the Convergence Plan, require more costs than planned. In addition, our cost reduction measures are based on current conditions and do not take into account future cost increases that could result from changes in our industry or operations, including new business developments, wage and price increases or other factors. Restructuring and disposals may harm our labor relations and public relations and could lead to disruptions. Our failure to successfully implement these plans, or the possibility that these efforts may not generate the level of cost savings we expect going forward or may result in higher than expected costs, could negatively affect our results of operations and financial condition.

Our divestitures expose us to certain risks.

At the end of 2011, we announced an ambitious transformation plan encompassing the refocusing of our activities and a reduction in our net debt, under which we initially sought to sell €5 billion of assets over 2012 and 2013. This target was raised to €6 billion at the end of 2012. In particular, we announced plans to withdraw progressively from Veolia Transdev (now Transdev), to sell our rate-regulated Water activities in the United Kingdom, to divest our solid waste activities in the United States, and to continue to streamline our geographical coverage. We have realized most of our planned divestitures, except for our planned withdrawal from Transdev because of difficulties encountered by SNCM (see We are subject to risks from legal proceedings). In 2012, we divested our water operations in the United Kingdom and the United States. In 2013, major divestments completed include the disposal of our holdings in Berlin Water, the sale of our water business in Portugal and floating 35% of the shares of Sharqiyah Desalinisation Company. On March 25, 2014, we signed an agreement to acquire EDF s interest in the international activities of Dalkia, our Energy Services affiliate, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction).

Divestitures have inherent risks, including possible delays in closing transactions, potential difficulties in obtaining regulatory approvals, the risk of lower-than-expected sales proceeds for the divested businesses or the failure to complete the divestiture at all. The conditions under which the activities sold are carved-out expose us 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. We may also lose valuable resources (including the training campus) and significant expertise with respect to financial services, human resources, real estate and general services. In addition, the agreements involved in such sales include vendor warranties covering certain risks identified by the buyer. If such risks materialize, the resulting warranty calls could have negative financial consequences on us.

We Have Conducted and May Continue to Conduct External Growth Transactions Through Acquisitions and/or Mergers, Which Could Have a Less Favorable Impact on Our Activities and Results Than Anticipated, or Which Could Affect Our Financial Condition.

We have conducted and may continue to carry out external growth transactions, in varying legal forms, in particular through acquisitions of businesses or companies or through mergers, and of varying sizes, some of which may be significant at our Group level. These external growth transactions 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) we may fail to successfully integrate the companies acquired and their technologies, products and personnel; (iii) we may fail to retain key employees, customers and suppliers of the companies acquired or merged; (iv) we may be required or wish to terminate pre-existing contractual relationships, which could prove costly and/or be performed at unfavorable terms and conditions; (v) we may increase our indebtedness to finance these acquisitions or mergers; and (vi) we may be forced to carve-out or divest or limit the growth of certain businesses in order to obtain the necessary authorizations, in particular with respect to antitrust authorizations. As a result, the expected benefits of completed or future acquisitions, mergers or other external growth transactions may not materialize within the time periods or to the extent anticipated, or may impact our financial condition.

Currency Exchange and Interest Rate Fluctuations May Negatively Affect Our Financial Results and the Price of Our Shares.

We hold assets, earn income and incur expenses and liabilities in a variety of currencies. Our financial statements are presented in euros. Accordingly, when we prepare our financial statements, we must translate our 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 euros, of our investments held in foreign currencies.

We are also subject to risks related to fluctuations in interest rates. As of December 31, 2013, our gross financial debt (before hedging) equaled €12,451.1 million, of which 54.0% bore interest at floating rates and 46.0% was fixed rate debt, after taking into account hedging instruments and fair value remeasurement of fixed-rate debt (see Notes 28.2.1 and 28.2.2 to our Consolidated Financial Statements contained in Item 18 in this annual report on Form 20-F). Fluctuations in interest rates may affect our future growth and investment strategy since a rise in interest rates may force us to finance acquisitions or investments or refinance existing debt at a higher cost in the future.

Our Business is Subject to Greenhouse Gas Market and Emission Allowance Risks.

As an operator of combustion installations, we are exposed to the inherent risks of the emission allowance trading system introduced by the European Union. The rise in greenhouse gases in the atmosphere led certain States and the international community to introduce regulatory provisions. Phase 3 of the National Allowance Allocation Plans, which runs from 2013 to 2020, is targeted to reduce greenhouse gas emissions by 20% by 2020 (compared to 1990 levels). Effective as of January 1, 2013, the free allocation of emission allowances in respect to electricity generation (with the exception of certain Central European countries) were eliminated and free allocations for heat generation as of January 1, 2013 were significantly reduced. As a consequence, the emission allowances of Dalkia decreased by 60% in 2013 compared to 2012, forcing it to purchase additional allowances necessary for its production through an auction system, which generated additional costs.

In this context, our risk is two-fold: first, we may produce higher levels of emissions than anticipated, either due to technical or business-related reasons, which would result in our Group being required to purchase additional greenhouse gas allowances and incurring additional expenses as a result. Second, we may not be able to adjust our pricing policy so as to pass on the extra cost in full of purchasing these allowances in the future.

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Our Business Operations In Some Countries May Be Subject to Political Risks.

Sales outside of France generated more than 49% of our total revenue in 2013. While our operations are concentrated mainly in Europe, the United States, China and Australia we conduct business in markets around the world. We also conduct business in certain emerging countries. In a complex and sometimes unstable international environment, risks relating to conducting business in certain countries can affect our financial position, results of operations, reputation and outlook. In particular, given the nature of our activities and the term of our contracts, our results can partially depend on external operating conditions, including the geopolitical, economic, social or financial situation or the level of development, working conditions and environmental conditions of a given country.

The risks associated with conducting business in some countries can include the non-payment or slower payment of invoices, which is sometimes aggravated by the absence of legal recourse for non-payment, nationalization, increased foreign exchange risk and currency restrictions on fund repatriation. Furthermore, we may not be able to obtain sufficient financing for our operations in these countries. The setting of public utility fees and their structure may depend on political decisions that can impede any increase in fees for several years, such that fees no longer cover service costs or provide appropriate compensation for a private operator. Major amendments to or the uneven application of regulations, social unrest, local authority claims challenging the tax system or the application of contractual terms, foreign exchange control measures and other negative actions or restrictions imposed by governments can also significantly affect operating conditions, particularly in emerging countries. The economic balance of our contracts may deteriorate as a result of changes in local economic, social or environmental conditions, such as an increase in unpaid household debts or a reduction in available environmental resources, like water or biomass.

We may not be able to insure or hedge against these risks. Furthermore, we may find we are unable to defend our rights before a court of law in certain emerging countries should we come into conflict with their governments or other local public entities. Unfavorable events or circumstances in certain countries may lead us to record exceptional provisions and/or impairments, which could have a significant adverse effect on our financial position, results and outlook.

The Destabilization of a Country May Generate Emergency Situations and Exceptional Risks.

In certain cases, a combination of factors could lead to the general political and economic destabilization of a country in which we operate and even make it difficult for us to conduct business because of reduced security and stability. The risk of nationalization or expropriation of private assets may also be higher for companies of foreign origin.

Given the nature of our activities and our geographical reach, our tangible and intangible property, employees, security and information systems could be the target of malicious attacks or terrorist acts. In the areas of public transportation, energy services and waste management, our installations and vehicles around the world may become targets. For example, the distribution of drinking water is an activity of vital importance and a major public health consideration that could be targeted by criminal action.

In addition, very large-scale or repetitive natural disasters can also lead to the exceptional disorganization of certain infrastructure (such as roads and means of communication) on which we depend for the conduct of our business and can cause damage to the infrastructure for which we are responsible. We could thus temporarily be unable to perform services according to the conditions defined by contract.

In addition, our employees work and travel in countries where the risk of criminal acts, kidnapping or terrorism is either temporarily or permanently high. The protection of our employees, activities and resources is subject to extremely stringent regulatory constraints, which expose us to legal liability.

As a result, despite the preventive and safety measures implemented by us and the insurance policies subscribed the occurrence of these exceptional situations could, affect our reputation or results.

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Risks Relating to Our Operations

Changes in the Prices of Energy and Other Commodities Or In the Price of Recycled Materials May Reduce Our Profits.

The prices of energy and other commodities can be subject to significant fluctuations and represent major operating expenses of our businesses (particularly diesel fuel for our waste collection activities, gas for our energy services activities and electricity for our water treatment and distribution activities). Although most of our contracts include price adjustment provisions that are intended to pass on any changes in the price of our supplies, often using price indexing formulas, certain events may prevent us from being fully protected against such increases, such as time lags between fuel price increases and the moment when we are authorized to increase prices to cover the additional costs or a mismatch between the price-increase formula and the cost structure (including taxes). A sustained increase in supply costs and/or related taxes could undermine our operations by increasing costs and reducing profitability, to the extent that we are unable to increase our prices sufficiently to cover such additional costs.

In addition, a substantial portion of our sorting-recycling and trading businesses, which account for a substantial portion of our revenues, are particularly sensitive to fluctuations in the price of recycled raw materials (paper and ferrous and non-ferrous metal). A significant and long-term drop in the price of recycled raw materials, combined with the impact of economic conditions on volumes, has affected, and could continue to affect, our operating results.

Our 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 our operating results.

Our Business is Affected By Variations in Weather Conditions and Climate Change.

Varying weather conditions and climate change may have an impact on our results of operations. For example, Dalkia generates the majority of its operating 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 our results of operations may be affected by significant deviations from seasonal weather patterns.

Our Long-Term Contracts May Limit Our Capacity To Quickly and Effectively React To General Economic Changes.

We conduct the majority of our operations through long-term contracts, which can hinder our ability to react rapidly and appropriately to negative financial events. Over time, the circumstances or conditions under which we initially entered into a contract may change, which may result in adverse economic consequences. Such changes may vary in nature and foreseeability. Certain contractual mechanisms may help in addressing such changes and restoring the initial balance of the contract, but they may also 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 call for a procedure to revise or amend the contract with the agreement of both parties or of a third party. Accordingly, we may not be free to adapt our compensation in line with changes in our costs and demand, whether this consists of a price paid by the customer or a fee levied on end users based on an agreed-upon scale. These constraints are exacerbated by the long-term nature of contracts. In all cases, particularly in public service management contracts, our actions must remain within the scope of the contract and we are required to maintain uninterrupted service. We cannot suddenly and unilaterally terminate a business that we believe is unprofitable, or change its features, except in the face of proven customer misconduct and then only under certain circumstances.

Certain of Our Operations are Performed Under Contracts Containing Performance Objectives That We Must Fulfill in Order to Be Compensated Or the Non-Fulfillment Of Which Would Result In the Imposition of Penalties.

Through Veolia Water Solutions & Technologies, we perform turnkey contracts for the design and construction of infrastructure in the water sector, compensated at non-adjustable fixed prices. Our compensation is often subject to the fulfillment of certain performance objectives, the non-fulfillment of which results in imposition of penalties.

The risks to which we are exposed under these types of contracts are generally technical (design and choice of tailored versus tried-and-tested technology), operational (site management during performance, acceptance and warranty phases, ability to use a technology, that may be imposed by the customer) and economic (fluctuations in raw material prices, other supply prices or foreign exchange rates).

In accordance with standard practice, to the extent possible we seek to cover these risks contractually. We may, however, encounter difficulties over which we have no control, relating, for example, to the complexity of certain infrastructure, weather or economic variations, construction contingencies, the purchase and ordering of equipment and supplies, or changes in performance schedules. In certain cases, we must rely on existing information or studies provided by the customer that may prove inaccurate or inconsistent, or we may be required to use existing infrastructure with poorly-adapted operating characteristics. These may lead to non-compliance with contract specifications or generate additional costs and construction delays, triggering, in certain cases, reductions in our revenue or contractual penalties, which could negatively affect our financial position, results or outlook. In certain cases, we must take into consideration public or private customer requests for additional work, whether or not such changes were provided for contractually. These changes may result in changes in the services provided, necessary investments or the invoicing method. While contracts generally include clauses providing for the payment of additional compensation should additional work be requested or should events such as those detailed above occur, we are nonetheless exposed to the risk of not obtaining sufficient payment to cover additional costs, as well as the risk of obtaining such amounts only after the passage of time. In addition, the failure of the sub-contractors and suppliers that we use in the performance of our contracts could generate delays and significant additional costs without the ability to recover all costs incurred.

The Rights of Governmental Authorities to Terminate or Modify Our Contracts Unilaterally Could Have a Negative Impact on Our Revenue and Profits.

Contracts with public authorities make up a significant percentage of our revenue. In numerous countries, including France, public authorities may unilaterally amend or terminate contracts under certain circumstances. While we often are entitled to compensation, this may not be true in all cases, and even when compensation is due, we may not be able to obtain full or timely compensation should a contract be unilaterally terminated by the relevant public authority.

We May Make Significant Investments in Projects Without Being Able to Obtain the Required Approvals For the Project.

To engage in business, in most cases we must sign a contract and sometimes obtain, or renew, various permits and authorizations from regulatory authorities. The competition and/or negotiation process that must be followed in order to win such contracts is often long, costly, complex and hard to predict. The same applies to the authorization process for activities that may harm the environment, which are often preceded by increasingly complex studies and public investigations. We may invest significant resources in a project or public tender without obtaining the right to perform the planned activity or sufficient compensation to cover the cost of our investment. This could arise due to failure to obtain necessary permits or authorizations, or approval from antitrust authorities, or because authorizations are granted contingent on our abandoning certain of our development projects. This result increases the overall cost of our activities and could potentially, were the cost of failure to become too high, force us to abandon certain projects. Should such situations become more frequent, the scope and profitability of our business could be affected.

We Incur Significant Costs of Compliance With Various Environmental, Health and Safety Laws and Regulations.

We have incurred and will continue to incur significant costs and other expenditures to comply with our environmental, health and safety obligations as well as in sanitary risk management, in particular with respect to water emissions, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke emissions and gas emissions. We are continuously required to incur expenditures to ensure that the installations that we operate comply with applicable legal, regulatory and administrative requirements, including specific precautionary and preventative measures, or to advise our customers so that they undertake the necessary compliance work themselves. Failure by the client to meet its compliance obligations could be prejudicial to us as operator and adversely affect our 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 us 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 our reputation, activities, financial position, results or outlook. If we are unable to recover this expenditure through higher prices, this could adversely affect our operations and profitability.

Each of our businesses, moreover, may become subject to stricter general or specific laws and regulations, and correspondingly incur greater compliance expenditures in the future. Moreover, the scope of application of environmental, health, safety and other laws and regulations is increasing constantly. As environmental laws and regulations are constantly being amended and tightened, these amendments can require significant compliance expenditures or investments that we may not be able to foresee.

Finally, actions by employees, agents and representatives, who do not comply with our Guide to Ethics or the specific ethics codes applicable to various activities, could expose us to civil or criminal penalties and adversely affect our reputation.

Our Operations and Activities May Cause Damage or Lead Us to Incur Liability That We Might be Required to Compensate or Repair.

Increasingly broad laws and regulations expose us to greater risks of liability, in particular environmental liability, including in connection with assets that we no longer own and activities that have been discontinued. In addition, we may be required to pay fines, repair damage or undertake improvement work, even when we have conducted our activities with all due care and in full compliance with operating permits. In addition, due to lack of scientific data or studies, we may not be aware of risks to human health or the environment caused by our operations that may be identified in the future.

We could be the subject of legal action to compensate damage caused to individuals, property or the environment (including the ecosystem). While our policy is to limit our liability contractually, implement prevention and protection measures and take out insurance policies covering our main accident and operational risks, these precautions may be insufficient, leaving us exposed to significant liability.

In addition, our 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 or chemical industry sites). With respect to such sites, we 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 us to customer sites. The regulatory regime governing Seveso facilities applies only within the European Union, but we operate several similar sites outside of the European Union that are often subject to the same level of stringent regulation.

Our Business Operations May Subject Our Employees to Health and Safety Risks.

Our business operations require significant human resources. The intensity, nature and location of the work required, including on public roads and on customer sites, makes maintaining our employees safety particularly important.

Despite our specific attention to the health and safety of our employees, which may require us to incur significant costs, we may nonetheless face increased work accidents and illness (both in frequency and severity).

Human Resources Management Issues and Industrial Disputes Could Have a Negative Impact On Our Image and Business.

Our operations, which we carry out on behalf of industrial customers or local governments, include the provision of essential services and always require human labor for their implementation. We operate in diverse locations, sometimes under difficult working conditions. We cannot guarantee that we will not encounter labor disputes (strikes, walkouts, blocking access to sites, or the destruction of property in extreme cases) that could interrupt our operations over a significant period of time. In particular, our transformation, including the implementation of our Convergence Plan, which includes significant reorganization and the refocusing of our activities on certain businesses and geographical regions, could cause industrial relations to deteriorate and negatively affect productivity and, consequently, our results. Any such disputes could have an adverse effect on our financial condition, results or outlook, as well as on our reputation.

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We May be Unable to Maintain and Recruit Employees With the Skills Necessary For Our Evolving Business.

Our activities require a wide range of continually evolving skills in order to keep up with changes in our sector, in particular in our environment-related business. We may be unable to locate professionals with new skills, train staff in new techniques and recruit and train managers in every country where we do business in a timely manner. The implementation of our Convergence Plan, which involves significant reorganization, may exacerbate this risk.

We are subject to risks from legal proceedings.

We are involved in a number of legal proceedings, some of which could materially impact our results of operations, financial condition, or business. See Item 8. Financial Information Consolidated Financial Statements and Other Financial Information Litigation and Note 17.2 to our Consolidated Financial Statements. In particular, SNCM, an affiliate of Transdev that provides ferry service between Corsica and mainland France, is involved in significant legal proceedings. The European Commission has claimed that SNCM must return certain subsidies relating to its privatization (€220 million excluding interest) and relating to certain complementary ferry services (an additional €220 million excluding interest) to the French State, on the grounds that those subsidies were inconsistent with European limitations on State aid. We have determined that the most probable scenario for SNCM is an insolvency proceeding followed by a disposal plan, and thus our Consolidated Financial Statements assume that these amounts will not be paid. A different scenario would lead to our reassessing our financial position. In addition, because of the difficulties encountered by SNCM, we were not able to reach a definitive agreement with the Caisse des dépôts et consignations for the reduction of our interest in Transdev, SNCM s parent company.

The Unavailability of Our Information Systems Due to Disaster or Successful Hacking Could Have a Material Adverse Effect on Our Business, Results of Operations and Financial Condition.

Our operations and the management of our business, including the finance and human resources components, depend on the secure and reliable performance of our information systems. The unavailability of information systems because of a disaster or successful hacking involving one or more of these information systems could have major consequences for the quality or even the continuity of services and the availability, integrity and confidential nature of our data. Despite all of our efforts and the resources put in place to protect and secure our information systems, we may still be the target of a successful cyber-attack. Any compromise of our systems could result in a loss of confidence in our security protocols and subject us to litigation, civil or criminal penalties, and adverse publicity that could adversely affect our financial condition and results of operations.

Our Activities Expose Us to Counterparty Risk, Including Failures By Customers, Suppliers, Joint-Venture Partners, Intermediaries, Financial Agents, and Banks.

Counterparty risk is the risk that we may enter into a contract with an entity that is unable to fulfill its commitments, financial and otherwise (including, debt repayment, breach of warranties, offset under a derivative transaction, etc.). Our financial counterparty risk is mainly associated with cash investments and positive market values on derivatives. In addition, the risks related to market transactions for our subsidiaries are mainly associated with the amounts held in local deposits, amounts treated by local banking institutions (such as settlement, deposits, and signature commitments), and the continuation of confirmed credit facilities obtained from banks.

In addition, we may be required to conduct our activities in France and abroad through partnerships with public authorities or private companies. 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 reducing capital exposure is managed contractually, changes in the project, or in the economic and political context, or a downturn in the economic position of our partner(s) could lead to conflict between the partners and, in severe cases, end the partnership. Situations involving the poor performance of a partnership could have a significant impact on our activities, financial position, results or outlook.

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Risks Relating to our Shares and ADSs

Because Preemptive Rights May Not Be Available For U.S. Persons, the Ownership Percentages of Our U.S. Shareholders May be Diluted in the Event of a Capital Increase of Our Company.

Under French law, shareholders have preemptive rights (*droits préférentiels de souscription*) to subscribe, on a pro rata basis, for cash issuances of new shares or other securities giving rights to acquire additional shares. U.S. holders of our shares may not be able to exercise preemptive rights for our shares unless a registration statement under the U.S. Securities Act of 1933, as amended (Securities Act), is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not required to file registration statements in connection with issues of new shares or other securities giving rights to acquire shares to our shareholders. As a result, we may from time to time issue new shares or other securities giving rights to acquire additional shares at a time when no registration statement is in effect. If we undertake future unregistered capital increases, holders of our ADSs and U.S. holders of our shares may be subject to dilution, which may not be fully compensated by the proceeds from the sale of rights.

We are Permitted to File Less Information with the U.S. Securities and Exchange Commission (SEC) Than a Company Incorporated in the United States.

As a foreign private issuer, we are exempt from rules under the U.S. Securities Exchange Act of 1934, as amended (Exchange Act), that impose some disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. Additionally, our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our shares. We are also exempt from certain rules governing the independence of the Audit and Compensation committees of our Board of Directors. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies with securities registered under the Exchange Act. Accordingly, there may be less information concerning our Company publicly available from time to time than there is for U.S. companies at those times.

The Ability of Holders of Our ADSs to Influence the Governance of Our Company May Be Limited.

Holders of our ADSs may not have the same ability to influence corporate governance with respect to our Company as would shareholders in some U.S. companies. For example, the ADS depositary may not receive voting materials in time to ensure that holders of our ADSs can instruct the depositary to vote their shares. In addition, the depositary s liability to holders of our ADSs for failing to carry out voting instructions or for the manner of carrying out voting instructions is limited by the deposit agreement. Finally, except under limited circumstances, our shareholders do not have the power to call shareholders meetings.

You May Be Required To Pay a Financial Transactions Tax in Connection with Acquisition of Our Shares

Under French law, a financial transactions tax is applicable to the acquisition of our shares, generally in an amount equal to 0.2% of the consideration paid or the value of the shares acquired. The tax is due regardless of where the transaction takes place, and regardless of the form of acquisition. The acquisition of an ADR is considered to be the acquisition of our shares for purposes of the tax. The financial transactions tax is generally collected by financial intermediaries that execute transactions. In addition, other proposed financial transactions taxes, including a draft

European directive, may become effective in the coming years. Such taxes will increase the transaction costs associated with purchases and sales of our shares (including ADRs) and could reduce the liquidity of the market for our shares.

ITEM 4.

INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT OF THE COMPANY

We are a leading global provider of environmental management services, which include 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 and the optimization of industrial processes. Our clients include a wide range of public authorities, industrial and commercial services customers and individuals around the world.

The legal and commercial name of our Company is Veolia Environnement. Our Company is a société anonyme, a form of limited liability corporation, incorporated in 1995 pursuant to the French Commercial Code for a term of 99 years (*i.e.*, until December 18, 2094). Our registered office is located at 36/38, avenue Kléber, 75116 Paris, France, and the phone number of that office is (+33 1) 71 75 00 00. Our agent in the United States is Terri Anne Powers, Director of North American Investor Relations, 200 East Randolph Street, Suite 7900, Chicago, Illinois 60601 USA, and the phone number of that office is (+1) 312-552-2890.

Our operations are conducted through three divisions, each specializing in a single business sector: Veolia Eau (Water), Veolia Energie (Dalkia, Energy Services) and Veolia Propreté (Environmental Services). When referring to the activities of our divisions, we refer to the division names, and when referring to entities within our Group, we refer to their legal names. Through these divisions, we provide drinking water to 94 million people and treat wastewater for 62 million people in the world, process nearly 52.1 million tons of waste, and satisfy the energy requirements of hundreds of thousands of buildings for our industrial, public authority and private individual customers. We also develop services combining several Group businesses, both by using a combination of individual contracts or by combining services within a single multi-service contract. We are also active in the Transportation business conducted through Transdev, which is 50% owned by us and 50% owned by the *Caisse des dépôts et consignations*, a French state-owned financial institution. However, we remained committed to our withdrawal from the Transportation business. In addition, on March 25, 2014, we signed an agreement to acquire EDF s interest in the international activities of Dalkia, our Energy Services affiliate, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction). Starting on the closing date of this transaction, Dalkia France s results of operations and financial condition will no longer be reflected in our consolidated financial statements, while Dalkia International will be fully consolidated rather than being accounted for by the equity method. The closing of the transaction is subject to approval by competition authorities and other customary conditions.

Historical Background

Our 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. We developed our municipal water distribution activities in France by obtaining concessions in Nantes (1854) and Nice (1864), as well as 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). During the 1980s, Compagnie Générale des Eaux expanded its business with the acquisitions 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 our Company under the name 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 Euronext Paris. 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 on the New York Stock Exchange.

From 2002 to 2004, Vivendi Universal progressively decreased its stake in our Company through successive disposals and dilution and held only 5.3% of our shares by December 2004. Since July 6, 2006, Vivendi no longer holds any shares in our Company.

In April 2003, we changed our name to Veolia Environnement.

Between 2002 and 2004, we undertook a major restructuring in order to refocus on our core environmental management services activities. This process was completed in 2004 with the sale of various U.S. subsidiaries in the Water division and our indirect interest in Fomento de Construcciones y Contratas (FCC), a Spanish company whose activities include construction and cement activities. In 2003, we began to implement our Efficiency Plan aimed at achieving significant cost savings.

In November 2005, we rolled out our new brand policy aimed at increasing consistency between the divisions of our Group, the visibility of our Company and strengthening our identity and common culture of service values. The Water and Environmental Services divisions as well as the Transportation business are now united under a single brand, Veolia, which is linked to the name of their activity. The Energy Services division primarily operates under the brand Dalkia.

In May 2010, we signed an agreement to combine our transportation subsidiary, Veolia Transport, with Transdev. The transaction created Veolia Transdev (now Transdev), in which we hold a 50% interest, with the remainder held by the *Caisse des dépôts et consignations*, a French State-owned financial institution. As part of this transaction, Veolia Transport and Transdev were transferred by their shareholders to the newly created joint venture, Veolia Transdev (now Transdev).

In 2011, we were affected by a number of changes in our markets, including pressure on credit markets in Europe as a result of uncertainties relating to the credit quality of certain sovereigns, coupled with lower GDP growth and decreased public spending in mature markets, which put increasing pressure on margins. In this context, on December 6, 2011, we announced a strategic transformation plan founded on refocusing our activities and business portfolio, which included a significant divestiture program to be realized over two years, the concentration of activities on our three main businesses (Water, Environmental Services and Energy Services), and the divestiture of regulated Water activities in the United Kingdom and solid waste activities in the United States. We also announced our plan to withdraw from the transportation business.

The U.K. regulated Water activities were divested on June 28, 2012 and the U.S. solid waste activities were sold on November 20, 2012. On October 22, 2012, we entered into an agreement to negotiate a share capital increase of Transdev through the capitalization of existing shareholders loans. Following this capital increase, *Caisse des dépôts et consignations* would hold 60% of Transdev s share capital, and assume exclusive control of that entity, while we would retain a 40% stake. The agreement also called for the good faith negotiation of a reduction in our interest in Transdev to 20% over two years following the capital increase. Prior to signing this agreement, we and *Caisse des dépôts et consignations* signed an agreement to negotiate the transfer of Transdev s 66% shareholding in SNCM to us. However, we were not able to finalize the activities outlined in the agreements before both expired. As a result, on

July 9, 2013, we, the *Caisse des dépôts et consignations* and Transdev signed a new agreement extending the deadline to complete these operations until October 31, 2013, but the sale of SNCM to us was not completed before that date. As a result, the agreement lapsed. Nevertheless, on December 16, 2013 an agreement was signed to continue the respective loans and to realize a capital increase, with respective ownership of the Caisse des dépôts et consignations and Veolia Environnement remains at 50%.

In 2012, we pursued our transformation plan by announcing a new geographical organization structure (which we began to implement in July 2013), an enhanced cost reduction program (with the Convergence plan added to our Efficiency plan), the continued optimization and divestiture of assets, and an objective of reducing our net financial debt.

In October 2013, we and EDF announced that we were engaging in discussions with respect to our joint subsidiary Dalkia, our Energy Services affiliate. On March 25, 2014, we signed an agreement to acquire EDF s interest in the international activities of Dalkia, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction). Starting on the closing date of this transaction, Dalkia France s results of operations and financial condition will no longer be reflected in our consolidated financial statements, while Dalkia International will be fully consolidated rather than being accounted for by the equity method. The closing of the transaction is subject to approval by competition authorities and other customary conditions.

BUSINESS OVERVIEW

The following table provides our revenues by division and geographical area (after intra-Group eliminations) for the year ended December 31, 2013. The presentation of our results of operations in 2013 has been changed substantially compared to prior years. Most significantly, we have applied for the first time IFRS 10 and 11, with the result that our joint ventures that were previously accounted for under the proportional consolidation method are now accounted for under the equity method. This has had a significant impact on our revenues and adjusted operating cash flow, particularly in our Energy Services division. In accordance with a recommendation of the French Accounting Standards Authority dated April 4, 2013, we present our operating income both before and after our share of income (or loss) from equity affiliates in our core business areas. See Item 5- Overview Change in Accounting Method for Joint Ventures for further details.

2013 Revenues *(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	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 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**

Our Overall Strategy

Faced With a Changing Global Environment Presenting New Challenges, We Are Adapting and Transforming Our Organization.

In light of the complex environmental issues facing cities and industrial companies and as the leading international company focused on the environmental services sector, we continue to transform our organization to better respond to environmental challenges, including by offering expert solutions in growth markets and adapting our model to the traditional markets in which we operate.

While the world s population continues to grow and is projected to reach approximately 9 billion in 2050, and economic growth centers shift to emerging countries where 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). 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 cities. In addition, the growing complexity of managing environmental issues (e.g., 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 our selective development policy.

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, we prioritize the optimization of our operations, control our costs and development of attractive business models (e.g., remuneration based on the performance of our solutions, innovative financing schemes, etc.) for public authorities and industrial companies seeking new dynamics.

The transformation of our organizational structure and business model should enable us to exploit our competitive advantage on growth markets, where our expertise sets us apart, and to become a partner of sustainable development. Our 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, we deploy best practices along with complete and integrated water, waste and energy service offerings aimed at addressing environmental challenges more effectively.

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In 2013, we continued to pursue our transformation plan pursuing the targets confirmed by our Board of Directors on December 11, 2013:

To become the benchmark company in major environmental markets;

To balance our business activities between municipal and industrial customers, with an objective of generating at least 50% of our revenue with industrial customers, compared to 35% today;

To generate more than 50% of our revenue in growth markets, which currently account for only one-third of our business; and

To develop innovative business models.

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

refocusing our business with the goal of decreasing net financial debt;

simplifying and tightening our organizational structure;

continuing our cost reduction program; and

targeting profitable growth opportunities.

With greater financial flexibility and focused on the provision of high added-value service and technology solutions, we have reorganized ourselves into a more agile, flexible company well placed to meet the environmental challenges faced by our customers and seize profitable growth opportunities.

As Part of Our Transformation, We Are Refocusing Our Business Activities and Deleveraging Our Financial Structure.

The divestment program announced in 2011 has been successfully completed, apart from our withdrawal from the transportation business. During the course of 2012 and 2013, our divestments totaled €4.7 billion and included 15 divestments with an enterprise value of more than €10 million and 8 divestments worth more than €50 million. These large-scale divestments modified our Group's profile and fulfilled a dual purpose:

- accelerating the reduction of net financial debt; and

- restricting permanent operations (with employees and capital employed of over €5 million) to 48 countries.

As of December 31, 2013, our main priority 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.

We Are Simplifying and Tightening Our Organizational Structure.

At the end of 2013, we became an integrated group with a separate organizational structure in each country in which we operate. Our Group's new organizational structure was deployed through 415 executive managers, appointed worldwide, through the following steps:

the establishment of new responsibilities and managerial lines, including:

a new Executive Committee, 8 regional managers and 31 country managers,

creation of our functional managers, including the Innovation and Markets Department, which is responsible for defining and implementing our strategy, and the Technical and Performance Department, which is responsible for identifying and deploying the best operational standards at every level of the organization;

appointing priority global key account managers;

implementation of a separate organizational framework for each country; and

implementation of our main operating procedures (operational command, budgetary control, reporting and internal control).

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We Are Aiming to Realize Significant Cost Savings.

At the end of 2013, progress on our cost reduction program was in line with our targets. We achieved cost savings which resulted in a positive impact on our operating income of €178.0 million, net of implementation costs (compared with our revised target of €170.0 million). The target has been revised upwards once again, to €750 million by the end of 2015, compared to the original target of €470.0 million, of which 80% is targeted to be recognized in our operating income after the share of net income (loss) of equity accounted entities. We hope to realize these additional savings by reducing administrative, functional and operating costs in the short-term and through the transformation of the organizational structure in the long-term.

We Are Positioning Ourselves to be Able to Seize Profitable Growth Opportunities.

Faced with the structural adjustment of the markets in which we operate and the competitive environment for the services we offer we must select projects on traditional markets carefully, offer innovative business models and focus our activities on growing industrial markets and regions. In order to accelerate our 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 and addressing customers main environmental issues. A network of Key Account Managers and research and innovation programs was also created and is under the supervision of the Innovation and Markets Department.

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

To achieve this goal, we have devised a new commercial strategy based on the development of global partnerships that place the value provided to our major customers at the forefront, the creation of a network of Key Account Managers that coordinate local commercial initiatives, the standardization 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.

As a result of the effectiveness of this strategy, we enjoyed commercial successes on various markets in which we operate, particularly in growth markets, such as securing the following contracts (among others):

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; and

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;

We strive to thoroughly and methodically identify the sectors offering the greatest potential for our activities while being conscious of the issues faced by our industrial and municipal customers and our operators in all regions and at all levels of the organization.

We have identified seven key growth areas as our areas in which we are particularly competitive:

the circular economy (which we describe below);

innovative solutions for cities;

the treatment of difficult forms of pollution;

dismantling;

the agri-food industry;

the mining industry; and

the oil and gas industry.

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In the circular economy, participants seek to implement solutions to extend the life of resources in response to their increasing scarcity and the volatility of the prices of raw material, which are at record high levels. This trend is driven by regulation that, worldwide, increasingly favors recovery and recycling and changing behavior and consumption modes.

In this context, we are positioned to offer alternative raw material resources and help our customers secure supplies, optimize their operating costs, improve processing yields by recovering certain by-products and ensure that the growth of our industrial and municipal partners follows the principles of sustainable development. Examples of our participation in circular economy projects are 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, we offer cutting-edge technical solutions and adapt our business models (e.g., performance contracts, partnerships for financing infrastructures, etc.) to showcase our technical know-how as the world's largest provider of environmental services (e.g. the models in Washington DC, Rialto, New York and Stadtwerke).

The health, ecological and environmental risks associated with difficult forms of pollution have become more apparent and increasingly stringent regulation is being implemented, while a smaller number of operators are currently able to master treatment of these difficult forms of pollution by offering services such as the management of hazardous waste, soil decontamination and radioactivity, etc.

We have a global network of experts and resources we can mobilize rapidly, and offer 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, such as the partnership with the Food and Agriculture Organization to manage the problem of outdated pesticides stored in Europe and Africa and assisting the British government in the destruction of chemical precursors associated with Syria's chemical weapons.

The dismantling of various industrial facilities, such as oil rigs in the North Sea and the Gulf of Mexico, nuclear reactors and petrochemical plants in Europe, at cycle end requires complete solutions with the highest operational standards. We offer strategies to reduce the volumes to be treated and turnkey management for the dismantling of certain facilities, including inventory and characterization of the items to be dismantled, demolition, recovery or disposal of waste. Examples of these types of services include the strategic agreement with the CEA (the French Alternative Energies and Atomic Energy Commission) for the dismantling and remediation of nuclear facilities and the creation of a treatment process in the United Kingdom for the dismantling of offshore platforms.

The agri-food industry, which represents 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. We allow 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. Examples of these types of services include the production of green energy and steam from wastewater in the Netherlands and the 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 stressed areas to compensate for the depletion of the most easily-accessible ores. These types of exploration projects constitute 70% of all projects of the six largest mining operators. 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. We 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, we help enhance the legitimacy of mining operators and the continuity of their operations. Examples of these services include 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, we are able to secure the water resources needed for operation and production, help optimize oil and gas fields by recovering by-products, and help limit the reputational risk of our customers in the oil and gas industry. Examples of these services include the 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 and recycling of process water in the United States to enhance oil well production.

To support this strategy, we have 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 standardization 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.

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DESCRIPTION OF OUR MAIN BUSINESSES

Water

We, through Veolia Eau-Compagnie Générale des Eaux, are the world s leading provider of water and wastewater services to public authorities and industrial companies. In addition, Veolia Eau, through its subsidiary 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 94 million people and supplies 62 million people with wastewater services. We can offer local authorities and industrial companies solutions combining productivity, resource savings and a reduced environmental footprint thanks to the 350 different technologies we use.

As of December 31, 2013, Veolia Eau had 83,154 employees around the world and is present principally in France for historical reasons, but also in the United Kingdom, Germany, Italy, Belgium, the Czech Republic, Bulgaria, Slovakia, Hungary 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, such as its contracts for the operation and maintenance of water and wastewater treatment plants, like the one with the city of Milwaukee, and performance contracts like the ones signed with New York City, Washington and Pittsburgh, for example. We also have numerous contracts with industrial customers in a range of sectors, such as mining, oil, and gas and are present in the Middle East and Africa, primarily in Niger and Gabon. Thanks to a network of research centers in France and abroad coordinated by our Group, Veolia Eau has mastered numerous major technologies and tools within the water sector. Veolia Eau is therefore able to offer highly-skilled services in the area of water quality for production of drinking water, optimization of plants and networks, the recovery of raw materials or effluents, the reuse of treated effluents and the preservation of the environment.

Combined with our strong local presence and considerable experience providing services to municipal and industrial customers, our 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 the Water division, after elimination of intra-Group transactions.

Water *(in €million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**[(2)(3)]	**Change 2013/2012**
Revenue	10,221.9	10,696.2	-4.4%
Operating income after share of net income (loss) of equity-accounted entities[(1)]	316.5	419.3	-24.5%

(1)

Including the share of income (loss) of joint ventures and associates in this division.

(2)

In accordance with IFRS 5, non-current assets held for sale and discontinued operations, the results of operations of U.K. regulated activities (sold in June 2012), Moroccan activities in the Water division and the share of new income of our joint venture Berlin Water until December 2 are presented in a separate line, Net income from discontinued operations.

(3)

The standards on consolidation IFRS 10 and 11 and the revised IAS 19, Employee benefits, stipulate retrospective application to the periods beginning from January 1, 2013. Consequently, the financial statements presented for the comparative years have been restated.

Overview Of The Water Division

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 and from three to ten years with industrial customers. These contracts take various forms, tailored to the needs and goals of the customer (public-private partnerships, BOT (Build, Operate & Transfer) 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 authority over the pricing policy and investment under municipal contracts. Changes in legislation and needs have enabled Veolia Eau to integrate more elaborate mechanisms into its contracts allowing it to share in the added value (productivity gains, improvement in the level of services, efficiency criteria, etc.). Public authorities often rely on Veolia Eau to manage customer relations, and we are constantly improving the efficiency of our 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, network modeling and financial analysis.

1

Source Pinsent Masons Water Yearbook 2012-2013

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Service Contracts With Public Authorities and Industrial Customers

The main focus of our water business is water and wastewater management services for public authorities and industrial customers, which we refer to as Operations activities. We provide integrated services that cover the entire water cycle. Our activities include the management and operation of large-scale, customized drinking water plants, wastewater decontamination and recycling plants, drinking water distribution networks and wastewater collection networks. We also manage customer relationships, providing billing services and call centers, etc. Veolia Eau and its subsidiaries have provided outsourced water services to public authorities in France and in the rest of the world for more than 150 years under long-term contracts tailored to local environments. Our continued expertise in the treatment and recovery of industrial water allows us 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

Through our Technologies and Networks activities, we develop technological solutions and design/build the infrastructure 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 municipal and industrial uses. A local technical assistance network is available at all times for the upkeep, maintenance and customer service of these installations. We treat groundwater, surface water, brackish or seawater, wastewater and refined sludge. Through a combination of physical, chemical and biological treatments, we have developed a comprehensive range of specific solutions for the purification of water or the reduction or elimination of impurities in effluents. Our recycling/reuse systems provide customers with the ability to circulate part or all of their treated water back into plant processes, thereby reducing water consumption, operating costs and environmental damage. Through SADE, we also design, build, renew and recover urban and industrial drinking water and wastewater networks and related infrastructure, in France and around the world.

Key Factors

The key factors that may have an impact on the activities of Veolia Eau are of a technical, contractual and economic nature.

The economic key factors potentially impacting the Operations business are trends in volumes billed (particularly changes in weather conditions that can impact domestic water consumption), the ability to obtain price increases, on time and in line with our objectives and the ability to implement cost cutting programs. Key factors, from a technical point of view, include the ability to satisfy service commitments negotiated with customers or regulators and, from a commercial point of view, the ability to renew existing contracts under satisfactory terms and conditions in a highly competitive environment. Our ability to control costs and obtain favorable terms and conditions in our contracts are key success factors, particularly in the Operations business in France.

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The following table presents annual revenue generated by certain contracts that must be renewed or renegotiated during the 2013 to 2020 period:

City	2013 Revenue (in € million)	Contract expiry date
Toulouse – Water treatment	51.0	2020
Toulouse – Drinking water	41.0	2020
Montpellier	21.0	2014
Toulon	20.0	2019

The Technologies and Networks business is potentially affected, at an economic level, by the rate of projects launched by public authorities and certain major industrial companies, 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, rigor in the negotiation and performance of contracts are also key factors in this sector (particularly the ability to meet deadlines and stay within cost budgets).

Description of Activities in 2013

Revenues from our Water division revenue decreased 4.4% in 2013 compared to 2012, due to a decrease in construction activity, contractual erosion in France and a slowdown in Technologies and Networks activities, partially offset by higher tariffs due to indexation in France and in Central and Eastern Europe.

In France, we provide approximately 24 million residents with drinking water and 17 million with wastewater services. The delegated management public service contracts that were renewed in 2013 represent estimated cumulative revenue of €1.12 billion in a highly competitive environment. Successes during the period include the securing of 35 new public service delegation contracts, including 17 with local authorities that transitioned from a local authority management model to public service delegation management. In addition to the major contracts renewed described below, we also renewed the drinking water contract for Marseille Provence Métropole urban community and the Greater Lyon metropolitan authority. The contracts are currently subject to approval by the Prefecture.

Our Water division also lost some drinking water contracts in 2013, such as those in Valence, Nevers and Beaufort. We also lost three drinking water treatment contracts in the Douai area. In addition, two local authorities (Rennes and Nice Cote D Azur) decided in 2013 that they will return to a local authority management model starting in 2015. Although we have taken into account the implications for our Water division of these decisions, we expect that there will be possibilities for us to provide these local authorities with our know-how through consultational services.

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 declined in the United Kingdom due to the completion of construction contracts in 2012.

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 9.8% (down 7.5% at constant consolidation scope and exchange rates) primarily due to the completion of numerous contracts in France and internationally in the Design and Build sector, the lower contribution of the Hong Kong sludge incineration plant construction contract and unfavorable weather conditions in France and Belgium. Bookings were however up 32% compared to December 2012 at approximately €3.3 billion, primarily with industrial clients in the oil and gas sectors, although we also experienced a turnaround on the municipal market toward year end. A key example of this is the signature at the end of 2013 of a contract with Shell in Canada (Carmon Creek) 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 (with a recycling rate of nearly 100%).

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The main new and renewed contracts for 2013 are detailed in the table below.

