VEOLIA

2014 Registration Document
Annual Financial Report

Veolia Environnement

2014 REGISTRATION DOCUMENT

Annual Financial Report

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Registration Document: (i) the consolidated financial statements and the Veolia Environnement parent company ("parent company") financial statements for the 2013 fiscal year and the corresponding Statutory Auditor's report, included in Chapter 20, Sections 20.1 and 20.2, respectively, of Veolia Environnement's Registration Document for the 2013 fiscal year, filed with the Autorité des Marchés Financiers ("AMF", the French securities regulator) on March 18, 2014 under number D.14-0160, and (ii) the consolidated financial statements and the parent company financial statements for the 2012 fiscal year and the corresponding Statutory Auditor's report, included in Chapter 20, Sections 20.1 and 20.2, respectively, of Veolia Environnement's Registration Document for the 2012 fiscal year, filed with the AMF on March 21, 2013 under number D.13-0197.

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the Autorité des Marchés Financiers (AMF, the French securities regulator) on March 17, 2015, pursuant to Article 212-13 of its General Regulations. This Registration Document may be used in connection with a financial transaction if supplemented by a "Note d'opération" (offering circular) officially approved by the AMF.
This document has been prepared by the issuer under the liability of the signatories.

Table of Contents(1)

(1) The Registration Document hereof is organized in accordance with the schedule in appendix 1 of the European regulation 809/2004 in application of Directive 2003/71/EC.
Information disclosed in the Annual Financial Report is identified in the table of contents by the pictogram AFR

1 PERSONS ASSUMING RESPONSIBILITY FOR THE REGISTRATION DOCUMENT AFR

1.1 Person responsible

Mr. Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement[1].

1.2 Statement by the person responsible

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

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

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

The reports of the Statutory Auditors on the financial information for the 2014 fiscal year presented in this Registration Document contain no observations.

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

The reports from the Statutory Auditors on the historical financial information for the 2012 fiscal year contain no observations.

Paris, March 17, 2015

The Chairman and Chief Executive Officer

Antoine Frérot

Items in the Annual Financial Report are identified in the table of contents with the symbol AFR

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

2 PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1 Statutory Auditors

KPMG SA

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

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

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

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

Ernst & Young et Autres

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

Represented by Messrs. Xavier Senent and Gilles Puissochet.

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

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

2.2 Deputy Statutory Auditors

KPMG Audit ID

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

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

AUDITEX

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

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

3 SELECTED FINANCIAL INFORMATION[1] AFR

Figures presented in accordance with IFRS

(in € million)	**12/31/2014**	**12/31/2013** [1]
Revenue	23,879.6	22,819.7
Operating cash before changes in working capital	2,174.6	1,960.0
Operating income	414.1	469.3
Share of net income of equity accounted entities	653.1	178.7
Operating income after share of net income (loss) of equity accounted entities	1,067.2	648.0
Net income attributable to owners of the Company	246.1	(153.4)
Net income attributable to owners of the Company per share - Diluted *(in euros)*[2]	0.33	(0.32)
Net income attributable to owners of the Company per share – Non-diluted *(in euros)*[2]	0.33	(0.32)
Dividends paid[3]	374.2	355.5
Dividend per share paid during the fiscal year (in euros)	0.70	0.70
Total assets	34,724.5	36,207.5
Total current assets[4]	13,305.8	16,660.9
Total non-current assets	21,418.7	19,546.6
Equity attributable to owners of the Company	8,291.9	8,187.3
Equity attributable to non-controlling interests	1,167.2	1,472.2
Adjusted operating cash flow[5]	2,164.3	1,847.6
Adjusted operating income[6]	1,108.4	900.8
Adjusted net income attributable to owners of the Company	326.1	182.0
Net financial debt	8,311.1	8,444.2
Adjusted net financial debt[7]	7,691.8	5,719.2

(1) Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, and as disclosed in Note 26, the contribution of Water activities in Morocco is no longer recognized in as discontinued operations. Comparative figures for fiscal year 2013 have been reclassified accordingly.

(2) The weighted average number of shares outstanding at December 31, 2014, is 543.0 million (basic and diluted). Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year. Pursuant to IAS 33.9 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

(3) Dividends paid by the parent Company.