Major Contracts in 2013

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)* (1)	Services provided
OPERATIONS					
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	Renenwal	12 years	111 million	Public service delegation contract for drinking water
Nantes metropolitan authority	December	New	73 months	35 million(2)	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 for construction, financing and operation of a demineralized water and cooling water production and sanitation water treatment unit.
Tianjun 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(3)	Upgrading work on a drinking water production unit and the distribution system, operation contract
	October	New	1 year	18 million	

Formosa Petrochemical Corporation Taiwan					Contract for the modernization of a petrochemical wastewater treatment unit.
Australia					
QGC Pty Limited	April	New	20 years(4)	518 million	Industrial contract for the treatment of salt water from natural gas production.
North America					
BASF Corporation	December	New	3 years(5)	17 million	Industrial contract for industrial cleaning services.
Citgo Petroleum Corp.	July	Renewal	5 years	16 million	Industrial contract for 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 for the supply of industrial water treatment equipment with a recycling rate of nearly 100%
South America					
CMPC Brazil	August	New	2 years	54 million	Industrial contract for the 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	May	New	5 years(6)	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 Zourt 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

(1)

Revenues estimated 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.

(2)

Total estimated revenue from the project: €65 million, of which our share will be €35 million.

(3)

Contract won on behalf of an equity accounted joint venture 51% owned by us.

(4)

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

(5)

3 year extension option at the customer s discretion.

(6)

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

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Main Acquisitions and Divestitures in 2013

The main acquisitions and divestitures during the year included:

the disposal of 24.95% of Berlin Water;

the disposal of the Water activities in Portugal; and

the sale of 19.25% of our shares in Sharqiyah Desalination Company following the listing of 35% of its shares.

Following the creation, acquisition or consolidation of 18 companies in 2013 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.

Environmental Services

Through our subsidiary Veolia Propreté, we are the worldwide reference in this sector,[2] where we are involved in waste collection, recycling, processing, treatment, and handling of waste in all forms and at all stages of the waste cycle. Veolia Propreté manages liquid and solid waste, non-hazardous and hazardous waste (with the exception of nuclear waste) from collection to recovery, on behalf of both industrial and public-sector customers, such as local authorities.

As of December 31, 2013, Veolia Propreté employed 61,095 people around the world. We have partnerships with over 570,000 industrial and public-sector customers and serve nearly 51 million residents on behalf of local authorities. As of December 31, 2013, we managed approximately 719 waste processing units (excluding landfill sites in the post-closure phase and soil decontamination plants).

The term of our 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 infrastructure).

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of the Environmental Services division, after elimination of intra-Group transactions.

Environmental Services *(in € million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**(2) (3)	**Change 2013/2012**

Revenue	8,075.5	8,512.0	-5.1%
Operating income after share of net income (loss) of equity-accounted entities[(1)]	189.3	315.5	-40%

(1)

Including share of income (loss) of joint ventures and associates in this division.

(2)

In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the revenues and expenses from U.S. solid waste activities (divested in November 2012) are presented in a separate line, Net income from discontinued operations.

(3)

The standards on consolidation IFRS 10 and 11 and the revised IAS 19, Employee benefits, require retrospective application to the periods beginning on January 1, 2013.

Overview of the Environmental Services Division

Veolia Propreté furnishes 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, we conduct 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.

[2] Source: Eurostat and internal studies.

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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 our activities are of a technical, contractual and economic nature and mainly concern the following success factors:

A presence at all points of the waste value chain, from pre-collection 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 us apart from the competition in this market;

The management of risks relating to the protection of the environment and the safety of individuals and installations;

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.); and

Management of economic and financial risks: volume fluctuations, volatility of raw material prices (fuel, materials sold such as paper and metals), customer risk, foreign exchange and interest rate risk.

Environmental Services and Logistics for Public Authorities and Industrial Companies

Maintenance of Public Spaces and Urban Cleaning

Each day, we provide 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

We provide cleaning services at the sites of our 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 we offer specialized cleaning services (high pressure or extreme high pressure cleaning). We also offer cryogenic cleaning, and reservoir cleaning services using robots at refineries and petrochemical sites. Finally, we have developed emergency services to treat site contamination in the event of an accident or other incident.

Liquid Waste Management

Through our specialized subsidiary SARP, we provide liquid waste management services that consist primarily of pumping and transporting sewer network liquids and oil residues to treatment centers.

We have 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 an Environmental 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. We provide 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 our waste collection services. We collect household waste through door-to-door pickup or through pickup at designated drop-off sites, and collect commercial and non-hazardous industrial waste. We maintain the cleanliness of green areas and carry away green waste and also collect hazardous waste on behalf of our service sector and industrial customers, including hospital waste, laboratory waste and oil residue (ships, gas stations, etc.) and diffused hazardous waste.

We also provide related services to our public 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

We process waste with a view to reintroducing such waste into the industrial production cycle. Our recycling activities generally involve the selective collection of paper, cardboard, glass, plastic, wood and metal that customers either separate into different containers or mix with other recyclable materials.

We recover solid waste received at our 271 sorting and recycling centers. These specialized centers separate the different components of complex waste, such as electric and electronic products and fluorescent lamps. We work upstream in partnership with industrial customers and with our research center to develop new recycling activities.

Recycled material is sold or distributed to intermediaries or directly to industrial customers.

Waste Recovery and Treatment Through Composting, Incineration and Landfilling

We have 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 our 122 Veolia Propreté composting units, we process urban and industrial sludge, part of which is then reintroduced into the agricultural cycle through land spreading, with a related tracking service.

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Incineration and Waste-To-Energy Recovery

We operate 61 waste-to-energy recovery and incineration plants, of which 58 process non-hazardous solid waste (mainly urban waste).

Energy is generated from the heat created by incinerating waste at these plants. We use this energy to supply urban heating networks or sell 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). We have 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, we 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 our specialized subsidiaries, SARP Industries and VES Technical Solutions (in the United States), we have a worldwide network of experts, which has helped us become a world leader in the processing, recycling and recovery of hazardous waste.

Description of Activities in 2013

Revenue from the Environmental Services division declined by 5.1% (1.5% at constant consolidation scope and exchange rates) compared to 2012, mainly due to a 1.5% fall in recyced raw material prices and volumes (with some improvement in the second half of the year) and a 1.1% drop in waste volumes and activity levels, mainly in municipal collection.

Our revenue in France decreased by 2.7%, mainly as a result of the combined effects of adverse changes in the volume and prices of materials (such as paper and metal) and a decrease in activity levels, mainly in the municipal and commercial waste collection sectors. However, even in such a competitive environment we had important commercial successes in 2013 with the Greater Nancy metropolitan authority, Paris City Hall, Syctom (the Paris metropolitan agency for household waste treatment) and the *Syndicat départmental d elimination des déchets de l Aube* (the waste elimination association for the Aube department). Internationally, revenue decreased by 6.7% (but by only 0.7% at constant consolidation scope and exchange rates).

Revenue in Germany fell 7.8% 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 (while decreasing 1.8% at current consolidation scope and exchange rates) due to the increase in PFI contract revenue offset by the weakening of the pound sterling against the euro.

In North America, where revenues were up 1.5% at constant consolidation scope and exchange rates but down 8.2% at current consolidation scope and exchange rates, revenue benefitted from growth in the hazardous waste and industrial sector (petrochemicals and refining) activity, but was negatively affected by the weaker U.S. dollar.

Revenue rose by 1.1% in Australia at constant consolidation scope and exchange rates (while decreasing 6.7% at current consolidation scope and exchange rates) due to the rising price of commercial waste collection services offset by the weaker Australian dollar.

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Major Contracts in 2013

The main new and renewed contracts for 2013 are detailed in the table below:

Public authority or company and location thereof	**Month of signature of contract**	**New contract or renewal**	**Contract term**	**Estimated cumulative revenue *(in euros)* (1)**	**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 door-to-door collection of household waste and equivalent, as well as 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(2)	24 million	Industrial cleaning services contract
Europe (excl. France)					
Essex County Council United Kingdom	March	Renewal	8 years(3)	141 million	Integrated waste management contract
Brent Borough Council United Kingdom	November	Renewal	9 years(4)	151 million	Integrated waste management contract
	July	New	3 years(5)	11 million	

BP Gelsenkirchen GmbH					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(6)	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)

Revenues estimated 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 Propreté under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.

(2)

3 year contract, with a 2 year extension option at the customer s discretion.

(3)

8 year contract, with a 5 year extension option at the customer s discretion.

(4)

9 year contract, with a 7 year extension option at the customer s discretion.

(5)

5 year contract, with a 5 year annual extension option at the customer s discretion.

(6)

3 year contract, with a 2 year extension option at the customer s discretion.

Main Acquisitions and Divestitures in 2013

Among the main changes in the composition of the Environmental Services division for the year, the most notable was the deconsolidation of almost all of our waste management activities in Italy, following the certification of the *concordato preventivo di gruppo* (CPG), or Group Restructuring Agreement. See Item 8, Financial Information Litigation for more details.

Following the creation, acquisition or consolidation of 6 companies and the liquidation, divestiture or merger of 25 companies in 2013, the Environmental Services division (excluding Proactiva) comprised 565 companies as of December 31, 2013, compared with 574 at the end of 2012.

Energy Services

We conduct our energy service activities through Dalkia, a global provider of energy services to companies and public authorities. Primarily in our role as a decentralized producer of thermal and electrical energy, we develop offerings for heating and cooling networks, industrial utilities and energy services. We seize opportunities offered by the development of the energy market and the need to contain energy consumption. We are present at all stages of the energy chain from decentralized production to optimizing distribution and containing demand, to improve the performance of energy systems. We join forces with our customers, helping them optimize their energy purchases and improving the efficiency of their installations both in terms of cost and atmospheric emissions.

Dalkia employs 43,135 people, as of December 31, 2013, and is 66.0% owned by us and 34.0% owned 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, which is 75.8% owned by Dalkia and 24.2% owned by EDF. However, on March 25, 2014 we signed an agreement to acquire EDF s interest in the international activities of Dalkia, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction). The closing of the transaction is subject to approval by competition authorities and other customary conditions.

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of the Energy Services division, after elimination of intra-Group transactions. Our Energy Services Division has been significantly impacted by the first time application of IFRS 10 and 11. Revenue from the Energy Services includes all of the income of Dalkia France and income from American businesses wholly-owned by us. Dalkia International is now accounted for under the equity method. Starting on the closing date of the transaction with EDF described above, Dalkia France s results of operations and financial condition will no longer be reflected in our consolidated financial statements, while Dalkia International will be fully consolidated rather than being accounted for by the equity method.

Energy Services *(in €million)*	**Year ended December 31, 2013**[(1)]	**Year ended December 31, 2012**[(1)(2)]	**Change 2013/2012**
Revenue	3,756.5	3,852.0	-2.5%
Operating income after share of net income (loss) of equity-accounted entities[(3)]	190.5	110.0	73.2%

(1)

In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the Income Statement of discontinued operations in the course of divesture (urban public lighting businesses worldwide (Citelum) is presented in a separate line, Net income from discontinued operations.

(2)

The standards of IRFS 10 and 11 and revised standard IAS 19, Employee benefits, require retrospective application to periods beginning on January 1, 2013. As a result, figures for 2012 have been restated.

(3)

Including the share in net profit or loss of joint ventures or affiliated companies.

The discussion below reflects the entire activity of the Energy Services Division, regardless of the method of accounting in our Consolidated Financial Statements, except where otherwise indicated.

Overview of the Energy Services Division

Dalkia is currently facing three major challenges: global warming and the need to reduce greenhouse emissions, the increase in the 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 networks, industrial utilities and energy services.

Dalkia provides energy 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 thirty years, while contracts for the operation of thermal and multi-technical installations for public or private customers may have terms of up to sixteen years. Contracts to provide service to industrial utilities generally have shorter terms (six to seven years on average).

Dalkia proposes energy solutions that cover the entire conversion cycle: from the purchase of energy sources entering a site, such as fuel, gas, biomass, and biogas, to the construction or modernization of installations, including the sale of the electricity produced on the market. In this way, we have acquired expertise in the purchase and sale of energy on deregulated markets and are also active in the greenhouse gas allowance markets.

Whenever possible, Dalkia offers customers solutions 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. Dalkia has considerably accelerated development and offers innovative services to our customers.

Heating And Cooling Networks

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

Dalkia is Europe s leading 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. Our Group also operate networks in the United States where we have a strong market position. Our 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.

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Industrial Utilities

The industrial market offers us substantial growth opportunities worldwide, in synergy with our other divisions. Dalkia is a leading provider of industrial utilities in Europe. Its strategy is based on our 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 fatal energy sources and recoverable co-products);

optimizing industrial building energy consumption; and

reducing greenhouse gas emissions.

Dalkia provides services at 4,263 industrial sites.

Energy Services

Energy services 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 bring about profound changes in 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

Energy Services division activities may be influenced by the following key factors, which are primarily of a technical, contractual or economic nature:

the implementation of public policies supporting transition to more efficient and renewable sources of energy, the reduction of pollutant emissions, as well as regulation and contract mechanisms, such as energy performance contracts and public-private partnerships, that might affect the added-value of our Energy Services;

developments in the energy market, such as changes in selling prices of electricity and heating, accessibility and the cost of price fuels, as well as quotas of greenhouse gas emissions;

yearly changes in urbanization dynamics and climatic variations, which can affect sales of heating and cooling services; and

the general state of the economy and the influence it might have on the activity levels in the industrial sites of Dalkia s customers.

Description of Activities in 2013

Dalkia s performance in 2013 varied sharply in each geographic region in which it operates. Overall, Dalkia s 17 largest entities recorded a slight decrease of €13 million in their contract portfolio, mostly as a result of loss of businesses, particularly in France, despite the fact that new business volumes remained high, particularly outside of France.

Estimated cumulative future revenue to Dalkia generated by new contracts amounted to €278 million in 2013, compared to €290 million in 2012, of which 43% came from Energy Services for Buildings, 32% from Heating and Cooling Systems and 23% from Industrial Utilities. About 70% of the new contracts (based on estimated cumulative future revenue) were generated outside France given that 2013 was a particularly difficult year in France, due to fierce competition from both established operators and new competitors entering the market after rebranding their businesses to strengthen their presence in the market.

Estimated cumulative future revenue to Dalkia from the total portfolio decreased by €160 million on an annualized basis as a result of the erosion of the contract portfolio, combined with a decrease in the number of new contracts. Contract losses were substantial in France, amounting to a loss of €273 million of estimated cumulative future revenue, of which €109 million related to the non-renewal of co-generation contracts. The volume of new business in 2013 also declined, to €85 million of estimated cumulative future revenue compared with €145 million in 2012, along with the renewal rate for expiring contracts, which dropped to 69% compared with 75% in 2012.

Internationally, we secured contracts in China, the Middle East, Poland, Canada and the Netherlands.

In Harbin, China, 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, China, an additional surface area of approximately 500,000 m^2 was connected.

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

In Poland, Dalkia signed new connections to its heating networks, such as the new Poznan City Center building complex, expected to generate estimated additional annual revenue of €16.8 million.

In Canada, Dalkia will manage the design, management, maintenance and wood residue supply and 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 is expected to generate around €400 million of estimated 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 Mediapar and the University of Twente. The assets will be transferred to an entity 80% owned by the Dutch pension fund service provider PGGM and 20% owned by Dalkia. Dalkia will also be responsible for the operational management of this entity.

Faced with a highly competitive environment, Dalkia is seeking to forge new partnerships. In China, Dalkia signed a strategic alliance with Schneider Electric to develop 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.

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 houses in a single location all of Dalkia's expertise in managing the energy performance of buildings. Following the opening of the first DESC, at Paris-La Défense (where our operational headquarters are also located), we expect to deploy six more DESCs 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, Dalkia s financial results, which were in line with targets, benefited from a recovery in the Italian markets it services, controlled investments and improved working capital requirements.

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Major Contracts in 2013

The main new and renewed contracts for 2013 are detailed in the table below.

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*[(1)]	Services provided
France					
Les Ulis (91)	May	Renewal	23 years	229.5 million	Modernization and operation of heating networks. Construction of a 10 MWx biomass-fired heating plant
Bio Springer Maisons Alfort (94)	June	Renewal	12 years	109 million	Industrial utilities sale of stream through co-generation
Tremblay (93)	November	New	30 years	54.1 million	Heating networks public service delegation
Lille University Regional Hospital (CHRU) (59)	January	Renewal	12 years	110.4 million	Heating networks renegotiation of the primary contract with the CHRU, incorporating co-generation
Lens (62)	June	Renewal	20 years	74 million	Heating networks public service delegation
Louviers (27)	June	New	24 years	37.1 million	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	Energy services for buildings energy performance contract
Nevers (Banlay district) (58)	July	New	20 years	26.9 million	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
Nimes (30)	June	Renewal	25 years	134.2 million	Heating networks public delegation of operation of a heating network with renewable energy
High-schools in the Midi-Pyrénées region	December	New	10 years	98.5 million	Energy services for buildings energy performance contract
Bayonne (64)	December	New	23 years	31.1 million	Heating networks public service delegation
Brest (29)	March	New	6 years	11.5 million	Heating networks densification of the Brent Métropole Océane (Urban Community of Brest) network
International					
Bratislava (Slovakia)	February	Renewal	27 years	1.08 billion	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	Energy services for buildings – multi-technical and multi-service contract for the PSA Peugeot Citroën plant
Mariánské Lázně (Czech Republic)	June	Renewal	25 years	172.3 million	Heating networks – heating supply. Installation of biomass-fired beating 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	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	Energy services for buildings 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 plans in Canada, with an electricity capacity of 40 MW

(1)

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.

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Main Acquisitions and Divestitures in 2013.

Our Energy Services division continued to refocus on priority activities and regions in 2013.

Dalkia disposed of all of its businesses in Brazil, selling the holding company Dalkia Limitada and six subsidiaries to the AXXON Group private equity fund in August 2013. Dalkia also disposed of all of its businesses in Chile in November 2013, selling the biomass co-generation plant to its customer Masisa. Masisa s management also took over Dalkia Chile and its two subsidiaries Esener and Conade. 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 and its five subsidiaries to the management team of Dalkia Latvia 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, in Malaysia, in April 2013, Finpol Rohr Sp, in Poland in June 2013, and its stake in Dafoo Facilities Management Cy, in Macao, in September 2013.

In France, Dalkia France's 24% minority stake in the Régaz-Bordeaux SEM, a semi-public limited company, was sold to the OFI InfraVia fund in December 2013.

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

In total, over the course of 2013, the Energy Services division integrated or purchased 34 companies, and sold, liquidated or merged 54 companies. As a result, it held 532 integrated companies, including 285 non-French companies, as of December 31, 2013, compared with a total of 552 integrated companies as of December 31, 2012.

Other Activities

Transportation

On March 3, 2011, we and *Caisse des dépôts et consignations* combined our respective Transportation subsidiaries, creating Transdev. The resulting entity is held 50/50 by us 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, we announced our decision to progressively withdraw from the Transportation business. In October 2012 we signed an agreement with the *Caisse des dépôts et consignations* that, if implemented, would have resulted in a reduction of our stake in Transdev, initially to 40%, and subsequently to 20%. We had previously agreed to acquire SNCM from Transdev. Because of difficulties encountered by SNCM, these agreements lapsed on October 31, 2013. However, we still intend to pursue our withdrawal from the Transportation business.

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

The following table shows the consolidated revenue and operating income of Transdev (2013), after elimination of intra-Group transactions. Figures in the table represent 100% of Transdev s revenues and operating income. Transdev is accounted for in our Consolidated Financial Statements under the equity method, based on our 50% interest. Because it is not part of our core business, our share of its net income is not recorded in our operating income after share of net income (loss) of equity accounted entities, but instead is recorded at a lower level in our consolidated income statement. See Item 5, "Operating and Financial Review and Prospects – Overview – Transdev and SNCM."

Transportation *(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 after share of net income (loss) of equity-accounted entities[(1)(2)]	38.6	-291.1	n/a

(1)

Revenue and operating income in this table exclude amounts recorded in the Consolidated Financial Statements as 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 standards on consolidation IFRS 10 and revised standard IAS 19, Employee benefits, require retroactive application to periods beginning on January 1, 2013. Consequently, figures for 2012 have been restated for comparative purposes.

Overview of the Transportation Business

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

Transdev generally manages outsourced transportation activities, under conditions and structures that differ from one country to another due to varying legal and regulatory requirements. The relationship between the public authority and the transportation company is governed by fixed-term contracts (with durations ranging from two to 30 years in the case of concession contracts) that determine the risks to be borne by each party 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 (such contracts are referred to as public procurement contracts in France). Transdev s activities fall into four main categories:

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mass road transportation (including, urban transport, urban beltway, inter-city and regional and other specific transportation services);

mass rail transportation;

individual shared transportation (including taxis, limousines, airport shuttle services, regional and international tourist transportation); and

transportation management (including, passenger information services, clearing-houses and call centers).

Mass Road Transportation

Transdev operates a number of bus and rail networks and develops mobility and on-demand transport solutions. Transdev covers the entire mobility chain from design to operating services, from personnel management, such as providing drivers and ticket inspectors, to marketing efforts and 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, Dieselnetz Augsburg and Mittelrhein Bahn). Transdev also operates an 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 Limbourg Province encompass bus and rail networks, with joint design and management.

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

Across the Atlantic, Transdev operates suburban rails networks in Miami (Florida) and North of San Diego (California).

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

In South Korea, Transdev, through its joint-venture with RATP DEV, operates line nine 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 5 airports (Roissy Charles de Gaulle, Orly, Beauvais, Arlanda and Schiphol). Transdev provides taxi services in the United States, in particular in Baltimore (Maryland), Denver (Colorado), Kansas City (Missouri), Jacksonville (Florida) and Pittsburgh (Pennsylvania), as well as in London (United Kingdom) through its subsidiary, Greentomato. Taxi 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.

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Digital Transportation Management

Over recent years, digital information services for passengers has become an essential part of the management of mobility and necessary for developing service use. Transdev has rolled-out internet and cell phone solutions, including Cityway (public transportation website and cell phone applications), and in the Netherlands, Germany and the United States. Transdev has also invested in innovative ticketing solutions, including Pass-Trams and VTD Pass, which are multi-channel remote selling solutions, which was developed with the Near Field Communication cell phone technology which was used in the BPass project that we rolled-out in Nice. Transdev s activities are not limited to the customer relationship policies of transportation networks managed by us, but include new business models relating directly to managing travel information. Transdev continues to invest in its digital services to enhance the performance of its transportation networks.

Description of Activities in 2013

In 2013 Transdev (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, Transdev renewed the operation of a bus network in Noord Brabant and the Ijsselmond regional network.

In Sweden, Transdev was awarded a contract to renew the Oresund rail network.

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

Development of Synergies: Multi-Services Contracts With Industrial and Service Sector Customers

Outsourcing and Multi-Service Market

Our industrial clients have significantly modified their expectations in terms of industrial outsourcing. These new expectations are reflected by an increasing number of requests for outsourcing of technical processes and multi-services, often accompanied by a demand for environmental optimization. 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, customer relationships are changing: the service provider becomes the customer s sole contact and a dialogue develops to seek solutions which satisfy the interests of both parties. By outsourcing the management of technical and multi-services to a specialist, our customers can refocus on its core business and benefit from better performances of the services they delegate. The combination of these two factors helps improve the performance and competitiveness of industrial sites.

By placing our business synergies, the expertise of our divisions, our international reach and our solid industrial references at the service of our industrial customers, we have established ourselves as a reference in industrial markets for multi-business integrated offerings.

Competition

The main competitors in this market come from several countries. Certain competitors are historically facilities-management companies, such as the American group, Johnson Control International (JCI), whilst others are from the occupant services sector, such as Sodexo and Mitie. 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.

Our Organizational Structure For the Provision of Multi-Services

We provide integrated solutions for industrial customers through our subsidiary Veolia Environnement Industries (VEI), which was created in 1996 as a cross-functional structure enabling us to better satisfy our customers expectations wishing to outsource a range of services across several industrial sites to a single service provider.

Veolia Environnement Industries offering combine our services and skills in a single contract in order to enhance the overall competitiveness of our customers industrial sites. This competitiveness is achieved by emphasizing operational synergies between the various services our divisions offer (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 our 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-Services Business Activity

Our activities in the multi-service 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-service activities also have a strong international dimension, particularly when industrial customers invest in the construction of new factories abroad (so called greenfield sites). This is particularly the case for Arcelor in Brazil, PSA Peugeot Citroën in Trnava (Slovakia), Artlant in Sines (Portugal) and Renault in Tangier (Morocco).

Our expertise puts us in a unique position in the industrial outsourcing market and includes:

Solvent recycling combined with the sale of energy: we use these techniques at the Novartis sites in Basel, Switzerland;

Design, construction and operation of the first automobile plant with zero carbon emissions and zero water discharge: we mobilized the expertise and know-how of our divisions to meet the environmental restrictions of the new Renault plant in Tangier; and

Pharmaceuticals: we can assist pharmaceuticals customers throughout Europe in applying the same standards, as demonstrated by the Bristol Myers Squibb (BMS) and Novartis contracts.

Activities in 2013

Defense Environnement Services (DES) is a joint venture between Veolia Environnement Industries and DCNS (a naval defense company based in France that is one of Europe s leading shipbuilders), that was created in March 2009, in which VEI holds a 51% stake. DES manages support and other services 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, which is expected to generate €3.9 million in revenues.

As part of our partnership with PSA Peugeot Citroën, in January 2013, these negotiations led to the signature of an agreement in principal for the extension 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. We oversee and optimize the supply and management of water and energy fluids and operate 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. We won the European Integrated Facility Management (IFM) call for tenders for the sites located in France, Italy, Spain and Ireland. We will now manage all production support services. The contract was signed for a term of five years beginning on January 1, 2014, and represents expected cumulative revenue of €175 million.

Market Overview

The Market for Environmental Management Services

The environmental management services we provide include drinking-water treatment and distribution, wastewater treatment and 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 contractual terms governing their implementation varies depending on the nature of the project, the customer and the local regulations. We generally carry out our activities through public-private as well as private-private partnerships for the construction or operation of facilities. These partnerships seek to provide comprehensive solutions to critical environmental and economic issues in both mature and emerging countries, like waste treatment and reduction, recycling of resources, energy saving and green energy production, the treatment and reuse of water and the reduction of pollutant emissions. Examples include the partnership between our Water division and Marafiq, Saudi Arabia s largest national power and water utility, for the design, construction and operation of Saudi Arabia s largest ultrafiltration and reverse osmosis desalination plant, the pneumatic waste collection contract between Grand Paris Seine Ouest and our Environmental Services division and the contract managed by our Water division in Nagpur, India, with the help of external funding from sources such as European funds or EBRD, among others, where necessary.

Sensitivity to environmental challenges is now widespread among both public and private decision-makers. In 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, urban areas and, increasingly, large urban and suburban areas) are carrying out more and more studies on the environmental attractiveness of their areas and are seeking to implement solutions designed to resolve major environmental issues. Our Group, 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 our partnerships, some of which are entirely dedicated to energy savings and the recovery of resources, we use our unique know-how as an engineer and operator to address our customers needs. 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, we have technology that sets us apart and allows us to offer a full range of environmental management services.

Private customers seek increasingly to incorporate concrete environmental protection in their activities to win the approval of their stakeholders and enhance their own competitiveness. They may also seek to adopt a unified management policy for all environmental services outside their core business. A single service provider can be an attractive option when it possesses a range of expertise and is able to assume the integrated management of outsourced environmental services. We accompany industrial companies abroad in the implementation of their projects, in both emerging and mature markets, helping them to design and build their own plants or adapt existing sites; we can help them include innovative technologies that reduce the environmental impact of their activities. The result is often improved competitivity in the form of resource savings, by-product recovery and reduced environmental impact. Such clients expect service providers to adapt their services over time to the customer s changing, and sometimes very specific, needs.

Per the *Low Carbon and Environmental Goods and Services* (LCEGS)" report published in July 2013 by the UK Department for Business Innovation and Skills, the outsourced services and integrated environmental management market in which we operate is estimated to represent approximately €4,266 billion in annual sales of equipment and services worldwide, broken down as follows:

- Low carbon impact activities: €2,029 billion;
- Renewable energy: €1,336 billion;
- Environmental services: €901 billion.

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This report also shows that this market is expected to grow more than 4% annually. We expect demand for outsourced and increasingly integrated environmental management services is expected to expand and grow for the following reasons:

The global environmental services market is expected to grow of 3.4% per year through 2015 based on the data in the report.

The needs of customers to be competitive and to decrease expenses are expected to grow.

As environmental technology develops and more innovative technical solutions become available, customers are expected to seek advice to identify, design, control, build and implement these solutions.

Given 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.

Private and public players 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 asset that we believe sets us apart from the competition.

Customers need to be able to entrust service providers with the coordinated management of services for a range of sites spread across one or several continents.

In addition, public demand for sustainable development forces decision-makers to keep commitments made at the international level and set exemplary standards. In a world that combines accelerated urbanization with demographic growth, sustainable management and major investment in environmental projects are both essential to providing our growing urban populations with customized environmental services and replacing obsolete environmental infrastructure.

Moreover, financial restrictions can also encourage public authorities and companies to seek the most cost effective solution, leading them to consider outsourcing a portion of their activities under complex, comprehensive long-term contracts. They may seek to simplify the contractual process by entrusting the performance of highly varied services to a single partner, who is able to commit to a given level of performance and, where appropriate, finance all or part of the investment. This presents numerous opportunities for companies that can propose a wide range of integrated environmental management services.

We believe that market developments offer us significant opportunities, because we are able to provide high quality, innovative, and integrated environmental management services in markets around the world, in accordance with customer needs.

Customers

We provide environmental management services to a wide range of public authorities, industrial and service sector customers in five continents.

Public Authorities

As economic growth drivers shift from mature to emerging countries, cities play a central role and related environmental issues become increasingly complex. This complexity has led to the exhaustion of the concessions market in historically mature regions, while making these markets increasingly risky in certain emerging regions. However, the traditional concession model has not been abandoned by local authorities in either mature or emerging countries due to the need of local authorities for optimal operations and new services that are best provided by entities with expertise in environmental management. At the same time, local authorities not currently delegating certain operations to private operators through the traditional concession model are faced with growing urbanization, which increases the need for essential services in emerging countries.

New business models for local authorities not served by private operators

Local authorities that perform their own environmental management or that have not organized any management at all accounted for more than 80% of the global market at the end of 2013. These authorities are increasingly faced with issues such as increased need for efficiency, competitiveness and attractiveness, the need to adapt to climate change and increasingly complex environmental issues, the demands of their constituents, the varying willingness to entrust all or part of their services to a private operator and funding constraints to do so.

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. An example of this is Rialto, California, which must improve its services to enhance the appeal of the city in light of recent economic decline and aging infrastructures. In order to assist Rialto in achieving its improvement efforts, we have proposed the Asset Co-Op Co business model, which is based on our ability to attract private partners to meet investment requirements while guaranteeing operational performance. This allows Rialto s local authority to access funding to finance the upgrade of its infrastructures and accelerate its economic growth, while stabilizing its rates and maintaining ownership and control over its infrastructures.

However, other local authorities do not delegate services traditionally labeled as public to private operators as a matter of policy. Nonetheless, these local authorities are faced with the need to optimize the provision of services relating to water, waste and energy, choose between new investments and improve the integrated management of their water and energy networks and customer relations. We have developed the Peer-Performance Solutions (PPS) to assist these types of localities. PPS allows these public bodies, such as the City of New York, with which we have engaged in a PPS contract, to continue managing these public services directly, while benefiting from our advice and assistance in the implementation of their solutions and the monitoring of the efficiency of their networks.

We constantly seek to monitor the particular needs of various local authorities with the goal of designing and deploying new offerings and innovative models aimed at addressing the issues faced by these authorities, their populations and businesses.

The traditional concession model

The slowdown in the worldwide economy, including in mature countries, has strained our participation in the historical concession model due to downward pressure on prices, a temporary reduction in investments in infrastructure and decreasing volumes of water and waste. At the same time, the duration of concession contracts in France and Europe is becoming increasingly shorter due to changes in legislation relating the concessions system. Finally, the legitimacy of the involvement of the private sector in the management of public services is increasingly called into question, resulting in a return to public management of public services by various local authorities.

Faced with pressure on the traditional concession market, we are prioritizing the optimization of operations and the development of high added-value services focused on operational expertise. We are also adjusting our partnerships to address the demands of public bodies generally, and of local authorities in particular. Some of our initiatives include developing quality and innovative solutions focused on efficiency, resource and energy savings, recovering by-products and optimizing overall costs by taking operational concerns into account from the design stage. As a result, we are considered a true partner by local authorities who profit by our value-added services. An example of this is our contracts in Romania, which enabled the transformation and restoration of the efficiency, quality and operational performance of two public services utilities in Bucharest and Ploesti.

Industrial and Service Sector Companies

Industrial companies are faced with challenges to their growth, such as increasingly stringent regulations on topics like greenhouse gas emissions, diminishing resources in areas where their production sites are located, the public s approval of their activities, and the need to control production costs, including the cost of raw materials used in their processes. As a result, these companies are looking for partners that can provide them with solutions for sustainable, profitable growth. This is particularly true of the oil and gas, mining and agri-food industries. For example, unconventional techniques for the extraction of oil and gas, which are increasingly popular, require 10 to 20 times more water than conventional techniques. Similarly, even though the mining industry is second largest consumer of water among industry sections (with consumption equivalent each year to domestic water consumption in the United States), 70% of the mining projects led by the big six are located in water-stressed areas. This has led to increased difficulty in accessing new resources and to pressure from political and regulatory bodies.

We offer our industrial customers operating in sectors such as the transverse markets of the circular economy a wide range of construction and/or operating services to help them improve their competiveness and environmental footprint. These include dismantling services (such as dismantling of nuclear reactors), treatment of complex forms of pollution, improvements to installations to optimize consumption, re-use process water, limit and recover by-products, or provide utilities necessary for their industrial processes (such as steam, industrial heating and cooling, process water, demineralized water, or compressed air). We can also offer our industrial clients ways to treat effluents, recycle and recover waste, and maintain durable, efficient waste elimination channels. For example, we have entered into an agreement with a mining company in Australia to treat saltwater from natural gas production, agreements with oil companies in North America to recover oil sludge and an agreement with a Dutch agri-food operator to produce biogas from its organic waste.

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Competition in Environmental Management Services

Most markets for environmental management services are very competitive and are characterized by technological challenges due to changes in regulation, as well as the presence of experienced competitors. Competition in each of the markets in which we participate 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 we operate, our competitive advantages are our technological and technical expertise, our financial position, our geographical reach, our experience in providing and performing all environmental management services, our management of outsourced employees, and our ability to comply with regulatory requirements.

In the environmental services sector, Suez Environnement provides a range of services encompassing water and waste management. Suez created an industrial innovation and performance department in 2013 to place the water and waste management activities under a single leadership. Suez s business model is based on the development of its historical water business, which continues to perform well, the development and strengthening its waste management business, which has been affected by weaker industrial activities while waiting for a recovery, and on international growth.

Certain of our competitors have core businesses based in neighboring industrial sectors and their involvement in environmental services represents an attempt to extend the scope of their business.

The Market for Water

Our Water division confirmed its position as leader in the water and wastewater treatment sectors[3] where its main competitor across all markets remains Suez Environnement. In national, regional and international markets, we remain exposed to strong local competition from private, public and mixed private-public operators, but these local competitors have begun to develop internationally.

Municipal Water Markets

Our main competitors in France are Lyonnaise des Eaux (Suez Environnement), Saur (recapitalized in early July 2013 after Séché Environment withdrew from Saur) and to a lesser extent, a number of smaller companies, such as Cholton, Aqualter, and Nantaise des Eaux. In Spain, our main competitors are Suez Environnement, which competes through its subsidiaries Aguas de Barcelona, Aguas de Valencia and Agbar, which uses the new trade name Aqualogy. Our competitors in the Spanish construction and public works sectors are Aqualia-FCC, ACS, Sacyr and Acciona, which are all attempting to develop internationally in order to offset the weak demand in their national market. In the rest of Europe, Suez Environnement remains a competitor, along with the German companies Gelsenwasser and Remondis and FCC-Aqualia, which has confirmed its interest in Central and Eastern Europe.

In the United States, municipal operating contracts remain dominated by the Big Five : Veolia Water, American Water, CH2M Hill OMI, United Water and Severn Trent Services. Regional companies are nonetheless gaining ground in the United States. Purely American companies, such as American Water and Aqua America, continued to consolidate their geographic positions through small targeted acquisitions.

The North Africa and Middle East markets are still affected by considerable political instability. In these markets, as in the Latin America countries of Chile, Peru and Brazil, Veolia Eau is in competition with local companies, such as Sabesp in Brazil, and Spanish companies, such as Acciona, Aqualia, and ACS. We also face Japanese trading companies such as Mitsui, Marubeni, Mitsubishi, and Sumitomo. Korean trading companies like LG/Inima and K-Water are also seeking to establish a long-term position in these countries.

[3] Source: Global Water Intelligence (GWI), November 2012 and Pinsent Masons Water Yearbook 2011-2012.

China is a strategic growth region for Suez Environnement, as it is for Asian companies. Competition is increasing from local companies, such as Beijing Capital and Shanghai Industrial, which are also expanding internationally (as evidenced by Beijing Enterprises Water s entry into Portugal) as well as from Japanese and Singaporean companies, such as Hyflux, SembCorp and Moya Dayen. Australia is a strategic growth area for Spanish companies like Acciona, ACS, Cadagua, and Sacyr, and Asian companies like Hyflux, Mitsubishi and Marubeni and Suez (Australia being its third pillar), in particular through its subsidiary Degrémont, which focuses on water desalination and the mining sector.

Our seven priority growth areas

We are the only industrial company equipped to offer water treatment solutions at all stages of the production chain of both conventional and unconventional (upstream, downstream) hydrocarbons (O&G). All of our customers for these services are oil industry majors such as BP, Shell, Total, Chevron, ConocoPhilipps, PXP, Petrobras, Exxon and Ineos, among others. Our main global competitors in this sector are GE, Siemens and Degrémont Industry (Suez), along with a number of more specialized operators such as Cameron, Cetco, Exterran, Filterboxx, Aquatech and AquaPure.

Competition continues to be relatively fragmented in the unconventional O&G market (shale gas, etc.), with the main focus being on North America, which currently offers the only available opportunities, although substantial reserves have been identified in Europe, Asia, Australia and South America. Participants in this competitive market include engineering companies, service providers (Heckmann) and equipment suppliers (Ecosphere), as well as energy companies. Competition in the United States is comprised of oil service operators (Schlumberger, Halliburton, Fractech, Baker Hughes), engineering companies (Worley Parsons, Kellog Brown Root, Mustang) and other subcontractors (Bechtel, Technip, Aker Solutions). However, 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, we face competition from local and regional companies such as Osmoflo, Praxa and Avenge, among others.

On the equipment and engineering market, we compete with more dominant operators such as Hatch, Golder and AMEC. At the regional level, our 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 we and Suez Environnement are able to provide a comprehensive offering. Other more specialized and/or regional operators include GE, Siemens, Vinci, Remondis, Sodexo, Envirochemie, Chriwa, Mitie, ISS, Johnson Controls, Idex, Paques, Waterleau, Aqua, Saur, and Nalco.

There are many companies operating on the dismantling market due to various industrial infrastructures reaching the end of their cycle. These companies include Stork, Cape, Hertel and Bilfinger, which specialize in dismantling oil rigs; AMEC, AF Group, Aker Stord and Able UK, which specialize in dismantling petrochemical plants; Areva, Onet, Bouygues, Vinci, Westinghouse, AMEC, Nukem, Iberdrola, Ansaldo and Tractebel, which specialize in dismantling nuclear reactors and Tarmac-SITA, which specializes in dismantling mobile equipment, such as ships, trains and airplanes.

In the transverse market of the circular economy, which encompasses both the municipal and industrial sectors, participants in both France and Europe include major recycling companies such as us, Sita, Coved and Derichebourg, and regional operators like Baudelet Environnement and Galloo.

Like us, 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 operations, and Bangalore, in partnership with local operators.

Finally, we have no real competition in the cutting-edge technology sectors.

The Market for Waste Management Services

Our main competitors in the waste management sector are Waste Management, Suez Environnment and regional providers or companies who cover only part of the services offered by our Environmental Services division, Veolia Propreté. In Europe, where Veolia Propreté conducts the majority of its business, our principal competitors are Suez Environnement s subsidiary SITA, Remondis, FCC, Van Gansewinkel Group, Shanks and Urbaser. Remondis is one of our major competitors in Germany and is also focused on Central and Eastern Europe. In the Asia-Pacific region, our 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 is primarily composed of local and regional players.

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Our main competitors in the industrial services sector in Europe and Africa are ORTEC, BUCHEN (Remondis). In Australia and the United States, our main competitors are domestic companies, such as Clean Harbors and Hydrochem in the latter.

The Market for Energy Services

The energy services market combines a diversified range of services and has many different types of market players. Through our Energy Services division, we face strong competition from primarily sector-specific players.

Only the group formed by the GDF-Suez merger, mainly Cofely, has the ability to offer a diversified and comprehensive range of services with a strong international presence that is comparable to our own presence and services. Cofely represents a major competitor, mastering a range of expertise similar to ours. This competition remained intense in 2013, particularly in France, with aggressive competition for market share. Among sector-specific players, Dalkia faces the active presence of large local competitors such as Vattenfall, Fortum, Alpiq and EON, particularly in the energy infrastructure sector.

In the service sector, competition takes many forms, and comes from specialized companies in the areas of cleaning and food services, for example. Certain of these competitors seek to expand their offering to include energy services. Technical maintenance companies focusing on areas such as electrical installations may also form partnerships with major construction and public works groups, like Vinci and Bouygues. Alternatively, groups specializing in facility management, such as SODEXO and JLL, may also compete with us in the service sector. In the intelligent building sector, equipment manufacturers, such as Schneider Electric, Johnson Control, and Siemens are playing an increasing role, as are engineering consultants, like Cap Gemini, that offer intelligent energy management software. Finally, we face a growing in-sourcing trend, as well as historical competition from municipally-run or other publicly-run companies.

Contracts

Our contracts take a wide variety of forms, depending on the applicable legal system, the size, financing and performance needs of our customers, and the legal nature of the client in terms of public vs. private. We strive to take into account our customers expectations during the contract negotiation process by implementing a partnership-based relationship attentive to our customers issues. We also take a shared approach aimed at improvement and productivity and set 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 relationships with public authorities for the provision of general interest services to the public or public services, for which the local authority is responsible, take a variety of forms depending on the level of involvement of the public authority. Most often, these public services fall under the responsibility of the competent local authorities that are directly involved in their management, according to various models. Generally, however, these so-called general interest services or public services are considered to be the responsibility of the competent public authority, which does not merely implement regulations and controls but also plays an active role in their management, through one of the following approaches:

the public authority can decide to directly operate public services (through direct or internal management) with its own resources or resources transferred to an in-house company over which it exercises control similar to that exercised over its own departments;

the public authority can decide to provide the service itself, but use private operators as subcontractors to manage the service on its behalf, or to provide limited services; or

the public authority may prefer to transfer responsibility for providing the public services to a company, to which it delegates or transfers (under the terms of a contract which includes technical performance commitments) the right and the obligation to operate the service, provide the human resources, equipment and financing necessary and, where appropriate, finance and build the infrastructure. Third parties selected by the public authority may be either private operators, mixed public-private companies or other public entities.

In a less stringent regulatory environment, or when public authorities entrust the organization and provision of public services to private operators equipped with the assets necessary to provide the services, the locality s inhabitants become the private operator s, such as ourselves, customer base.

The different ways in which public authorities choose to manage the provision of public services lead to different contractual mechanisms between the public authority and the company, to which we easily adapt. The contracts we use generally fall into one of three categories, depending on whether we are entrusted with full responsibility for providing the public service and whether we have a financial and commercial relationship with end users:

Contracts 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 not financing;

Contracts for assistance, consulting and subcontracting of all or a part of the services. These types of contracts usually include performance-based remuneration mechanisms; or

Concession contracts.

The historical traditions of the various countries generally tend to favor one of the above-mentioned contract types for each of our activities exercised. Current practices in various countries are, however, converging and we are adapting and modifying the contractual models we offer to address new issues faced by public authorities, providing them with innovative financial solutions and unique remuneration mechanisms based on savings. Contract terms vary according to the nature of the mission and are generally medium- or long-term. Long-term contracts often include a periodic review of financial terms and conditions.

Industrial and service sector customers can also use a variety of contract types, including at the very least a service remunerated by a price, but which can potentially extend to the design, financing, construction and full operation of an installation. Contracts are always tailored to precisely meet the needs of each customer. Customers often seek to outsource a range of potentially complex services that are not part of their core business. Our performance obligations are often heightened in such situations. Similarly, these customers may seek new innovative solutions to complex or highly technical requirements, such as decontaminating manufacturing by-products, reducing greenhouse gas emissions, or reusing industrial water. In most cases, our remuneration for these types of services are partly based on performance targets.

We are also very attentive to the economic balance of our contractual portfolio, in particular when we must finance the investments required under a contract. Given the complexity of management agreements and their long-term nature, we possess skills in contract analysis and control and the content of our major bids is decided by either our Executive Committee (in the case of the most important bids) or the relevant commitments committee at the appropriate organizational structure. The legal and financial departments of our Group are involved in the negotiation and preparation of tender bids and contracts for projects submitted by our Innovation and Markets Department and by various business units. Audits are carried out on our main contracts. Each year, our Internal Audit Department carries out an annual review of the contractual and financial risks inherent in our most significant contracts.

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INTELLECTUAL PROPERTY

We own a number of brands, including the Veolia brand. We have adopted a single brand strategy aimed at uniting the Water and Environmental Services divisions under the Veolia banner. The Veolia Energy Services division is mainly known under the name Dalkia.

Innovation is essential to our growth and profitability and flows from the expertise and know-how of our businesses. The patent portfolio and developed expertise sets us apart from the competition and participates in our reputation as a worldwide reference for environmental services. We capitalize on this expertise primarily through the creation of technical, digital and IT tools that we seek to protect using tailored methods.

In our opinion, our business is not dependent on the existence or validity of any one or even a group of these patents, nor on any contract covering one or more intellectual property right(s). Furthermore, we are not dependent on any customer, major license or industrial, commercial or financial supply contract.

SEASONALITY

Certain of our 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 our operations and our worldwide presence, our consolidated results are, in general, not significantly affected by seasonal variations.

RAW MATERIALS

Given the nature of our Water, Environmental Services and Energy divisions and our Transportation business, changes in the price of raw materials and recycled materials can have an effect on our different activities. Our main raw materials costs come from fuel and natural gas prices while our revenues are affected by the following recycled materials: paper, cardboard, iron and non-ferrous metals.

Fuel prices, on commodities such as 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 to 2012), and ranging from US$98 to US$120 in 2013. Due to the rise in the euro/US dollar exchange rate, the average euro-price of a barrel of Brent crude decreased significantly in 2013 by 5% compared to the average price in 2012. This 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 track petroleum prices with a three month lag. Thus, average 2013 French gas prices decreased approximately €1.30/MWh compared with 2012, for a decrease of 3%.

The general consensus among energy analysts is, however, that energy prices will continue to increase in the long-term, due to the increasing rarity 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. In the medium-term, the possibility of falling raw material prices cannot be excluded. In any event, as in recent years, energy prices are expected to remain volatile into 2014 and beyond.

Our contracts generally include price review and/or indexation clauses, which allow us to pass on to customers part of any increases in raw materials or fuel prices through the price of services, even if this sometimes involves 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, indexing clauses in contracts generally allow us to pass on a significant portion of these cost increases through the prices charged to customers. 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 division, the increase in fuel prices in 2013 compared to 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, like paper, cardboard, and ferrous and non-ferrous metal. In 2013, annual averages for two representative price benchmarks, called Revipap 1.05 for recycled paper and E40 for scrap metal, reported declines of 4% and 9%, respectively, compared to 2012 averages. The results of the Environmental Services division were therefore impacted in 2013 by the decrease in the price of recycled materials compared to 2012.

In the Energy Services division, given the long-term nature of the contracts and supply agreements, the impact of changes in energy prices may vary depending on the areas in which Dalkia operates. The overall impact of these changes in energy prices on our revenue was €50 million.

Although electricity production volumes sold on the wholesale market are sensitive to fluctuations in market prices, particularly in Central Europe and the United Kingdom, given that we enter into forward contracts to hedge these activities, price fluctuations during the year impact our accounts with a time delay.

In our other activities, depending on their businesses, certain subsidiaries may be required to contract forward purchases or sales of commodities, like gas and electricity, as part of supply management and cost optimization measures. We also entered into long-term contracts for the purchase of gas, coal, electricity and biomass in order to secure our supply chain. The majority of these commitments are reciprocal, and the third parties concerned are required to deliver the quantities indicated in these contracts just as we are obliged to accept them. Finally, with respect to its building activities, particularly in the Water division, we may also purchase financial instruments to hedge against increases in the price of nickel and copper primarily. See Notes 28.2.3 and 34 to our Consolidated Financial Statements included in Item 18 of this annual report on Form 20-F.

ENVIRONMENTAL AND EMPLOYEE REGULATIONS,

POLICIES AND COMPLIANCE

Environmental Regulation Overview

Our businesses are subject to extensive, evolving and increasingly stringent environmental regulations, in particular in the European Union, but also in North America and emerging countries.

Environmental regulation in European Union countries is primarily tied to European directives and regulations. The majority of our activities require operating permits or authorizations that include rules governing the operation of the installations. These operating permits are delivered by public authorities pursuant to authorization procedures, which include the performance of specific studies presenting, in particular, the environmental footprint of the installations. In France, the majority of our installations fall under the control of the ICPE regime (Installations Classified for the Protection of the Environment). Our activities are subject to a wide range of international, European and French regulations, the most important of which are presented below.

With regard to reducing pollution, Directive 2010/75/EU on industrial emissions of November 24, 2010, (known as the IED Directive) sought to overhaul the 1996 Integrated Pollution Prevention and Control Directive and six sector-based directives. The applicable scope of this directive covers new activities, therefore administrative permits must be issued based on the use of Best Available Techniques (BAT) and new limits apply to air, water and soil emissions, waste management and energy efficiency. It also introduces the obligation to monitor emissions likely to contaminate soil and groundwater and imposes new emission limits. The directive also provides for the preparation of a baseline report on the state of the site before starting operation of the installation and before a permit for an installation is updated for the first time. It also redefines site restoration obligations on the cessation of activities.

In addition, Regulation (EC) No. 1907/2006 of the European Parliament and Council of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation on chemicals, which came into effect on June 1, 2007, establishes a new European methodology for the management of chemicals that 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, across Europe, a range of procedures aimed at improving knowledge of the health and environmental risks associated with chemicals sold on the market. It also regulates the management of these risks throughout the lifecycle of the chemicals, in order to ensure better health, safety and environmental protection. As a user of such substances, we are therefore required to strengthen our cooperation with suppliers and customers in order to exchange information with them on a regular basis. 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.

Our relevant subsidiaries are in compliance with the schedule set by the REACH regulation for chemicals requiring registration. After the systematic pre-registration of all substances potentially concerned and compliance with the first registration deadline, upcoming deadlines are being monitored, along with changes to the regulation and updates to its appendices.

Other chemical substances we use may be covered by other regulations, such as biocides which were regulated by the Directive of February 16, 1998, which was replaced by the biocides regulation of May 22, 2012, which became effective on September 1, 2013 and which strengthens the control of biocide products and standardizes authorization procedures.

The Classification, Labeling, Packaging (CLP) regulation of December 16, 2008, which has the same end purpose as the REACH regulation, came into effect on January 20, 2009. This regulation harmonizes existing provisions and criteria concerning the classification, packaging and labeling of dangerous substances with the United Nation s Globally Harmonized System (GHS) of Classification and Labeling of Chemicals. The CLP Regulation has been amended by Commission Regulation No. 487/2013 dated May 8, 2013 to adapt its technical provisions with the GHS.

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In addition, the increase in greenhouse gases in the atmosphere 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 came into force in February 2005 and gave the European Union the objective of reducing greenhouse gas emissions in the European Union by 8% over the period 2008-2012, compared with 1990 emission levels. Directive 2003/87/EC of October 13, 2003, as amended by Council Directive 96/61/EC created an emission allowance trading system (EU ETS) that operates in parallel with the Kyoto Protocol system, which came into operation in 2005, and led to the creation of National Allowance Allocation Plans (NAAP) for an initial period (2005-2007) followed by a second period (2008-2012), corresponding to the Kyoto Protocol commitment period. European Directive 2009/29/EC of April 26, 2009 amended the EU ETS Directive and extended the allowance trading system to cover a third period (2013-2020), which provides for a progressive reduction in allowances granted and includes new grant procedures. The European Regulation No. 1031/2010 of November 12, 2010 established a scheme for auctioning greenhouse gas emission allowances for the period 2013-2020. This regulation was amended by EC Regulation 176/2014 dated February 25, 2014, which postponed 900 million tons of volumes to be auctioned between 2014-2016 and 2019-202. This measure, referred to as backloading, has been under negotiation between the European Commission and the European Parliament and Council since mid-2011. The goal is to rebalance the greenhouse gas emission allowance trading system and increase the price of emission rights. The European Commission decision of December 15, 2010 defined rules for the free grant of allowances for the period 2013-2020. 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 definitive amounts of allowances to be granted was published at the end of 2013, and at the beginning of 2014 in some countries. The first conformity check for the third period will take place on April 30, 2014.

In May 2006, pursuant to the decisions made in light of the conclusions of the Convention on Biological Diversity, 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 strategic action plan of the Convention, setting new objectives for the period 2010-2020 which include primarily analyzing the services rendered by ecosystems to human well-being. At a global level, 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 period 2011-2020, 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.

Directive 2012/18/EU of July 4, 2012 on controlling the dangers associated with major accidents involving dangerous substances, known as Seveso III, repealed the prior Seveso II directive and will go into effect on June 1, 2015. This new directive primarily establishes new preventive rules and integrates the changes introduced by the CLP directive.

Directive 2012/27/EU, dated October 25, 2012, sets a common framework for improving energy efficiency in the European Union by 20% by 2020. This directive requires large companies to undergo energy audits and implement energy saving measures in the energy supply chain.

In France, European regulations are enacted into law through local legislation and regulations codified 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. This law forms part of the French constitutional law, acknowledging the fundamental duties relating to environmental protection.

In France, 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 dated July 12, 2010, that includes national environmental commitments, known as the Grenelle 2 Law. These laws seek to implement six major projects, which have significant implications for each of our divisions. 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, a decree issued on July 11, 2011 concerns greenhouse gas emissions reports and a territorial climate-energy plan; it 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, a decree dated April 24, 2012 clarified the non-financial reporting obligations of both listed and non-listed companies, with regard to disclosures social and environmental issues and corporate commitments to sustainable development.

On July 16, 2013, a French law (the DDADUE law) was published to bring domestic French law in line with European law on sustainable development. This law transposes six European directives into French law by requiring that certain businesses complete energy audits.

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

The IED Directive was transposed into French law by the Order of January 5, 2012 creating a specific section in the French Environmental Code for the relevant installations covered by the ICPE classification. The conditions governing the installation and operations of these installations are set to ensure they are operated using Best Available Techniques (BAT) and with reference to the conclusions of these 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 enquiry. 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 pollution management measures (Decree of May 3, 2012 and application orders).

In addition, order No. 2012-34 of January 11, 2012 became effective on July 1, 2013 and simplified, reformed and harmonized certain provisions of administrative and judicial policies of the French Environmental Code. It also introduced major changes in environmental policy by standardizing administrative policy tools and harmonizing criminal sanctions.

With regards to nuclear energy, two decisions by 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) reinforced the legal regime applicable to basic nuclear installations with respect to environmental protection and transparency. This legal regime was previously amended by a Decision dated February 7, 2012.

After the first Environmental Conference on September 2012 on ecological transition, a second Environmental Conference was held in September 2013. During this second conference, participants took stock of the actions implemented to date 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 Regulations

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 levels 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, the WHO directives on health and water are published to help countries 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 countries and access to clean water and sanitation was recognized by the United Nations as a human right on July 28, 2010.

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At the European level, the guiding strategy underlying regulation is the supply of drinking water that complies with regulations and the 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 by EU member states and into French law by various provisions incorporated into 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 the good chemical state of water by 2015 is the result of several European texts and particularly the water framework directive 2000/60/EC of October 23, 2000 (the Water Framework Directive), which concerns more generally the quality of water, whether above or below ground and established a framework for community action in the field of water policy. The aim of Directive 2006/118/EC of December 12, 2006 (daughter directive of the framework directive) on the protection of groundwater 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 91/271 of May 21, 1991, as amended, which concerns urban waste-water treatment and 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, known as 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 of February 15, 2006 concerning swimming water imposes new restrictions on the oversight and management of swimming water and information provided to the general public.

Public authorities also impose strict regulations on 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, the Waste Framework Directive No. 2008/98/EC of November 19, 2008, which relates to waste, classifies land treatment using sludge produced by wastewater treatment plants as a recovery operation.

Council Directive No. 2013/51/EURATOM of October 22, 2013 laid down the requirements for the protection of the general health of the public with regards to radioactive substances in water intended for human consumption.

Additionally, Directive No. 2007/60/EC of the European Parliament and Council of October 23, 2007 on the assessment and management of flood risks in Europe became effective on November 26, 2007 and requires Member States to identify and establish maps of high-risk river basins and coastal areas and to prepare 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 release of certain substances in water. The French law No. 2006-1772 of December 30, 2006 on water and aquatic environments implements EU requirements for high quality water and significantly modifies French legislation on water, as well as implementing 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 and goes beyond qualitative and quantitative preservation of resources. 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, treatment plants must be brought 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 infrastructure 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 content of 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 of October 10, 2011 implements action plans to protect water against nitrate pollution from agricultural activity, and the Order of December 19, 2011, amended in October 2013 sets key measures for the national action plan. 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 Regulations

In numerous countries, waste processing facilities are subject to laws and regulations that require service providers to obtain permits from public authorities to operate most of their facilities. The permit process requires us 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 Union level, a Directive 2008/98/EC (the Waste Framework Directive) was adopted on November 19, 2008, setting up a hierarchy of different waste management measures and favoring (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 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. Regulation (EU) No. 1257/2013 is intended to improve the monitoring of ship recycling in accordance with hazardous waste standards.

With respect to the cross-border transportation of waste, regulation 1013-2006 of June 14, 2006 on the transportation of waste entered into force in July 2007. This text defines the conditions for the supervision and audit of waste transfers and simplifies and defines current procedures for the supervision of waste transfers for non-hazardous, recyclable waste. Furthermore, through Directive No. 2003/87/EC of 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.

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In France, pursuant to the provisions of Articles L. 511-1 et 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 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 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 5 years, by encouraging actual waste tonnage to be taken into account in amounts charged to users. In addition, it is planned to reduce the use of landfill sites and incineration while developing recovery sectors through sorting-at-source and the selective collection of organic waste. The 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 the Order No. 2010-1579 of December 17, 2010, which clarified certain definitions, introduced a hierarchy of waste processing methods and clarified the responsibilities of producers and holders of waste. This order contained various provisions that brought French law in line with European Union laws on 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 framework directive and clarifies certain application conditions of European 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. For installations authorized from July 1, 2012, the scope of the financial guarantee requirement for the restoration and remediation of sites was extended to encompass the majority of installations classified as waste transit, grouping, sorting or treatment installations. 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 major statutes governing our 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 we operate 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 Regulations

Our energy-related activities in Europe (primarily the supply of energy services involving thermal and independent energy) are subject to European directives and domestic regulations transposing European regulations that seek to 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 the implementation of national emission ceilings for certain atmospheric pollutants such as sulfur dioxide, nitrogen oxide, dust and volatile organic compounds. This directive will be superseded by Directive 2010/75/EU of November 24, 2010 (IED Directive) on industrial emissions, which requires systematic use of the Best Available Techniques, by January 1, 2016 at the latest.

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 Member States. In addition, 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 Regulation (EC) no. 2037/2000, a new European regulation no. 1005/2009 of September 16, 2009 requires 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, Regulation (EC) no. 842/2006 of May 17, 2006 requires stringent confinement and traceability measures for fluorinated greenhouse gases, whether HFC refrigerating liquids or SF6 electrical insulators. Two European regulations clarify leakage control measures for refrigeration equipment containing hydro-fluorocarbons (Regulation (EC) no. 1516/2007 of December 19, 2007) and fire protection systems (Regulation (EC) no. 1497/2007 of December 18, 2007) and installations and systems both containing fluorinated greenhouse gases.

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

The transposition of these European directives is organized by each Member State.

In France, this primarily means compliance with the Law of July 19, 1976 on facilities classified for the protection of the environment, now included in the Environmental Code. 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). On the other hand, 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 most recent 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, we are 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 in 2007 entitled Legionella and the prevention of Legionellosis. This was followed in 2011 by guidelines covering Water Safety in buildings. Meanwhile, 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), has 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. In order to minimize the risk of proliferation of Legionnaires disease from air coolers, these installations have been classified for environmental protection by Section No. 2291 since 2004. Orders published in December 14, 2013, which stemmed from the amendment of section 2921, raised the declaration threshold from 2,000 kW to 3,000 kW and established periodic inspections for installations subject to declaration, including air coolers. In addition, the orders created a registration system to replace the authorization system.

In Spain, decree (*real decreto*) 865/2003 of 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. A 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.

French Reporting Requirements on Environmental Policy and Information:
Information Required by Articles L. 225-102-1 and R.225-105-1 of the French Commercial Code

As a specialist in environmental management services, we are naturally concerned about the environmental consequences of each of our businesses, both in France and worldwide. In this respect, we consistently endeavour to comply with applicable regulations, to meet the needs and demands of our customers and to optimize the techniques we implement.

The scope of environmental information we report on includes all relevant activities over which the we exercise operating control and covers activities linked to the operation of public water and wastewater treatment services, waste collection, transfer and processing activities as well as industrial cleaning and maintenance and energy services such as heating and cooling systems, thermal and multi-technical installations, industrial utilities and facilities management. To facility reporting on these activities, the international environmental information system we have progressively rolled out since 2004 in over 1,700 entities fully consolidates the activities conducted by these entities. Activities relating to industrial water installations are excluded from our broad reporting. Rather, we report on a more limited scope of indications, such as greenhouse gas effects, water and energy consumption and production of site waste, for activities relating to the design of wastewater treatment plants conducted by our Water division and activities conducted by SADE. We tailor our reporting based on changes in group structure, including acquisitions, disposals, company creations or contract wins, after the change has been in effect for a full year.

General Environmental Policy

Below we report on how we take into account environmental issues and, where appropriate, environmental assessment, certification, employee training, and information on the protection of the environment, as well as disclosing resources set aside for the prevention of environmental risks and pollution.

Since 2002, we have managed our environmental impacts using an Environmental Management System (EMS) and we have been reporting on the basis of this system since 2004. This system is largely based on ISO 14001 and follows guidelines reinforced in 2009. It comprises 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 mobilized in the event an accident nonetheless arises.

In 2011, we started to implement an environmental management system covering 93% of the revenue of relevant activities (including Transdev) by the end of 2014. The ongoing disposal of Transdev combined with ongoing significant operating changes did not enable us to realize this objective. This environmental management system will be reconsidered in 2014 when a new environmental plan is defined.

Given the specific nature of our activities, the main objectives of our environmental commitment are focused on four priorities:

Combating climate change by proposing solutions and services that avoid or reduce greenhouse gas emissions;

Assessing, protecting and developing biodiversity by assisting in the characterization of the ecosystem services and 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; and

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 and making our processes more efficient while developing alternative and renewable sources and resources.

The objectives of the 2012-2014 plan were defined based on a materiality analysis of the environmental challenges we face in achieving the priorities mentioned above. In accordance with the requirements of our EMS, these objectives are applied to our entire Group, in addition to local objective identified from the analysis of the major environmental issues faced by particular localities, and each entity must complete these general objectives, if relevant, and any applicable local objectives.

Employee Environmental Training

Employee training and information about environmental challenges represents an integral part of the resources managed by the EMS, which includes 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 our business committees (see Item 6.   Directors, Senior Management and Employees   Employees Employment, Mobility and Training Policies - Training,   below). This is supplemented by training sessions organized locally based on identified needs.

Furthermore, in order to keep Group employees informed 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 available within business units to raise employee awareness. We also organize awareness-raising events on Environment Day.

Resources Dedicated to the Prevention of Environmental Risks and Pollution

The Sustainable Development Committee, led by the Sustainable Development department, brings together representatives from functional departments and representatives from the various businesses to decide how to best implement sustainable development. Further, it defines our strategy and validates our environmental policy. The EMS is run by an environmental steering committee made up of the individuals responsible for environmental issues within each division and ensures the transfer of information and the coordination of action plans within countries.

Since 2007, a special team of internal environmental auditors, integrated into the internal audit department in 2012 has been supervising the roll-out of the EMS. In addition, our risk department is responsible for coordinating, identifying and assessing Group risks, particularly environmental risks, and ensuring they are under control. It relies in particular on the work of risks committees that meet under the supervision of the Executive Committee. The Executive Committee is chaired by our General Counsel and is coordinated by the risk and insurance director. The Executive Committee validates and monitors the effectiveness of the action plans implemented with respect to significant risks identified during the mapping process. We have also implemented a warning procedure and a crisis management procedure in the regions in which we operate that allows us to track environmental risks and violations. In particular, this encompasses on-call and alert systems in our divisions at the national and international levels, enabling any necessary measures to be taken on a timely basis and at an appropriate level.

No serious environmental events were discovered or reported to us during the course of this audit procedure for the year 2013.

Given the nature of our services, investment in the prevention of environmental risks and pollution accounts for the large majority of our expenditures and investments. Our industrial investments, described in Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Investing Activities Industrial Investments, include growth and compliance investments. We invested in employee training, certification programs and the implementation of the environmental management system. Our Research and Innovation budget was also renewed. We are implementing a selective investment policy while preserving industrial investments or investments required by contractual commitments.

Our provisions for environmental risks primarily consist of provisions for site closure and post-closure costs, which include provisions for site restoration, the dismantling of installations and environmental risks. These provisions totaled €564.9 million as of December 31, 2013.

Climate Change

Greenhouse Gas Emissions Limiting Greenhouse Gas Emissions

To combat climate change, we contribute to the overall reduction in greenhouse gas emissions by reducing them at the installations we manage by employing operating methods that do not emit greenhouse gases, and by enabling third parties to avoid emissions as a result of its activities by providing energy and materials recovery services.

In the Energy Services division, we reduce greenhouse gas emissions by using energy transformation facilities to achieve energy efficiency, which results in less fuel consumed to produce the same energy output. We also use renewable and alternative energy sources, such as biomass, geothermal, solar and wind energy, instead of fossil fuels whenever possible. Additionally, we employ integrated energy management to optimize the supply of energy services and encourage a more rational use of energy by consumers. Finally, we cogenerate heat and electricity.

In the Environmental Services division, we reduce greenhouse gas emissions by collecting and treating biogas from landfill sites, consuming on-site electricity and heat produced from waste incineration and recovery of biogas and through other actions that enable us to reduce fuel and energy consumption. We prevent the emission of greenhouse gases by selling heat and electricity produced from the combustion of incinerated waste and biogas from landfill sites and biogas plants. We also recycle raw materials continued in waste and produce alternative fuels from waste.

In the Water division, we reduce and prevent greenhouse gas emissions by consuming heat and electricity produced from renewable energy sources, such as biogas from sludge digestion and energy produced from water micro-turbines and heat pumps. We also produce energy from renewable sources drawn from energy generating operations managed by our Water division. Finally, we also rationalize energy consumption by our infrastructures.

In 2013, direct emissions from activities managed by us stood at 34.9 million tons. of CO_2 eq. (34.4 million tons of CO_2 eq. in 2012[4]). Created by industrial processes, facilities, equipment and vehicles that we manage - 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 linked to electricity consumption, and 48% to the purchase of heat.

Our 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 of electricity distribution businesses in Morocco in 2013.

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Greenhouse gas emissions linked to coolants are negligible with respect to Veolia Environnement's businesses (estimated at 1% of direct emissions.

As part of our 2012-2014 Environment Plan, we have defined objectives to improve the carbon performance of combustion facilities by 15% from 2011 to 2014 and reach a 66% methane capture rate in landfill sites in all countries (including Proactiva) by 2014. These two main sources of direct emissions represent 81% of our direct emissions

The carbon performance of combustion facilities improved by 11% compared to 2011. This improvement is due to the decline in the consumption of coal and heating oil in favor of gas, which has a lower carbon equivalent emission factor, and the increased use of wood in our 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 has been implemented since 2008. Finally, the methane capture rate of landfill sites in operation is increasing, reflecting our policy of installing new collection wells and improving the performance of existing facilities.

Adaptation to the Consequences of Climate Change

We take environmental requirements into account throughout our plants and implement solutions to support our 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, the identification of additional requirements/volumes and necessary process changes. Adapting to a potential change in the availability of resources, particularly water, can be achieved by developing and reusing treated wastewater and improving the performance of the distribution network.

At the Group level, risks related to climate change are included in the risk mapping process covering resources, regulatory and market changes, purchases and economic risks. The risk mapping process performed at the country/activity level and for our Group as a whole is presented to the Executive Committee and Risk Committee. These committees then evaluate the efficiency of action plans that contribute to the adaptation to climate change.

Pollution and Management of Household Waste

Air Emissions Other than Greenhouse Gas Emissions

We are committed to reducing our emissions below regulatory requirements by (i) improving the treatment of air emissions and developing better technologies (treatment of incineration smoke by our Energy Services division, low NO_X or SO_X emission combustion technologies in Dalkia) and (ii) 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 us (excluding greenhouse gases) are those of combustion facilities operated by Dalkia and those of waste incinerators.

The management of atmospheric emissions linked to waste treated in incinerators represents a public health challenge for us. In 2013, our 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

We constantly strive to improve our performance in order to reduce the impact of water discharges from our activities. The main discharges from facilities operated by us are related to our collection and/or treatment of wastewater for local communities. We provide sanitation services to nearly 62 million people worldwide and collect 6.7 billion cubic meters of waste water, of which 6.0 billion cubic meters are treated in one of the 3,442 urban wastewater treatment plants operated by us.

To ensure the efficient management of wastewater collection and treatment services, our Water division has developed a comprehensive approach to help local communities. The success of a wastewater project involves clearly defined stages, from the assessment of needs, to the definition of a local strategy, high quality, measurement of service performance and communication to residents about the impact of the service. Optimizing the efficiency of the treatment processes is one of our ongoing concerns both in terms of the operation of the facilities under our management and the development of new processes.

The average rates of abatement of pollution, expressed in BOD5 and COD, of wastewater treatment stations operated by us are at good levels. However, in 2013 we observed 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.

We classify 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 more efficient levels of wastewater treatment efficiency.

Finally, pursuant to the framework Water directive, flow monitoring systems were put in place, particularly in France, to detect a number of micro pollutants considered dangerous to the environment and to assess the impact of wastewater treatment plant emissions on the ecological state of bodies of water. Our environmental analysis center has developed regulatory analysis techniques to offer customers a comprehensive range of monitoring services, including sampling and analysis. We have also developed biological tools measuring the impact of these emissions on target organisms. Where necessary, we assist our clients in the implementation of additional treatment solutions to reduce or eliminate emissions of dangerous substances into the environment and assess risks. We do this through upstream actions such as connecting factories to a supervised network and curative actions, such as dealing more effectively with waste or providing additional treatment.

Ground Pollution

We are mindful of not generating any chronic or accidental soil pollution through any of our activities, and in accordance with our EMS requirements, 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 of the sites we operate. As a result, we use the most advanced technologies and have 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. During the entire duration of operation and post-operation, which can last at a minimum 20 years, our monitoring program is based, inter alia, on the analysis of surface water, groundwater and waste.

Since 2003, we have integrated all activities relating to the treatment and recovery of sludge into a single entity, SEDE Environment. As a result, we have a precise, global and integrated overview of sludge management options, allowing us to optimize our agricultural recycling in particular.

We propose systems, such as our Actipol method, which our customers can use to monitor emissions into the wastewater network, which allows them to take action earlier to improve the quality of sludge produced. Veolia Eau has finalized certification guidelines defining requirements applicable to wastewater treatment systems for the production of quality sludge to be used in agriculture. Downstream, we promote the agricultural recycling of sludge through composting and use the services of an independent certifying body to audit our composting and agricultural recycling networks. We also rehabilitate polluted soils and process almost all pollutants present in the soil at industrial sites through the use of several processes, including thermal desorption.

Noise and Olfactory Pollution

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 during the roll-out of the EMS can help local management identify challenges specific to these types of pollution and take the appropriate measures.

We directly implement solutions or works with our customers to identify solutions when the customer is responsible for the corresponding capital expenditure. To this end, we have developed technology or work with partners to treat and control odors (e.g., biofiltration treatment, scrubbing and electronic measurement system), and also implement physical-chemical and biological techniques that limit odor problems. In the event of a perceived nuisance, we give 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.

We also use new and more silent technologies in some of our installations, including special wall coatings, sound traps and exhaust gas exit silencers for cogeneration installations and vehicles.

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Waste

The production of waste is the final result of all the recovery and treatment phases. We are firmly committed to recovery and to converting waste into a resource through the recovery of materials, waste-to-energy processes and organic recovery. We are attentive to the waste generated by our own facilities and those we operate. We seek new recovery possibilities and, where none exist, treat any waste produced.

The main waste we produce is municipal wastewater sludge, bottom ash and RPIFIW, residue from incineration, soot, ash and bottom ash from the combustion of wood and coal in Dalkia's thermal energy plants.

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

In order to meet the requirements of our public and manufacturing customers, all of whom must cope daily with an ever-increasing volume of sludge, we strive 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 industrial activities.

For our Water division, 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, used 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 for energy. We ensure that the sludge is continuously of a quality compatible with the recovery method chosen by our customer.

The sharp increase in non-hazardous waste produced by our Environmental Services division is linked to a more robust computing model that includes waste from sorting centers in the total volume. All the volumes generated by our Environmental Services division are then sent to recovery or storage sites depending on the type of waste.

Bottom ash is the non-combustible residue produced by incineration. Its recovery is subject to strict regulation. Depending on its composition and potentially after a period of maturation, it can be recycled as road construction material and may be used in France and the United Kingdom. Residues from the purification of incineration fumes from waste are stabilized and then stored in the final hazardous waste landfill sites.

The reporting process used to measure the majority of waste produced by Dalkia is currently being improved. This waste, which consists of soot and bottom ash is due to the combustion of wood and coal at its installations. We are committed to improving combustion techniques and treating or recycling waste in accordance with local regulations.

Sustainable Use of Resources

Consumption of Water Resources and Supply Taking Account of Local Restrictions

Reducing the quantity of water withdrawals at our facilities and those we operate for our customers is a constant concern for us.

We achieved an 86% water withdrawal rate with regards to our potable water production activity. Under the terms of our agreements with local authorities, 8.7 billion cubic meters of drinking water were produced in the 4,532 production plants run by our Water division in 2013. We distributed 9.2 billion cubic meters across a network of 312,839 km.

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

We are committed to optimizing water-cycle management. Accordingly, we offer a wide range of technical solutions, such as identification of chronic sources of damage to resources, prevention of accidental pollution and creation and supervision of protected areas, to our local municipal customers, which are designed to protect resources. We also provide services to optimize their management in the long term, such as resource monitoring, long-term water withdrawal management and controlled use of resources, conserve them through improved output and fresh water parasite treatments, among others and, if necessary, develop alternative resources through water reuse, recharging groundwater and sea water desalination.

Climate change in certain regions of the world heightens increasing stress on water resources. 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, our Water division has developed the Water Impact Index, a water footprint indicator that enables decision-makers such as companies and local authorities to make the necessary choices concerning water management and use. This water footprint indicator may be used in conjunction with the carbon footprint and applies both to public water and wastewater services and industrial customers. We have also developed tools, such as installation of individual meters and incentive-based pricing, that enable our municipal customers to raise awareness and empower end users to control their consumption.

In many cities across the globe, 20% to 50% of the water produced is lost mainly through leaks on the distribution networks. We have made loss reduction one of our priorities and have set a target of reducing the volume of losses by 5% between 2011 and 2014, on a consolidated scope basis. In 2011, losses totaled 27.2% of the water introduced into the distribution networks. In 2013, they represented 25.3%.

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 assesses the percentage of water delivered to the end consumers and is influenced by changes in consumption on the network. The second indicator is the linear loss index. Since the aim is to find an optimal 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-like basis.

The pro forma decrease in the volume of losses in distribution networks is due to implementation of leak reduction programs such as leak detection, breaking up of networks into sectors and improved metering control, among others. There was also a drop in water losses, which we interpret as proof that we are capable of improving the efficiency of complex systems, such as those involved in our contract with the city of Sofia, Bulgaria.

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

Significant fluctuations in quantities of recycled wastewater can be observed from one year to the next. As a result, the performance of recycled wastewater initiatives 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 our reporting scope which resulted in strong growth compared to 2012.

Raw Material Consumption and Efficiency

Because of the types of activities that we manage, our main inputs in terms of raw materials are related to chemical processes used. For our Water division, 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% in the consumption of reagents. We have integrated the optimization of raw material consumption and utilization efficiency at several levels of our organization. We have also adopted a cost reduction objective integrating raw material procurement gains across all activities, requiring a reduction in the consumption of certain raw materials. We achieve this reduction in conjunction with our greenhouse gas reduction objectives.

Because we are firmly committed to the recovery chain, and particularly the recovery of materials, waste and by-products, we contribute to reducing third party consumption of raw materials by making recycled raw materials available to them. In 2013, we treated 52.1 million tons of waste. The selective collection and sorting of waste such as wood, paper, cardboard, glass, metals and plastics, among others, generated by industrial companies and households allows for the waste to be recycled and transformed into reusable materials. Waste that is not suitable for materials recovery can be treated with processes aimed at energy recovery that empty heat produced by incinerators fitted with energy recovery systems and the recovery of biogas produced by the decomposition of landfilled waste. We set a material recovery objective of 26% for our Environmental services division activities in 2014, to help push forward work already commenced, improve utilization efficiency for the waste we treat and increase the volume of recycled raw materials generated, thereby reducing the resource footprint of third parties.

We are responsible for developing innovative and efficient waste management technologies and solutions (selective collection, materials, energy and organic recovery) that enable waste recovery and for proposing these technologies and solutions to our industrial customers and local authorities, who then make the final decision to implement them.

Energy Consumption Energy Efficiency and the Use of Renewable Energies

We are committed to improving energy efficiency, not only in the facilities that we operate, but also through the energy services we provide. Whenever possible, we prioritize the use of renewable and alternative energy such as biomass, geothermal and solar energy and aim to recover the maximum energy potential from waste, wastewater to be treated and the facilities that we operate. We have set specific objectives for our various activities in order to manage more comprehensively our energy efficiency efforts.

Dalkia optimizes energy management at more than 163,500 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 s activities must represent at least 8.5% of total fuel by 2014. In the longer term, Dalkia is targeting a 20% share of renewable energy in its energy mix in the European Union by 2020. Actual levels were 7.7% (for biomass fuels) and 13.4% (for renewable energy) in 2013.

In a bid to reduce its energy consumption, Veolia Eau 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. An increasing number of wastewater treatment plants are excellent examples of energy efficiency, such as the Braunschweig plant (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 expected energy efficiency gain for wastewater treatment activities is at least 5% in 2014 (compared to pro forma 2011 levels).

Energy consumption in terms of BOD5 produced by the wastewater treatment plants increased slightly on a constant consolidation scope since 2011, which we use as our reference year. 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, environmental services activities are committed to implementing new energy efficiency plans in 60% of 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. Accordingly, we undertook to increase our production of green energy from waste by 7.5%, while helping customers reduce their primary energy needs through recycling and the preparation of solid recovered fuels.

Use of Soils

Ecological Management

Our landfill sites and water treatment and production sites are the largest facilities in terms of real estate acreage used. However, these land areas are not areas entirely developed and the design and operation of these sites minimize our footprint by maximizing the percentage of soil available for the development of biodiversity. As part of our biodiversity policy we continue our work on the integrated management of land. Conditions governing the use of soils are included in site operating rules and are consistent with our ecosystem management policy.

Rehabilitation of Waste Landfilling Cells

The operation of a landfill site requires landfilling cells to be dug and prepared. When we are responsible for this task, we comply with all obligations regarding surface sealing and the recovery of excavated materials. Once used, the cells are covered as quickly as possible, so as to encourage their development while favoring local ecosystems. They are monitored for environmental impacts before being returned to general use and this monitoring is continued after the redevelopment of the entire site to ensure the species planted repopulate the area during the post-operation phase. These stages are integrated into the site biodiversity action plans.

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Protecting Catchment Areas

Protective perimeters are established around catchment areas for water intended for human consumption to preserve the resource. Within these perimeters, certain human activities, that could directly or indirectly affect the quality of the water, are forbidden or tightly controlled. When we operate wellfields, we implement voluntary biodiversity-friendly actions, such as differentiated management of public parks, inventories of animal and plant life, as we have implemented at the Crépieux-Charmy wellfield in Lyon. These good practices are also favored in France at sites we operate, in accordance with the internal ecological management guidelines of our own sites.

Protection of Biodiversity

Measures Taken to Preserve and Develop Biodiversity

Preserving Biological Balance, Natural Environments and Protected Animal and Plant Species

Based on a study measuring the impacts and dependencies with regards to biodiversity, we integrated the protection of biodiversity into the first mission statement of our Sustainable Development Charter and in 2010 formulated a corporate policy on biodiversity. This policy is composed of four main cornerstones:

Control our impact on the environment;

Preserve biodiversity;

Conserve unique habitats; and

Anticipate future needs.

This policy will be rolled out across all our businesses to preserve ecosystems, restore and foster urban biodiversity, protect remarkable ecological areas near our sites and improve understanding of the dynamics of ecosystems, which we differentiate according to the nature of the site. We signed onto the French National Biodiversity Strategy (NBS), which was launched in May 2011, as a demonstration of our commitment to NBS vision, ambition, objectives and governance principles. We are working on the implementation of the voluntary commitment dossier, which will be rolled out in all the major countries in which we operate. To improve the structure of our policies, we use a methodology enabling sites to carry out their own biodiversity appraisals and to implement action plans adapted to the local biological context. Our 2012-2014 environmental plan includes an effort to follow-up and monitoring of action plans implemented at local sites. We have published an ecological management manual with using the International Union for Consevation of Nature (IUCN) for sites operated in France. This manual has been translated for operators located outside of France and is distributed to biodiversity officers in each region. We identify impacts on ecosystems by looking at regulatory physical-chemical and biological factors and by using internal expertise within our businesses and in the Research and Innovation department, which has a primary focus on analyzing biological tools.

Tools to Improve Knowledge and Support Activities Favoring Biodiversity

In several countries, our main activities are subject to environmental protection regulations; for example we operate facilities classed as Installations Classified for the Protection of the Environmental (ICPE) in France and equivalent regulatory regimes in other countries. Therefore, all business development is conducted in tandem with the preparation of environmental impact studies comprising a highly detailed section on animal and plant life. The management of these impacts is, accordingly, a constant concern for the operation of our 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 our sites as part of the roll-out of our Environmental Management System (EMS), which implements the principle of Avoid, Reduce and Compensate. In parallel, specific measures are performed and monitored: the sustainable management of maritime areas and green spaces by Veolia Eau in Braunschweig, Germany, and, the roll-out of diagnostic guidelines in a local partnership with the Malaysia Terengganu University at the Dungun site in Malaysia, and the preservation of ecosystems in the development of sites and their surrounding areas, such as at Graulhet and Saint-Cyr-des-Gats hazardous waste landfill sites in France. The Saint-Cyr-des-Gats hazardous waste landfill received the Noé Conservation label, while the Marchwood incinerator and the Coalmoor and Smalley Hill landfill sites in the United Kingdom were certified by the Wildlife Trust in the United Kingdom.

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Numerous Partnerships with Recognized Stakeholders

We also work with a number of partner universities, associations and institutions in order to enhance our knowledge through innovative research programs covering the interaction of our activities and the functioning of ecosystems. For example, we have partnered with the French committee of the IUCN since 2008, to strengthen and support actions that favor 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. As part of our partnership with IUCN France, in October 2013 we participated in the third International Marine Protected Areas Congress (IMPAC2013) and organized an international discussion, titled the "Clean Sea 2013". We have also partnered with the French coastal conservation agency (*Conservatoire du Littoral, Rivages de France*) for the past three years, bringing the expertise of both bodies together to enhance wetlands and raise awareness about their functions and benefits to society. This collaboration led to the publication of an application guide for regional authorities in November 2013.

We have also participated in international studies, primarily through WBCSD, an Ecoystem Services Review (ESR), which carried out a Corporate Ecosystem Valuation, through a case study focusing on our Berlin site. This study was supplemented in 2012 by a biodiversity compatibility case study. The integration into our activities of the principles of the Convention on Biological Diversity (CBD) is highlighted in Responding to the Biodiversity Challenge Business contribution to the CBD, on which a press release was published during the COP 10 convention in Nagoya. A follow-up presentation was made in 2012 to the COP 11 convention in Hyderabad, India. Finally, enhancing the value of our ecosystem services is the subject of case studies within our Group, as demonstrated by the research work of Veolia Recherche et Innovation. 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 a new chapters in a watch list of threatened species in France (such as sharks and rays in metropolitan France, wildlife in Guadaloupe, and various plants in Martinique), with the French Committee of the IUCN and the National Museum of Natural History. We also participate in working groups of recognized bodies whose findings result in publications aimed at promoting the implementation of actions to protect the environment. For example, in 2013 we participated in the publication of "Measuring and managing biodiversity" which focused on the development of biodiversity indicators, published by the business association for environmental protection, (*Entreprises Pour l Environnement*). We also participated in the publication of a entitled "Biodiversity and Economy, stakeholder management, from awareness to action" by the Orée association.

Corporate Sustainable Development and Corporate Social Responsibility Commitments

The information below is obtained from data from our environmental and operational, human resources, financial and sustainable development purchasing reporting as well as from data obtained from departments located in specific geographical regions or with particular business scopes that are centralized within our Group but are excluded for official reporting.

Transdev is not included in the reporting scope described above.

Regional, Economic and Social Impact of the Company s Activities

On Employment and Regional Development

We contribute to the economic and social development of the regions where we operate, not only through the performance of delegated public services, but also through significant investment in the repair, maintenance and development of infrastructure.

Furthermore, through our management, Human Resource and Purchasing policies, we are a major contributor to employment and employability in the regions where we operate, and provide qualifications, equal opportunity and welfare protection for our employees and those of our partner companies and organizations, such as suppliers. Our current workforce comprises 202,800 employees, 151,082 of whom have followed at least one training course. We also welcomed 4,465 interns and 3,423 trainees under work-study contracts in 2013.

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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, our Energy Services division created over 600 local jobs in France, for a total of 1,600 jobs created in a two year period, and more than 900 worldwide, for a total of 3,900 jobs created in a two year period, thanks to the biomass sector in 2013. Our training policy bears witness to our commitment to returning job seekers to the workforce and training them in our businesses, through our regional Campus network, working closely with local partners.

Our companies also develop initiatives aimed at favoring employability through:

prioritizing external recruitment under work-study contracts and, in particular, bringing young people into the workplace (vocational training contracts and apprenticeships);

partnerships between six regional Veolia Campus and Epide second-chance schools and the *Conseil National des Missions Locales*, a national network of local branches, introducing our businesses to young people most alienated from the workplace and defining an apprenticeship training program for those who desire;

recruiting employees with special needs or disabilities In France, our Environmental Services division signed the Charter for the professional integration of disabled persons, two agreement with AGEFIPH (a French government agency promoting the employment of disabled people) as well as an agreement with our social partners on the Integration and job retention of disabled people. In 2013, our Water division signed its third unanimous Handicap agreement between management and all trade unions working for us. The main priorities of this agreement are the continued employment of disabled employees, recruitment and training of disabled individuals, outsourcing work to the protected sectors and raising awareness about disability issues;

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.). Veolia Propreté 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. It supports, in particular, 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 projects, social assistance, solidarity entrepreneurial activities and microloans, etc. The beneficiaries of these projects are primarily young people in great difficulty, individuals receiving minimum benefits and long-term unemployed and individuals receiving social assistance. Over 340 projects have received support to date. A study of Professional Integration patronage by the Foundation (2004-2009) showed that supported structures help 7,000 individuals each year.