(4) Including assets classified as held for sale of €343.6 million as of December 31, 2014 and €4,008.2 million as of December 31, 2013.

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

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

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

Items in the Annual Financial Report are identified in the table of contents with the symbol AFR

(1) Definitions of the non-GAAP indicators appearing in the table are presented in Chapter 9, section 11.2 below.
Annual Financial Report elements are identified in this table of contents with the sign AFR

4 RISK FACTORS AFR

Through its position as a major player in the development, preservation and renewal of resources, and the diverse nature of its activities and establishments, Veolia is exposed to various types of risks: human, financial, industrial and commercial (see Section 4.1 below).

The global economic crisis (since fiscal year 2011) has affected the Company's risk profile, intensifying some of its risks (country risks, counterparty risks, customer failure, etc.). The Group deals with these risks through its risk management process (see Section 4.2 below) as well as through internal audits and internal controls (see Section 4.3 below). Special attention is also given to ethical compliance within the Group (see Section 4.4 below).

Furthermore, in 2011 the Group launched a plan to transform the way that it is organized, with a view to standardizing its processes, improving control of operations, and streamlining its structure. This new organizational structure was implemented in 2013, with the transition from a division-based structure to a geographical structure (by country) (see Section 4.1.2.1).

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

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

Items in the Annual Financial Report are identified in the table of contents with the symbol AFR

4.1 Risks relating to the issuer

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

4.1.1.1 Market risk

Interest rate and foreign exchange risks

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

At the end of 2014, net financial debt amounted to €8,311.1 billion, with 16% at floating rates and 84% at fixed rates (see Chapter 20, Section 20.1, Note 30.2.1 to the consolidated financial statements below).

For information on the management of interest rate and foreign exchange risks, please refer to Section 4.2.2.1.1 below as well as Chapter 20, Section 20.1, Notes 30.2.1 and 30.2.2 to the consolidated financial statements below.

Counterparty risk

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

For information on the management of counterparty risk, please refer to Section 4.2.2.1.1 as well as Chapter 20, Section 20.1, Note 30.5 to the consolidated financial statements below.

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

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

In addition, the sorting-recycling and trading businesses are particularly sensitive to fluctuations in the price of recycled raw materials (paper, ferrous scrap and non-ferrous metal), and a significant long-term drop in the price of recycled materials, potentially combined with the impact of the economic environment on volumes, could affect the Group's operating results.

Group activities also include the production of electricity in Germany, the United Kingdom and Central Europe. A significant portion of these sales concerns so-called "unavoidable" production, co-generated with heat. Countries not subject to selling prices for electricity production under specific national regulations are subject to fluctuations in electricity prices. A significant long-term drop in the market price of electricity in the countries concerned could therefore impact the Group's operating results.

For more details on the hedging of risks arising from the prices of energy, commodities and raw materials and sensitivity to these risks, see also Section 4.2.2.1.1 and Chapter 20, Section 20.1, Note 30.2.3 below.

For information on the management of commodity risks, please refer to Chapter 20, Section 20.1, Note 30.2.3 below.

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

As an operator of combustion installations, the Group is exposed to the inherent risks of the EU ETS introduced by the European Union in 2005. Implementation of phase III of this system, covering the period from 2013 to 2020, involves in particular the elimination of free allocation of emission allowances in respect of electricity generation as of January 1, 2013 (with exemptions for certain central European countries) and significantly reduces free allocation for heat generation. The overall objective is to achieve a 20% reduction in greenhouse gas emissions by 2020 (compared to 1990 levels). As a result, in 2013, Energy services have seen their emission allowances drop by 60% compared with 2012 and are now required to purchase a portion of the allowances necessary for their production.

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

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

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

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

4.1.1.3 Risks relating to climate uncertainty

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

4.1.1.4 Country risks

Veolia generates over 77.2% of its proforma revenue outside France, with activities centered mainly in Europe, the United States, China and Australia. In addition, the Group conducts business in certain emerging countries. In a complex and sometimes unstable international environment, risks relating to conducting business in certain countries may significantly affect Veolia's financial position and results, and even its reputation and outlook. In particular, given the nature of Veolia's activities and the long-term nature of its contracts, Veolia's results can depend in part on external operating conditions, and any related changes, whether the geopolitical, economic, social or financial situation or the level of development, working conditions and environmental conditions of a given country.