Our "Integration through Work" program, created on the Centre-East Campus in partnership with local players in the Greater Lyon area, strives to ensure that at least 10% of our staff come from disadvantaged groups. It provides training via work-study programs for people with low qualifications and who have not been part of the job market, in order to ensure a successful transition to work. Through its multi-year partnerships, the Veolia Foundation also supports integration projects through various activities 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 with ADIE that assist in the creation of micro-businesses. 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.

We are an equal opportunity employer and are mindful of promoting equal opportunity within our company. Our commitment to equal opportunity employment is evidenced by the inclusion of this principle in our Human Resources policy and the various actions we take to foment equality. Further, in 2012 we created the Equal Opportunity Foundation, which funds boarding schools of excellence. We also contribute to the development of social dialogue in the general interest and try to improve local working conditions in emerging countries, in particular, where we encourage the creation of consultative employees councils.

We also contribute to developing the attractiveness of the regions where we operate through the services that we provide to local communities and industrial companies. These services include the prevention and treatment of pollution and actions that promote biodiversity and environmental protection. For example, we prepare landfill cells and carry out voluntary actions (e.g., differentiated management of public parks, inventory of animal and plant life, etc.) to protect the water catchment areas that we operate. We also participate in regional development through various partnerships in the different regions where it operates. We are also 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.

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In June 2013, we signed the Companies and Neighborhoods charter with the French government and undertook to favor equal opportunity, professional integration, the regional economies and its relationship with SMEs. For example, we signed the SME Pact in June 2012, and now aim to include local SMEs in our offerings, 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

Through our contracts, our main contribution to society lies in the development and maintenance of sustainable access to the services we operate and particularly to the poorest among them, to ensure the material comfort and wellbeing of the population. Through contracts with local authorities, the Water division provides drinking water to 93.5 million people, and wastewater services to 62 million people, the Environmental Services division provides waste collection services to 51 million people and the Energy Services division supplies heating to 12 million people worldwide. We also contribute to programs for underprivileged populations, which often cannot access services for financial reasons (e.g., high initial connection costs, cost of work required for connection, difficulties in paying subscription fees), administrative, language challenges or physical reasons (e.g., distance, elderly persons with limited mobility, etc.) In the course of our activities in developing and emerging countries, we connected 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. Through our work with social connection programs in Morocco and Latin America, we are contributing to the attainment of the Millennium Development Goals.

In developed countries, we are mindful of maintaining access for the poorest in society access to services. To this end, our Water division continued to roll out a series of solidarity solutions called Water for all in 2013. Twenty-seven such initiatives were launched in France by 2012, covering over 200 municipalities and nearly 5 million people. This program combines three types of assistance. First, it offers emergency solutions to maintain access to water service by offering different forms of financial assistance adapted to the individual situation such as payment schedules, debt write-off or water vouchers. Secondly, it offer assistance solutions to help manage budgets and water consumption over the long term. And finally it set up prevention solutions to alert people to unusual over-consumption. In 2013, the Water division worked out 119,431 payment schedules with customers and 23,068 water vouchers were used to pay bills. The Water division also participates in the FSL (the French Housing Solidarity Fund) system: 41,170 FSL requests were accepted in 2011 and 2012.

Outside France, the Water division implements several measures providing the poorest members of society with access to basic services, such as social connection programs, scaled pricing, flexible payment agreements, public assistance funds. Use of these different tools varies depending on the local context. The Veolia Foundation also participates in extending access to essential services through its international solidarity activities, such as development assistance or humanitarian assistance in emergency situations or after natural disasters. In 2013, the Foundation mobilized the expertise of our employees, who spent 860 days in the field.

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 French Agency for Development - AFD and the European Union 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 Global Alliance Against Colera, an international alliance against cholera created by the Veolia Environnement Foundation in 2010. In Haiti, the

Foundation's renowned expertise (based on its successful emergency interventions and network restorations) led us to join the coalition to end cholera in late 2012, 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 with the Mérieux foundation and the Pharmaciens et Aide Humanitaire association to develop a kit for the rapid detection of cholera in water as well as assistance to Mali and its displaced populations, devastated by the war that took place in 2012 and 2013, through projects supported by the Malian government, including the provision of water supply through the upgrade or creation of boreholes and reconstruction support.

In France, the Veolia Foundation supports the Unis-Cité association since 2005. Young people between 18 and 25 years old are involved in 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 into eco-civic behavior, such as reducing waste and controlling of water and energy consumption. In 2012 and 2013, the Foundation took this program to the towns of Greater Lyon, Nice and the Nord-Pas de Calais region, while supporting the engineering and national coordination of the project.

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The societal impact of our 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 sought out daily by the core services of our businesses (e.g., 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 IUCN since 2008) and projects supported by the Veolia Foundation (such as the 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.).

Relations with Individuals and Organizations Interested in our Activities

Dialogue with Company Stakeholders

Group companies are in constant dialogue with all stakeholders. The management of essential services necessitates 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.

We created an Independent Visiting Committee (IVC) in 2006 at head office level, comprising ten people tasked with providing their opinion on our sustainable development policy and helping mold our strategic vision in this area. In 2013, it was replaced by a new committee of Critical Friends. This committee consists of about a dozen top-level stakeholders, namely associations, institutions and academics, half of which are from places other than France, who are willing to contribute their expertise, vision and constructive criticism to our new organization. The Veolia Environnement Critical Friends Committee met for the first time on June 11 and 12, 2013, in Paris, and for the second time in November 2013. The meetings included site visits to provide the committee with knowledge about our business and help in their understanding of the challenges we face, discussions with our Chairman and CEO about our new strategy and about reputational and opportunity risks. In addition, we regularly exchange ideas with institutional stakeholders, such as associations, international organizations, universities, and labor unions. We also gather information through various think tanks (working groups, conferences, international events) and have formed partnerships with several of them. We contribute to reflections, consultations and projects relating to changes in environmental services management initiated by international, European and French authorities, professional associations, think-tanks and NGOs. We share our expertise by meeting stakeholders requirements on issues that have a direct or indirect impact on their businesses. These activities are carried out within the general framework of the rules of conduct set out in our Guide to Ethics and our commitment to the Global Compact. In addition, we have been listed on the register of interest representatives of the European Commission and Parliament since 2009. In France, we have been registered on the public list of interest representatives of the National Assembly since 2010 and 2011. These registrations formally commit us to comply with the codes of conduct put in place by these various institutions.

At the local level, because the provision of public services implies an inherent partnership between public-private actors, we must maintain a constant dialogue with local authorities and administrations. Accordingly, the appropriate discussion bodies are clearly defined at the heart of contract governance within our Group and the frequency and format of interaction is contractually documented. Our divisions therefore develop local initiatives to foster dialogue on their activities with their clients, local communities, and inhabitants of the region. These include neighborhood meetings, meetings with elected representatives and local associations, as well as site visits and open-house days to inform the general public. This dialogue with local stakeholders therefore involves:

the implementation of a local management structure to respond to the information and service requests of all inhabitants, which respects their diversity and covers the entire area;

regularly informing local stakeholders concerned with and/or interested in access to services and changes therein;

client satisfaction surveys seeking to assess service progress and the benefits enjoyed by users and also to better understand expectations and the reasons for dissatisfaction;

establishing an external communication system to promote new solutions among municipal customers. These include innovation booklet, dedicated website, innovation meetings, research and innovation summary and participation in targeted events on the sustainable city; and

consideration of the informal sector and the stakeholders involved, when applicable.

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A good example of our interaction of the informal sector can be seen in our work in Cali, Colombia, through the roll-out of a CET President social inclusion program for rag-pickers. Following the launch of an action plan aimed at formalizing this activity, 100 rag-pickers created a recycling cooperative. The project was designed and implemented between 2002 and 2008 by Proactiva. The company assumed the entire financing of the project (including training and the creation of cooperatives) and mobilized other local players to provide health, food and education services. Following a consolidation phase in 2008-2012, the cooperatives now operate independently and we are preparing to out-source certain services to them. Another example is our work in the informal sector of the recycling of electrical waste from the Manila, Philippines, metropolitan area. The Veolia Foundation supports a four-year program launched in 2012 by the NGO *Médecins du Monde* (MDM) to improve working conditions and the health of people working in this sectors. The foundation provides financial and skills-based sponsorship. We also provide volunteers from one of our subsidiaries specialized in the recovery of W3E to train 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.

Partnerships and Corporate Patronage Actions

In 2013, we continued our policy of partnership relations by continuing to focus on two main goals: the collaborations with institutional, national or international bodies to sharpen the expertise and know-how of our various businesses and actions to provide support for the socioeconomic development of the areas where we are an operator.

Outside of France, we are a partner of international organizations. We continue our 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 we joined the Global Compact. Through its participation in the NGO Regions of Climate Action, which brings together several regions worldwide around a common goal of fighting climate change, we were 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 sustainable development innovation each year. In 2012, two of our achievements (an automotive production plant in Morocco with a near 100% control of $C0_2$ 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".

We are also 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 , we presented our efficient and sustainable solutions for urban services. This enabled us to join a group of international experts tasked with preparing the Habitat III Conference (2016) focusing in particular on the role 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 we are a partner.

Since 2013, we have 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), we have positioned ourselves 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 our national program in the United Kingdom focused on sustainable development, *Go Further Together*, we are carrying out actions with local solidarity-oriented companies involved in projects assisted by the Veolia Environmental Trust, a charity fund comprising nearly 170 community and environmental projects in 2012, totaling GBP 3.999 million (about €4.9 million at December 31, 2012 exchange rates). In Australia, driven by the same wish to make a long-term commitment in the areas where we are established, we began a long-term partnership for infant protection with Barnardos Australia in 2013 and continued our partnerships with the Aboriginal and Torres Strait Islander peoples throughout the year.

In terms of regional solidarity in France and independent of the work of our foundations and local patronage actions, we 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, we are a founding member of the National Union of PIMMS (UNPIMMS). The "PIMMS" association 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.

We are 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 the French Partnership for the City and Regions, which brings together all urban planning players in France, we also contribute our expertise for the export of urban know-how and contribute to its studies and publications.

We are closely involved in discussions regarding the future Greater Paris Metropolis and work with about 40 public and private bodies to support public debate through publications, conferences and reflections on future services.

The Veolia Environnement Institute, IVE, is a special think tank that provides forward-looking insights and promotes innovative modes of interaction between us and civil society. It is an association governed by the Law of 1901 and which we created 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 , and is preparing its seventh 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.

Additionally, the Veolia Environnement Foundation has established many partnerships in its priority areas of intervention, which include development assistance and humanitarian emergencies, social cohesion and transition to work support, and environmental and biodiversity protection. 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), we have confirmed our commitment to a policy of skills-based patronage and partnership.

Outsourcing and Suppliers

The Purchasing Policy and Environmental and Social Challenges

Our social and environmental commitments are integrated into our purchasing process and supplier relationship management as part of our sustainable purchasing policy. This policy contributes to improving our economic performance, foreseeing risks and engaging responsible measures with suppliers that are innovative and create value. Our sustainable purchasing policy is based on the following principles:

involvement of buyers in sustainable development issues;

development of responsible buying practices; and

taking into account corporate social responsibility commitments and performance of suppliers and subcontractors.

Buyers are made aware of the environmental and social challenges accompanying our activities, to ensure their integration into the management of purchase categories. Accordingly, corporate social responsibility commitments are at the core of our purchasing standards, awareness-trainings are regularly carried out and dedicated training sessions implemented. A comprehensive program supplements existing sustainable purchasing training sessions, and includes a one-day training; an e-learning validation session was developed in conjunction with Campus Veolia Environnement and rolled-out in 2012. At the end of 2013, 30% of referenced buyers (excluding Transdev), who represent the majority of our buyers, had completed a training module in sustainable development challenges during the last three years.

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Depending on the purchase category, buyers can take account of certifications, identify eco-design opportunities and analyze life-cycle costs. They can also promote responsible behavior by contract users, for example by encouraging the optimization of consumption or by granting bonuses for the dematerialization of orders or reductions in the number of deliveries, etc.

We have given commitments in this area to various key stakeholders and bodies: by contributing to the drafting of the Responsible purchasing standard published by AFNOR, by supporting various sector-based initiatives and by participating in committees of inter-company experts.

Furthermore, in 2013, as part of the Veolia Water France economic and social unit (UES) partnership with the GESAT network, and in collaboration with the disability strategies of each of our entities, our 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) in France was €5.5 million. Additionally, in order to promote 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 UES 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 of our entities. Its objective is to develop purchases from the protected workers' sector by offering a methodological framework for creating mutually beneficial partnerships.

Integration of Social and Environmental Responsibilities in Relations with Suppliers and Sub-contractors

Buyers communicate our 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.

Buyers communicate our 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, our 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 are progressively integrated into supplier contracts via a specific clause. A standard clause, available to all buyers on our Purchasing Intranet, encompassing environmental, ethical and social issues and integrating our 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 our contract database (excluding contracts managed by Transdev buyers) were reported by the buyers as including formal sustainable development requirements.

Thus 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 us (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 new tender management module to identify high-risk families and thus launch appropriate risk management measures, such as the CSR assessment of active or potential suppliers. This tool creates a harmonized structure for the integration of responsibility criteria into the supplier qualification process. These initiatives fall within a comprehensive system of monitoring supplier performance with respect to societal responsibility, developed by our purchasing division since 2010. Performance is initially analyzed through a documentation audit performed by an independent service provider covering twenty-two criteria focusing on environmental, social, ethical and supplier relationship issues.

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Since the launch of these appraisals in 2010, a panel of four hundred suppliers, both transversal and Group business-specific, representing 26% of referenced suppliers in our contract database (including contracts managed by Transdev buyers) has been assessed with respect to CSR performance. The 2013 assessment campaign involved nearly 100 suppliers located in five strategic countries: France, the United Kingdom, Germany, Australia and the United States.

Focused improvement measures through action plans and on-site audits are 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.

Extent of Sub-Contracting

Subcontracting represents a quarter of our external expenditures. We subcontract mainly in the areas of facility management, 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.

Actions in Favor of Human Rights

For many years now, we have been committed to the respect of human rights not only in our activities but also in the regions where we operate.

These action principles are rooted in international reference texts and in particular:

the Global Compact:

We joined the United Nations Global Compact on June 12, 2003 after an official decision by our governance bodies and a declaration of membership signed by our Senior Executive Vice-President. Since then, a permanent correspondent in New York has been maintaining a close relationship with the Global Compact Board, which regularly meets with our representatives. By undertaking to support and promote the Global Compact principles in our sphere of influence, this membership has influenced all aspects of our social responsibility policy;

International law relating to human rights;

the fundamental principles of the International Labor Organization;

the United Nations Convention against corruption; and

the Guidelines for Multinational Enterprises laid down by the Organization for Economic Co-Operation and Development (OECD).

In addition, we have carried out projects in numerous developing countries that show that it is possible to reconcile service quality with accessibility and advocating respect for the human rights of the populations served.

We welcomed the official recognition in 2010 of access to clean water as a basic human right and we continue to work with public authorities to ensure this right is respected, through technically ambitious and socially innovative access programs, even though we are only a modest participant in this effort, given the scale of this challenge. We also continue to respond to invitations from institutions involved in the application of this right and contribute our 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, we 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 we hold the Vice-Chairmanship. 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. Finally, employees are invited to take into consideration the impact of their actions and decisions.

Our fundamental values relating to responsibility, solidarity and respect are the basis of our performance. Since 2011, we have rolled out a code of conduct among all of our managers. Regarding its influence in the value chain, we offer its purchasers specific training courses for sustainable development, which also cover human rights.

Since 2003, we have conducted a strong ethical campaign for all our employees and have published a Guide to Ethics (formerly known as the "Ethics, Commitment and Responsibility" program). This Guide is published in many languages and are a benchmark of practices for all employees.

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INSURANCE

Insurance Policy

Our insurance policy involves (i) defining global insurance coverage policy in light of our business needs, and particularly based on the needs of our business units, (ii) selecting and entering into contracts with outside service providers, such as brokers, insurers, and loss adjusters, (iii) establishing business units within our organization that are specialized in insurance or reinsurance services, and (iv) maintaining a network of dedicated insurance managers of each of our 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 US and Canada) for a period of three years. Initial coverage of up to €100 million per claim was subscribed (excluding the US and Canada). In the US 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 our 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 US and Canada, and of €450 million per claim in excess coverage over and above the basic coverage of US$50 million in the US 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 US and Canada. Coverage for the US 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.

Property Damage and Business Interruption

All of our subsidiaries are covered by property damage insurance policies, insuring the installations they own as well as those they operate on behalf of customers. Our 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. Our Group damage insurance program, with a three-year duration, was renewed on January 1, 2013.

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, we also took out a new Construction-Comprehensive Assembly and Test insurance policy covering all worksite operations throughout the world, covering all subsidiaries.

Self-Insurance and Retained Risks

For any insured claim or loss, we remain liable for the deductible amount set out in the policy. This amount may range from several thousand euros to more than one million euros. Our Group self-insurance system is entirely run through our reinsurance subsidiary, Veolia Environnement Services-Ré. This subsidiary limits the accumulation risk by retaining the following self-insured risks: (i) €1.5 million per loss for the coverage of the third-party liability risk, (ii) €2 million per loss for the coverage of property damage risks and resulting financial losses, in the Water division and Transportation business and (iii) €5 million per claim for the coverage of property damage risks and resulting financial losses in both the Energy Services and Environmental Services divisions. 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 changing in response to the constant re-evaluation of our risks, market conditions and available insurance capacity. We ensure that the main accidental and operating risks brought to our attention are covered by the insurance markets, when insurance is available and when it is economically feasible to do so.

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ORGANIZATIONAL STRUCTURE

The following simplified organizational chart sets forth the principal operating companies by business line held directly or indirectly by us 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 us or by the activity lead companies.

See Item 4. Information on the Company History and Development of the Company for a description of the history of the creation of our organizational structure. A list of our principal subsidiaries is provided in Note 41 to our Consolidated Financial Statements.

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(1)

The balance of the share capital of these companies is held by EDF.

(2)

Companies wholly owned, whether directly or indirectly, by us.

PROPERTY, PLANT AND EQUIPMENT

We use various assets and equipment for the conduct of our activities, over which we exercise extremely diverse rights. As of December 31, 2013 the total gross value of our non-current assets, excluding other intangible assets, was €16,839 million, for a net value of €8,056 million as of December 31, 2013, representing 22% of total consolidated assets. This compares to €18,266 million total gross 2012 value of our non-current assets, excluding other intangible assets, which had a represented net value of €9,462 million, as of December 31, 2012.

Under concession arrangements, we provide public interest services, such as the distribution of drinking water and heat, public transportation networks, household waste collection, to communities, in return for the payment of services rendered. We usually manage these collective services (also referred to as general interest services, general economic interest services and public services) pursuant to contracts entered into at the request of public entities that maintain the 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 facilities that we build or that are placed at our disposal either free of charge or for consideration. Such facilities normally consist of pipelines, water treatment and purification plants, pumps and similar equipment in the Water division incineration plants in the Environmental Services division, and urban heating networks and heating and co-generation plants in the Energy Services division.

We are usually contractually bound to maintain and repair installation assets managed under public service contracts. When necessary, we accrue provisions in our financial statements related to repair and maintenance costs commitments, in the event of delays in the performance of work. The nature and extent of our 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, Build, Operate, Transfer (BOT) contracts, or incineration or cogeneration contracts, we 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, we would thus become a lessor with respect to these customers. The corresponding assets are therefore recorded in the consolidated balance sheet as operating financial assets.

We are also the outright owner of certain industrial installations. In the Environmental Services division we tend to own assets used for activities undertaken outside comprehensive contracts, such as landfill sites and special waste processing plants. In the Energy Services division, we tend to own co-generation plants and in the Transportation business, we very often own buses, boats and trains. These assets are classified in the consolidated balance sheet as property, plant and equipment. Our property, plant and equipment are subject to certain charges, such as maintenance and repair costs and closure or post-closure costs.

We legally own relatively few real estate assets without any retrocession obligations. When possible, we do not own our office buildings. The assets purchased under finance leases fall into all three asset categories detailed above and represented a net amount of €240 million as of December 31, 2013. Environmental issues may also influence our use of property, plant and equipment, as detailed above.

For a description of our investments and capital expenditures, please see "Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Investing Activities.

RESEARCH AND DEVELOPMENT (R&D)

Our activities are at the crossroads of several major challenges facing the modern world: demographic explosion and urbanization, increasing rarity of resources, access to water, and climatic change. The solution to these challenges requires a global industrial and technological approach. This transversal approach lies at the heart of our Research and Innovation (R&I) strategy.

If we are forced to use only technologies that already exist, these challenges are insurmountable. We must therefore focus on the inventive capacity of our research teams in order to meet the environmental challenge, and propose innovative solutions offering high economic and environmental performance at an affordable cost.

Our R&I Department is focused on finding ways to (i) manage and preserve resources, (ii) limit our impact on the environment, (iii) improve quality of life, (iv) develop renewable energy sources and (v) delivering solutions to support sustainable growth for industrial customers. Fighting climate change also occupies a leading place in this framework. We conduct research in search of solutions to many related problems, such as: optimizing energy consumption at our installations, improving the desalination processes for the treatment of sea water, monitoring the quality of drinking water, preventing microbiological risks, recycling and recovery of waste, optimizing urban transportation, developing alternative energy sources, such as bioenergies, biomass, waste-to-energy, and alternative fuels, as well as implementing an intelligent management of cities and their different flows through information technology. The development of solutions to optimize the management of flows and utilities at industrial sites is another key dimension of our R&I. In each of these areas, our know-how and technologies set us apart from the competition. Thanks to their complementary nature, these goals are also unique assets enabling us to innovate at the crossroads between our current businesses and development of our future environmental services. Strengthened by this knowledge, the implementation of research programs at test sites around the world enables us 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.

The Organization of Research and Innovation Activities

Our R&I activities are supervised by the Innovation and Markets Department, which was created in July 2013. Under our new organization, this department also includes the Strategy, Marketing and Development teams as well as the incubator for our new solutions. The organization of R&I activities seeks to break down barriers between research units and pool expertise and resources across transversal subjects. Our innovation efforts are supported by a network of international experts renowned for their excellence. The scientific and technical teams of the various areas of R&I report directly to a single management structure made up of seven departments representing our main areas of expertise. By organizing our teams by area of expertise, the R&I Department seeks to develop scientific synergies. For example, water and waste biologists work together directly. We hope thereby to favor the emergence of ground-breaking solutions, to innovate at the intersections of our different businesses and facilitate the development of outside partnerships.

Interaction between our different activities is constantly increasing, e.g. water and waste, waste and energy, energy and water. This leads to the implementation of a more unified methodology and research team structure, as well as to improved information sharing, better pooling of expertise, and creation of cross-functional programs. Already, wastewater treatment plants have the ability to produce their own energy, given that treated water can be reused to power energy turbines and the waste can also be used to produce electricity. In addition, wastewater treatment plants can produce bioplastics.

Organized into five areas, the research programs reflect the major technological challenges we face: waste collection, sorting and recovery; drinking water and the large water cycle; wastewater; energy and buildings; and new Veolia offerings. These programs are carried out in collaboration with the various geographical locations of our operations and are closely coordinated with the Technology and Performance Department and the Marketing Department in order to foster a culture that promotes the generation of solutions, industrialization and the sharing of innovation across our Group. This synergy and openness strengthens our ability to respond to current and future challenges facing our Group. In addition, to give our experts sufficient time to concentrate on project completion, a 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 the improvement of an existing service. We seek improvements such as increased efficiency, yield or reliability or decreased costs and environmental impacts. By increasing the technological component of our services, research activities help us differentiate ourselves from the competition and improve the line of services we can offer our customers.

Veolia Environnement Research and Innovation Resources

Our research activities are overseen by Veolia Environnement Recherche et Innovation (VERI). In 2013, these R&I 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 Divisions, 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 that our R&I activities are consistent with our strategy. We have three main R&I facilities in France located in Maisons-Laffitte, Limay and Saint-Maurice. The teams at these sites operate in a network as a single research center.

An International Network of Research and Innovation Officers

In 2003, we set up an international network of R&I officers, to identify innovation needs in each region of the world and communicate with the research work. Certain research centers abroad have acquired specialized expertise and have partnered with centers in France. These research units have become showcases for our technological expertise. Locally, the Research & Innovation department provides our business units with a competitive advantage, by adapting 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 our 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 allows technological solutions to be adapted to each local context. Our research centers in Europe are working on hybrid solutions that use the natural environment (lake embankments) and technology (ozonation) to produce drinking water or refine treated wastewater. In Milwaukee in the United States, the development of a Water Impact Index (WIIX) allows us to comprehensively assess the impact of city operations on water resources and define action plans aimed at minimizing environmental consequences. 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, we created a new research center focusing on heating networks to strengthen our position as a reference in this sector: the Heat Tech Center in Warsaw will undertake new research projects focusing on smart heating networks and energy optimization. An excellence center on urban modeling will be launched in Singapore in September 2014.

Innovation is also improving existing solutions where this is preferable to replacing a legacy facility. In Central Europe for example, where most heating requirements are met by coal boilers, work by the R&I 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 a booming market, researchers have developed a measurement tool enabling a more detailed assessment of waste deposits for the production of SRF.

The Research Department relies on its foreign units and has developed a network of over 200 international partners in order to stay abreast of developments in emerging markets and technologies. In this way, we can benefit from advances in, for example, biotechnology, applied mathematics, energy systems, process engineering and material sciences. In Sweden, we joined with AnoxKaldnes, which is now our subsidiary, to perfect a bio-polymer producing wastewater treatment plant, leading to the roll-out of a prototype at the Brussels wastewater treatment plant this year. In the United States, VERI is working with leading universities and Cleantech networks to develop and identify innovations of interest to our strategic development.

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 our Group. R&I is carried out through a tried-and-tested approach that permits us to monitor technological risks and rapidly develop successful commercial applications that are both reliable and effective. There are four main steps in this innovation process. First we constantly monitor emerging regulations and technology, as well as our competitors. This allows us to foresee future needs and launch targeted new research programs as quickly as possible. Next, we conduct laboratory or field tests to verify the feasibility of our initial research. We often use digital modeling at this stage to explore the areas where the new solution will be applicable. Computer models allow us to move more quickly and efficiently, in addition to saving costs and reducing the environmental impact of our studies. If our initial tests are successful, we move on to the prototype phase, where physical models may be built in the laboratory or on-site to evaluate and refine the technology used. During this phase, we can also develop advanced management tools to facilitate subsequent roll-out of the new processes or technologies. The final development phase we produce a pre-industrial unit which can be installed at an appropriate site and operated by operational 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.

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Our R&I 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 our R&I department and keeps it informed of recent developments, it also provides effective outlets for scientific progress and feedback to our partners. R&I 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.

Main Research and Innovation Challenges We Face

The four main challenges at the core of our current Research and Innovation are: Managing and Preserving Natural Resources, Limiting Environmental Impacts, Improving Quality of Life Worldwide, and Developing Alternative Energy Sources

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 rain water 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, encourage in this way 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, we must set the example with regards to reducing the impact of our activities. Current efforts are therefore focused on reducing discharges from our 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 our research programs contribute to reducing greenhouse gas emissions, bearing witness to our strong commitment to fighting 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 energetic 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, we are striving to implement processes to capture, store and recover CO_2 and foresee future constraints relating to climate change.

Progress in 2013

Drinking Water and the Large Water Cycle

PIEUVRE: diagnostic tool of metals in liquid waste management networks

The PIEUVRE (which means octopus in English) is a tool placed in the network that takes passive samples based on various events that occur over a period of exposure, replacing periodic or average sampling over a 24 hour period that occur during a short period of exposure. The sampling provides better information with respect to network flows as it covers more time and space. VERI built this diagnostic tool by standardizing the protocol to recuperate the deposits formed on the surface of the PIEUVRE. The results of each metal analysis are compared to the locations of the sampling, enabling the source of contamination by metals to be traced. The results are then included in a diagnostic report that indicates: a map of the places where samples were taken on the network, the gross results (expressed in µg contaminants/g of dry material), a comparison of metal findings in relation to the sample taking site, and conclusions and recommendations for action by our Water division.

IRRIALT Eau: irrigation of vines by treated used water

A pilot treatment project by disinfection (UV-Chlorine and Chlorine only) has been tested by VERI and our Water division, to irrigate, during the summer of 2013, 1.4 hectares (3.5 acres) of experimental vineyards of Pech Rouge (INRA) with treated water from the Narbonne beach 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 one of our desalination plants in Gibraltar, have led to the confirmation of the performance of a new design. These results, obtained after several 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™: observes water permanently and in real time with maximum safety

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 the following:

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KAPTA™ probes developed by ENDETEC: These multi parameter probes measure non-stop four essential parameters for the quality of water: pressure, chlorine, temperature and conductivity as recommended by the World Health Organization (WHO); and

a system for data handling to continuously analyze the data measured by probes and to detect and prematurely identify possible decreases in quality of the water distributed. It works on the basis of algorithms developed by VERI that are capable of detecting the variation in a parameter of one of the probes.

The network of 16 KAPTA™ probes has been installed to continuously survey the sensitive points. A 24-hour surveillance has been obtained by the VERI experts and the operators of the drinkable water network of the City of Nice (France). We received the prize for the best innovation by a big group, a SME or a start-up for the KAPTMA™ apparatus.

Inspect'O: developing and transferring a tool to automatically treat a signal to analyse the networks

Within the use of Inspect'O, a computer tool has been developed to automate the treatment of the probe s electromagnetic signal based on its thickness. This tool is perfect for operational reasons when compared to manual signal treatment because it detects defects as if the detection had been done manually by an operator. Handling time is significantly reduced. It takes 50 seconds to analyse 50 meters with 400 errors, whereas a manual analysis of this magnitude would take 6 hours. This tool delivers a map of errors and their criteria. SETHA now includes this tool in its Inspect O offerings.

Urban And Industrial Wastewater

Workshop on the 2030 purification station: first-look and perspectives

We organized for the first time an international workshop on cleaning urban waste in 2030, which took place in Brussels on July 4 and 5, 2013. The goal was to bring together internationally-recognized experts 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 in the management of used water in 2030. There were 90 participants in three sessions dedicated to three main subjects: urban services in interface with the liquid waste management services, valuation of water, energy and resources/products and adaptability to needs and future constraints. Some participants participated in 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).

BIOTTOPE: European project - detection and treatment of endocrine disruptors

Within the BIOTTOPE project (Life11 ENV/FR742), the efficiency of ActifloCarb type treatment of certain substance is measured. A trial installation was performed in the purification station of Brussels in April 2013, operated by AQUIRIS. Water quality is monitored upon entry and exit of ActifloCarb by physicochemical analyses, targeted chemical analyses (RSDE, hormones, pharmaceutical products) or non-targeted analyses (chemical footprint of the water) and by biological analyses (monitoring endocrine disruption using the Watchfrog technology). Regarding biological analyses, the challenge of the BIOTTOPE project is to develop a system for reading the flows, enabling in-vivo analysis on site and on-line which usually must be done in the laboratory by WATCHFROG.

New physicochemical high density mud reactor

VERI developed a new concept of a physicochemical reactor capable to operate where suspended solids are over 10% (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 and 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 market. The goal is to increase the performance of the Multiflo-Actiflo Softening technology by combining it with the reaction performance of Multiflo (mud rate) with the clarification speed of Actiflo to reduce energy needs. A very convincing first demonstration of

High Rate Multifo Softening met expected targets and pilot tests have demonstrated suitable performance. The end goal 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 United States.

Energy and Buildings

Smart operation of urban heating networks

Two new R&I projects led by Dalkia Corporate and Dalkia Polska have been jointly carried out by the Heat Tech Center (HTC) in Warsaw and VERI. The methodological approach of VERI and the expertise of HTC have been combined to optimize their rapid deployment in the Warsaw network, with deployment expected in other Veolia networks. The first project is the Reliable District Heating which aims to develop a method and means to better manage the reliability of an urban heating network. This project combines an evaluation and a localization of thermal losses in pipes, but it also develops tools to decide on the proper management of the network. The second project is the SmartSub-stations, which aims to increase the performance of sub-stations and to develop the downstream services for buildings connected to the network. This project also aims to develop statistical approaches and data mining, using data from various sensors along with physics.

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COOPERE: advanced software for the study of energy optimization of industrial sites

Within the COOPERE framework, a first site study has been carried out, combining energy integration and energy valorization of by-products. This study was carried out by VERI and Dalkia Romania in collaboration. In parallel, the software development continues with utilitarian modules (heat pump, TAG) and an optimization module which will be integrated in the ProSimPlus software. The principles of measuring energy use are defined and are being integrated in ProSimPlus.

Starting up the Dalkia boiler with corn cobs

VERI contributed trials in the biomass boiler service with corn cobs at the LIMGRAIN silos (Ennezat). The Centre de Recherche de Limay analyzed and enabled the samples of corn cobs, evaluated the quality of the ashes and provided a recommendation on the agronomic valorization and interpreted the results on atmospheric emissions.

Multiprotocol Bridge Advanced technical management of tertiary buildings

This multiprotocol bridge, which VERI has tested and validated, will be deployed on buildings operated by Dalkia to make them more accessible to Dalkia s telemanagement infrastructure. This bridge includes advanced services for building occupants (virtual telemanagement) and the Dalkia operators (local supervision interfaces) as well as the delivery of data (via specific tables for example) to Dalkia.

Industrial Utilities: Solution testing for advanced reporting

Together with Dalkia, VERI researches monitoring and steering solutions related to the deployment of the *Performance Energies et Carbone* offers for industrial utilities. Early in 2013 Dalkia and VERI decided to test two new energy steering solutions to allow flexible reporting and advanced analysis functions on Dalkia sites. These solutions were identified by VERI and by certain BUs (e.g., Sweden). Experimenting with these solutions involves the participation of various countries (Benelux, France, Sweden, United Kingdom).

Heating network decision tool

Together with the École Polytechnique Fédérale de Lausanne (Switzerland), VERI is developing a software tool to identify and compare a whole range of energy solutions which can be used to produce urban heating (new or extension). The tools propose various solutions to the user who can then, on the basis of local knowledge financial, political and social situations, 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

Implementation of tele-operated sorting in the new waste sorting center of Amiens

Tele-operated sorting is a technological advancement coming from VERI and is a major development in waste sorting operations. The operator does the sorting on a touchscreen, without any contact with the waste. Tele-sorting improves working conditions of the operator but also strengthens quality control. The result of five years of multidisciplinary work, and of close collaboration between the research, technical and operational teams, the industrial prototype has just been installed as a method of quality control for the sorting of packaging waste in the brand new sorting center in Amiens (Picardie, France). For a year, activity and impact of the tele-sorting on health and environment at work will be monitored and analyzed. This innovative measure opens the way to a whole new type of sorting centers where technological innovations and human competence go hand-in-hand. The principle of telemanagement can be applied to a whole gamut of solutions, including sorting packaging, fibrous material, bulky waste, hazardous waste or soiled waste.

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Research on agricultural reuse of waste within the "End of Waste" framework

In February 2013, the R&I results obtained within a project of the agricultural reuse waste project have allowed us to evaluate with scientific data the regulatory project "End of Waste" regarding the status of waste at the European level. We have been able to determine the values of copper and zinc, impurities and organic materials in composts and digestates, as well as assess compliance with procedural requirements. The results of two experimental tests in Yvelines with QualiAgro and in Alsace with Colmar, which have been carried out in collaboration with the *Institut National de Recherche Agronomique* (INRA) since 1998, provide undeniable scientific support for maintaining and promoting the agricultural reuse of organic waste and composts. On both sites, the agricultural value and environmental impact of organic waste products, such as compost of household waste, compost of biowaste, mud compost, non-composted mud, non-composted manure, composted manure, continues to be studied.

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), which was held on June 3 and 5, 2013, in Versailles, and was organized by the research unit of INRA "*Environnement & Grandes Cultures*". For more than 15 years, INRA and VERI have evaluated the agricultural value and the environmental impact of urban compost, through QualiAgro, which forms part of the national network of sites for surveying and studying long-term recycling effects of organic waste in cultivated areas.

Additional Innovation

Territorial Innovation Accelerator (TIA) in Nord-Pas de Calais (France)

The innovation network in the Nord-Ouest region, together with Orange, Rabot Dutilleul (BT), and the innovation companies in Nord-Pas de Calais, and with support from the *Stratégie Régionale d' Innovation* (SRI), has started the TIA in Nord-Pas de Calais. It is the first time the knowledge of large groups has been brought together with that of innovating companies in a French region. Early in 2013, the three initiators of the TIA project started a first offer to construct intelligent buildings, or "Smart Buildings." Two out of 20 innovative companies were selected. Some concrete steps have already been taken. For example, Effigenie has come up with two software products for the optimization of energy consumption in buildings. "Effipilote" allows for the management of heating and ventilation systems based on weather forecasts. "Effivision" allows consumption tracking and defines areas of improvement through monthly statements and an alert system. Dalkia Nord has integrated the Effigenie solution in one of its contracts for energy optimization of community buildings. Additionally, Webinage has applied an innovative "computerized handyman" to manage landlord-tenant relations. Dalkia Nord has integrated Webinage in its GOGENACT project following the project Adème "Intelligent building horizon 2020" which aims to develop durable energy management that unites people within a neighborhood.

A second call for tender on the theme of "city of tomorrow" was made in November 2013, with various innovating companies preselected on CAMPUS Nord Europe Veolia. In view of the success of these two operations, the *Conseil Régional*, through its regional innovation agency, has decided to install the system in the country in the long term. TIA is expected to be duplicated in other regions of France and abroad.

FOR CITY

The urban development model developed by VERI together with industrial partners (notably a small and medium sized business from Lyon), led to the signing of a contract with the PUB of Singapore and of Grand Lyon. These two projects for urban development seek to offer optimized scenarios for urban development with criteria such as energy efficiency, quality of life, optimized waste management and environmental impact.

VERIMOVE

VERI offers a new prototype car-sharing service that combines hybrid, electric and solar-powered vehicles, provides all operational needs and offers 23% less environmental impact as well a reduction of 12 fewer vehicles for 48, leading to potential savings of €43,000 per year.

PATENTS AND LICENSES

See Item 4. "Information on Our Company — Intellectual Property".

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ITEM 4A.

UNRESOLVED STAFF COMMENTS

Not Applicable.

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ITEM 5.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our results of operations and financial condition should be read together with our Consolidated Financial Statements and related Notes included in Item 18. Our Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB and with IFRS as adopted by the European Union.

The following discussion also contains forward-looking statements that involve risks and uncertainties, including, but not limited to, those described under Item 3. Key Information Risk Factors. Our results may differ materially from those anticipated in the forward-looking statements. See Forward-Looking Statements at the beginning of this document for a more detailed discussion of the risks and uncertainties to which our results and financial condition are subject.

PRELIMINARY NOTE

The presentation of our results of operations in 2013 has been changed substantially compared to prior years. Most significantly, we have applied for the first time IFRS 10 and 11, with the result that our joint ventures that were previously accounted for under the proportional consolidation method are now accounted for under the equity method. This has had a significant impact on our revenues and adjusted operating cash flow, particularly in our Energy Services division. In addition to operating income, and in accordance with a recommendation of the French Accounting Standards Authority dated April 4, 2013, we present operating income after the share of net income of equity-accounted entities that represent an extension of our core business areas. See Overview Change in Accounting Method for Joint Ventures for further details.

In the discussion that follows, our results of operations for 2012 and 2011 have been represented compared to previously published figures to reflect the application of the IFRS 10 and 11, as well as amendments to IAS 19 relating to employee benefit obligations.

We expect the presentation of our future results of operations to be further impacted by two significant factors.

First, on March 25, 2014, we signed an agreement to acquire EDF s interest in the international activities of Dalkia, our Energy Services affiliate, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction). Starting on the closing date of this transaction, Dalkia France s results of operations and financial condition will no longer be reflected in our consolidated financial statements, while Dalkia International will be fully consolidated rather than being accounted for by the equity method.

Second, following organizational changes implemented as part of our transformation plan (described below), we will change our segment reporting, which is currently based on three divisions (Water, Environmental Services and Energy Services), plus an other segment. Starting in 2014, our segments will be based on a geographical presentation (France, Europe excluding France, and the Rest of the World), plus a segment for certain businesses that we conduct on a worldwide basis, as well as an other segment.

We provide below certain financial information to show the impact that these changes would have had if they had been applied to our revenues, adjusted operating cash flow and industrial investments in 2012 and 2013. See Overview Changes in Financial Presentation in 2014 for further information.

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OVERVIEW

Results of Operations in 2013

Our results of operations in 2013 reflect the second year of our transformation plan, including the initial implementation of a new geographical organization, a robust cost reduction program, continued asset divestitures and a reduction in net financial debt.

In addition, our results of operations in 2013 were significantly impacted by the economic climate and factors that affected our operating environment in each of our divisions:

in the Water division, a decrease in construction activity and 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); and

in the Energy Services division, the progressive termination of gas cogeneration contracts, partially offset by the favorable energy price impact compared to 2012 and improved weather conditions.

We recorded consolidated revenue of €22,314.8 million in the year ended December 31, 2013, compared with €23,238.9 million for the year ended December 31, 2012, representing a decline of 4.0% (1.8% at constant consolidation scope and exchange rates). The revenue trend improved over the course of the year, with the most significant quarterly decline compared to the prior year occurring in the first quarter of 2013.

Our operating income after the share of net income of equity-accounted entities declined from €699.4 million in 2012 to €669.2 million in 2013, largely as a result of goodwill impairment charges in the Environmental Services Division, as well as restructuring charges in our Water Division, offset in part by positive net income resulting from the impact of the fair value remeasurement of the interest in Proactiva that we held at the time we acquired the remaining stake.

Our adjusted operating income, a non-GAAP financial measure that excludes these and certain other items of income and charges described below, increased from €798.1 million in 2012 to €921.9 million in 2013, an increase of 15.5% (16.9% at constant exchange rates) that was largely attributable to certain charges recorded in 2012 in our Energy Services Division in Italy, as well as the reversal of certain provisions for pension-related liabilities in 2013.

Adjusted Operating Cash Flow, an indicator described below that we use to measure the performance of our segments, declined by 6.4% (4.7% at constant exchange rates), from €1,918.7 million in 2012 to €1,796.3 million in 2013, reflecting primarily the factors affecting the economic and operating environment described above.

Net income attributable to owners of the Company was €404.0 million in 2012, while we recorded a net loss attributable to owners of the Company of €135.3 million in 2013. Adjusted net income attributable to owners of the Company (a non-GAAP financial measure that excludes the items excluded from adjusted operating income described above, as well as certain other items described below) was €223.2 million for the year ended December 31, 2013, compared with €58.5 million for the year ended December 31, 2012.

Our industrial investments declined from €1,708 million in 2012 to €1,245 million in 2013, a decrease of approximately 27%. We realized total net investments (representing gross financial and industrial investments less divestitures) of €283 million in 2013, compared to a net inflow from investments of €1,008 million in 2012, primarily because of a higher level of divestitures recorded in 2012. Our gross financial debt declined from €16.0 billion at the end of 2012 to €12.6 billion at the end of 2013. Our net financial debt (a non-GAAP financial indicator that we describe below) decreased from €10.8 billion at the end of 2012 to €8.2 billion at the end of 2013.

Transformation and cost reduction plan

On July 8, 2013, as part of our transformation plan, we announced a new organizational structure that includes two primary aspects. First we have established a country-based organization for Water and Environmental Services activities, which have been placed together under the authority of a single director in each country. Once we complete our acquisition of EDF s interest in Dalkia International, described below, we will integrate it into our geographical organization structure. Second we have created two new functional departments, one dedicated to Innovation and Markets, the other to Technology and Performance.

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. Beginning in 2014, our chief operating decision-maker evaluates the performance of our Group on the basis of the new organizational structure, and our reporting segments have therefore been revised to reflect this structure. See Changes in Presentation in 2014.

As part of our transformation plan, we also adopted an additional cost reduction plan (the Convergence Plan) that targets additional cost savings beyond those in our annual efficiency plan. Under this plan, we are targeting greater cost reductions from increased mutualization and information system streamlining, purchasing, and efficiency projects in the businesses and headquarters.

Our cost reduction plan (Convergence) generated €178 million in additional cumulative savings in the year ended December 31, 2013, net of implementation costs. A portion of this amount was realized in joint ventures that are accounted for by the equity method. Excluding joint ventures, the cumulative impact on operating income in 2013 was approximately €140 million.

Reorganization of Ownership Structure in Energy Services

On October 28, 2013, we announced that we were in advanced discussions with EDF for the conclusion of an agreement relating to our jointly-owned subsidiary Dalkia. A definitive agreement was signed on March 25, 2014. The closing of the transaction is subject to approval by competition authorities and other customary conditions.

The transaction will involve the acquisition by EDF of all of the Dalkia group s activities in France, while we will acquire Dalkia s international activities. We will also make a cash payment (estimated at €550 million, subject to adjustment) to EDF to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities. The transaction will allow us to promote the development of Dalkia’s activities internationally, while strengthening our 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, which is described in Item 8 Financial Information Litigation.

This transaction is reflected as follows in our Consolidated Financial Statements as of and for the year ended 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;

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Remeasurement of Dalkia France s assets and liabilities at the lower of net carrying amount and fair value less costs to sell, without any impact on the Group s Consolidated Financial Statements as of December 31, 2013;

The results of operations of Dalkia France remain fully consolidated, while our investment in Dalkia International is accounted for by the equity method following the application of IFRS 10 and 11.

Following completion of the transaction, we will own all of Dalkia s international activities, which will be fully consolidated in our financial statements. We will no longer hold any interest in Dalkia France. We have presented below under Changes in Financial Presentation in 2014 certain quantitative information relating to the anticipated change in presentation of the activities of Dalkia.

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Transdev and SNCM

On October 31, 2013, our Memorandum of Understanding relating to our planned reduction of our interest in Transdev Group lapsed as a result of significant difficulties encountered by Société Nationale Corse Méditerranée (SNCM), a company that provides ferry service between Corsica and the French mainland. The Memorandum contemplated that we would acquire the 66% interest in SNCM held by Transdev Group, following which the Caisse des dépôts et consignations would increase its interest in Transdev Group to 60%. Because of the difficulties of SNCM we were unable to reach a definitive agreement prior to the deadline of October 31, 2013 set forth in the Memorandum of Understanding.

Accordingly, we have modified the accounting presentation of our investment in Transdev Group, which in 2012 was accounted for as a discontinued operation in our consolidated income statement, except for SNCM, which in 2012 was accounted for under the proportional consolidation method (prior to the application of IFRS 10 and 11).

In our 2013 financial statements, our interest in Transdev Group is recorded as an investment in a joint venture, accounted for by the equity method. We have also modified retrospectively the accounting presentation of our investment in 2012 and 2011. Our share of income from Transdev Group is not included in our operating income after share of income (loss) of equity-accounted entities, but instead is recorded in our consolidated income statement at a lower level. This is because, under the recommendation of the French Accounting Standards Authority of April 4, 2013, our operating income after share of income (loss) of equity-accounted entities only includes income from equity affiliates that represent an extension of our group s business. Given that we still plan to withdraw from Transdev Group, our investment does not represent an extension of our business within the meaning of this recommendation.

SNCM is equity-accounted as part of Transdev. Given the ongoing litigation involving Transdev (decribed in Item 8, Financial Information Litigation), we have evaluated our exposure to SNCM as a result of our indirect interest. We have determined that the best way to account for this exposure is to recognize the amounts that would be payable under the most probable scenario, which is an insolvency proceeding coupled with a disposal plan:

In our Consolidated Financial Statements as of December 31, 2013, the equity-accounted value of Transdev Group reflects a fair appraisal of the Group s exposure to its interest in SNCM;

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Our receivable due from SNCM of €14 million is fully written-off in our Consolidated Financial Statements as of December 31, 2013.

In connection with the litigation referred to above, the European Commission has claimed that SNCM must reimburse State aid relating to the SNCM privatization process (€220 million excluding interest) and subsidies relating to so-called complementary services (€220 million excluding interest). In the most probable scenario of an insolvency proceeding, these amounts would not be paid (see Note 35 to the Consolidated Financial Statements as of December 31, 2013, Contingent assets and liabilities). If events were to evolve in a manner different from this scenario, we would reassess the financial impact.

An assessment by the Group of the value in use of Transdev Group (excluding SNCM) confirmed its net carrying amount in our consolidated balance sheet.

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Commercial Overview

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).

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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).

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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.

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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.

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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.

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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.

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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.

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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.

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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. Hyundai 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.

Divestitures and Acquisitions

Divestitures

Our principal divestitures in the year ended December 31, 2013 were the following:

- the divestiture of European wind 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 Water 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.

Acquisitions

On November 28, 2013, we completed the acquisition of the 50% stake in Proactiva Medio Ambiente previously held by the Fomento de Construcciones y Contratas (FCC) group, representing the entirety of the interest in Proactiva Medio Ambiente that we did not already own.

This transaction will allow us to consolidate our positions in Latin America in waste management and water treatment and support our development strategy in this high-growth region.Had the Proactiva Medio Ambiente been fully consolidated in our accounts as of January 1, 2013, its revenue and operating income 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 our Consolidated Financial Statements as of December 31, 2013.

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 reflected by:

- the recognition of net income of €82 million, equal to the fair value remeasurement of the investment stake that we 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.

Discontinued Operations

In accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*, the 2012 and 2011 financial statements have been represented to give comparable data that excludes items and operations that had been divested or classified in discontinued operations or reclassified as continuing operations as at December 31, 2013. The following entities are classified into a separate line, Net income / (loss) from discontinued operations. Some of these entities were already classified as discontinued operations at the end of 2012.

Entities in the course of divestiture at the end of 2013, which includes our water activities in Morocco and global urban lighting activities (Citelum);

Entities that were divested prior to the end of 2013, which includes our European wind energy activities (divested in February 2013); our share of net income (loss) of the associate Berlin Water to December 2, 2013; our 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) and U.S. wind energy activities (divested in December 2012).

Furthermore, as described above the contribution of Transdev Group was reclassified as continuing operations for fiscal years 2013, 2012 and 2011.

Correspondingly, as of December 31, 2013, our balance sheet classifies assets and liabilities relating to the following activities as being held-for-sale:

Dalkia France;

Moroccan Water activities;

global urban lighting activities (Citelum).

Change in Accounting Method for Joint Ventures

Beginning as of January 1, 2013, our interests in joint venture entities are no longer accounted for through the proportional consolidation method, which was eliminated under IFRS for joint ventures. Instead, joint ventures are accounted for by the equity method.

The 2013 accounts were significantly affected by our 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. We have therefore represented the accounts for the years ended December 31, 2012 and 2011.

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 that are an extension of our principal businesses, is included in the income statement line item "Operating income after share of net income (loss) of equity-accounted entities . Investors should note that the share of net income (loss) of equity-accounted entities that is included in this line item reflects certain items that are not part of operating income at the level of our Group, such as net financial expense, income tax expense and non-controlling interests.

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 (as described above, we have signed an agreement to acquire EDF s stake, but the closing of this transaction has not yet occurred);

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 previously held by FCC;

Chinese concessions, comprising around twenty joint ventures within the Water division;

Transdev Group (as discussed above, our investment in Transdev Group is not viewed as an extension of our principal businesses within the meaning of the French Accounting Standards Authority s recommendation of April 4, 2013, and therefore income from Transdev Group is not included in operating income after share of net income (loss) of equity-accounted entities).

See Note 1.1.4 to our Consolidated Financial Statements for the year ended December 31, 2013 (included in this annual report on Form 20-F) for additional information relating to the impact of the first-time adoption of IFRS 10, 11 and 12. See Note 8 to our Consolidated Financial Statements for the year ended December 31, 2013 for financial information relating to our principal equity affiliates.

Changes in Financial Presentation in 2014

The presentation of our results of operations in our 2014 consolidated financial statements are expected to be significantly impacted by two factors. The first is our anticipated full consolidation of the international activities of

Dalkia. The second is our change in reporting segments resulting from the organizational changes that are part of our transformation plan.

Dalkia

As described above, on March 25, 2014, we signed an agreement with EDF that will result in our acquisition of EDF s interest in Dalkia International and our transfer of Dalkia France to EDF, as well as a cash payment from us to EDF. Starting on the closing date of this transaction, Dalkia France will no longer be reflected in our consolidated financial statements, while Dalkia International will be fully consolidated rather than being accounted for by the equity method.

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In order to illustrate the potential impact of this transaction, we have recalculated our revenue, adjusted operating cash flow and industrial investments for 2012 and 2013, as if Dalkia France had been eliminated from the scope of consolidation, and as if Dalkia International had been fully consolidated. We refer to this as recalculated revenue, adjusted operating cash flow and industrial investments. This information is presented solely for illustration purposes. It does not constitute pro forma information prepared in accordance with Article 11 of Regulation S-X of the Securities and Exchange Commission. The figures do not reflect any potential adjustments to be made with respect to invoicing between the various entities or any future synergies.

	Year ended December 31, 2012		**Year ended December 31, 2013**			
(in €million)	**Historical**	**Recalculated**	**Historical**	**Recalculated**	Recalculated % change at current exchange rates	Recalculated % change at constant exchange rates and consolidation scope
Revenue	23,238.9	**24,532.7**	22,314.8	**23,448.3**	-4.4%	-1.3%
Adjusted operating cash flow	1,918.7	**2,084.3**	1,796.3	**2,086.8**	0.1%	3.1%
Industrial investments	1,708.1	**1,966.6**	1,245.0	**1,459.1**	-25.8%	N/A

Change in Reporting Segments

As noted above, beginning in 2014, our chief operating decision-maker evaluates the performance of our Group on the basis of the new organizational structure. As a result, we will revise our reporting segments as of January 1, 2014 to reflect this structure. Our new reporting segments are the following:

France, which includes our water and environmental services activities in France.

Europe excluding France, which includes our water and environmental services activities in Europe outside of France.

Rest of the World, which includes the water and environmental services activities in all other countries.

Global Businesses, which includes certain businesses that we conduct on a worldwide basis (mainly Technology and Networks and hazardous waste treatment).

Other, which includes businesses such as Transdev Group, which are not considered core activities.

Once the Dalkia transaction is completed, the Energy Services activities of Dalkia International will be integrated into the appropriate geographical segments.

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Cumulative Impact of Dalkia Transaction and Change in Reporting Segments

The following table sets forth information on our revenues, adjusted operating cash flow and industrial investments for the years ended December 31, 2012 and 2013, recalculated to take into account the Dalkia transaction as described above, and based on the segment reporting that will apply starting in 2014 (including the integration of Dalkia International in our reporting segments).

Revenue *in €millions*	**December 31, 2012 Recalculated**	**December 31, 2013 Recalculated**	% change at current exchange rates
France	5,857.1	5,672.7	-3.1%
Europe, excluding France	7,841.5	7,670.2	-2.2%
Rest of the world	4,808.7	4,552.2	-5.3%
Global Businesses	4,617.8	4,205.7	-8.9%
Other	1,407.6	1,347.5	-4.3%
Total	24,532.7	**23,448.3**	-4.4%

Adjusted operating cash flow *in €millions*	**December 31, 2012 Recalculated**	**December 31, 2013 Recalculated**	% change at current exchange rates
France	651.9	633.6	-2.8%
Europe, excluding France	1,017.1	938.0	-7.8%
Rest of the world	401.0	421.8	5.2%
Global Businesses	254.0	216.8	-14.6%
Other	(239.7)	(123.4)	-48.5%
Total	2,084.3	**2,086.8**	0.1%

Industrial investments *in €millions*	**December 31, 2012 Recalculated**	**December 31, 2013 Recalculated**	% change at current exchange rates
France	354.3	313.1	-11.6%
Europe, excluding France	628.8	567.3	-9.8%
Rest of the world	515.5	335.9	-34.8%
Global Businesses	148.8	121.4	-18.4%
Other	319.2	121.4	-62.0%

Total	1,966.6	**1,459.1**	-25.8%

ACCOUNTING POLICIES AND PRESENTATION

Presentation of Information in this Item

Definition of Internal Growth and External Growth

The term internal growth (or growth at constant consolidation scope and exchange rates) encompasses growth resulting from the expansion of an existing contract, particularly growth resulting from an increase in prices and/or volumes distributed or processed, as well as new contracts, and the acquisition of operating assets attributed to a particular contract or project.

The term external growth encompasses growth through acquisitions (completed in the current period, or which had an effect on revenues for only part of 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.

Segment Reporting: Adjusted Operating Cash Flow

In accordance with IFRS 8, we report financial information on our segments. Historically, we have reported on four segments: Water, Environmental Services, Energy Services and Transportation. Since our decision, announced on December 6, 2011, to disengage from the Transportation sector, we report on three segments: Water, Environmental Services, and Energy Services. Our segment reporting information is presented in Note 39 to our Consolidated Financial Statements included in this annual report on Form 20-F. Our segment reporting will be revised starting in 2014 to reflect changes in our organizational structure. See Overview Change in Financial Presentation in 2014.

One of the indicators presented in our segment reporting is Adjusted operating cash flow (known in French as *capacité d autofinancement opérationnelle*), an indicator that our chief operating decision maker uses as a performance measure. Adjusted operating cash flow is equal to operating income, adjusted to add or subtract (as applicable) depreciation, amortization and operational provision expenses, impairment charges, net gains on divestitures and other non-cash items (primarily IFRS 2 share-based compensation charges and fair value adjustments in respect of derivatives).

We use adjusted operating cash flow as a tool to measure the performance of our business, because we believe it provides a uniform indicator of the performance of our long-term contracts (under which we conduct the larger part of our activities). The non-cash charges that we exclude from operating income to derive adjusted operating cash flow (such as depreciation, amortization and asset impairment) may be subject to significantly different accounting treatment depending on the legal characteristics of our contracts and/or the nature of our customers. Adjusted operating cash flow measures the cash generation of our contracts, which is generally not affected by these differences in accounting treatment. As a result we believe this indicator provides us with a comparable measure of the performance of our division and geographical operations.

Adjusted operating cash flow is only one of the indicators we use to measure our performance. We also use operating income and adjusted operating income (a non-GAAP financial measure that we define below), both of which take into account a number of non-cash charges. These charges are important, as we would not be able to realize cash flows from our contracts without incurring the expenditures that generate the non-cash charges. For example, depreciation charges for assets used in connection with our long-term contracts represent part of the cost of generating revenue and cash flow from those contracts.

Adjusted operating cash flow is reconciled to operating income for the years ended December 31, 2013, 2012, and 2011 under Results of Operations Year Ended December 31, 2013 Compared to Year Ended December 31, 2012 and Results of Operations Year Ended December 31, 2012 Compared to Year Ended December 31, 2011.

Non-GAAP Measures

We use a number of non-GAAP financial measures to manage our business and to supplement the financial information presented in accordance with IFRS. Non-GAAP financial measures are defined as numerical measures of performance, position or cash flows that (i) exclude amounts that would ordinarily be included in the most directly comparable IFRS measure or (ii) include amounts that would ordinarily be excluded from the most directly comparable IFRS measure. We discuss below the non-GAAP financial measures that we use in multiple places in this Item 5, the reasons why we believe they provide useful information and the location in this section where they are reconciled to the most comparable IFRS measures. We provide similar information for other non-GAAP measures, which we use only once, in the sections where those terms are used. You should not place undue reliance on non-GAAP financial measures or regard them as a substitute for the most comparable IFRS measures. Furthermore, these non-GAAP financial measures may not be comparable to similarly titled measures used by other companies, and are not meant to be predictive of future trends in results of operations, financial condition or cash flow.

The non-GAAP financial measures that we use in multiple places in this section include the following:

Adjusted operating income is equal to operating income after share of net income (loss) of equity-accounted entities, adjusted to exclude the impact of goodwill impairment charges and certain special items.

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 charges, share of net income of other equity-accounted entities and certain special items.

Special items include items such as gains and losses from asset disposals that substantially change the economics of one or more cash-generating units, and restructuring costs (costs resulting from the adoption of a detailed restructuring plan, such as a redundancy plan). For this purpose, we generally consider a disposal to have the potential to change the economics of one or more cash-generating units if the total consideration exceeds approximately €80 million based on enterprise value and before deducting non-controlling interests or adjusting for proportional consolidation. Special items also include significant impairment charges relating to assets other than goodwill. In general, we exclude impairment charges in respect of such assets as special items when they are large enough to significantly impact the economics of a cash-generating unit. Items may qualify as special although they may have occurred in prior years or are likely to recur in following years. Other special items may be nonrecurring, meaning that the nature of the relevant charge or gain is such that it is not reasonably likely to recur within two years, and there was not a similar charge or gain within the prior two years.

We believe that adjusted operating income and adjusted net income attributable to owners of the Company are useful measurement tools because they show the results of our operations excluding the impact of:

goodwill impairment charges, which we record when we determine that the value of a cash-generating unit with goodwill is less than its carrying value (as discussed under Critical Accounting Policies Asset Impairment), and which differ from the other revenue and expense items used to determine operating income as they depend on management s assessment of the future potential of a cash-generating unit, rather than results of operations in the period in question, and special items, which relate to events or charges that we do not consider to be part of the normal income-generating potential of the business.

We also use adjusted operating income as a tool to manage our business, for purposes of evaluating our performance and for allocating resources internally.

Adjusted operating income is reconciled to operating income and to operating income after share of net income (loss) of equity-accounted entitiesand adjusted net income attributable to owners of the Company is reconciled to net income attributable to owners of the Company, in each case for the years ended December 31, 2013, 2012, and 2011 in Results of Operations Year Ended December 31, 2013 Compared to Year Ended December 31, 2012 and Results o Operations Year Ended December 31, 2012 Compared to Year Ended December 31, 2011.

Constant Exchange Rates is a term that we use to refer to growth in our revenues, adjusted operating cash flow, operating income, operating income after share of net income (loss) of equity-accounted entities and adjusted operating income, excluding the impact of changes in foreign currency exchange rates. We calculate constant exchange rate figures by applying to current year figures the exchange rate from the preceding year. When we present percentage growth (or decline) on a constant exchange rate basis, we also present the corresponding figure on a current exchange rate basis.

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Concession Accounting

A significant portion of our business is conducted under concession agreements with public sector customers. Concession agreements are accounted for in accordance with IFRIC 12, Service Concession Arrangements. The application of IFRIC 12 is complex and is described in detail in Note 1.20 to our Consolidated Financial Statements. As a general matter, a contract is considered a concession agreement under IFRIC 12 if a public sector customer (the grantor) controls or regulates the services that we must provide with the infrastructure that we use, to whom the services must be provided and at what price, and if the grantor controls a significant residual interest in the infrastructure. Pursuant to IFRIC 12, the infrastructure used in a concession is not considered to be part of our property, plant and equipment, but instead we recognize financial assets or intangible assets (depending on the nature of our payment rights) in respect of the concession contracts.

Critical Accounting Policies

We prepare our Consolidated Financial Statements in conformity with IFRS as issued by the IASB and with IFRS as adopted by the European Union. Our Consolidated Financial Statements are affected by the accounting policies used and the estimates, judgments and assumptions made by management during their preparation. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

The principal significant estimates and assumptions made by management during the preparation of our Consolidated Financial Statements relate to the accounting policies used in connection with asset impairment, provisions, pension liabilities, deferred taxes and financial instruments.

Asset Impairment

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 (equal to the higher of fair value less costs to sell and value in use) is estimated. The net carrying amount of an asset or group of assets is reduced to its recoverable amount, where this is lower. Impairment charges can be reversed, with the exception of those relating to goodwill.

We perform systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life following the preparation of our long-term plan, or more frequently where there is an indication of loss in value. Where an exceptional impairment must be recorded, it is deducted first from goodwill allocated to the cash-generating unit (CGU) and then, where applicable, pro rata to the net carrying amounts of the other assets of the CGU.

Group management prepares cash flow forecasts based on the most recent long-term plan, prepared in June of each year and approved by the Board of Directors in November of each year (the most recent plan was approved by the Board of Directors in November 2013). This plan covers the year in progress and the next six years. This period is representative of the average duration of our long-term contract portfolio and our short-term activities. The preparation of the plan requires management to exercise considerable judgment about matters that are necessarily subject to uncertainty when the plan is prepared.

The value in use is determined by discounting the future cash flows expected to be derived from the asset, CGU or group of CGUs considered, taking into account, where appropriate, the residual value. Given our activities, a cash-generating unit is below the operating segment level in the organizational structure and generally represents a country in each division. Future cash flows are taken for the first six years from the long term plan. The terminal value is calculated based on discounted forecast flows for the last year (2019), and an assumed perpetual growth rate described below.

The main assumptions included in the calculation of the value-in-use of each CGU are the discount rate, the perpetual growth rate and the projected cash flow during the six-year period of the long-term plan.

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. The discount rates estimated by management for each CGU therefore reflect current market assessments of the time value of money and the country-specific risks to which the cash-generating unit is exposed. Other risks are reflected in the expected future cash flows from the assets.

The perpetual growth rate is used to determine the assumed flows for the period after the final year of the plan. Forecasted cash flows for the last year of the plan are assumed to grow at a perpetual growth rate that takes account of factors such as inflation.

Cash flow projections in the long-term plan are determined for each CGU, based on contracts and activities and in line with past data and expected changes over the period covered by the long-term plan. Pursuant to the provisions of IAS 36, investments included in estimates of future cash flows are those investments that would enable the assets to be maintained in their current condition and give rise to level of economic benefits expected. However, estimates of future cash flows do not take account of restructuring plans to which we are not committed.

As Water activities in China follow a specific economic model, with extremely long contract terms (up to fifty years) and high investment flows during the initial contract years, fiscal year 2019 may not be considered a standard year. Therefore, the long-term plan was extended to 2025 for the Water China cash-generating unit, in order to identify standard flows for the calculation of the terminal value.

The estimated recoverable value of our CGUs is sensitive to changes in the assumptions that we use. We have performed sensitivity analyses in respect of the principal assumptions, and have described the results of these analyses in Note 4 to our Consolidated Financial Statements included in this annual report on Form 20-F. As described in Note 4 to our Consolidated Financial Statements, the changes in operating cash flows taken into account for the purpose of these sensitivity tests include operating cash flows before changes in working capital, less investments, plus changes in working capital. We performed a sensitivity analysis relating to the discount rate and perpetual growth rate for CGUs with a net carrying amount of goodwill in excess of €100 million. We have also performed a sensitivity analysis relating to the cash flow analysis over the period of the long-term plan for Environmental Services Germany and Environmental Services Poland CGUs, which we consider to be material and sensitive. The results of these sensitivity analyses are the following:

- A 1% increase in the discount rate used would result in recoverable values that are, in the aggregate, €95.7 million below the net carrying amount for all CGUs tested, including €90.7 million for the Environmental Services Germany

CGU and €5.0 million for the Environmental Services Poland CGU.

- A 1% decrease in the perpetual growth rate used would result in recoverable values that are, in the aggregate, €91.1 million below the net carrying amount for all CGUs tested, including €88.6 million for the Environment Services Germany CGU and €2.5 million for the Environmental Services Poland CGU.

- A 5% decrease in cash flow over the period of the long-term plan would result in a €29.9 million decrease in the recoverable value of the Environment Services Germany CGU, and €2.3 million decrease for the Environment Services Poland CGU.

The carrying values of the CGUs specifically identified above and the amounts of goodwill included in such CGU are as follows as at December 31, 2013:

(in € million)	**Environmental Services Germany**	**Environmental Services Poland**
Carrying value of the CGU	513.5	37.4
Goodwill	247.7	-

In 2012, we considered our Water France CGU to be material and sensitive. In 2013, actions launched by new management of the Water France CGU 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% decrease 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.

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. Determining the amount of provisions to record requires management to exercise judgment by projecting potential future outflows of resources.

Our principal categories of provisions relate to site rehabilitation costs, onerous contracts, and maintenance and repair obligations. We also record provisions in respect of matters such as litigation and restructuring charges.

As part of our obligations under public services contracts, we generally assume responsibility for the maintenance and repair of the installations we manage. 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 case of provisions for rehabilitation of landfill facilities, we account for the obligation to restore a site as waste is deposited, recording a non-current asset component and discounting for inflation until the date on which expenses will be incurred. The asset is amortized based on its depletion.

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. More information is available on our restructuring provisions in Note 17 to our Consolidated Financial Statements included in this annual report on Form 20-F.

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.

Pension Liabilities

We maintain several pension plans, and measure our obligations under these plans using a projected unit credit method, which requires us to estimate the probability of personnel remaining with us until retirement, foreseeable changes in future compensation and the present value of our liability on the basis of the appropriate discount rate for each monetary zone in which we maintain a pension plan. As a result, we record pension-related assets or liabilities in our accounts and we record the related net expenses over the estimated term of service of our employees.

In accordance with IFRS requirements, we use market yields of high quality corporate bonds with a maturity similar in duration to the pension liabilities to determine the discount rate at the balance sheet date when available. If no such market yields are available, then we use the yields on government bonds with a maturity similar in duration to the liabilities. We estimate future compensation based on inflation rates; we estimate inflation rates using a combination of the spread between index linked and non-index linked bonds, current inflation rates, and published statements of central banks and economists with respect to inflation prospects. We use mortality tables published by national statistical agencies in our evaluations, reviewed periodically to ensure that the latest available tables are being used. The assumptions used to measure pension liabilities as of December 31, 2013 are described in Note 30 to our

Consolidated Financial Statements.

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.

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Deferred Tax Assets and Liabilities

We record deferred tax assets that fall into two categories: deductible timing differences and tax loss carryforwards. Deferred tax assets arising from timing differences are recorded when it is probable that, for a single tax group or entity, the taxable timing differences that are expected to reverse in one period are greater than or equal to reversals of deductible timing differences in the same period (or in the periods to which deferred tax assets arising from tax losses can be carried back or forward). Deferred tax assets arising from tax loss carryforwards are recorded when management determines that the Group is likely to generate sufficient future taxable profits against which the asset can be offset.

Whenever we determine that it is no longer probable that sufficient taxable profits will be available, deferred tax assets are impaired. Deferred tax assets and liabilities are also adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

Therefore, the accrual of deferred tax assets and liabilities requires us to make estimates and exercise judgment with regard to elements that are inherently uncertain, such as projected taxable profit. Such estimates and judgments are also subject to change in response to new events, such as changes in prevailing tax law.

Although realization of deferred tax assets is not assured, as of December 31, 2013, we believe that realization of the recognized net deferred tax assets of €859.2 million is more likely than not based on expectations as to future taxable income in the jurisdictions in which the deferred tax assets arise.

We have recognized net deferred tax assets relating to tax loss carryforwards of €234.4 million as of December 31, 2013. In the United States, which represents €178.4 million of this amount, the Group would need to generate approximately €475.6 million of taxable income during the respective carry forward periods to fully realize its deferred tax assets.

We have recognized deferred tax assets relating to deductible timing differences of €624.8 million as of December 31, 2013 and deferred tax liabilities relating to taxable timing differences for €801.1 million. In the French tax group, we have restricted recognized deferred tax assets on timing differences to the amount of deferred tax liabilities.

Financial Instruments

The recognition and measurement of financial assets and liabilities is governed by IAS 39, Financial instruments: recognition and measurement. Financial assets are classified as available-for-sale, held to maturity, assets at fair value through profit and loss, 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. These categories and their implications for our Consolidated Financial Statements are described in Note 1.14 to our Consolidated Financial Statements.

The determination of the proper classification of financial instruments requires management to exercise judgment, and depends in part on our intention regarding a given financial instrument, which is subject to change. Certain financial instruments (particularly derivative instruments that do not qualify for hedge accounting) are recorded in our consolidated balance sheet at fair value, and the change in fair value from one period to the next is recorded in our consolidated income statement as part of financial income and expense. Certain other financial instruments are recorded at fair value with the change from one period to the next recorded directly in equity, and the accrued changes released to the income statement upon sale or impairment. Certain other instruments are carried on the balance sheet at an amortized cost basis and subjected to impairment testing. Our determination regarding the classification of a financial instrument can have a material impact on our results of operations and our consolidated shareholders equity.

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RESULTS OF OPERATIONS

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Overview

The following table shows a breakdown of our revenues in 2012 and 2013:

Year ended December 31, 2013 (in € million)	Year ended December 31, 2012 represented (in € 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%

For the year ended December 31, 2013, our consolidated revenue was €22,314.8 million, representing a decrease of 4.0% compared to €23,238.9 million for the year ended December 31, 2012. On a quarterly basis, in 2013, revenues were down 3.9% in the first quarter, down 2.6% in the second quarter, down 5.5% in the third quarter and down 4.0% in the fourth quarter, respectively as compared to the corresponding quarter in 2012.

At constant consolidation scope and exchange rates, 2013 revenue declined by 1.8% compared to 2013 revenue. On a quarterly basis, in 2013, at constant consolidation scope and exchange rates, revenuesshowed more resilience, with revenues down 3.0% in the first quarter, 1.0% in the second quarter, and 1.5% in the third and fourth quarters, respectively, as compared to the corresponding quarter in 2012.

Changes in consolidation scope decreased 2013 revenue by €95.5 million, including a decrease of €108.2 million in revenue in the Environmental Services division due to changes in scope, primarily related to the divestiture of activities in Switzerland, the Baltic States, the disposal of Energonut in Italy and Pinellas in 2012, as well as the divestiture of Marine Services Offshore in the United States in August 2013. This was partially offset by an increase of €38.8 million in revenue 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.

Foreign exchange fluctuations decreased 2013 revenue by €416.6 million, reflecting primarily the appreciation of the euro against the Australian dollar (accounting for a €100.3 million decrease in revenues), the pound sterling (accounting for a €88.4 million decrease in revenues), the Japanese yen (accounting for a €85.8 million decrease in revenues), the US dollar (accounting for a €56.4 million decrease in revenues) and the Czech crown (accounting for a €20.9 million decrease in revenues).

The decrease in revenues at constant consolidation scope and exchange rates is explained principally by the following factors:

in the Water division, a reduction in construction activity, contractual erosion in France and a slowdown in Technologies and Networks activities, partially offset by higher tariffs due to indexation in France and in Central and Eastern Europe;

in the Environmental Services division, a difficult macroeconomic 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 progressive termination of gas cogeneration contracts with Dalkia France, partially offset by improved energy prices and weather conditions compared to 2012.

The share of our revenue generated outside France in 2013 was €11,011.2 million, or 49.3% of total revenue compared to 50% in 2012.

The following table shows the breakdown of our revenues by division in 2013 and 2012:

Revenues by Division *(in € million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**	**% 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%
Revenue	**22,314.8**	23,238.9	-4.0%
Revenue at 2012 exchange rates	**22,731.4**	23,238.9	-2.2%

Water

The following table shows our Water division s revenues in 2013 and 2012:

Year ended December 31, 2013 *(in € million)*	**Year ended December 31, 2012** *(in € 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%

Revenues from our Water division decreased 4.4% in 2013 compared to 2012, due to a decrease in construction activity, contractual erosion in France and a slowdown in Technologies and Networks activities, partially offset by higher tariffs due to indexation in France and in Central and Eastern Europe.

Revenue from Operations activities remained relatively stable, up 0.6% at constant consolidation scope and exchange rates and down 1.6% at current consolidation scope and exchange rates compared to 2012. Excluding the negative impact of Construction activities, Operations revenue would have increased by approximate 0.1% (2.3% at constant consolidation scope and exchange rates). This relative stability reflected contrasting trends:

In France, a decline in revenues of 2.3% at constant consolidation scope (and a decline of 2.7% at current consolidation scope), in line with a slowdown in the construction business, contractual erosion and a decrease in volumes sold (which were down 1.5% in 2013 compared to 2012), accentuated by adverse weather conditions in 2013, and partially offset by a favorable indexing effect compared with 2012;

Outside France, revenue rose by 3.2% at constant consolidation scope and exchange rates and declined only 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 declined in the United Kingdom due to the completion of construction contracts in 2012. 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 9.8% (down 7.5% at constant consolidation scope and exchange rates) primarily due to the completion of numerous contracts in France and internationally in the Design and Build sector, the lower contribution of the Hong Kong sludge incineration plan construction contract and unfavorable weather conditions in France and Belgium. Bookings were up 32% compared to December 2012, to €3.3 billion at the end of December 2013. The increase in bookings was primarily with industrial clients in the oil and gas sectors, although we also experienced an upturn on the municipal market toward year end.

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Environmental Services

The following table shows our Environmental Services division's revenues in 2013 and 2012:

Year ended December 31, 2013 (in € million)	Year ended December 31, 2012 represented (in € 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%

Revenue from the Environmental Services division declined by 5.1% (1.5% at constant consolidation scope and exchange rates) compared to 2012, mainly due to a 1.5% fall in recycled raw material prices and volumes (with some improvement in the second half of the year) and a 1.1% drop in wastevolumes and activity levels, mainly in municipal collection.

In the Environmental Services division, changes in consolidation scope contributed to a €108.2 million decrease in revenues in 2013, mainly resulting from the disposal 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 both current and constant consolidation scope, as a result of declines in both recycled raw material volumes and prices (paper and scrap metals) and in the level of municipal and commercial collection activity due to high levels of competition.

Outside France, revenue declined 6.7% (0.7% at constant consolidation scope and exchange rates). Revenue in Germany fell 7.8% 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 (while decreasing 1.8% at current consolidation scope and exchange rates) due to the increase in PFI contract revenue offset by the weakening of the pound sterling against the euro. In North America, where revenues were up 1.5% at constant consolidation scope and exchange rates but down 8.2% at current consolidation scope and exchange rates, revenue benefitted from growth in the hazardous waste and industrial sector (petrochemicals and refining) activity, but was negatively affected by the weaker U.S. dollar. Revenue rose by 1.1% in Australia at constant consolidation scope and exchange rates (while decreasing 6.7% at current consolidation scope and exchange rates) due to the rising price of commercial waste collection services offset by the weaker Australian dollar.

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.

The following table shows our Energy Services division s revenues in 2013 and 2012:

Year ended December 31, 2013 *(in € million)*	**Year ended December 31, 2012 represented** *(in € 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%

Revenues from our Energy Services division declined slightly (down 2.5% at current consolidation scope and exchange rates and 1.1% at constant consolidation scope and exchange rates), due to the end of gas cogeneration contracts in France, partially offset by higher energy prices (which contributed approximately €55 million compared with revenue for the year ended December 31, 2012) and favorable weather conditions in France, in a difficult commercial environment.

In France, revenue declined 3.2% (down 1.9% at constant consolidation scope), due to the termination of gas cogeneration contracts, partially offset by higher energy prices, combined with more favorable weather conditions.

In the United States, revenue rose 7.3% (10.9% at constant consolidation scope and exchange rates), due to higher gas prices as well as an increase in steam volumes sold following a return to harsh weather conditions compared with a particularly mild 2012 winter.

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"Other" Segment

The following table shows the revenues of our "Other" segment in 2013 and 2012:

Year ended December 31, 2013 *(in € million)*	**Year ended December 31, 2012 represented** *(in € million)*	**% Change 2013/2012**	**Internal growth**	**External growth**	**Foreign exchange impact**
260.9	178.7	46.0%	-4.2%	50.2%	0%

The "Other" segment groups together certain industrial multi-service contracts and various Group holding companies. The external growth in Other segment 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.

Revenue by Geographical Region

The following table shows the breakdown of our revenue by geographical region and operating segment (division):

Year ended December 31, 2013 *(in € 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 *(in €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%**

Operating Income

Operating income was €490.5 million for the year ended December 31, 2013, compared to €711.3 million for the year ended December 31, 2012, representing a decrease of 31.0% (29.7% at constant exchange rates). The change in operating income resulted primarily from the following factors:

- a decline in adjusted operating cash flow of 6.4% (4.7% at constant exchange rates) to €1,796.3 million for the year ended December 31, 2013, compared with €1,918.7 million for the year ended December 31, 2012. The adjusted operating cash flow margin declined from 8.3% in 2012 to 8.0% in 2013. These changes are explained below under "—Adjusted Operating Cash Flow".

- impairment losses on goodwill (and negative goodwill) of €168.4 million, particularly in the Environmental Services division in Germany and Poland in the amount of €167.9 million, compared with €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;

- 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);

- a €45.9 million increase in depreciation and amortization expense at current exchange rates compared with 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 €1,173.9 million for the year ended December 31, 2012, including a negative exchange rate impact of €18.8 million.

The impact of these factors in 2013 were partially offset by an increase in capital gains on industrial and financial asset divestitures to €151.2 million for the year ended December 31, 2013, compared with €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 our Consolidated Financial Statements included at Item 18 of this annual report on Form 20-F).

Cost of sales was €18,959.9 million in 2013, a decline of 3.1% compared to cost of sales of €19,563.0 million recorded in 2012. Cost of sales represented 85.0% of revenues in 2013, and 84.2% of revenues in 2012. Selling, general and administrative expenses in 2013 were €2,977.9 million compared with €3,069.9 million in 2012, representing a decrease of 3.0%, or €92.0 million, at current consolidation scope and exchange rates, including a negative exchange rate impact of €56 million. This decline incorporates the effects of the divestiture program and cost reduction plan launched by our Group in 2012.The ratio of selling, general and administrative expenses to revenue was 13.3% in 2013, compared with 13.2% in 2012.This slight variation was primarily due to anincrease in restructuring expenses (including charges and reversals) recorded in selling, general and administrative expenses, which amounted to €122.7 million for the year ended December 31, 2013, compared with €37.7 million for the year ended December 31, 2012. Apart from these costs, the ratio of SG&A costs to revenue was 12.8% in 2013, compared with 13.0% in 2012.

Share of Net Income (Loss) of Equity-Accounted Entities

The share of net income of equity-accounted entities totaled income of €178.7 million in 2013 compared to a loss of 11.9 million in 2012. The share of net income (loss) of equity-accounted entities can be split between the share of net income (loss) of joint ventures and the share of net income (loss) of associates.

Share of net income (loss) 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 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; and
- the turnaround in Dalkia International's results in Spain and Italy; in 2012 a €65.1 million charge relating to receivables and accrued expensesin Italy was recorded.

Our main joint ventures are in Dalkia International and the Chinese water concessions (for a total of approximately twenty joint ventures), and our interests in those joint ventures range between 21% and 50% depending on the concession.The main indicators for these joint ventures are as follows:

Dalkia International Contribution [1] *(€ million)*	**Year ended December 31, 2013**	Year ended 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%
Share of net income (loss)	25.0	(119.8)	n.s.

(1)

Dalkia International Contribution at 75.8%

Chinese Water Concessions Contribution [(2)]	**Year ended December 31, 2013**	December 31, 2012 represented	% change

(€ million)			
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%
Share of net income (loss) *(2)*	9.0	20.1	-55.2%

Group Share

More detailed information is presented in Notes 8 and 39 to our 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 €24.4 million for the year ended December 31, 2012.

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Operating Income After Share of Net Income (Loss) of Equity-Accounted Entities

Operating income after share of net income or loss of joint ventures and associates decreased by 4.3% (2.7% at constant exchange rates) to €669.2 million for the year ended December 31, 2013, compared with €699.4 million for the year ended December 31, 2012. It includes the share of net income of joint ventures and associates (presented above) in the amount of €178.7 million, compared with a net loss of €11.9 million for the year ended December 31, 2012.

Adjusted Operating Income

Adjusted operating income, including the share of adjusted net income (loss) of equity-accounted entities, totaled €921.9 million, compared with €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 following tables show a reconciliation of our adjusted operating income with operating income and operating income after share of net income (loss) of equity-accounted entities by division in 2013 and 2012.

December 31, 2013				Adjustments		
(€ 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)**	Impairment losses on goodwill[1] **(D)**	Special items[2] **(E)**	Adjusted operating income **(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)**	Special items[(2)] **(E)**	Adjusted operating income **(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)

In 2013, impairment losses on goodwill (negative goodwill is presented in the "Special Items" column) included €167.9 million recognized in the Environmental Services division in Germany and Poland and €0.5 million in the Water division. Goodwill impairment charges in 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)

2013 reflects primarily 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 which are presented in the Special items adjustments column. The impairment losses on the securities of equity-accounted companies are also presented in the Special items 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. In 2012 impairment losses on the securities of equity-accounted companies presented in "Special items" adjustments totaled €4.6 million for non-regulated Water activities in the United Kingdom and €16.4 million for Dalkia Estonia and Israel.

The increase in adjusted operating income in 2013 reflects:

- 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;

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;

•

a comparison to 2012 in which a €65.1 million impairment on receivables and other accrued expenses in Italy in Energy Services (*i.e.*, €81.5 million before taxes) was recorded during the year ended December 31, 2012 in the share of adjusted net income of joint ventures;

These factors were partially offset by the decrease in adjusted operating cash flow as discussed below under Adjusted Operating Cash Flow.

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Operating Income and Adjusted Operating Income by Division

The following table breaks down changes in operating income before the share of income of equity-accounted entities and adjusted operating income by division for the years ended December 31, 2013 and 2012.

	Operating income				**Adjusted operating income**			
(€ million)	**December 31, 2013**	December 31, 2012 represented	% Change	% Change at constant exchange rates	**December 31, 2013**	December 31, 2012 represented	% Change	% Change at constant exchange rates
Water	290.2	386.9	-25.0%	-24.9%	438.2	475.5	-7.8%	-7.6%
Environmental Services	156.6	267.1	-41.4%	-38.1%	373.2	328.4	13.6%	16.4%
Energy Services	154.8	210.2	-26.3%	-25.9%	202.8	121.2	67.5%	68.0%
Other	(111.1)	(152.9)	27.3%	27.3%	(92.3)	(127.0)	27.4%	27.4%
Total	**490.5**	**711.3**	**-31.0%**		**921.9**	**798.1**	**15.5%**	
Total at 2012 exchange rates	**500.4**	**711.3**		**-29.7%**	**932.9**	**798.1**		**16.9%**
Operating income margin	**2.2%**	**3.2%**			N/A	N/A		

Water

The Water division's operating income declined to €290.2 million for the year ended December 31, 2013, compared to €386.9 million for the year ended December 31, 2012, representing a decrease of 25.0% (24.9% at constant exchange rates).

The share of net income of equity-accounted entities of the Water division decreased from income of €32.4 million for the year ended December 31, 2012 to income of €26.3 million for the year ended December 31, 2013.

Adjusted operating income decreased 7.8% (7.6% at constant exchange rates) to €438.2 million for the year ended December 31, 2013, compared to €475.5 million for the year ended December 31, 2012.

The following factors affected the change in both operating income and adjusted operating income from 2012 to 2013:

•

a decrease in adjusted operating cash flow of the division, discussed below under Adjusted Operating Cash Flow,

lower capital gains on disposals,

an increase in net operating depreciation and amortization charges, mainly due to charges in France in connection with the planned reorganization and its impacts on the information systems.

In addition, operating income (but not adjusted operating income) was penalized by the increase in net charges to operating provisions of €94.4 million for the year ended December 31, 2013, compared to €5.8 million for the year ended December 31, 2012, reflecting €97 million of restructuring costs recorded in connection with the Water division voluntary departure plan in France (and excluded from adjusted operating income as an adjustment).

The operating income margin (operating income / revenue) of the Water division fell from 3.6% for the year ended December 31, 2012 to 2.8% for the year ended December 31, 2013.

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Environmental Services

The Environmental Services division s operating income decreased to €156.6 million for the year ended December 31, 2013, compared to €267.1 million for the year ended December 31, 2012, representing a decrease of 41.4% (38.1% at constant exchange rates).

The share of net income of equity-accounted entities of the Environmental Services division decreased from income of €48.4 million for the year ended December 31, 2012 to income of €32.7 million for the year ended December 31, 2013.

Adjusted operating income increased 13.6% (16.4% at constant exchange rates) to €373.2 million for the year ended December 31, 2013, compared to €328.4 million for the year ended December 31, 2012.