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

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

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

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

In certain cases, the exacerbation of these risk factors can lead to the general political and economic destabilization of the country and even make it difficult for the Group to conduct business because of reduced security and stability. The Group's businesses may be subject to malicious acts or to terrorism. As such, energy services, waste management services or water distribution may be targets. In addition, certain Veolia employees work or travel in countries where the risks of occurrence of acts of terrorism or other acts with malicious intent can be temporarily or permanently high (see also Section 4.1.2.6 below). Very large-scale or repetitive natural disasters can also lead to exceptional disruption in external infrastructure (roads, means of communication, etc.) on which Veolia depends for the conduct of its business and may cause damage to the infrastructure for which it is responsible. Veolia Environnement could thus temporarily be unable to perform services under the conditions defined by the contracts. Accordingly, despite the forward planning and protection measures implemented by the Company and the insurance policies subscribed, the occurrence of these exceptional situations could affect the Group's results. For information on the management of country risks, please refer to Section 4.2.2.1.4 below.

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

4.1.2.1 Risks relating to changes in the Group's business activities

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

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

Risks relating to changes in the scope of the Group's business activities

The Company has carried out transactions impacting the scope of business activities since the end of 2011. These have consisted primarily of asset sales and, to a lesser extent, acquisition and merger operations, which could impact business and profits in a way that is less favorable than expected or is detrimental to its financial position.

Risks relating to divestitures

The €5 billion divestment plan announced at the end of 2011 and increased to €6 billion at the end of 2012 was finalized at the end of 2013. It has not yet been possible to withdraw from the Transport business due to the situation of SNCM, a 66%-held subsidiary of Transdev. However, this objective is still being pursued by the Company, which remains in discussion to this end with Caisse des Dépôts et Consignations. As part of its continuing strategic and geographical refocus on less capital-intensive businesses and its intention to withdraw from selected partnerships not controlled by the Company, on June 30, 2014, Veolia sold its 65% stake in Marius Pedersen Group to Entreprenør Marius Pedersen's

Fond (Fondation Marius Pedersen) for a consideration of €240 million. Marius Pedersen Group provides solid waste management services in Denmark, the Czech Republic and Slovakia. This subsidiary was consolidated by the Group using the equity method. On July 9, 2014, Veolia also signed an agreement with funds managed by Oaktree Capital Management, L.P., a global investment manager, for the sale of its water, waste solutions and energy services operations in Israel. This transaction is expected to be finalized in 2015 and will contribute to reducing Veolia's debt by approximately €250 million. Finally, on July 25, 2014, Veolia Environnement and EDF finalized the transaction associated with the agreement signed on March 25, 2014 on their joint subsidiary, Dalkia. As part of this agreement, EDF has acquired all Dalkia group activities in France (including Citelum) under the Dalkia brand, while Dalkia's international operations have been taken over by Veolia. This transaction further reduced the Group's net financial debt by approximately €350 million.

The conditions under which the different activities are sold expose the Group to risks relating to the need, on occasion, to re-create independent functional services that were previously provided on a shared basis. These risks concern human resources, as certain individuals with expertise may leave the Group, and the means used to manage these functional services, such as methods, suppliers or IT tools. The main areas concerned are financial services, human resources (including the training campus), real estate and general services. In addition, divestitures not yet finalized may not be carried out within the forecast deadlines, may not achieve the expected valuation, or may not be completed. Lastly, the business sales agreements include vendor warranties covering certain risks identified by the buyer. Their future occurrence and the resulting warranty calls could have financial consequences for the Group.

Risks relating to growth transactions

As indicated above, on July 25, 2014 Veolia acquired the 50% share in Dalkia International that it did not hold from EDF. The subsidiaries of Veolia Energie International were fully integrated into Veolia's geographic organization during the second half of the year.

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

Liquidity risk

Liquidity risk corresponds to the Company's ability to have enough financial resources to meet its commitments. The Company's gross liquidity is defined as all available cash and confirmed bank lines. Net liquidity deducts current financing requirements from gross liquidity. The Group could be exposed to a liquidity risk and not have sufficient financial resources to meet its contractual commitments. For information on liquidity risk, please refer to Section 4.2.2.2.1 below and the description of loan agreements as well as the tables in Chapter 20, Section 20.1, Note 30.4 to the consolidated financial statements. For information on the management of financial risks, please refer to Section 4.2.2.2.1 *below*.