The following factors affected the change in both operating income and adjusted operating income from 2012 to 2013:

•

a decrease in adjusted operating cash flow of the division, discussed below under Adjusted Operating Cash Flow;

the positive impact arising from the deconsolidation of Italian activities, following the approval of the Concordato preventivo di gruppo (CPG); and

adecrease in net charges to operating provisions, mainly due to the absence of impairment losses recorded for the Marine Services business, which were recorded in 2012 in connection with the fair value adjustment related to the sale agreement.

In addition, operating income (but not adjusted operating income) was impacted by €167.9 million of goodwill impairment charges recognized in Germany and Poland.

The operating income margin (operating income / revenue) of the Environmental Services divisiondeclined from 3.1% for the year ended December 31, 2012 to 1.9% for the year ended December 31, 2013.

Energy Services

The Energy Services division’s operating income decreased to €154.8 million for the year ended December 31, 2013, compared to operating income of €210.2 million for the year ended December 31, 2012.

The share of net income of equity-accounted entities of the Energy Services division changed from a loss of €100.2 million for the year ended December 31, 2012 to income of €35.7 million for the year ended December 31, 2013. 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 charges relating to receivables and accrued expenses in Italy recognized in 2012 for €65.1 million (*i.e.*, €81.5 million before taxes).

Adjusted operating income increased 67.5% (68.0% at constant exchange rates) to €202.8 million for the year ended December 31, 2013, compared with €121.2 million for the year ended December 31, 2012.

The following factors affected the change in both operating income and adjusted operating income from 2012 to 2013:

a decrease in adjusted operating cash flow of the division, discussed below under Adjusted Operating Cash Flow;

•

an increase in net charges to operating provisions to €2.6 million for the year ended December 31, 2013, compared to a net reversal of €13.0 million for the year ended December 31, 2012, in connection with the settlement of disputes in 2012; and

•

lower capital gains on disposals, which decreased to €18.5 million for the year ended December 31, 2013, from €48.7 million for the year ended December 31, 2012.

The operating income margin (operating income / revenue) fell from 5.5% for the year ended December 31, 2012 to 4.1% in the year ended December 31, 2013.

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Other Segment

Operating loss of the Other segment decreased from €152.9 million for the year ended December 31, 2012, to €111.1 million for the year ended December 31, 2013.

The share of net income of equity-accounted entities of the Other segment increased from income of €7.5 million for the year ended December 31, 2012 to income of €84.0 million for the year ended December 31, 2013. The 2013 figure represented primarily the impact of the fair value remeasurement of the interest in Proactiva that we held at the time we acquired the remaining stake.

Adjusted operating income improved to a loss of €92.3 million for the year ended December 31, 2013, from a loss of €127.0 million for the year ended December 31, 2012.

The following factors affected the change in both operating income and adjusted operating income from 2012 to 2013:

a decrease in net operating provisions charges 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;

partially offset by:

•

a decrease in adjusted operating cash flow of the segment, discussed below under "—Adjusted Operating Cash Flow."

Adjusted Operating Cash Flow

Adjusted operating cash flow declined 6.4% (4.7% at constant exchange rates) to €1,796.3 million for the year ended December 31, 2013, compared with €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 French CICE Employment and Competitiveness social security tax credit, which was partly offset by the increase in the *Forfait social* (a corporate social security contribution);

price increases in France and Central and Eastern Europe and the solid performance of industrial contracts in the United States in the Water division; and

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 concerned the Environmental Services division (pound sterling and Australian dollar).

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The following table breaks down the changes in adjusted operating cash flow by division, at both current and constant exchange rates:

	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%**		

The following tables show a reconciliation of our adjusted operating cash flow to our operating income by division in 2013 and 2012:

December 31, 2013	Operating income	Net charges to operating provisions	Net depreciation and amortization	Impairment losses on goodwill	Capital gains (losses) on divestiture of non-current assets	Other	Adjusted operating cash flow
(€ million)	**(A)**	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(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**

December 31, 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**

Water

Adjusted operating cash flow decreased by 2.4% (1.6% at constant exchange rates) to €833.1 million for the year ended December 31, 2013, compared with €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 France and 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, which was 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.

The adjusted operating cash flow margin increased slightly from 8.0% in the year ended December 31, 2012 to 8.2% in the year ended December 31, 2013.

Environmental Services

Adjusted operating cash flow decreased 7.1% (4.6% at constant exchange rates) to €846.7 million for the year ended December 31, 2013, compared with €911.3 million for the year ended December 31, 2012.

Adjusted operating cash flow in 2013 declined due to:

- the difficult macroeconomic context and the lower prices of recycled raw materials in France and Germany;

- the decline in the level of activity in municipal and commercial waste 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.

The adjusted operating cash flow margin decreased slightly from 10.7% in the year ended December 31, 2012 to 10.5% in the year ended December 31, 2013.

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Energy Services

Adjusted operating cash flow decreased 6.6% (5.9% at constant exchange rates) to €228.7 million for the year ended December 31, 2013, compared with €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 progressive termination of gas cogeneration contracts in France. The net impact of the cost reduction plans helped to absorb the impact of commercial portfolio losses.

The adjusted operating cash flow margin decreased from 6.4% in the year ended December 31, 2012, to 6.1% in the year ended December 31, 2013.

Other Segment

Adjusted operating cash flow was negative €112.2 million for the year ended December 31, 2013, compared with negative €91 million for the year ended December 31, 2012. This deterioration over the period was primarily due to the impact of the Veolia Environnement voluntary departure plan, partially offset by the reversal of provisions related to the closure of the senior executive defined benefit pension plan.

Net Finance Costs

Finance costs, net represent the cost of gross financial fair value debt, including profit and loss on related interest rate and exchange rate hedging, less income on cash and cash equivalents. The following table shows a breakdown of our finance costs, net:

Net Finance Costs *(in € million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Income	46.4	71.8
Expenses	(622.6)	(716.0)
Finance costs, net	**(576.2)**	**(644.2)**

Net finance costs totaled €576.2 million for the year ended December 31, 2013, compared with €644.2 million for the year ended December 31, 2012. The decrease in net finance costs between 2013 and 2012 was mainly due to:

a reduction in expenses following the partial buybacks of bond tranches in 2012 and 2013;

a reduction in expenses related to the repayment at maturity of €432 million of bonds that matured in May 2013 (which bore interest at 4.875%) and of USD 490 million of bonds that matured in June 2013 (which bore interest at 5.25%);

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repayment of the drawdown in Polish zlotys on the multi-currency syndicated loan facility in April 2013 in the amount of €390 million (euro equivalent).

Net finance costs in 2013 included €73.1 million of expense related to the buyback of bond lines in 2013. In 2012, we incurred €47.3 million of expenses in connection with the repurchase of our bonds.

Other Financial Income (Expenses)

The following table shows a breakdown of our other financial income (expenses):

Other Financial Income (Expenses) (*in € million*)	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Net gains on loans and receivables	99.6	132.3
Net gains and losses on available-for-sale assets (including dividends)	3.9	3.8
Assets and liabilities at fair value through profit and loss	0.2	(1.1)
Unwinding of the discount on provisions	(41.3)	(50.3)
Foreign exchange gains and losses	(5.8)	(23.2)
Other	(18.6)	(10.7)
Other financial income and expenses	38.0	50.8

Other financial income and expenses decreased from net income of €50.8 million for the year ended December 31, 2012 to €38.0million in net expenses for the year ended December 31, 2013, reflecting the changes in the items set forth in the table above.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.

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Income Tax Expense

The income tax expense for the year ended December 31, 2013 was €128.3 million, compared to €52.9 million in 2012. Our effective tax rate in 2013 was 269.0%, due to asset impairment charges that are 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. In France, in light of the 5-year business plan used for purposes of determining whether we can recognize deferred tax assets, 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.

Share of Net Income of Other Equity-Accounted Entities

Other equity-accounted entities include only the Transdev Group, in which we own a 50% interest. See "Overview – Transdev and SNCM" for information relating to our accounting treatment of Transdev Group. We recorded a net loss of €51.5 million in respect of our equity share of Transdev Group in 2013, compared to a net loss share of €45.3 million in 2012.

Key operational indicators for Transdev Group (at 100%) for the years ended December 31, 2013 and December 31, 2012 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)
Net income (loss)	(140.3)	(381.9)

(*)

after application of IFRS 10, 11 and 12

(**)

including the share of net income (loss) of joint ventures and associates.

Transdev s revenues declined 2.8% in 2013 compared to 2012. At constant consolidation scope and exchange rates, Transdev reported a slight decrease in revenues (down 1.0%). The impact of the termination of the Nice and Cannes municipal contracts in France, as well as 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.

Operating income for the year ended December 31, 2013 increased to €38.6 million from a loss of €291.1 million for the year ended December 31, 2012. Operating income benefitted from the increase in adjusted operating cash flow described below as well as from significantly lower impairment losses on goodwill and non-current assets, down €278 million compared to 2012, during which Transdev recorded substantial impairment losses in the Netherlands.

In an ongoing uncertain economic environment, the adjusted operating cash flow of Transdev Group increased by 15.0% (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 by Transdev management and the net contribution of the CICE Employment and Competitiveness social security tax credit, and for most other countries to the initial results of action plans and a decrease in overheads reflecting the impact of measures undertaken in 2012.

The net loss of Transdev Group for the year ended December 31, 2013 was €140.3 million. Our share of net loss from Transdev was €51.5 million, representing our proportionate share of net loss after non-controlling interests, adjusted to account for certain impairment charges and other amounts.

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Net Income from Discontinued Operations

Net income from discontinued operations was €27.3 million for the year ended December 31, 2013, compared with net income of €431.8 million for the year ended December 31, 2012, and includes operations divested or in the course of divestiture.

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 Water divested in early December 2013.

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.

Net Income for the Year Attributable to Non-controlling Interests

Net income attributable to non-controlling interests was €113.8 million for the year ended December 31, 2013, compared with €35.6 million for the year ended December 31, 2012.

This item mainly concerns the minority shareholders of subsidiaries in the Water division (net income of €68.9 million in 2013), the Environmental Services division (net income of €8.6 million in 2013), the Energy Services division (net income of €36.0 million in 2013) and the Other segment (net income of €0.3 million in 2013).

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 charges relating to receivables and accrued expenses in Italy that had been recognized in 2012.

Net Income (Loss) Attributable to Owners of the Company

Net loss attributable to owners of the Company was €135.3 million for the year ended December 31, 2013, compared with 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 €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), loss per share attributable to owners of the Company (basic and diluted) was €0.29 for the year ended December 31, 2013, compared with net income per share of €0.79 for the year ended December 31, 2012. Adjusted net income per share attributable to owners of the Company (basic and diluted) was €0.39 for the year ended December 31, 2013, compared with €0.11 for the year ended December 31, 2012. For purposes of the foregoing, coupons paid on our deeply subordinated securities (which are treated as equity under IFRS) are deducted from net income. See Item 3. Key Information Selected Financial Data for information on the weighted average number of shares outstanding in each period. See Adjusted net income below for a description of the calculation of adjusted net income.

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Adjusted net income

Adjusted net income attributable to owners of the Company for the year ended December 31, 2013 is determined as follows:

Year ended December 31, 2013 (in € million)	Adjusted	Adjustments	Total
Operating income after share of net income (loss) of equity-accounted entities	921.9	(252.7)[1]	669.2
Net finance costs	(503.1)	(73.1)[2]	(576.2)
Other financial income and expenses	52.3	(14.3)[3]	38.0
Income tax expense	(141.9)	13.6[4]	(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)[5]	(113.8)
Net income (loss) attributable to owners of the Company	**223.2**	**(358.5)**	**(135.3)**

(1)

Adjustments to operating income are presented in - Operating Income After Share of Net Income (Loss) of Equity-Accounted Entities Adjusted Operating Income.

(2)

This reflects costs related to bond buybacks, as presented in Liquidity and Capital Resources.

(3)

This reflects the write-off of our receivable due from SNCM. See Overview Transdev and SNCM.

(4)

This reflects the cumulative impact of several individually insignificant factors.

(5)

This mainly reflects non-controlling interests in income (loss) from discontinued operations.

Adjusted net income for the year ended December 31, 2012 breaks down as follows:

	Adjusted	Adjustments	Total

Year ended December 31, 2012 represented (in € million)			
Operating income after share of net income (loss) of equity-accounted entities	798.1	(98.7)(1)	699.4
Net finance costs	(596.9)	(47.3)(2)	(644.2)
Other financial income and expenses	50.8		50.8
Income tax expense	(106.8)	53.9(3)	(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(4)	(35.6)
Net income (loss) attributable to owners of the Company	**58.5**	**345.5**	**404.0**

(1)

Adjustments to operating income are presented in - Operating Income After Share of Net Income (Loss) of Equity-Accounted Entities Adjusted Operating Income.

(2)

This reflects costs related to bond buybacks, as presented in Liquidity and Capital Resources.

(3)

This reflects the income tax impact of the change in scope of the U.S. tax group in the Energy Services division.

(4)

This primarily reflects non-controlling interests in income (loss) from discontinued operations.

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Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue

Overview

The following table shows a breakdown of our revenues in 2011 and 2012:

Year ended December 31, 2012 *(in € million)*	Year ended December 31, 2011 *(in € million)*	% Change 2012/2011	Internal growth	External growth	Foreign exchange impact
23,238.9	22,482.4	3.4%	2.1%	(0.6)%	1.9%

For the year ended December 31, 2012, our consolidated revenue was €23,238.9 million, representing an increase of 3.4% compared to revenue of €22,482.4 million for the year ended December 31, 2011. At constant consolidation scope and exchange rates, 2012 revenue increased 2.1% compared to 2011 revenue.

Changes in consolidation scope decreased 2012 revenue by €136.9 million, including a €60.0 million decrease in revenues in the Water division reflecting divestitures in France (Saint-Lizaigne and Pica), a €29.9 million decrease in revenues in the Environmental Services division and a €49.4 million decrease in revenue in the Energy Services division.

Foreign exchange fluctuations accounted for a €430.6 million change in revenue, which primarily reflects the appreciation against the euro of the US dollar (accounting for a €135.4 million increase in revenues), the pound sterling (accounting for a €130.1 million increase in revenues), the Australian dollar (accounting for a €80.1 million increase in revenues) and the Chinese remnimbi yuan (accounting for a €33.2 million increase in revenues).

The increase in revenues at constant consolidation scope and exchange rates is explained principally by the following factors:

the favorable effects of price indexation in France and price increases and contract extensions in Central and Eastern Europe in Operations and the growth of Technologies and Networks industrial activities, in the Water division;

•

the increase in energy prices (accounting for approximately €120 million of the increase compared with 2011) combined with more favorable weather conditions than in 2011 in the Energy Services division.

These effects were partially offset by contractual erosion in the Water division in France. Revenues in the Environmental Services division also declined at constant consolidation scope and exchange rates, primarily due to decreasingrecycled raw materials prices. This effect was particularly strong primarily in France and Germany in the third quarter of 2012 and accounts for approximately €155 million of the decrease in revenues compared with 2011.

The share of our revenue generated outside France in 2012 was €11,616.4 million, or 50.0% of total revenue compared to 50.2% in 2011.

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The following table shows a breakdown of our revenues by division in 2012 and 2011:

Revenues by Division *(in € million)*	**Year ended December 31, 2012**	**Year ended December 31, 2011**	**% Change 2012/2011**
Water	10,696.2	10,372.2	3.1%
Environmental Services	8,512.0	8,448.3	0.8%
Energy Services	3,852.0	3,531.1	9.1%
Other	178.7	130.8	36.6%
Revenue	**23,238.9**	**22,482.4**	**3.4%**
Revenue at 2011 exchange rates	**22,808.3**	**22,482.4**	**1.4%**

Water

The following table shows a breakdown of our revenues within the Water division in 2012 and 2011:

Year ended December 31, 2012 *(in € million)*	**Year ended December 31, 2011** *(in € million)*	**% Change 2012/2011**	**Internal growth**	**External growth**	**Foreign exchange impact**
10,696.2	10,372.2	3.1%	2.3%	(0.6)%	1.4%

The increase in Water division revenue at constant consolidation scope and exchange rates can be attributed both to the favorable effects of price indexation in France, and price increases in Central and Eastern Europe, as well as an increase in Technologies and Networks industrial activities.

Revenue from Operations activities increased 1.0% (1.2% at constant consolidation scope and exchange rates).

In France, the slight increase of 0.7% in revenue (1.4% at constant consolidation scope) is due to a favorable price effect tied to indexation trends and the increase in the construction business partially offset by the effects of contractual erosion and lower water volumes sold (representing approximately a 1% decrease in volumes in 2012 compared to 2011).

Outside France, revenue increased 1.2% (1.1% at constant consolidation scope and exchange rates). In Europe, we recorded growth of 4.8% at constant consolidation scope and exchange rates as a result of the good performance recorded in Central and Eastern Europe including a favorable price effect in the Czech Republic and Romania, the latter of which also benefited from the extension of its activity, despite lower volumes sold. Revenue in the Asia-Pacific region declined by 3.0% (down 5.3% at constant consolidation scope and exchange rates). Revenue in the rest of Asia was marked by a downturn in Japan, where the revenue increase observed after the March 2011 earthquake was not repeated and a decline in Australia following the end of the Adelaide contract in June 2011. In the United States, we recorded a 0.8% decline in revenue (down 8.5% at constant consolidation scope and exchange rates) mainly attributable to the end of the Indianapolis contract in August 2011.

Technologies and Networks revenue grew 1.6% (1.3% at constant consolidation scope and exchange rates), benefitting from growth in industrial client activities in the Design and Build and Solutions sectors, primarily in the chemicals industry and the upstream oil sector, as well as the international expansion of Sade.

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Environmental Services

The following table shows a breakdown of our revenues in the Environmental Services division in 2012 and 2011:

Year ended December 31, 2012 *(in € million)*	**Year ended December 31, 2011** *(in € million)*	**% Change 2012/2011**	**Internal growth**	**External growth**	**Foreign exchange impact**
8,512.0	8,448.3	0.8%	(1.9)%	(0.4)%	3.1%

Environmental Services division revenue remained stable with 0.8% growth, although it decreased by 1.9% at constant consolidation scope and exchange rates, reflecting the following:

a challenging macro-economic environment since the second quarter of 2012, particularly in Europe;

a decrease in the price of recycled raw material (mainly in France, Germany and the United Kingdom), which was particularly strong in the third quarter of 2012, accounting for approximately €155 million of the decrease in revenue;

•

the impact of the geographical restructuring plan, with the closure and restructuring of activities in North Africa, the Middle East and Italy.

In France, revenue increased 2.1% (1.4% at constant consolidation scope). Growth in certain activities, such as incineration and hazardous waste, combined with higher prices for services and higher raw material volumes offset lower prices for recycled raw materials such as paper/cardboard and scrap metal.

Outside France, revenue was stable at current consolidation scope and exchange rates and down 4.1% at constant consolidation scope and exchange rates. Revenue in Germany declined 11.5% (13.0% at constant consolidation scope) under the combined effect of lower raw material prices and volumes and adverse economic trends in the industrial and commercial sector. Revenue in the United Kingdom increased 4.6% as a result of the strengthening of the pound sterling against the euro, but decreased 2.2% at constant consolidation scope and exchange rates due to lower PFI construction revenue and a structural decline in landfill waste volumes in a challenging macro-economic environment. North America revenue increased 9.1% (an increase of1.1% at constant consolidation scope and exchange rates), because of an increase in hazardous waste treatment activities that offset by lower industrial services activities. In the Asia-Pacific region, revenue growth of 16.4% (8.5% at constant consolidation scope and exchange rates) benefited from the favorable impact of the landfill tax, as well as good levels of industrial services and landfill activity in

Australia, which particularly marked in the fourth quarter.

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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.

The following table shows a breakdown of our revenues in the Energy Services division in 2012 and 2011:

Year ended December 31, 2012 *(in €million)*	**Year ended December 31, 2011** *(in €million)*	**% Change 2012/2011**	**Internal growth**	**External growth**	**Foreign exchange impact**
3,852.0	3,531.1	9.1%	9.9%	(1.4)%	0.6%

Energy Services division revenue increased 9.1% (9.9% at constant consolidation scope and exchange rates), mainly due to good activity levels in the construction business in France. In addition, Energy Services benefited from the positive impact of energy prices which accounted for an increase of approximately €120 million compared with 2011, combined with more favorable weather conditions than in 2011.

In France, revenue rose 10.3% (11.9% increase at constant consolidation scope), driven by the increase in the price of average fuel basket combined with more favorable weather conditions than in 2011 and an increase in construction volumes in a highly competitive environment.

In the United States, revenue declined 5.8% (13% at constant consolidation scope and exchange rates) as a result of unfavorable weather conditions, combined with exceptionally low energy prices.

Other Segment

The following table shows a breakdown of our revenues in the Other segment in 2012 and 2011:

Year ended December 31, 2012 *(in €million)*	**Year ended December 31, 2011** *(in €million)*	**% Change 2012/2011**	**Internal growth**	**External growth**	**Foreign exchange impact**
178.7	130.8	36.6%	34.6%	1.8%	0.2%

Our Other Segment is mainly composed of revenue generated by contracts that are not allocated to our principal divisions, as well as holding company activities. Revenue in this segment increased 36.6% (34.6% at constant consolidation scope and exchange rates) in 2012 compared to 2011, primarily driven by the start of an industrial contract in Europe.

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Revenue by Geographical Region

The following table shows a breakdown of our revenue by geographical region and operating segment (division):

Year ended December 31, 2012 *(€ 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**

Year ended December 31, 2011 *(€ million)*	**France**	**Germany**	**United Kingdom**	**Central and Eastern Europe**	**Other European countries**	**United States**	**Oceania**	**Asia**	**Middle East**	**Rest of the world**	**Total**
Water	4,545.2	900.7	331.2	1,043.0	610.2	732.8	238.6	1,064.1	201.7	704.7	**10,372.2**
Environmental Services	3,311.1	1,167.4	1,619.2	107.9	390.5	644.1	704.6	185.8	97.0	220.7	**8,448.3**
Energy Services	3,257.1	0.0	0.0	0.0	0.0	274.0	0.0	0.0	0.0	0.0	**3,531.1**
Other	87.7	0.0	4.2	0.0	24.0	0.0	0.0	0.0	0.0	14.9	**130.8**
Revenue	**11,201.1**	**2,068.1**	**1,954.6**	**1,150.9**	**1,024.7**	**1,650.9**	**943.2**	**1,249.9**	**298.7**	**940.3**	**22,482.4**

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	(28.7)	(5.0)	14.4	76.1	62.2	75.0	(39.3)	45.5	42.0	81.7	**324.0**
Environmental Services	69.8	(125.2)	81.6	(7.3)	(153.0)	64.1	137.0	9.2	5.7	(18.4)	**63.7**

Energy Services	336.9	0.0	0.0	0.0	0.0	(16.0)	0.1	0.0	0.0	0.0	**320.9**
Other	43.2	0.0	(0.9)	0.0	14.7	0.0	0.0	0.6	0.0	(9.7)	**47.9**
Revenue	**421.2**	**(130.1)**	**95.1**	**68.8**	**(76.1)**	**123.2**	**97.8**	**55.3**	**47.7**	**53.6**	**756.5**
Change (%)	**3.8%**	**(6.3)%**	**4.9%**	**6.0%**	**(7.4)%**	**7.5%**	**10.4%**	**4.4%**	**16.0%**	**5.7%**	**3.4%**
Change at constant exchange rates (%)	**3.8%**	**(6.3)%**	**(1.8)%**	**8.5%**	**(8.2)%**	**(0.7)%**	**1.9%**	**(3.1)%**	**12.7%**	**5.4%**	**1.4%**

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Operating Income

Operating income was €711.3 million for the year ended December 31, 2012, compared to €572.0 million for the year ended December 31, 2011, representing an increase of 24.4% (23.0% at constant exchange rates). The change in operating income resulted primarily from the following factors:

- A decline in adjusted operating cash flow of 1.4% (3.2% at constant exchange rates) to €1,918.7 million for the year ended December 31, 2012, compared to €1,945.8 million for the year ended December 31, 2011. The adjusted operating cash flow margin decreased 0.4% from 8.7% in 2011 to 8.3% in 2012. This is discussed below under "—Adjusted Operating Cash Flow."

- In 2012, €64.8 million in impairment losses on goodwill were recognized compared with €246.0 million in impairment charges in 2011. The 2012 impairments were primarily due to €51.9 million in impairments on non-regulated Water activities and on Estonian activities in the Energy Services and Environmental Services divisions.

- In 2012, depreciation and amortization expense was €71.0 million greater than in 2011, due to recent growth in Water division and to non-current asset impairment recognized as a result of the challenging macro-economic environment in the UK and Germany in Environment Services division in 2012. Net charges to operating depreciation and amortization expense totalled €1,173.9 million for the year ended December 31, 2012, compared with €1,102.9 million in 2011, including a negative foreign exchange impact of €20.3 million in 2012.

- Net charges to operating provisions decreased to €69.1 million for the year ended December 31, 2012, compared to charges of €77.9 million in 2011.

- Capital gains on industrial and financial asset divestitures increased to €119.5 million for 2012 compared to €71.9 million for 2011. Capital gains from the divestiture of our UK regulated water activity and our US solid waste activity are recorded under income from discontinued operations, and therefore are not included in these totals.

Cost of sales totaled €19,563.0 million for the year ended December 31, 2012, or 84.2% of total revenue, compared to €18,881.3 million for the year ended December 31, 2011, or 84.0% of total revenue.

Selling costs and general and administrative expenses totaled €532.9 million and €2,537.0 million, respectively, for the year ended December 31, 2012, compared to €516.7 million and €2,568.5 million for the year ended December 31, 2011.

Selling costs and general and administrative expenses represented 13.2% of revenue in 2012, compared to 13.7% in 2011. The Group’s cost reduction plan (Convergence) generated €60 million savings (net of implementation costs) in 2012, part of which was recorded in operating income, and the remainder of which was realized in equity accounted affiliates.

Share of Net Income of Equity-Accounted Entities

Our net loss of equity-accounted entities was €11.9 million in 2012, compared to €136.5 million in 2011. These amounts are 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 loss of joint ventures was €36.3 million for the year ended December 31, 2012, compared with net loss of €110.6 million for the year ended December 31, 2011. The 2012 figure included charges related to receivables and accrued expenses in Italy for €65.1 million (*i.e.*, €81.5 million before taxes), while the 2011 figure includes substantial charges for impairment of goodwill and non-current assets, primarily in Italy.

Share of net income of associates

The share of net income of associates was €24.4 million for the year ended December 31, 2012, compared with a net loss of €25.9 million for the year December 31, 2011.

Operating Income After Share of Net Income (Loss) of Equity-Accounted Entities

Operating income after share of net income or loss of joint ventures and associates increased by 60.6% (58.5% at constant exchange rates) to €699.4 million for the year ended December 31, 2012, compared with €435.5 million for the year ended December 31, 2011. It includes the share of net loss of joint ventures and associates (discussed above) in the amount of €11.9 million, compared with a net loss of €136.5 million for the year ended December 31, 2011.

Adjusted Operating Income

Adjusted operating income was €798.1 million for the year ended December 31, 2012, compared to €1,044.6 million for the year ended December 31, 2011, representing a decrease of 23.6% (24.7% at constant exchange rates). The adjusted operating income margin fell from 4.6% for the year ended December 31, 2011 to 3.4% for 2012.

Adjusted operating income is equal to operating income after share of net income (loss) of equity-accounted entities, excluding goodwill impairment charges and special items (as defined in *Non-GAAP Measures* above). In 2012, adjusted operating income excluded €98.7 million of goodwill impairment and other special items. In 2011, adjusted operating income excluded €609.1 million of goodwill and other impairment charges, and other special items.

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The following tables reconcile adjusted operating income to operating income for the years ended December 31, 2012 and 2011:

December 31, 2012			Operating income	Adjustments		
	Operating income	Share of net income (loss) of equity-accounted entities	Operating income after share of net income (loss) of equity-accounted entities	Impairment losses on goodwill (1)	Special items (2)	Adjusted operating income (3)
(€ million)	**(A)**	**(B)**	**(C)=(A)+(B)**	**(D)**	**(E)**	**(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**

December 31, 2011			Operating income	Adjustments		
	Operating income	Share of net income (loss) of equity-accounted entities	Operating income after share of net income (loss) of equity-accounted entities	Impairment losses on goodwill (1)	Special items(2)	Adjusted operating income (3)
(€ million)	**(A)**	**(B)**	**(C)=(A)+(B)**	**(D)**	**(E)**	**(F)=(C)-(D)-(E)**
Water	533.3	(14.7)	518.7	(17.0)	(52.2)	587.8
Environmental Services	189.0	42.6	231.6	(75.9)	(72.8)	380.3
Energy Services	8.4	(170.0)	(161.7)	(153.1)	(238.1)	229.6

Other	(158.7)	5.6	(153.1)	0.0	0.0	(153.1)
Total	**572.0**	**(136.5)**	**435.5**	**(246.0)**	**(363.1)**	**1,044.6**

(1)

In 2012, impairment losses on goodwill (negative goodwill is presented in the Special items column) related primarily to 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. Impairment losses for the year ended December 31, 2011 related to Energy Services subsidiaries in the United States (€153.1 million) and to Group subsidiaries in Italy (€92.4 million).

(2)

For the year ended December 31, 2012 impairment losses on the securities of equity-accounted companies presented in "Special items" adjustments totaled -€4.6 million for non-regulated Water activities in the United Kingdom and -€16.4 million for Dalkia Estonia and Israel. For the period ended December 31, 2011 we recognized non-current asset impairment charges in Italy relating to the Water division (€52.1 million) and Environment Services division (€72.8 million) and asset impairment charges and reorganization costs in Energy Services division in Italy (€238.1 million based on our group's share).

Adjusted operating income was negatively impacted in 2012 by non-current asset impairments due to the challenging macro-economic environment in the United Kingdom and Germany in the Environmental Services division and provisions for contractual risks in the Water division. Adjusted operating income also included capital gains on industrial and financial asset divestitures of €119.5 million in 2012 compared to €71.9 million in capital gains for the same period in 2011.

In general, we exclude impairment charges on non-current assets when they are large enough to significantly impact the economics of a cash-generating unit. In 2011, all impairment charges recorded in Italy (€151.6 million), resulting from the same external economic trigger, were excluded from adjusted operating income, even if the impact on operating results of certain divisions (taken in isolation) would not otherwise have met our quantitative thresholds.

In 2012, impairment charges on receivables and accrued expenses in the Energy Services division in Italy were €81.5 million (€65.1 million after tax) and were not excluded from adjusted operating income as the nature of the charges is different from the charges recorded in 2011 as special items.

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Operating Income and Adjusted Operating Income by Division

The following table breaks down changes in operating income and adjusted operating income by division for the years ended December 31, 2012 and 2011.

	Operating income				**Adjusted operating income**			
	Year ended December 31, 2012	**Year ended December 31, 2011**	**% change**	**% change at constant exchange rates**	**Year ended December 31, 2012**	**Year ended December 31, 2011**	**% change**	**% change at constant exchange rates**
Water	386.9	533.3	(27.4)%	(26.8)%	475.5	587.8	(19.1)%	(19.2)%
Environmental Services	267.1	189.0	41.3%	36.2%	328.4	380.3	(13.6)%	(16.1)%
Energy Services	210.2	8.4	n/a	n/a	121.2	229.6	(47.2)%	(48.1)%
Other	(152.9)	(158.7)	(3.7)%	(4.0)%	(127.0)	(153.1)	(17.0)%	(17.3)%
Total	**711.3**	**572.0**	**24.4%**		**798.1**	**1,044.6**	**(23.6)%**	
Total at 2011 exchange rates	**703.7**	**572.0**		**23.0%**	**786.5**			**(24.7)%**
Margin	**3.2%**	**2.5%**			**3.4%**	**4.6%**		

Water

The Water division's operating income declined to €386.9 for the year ended December 31, 2012, compared to €533.3 million for the year ended December 21, 2011, representing a decrease of 27.4% (26.8% at constant exchange rates). Adjusted operating income decreased 19.1% (19.2% at constant exchange rates) to €475.5 million for the year ended December 31, 2012, compared to €587.8 million for the year ended December 31, 2011.

The share of net income of equity-accounted entities of the Water division increased from a loss of €14.7 million for the year ended December 31, 2011 to net income of €32.4 million for the year ended December 31, 2012.

The following factors affected the change in both operating income and adjusted operating income from 2011 to 2012:

- a decrease in adjusted operating cash flow of the division, discussed below under Adjusted Operating Cash Flow;

an increase in net operating depreciation and amortization charges attributable to the development of activities in Central and Eastern Europe; and

an increase of provisions for contractual risk.

The operating income margin (operating income / revenue) fell from 5.1% for the year ended December 31, 2011 to 3.6% for the year ended December 31, 2012.

Environmental Services

The Environmental Services division's operating income increased to €267.1 million for the year ended December 31, 2012, compared to €189.0 million for the year ended December 21, 2011, representing an increase of 41.3% (36.2% at constant exchange rates). Adjusted operating income decreased 13.6% (16.1% at constant exchange rates) to €328.4 million for the year ended December 31, 2012, compared to €380.3 million for the year ended December 31, 2011.

The share of net income of equity-accounted entities of the Environmental Services division increased from income of €42.6 million for the year ended December 31, 2011 to income of €48.4 million for the year ended December 31, 2012.

The following factors affected the change in both operating income and adjusted operating income from 2011 to 2012:

an increase in adjusted operating cash flow of the division, discussed below under Adjusted Operating Cash Flow;

a decrease in net charges to operating provisions compared to 2011, primarily due to the asset impairment charges recorded in Italy in 2011; and

non-current asset impairments recognized as a result of the challenging macro-economic environment in the United Kingdom and Germany in 2012.

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In addition, operating income (but not adjusted operating income) benefited from a decrease of goodwill impairment charges and non-current asset impairment charges, from €148.7 million for the year ended December 31, 2011 to €12.9 million for the year ended December 31, 2012.

The operating income margin (operating income / revenue) increased from 2.2% in the year ended December 31, 2011 to 3.1% for the year ended December 31, 2012.

Energy Services

The Energy Services division's operating income increased to €210.2 million for the year ended December 31, 2012, compared to €8.4 million for the year ended December 31, 2011.Adjusted operating income decreased 47.2% (a decline of 48.1% at constant exchange rates) to €121.2 million for the year ended December 31, 2012, compared to €229.6 million for the year ended December 31, 2011.

The share of net income of equity-accounted entities of the Energy Services division increased from a loss of €170.1 million for the year ended December 31, 2011, which included impairment on goodwill and non-current assets in Italy of €238.1 million (based on our group's share), to a loss of €100.2 million for the year ended December 31, 2012, including charges on receivables and accrued expenses in Italy of €65.1 million (*i.e.*, €81.5 million before taxes).

The decrease in adjusted operating cash flow of the division, discussed below under Adjusted Operating Cash Flow affected the change in both operating income and adjusted operating income from 2011 to 2012.

In addition no goodwill impairment impacted operating income for the year ended December 31, 2012 compared to goodwill impairment charges recorded as special items of €153.1 million for the year ended December 31, 2011.

The operating income margin (operating income / revenue) increased from 0.2% for the year ended December 31, 2011 to 5.5% for the year ended December 31, 2012.

Other segment

Operating loss of the Other segment decreased from €158.7 million for the year ended December 31, 2011, to €152.9 million for the same period in 2012. Adjusted operating loss declined 17.0% (down 17.3% at constant exchange rates) to €127.0 million for the year ended December 31, 2012, compared to a loss of €153.1 million for the year ended December 31, 2011. Operating income in 2012 (but not adjusted operating income) reflected the impact of restructuring expenses relating to the voluntary departure plan at headquarters.

Adjusted Operating Cash Flow

Adjusted operating cash flow decreased by 1.4% (3.2% at constant exchange rates), from €1,945.8 million in 2011 to €1,918.7 million in 2012, reflecting:

- a decline in operating performance in the Water division and particularly contractual erosion in France, an unfavorable recycled raw material price differential in France and Germany in the Environmental Services division;

a challenging macro-economic environment in the Environmental Services division, particularly in Europe, which did not enable cost increases to be fully passed on to customers; and

Conversely, adjusted operating cash flow benefited from:

the positive contribution of cost saving plans, net of implementation costs;

activity growth in the Water division in Central and Eastern Europe, tied to price increases in Romania, Slovakia and the Czech Republic;

improved operating performance in 2012 compared to the operating difficulties in 2011 and the related restructuring costs incurred primarily in Italy, North Africa and the Middle East in the Environmental Services division; and

activity growth with industrial clients in the Technologies and Networks business in the Water division.

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The following table breaks down adjusted operating cash flow by division, at both current and constant exchange rates:

Adjusted operating cash flow *(€ million)*	**Year ended December 31, 2012**	Year ended December 31, 2011	**Change**	
			% change	**% change at constant exchange rates**
Water	853.6	903.8	(5.6)%	(5.7)%
Environmental Services	911.3	879.8	3.6%	0.2%
Energy Services	244.8	256.7	(4.6)%	(6.2)%
Other	(91.0)	(94.5)	3.7%	4.2%
Adjusted operating cash flow	**1,918.7**	**1,945.8**	**(1.4)%**	
Adjusted operating cash flow at 2011 exchange rates	**1,883.8**	**1,945.8**		**(3.2)%**
Adjusted operating cash flow margin	**8.3%**	**8.7%**		

Foreign exchange rate changes had a positive impact on 2012 adjusted operating cash flow of €34 million and primarily reflected the appreciation against the euro of the pound sterling in the amount of €13.9 million, the US dollar in the amount of €9.6 million, the Australian dollar in the amount of €8.5 million and the Chinese renmimbi yuan in the amount of €5.5 million.

The following tables show a reconciliation of our adjusted operating cash flow to our operating income by division in 2012 and 2011:

Year ended December 31, 2012 *(€ million)*	**Operating income**	**Adjusted Operating Cash Flow To Operating Income**					
		Net operating provisions	**Net depreciation and amortization**	**Impairment losses on goodwill**	**Capital gains (losses) on disposal of non-current assets**	**Others**	**Adjusted Operating Cash Flow**
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**

Year ended December 31, 2011 *(€ million)*	**Adjusted Operating Cash Flow To Operating Income**						
	Operating income	**Net operating provisions**	**Net depreciation and amortization**	**Impairment losses on goodwill and negative goodwill**	**Capital gains (losses) on disposal of non-current assets**	**Others**	**Adjusted Operating Cash Flow**
Water	533.3	75.7	(422.8)	(17.0)	12.8	(19.2)	903.8
Environmental Services	189.0	(123.3)	(548.1)	(75.9)	54.0	2.5	879.8
Energy Services	8.4	(4.8)	(94.0)	(153.1)	5.2	(1.6)	256.7
Other	(158.7)	(25.5)	(38.0)	0.0	(0.1)	(0.6)	(94.5)
Total	**572.0**	**(77.9)**	**(1,102.9)**	**(246.0)**	**71.9**	**(18.9)**	**1,945.8**

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Water

Adjusted operating cash flow decreased 5.6% (5.7% at constant exchange rates) to €853.6 million for the year ended December 31, 2012, compared to €903.8 million for the year ended December 31, 2011. The adjusted operating cash flow margin (ratio of adjusted operating cash flow to revenue) fell from 8.7% for the year ended December 31, 2011 to 8.0% for 2012, and was penalized in particular by contractual erosion in France.

For Operations activities, adjusted operating cash flow decreased by 7.6% (at current and constant exchange rates). In France, the decline in adjusted operating cash flow was due to the negative effects of contractual erosion, in a context of declining volumes sold compared with 2011 and operating difficulties in Guadeloupe (an overseas department of France located in the Caribbean). Outside France, adjusted operating cash flow benefited from an improvement in Central and Eastern Europe, tied to price increases in Romania and the Czech Republic. These impacts were offset by impairment losses on trade receivables and the carve-out expenses related to the divestiture of regulated activities in the United Kingdom incurred in the first half of 2012.

Finally, the adjusted operating cash flow of the Technologies and Networks business increased 11.3% (10.4% at constant exchange rates) in line with the recovery in activity with industrial clients.

Environmental Services

Adjusted operating cash flow increased 3.6% (0.2% at constant exchange rates) to €911.3 million for the year ended December 31, 2012, compared to €879.8 million for the year ended December 31, 2011. Adjusted operating cash flow for 2012 was stable compared to 2011 at constant exchange rates and benefited, primarily, from:

an increase in hazardous waste activities both in and outside France; and

improved operating performance in 2012 compared to the operating difficulties in 2011 and the related restructuring costs incurred primarily in Italy, North Africa and the Middle East in the Environmental Services division;

partially offset by:

a decrease in raw material prices, particularly in France, Germany and the United Kingdom; and

cost inflation in excess of service price increases in France, the United Kingdom, Germany and North America.

The adjusted operating cash flow margin of Environmental Services division increased slightly from 10.4% in the year ended December 31, 2011 to 10.7% in the year ended December 31, 2012.

Energy Services

Adjusted operating cash flow decreased 4.6% (6.2% at constant exchange rates) to €244.8 million for the year ended December 31, 2012, compared to €256.7 million for the year ended December 31, 2011.

In France, the decline in adjusted operating cash flow of the Energy Services division was mainly due to a highly competitive environment and changes to cogenerated electricity pricing rules, despite an overall positive price effect.

In the United States, the slight decline at constant exchange rates in adjusted operating cash flow was mainly due to unfavorable weather conditions combined with exceptionally low energy prices.

The adjusted operating cash flow margin of Energy Services division decreased from 7.3% in the year ended December 31, 2011, to 6.4% in the year ended December 31, 2012.

Other segment

Adjusted operating cash flow for this segment decreased 3.7% (4.2% at constant exchange rates) to a net outflow of €91.0 million for the year ended December 31, 2012, compared with a net outflow of €94.5 million for the year ended December 31, 2011.

Net Finance Costs

Finance costs, net represent the cost of gross financial fair value debt, including profit and loss on related interest rate and exchange rate hedging, less income on cash and cash equivalents. The following table shows a breakdown of our finance costs, net:

Net Finance Costs *(€ million)*	**Year ended December 31, 2012**	**Year ended December 31, 2011**
Income	71.8	102.0
Expenses	(716.0)	(694.1)
Finance costs, net	**(644.2)**	**(592.1)**

The increase in net finance costs was mainly due to the active management of debt and costs resulting from the early redemption of US private placements (USPP) in February 2012 and bond redemptions in the fourth quarter of 2012 (related repurchase costs of €47.3 million are included as adjustments to net finance costs). These costs are partially offset by a decrease in expenses following the redemption of the bond maturing in February 2012 (5.875%). These transactions were performed to optimize the cost of carry (low income on cash and cash equivalents).

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) was 4.94% in 2012, (excluding the cost of debt repurchases in December 2012 of €47.3 million presented as adjustments to net finance costs) reflecting active debt management and amortization of debt, as well as the impact of the reimbursement of bonds maturing in February 2012.

Other Financial Income (Expenses)

The following table shows a breakdown of our other financial income (expenses):

Other Financial Income (Expenses) *(€ million)*	**Year ended December 31, 2012**	**Year ended December 31, 2011**
Net gains on loans and receivables	132.3	105.4
Net gains and losses on available-for-sale assets (including dividends)	3.8	3.2
Assets and liabilities at fair value through profit and loss	(1.1)	-
Unwinding of the discount on provisions	(50.3)	(45.9)

Foreign exchange gains and losses	(23.2)	(1.3)
Other	(10.7)	(7.9)
Other financial income and expenses	**50.8**	**53.5**

Other financial income and expenses decreased from net income of €53.5 million for the year ended December 31, 2011 to €50.8 million for the year ended December 31, 2012, reflecting the changes in line with items set forth in the table above.

Income Tax Expense

Net income tax expense decreased from €439.1 million in 2011 to €52.9 million in 2012. The difference results from two principal factors. First, in 2012 we recognized €120 million in tax loss carry forwards that previously had not been recorded as deferred tax assets, resulting from improved estimates of future taxable income and changes in the scope of the US tax group in the Energy Services division (the latter accounted for approximately €53.9 million of this amount).