4.1.2.2 Risks relating to changes in the Group's markets

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

The traditional municipal model (mainly involving public service concessions) is being sorely tested in the Group's core geographies and is associated with risks in emerging markets. It may still present opportunities but the Group's offerings may be insufficiently competitive. The Group's activities are carried out in a highly competitive environment, which may lead to non-renewals or the loss of contracts, limit access to new contracts, or significantly reduce profitability levels upon renewal. Large international companies, niche companies and companies whose overheads or profitability requirements are lower than those of Veolia serve each of the markets in which the Group competes. Another potential source of contract non-renewal may come from the desire of certain public authorities to resume the direct management of water-related or waste solutions (particularly under management contracts). For information on the management of risks relating to changes in the Group's markets and offerings, please refer to Section 4.2.2.2.2 below.

4.1.2.3 Risks arising from human resource management

Risks relating to employee health and safety

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

Risks relating to availability of skills

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

Risks relating to deterioration of the labor relations climate

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

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

4.1.2.4 Operational risks

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

The increasingly broad laws and regulations under which the Group operates expose it to greater risks of liability, particularly in environmental matters, including liability related to assets that Veolia no longer owns and business activities that have been discontinued. In addition, the Group may be required to pay fines, repair damage or undertake improvement work, even when it has conducted its business activities with care and in full compliance with operating permits. Some of Veolia's activities could cause harm to people (sickness, injury or death), interruption to business or damage to the environment (including biodiversity), movable property or real estate. It is the Company's general policy to contractually limit its liability, implement the necessary prevention and protection measures, and to take out insurance policies that cover its main accident and operational risks (see Section 4.2.3 below). However, these precautions may prove to be insufficient, and this could generate significant costs for Veolia Environnement. In addition, the Company's subsidiaries in France or abroad may, under environmental services outsourcing contracts, perform activities at certain environmentally sensitive sites known as high threshold Seveso sites (classified "AS" under the French "Installations Classified for the Protection of the Environment" (ICPE) system) or low threshold Seveso sites (or the foreign equivalent), operated by industrial customers (particularly petrochemical industry sites). In these instances, the Group must manage the provision of services with even greater care, given the more dangerous nature of the products, waste, effluents and emissions to be treated, as well as the close proximity of installations managed by the Group to customer sites. The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are often subject to the same level of stringent regulation. See also Chapter 6, Section 6.3.2 and Chapter 20, Section 20.1, Note 19 to the consolidated financial statements.

Risks relating to design and construction activities

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

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

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

Emerging health or environmental risks

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

4.1.2.5 Legal, contractual and commercial risks

Risks relating to long-term contracts

As the majority of the Group's activities are performed under long-term contracts, this can hinder its ability to react rapidly and appropriately to new situations with an adverse financial impact.

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

Risks relating to the rights of public authorities

The rights of governmental authorities to unilaterally terminate or modify contracts entered into with the Company and/or its subsidiaries could have a negative impact on its revenue and profits.

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

Risks relating to the set-up of partnerships

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

Significant litigation

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

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

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

4.1.2.7 Risks relating to non-compliance with ethical rules

Actions by employees, agents and representatives who do not comply with the Group's "Ethics Guide" program (see Section 4.4 below) or the specific ethics codes that have been implemented, could expose the Group to civil or criminal penalties and adversely affect its reputation.

4.2 Veolia's risk management process

4.2.1 Risk management organization

4.2.1.1 Implementation of a coordinated risk management system

Organization

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

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

- **identify and anticipate:** ensure the progressive implementation of constant oversight of the Group's major risks so that no risk is overlooked or underestimated, and also to anticipate changes in the nature or intensity of those risks;
- **organize:** ensure that the main identified risks are addressed by the organization at the most appropriate level within the Group. Numerous operational risks are managed at the level of operating units, while others, which require specific expertise or are of a primarily transversal or strategic nature, are handled directly by Veolia;
- **process:** ensure that the structure and resources employed effectively mitigate identified risks as far as possible, remaining consistent with the Group's values;

- **raise awareness and inform:** the implementation of a coordinated risk management system is supported by campaigns to raise awareness about risk management among employees and also meets the need for disclosures concerning risks to the various financial and non-financial stakeholders.

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

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

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

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

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

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

In 2014, the main actions put in place by the Risk, Insurance and Compliance Department and its network involved:

- advancing efforts to identify and assess risks, drawing on a shared methodology;
- continuing risk prevention and protection efforts in the operating units;
- ongoing rollout of Group programs.

4.2.1.2 Supervision of the risk management system

The Audit and Accounts Committee of the Board of Directors. The Group Risk, Insurance and Compliance Department presented an overview of its work to the Audit and Accounts Committee of the Board of Directors on two occasions in 2014. The first presentation examined the general risk management system and the updated mapping of the Group's risks. The second presentation examined the Group's policy with respect to insurance and the programs in place. These presentations were given pursuant to the 8th European directive, which requires the Board of Directors (via a specific committee) to seek assurance as to the effectiveness of the Company's risk management and internal control procedures.

The Group Risk Committee is the body responsible for validating and monitoring the effectiveness of action plans put in place to act on the major risks identified in the risk mapping. It ensures the proper functioning of the risk management systems and supports them. It can also take a position on risks that it deems to be unacceptable within the context of business activities. In 2013, the composition of this committee was changed so that it now includes the members of the Company's Executive Committee, to ensure a more direct link between the Group's strategy and the risk management process. The Group risk committee is coordinated by the Chief Risk, Insurance and Compliance Officer and chaired by the Group's General Secretary. The committee meets to examine the Group risk mapping and the action plans for mitigating these risks.

As of 2013, risk committees created in each country meet to monitor and approve the country's risk mapping.

The Risk, Insurance and Compliance Committee is the body responsible for the organization and control of the Group's risk, insurance and compliance management processes, and for driving and monitoring major functional projects. Bringing together the Group Chief Risk, Insurance and Compliance Officer, his two deputies as well as Dalkia's Risk and Insurance Manager (until the sale of Dalkia France in July 2014), it meets every two weeks.

4.2.1.3 Roll-out of new security procedures within the Group

The deterioration in international security and the development of information and communication techniques compound the risks relating to the security of persons, property, securities and IT systems. In order to manage these risks as proactively as possible, a Security Department, whose manager reports directly to the Chairman and Chief Executive Officer, takes charge of identifying, analyzing and managing these specific risks. In 2014, a network of security officers was established which covers all of the countries where the Group operates, in order to tailor the management of these risks to specific local conditions. The primary roles of this department are to avert security threats potentially affecting the Group and its employees and to manage violations possibly impacting employees, tangible and intangible property, securities and business continuity in France and abroad. It provides advice and assistance to country managers on security-related issues within the framework of current laws and regulations and is also responsible for coordinating the alert and crisis management systems.

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

The process begins with an alert system that is in operation 24 hours a day and is deployed across all the Group's locations. This is designed to move information quickly up the line to Veolia Environnement's Executive Management on any critical or delicate situation. This system was updated in December 2014, primarily to take into account the Group's organizational changes. The system is supplemented by a crisis management procedure, also updated in December 2014, and, if the situation is sufficiently critical, operational cells can then be quickly mobilized, bringing together all the necessary functional skills and the departments concerned. Predetermined objective criteria are used to assess the seriousness of the situation. This process is constantly refined on the basis of feedback on and post-crisis evaluations of each of the situations that have been managed.