Our 2012 effective tax rate was 44.9%. The difference compared to the income tax rate in 2012 of 52.0% results from three factors. First, we incurred €64.7 million of goodwill impairment charges that are not deductible from taxable income. Second, of our €78.0 million of impairment charges in respect of property, plant and equipment and receivables, only €12.5 million was tax deductible. Third, we recorded the charge relating to changes in the scope of the US tax group in the Energy Services division described above.

Share of Net Income of Other Equity-Accounted Entities

Transdev Group is our only equity-accounted entity whose activity is not considered core to the Group s businesses, and therefore whose share of net income is not recorded in operating income after share of net income (loss) of equity-accounted entities.

Our share of the net loss of Transdev Group was €470.9 million for the year ended December 31, 2011 and €45.3 million for the year ended December 31, 2012. The difference reflects a reduction in impairment charges relating to goodwill and non-current assets, which were €440.0 million (including SNCM) in connection with our decision to progressively withdraw from Veolia Transdev. This impairment charge was the result of a downturn in the performance of the subsidiary.

Veolia Transdev s revenues declined in 2012 compared to 2011. However, at constant consolidation scope and exchange rates, Veolia Transdev reported a growth in revenue in 2012 compared to 2011. This growth was driven by international activities and primarily the start-up of the Nassau County bus contract in New York, the Oresund train contract in Sweden, the second tranche of the Santiago bus contract in Chile, as well as a new tranche of a train contract with S.Bahn in Germany and the launch of Sydney ferry activities in August 2012 in Australia. France and the Netherlands reported a drop in activity following the loss of the Orleans and Aix en Provence contracts (effective January 1) and a downturn in taxi activities in the Netherlands, despite the renegotiation of urban contracts (particularly Nice and Saint-Etienne), the launch of new contracts (Mont Saint-Michel in 2012, Carcassonne and Perpignan airports in 2011) and organic growth (indexation and passenger frequency) in France.

Veolia Transdev s adjusted operating cash flow decreased in 2012 compared to 2011 due to an increase in fuel costs and contractual changes in France and the Netherlands. Veolia Transdev benefited from the full effect of the contribution of new contracts outside France (particularly in the United States and Sweden) and the initial results of the efficiency and synergy plans.

Net Income from Discontinued Operations

Net income from discontinued operations includes income and losses from operations classified as discontinued operations and gains and losses from disposals of discontinued operations. Net income from discontinued operations was €431.8 million for the year ended December 31, 2012 compared with €582.7 million for the year ended December 2011. In 2011 we recognized a gain on disposal of our former Veolia Transport subsidiary in the amount of €429.8 million in connection with the Veolia Transdev combination. In 2012 we mainly recognized gains on divestiture of regulated Water activities in the United Kingdom of €233.3 million and of solid waste activities in the United States in the Environmental Services division of €208.4 million.

Net Income for the Year Attributable to Non-controlling Interests

Net income attributable to non-controlling interests was €35.6 million for the year ended December 31, 2012, compared to €57.7 million for the year ended December 31, 2011. This decrease is attributable to EDF s share of receivables write-downs and accrued expenses in Italy in the Energy Services division.

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Net Income Attributable to Owners of the Company

Net income attributable to owners of the Company was €404.0 million in 2012, compared to a net loss of €488.1 million in 2011. Adjusted net income attributable to owners of the Company was €58.5 million in 2012, compared to €145.2 million in 2011. The difference between net income attributable to owners of the Company and adjusted net income attributable to owners of the Company reflected mainly income from discontinued operations (including capital gains on divestitures) in 2012 and in 2011, and impairment charges relating to goodwill and non-current assets in 2012 and 2011.

Given the weighted average number of shares outstanding of 509.0 million in 2012, compared to 498.5 million in 2011, income per share attributable to owners of the Company (basic and diluted) was €0.79 in 2012, compared to a loss per share of €0.99 in 2011. Adjusted net income per share attributable to owners of the Company (basic and diluted) was €0.11 in 2012, compared to €0.29 in 2011. See Item 3. Key Information Selected Financial Data for information on the weighted average number of shares outstanding in each period.

Adjusted net income attributable to owners of the Company for the year ended December 31, 2012 is determined as follows:

Year ended December 31, 2012 (in € million)	**Adjusted Net Income**	**Adjustments**	**Net Income**
Operating income after share of net income (loss) of equity-accounted entities	798.1	(98.7)[(1)]	699.4
Net finance costs	(596.9)	(47.3)[(2)]	(644.2)
Other financial income and expenses	50.8		50.8
Income tax expense	(106.8)	53.9[(3)]	(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[(4)]	(35.6)
Net income (loss) attributable to owners of the Company	**58.5**	**345.5**	**404.0**

(1)

Adjustments to operating income are presented in - Operating Income After Share of Net Income (Loss) of Equity-Accounted Entities Adjusted Operating Income.

(2)

This reflects costs related to bond buybacks, as presented in Liquidity and Capital Resources.

(3)

This reflects the income tax impact of the change in scope of the U.S. tax group in the Energy Services division.

(4)

This primarily reflects non-controlling interests in income (loss) from discontinued operations.

Adjusted net income attributable to owners of the Company for the year ended December 31, 2011 is determined as follows:

Year ended December 31, 2011 (in € million)	**Adjusted Net Income**	**Adjustments**	**Net Income**
Operating income after share of net income (loss) of equity-accounted entities	1,044.6	(609.1)(1)	435.5
Net finance costs	(592.1)	-	(592.1)
Other financial income and expenses	53.5	-	53.5
Income tax expense	(214.6)	(224.5) (2)	(439.1)
Share of net income (loss) of other equity-accounted entities	-	(470.9) (3)	(470.9)
Net income (loss) from discontinued operations	-	582.7 (4)	582.7
Non-controlling interests	(146.2)	88.5(5)	(57.7)
Net income (loss) attributable to owners of the Company	**145.2**	**(633.3)**	**(488.1)**

(1)

Adjustments to operating income are described above under Adjusted Operating Income .

(2)

Primarily the impairment of deferred tax assets of the France tax group and the impact of planned changes in U.S. tax group as described under "Income Tax Expense" above.

(3)

Includes €440 million impairment of Transdev as of December 31, 2011.

(4)

The net income from discontinued operations includes the gain on sale following the loss of control of Veolia Transport.

(5)

Primarily EDF s share of impairment charges recorded by Energy Services division in Southern Europe.

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LIQUIDITY AND CAPITAL RESOURCES

Our operations generate significant cash flow. We use our operating cash flow to fund our investments and to make payments on our financial debt. We believe that our working capital is sufficient for our present requirements.

Cash Flows

The following table sets forth information relating to our consolidated cash flows for the years ended December 31, 2012 and 2013.

Consolidated Cash Flows *(in € million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Operating cash flow before changes in working capital and income taxes paid	1,970	2,173
Changes in working capital	(4)	31
Income taxes paid	(203)	(226)
Net cash from operating activities	*1,763*	*1,978*
Net cash from/(used in) investing activities	*(332)*	*1,038*
Net increase/(decrease) in current borrowings	(1,390)	(1,027)
New non-current borrowings and other debt	164	1,066
Proceeds on issue of deeply subordinated securities	1,454	-
Principal payments on non-current borrowings and other debt	(1,577)	(1,594)
Issue of share capital subscribed by the non-controlling interests	13	9
Other share capital changes	-	-
Transactions with non-controlling interests: partial purchases and sales	(12)	(109)
Dividends paid	(191)	(434)
Interest paid	(693)	(697)
Net cash from/(used in) financing activities	*(2,232)*	*(2,786)*

The figures in the table above include net cash flows attributable to discontinued operations, in respect of which we recorded net cash from operating activities of €65.9million in 2013 and €160.7 million in 2012, net cash from investing activities of €610.9 million in 2013 and €2,413.2 million in 2012, net cash used in financing activities of €62.1 million in 2013 and net cash from financing activities of €107.6 million in 2012.

Net cash from operating activities decreased from €1,978 million in 2012 to €1,763 million in 2013, reflecting the following:

- A decrease in operating cash flow before changes in working capital and income taxes paid, from €2,173 million in 2012 to €1,970 million in 2013 which we discuss below.

- Changes in operating working capital of negative €4 million in 2013 compared to positive €31 million in 2012. The change in working capital variation was due to:

measures to manage customer receivables and Days Sales Outstanding, despite an extension, in certain businesses/countries, of days sales outstanding for customer receivables due from public authorities; and

advances received at the end of December 2013 for new major projects in the Technologies and Networks activity.

- Income taxes paid decreased from €226 million in 2012 to €203 million in 2013.

Most of our “operating cash flow before changes in working capital and income taxes paid” comes from cash flows produced by the ordinary operations in our divisions and our holding company activities. This constitutes our adjusted operating cash flow, which we use as a performance indicator and analyze under Results of Operations Year ended December 31, 2013 Compared to Year Ended December 31, 2012 Operating Income. The remainder comes, in part, from operating cash flow from discontinued operationsand from operating cash flows from financing activities. Operating cash flows from financing activities are cash flows related to items recorded in our income statement as other financial income and expenses, which consist primarily of foreign exchange gains and losses and net gains on loans and receivables.

The decrease in operating cash flow before changes in working capital and income taxes paid in 2013 reflected primarily the decrease in adjusted operating cash flow, which was €1,796.3 million in 2013 compared to €1,918.7 million in 2012 and the decrease of operating cash flow from discontinued operations, which was €160.7 million in 2012 compared to €65.9 million in 2013. See “—Results of Operations—Year ended December 31, 2013 compared to Year Ended December 31, 2012—Operating Income.” Operating cash flow from financing activities was a net inflow of €88.5 million in 2013 compared to a net inflow of €119.4 million in 2012.

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Net cash used in investing activities was €331.6 million in 2013, compared to ***net cash from investing activities*** of €1,038.4 million in 2012. This decrease was due to our significant divestitures (industrial and financial) in 2012. In addition, we exercised tight control over maintenance-related investments in 2013 and maintained a selective investment policy, as described in more detail below under "—Investing Activities".

Net cash used in financing activities was €2,232.3 million in 2013, compared to €2,786.5 million in 2012. The principal reasons for the decrease in net cash used were our receipt of €1,470 million in proceeds from the issuance of deeply subordinated securities in January 2013, which offset increases in debt repayments in 2013 related to:

- 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 of euro-denominated bond lines maturing in 2014, 2016, 2017, 2018 and 2020 and of the USD-denominated bond line maturing in 2018 in a total euro-equivalent nominal amount of €699 million;

- Buybacks performed mid-December 2013 of euro-denominated bonds lines maturing in 2014, 2016, 2017, 2018, 2020 and 2022 and of the USD-denominated bond line maturing in 2018 in a total euro-equivalent nominal amount of €346 million;

- repayment of the drawdown in Polish zlotys on the multi-currency syndicated loan facility in April 2013 in the amount of €390 million (euro equivalent); as well as

- a decrease of €363 million in treasury notes issued.

Investing Activities

In addition to cash flow relating to investing activities, we monitor our net investments on an enterprise value basis, which permits us to analyze our investments by taking into account the debt and cash of the entities in which we invest (we analyze this debt and cash as part of our consolidated net financial debt, as described under Liquidity Financial Debt Structure below). We also include investments made under finance lease arrangements, as well as the portion attributable to non-controlling interests of loans that we make to entities that we control. In addition, for purposes of our analysis of net investments, when non-controlling interests subscribe for new shares in entities that we control, we consider the subscription as the equivalent of a disposal (the amount of the subscription is recorded in our consolidated cash flow statement as net cash from financing activities). Similarly, when we purchase or sell non-controlling interests in affiliates to other parties, we consider this to be the equivalent of an investment or disposal, although such transactions are recorded as net cash from financing activities.

As a result, "Net investment" includes industrial investments net of industrial asset disposals (purchases of intangible assets and property, plant and equipment net of disposals), financial investment net of financial disposals (purchases of financial assets net of disposals, adding or subtracting, as applicable, the net 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, principal payments on operating financial assets and share capital increases subscribed by non-controlling interests. We analyze growth investments, which generate additional cash flows, separately from maintenance-related investments, which reflect the replacement of equipment and installations that we use.

The following table sets forth the calculation of our net investments for the years ended December 31, 2013 and 2012.

Net Investments *(in €million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Net cash flow from / (used in) investing activities in the cash flow statement	**(332)**	**1,038**
New operating financial assets (investments under finance leases)	0	0
Industrial investments net of grants (investments under finance leases)	(18)	(27)
Net financial debt of entities acquired	(174)	(466)
Transactions with non-controlling interests: partial purchases	(15)	(107)
Net cash of entities divested	310	552
Transactions with non-controlling interests: partial sales	0	0
Dividends received from associates	(115)	(123)
Increase/(decrease) in receivables and other financial assets	45	134
Net investments calculated on an enterprise value basis (before issuance of share capital to non-controlling interests)	**(299)**	**1,001**
Issue of share capital subscribed by the non-controlling interests	16	7
Total Net Investments	**(283)**	**1,008**

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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)**

The following table shows the breakdown of our investing activities during 2013 and 2012 by operating segment (division):

Total net investments by Operating segments *(in € million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Water	(493)	(426)
Environmental Services	429	(860)
Energy Services	71	237
Other	276	41
Total Net Investments	283	(1,008)

Our total net investments, representing an outflow of €283 million in 2013, compared to an inflow of €1,008 million in 2012, are broken down in the following table by operating segment (division) and by type of investment:

	December 31, 2013			**December 31, 2012 represented**		
(€ million)	Total Gross	Total Repayment	**Total Net**	Total Gross	Total Repayment	**Total Net**

	investments	divestitures	of Operating Financial Assets	**investments**	investments	divestitures	of Operating Financial Assets	**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)**

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Industrial investments (including assets purchased under finance leases) amounted to €1,245 million, compared with €1,708 million for the year ended December 31, 2012. This decrease of nearly 27% reflects the management of investments, particularly:

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in the Water division, with a 19% decline in growth and maintenance-related investments, mainly in France;

in the Environmental Services division, with an 18% decline in industrial investments (primarily maintenance-related investments) related to the 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 the Other segment, the decline from 2012 to 2013 reflects an investment of €185 million in a wind farm that was made in 2012.

Financial investments totaled €254 million for the year ended December 31, 2013, compared with €589 million for the year ended December 31, 2012:

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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.

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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.

Divestitures (including deconsolidation transactions) amounted to €1,237 million for the year ended December 31, 2013, compared with €3,473 million for the year ended December 31, 2012.

In 2013, these transactions included:

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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 of our 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.

- Industrial divestitures for €120 million, of which €71 million in the Water division and €42 million in the Environmental Services division.

In 2012, these transactions included:

- the divestiture of regulated activities in the United Kingdom in the Water division and solid waste activities in the United States in the Environmental Services division for enterprise values of €1,517 million and €1,464 million, respectively; and

- the divestiture of wind energy activities in the United States for an enterprise value of €202.7 million.

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Free Cash Flow

In order to monitor our liquidity position, we use an indicator called free cash flow. We use free cash flow internally because we believe it approximates the variation in our net financial debt before exchange rate effects. Free cash flow is also an indicator that we believe is followed by investors and financial analysts. We calculate free cash flow as shown in the following table.

Free Cash Flow *(in € million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Operating cash flow before changes in working capital and income taxes paid	1,970	2,173
Changes in working capital	(4)	31
Net investments	(299)	1,001
Dividends received	115	123
(Increase) / Decrease in receivables and other financial assets	(45)	(134)
Other share capital changes	1,470	7
Dividends paid	(191)	(434)
Income taxes paid	(203)	(226)
Interest paid	(645)	(631)
Free Cash Flow	**2,168**	**1,910**

Free cash flow for the year ended December 31, 2013 (after payment of the dividend) was €2,168million, compared to €1,910 million in 2012. This increase between 2012 and 2013 mainly reflects the issuance of deeply subordinated perpetual securities in the amount of €1,453.6 million, net of paid coupons, at the beginning of January 2013 and a decrease in dividends paid, partially offset by:

- the decline in adjusted operating cash flow (see "—Adjusted operating cash flow" above);
- relatively stable operating working capital, which provided an inflow of €4 million 2014;
- management of industrial investments (€1,245 million for the year ended December 31, 2013), down by more than 27% compared to the period ended December 31, 2012; and
-

the continued divestitures (including deconsolidation transactions) which contributed to the reduction in the Group's debt in the amount of €1,237 million at the end of 2013. These transactions contributed to the reduction in the Group's debt in the amount of €3,473 million for the year ended December 31, 2012.

Sources of Funds and use of funds

Financings

Issuance of subordinated perpetual hybrid debt in Euros and Pound Sterling

At the beginning of January 2013, Veolia Environnement issued 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 enabled 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 shareholdersin 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.

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 net financial debt at the end of 2013.

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 depots et consignations carried out a share capital increase of €560 million (of which €280 million subscribed by Veolia Environnement through the capitalization of loans). 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 million at December 31, 2013.

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Debt 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.

Liquidity

The following table sets forth our principal sources of available liquidity, on a gross basis and net of current debt, bank overdrafts and other cash position items, as of December 31, 2013, 2012 and 2011:

(in €million)	**As of December 31, 2013**	**As of December 31, 2012 represented**	**As of December 31, 2011**
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	0.0	300.0	300.0
Letter 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 debts	2,912.8	3,606.1	3,753.3
Bank overdrafts and other cash position items	216.1	252.7	390.5
Total current debts and bank overdrafts and other cash position items	3,128.9	3, 858.8	4,143.8
	5,470.7	5,145.2	5,057.4

Total liquid assets net of current debts and bank overdrafts
and other cash position items

Undrawn credit lines as of December 31, 2013 are as follows:

Bank	**Maturity**	**Amount** *(in € 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**

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Financial Debt Structure

We use net financial debt, a non-GAAP financial measure, to analyze our financial position. We believe this measure is useful because it shows the amount of our outstanding debt, less cash and cash equivalents, without regard to the timing of our use of cash to repay debt. However, we cannot actually use all of our cash to repay debt at any given time, particularly because we need to maintain cash balances to fund our day-to-day operations. As a result, you should not place undue reliance on this measure.

We also use an indicator that we call adjusted net financial debt, another non-GAAP indicator. As a result of the application of IFRS 10 and 11, our shareholder loans granted to joint ventures are no longer eliminated in consolidation. Non eliminated shareholder loans are presented in the balance sheet in non-current and current financial assets as loans and receivables. For purposes of evaluating our consolidated financial position, we analyze these shareholder loans as if they were funded with a portion of our net financial debt. In order to analyze the portion of our net financial debt that is attributable to our consolidated businesses, we use adjusted net financial debt, which is equal to net financial debt less the amount of these shareholder loans recorded in our consolidated balance sheet.

Like net financial debt, adjusted net financial debt is a non-GAAP financial measure. However, unlike the items that are deducted from total borrowings to determine net financial debt, the shareholder loans that are deducted to determine adjusted net financial debt are not similar to cash as they are not liquid and are subject to possible impairment in the event that any relevant entity encounters financial difficulty. While we believe that adjusted net financial debt is a useful indicator because it allows us to determine the portion of our net financial debt attributable to consolidated businesses, it is not an indicator of the amount that we would owe to financial creditors if we were to use our liquid assets to repay debt. Accordingly, you should not place undue reliance on our adjusted net financial debt.

The following table sets forth the calculation of our net financial debt and adjusted net financial debt as of December 31, 2013 and 2012:

Net Financial Debt *(in €million)*	**As of December 31, 2013**	**As of December 31, 2012**
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	**5,451.7**	**7,836.9**

The following table sets forth the maturity schedule of our long-term borrowings as of December 31, 2013:

Long-Term Borrowings *(in € million)*	**Amount**	**Maturing in** 1 to 3 years	3 to 5 years	More than 5 years
Bond issues	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**

Shareholders' Equity

Total equity attributable to owners of the Company was €8,205.2 million as of December 31, 2013, compared to €7,106.2 million as of December 31, 2012, an increase of €1,099 million mainly resulting from the €1,470.2 million issuance, in January 2013, by Veolia Environment of deeply subordinated perpetual securities.

In addition to the impact of the 2013 net income and the payment in 2013 of the cash portion of the €0.70 per share dividend for the fiscal year 2012, we also recorded foreign exchange translation adjustments of €(204.3) million. We also recorded an increase of €87.2 in equity from net foreign investments and an increase of €227.3 million in equity from issuance of new shares.

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Return on Capital Employed (ROCE)

"ROCE" or "Return on Capital Employed" is a measurement tool that we use to manage the return on our contracts globally and to make investment decisions, without regard to the method of financing of those investments (equity or debt). ROCE is the ratio of (i) net income from operations (adjusted operating income, after tax, but excluding revenue and tax related to operating financial assets), divided by (ii) the average amount of capital employed in our business during the same year. Capital employed excludes operating financial assets and net income from operations excludes the related income.

Net income from operations is calculated as follows:

Net Income from Operations *(in € 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**

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 and other non-current debts. Capital employed in 2013 includes the capital employed of the assets of companies classified as assets held for sale as of December 31, 2013.

Capital employed is calculated as follows:

Average capital employed *(in € million)*	**As of December 31, 2013**	**As of December 31, 2012**	**As of December 31, 2011**
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)	(797.1)
Net derivative instruments and other[1]	18.8	(68.8)	(52.2)
Provisions	(2,137.8)	(2,259.6)	(2,327.4)
	1,448.2	66.4	98.2

Capital employed of companies classified in assets and liabilities held for sale			
Capital employed	**12,210.8**	**12,469.7**	**12,674.1**
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 31, 2013, €190.6 million as of December 31, 2012 and €653.9 million as of December 31, 2011.

Our return on capital employed after tax (ROCE) is as follows:

(in € 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%

Capital employed breaks down by division as follows for 2013 and 2012:

(in € 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
Total Segment assets	**12,210.8**	**12,469.7**	**(258.9)**

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Contractual Obligations

We have various contractual obligations arising from our operations. These obligations are more fully described under various headings in this Item 5. Operating and Financial Review and Prospects as well as in the Notes to our Consolidated Financial Statements.

The following table lists the aggregate maturities of our long-term debt, operating leases, capital leases and closure and post-closure costs at December 31, 2013:

Contractual Obligations *(in €million)*		**Payments Due by Period**			
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**After 5 years**
Long-Term Debt Obligations(1)(2)	12,172.0	2867.6	1,632.5	1,999.8	5,672.1
Operating Lease Obligations(1)	1,396.3	380.6	426.7	230.5	358.5
Capital Lease Obligations(2)(3)	306.2	49.3	73.9	42.5	140.5
Closure and post-closure(4)	508.6	63.7	61.2	43.1	340.6
TOTAL	**14,383.1**	**3361.2**	**2,194.3**	**2,315.9**	**6,511.7**

(1)

Including non-current and current borrowings, but excluding capital lease obligations (see (3) below).

(2)

We are also obligated to pay interest on our long-term and other debt obligations. To measure our obligations, we use a tool that we call the financing rate, which we define as the ratio between the cost of net debt (equal to net finance costs, excluding fair value adjustments on financial instruments not qualifying for hedge accounting) and the average net financial debt (based on a monthly weighted average). In 2013, the financing rate was 5.11%. A description of the way in which we account for derivative instruments and manage the market risks to which we are exposed is set forth in Notes 29 to our Consolidated Financial Statements. After taking into account hedging transactions, 46% of our financial debt bears interest at fixed rates. Assuming a constant net debt policy, a 0.5% increase in interest rates would generate an increase in net finance costs of €15.3 million.

(3)

Corresponds to future minimum lease payments.

(4)

Excluding provisions for environmental risks.

Off Balance Sheet Arrangements

The following discussion of our material off-balance sheet commitments should be read together with Note 34 to our Consolidated Financial Statements included herein, which discusses such commitments in greater detail. In the ordinary course of our business, we may enter into various contractual commitments with third parties that are not recorded in our balance sheet. These commitments include, among others, operational guarantees, financial guarantees, obligations to buy or sell and letters of credit given on our part. Operational guarantees constitute the greatest share of these off-balance sheet commitments, which we generally use to guarantee the performance commitments given by our subsidiaries to their customers. Often, these performance commitments are guaranteed by an insurance company or a financial institution, which then requires a counter-guarantee from us.

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Specific Commitments Given

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.

Vendor Warranties

These mainly include:

- Warranties given in connection with the divestiture of the investment in Berlin Water in the amount of €484 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.

In addition to commitments given that are limited in amount, we have also granted commitments of unlimited amount (but limited to the duration of the related contracts) concerning the following situations:

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.

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Other Commitments Given

Other commitments and contingencies include neither collateral guarantees supporting borrowings (see Note 34 to our Consolidated Financial Statements) nor the specific commitments and contingencies described above. The following table sets forth our other commitments given as of the dates indicated.

				Maturity		
(€ million)	**As of December 31, 2011, represented**	**As of December 31, 2012, represented**	**As of December 31, 2013**	**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**

The following table breaks down our other commitments by division and other activities as of December 31, 2011, 2012 and 2013:

(€ 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, including €180 million of credit lines to Transdev Group and €140.8 million of new guarantees resulting from the consolidation of Proactiva.

Commitments relating to joint ventures

Group commitments given in respect of joint ventures 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 in the United Arab Emirates for €341.5 million.

Financing commitments as of December 31, 2013 include primarily lines of credit to Transdev Group for €266.6 million, of which €180 million is due in December 2014, and €107.8 million of debt guarantees in respect of Dalkia China subsidiaries, as well as commitments relating to the Energy Services Division in the amount of €79.4 million.

Commitments relating to the consolidation scope relate to the Redal and Amendis joint ventures, fully consolidated from fiscal year 2012.

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ITEM 6.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Our Company is a *société anonyme à conseil d administration*, which is a French corporation with a single Board of Directors. Our shares are listed on Euronext Paris operated by NYSE Euronext and, in the form of American Depository Shares, on the New York Stock Exchange (NYSE). We are subject to French regulations, in particular relating to corporate governance, and to regulations applicable to foreign companies listed in the United States.

See Item 16G. Corporate Governance for a summary of significant ways in which our corporate governance practices differ from those followed by NYSE U.S. listed companies.

Board of Directors

Our Board of Directors has adopted an internal charter, as well as internal charters for the Accounts and Audit Committee, the Nominations and Compensation Committee and the Research, Innovation and Sustainable Development Committee, respectively. The purpose of these charters was initially to apply the recommendations of the report of a French working group chaired by Mr. Daniel Bouton relating to the improvement of corporate governance practices in French public companies (known as the Bouton report).

The internal rules and regulations of the Accounts and Audit Committee were amended by our Board of Directors at its meetings held on March 24, 2009 and on November 9, 2010, to take into account the Order (*ordonnance*) of December 8, 2008 implementing into French law the Eighth Directive on Statutory Audits of Corporate Financial Statements (Directive 2006/43/EC), which has been applicable to our Company since September 1, 2010, and the recommendations of the *Autorité des Marchés Financiers* (AMF) from July 2010.

Pursuant to French law, our Company is required to refer to a corporate governance code and to comply with the provisions of such code or to declare the provisions it does not comply with and the reasons for which it decided not to apply such provisions. At its meeting of January 7, 2009, the Board of Directors reviewed the consolidated version of the AFEP-MEDEF code of December 2008 (a code of recommended practices for governance and executive compensation that is widely used in France) (the AFEP-MEDEF Code) and confirmed that this code was consistent with our existing corporate governance practices. We believe that our practices conform to the provisions of this AFEP-MEDEF Code updated in June 2013 to which our Company has decided to refer.

In compliance with the apply or explain rule resulting from Article 25.1 of the AFEP-MEDEF code, the Company has indicated below the recommendations of this code that it did not apply in 2013.

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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 Composition of the Board of Directors below). We expect to comply with the recommendation from the 2014 financial year. On the basis of the recommendations of the Nominations and Compensation Committee, our Board of Directors decided, at its session held on March 11, 2014, to propose to the Combined General Shareholders 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[(1)], represented by Mr. Olivier Costa de Beauregard, and of 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 Independence of the Members of the Board of Directors below). We expect to comply with the recommendation from the 2014 financial year. Based on the recommendations of the Nominations and Compensation Committee, our 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.

(1)

On March 28, 2014, Veolia Environnement received, with immediate effect, the resignation of Groupe Industriel Marcel Dassault (G. I. M. D.) as Director of the Company.

Composition and Appointment of the Board of Directors

As of the date hereof, our Board of Directors has fifteen directors. The list of directors, the expiration date of their terms of office, and other personal information is set forth below. The General Shareholders Meeting held on March 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 appointment 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.

Board members are appointed by our shareholders at an ordinary General Shareholders Meeting at the proposal of our Board of Directors which, in turn, receives the proposals of the Nominations and Compensation Committee. Board members may be removed at any time by decision of our shareholders at a General Shareholders Meeting. Each director must own at least 750 registered shares in our Company.

The Board of Directors may appoint one or more non-voting members (*censeurs*) under Article 18 of our bylaws, which was adopted by our shareholders at the combined General Shareholders Meeting held on May 7, 2010. On that date, Thierry Dassault was appointed as a non-voting member (*censeur*) by the Board of Directors for a four-year term expiring at the close of the General Shareholders Meeting convened to approve our 2013 consolidated financial statements. The *censeur* s mission is to attend the Board of Directors meetings in a non-voting advisory capacity, and the Board may freely ask the non-voting observer (*censeur*) for advice.

Our Company s Board of Directors has no employee-elected members, but two members of our Works Council attend the Board of Directors meetings in a non-voting advisory capacity.

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Renewal of the Board Members Terms of Office

In accordance with the AFEP-MEDEF Code, Article 11 of our Company s bylaws provides for a four-year term of office for directors and annual renewal of the terms of one quarter of our Board members.[5]

On February 26, 2014, our Board of Directors decided, at the suggestion of the Nominations and Compensation Committee, to ask the General Shareholders Meeting to renew the mandate of Mr. Antoine Frérot as member of the board of directors. Subject to the approval of the General and Mixed Shareholders Meeting to be held on April 24, 2014, the Board of Directors will appoint Mr. Antoine Frérot as our Chairman and CEO for a new four-year term.

As part of 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 five directors (Mr. Antoine Frerot, Mr. Daniel Bouton, Mr. Paul-Louis Girardot, Groupe Industriel Marcel Dassault, represented by Mr. Olivier Costa de Beauregard[6], and Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Al Sayed) were due to end at the end of the General Shareholders Meeting to be held on April 24, 2014.

On the recommendation of the Nominations and Compensation Committee, the Board of Directors decided on March 11, 2014 to propose to the Mixed General Shareholders Meeting of April 24, 2014 that, in addition to the renewal of Mr. Antoine Frérot s term as a director, the terms of office of the following directors be renewed for a four-year term expiring 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: (i) Mr. Daniel Bouton; (ii) Groupe Industriel Marcel Dassault, represented by Olivier Costa de Beauregard; and (iii) the 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 a director. It will propose his nomination as a non-voting member (*censeur*) *via* the General Shareholders Meeting to be held on April 24, 2014. However, on March 28, 2014, we announced that we had received, with immediate effect, the resignation of Groupe Industriel Marcel Dassault (G.I.M.D.) as a Director, and member of the accounts and audit, nomination and compensation committees and the resignation of Mr. Thierry Dassault from his duties as a non-voting member (*censeur*) of our Board of Directors.

When these renewals of terms of office and the nonrenewal of the term of office of Mr. Paul-Louis Girardot come into effect, the Board of Directors will consist of 15 directors, three of whom (*i.e.* 20%) will be women, and there will be one non-voting members (*censeur*).

Applying the Principles of an Increased Representation of Women on our Board of Directors

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 Nominations and 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 annual report on Form 20-F, 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 Shareholders Meeting to be held on April 24, 2014 are approved, this percentage would increase to 20%.

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In order to comply with the provisions of our bylaws that provide for the annual renewal of one quarter of our 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).

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On March 28, 2014. Veolia Environnement has received, with immediate effect, the resignation of Groupe Industriel Marcel Dassault (G.I.M.D) as director of the Company.

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Powers of the Board of Directors

In accordance with French law, the Board of Directors establishes policies concerning our business and supervises the implementation thereof. Subject to the powers expressly granted by law to shareholders meetings and within the limits of our corporate purpose, the Board of Directors has the authority to consider all issues concerning the proper operation of our Company and, by its deliberations, resolves matters which concern our Board.

In addition to the powers conferred to the Board of Directors by French law, our internal regulations impose an internal requirement that certain major decisions of the Chairman and Chief Executive Officer (*president-directeur général*) be submitted to the Board of Directors for prior approval. These internal limitations of authority are described below under Management.

Selection Criteria for Directors

The Nominations and Compensation Committee advises our Board on the selection of candidates for the purpose of renewing the composition of our Board of Directors based on the following criteria, in particular: management skills acquired in major French and foreign international corporations, familiarity with our sector of activity, professional experience, financial and accounting expertise and sufficient availability. Our 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 our Company. As of the date of this annual report on Form 20-F, our 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).

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Training and Integration of New Directors

At the request of the Board of Directors, our Company organizes training for new directors on the specifics of our businesses to facilitate their integration, particularly through site visits. Moreover, to facilitate their integration, new members may meet with our key management personnel.

Board Members

The following table sets forth the names and ages of the members of our Board of Directors, the date of their first appointment and, if applicable, most recent renewal, as a member of our Board of Directors; the date of expiration of their current term of office; and their current principal business activities conducted outside of our Company. All positions and offices of our directors indicated below are given as of December 31, 2013. Unless otherwise stated, all terms of office expire at the end of the General Shareholders Meeting in the year stated. Directors may be contacted at our headquarters, located at 36/38 avenue Kléber, 75116 Paris.

DIRECTOR	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];		*In France:* Director and Chairman of the Board of Directors of Veolia Eau until 11/19/2013[VE]; Chairman of the Board of Directors of 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;

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].

Permanent Representative of Veolia Eau Compagnie Générale des Eaux to the Board of Directors of Institut Veolia Environnement until 02/22/2011;

Permanent 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.

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DIRECTOR	Principal positions held outside the Company Other offices	Positions or offices expired during the last five years
Louis Schweitzer	*Principal position held outside the Company:*	*In France:*
71 years old		
	Chairman of Initiative France.	Chairman of the Board of Directors of Renault*;
Date of first appointment:		
April 30, 2003		
	Other offices and positions held with any company:	Director of Électricité de France (EDF)*;
Reappointed:		
May 17, 2011	*In France:*	Member of the Board of Directors of the Musée du Louvre;
Term of office expires:	Director of L Oréal*;	Chairman of the National Authority against Discrimination and for Equality (HALDE);
2015 GM		
	Member of the Board of Musée du Quai Branly;	
Principal position held within the Company:		Chairman of the Supervisory Board of the Le Monde Group;
Independent Director of Veolia Environnement*; Vice-Chairman of the Board of Directors; Senior Independent Director; Member of the Nominations and Compensation Committee since April 30, 2003* and Chairman of Compensation Committee since March 11, 2014*.	Member of the Board of the National Political Science Foundation;	Member of the Advisory Board of the Banque de France;
	Chairman of the Board of Directors of Société des Amis du Musée du Quai Branly;	Director of BNP Paribas*.
	Chairman of the Board of Directors of Festival d Avignon;	*Outside France:*

	Chairman of the Board of Directors of Maison de la Culture MC 93.	Chairman of the Board of Directors of AstraZeneca* (United Kingdom);
	Outside France:	Chairman of the Board of Directors of AB Volvo* (Sweden).
	Member of the Advisory Board of Allianz* (Germany);	
	Member of the Advisory Board of Bosch (Germany).	
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 of Mines ParisTech. *Outside France:*	*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

	(United States);
Chairman of Valeo SpA (Italy);	
Chairman of Valeo Limited (United Kingdom);	Chairman and Chief Executive Officer of Saint-Gobain Advanced Ceramics Corp. (United States);
Director of Valeo Service Espana, S.A. (Spain).	*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. (United States), 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.*

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DIRECTOR	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*; 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:*	*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).

	Chairman of Banimmo, Affine Group (Belgium);	
	Director of Holdaffine BV, Affine Group (Netherlands).	
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.*

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DIRECTOR	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;	*Outside France:* Director of Dexia* (Belgium).

	Director of Oseo SA; Member of the Supervisory Board of SNI; Director of Transdev.	
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;	*In France:* Director of FSI; Member of the Supervisory Board of IXIS Asset Management. *Outside France:* Director of Dexia* (Belgium).

	Permanent Representative of CDC to the Board of Directors of CNP Assurance;	
	Member of Management Committees of CDC.	
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).

GM = General shareholders' meeting convened to vote on the financial statements for the past year.

** Listed company.*

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DIRECTOR	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; Chairman 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];	*In France;* Member of the Supervisory Board of Compagnie des Eaux de Paris; Director of Veolia Transport.

	Chairman of the Supervisory Board of Compagnie des Eaux et de l'Ozone[VE];	
	Vice-Chairman of Institut Veolia Environnement[VE].	
Groupama SA	*Offices and positions held with any company:*	*In France and within Groupama SA Group:*
Date of first appointment: May 16, 2012	*In France and within Groupama SA Group:*	Director of Groupama Chegaray Services;
Term of office expires: 2016 GM	Founding member of the Nationale Centaure association;	Director of Groupama Private Equity;
Principal position held within the Company:	Director of Astorg Actions Europe;	Director of Silic;
Independent Director of Veolia Environnement*.	Director of Centaure Bretagne;	Managing Director of SCI Les Massues.
	Director of Centaure Centre-Atlantique;	*In France outside of the Groupama SA Group:*
	Director of Centaure Grand-Est;	Director of Bolloré;
	Director of Centaure Île-de-France;	Member of the Supervisory Board of Lagardère SCA.
	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 V u 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.

GM = General shareholders' meeting convened to vote on the financial statements for the past year.

** Listed company.*

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DIRECTOR	Principal positions held outside the Company	Other offices	Positions or offices expired during the last five years
Georges Ralli	*In France;*		*In France;*
65 years old			
	Director of Chargeurs*;		Chairman of Maison Lazard SAS;
Principal position held within the Company:			
Permanent Representative of Groupama SA to the Board of Directors of Veolia Environnement*.	Director of Carrefour*.		Chairman and Managing Partner of Lazard Frères Gestion SAS;
	Outside France:		Managing Partner of Compagnie Financière Lazard Frères SAS and of Lazard Frères SAS;
	Managing Director of IPF Management I Sarl (Luxembourg);		Member of the Supervisory Board of VLGI;
	Managing Director of IPF Partners Sarl (Switzerland).		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 Chairman and 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.*

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DIRECTOR	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** (resigned effective March 28, 2014) *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	*Principal position held outside the Company:* Chief Executive Officer of the Groupe Industriel Marcel Dassault (GIMD). *Other offices and positions held with any company:*		none

of Veolia Environnement* (resigned effective March 28, 2014).	*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).	
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;	*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.

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).

GM = General shareholders' meeting convened to vote on the financial statements for the past year.

** Listed company.*

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DIRECTOR	Principal positions held outside the Company	Other offices	Positions or offices expired during the last five years
Serge Michel 87 years old	*Principal position held outside the Company:*		*In France;*
	President of Soficot SAS.		President of SAS CIAM;
Date of first appointment: April 30, 2003	*Other offices and positions held with any company:*		Permanent Representative of EDRIF to the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux[VE];
Reappointed: May 16, 2012	*In France:*		Member of the Supervisory Board of Eolfi[VE];
Term of office expires: 2016 GM	President of SAS Carré des Champs-Élysées;		Director of Eiffage SA*;
Principal position held within the Company:	President of SAS Société Gastronomique de l Étoile;		Permanent Representative of SARP to the Board of Directors of SARP Industries.
Director of Veolia Environnement*;	President of SAS Groupe Epicure;		
Chairman of the Nominations and Compensation Committee from April 30, 2003 to March 11, 2014; member of this Committee since March 3, 2014.	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.

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.

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DIRECTOR	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);	*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).

	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).	
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	*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

Investment Company to the Board of Directors of Veolia Environnement	(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.*

DIRECTOR	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	*Principal position held outside the Company:* Chief Executive Officer of ENI* (Italy). *Other offices and positions held with any company:*	none

Reappointed: May 14, 2013	*Outside France:*	
Term of office expires: 2017 GM	Vice-Chairman of London Stock Exchange Plc* (England);	
Principal position held within the Company: Independent Director of Veolia Environnement*	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).	
Thierry Dassault 56 years old	*Principal position held outside the Company:*	*In France:*
Date of first appointment: May 7, 2010	Chairman and Director of Keynectis SA;	Director of Socpresse SA; Member of the Supervisory Board of Gaumont SA.
Term of office expires: **2014 GM** (resigned effective March 28, 2014).	Vice-Chairman, Deputy Chief Executive Officer and Member of the Supervisory Board of the Groupe Industriel Marcel Dassault SAS.	
Principal position held within the Company: Censeur of Veolia Environnement*;	*Other offices and positions held with any company:* *In France:*	

Member of the Research, Innovation and Sustainable Development Committee	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.

GM = General shareholders' meeting convened to vote on the financial statements for the past year.

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Born on June 3, 1958 in Fontainebleau (France), **Antoine Frérot** is a 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, our Water Division, and our Senior Executive Vice President. In November 2009, he was appointed our Chief Executive Officer, and in December 2010 our Chairman and Chief Executive Officer.

Louis Schweitzer is a graduate of the Institut d Études Politiques (IEP) in Paris. Graduate of the École 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 our Board of Directors since November 27, 2009, he is now a Senior Independent Director of our 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 our 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'Études Politiques (IEP) and of the École 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 our Board of Directors, 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 our 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 our 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 our Board of Directors 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 and Managing Director of the Executive Committee of Lazard LLC (United States), and in 2005 was Co-Chairman and Chief Executive of European 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 our Board of Directors, **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 École 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 Études 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 our Board of Directors 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).

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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, Nathalie 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. 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 SAS 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 our Research, Innovation and Sustainable Development Committee. 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). Independence Criteria for Directors

Independence of the Members of the Board of Directors

In accordance with internal rules and regulations of the Board of Directors, members are considered independent if they have no relationship with our Company, our Group or our management that might compromise their ability to exercise their judgment objectively. According to our internal regulations, which adopt the criteria stipulated by the

AFEP-MEDEF Code, an independent director must:

1.

not be an employee of our Company, not have been a member of our Company s managing board, not have been a director or member of the executive management of our former parent corporation or of any of the companies that we consolidate, nor have held any such position within the past five years;

2.

not be a director or executive officer of any company in which our Company directly or indirectly holds a directorship or in which an employee of our Company is appointed as, or a director or executive officer of our Company (now or within the past five years) holds or held a directorship;

3.

not be a customer, supplier, investment banker or commercial banker that is material to our Company or Group or for which our Company or Group represents a significant part of the activity (nor be directly or indirectly linked with such a person);

4.

not have any close family ties with a director or executive officer of our Company;

5.

not have been an auditor of our Company within the past five years; and

6.

not have been a member of the supervisory board or board of directors of our Company for more than 12 years as of the date on which his current term of office was granted.

If a director holds ten percent or more of our Company s share capital or voting rights or represents a legal entity with such shareholdings, our Board, based on a report from the Nominations and Compensation Committee, decides whether or not that person is independent, taking into account the composition of our Company s share capital and the existence of any potential conflicts of interest.

These criteria are evaluated and weighed by our Board of Directors, which can determine that a director who does not meet the criteria defined in the internal regulations may nevertheless be characterized as independent because of his or her particular situation or that of our Company, or given our shareholding structure or for any other reason.

The internal rules and regulations also require that, each year before publication of our French reference document, our Board of Directors evaluate the independence of each of its members based on the criteria in its rules and regulations, special circumstances, the situation of the relevant director, of our Company and of our Group and the opinion of the Nominations and Compensation Committee. Members of our Accounts and Audit Committee must also be independent under Section 303 A.06 of the New York Stock Exchange Listed Company Manual and Rule 10A-3 under the Securities Exchange Act of 1934.

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 determined that Maryse Aulagnon, Jacques Aschenbroich, Daniel Bouton, Pierre-André de Chalendar, Paul-Louis Girardot, Groupama SA represented by Georges Ralli, Groupe Industriel Marcel Dassault represented by Olivier Costa de Beauregard, Marion Guillou, Baudouin Prot, Qatari Diar Real Estate Investment Company represented by Khaled Mohamed Ebrahim Al Sayed, Nathalie Rachou, Paolo Scaroni and Louis Schweitzer are independent.

The Board decided to uphold the status of Baudouin Prot as an independent director in 2014 in light of the limited amounts of financing provided by BNP Paribas, our general independence in relation to bank financing and the limited weight of our commitments, in relation to the activities of this bank. The Board upheld the independent status of Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Mohamed Ebrahim Al Sayed, due to the absence of any significant business relationship between the Company and this director. The Board determined that Paul-Louis Girardot is 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.

Other directors qualified as independent do not have business relations with our Company or any significant business relationship likely to compromise their freedom of judgment.

As of the date of filing of this annual report, our Company s Board of Directors therefore has 12 independent members, representing 80% of the total members, which is more than the recommendation of the AFEP-MEDEF Code.

Conflicts of Interest

On the basis of the representations made by the members of our Board of Directors to our Company, to our Company s knowledge, there are no family ties among the members of our Board of Directors and, during the last five years: (i) no member of our Board of Directors has been convicted of fraud; (ii) no member of our 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 our Company s knowledge, there is no conflict of interest at the level of the Board of Directors or Executive Management of our Company except for Caisse des dépôts et consignations represented by Mr. Olivier Mareuse regarding 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, our 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 our Company or our 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 Item 7. Major Shareholders and Related Party Transactions 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 our Company.

Lastly, to our 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 our capital, with the exception of the provision in our bylaws requiring each director to own at least 750 registered shares of our Company, without prejudice to the agreements concluded with the Groupe Industriel Marcel Dassault and Qatari Diar Real Estate Investment Company (see Item 7. Major Shareholders and Related Party Transactions , below).

Compensation

Directors may be compensated in one of two ways: directors fees paid for attending meetings of the Board of Directors (*jetons de présence*), which are set by our Company s annual shareholders meeting, and whose allocation is determined by our Board of Directors pursuant to recommendations of the Nominations and Compensation Committee, and exceptional compensation, which may be awarded by the Board of Directors under conditions set by law.

The amount of directors fees paid in 2013 and their division between the members of the Board of Directors are described and detailed in a table under Compensation Board of Directors Compensation below. No exceptional compensation was awarded to directors in 2013.

Frequency, Duration and Participation in Meetings

According to its internal regulations, our Company s Board of Directors must meet at least four times a year. During the 2013 fiscal year, the Board met 10 times (versus eleven times in 2012), and the average duration of the Board meetings was 3 hours (as in 2012). The average attendance rate of the Board members was 86% in 2013 (versus 82% in 2012). The option of participating by means of remote transmission was exercised on the occasion of 8 meetings out of 10 in 2013 (versus 3 meetings out of 11 meetings in 2012).

Participation by means of telecommunications

Directors may participate in meetings of the Board of Directors 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 votes 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).

Operations and Activity 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 allocation of income and payment of a scrip dividend. The Board also issued the notice of meeting for the annual combined general shareholders 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 our organizational structure and the revision of the cost reduction program. It also carried out a review of the Water business in France.

The Board renewed the financial and legal authorizations granted to the Chairman and Chief Executive Officer, particularly for financing activities and off-balance sheet commitments, and agreed to our 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 shareholders 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 policy objectives put forth by 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 our Executive Management. The Board also received reports from our 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, our financial and cash position, off-balance sheet commitments and changes in significant litigation. Our 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, our Executive Management provides the directors with detailed documentation regarding business activities, internal matters (appointments, social policy) and our corporate activities (actions with various institutions in France, Europe and abroad) during the period in question.

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Board Evaluation

Once a year, the Board is required to include on its agenda an evaluation of its operations, prepared by the Nominations and Compensation Committee and a discussion of its operations for the purpose of improving efficiency, ensuring that important issues are adequately prepared and discussed during Board meetings and assessing the actual contributions of each member to the Board s work. In addition, the Board s internal rules and regulations provide that a formal evaluation of its operations must be carried out every three years by an outside organization, under the direction of the Nominations and Compensation Committee for the purpose of ensuring that the Board complies with the principles governing its operations and studies proposals intended to improve its operations and efficiency. Each year, the Nominations and Compensation Committee provides the Board of Directors with a report evaluating the performance of the Chairman and of the directors, as well as the actions of Executive Management, which the Board discusses.

In accordance with the Board s internal regulations, the conclusions of a formal evaluation conducted by an independent body were presented to the Board on March 24, 2011 by the Chairman of the Nominations and Compensation Committee. Pursuant to the decisions taken at this meeting, the Chairman and Chief Executive Officer convened the Board to attend a strategic seminar in November 2011 at which the Executive Committee was present, and which allowed ample time for discussion and exchange; prior to this meeting, directors were sent detailed documentation, including information about the competitive environment in which we operate.

In 2012, the results of the annual assessment initiated by the President of the Appointments and Remunerations Committee were communicated to the Board during its meeting on March 15, 2012. In general, the responses to this assessment were largely positive in noting improvements made to the operation of the Board and it was determined that the demands formulated during the formalized assessment made in 2011 had been met. At this time, the following improvements were requested: meetings to present the businesses to be held more frequently with the presence of the relevant managers; information to be produced on risks and competitors; more time to be devoted to internal debates; and the Board s authorization levels to be reassessed in terms of its internal regulations. Regarding the composition of the Board, recommendations were made in terms of its size and number of female members. The operation of the committees was considered as satisfactory overall. After discussion, the Board made the following conclusions: the day dedicated to strategy and the organization of a meeting at one of the operating sites is to continue on an annual basis; general management will inform the Accounts and Audit Committee of transactions above a threshold of between €150 million and €300 million; steps will be taken to ensure that draft financial communications are communicated to the Board further in advance.

In application of the decisions taken at this meeting, our Chairman and CEO will convene the Board annually into a strategic seminar with the participation of our 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 emerged from this assessment: 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, the combined role of Chairman and CEO is considered, in the current position of our Group, as the most suitable and, in this 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 appointment of members with special experience of contracts in the utilities and energy sectors. A reinforcement of the international component of the Board is 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 our international development policy.

With respect to the Board s operation, if the organization, number and length of meetings are considered to be appropriate in the current context, 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 Board would like to split the Nominations and Compensation Committee into two committees, and, with respect to all Board committees, earlier distribution of any work to be completed, and, with respect to the Accounts and Audit Committee, a more in-depth analysis of risk and in the reports to the Board in this area, as well as greater involvement in monitoring the management information systems.

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Information Available to Directors

Our Chairman provides directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, our Chairman provides the members of the Board with all significant information concerning our Company. Each director receives and has the right to request all necessary information to perform his or her duties, and may also request additional training concerning the specificities of our Company and our Group.

In order to fulfill their duties, the directors may meet with the key management personnel of our Company and Group, subject to giving prior notice to our 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 our divisions may be invited to any Board meeting devoted to the prospects and strategies of their business sector.

Duties of Directors

The internal rules and regulations of our Board of Directors provide that the Board s members are subject to obligations, such as: (i) the duty to act in our Company s corporate interest; (ii) to inform the Board of conflicts of interest, even potential conflicts of interest; (iii) to refrain from participating in votes on any decisions in which they may have a conflict of interest; (iv) to exercise their duties in accordance with the law, particularly laws limiting an accumulation of numerous directorships; (v) to regularly attend Board and committee meetings; (vi) to remain informed in order to be able to deal effectively with the agenda items; (vii) to maintain genuine professional secrecy and fulfill their obligations of loyalty; and (viii) to comply with our Company s code of conduct regarding securities transactions. The members of the Board of Directors and our Chief Executive Officer are required to promptly inform the Chairman of the Board of all agreements made by our Company in which they have a direct or indirect interest or that is made on their behalf by an intermediary.

Each director receives a periodically updated Director s Handbook that includes the following key documents: our Company s bylaws, a summary of our Chief Executive Officer s powers, the internal regulations of the Board of Directors, Accounts and Audit Committee, and Nominations and Compensation Committee, our 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 our securities, and the Ethics, Commitment and Responsibility Charter.

Reporting Obligations, Prohibition of Securities Trading

According to our internal rules and regulations, every director or non-voting member (*censeur*) must report to the AMF and to us all transactions in our securities 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 members of the Board of Directors and our management personnel or executive officers, and their close personal relations, must report all acquisitions, sales, subscriptions or trades in our securities and financial instruments to the AMF, within five trading days. See Share Ownership below.

Moreover, our directors and executive officers are subject to French and US regulations concerning the associated violations and laws against insider trading and which stipulate that the use or disclosure of inside information is a punishable offence. In accordance with Article L. 621-18-4 of the French Monetary and Financial Code, our Company draws up, and keeps up to date, a list of permanent insiders; this list is available to the AMF, and includes in particular the members of our Board of Directors and our Executive Committee.

Our directors and corporate officers are required to comply with the provisions of our code of conduct with respect to securities transactions. In that respect, we deem the members of the Board of Directors and of the Executive Committee to be permanent insiders who may not buy or sell our 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 semi-annual 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 avoid any issues regarding the application of the code of conduct, such individuals must consult with our Secretary General before buying or selling our securities, directly or indirectly.

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Chairman of the Board of Directors

The internal rules and 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 functioning of our 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 our future and, in particular, issues concerning our 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 our 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; and prepares and organizes the Board s periodic evaluations, in coordination with the Nominations and Compensation Committee.

The Chairman has the means necessary to perform his duties.

Vice-Chairman/Senior Independent Director

Naming of Vice-Chairman/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 our 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 to serve for the duration of his term as an independent director. The Board appointed the independent director Louis Schweitzer to assume the position of Vice-Chairman, effective November 27, 2009.

During the meeting held on March 15, 2012, the Board of Directors duly noted that Louis Schweitzer would reach the age of 70 in 2012; therefore, under Article 12 of our Company s bylaws, he would be unable to continue as Vice-Chairman beyond the General Shareholders Meeting held on May 16, 2012. In accordance with the recommendations of the Nominations and Compensation Committee, the Board of Directors decided to appoint him, as from the annual general meeting held on May 16, 2012, as a Senior Independent Director, responsible for monitoring the satisfactory operation of our Company s governance bodies, for the remainder of his term as a Board member and for so long as he remains an independent member, 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 (*i.e.* the role he held previously until the 2012 General Shareholders Meeting) and that he now combines with his role as Senior Independent Director. This appointment resulted from the approval by the General Shareholders Meeting of May 14, 2013 of the modification of Article 12 of the Company s bylaws, increasing the maximum age of Vice-Chairmen from 70 to 75 years.

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Role of the Senior Independent Director

The Senior Independent Director s duties include helping the Chairman ensure that corporate governance bodies function smoothly. In this regard, the Senior Independent Director examines conflicts of interest, particularly potential conflicts of interest that may involve the Board members or the Chairman of the Board with regard to the interests of our Company, whether they arise in connection with operational projects, strategic policies or specific agreements. The Senior Independent Director 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 with the agreement of the Chairman of the Board, the Senior Independent Director may also respond to questions of major shareholders himself or meet with them if the ordinary partners for such discussions (*i.e.*, the Chairman and Chief Executive Officer or the Chief Financial Officer) have been unable to handle such concerns or if the nature 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.

Management

As a French corporation (*société anonyme*) with a Board of Directors, our Company is legally entitled to opt for either a separation of the duties of the Chairman and of the Chief Executive Officer or to have a single person hold those positions. As mentioned in the AFEP-MEDEF 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.

Our Board of Directors decided to entrust the Executive Management of our Company to Antoine Frérot, whose term of office began on November 27, 2009 and was extended on December 12, 2010 to the close of the General Shareholders Meeting convened to approve the financial statements for 2013 (*i.e.*, in 2014). At the same Board meeting of December 12, 2010, the Board took note of 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 our 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 offices of Chairman and Chief Executive Officer from 2003 to the end of 2009 and that mode of management proved to be effective at our Group during that period;

changes in our 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 our Company and our shareholders to separate the duties of Chief Executive Officer from those of the Chairman of the Board of our Company in order to maintain our Company s continuity and stability vis-a-vis our 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 ours. It is also more tightly knit and responsive, since it simplifies the processes of decision-making and responsibility, for example in the implementation of our Group s far-reaching transformation process launched in 2012;

the internal rules and regulations of the Board of Directors, the senior independent director acting as vice-chairman 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; and

finally, regarding the practices of CAC 40 companies, it is the preferred management system since most companies with a Board of Directors opt for this combined mode of management.

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Chief Executive Officer

The Chairman and Chief Executive Officer, who assumes the duties of Executive Management, has the broadest possible powers to act in the name of our Company in all 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 us in our relations with third parties.

The powers exercised by the Chairman and Chief Executive Officer are limited by the internal rules and regulations of the Board of Directors. Thus, according to the internal rules and regulations of the Board of Directors, as amended on May 7, 2009, the following actions of the Chief Executive Officer require prior approval from the Board:

establishing our Group s strategic policies;

Group transactions involving amounts in excess of €300 million per transaction, with the exception of financing transactions;

•

Group investment or divestment transactions that include a commitment between €150 and €300 million per transaction (with the exception of financing transactions), after consultation and opinion of the Accounts and Audit Committee[7];

•

financing transactions, regardless of the terms and conditions thereof, involving amounts in excess of €1.5 billion per transaction if the transaction is carried out in a single tranche and €2.5 billion if the transaction is carried out in more than one tranche; and

•

transactions in our shares representing an overall number in excess of 1% of the overall number of our shares.

Executive Committee

In accordance with our Company s principles of corporate governance and practices since April 30, 2003, the combined Chairman and Chief Executive Officer (previously the Chief Executive Officer) is part of an Executive Committee composed of members drawn from each of our Company s activities.

In July 2013, the composition of the Executive Committee was modified to better represent the organization based on geographic zones (with Sylvain Boucher and Jérôme Le Conte leaving the Executive Committee) and, and as of January 2014, Philippe Capron replacing Pierre-François Riolacci as Chief Financial Officer.

As of the date of this annual report on Form 20-F, our Company s Executive Committee consists of eleven members:

Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement;

Laurent Auguste, Director of Innovation and Markets;

François Bertreau, Chief Operating Officer;

Estelle Brachlianoff, Director of Northern Europe;

Régis Calmels, Director of Asia;

Philippe Capron, Senior Executive Vice-President and Chief Financial Officer;

Philippe Guitard, Director of Central and Eastern Europe;

Jean-Michel Herrewyn, Director of Global Enterprises;

Franck Lacroix, Chief Executive Officer of Dalkia;

Jean-Marie Lambert, Senior Executive Vice-President and Director of Human Resources; and

Helman le Pas de Sécheval, Senior Executive Vice-President and General Counsel.

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On August 1, 2012 the Board of Directors amended the internal regulations of the Board of Directors and the Audit and Accounts Committee.

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Under the chairmanship of Antoine Frérot, the Executive Committee is convened whenever our major policies are established for the purposes of reflection, consultation and decision-making. In addition, the Executive Committee 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 our ability to assess and oversee projects, in 2008, a commitments subcommittee of our 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 our Chairman and Chief Executive Officer and is comprised of our Senior Executive Vice-President and Chief Operating Officer, our Chief Financial Officer, our General Counsel, our Technical and Performance Manager and our Director of Innovation and Markets. Issues and topics are presented to it by the area manager in charge of the project.

Antoine Frérot was born on June 3, 1958 in Fontainebleau (France), Antoine Frérot is a graduate of the École Polytechnique (class of 1977), an engineer of the Corps des Ponts et Chaussées, and holds a doctorate from the École Nationale des Ponts et Chaussées. Mr. Frérot 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 for Study and Research of the École Nationale des Ponts and Chaussées as project manager and served as assistant director from 1984 to 1988. From 1988 to 1990, he was in charge of financial operations at Crédit National. In 1990, Mr. 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 Vivendi Environnement board. In January 2003, Mr. 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 became Chief Executive Officer, and in December 2010, Chairman and Chief Executive Officer of Veolia Environnement.

Laurent Auguste was born in 1967 and is a graduate from École Centrale de Lyon. He started his career in 1991 as a consultant at Japan in Time Experts in Tokyo. He joined Générale des Eaux in 1995 at the Bethune agency as Deputy Manager, and later from 1997 as Manager. In 1999, he took over the management of the Générale des Eaux subsidiary in Korea and later of the subsidiary in Japan in 2002. In 2008, he served as Executive Vice President for North America of Veolia Water. In 2013, he was appointed as Head of innovation and Market departement.

François Bertreau is a graduate of the École supérieure de commerce de Paris ESCP and holds an MBA from Insead. He started his career in 1981 as a financial analyst with Crédit National and in 1985 he joined the Boston Consulting Group. In 1988, he moved to Technal, a subsidiary of the Alcan group, and became Managing Director in 1991. In 1996, he was appointed Director of Business Development and Marketing strategy for Aster, the special steels branch of Usinor. In 1998, he became Managing Director and Executive Vice President of the Logistics Division for Norbert Dentressangle. From July 2008 to November 2012, he served as Chairman of the Executive Board and Chief Executive Officer of Norbert Dentressangle. François Bertreau has been Chief Operating Officer of Veolia Environnement S.A. since December 1, 2012.

Estelle Brachlianoff was born in 1972 and is a graduate of the École Polytechnique and the Ponts et Chaussées engineering school. She joined the Greater Paris area's Val-d'Oise infrastructure department in 1998 as head of its major infrastructure service. In 2002 she became adviser to the Prefect for the Ile-de-France region, responsible for transport and development. She joined Veolia Environmental Services in 2005 as special adviser to the CEO. She served as CEO of Veolia Environmental Services Cleaning and Multiservices from 2008 and Veolia Environmental Services for Ile-de-France from 2010. Since 2012, she has been CEO of Veolia Environmental Services in the United Kingdom. In 2013, she has been appointed Director of the UK-Ireland Zone for the Group.

Régis Calmels was born in 1955 and is an engineer from École Nationale des Ponts et Chaussées, Régis Calmels joined Veolia Water in January 1979. Successively an engineer at Arras, head of the Source du Lez worksite at Montpellier, head of the eastern sector of the Générale des Eaux Centre-Sud Ouest Region, then the Brie sector, and Méditerranéenne des Eaux, Régis Calmels has been running Veolia Water's international subsidiaries since 1995 (Houston, Philippines, Singapore). Since 1999, he has served as CEO of Veolia Water Asia. In 2013, he has been appointed Director of the Asian Zone for the Group.

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Philippe Capron (aged 55) is a graduate of the École des Hautes Études Commerciales (HEC), the Paris Institut d Études politiques and the École Nationale d Administration (ENA). He began his career as an assistant to the Chairman and Secretary of the Board of Directors of Sacilor between 1979 and 1981, before joining the French Finance Inspectorate upon leaving the ENA in 1985. He was an Adviser to the Chairman and Chief Executive Officer of Duménil Leblé from 1989 to 1990, then Managing Director and a member of the Management Board of Banque Duménil Leblé (Cérus Group) between 1990 and 1992, before joining the strategy consulting firm Bain&Company as a Partner, from 1992 to 1994. International Development Director of the Euler Group from 1994 to 1997, he was Chairman and Chief Executive Officer of Euler-SFAC from 1998 to 2000. In November 2000, he joined the Usinor Group as Chief Financial Officer. In 2002, he was appointed Executive Vice President of the Arcelor Group, responsible for the packaging steels division, and then for the international distribution and trading businesses, before becoming the Group s Chief Financial Officer in 2006. Philippe Capron joined Vivendi in 2007 as Chief Financial Officer and member of its management board. He has been the Chief Financial officer of Veolia Environnement S.A. since January 6, 2014.

Philippe Guitard was born in 1960 and is a graduate engineer from Polytech´ Montpellier. Mr. Guitard started his career as a Lead Project Engineer in industrial water treatment at Sogea (Générale des Eaux Group) in 1985. Successively an operations engineer in Bergerac, later head of agencies in Mandelieu-la-Napoule and Cagnes-sur-Mer at Compagnie des Eaux et de l'Ozone, Philippe Guitard joined Compagnie Générale des Eaux in 1995 as Regional Director in Ponce (Puerto Rico). In 1997, he moved to the Czech Republic as CEO of the Vodarna Plzen subsidiary. In 1999 he was appointed CEO of Veolia Water for the Czech Republic and in 2002 CEO of Veolia Water for Central Europe and Russia. In 2008, he was appointed Director of Veolia Water Europe (excluding France).

Jean-Michel Herrewyn is a graduate of École Polytechnique and École Nationale d'Administration. He started his career in 1986 as an engineer in the Avionics division of Thomson CSF. In 1991, he joined the Compagnie Générale de Chauffe (now Dalkia) as technical manager then general manager of the home automation subsidiary. In 1993, he became attaché to the Managing Director and in 1996 ran Dalkia's German subsidiary and later subsidiaries in Austria and Switzerland. At the beginning of 2000, he was also appointed General Manager of Veolia Transport's German subsidiary, and also supervised developments in Austria and Switzerland. In 2000, he was appointed Chairman of Valorec, a joint subsidiary of Dalkia and Veolia Propreté, created from the outsourcing of energy and waste management by Novartis plants in Basle (Switzerland). In March 2003, he joined Veolia Eau as Managing Director of Veolia Water Solutions & Technologies. Since December 2009, he was appointed Chief Executive Officer of Veolia Eau and to our Executive Committee. In 2013, he has been entrusted with the management of the Group s worldwide entreprises.

Franck Lacroix is a graduate of École Centrale de Marseille. He joined the Company as VP Operations Montenay Company in 1987 - the energy branch of la Compagnie Générale des Eaux - before being renamed Dalkia, our energy division in 1998. As an engineer specialized in energy issues, Franck Lacroix developed in his various positions a strong expertise in rationalization and optimization of organizations. After being VP Operations at Dalkia France, for the east region (1997-1999) and the Paris Great Area (1999-2001), he was appointed Chief Operating Officer and member of the Dalkia Executive Committee. He created the Dalkia Technical and Operations department which remained under his supervision until 2008. He was then appointed Chief Executive Officer of Dalkia France which represents more than half of the company's revenue. Under his leadership, the company developed new activities and significantly strengthened its position on key markets such as district heating, cogeneration and biomass. By investing in the wood supply chain, he turned Dalkia into a leader on the biomass market. Franck Lacroix is also Chairman of Bois Energie France (a wood biomass supply company) and Board member of Fedene (energy services trade association) after being President of S2Ti (teleprocessing and automation trade association) from 2001 to 2008. Franck Lacroix is Chairman of Dalkia and Senior Executive Vice President of our Energy Services division, since 2011.

Jean-Marie Lambert is a graduate of the Institut d'Études Politiques (IEP) of Paris. He began his career in 1981 in the Philips group. From 1984 to 1990, he joined the human resources department of Spie-Batignolles (Schneider group). In 1990, he became Deputy Human Resources Director of Sogea and then evolved within the Vinci Group. From 1992 to 2000, he was Human Resources Director of Campenon Bernard and from 2000 to 2003 Human Resources Director of Vinci Construction. In 2003, Mr. Lambert joined our Water division where he has been appointed Human Resources Director. He became our Human Resources Director in 2011.

Helman le Pas de Sécheval is a graduate of École normale supérieure with a PhD in Physical Sciences and an engineering degree from École des Mines. He began his career in 1991 as a project manager in the financial engineering department of Banexi. From 1993 to 1997, he was deputy inspector-general of the underground quarries of Paris. In July 1997, he was appointed deputy to the head of the Corporate Finance Department of the COB (the French securities regulator), becoming head of this department in 1998. From November 2001 to December 2009, Helman le Pas de Sécheval was group Chief Financial Officer of Groupama, with responsibility for the group's financing, investing, reinsurance and accounting divisions and oversight of the group's financial subsidiaries. From January 2010 to December 2011, he was CEO of Groupama Centre-Atlantique. In September 2012, he was appointed our Senior Executive Vice-President, General Counsel.

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COMPENSATION

Board of Directors Compensation

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 our Board of Directors by us and by controlled companies. For the year 2012 and thereafter, Mr. Antoine Frérot has decided to waive attendance fees paid by our 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	By the Company	By controlled companies	By the Company	By controlled companies[1]	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	0	24,245	0	30,545	0	33,600	0
Nathalie Rachou[1]	42,000	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, Ms. Maryse Aulagnon, Groupama SA, represented by Mr. Georges Ralli, and Ms. Nathalie Rachou were appointed as Directors by the General Shareholders Meeting of May 16, 2012.

(2)

Caisse des Dépôts et Consignations, represented by Mr. Olivier Mareuse, was appointed 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, Ms. Esther Koplowitz and Mr. Georges Ralli expired on May 16, 2012.

(4)

The full compensation of Mr. Antoine Frérot is indicated Executive Committee Compensation-- Details of the Compensation Paid to Our Chairman and Chief Executive Officer. 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 year 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)

Ms. Marion Guillou was nominated by the Board of Directors on March 15, 2012 as director to replace Mr. Henri Proglio.

(8)

Henri Proglio tendered his resignation as director on October 10, 2012.

(9)

Amounts before withholding tax at source.

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Directors' Fees in 2013

The General Shareholders' Meeting held on May 7, 2011, based on a proposal from our Board of Directors, set the maximum annual amount of directors' fees at €866,000. Since 2010, there is also an attendance premium : half of the amount of directors fees due to a director is paid in proportion to his or her recorded attendance (with attendance using telecommunication methods counted 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 maximum amount of directors fees from the General Meeting of Shareholders held on May 14, 2013. It decided, furthermore, to retain the same distribution of directors fees as that applied in 2011 and 2012[8] and noted the Chairman and CEO s renewed decision to waive his attendance fees for 2013.

In addition, as the Board of Directors, in its meeting on May 14, 2013, approved the nomination of Louis Schweitzer as Vice-Chairman, in a role he held until the General Shareholders Meeting of 2012 and which he combines since May 14, 2013 with his functions as Senior Independent Director, the amount of attendance fees to be paid to the Vice-Chairman and Senior Independent Director was set at €100,000.

Amount and Distribution of Directors' Fees in 2014

Taking into account the appointment in 2014 of two directors representing, and, as applicable, in order to be able to reorganize the committees of the Board of Directors and/or to increase the number of committee meetings, our Board of Directors, in its meeting of March 11, 2014 and following the recommendations made by the Nominations and Compensation Committee decided to propose a change in the total yearly amount of attendance fees paid to directors for approval by the General Shareholders' Meeting to be held on April 24, 2014, increasing it from €866,000 to €980,000. In addition, the Board took note of Chairman's renewed decision to waive his attendance fees for the year 2014 and decided to maintain in 2014 (subject to confirmation by the General Shareholders Meeting on April 24, 2014) the same distribution of attendance fees as used in 2013 (see Compensation Board of Directors Compensation below). In application nevertheless of the AFEP-MEDEF Code, (revised in June 2013 to require a variable element based on attendance), the Board decided to maintain the same attendance fees of €33,600 but to modify its distribution as follows: 40% of attendance fees are fixed, and 60% are variable, based on attendance.

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an amount of €33,600 per directorship, comprising (a) a fixed amount of €16,800 and (b) a variable potential amount of €16,800 paid only in proportion to the rate of attendance of the director in meetings of the Board during the fiscal year;

•

an additional amount of €8,400 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 for the Chairman of the Accounts and Audit Committee;

- an additional amount of €33,600 for the Chairman of the Nominations and Compensation Committee;

- an additional amount of €16,800 for the Chairman of the Research, Innovation and Sustainable Development Committee; and

- an amount of €16,800 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 observer s participation in meetings of the Board.

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Executive Committee Compensation

All members of the Executive Committee in office on December 31, 2013 (excluding the Chairman and Chief Executive Officer) received total gross compensation totaling €4,282,823 in 2013 (for an Executive Committee made up of 9 members excluding the Chairman and Chief Executive Officer), as compared to €3,445,2643 in 2012 (for an Executive Committee made up of 8 members excluding the Chairman and Chief Executive Officer).

The tables below show the total gross compensation paid out to members of our Executive Committee on December 31, 2011, 2012 and 2013, with the exception of the Chairman and Chief Executive Officer, including fixed and variable compensation paid by or due from us in respect of these fiscal years, as well as benefits in kind and directors fees received by Executive Committee members in respect of directorships held in companies of our Group in France and abroad. Compensation of members who left the Executive Committee during the relevant year is not included.

	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 us		
Paid by our 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.

	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 us	-	-
Paid by our controlled companies	-(1)	124,991(2)
Benefits in kind	10,953	10,953
TOTAL	**4,582,817**	**3,445,263**

(1)

Starting in 2012, it was decided that members of our Executive Committee and executives will no longer receive attendance fees in respect of their positions held in 2012.

(2)

Variable portion for the year 2011 paid in 2012.

	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 us		
Paid by our controlled companies		
Benefits in kind	10,098	10,098
TOTAL	**4,912,150**	**4,282,823**

These amounts do not include any expatriation indemnities that may have been paid.

No profit-sharing was paid out to employees under an employment contract with the Company in 2011 in respect of 2010. Total profit sharing of €11,687 was paid to the members of the Executive Committee excluding the CEO in 2012.

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Retirement Plans and Other Benefits

There is no contract between the members of the Board and our Company or any of our subsidiaries that provides for the payment of benefits or compensation owed or that may be owed in the event such members cease or change their employment with our Company or with our subsidiaries, other than the compensation in the event of a termination of the Chief Executive Officer s office and the supplementary defined benefits Group pension plan described below.

Compensation in the Event of Termination as Chairman and Chief Executive Officer

In accordance with the recommendations of the AFEP-MEDEF Code, our Company s Board of Directors at its meeting on December 17, 2009, took note that, effective January 1, 2010, Mr. Antoine Frérot s employment contract, which was suspended on November 27, 2009 when he was appointed our Chief Executive Officer, would be terminated (under French corporate governance principles, Chief Executive Officers work without employment contracts). It should be noted that the termination of Mr. Antoine Frérot s employment contract causes him to lose the right under the collective bargaining agreement to receive compensation for his seniority within our Group (more than 19 years at this date).

Pursuant to a proposal of the Nominations and Compensation Committee, at its meeting held on December 17, 2009, the Board of Directors decided to award Mr. Antoine Frérot compensation in the event of his termination as Chief Executive Officer, in accordance with the provisions of the TEPA Act (Article L. 225-42-1 of the French Commercial Code), which was approved on May 7, 2010 by our General Shareholders Meeting. Such compensation is conditioned on compliance with performance requirements, and is excluded if he is entitled to a retirement pension under the supplementary defined benefits Group pension plan set up for the members of our Executive Committee or if he accepts another position within our Group (either as an employee or as a corporate officer). Payment of this compensation is limited to situations of dismissal, non-renewal of his position or forced departure in connection with a change of control or strategy. In accordance with the AFEP-MEDEF Code, the maximum amount of this termination compensation is twice the amount of total annual gross compensation (excluding directors fees and in-kind benefits), including the fixed portion of compensation for the last fiscal year (Fixed Portion) and the average variable portion of compensation (Variable Portion) paid and owed for the last three fiscal years ended before the termination of the Chief Executive Officer (Reference Compensation). The amount and the fixed and variable components of this termination compensation both depend on meeting the performance objectives applied to calculate his annual variable compensation. The amount of this termination 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 target bonus (also called base bonus or meeting 100% of annual objectives) met over the last three fiscal years ended before the termination of his position. In the event that Mr. Antoine Frérot is terminated as Chief Executive Officer before it is possible to calculate the Reference Compensation or the average Performance Rate over the last three full fiscal years, these indicators will be calculated over the last one or two full fiscal years, as the case may be, before the date of Mr. Antoine Frérot s termination as Chief Executive Officer.

With respect to 2011 only, the Variable Portion will be recalculated to reflect that Mr. Antoine Frérot had decided unilaterally to waive the portion of his variable compensation for 2011 that was based on a qualitative assessment of performance. Therefore, for the purposes of the calculation of the indemnity, the amount of variable compensation for 2011 would be as follows: the quantitative variable part perceived during 2011 (€244,940) will be increased by a qualitative variable part equal to 30% of the target bonus base (€337,200) to which a rate of retained realization

(31.3%) would be taken into account to calculate the quantitative part of this fiscal year, or an increase of €104,962 (the qualitative part of the 2011 bonus) and a variable compensation for 2011 leaving a total sum of €349,902 instead of €244,940.

The renewal of this severance compensation will be subject to the approval of the General Shareholders' Meeting to be held on April 24, 2014.

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Supplementary Defined Benefits Group Pension Plan

Starting in the 2006 fiscal year, we set up a supplementary defined benefits group pension plan for the members of our Executive Committee, 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 Shareholders Meeting held on May 11, 2006.

This supplementary pension plan, whose financing is outsourced to an insurance company, includes the following:

a specific plan that takes into account the cancellation of the supplementary pension plan for the benefit of our executive managers after the split-up of the Vivendi and Veolia Environnement groups and the loss of seniority they had acquired through December 31, 2002 as employees of the former principal shareholder (*Compagnie Générale des Eaux*, which became Vivendi Universal and was thereafter renamed Vivendi);

an additional plan that is separate from other pensions, that is based on seniority (a minimum of five years seniority and two years seniority as a member of the Executive Committee) and that is capped at 25% of covered compensation (for 25 years seniority);

a limit on the total retirement benefits received set at a maximum of 50% of covered compensation;

salaried management employees and senior executive management acquire 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 annual Social Security maximum; and

in accordance with legal requirements, the benefits of this supplementary group pension plan are 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 our Company.

In March 2009 (approved by the General Shareholders Meeting held on May 7, 2009), the rules and regulations of this plan were amended following our Company s adoption of provisions bringing it into conformity with the provisions of the AFEP-MEDEF Code providing for 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 was not detrimental to them, it was decided to amend the rules and regulations governing this plan in order to clarify the eligibility requirements of this supplementary defined benefits Group pension plan for senior executive management, whether or not parties to an employment contract.

After obtaining the opinion of the Nominations and Compensation Committee, at its meetings held on October 21 and December 17, 2009, the Board of Directors decided to make additional amendments to the rules and regulations governing the supplementary defined benefits Group pension plan in order inter alia to include as beneficiaries members those who permanently end their professional career after the age of 55 without subsequently engaging in other professional activity in accordance with legal requirements, and 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 is now 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 maximum.

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 Shareholders Meeting of May 7, 2010 approved these changes to the extent that they concern senior executive management.

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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, on March 14, 2013, the Board of Directors decided, upon a motion by the Chairman and Chief Executive Officer, to cancel, effective June 30, 2013, the defined benefits group pension plan for Executive Committee members (category 9 employees and the Chairman and CEO) and to replace it with the defined benefits group pension plan open to all category 8 and higher management employees (and the Chairman and CEO).

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 senior executive management.

The supplementary defined benefits group pension plan for category 8 and higher management employees (and the Chairman and CEO) 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 ceilings;

- the pension amount is determined based on the number of years of service in our 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 notes to our Consolidated Financial Statements included at Item 18 of this annual report on Form 20-F.

In accordance with the recommendations of the AFEP-MEDEF Code, the value of the benefits provided by the supplementary pension plan is taken into account when determining the Chairman and Chief Executive Officer s total compensation. Furthermore, the group of potential beneficiaries is not only limited to the Chairman and CEO, 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 our Group, calculated without survivor benefits.

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Summary of the situation as of December 31, 2013

Corporate Officers	*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*	
	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 --Change in the Supplementary Defined Benefits Group Pension Plan in 2013 below).

(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 (see Compensation in the Event of Termination as Chairman and Chief Executive Officer above).

Change in the Supplementary Defined Benefits Group Pension Plan in 2014

In accordance with the commitments undertaken 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 Chairman and CEO who is 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 Shareholders Meeting of April 24, 2014 (as a regulated commitment in favor of the executive corporate officer (*i.e.*, the Chairman and CEO) 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 ceilings. 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 Chairman and CEO);

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 our supplementary pension plan, which includes the Chairman and CEO, is subject to approval by the Annual Shareholders' Meeting on April 24, 2014 as a regulated agreement.

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Details of the Compensation Paid to Our Chairman and 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 decided, pursuant to a recommendation of the Nominations and Compensation Committee, to maintain, for the year 2013, the fixed portion of compensation awarded to Mr. Antoine Frérot in his capacity as Chairman and Chief Executive Officer of our Company, at €900,000.

In addition to his compensation, he is entitled to a company car and to social security benefits equivalent to those of employees (sickness, disability). Furthermore, he is eligible for the defined benefits group pension plan set up in June 2013 in replacement of the supplementary defined benefits group pension plan put in place in 2006 for category 9 management employees and directors, executive corporate officers of Veolia Environnement. Since the end of June 2013, he has been transferred to the new plan for category 8 and above executives (including directors and corporate officers), which is expected to be modified and permanently closed at end-June 2014 as outlined above under Change in the Supplementary Defined Benefits Group Pension Plan in 2014 .

Variable Compensation for the 2011, 2012 and 2013 Fiscal Years

Since 2003, the variable portion of the Chief Executive Officer s compensation has been weighted between a quantitative portion of 70% and a qualitative portion of 30% of the target basis of the variable compensation (the target bonus base). The target bonus base has accounted for 125% of fixed compensation since 2011, *i.e.*, €1,125,000. The Nominations and Compensation Committee and the Board of Directors consider that the consistency of these 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 our objectives of positive free cash flow (after payment of dividend), cost reduction, cash flow after deduction of investments (net of disposals) and an 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 Compensation of Mr. Antoine Frérot, 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, maintained, for the purpose of determining the variable portion of the Chief Executive Officer s compensation in respect of the year 2011, the relative weights with a quantitative portion of 70% and a qualitative portion of 30%. The criteria for the quantitative portion of the variable compensation of the Chief Executive Officer involve the achievement of the budgetary objectives relating, on the one hand, to adjusted operating cash flow after deduction of net investments, adjusted by the positive or negative change in working capital requirements (weighted at 35%), and, on the other hand, to 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 us in terms of safety.

These criteria were in line with our objectives for 2011, which were a positive free cash flow after the payment of dividends and increasing adjusted operating income (excluding the effect of the merger of Veolia Transport and Transdev).

Applying these criteria and given the partial achievement of the objectives announced for 2011 (31.1% achievement of the target bonus base, 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, decided to award Mr. Antoine Frérot an amount of €244,940 in respect of 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.

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2012 Variable Compensation of Mr. Antoine Frérot, 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, decided, for the purposes of determining the variable portion of the Chairman and Chief Executive Officer s compensation in respect of the year 2012, to maintain a quantitative portion of 70% and a qualitative portion of 30%. With regard to our 2012 objectives of disposals and debt reduction in line with our objective to increase positive free cash flow (after payment of dividends) and a decrease expenses in order to increase adjusted operating income (excluding 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) adjusted operating cash flow after deduction of investments net of disposals, 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%).

The qualitative portion of 30% was assessed with respect to the following qualitative criteria: the achievement of our strategic transformation plan.

Applying these criteria and given the achievement of the objectives announced for the year 2012: (i) the quantitative portion was assessed based on the achievement of a positive free cash flow above the externally announced objectives, exceeding the debt reduction objective, with the cost reduction plan ahead of schedule despite a drop in adjusted operating income as compared to 2011 and (ii) the qualitative portion was determined in consideration of the successful completion of our planned disposals and a refocusing of our activities. Therefore, the Board of Directors, on March 14, 2013, decided to award Mr. Antoine Frérot an amount of €679,293 in respect of the quantitative and qualitative portion of his variable compensation for 2012.

This 2012 variable portion reflects an average rate of 52% on achieving the Working Capital Requirements and Adjusted Operating Income financial criteria of the quantitative target bonus base and a rate of 80% of the qualitative target bonus base.

2013 Variable Compensation of Mr. Antoine Frérot, 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 in respect of the year 2013, the weighting concerning the quantitative portion of 70% and the qualitative portion of 30%, and therefore the target bonus base (*i.e.*, 125% for the fixed portion, or €1,125,000 in case the annual targets are 100% reached). Quantitative and qualitative elements for the variable part for 2013 have been fixed as follows:

For the quantitative part of the variable compensation, the 2013 quantitative elements, which was the second year of the transformation of our Group, were based on the achievement of the budgetary objectives concerning (i) adjusted operating cash flow after deduction of investments net of disposals, 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 part of our two major goals for 2013: debt management and increasing profitability via a refocusing strategy.

The qualitative part of the variable compensation could be seen with the execution of our strategic and refocusing plan.

The qualitative portion of 30% was assessed with respect to the following qualitative criteria: the achievement of our strategic transformation plan.

Applying these criteria and given the achievement of the objectives announced for the year 2013: (i) the variable quantitative portion was assessed based on the achievement of 74.1% of the target bonus base with respect to adjusted operating cash flow and adjusted operating income criteria (as defined above).

On March 14, 2013, the Board of Directors decided to award Mr. Antoine Frérot an amount of €303,750 in respect of the qualitative portion of his variable compensation for 2013, or 90% of his qualitative target bonus base with reference to the realization during 2013 of a profound reorganization of our Group in a difficult economic context and the first results seen by this transformation. The total amount of his variable compensation (both quantitative and qualitative) for 2013 is therefore €887,127 or 78.85% of his target bonus base for 2013.

The methods used to calculate the variable portion of the Chairman and Chief Executive Officer s compensation for the year 2013, adopted by the Board of Directors on March 11, 2014, are set out above.

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Total Compensation Paid to Mr. Antoine Frérot in His Capacity as our Chairman and Chief Executive Officer

During the year 2013, the total compensation paid to Mr. Antoine Frérot amounted to €1,581,326.28. Mr. Antoine Frérot thus received the fixed portion of his compensation for 2013 (€900,000), as well as the variable portion of his compensation in his capacity as our Chairman and Chief Executive Officer for the year 2013, paid in 2013 (€679,293). Finally, he received benefits in kind and waived directors' fees for 2012 in respect of his positions held within our Company and other companies of our Group.

In respect of the year 2013, the total compensation due amounts to €1,789,157 (up 13% compared to that due in respect of the 2012 fiscal year), including the fixed portion of his compensation for 2013 (€900,000, unchanged compared to 2012), the variable portion of his compensation for the 2013 fiscal year (€887,127) as well as the benefits in kind, M. Antoine Frérot not receiving directors fees in respect of his positions held within our Company and other companies of our Group.

The table below shows a summary of compensation of all kinds, detailed in the tables hereafter and under Share Subscription and Purchase Options 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 Fiscal Year**	**2012 Fiscal Year**	**2013 Fiscal Year**
Total compensation owed for the fiscal year	1,244,604	1,580,610	1,789,157
Value of options granted during the fiscal year			
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 Fiscal Year	**2012 Fiscal Year**		**2013 Fiscal Year**	
	Amounts owed for the fiscal year	**Amounts owed for the fiscal year(1)**	**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	900,000	900,000	900,000	900,000	900,000

and Chief Executive Officer of the Company					
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 us	33,600[4]	0	8,400[3]	0	
Paid by our controlled companies[3]	64,466	0	64,466	0	
Benefits in kind[4]	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 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 in respect of positions in other companies of our 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, for the year 2014, to maintain the fixed portion of compensation awarded to Mr. Antoine Frérot at €900,000.

In line with our objectives for 2014, the Board of Directors decided, for the purposes of determining the variable portion of the Chairman and Chief Executive Officer’s compensation in respect of the 2014 fiscal year, to use a quantitative portion of 70% and a qualitative portion of 30% in addition to the target bonus base.

The criteria applied to determine the quantitative portion of the Chairman and Chief Executive Officer s variable compensation for 2013 remain unchanged for the past three years. With respect to the two major objectives of controlling debt and improving profitability as part of a refocusing strategy, the criteria for the quantitative portion (70% of the target bonus base) continue to depend on the achievement of the budgetary objectives relating (i) to adjusted operating cash flow after deduction of investments net of disposals, adjusted by the positive or negative change in working capital requirements (weighted at 35%) and (ii) to the increase in adjusted operating income (weighted at 35%).

Furthermore, the qualitative portion of 30% will be assessed depending on the achievement of our strategic transformation plan, and in view of the improvements made, as Chairman of the Board of Directors, to the quality of the work of the Board of Directors.

Details About Options Awarded

With regard to the policy for the allocation of stock subscription or purchase options and performance shares to our corporate officer, the Board of Directors, on March 24, 2011, March 15, 2012 and March 14, 2013, decided that due to legal constraints, no allocation of this kind to the Chairman and Chief Executive Officer would be made during the years 2011, 2012 and 2013. For the same reasons, no