4.2.2 Details on risk management measures

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

4.2.2.1.1 Management of market risks

Interest rate and foreign exchange risk management

As a result of its operational and financial activities, the Group is exposed to risks, such as interest rate risk and foreign exchange risk. To avoid having to bear all of these risks, the Company implemented management guidelines relating to these uncertainties, in order to ensure better risk control. The Veolia Environnement Treasury Department is directly responsible for implementing and monitoring these measures. The Treasury Department is responsible for helping subsidiaries and their teams to identify and hedge exposure in different countries around the world. This department relies, in part, on a treasury management system, which allows for the continued monitoring of the principal liquidity indicators and all major financial instruments used at headquarters (interest rate/foreign exchange). The Middle and Back Office teams in the Finance Department control transactions and monitor limits, which ensures the security of transactions processed. Reports are produced daily, weekly and monthly, thus enabling the Company's senior management to stay abreast of market trends and their effect on the Group's liquidity (current and forecast), the value of the Group's derivative portfolio and details of hedging transactions and their impact on the proportion of Group debt at fixed and floating rates. The interest rate risk management policy is decided centrally. The Group uses interest rate risk management tools available on the market, including interest rate swaps and options (see Chapter 20, Section 20.1, Notes 28.2.1 and 30.2.1 below). Foreign exchange risk is linked to the Group's international business conducted outside the eurozone, which generates cash flows in numerous currencies. As both income and expenses are usually in the currency of the country where the Group conducts business, the Group's exposure to transaction exchange rate risk from service activities is relatively low. This risk is systematically hedged when it is certain (using currency futures) and on a case-by-case basis when uncertain (using options), generally when tenders are submitted. To manage foreign exchange risk associated with debt and financial receivables in the balance sheet, the Company has implemented a policy aimed at financing its subsidiaries in local currency, consisting of backing foreign currency-denominated financing by asset class (debts and receivables). For more information regarding foreign exchange risk, see Chapter 20, Section 20.1, Note 30.2.2 below.

Counterparty risk management

The risk of counterparty default is assessed through changes in creditworthiness. As such, the Group distinguishes the counterparty risk relating to its operational activities, which generate receivables from customers, and the counterparty risk relating to investment and hedging activities, which lead to receivables from financial institutions. For more information on the management of risks relating to changes in the creditworthiness of the Group's customers and its financial counterparties, see also Chapter 20, Section 20.1.1, Notes 30.5.1 and 30.5.2 below respectively.

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

Most of the contracts entered into by the company and its subsidiaries include clauses aimed at passing on any fluctuations in prices of energy, commodities and recycled raw materials to the company's revenue sources, particularly by means of indexation formulae. Furthermore, the supply of energy may, in certain countries and for certain energy sources, be the subject of long-term supply contracts. For more information on the management of risks inherent in the price of energy and raw materials and, in particular, raw materials derivatives, please see Chapter 20, Section 20.1, Note 30.2.3 to the consolidated financial statements below.

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

Very early on, Veolia embarked on actively managing its greenhouse gas emissions and allowances, by implementing an appropriate structure and creating a special-purpose legal entity to purchase, sell and price different types of greenhouse gas allowances. In addition, through its Energy services businesses, the Group allocates a significant share of its investment each year to reducing greenhouse gas emissions. In particular, these investments are designed to modernize the Group's plants, which today are mostly either gas-fired or coal-fired, by transitioning to facilities using biomass or combining coal and biomass so as to increase energy recovery and encourage reduced consumption. Lastly, Veolia makes every effort to negotiate pricing schemes with its customers that enable it to recover its entire production costs, including the purchase at market prices of greenhouse gas emission allowances (see Chapter 20, Section 20.1, Notes 1.24 and 37 to the consolidated financial statements below).

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

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

4.2.2.1.3 Management of risks relating to climate uncertainty

The risk relating to climate uncertainty is offset in certain cases, firstly by the variable compensation terms included in contracts, and secondly by the geographical distribution of the Group's businesses.

4.2.2.1.4 Management of country risk

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

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

- *assessment of country risk:* based on information gathered reflecting the Group's issues (country context indicators and assessments provided by external sources of reference or, in certain cases, gathered directly from Group managers), the unit produces comparative maps as well as a country assessment (with rating and qualitative information); these analyses incorporate not only indicators relating to geopolitical, legal and economic factors but also social, safety, employment-related and environmental conditions;
- *assessment of the Group's exposure to country risk:* using internal indicators (presence indicators and indicators taken from Group reporting packages), for comparison with country-risk indicators.

- *informing management and raising awareness*: this is achieved through the distribution of the various analyses produced by the country risk unit and the provision of information on a dedicated intranet community.

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

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

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

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

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

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

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

Projects for organic growth, acquisitions and divestitures studied by the Group involve multi-disciplinary teams to ensure that all aspects of the divestitures are assessed and analyzed. They are also subject to review and approval by the investment committees. There are three complementary levels of committees which coexist at business unit, regional and Veolia Group level. In a context of strict investment controls, Veolia is extremely selective in its strategic growth choices. Whether internal growth or company acquisitions, projects are subject to a comprehensive review (strategic, technical, operational, financial, legal, human resources, etc.) on the basis of standard reports, during which all risks are examined and assessed. Financial profitability criteria and minimum return criteria, widely known and used throughout Veolia, are applied. Expected returns are naturally considered in relation to the risks incurred.

Management of liquidity risk

The Financing and Treasury Department is responsible for the operational management of liquidity and financing. Major financing and cash surpluses are centralized in a bid to optimize liquidity and cash. The Group secures financing on international bond markets, international private placement markets and through commercial paper and bank loans (see also Section 4.2.2.1.1 above and Chapter 20, Section 20.1, Note 30.4 below).

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

With respect to this category of risks, the Group carefully selects the projects it pursues in traditional markets, aims to develop innovative business models, and strategically focuses its business on industrial markets and the more dynamic regions. The Group intends to persevere with the transformation of its cost structure (see Section 4.1.2.1 above) in order to restore its profitability and gain a greater competitive advantage vis-à-vis its competitors, at the same time as keeping the costs associated with its reorganization under control. The transformation of the Group's organization and its business has allowed Veolia to leverage its competitive advantage in growth markets where its expertise sets it apart from its competitors and to become a preferred partner supporting the growth plans of its industrial and municipal customers.

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

The new sales and marketing approach is founded on the creation of global partnerships and a network of key account managers, mass roll-out of the Group's best offerings, and the development of innovative business models, closely coordinated with the differing needs of customers in each geographical area and operating teams in the field. To support these new service offerings, the Group continues to invest in research and innovation (see also Chapter 11, "Research and innovation, patents and licenses", below), now supervised by this new department. Research programs reflecting the Group's strategic focus are geared to addressing customer priorities and seek to enhance offerings based on the specific expertise and added value of the Group's operating teams.

4.2.2.2.3 Management of risks arising from human resources management

Management of the risk relating to employee health and safety

Given the nature of its operations and aware that strong performance in workplace health and safety is synonymous with increased performance for the company, Veolia Environnement has made Prevention, Health and Safety a daily priority in all its activities. The Group's approach to these issues is essentially shaped by the desire to protect the physical and mental well-being of its employees. A linchpin of transformation, Prevention, Health and Safety is the focus of a heightened commitment and continuous efforts. Veolia Environnement's approach to professional risk prevention is based on the involvement of all managerial levels as well as a continuous improvement system allowing the Company to honor its commitments, achieve its objectives and implement the ideas enshrined in the general policy declaration regarding health and safety in the workplace. Veolia Environnement's Executive Management team made a commitment in this regard in 2013. It is also expected that suppliers will take the required steps to guarantee the health, safety and wellness of their employees. Implementation of Veolia Environnement's Prevention, Health and Safety management system provides for the effective management of health and safety issues across all of the Group's entities. This system is founded on five pillars that are presented in detail in Chapter 17, Section 17.1.2 below. As part of the strategic transformation plan, the cross-functional coordination of the Group's Prevention, Health and Safety policy has been strengthened since 2012 through the Group's center of excellence devoted to these areas, which prepares, leads and assesses the performance of relevant operating and forward-looking projects. Further details are presented in Chapter 17, Section 17.1.2.1 below. In addition, efforts to increase European trade union involvement in the Group's Prevention, Health and Safety policy are supported by a "Letter of Commitment" signed by management and employee representatives in 2012. This commitment ensures the consistency of field initiatives in each country in Europe where Veolia operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health and improved communication with employees on health and safety topics.

Skills management

Given the transformation of the Group, the aging of the working population and the rapid development of technologies and working methods, Veolia Environnement has enhanced its forecasting capabilities with regard to skills management. The agreement signed in France on forward management of jobs and skills (GPEC in French) has supplemented the provisions of the 2004 agreement on the "development of skills and vocational training". Through this new agreement, Veolia Environnement has focused on anticipating changes in its businesses in line with the transformation of the Group, supporting and encouraging career development and offering the right training solutions. In addition, the Human Resources Development and Career Management Department defines and promotes the Group's policies on mobility and career management, as well as sourcing and managing talent across all of its operations. For further details on the training policy see Chapter 17, Section 17.1.3 below. Finally, this skills management is made operational through the work of the campus and the various training centers, which offer diverse training opportunities that are subject to ongoing adaptation to meet the needs of Group businesses. For further details on the training policy see Chapter 17, Section 17.1.3.2 below. The Group's considerable efforts in the area of managerial development (identification and training of senior managers, roll-out of the Manager's Code of Conduct, and manager engagement survey), and commitments given with respect to gender mix and internationalization serve to strengthen the loyalty and professionalism of Group managers (see also Chapter 17, Section 17.1.1 below).

Management of risks relating to deterioration of the labor relations climate

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

The Group has enshrined these commitments in Group-wide agreements signed with all of the trade unions representing its employees: the December 2008 agreement on health, safety and accident prevention, signature of a letter of commitment by Executive Management and the Group's European works council on Prevention, Health and Safety. These agreements are fleshed out and supplemented by over 1,000 local collective bargaining agreements signed at the Group's sites. At the European level, in October 2010 Veolia also renegotiated, modernized and reinforced the resources and operation of the European works council and labor relations in Europe. Since 2011, the European Works Council has initiated exchanges with Veolia Environnement management on sustainable development and CSR. A project to develop a CSR dashboard is in progress. In February 2010, the Group signed an agreement on the quality and the development of relations with all the trade unions representing staff, with a view to improving labor relations. Action and training plans are defined with stakeholders in labor relations and have been implemented since 2011. In this time of transformation, developing and structuring communication with employees is all the more crucial as it strengthens staff cohesion across the Group and ensures that the Group's employer and social responsibility commitments are upheld in a difficult economic context. Supporting employees during this change underlines the Group's desire to ensure their employability and promote internal mobility. For further details see Chapter 17, Section 17.1.5 below.

4.2.2.2.4 Management of operational risks

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

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

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

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

Management of emerging health and environmental risks

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

4.2.2.2.5 Management of legal, contractual and commercial risks

Veolia places great importance on the management of legal risks given the nature of its business, environmental services, an area subject to increasingly complex regulation. The Veolia Environnement Legal Department ensures the adequate management of Veolia Environnement's legal risks on a daily basis. This is performed in liaison with operating teams in the field and in compliance with the Group's overall risk management process. The specific nature of the Group's activities (management of local public services, multitude of geographical locations, representatives and counterparties) has led the Company to adopt legal compliance rules to guide its employees in their activities and in the preparation of legal documents and to ensure compliance with such rules. In particular, these rules cover the Group's legal structure and notably the delegation of powers and monitoring thereof, and the selection of corporate officers. They also cover the reporting of major litigation (litigation and dispute reporting procedure) and large operating contracts, compliance with antitrust law, ethics, standard contractual clauses, sponsorship and patronage, managing relations with commercial intermediaries, conflicts of interest, and activities in sensitive countries. They are accompanied by information, awareness raising and training initiatives (see Section 4.4.1).

As a company with shares listed on the Paris and New York Stock Exchanges (until December 22, 2014), Veolia Environnement is required to comply with rules concerning:

- periodic and permanent market reporting: a Disclosure Committee supervises and controls the collection and communication of information regarding the Company's registration document (and US Form 20-F for fiscal year 2013) (see Section 4.3.7 below);

- corporate governance: particularly with regard to the composition and activities of the Board of Directors and its committees, relations between these entities and management, the provision of information to shareholders and the proper application of regulations and codes applicable to listed companies (see Chapter 16 below);
- insider trading: to help prevent insider trading, Veolia has adopted a code of conduct governing trading in the Company's shares. Pursuant to this code, the Group's senior managers are deemed to be "permanent insiders" and trading by any of them in the Company's shares is prohibited, except during strictly defined periods and provided that they do not hold material inside information during such periods. These measures also cover so-called "occasional" insiders. The Company revised its code of conduct in 2006 to take into account new regulatory requirements applicable to issuers and their executives (including compilation of a list of named "insiders" and reporting trades in the Company's shares executed by certain members of management) and updated it in 2014.

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

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

International security: travel authorization procedure and protection plans

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

In 2014, more than 2,000 travel authorizations were submitted to the Security Department. In the event of an unusual downturn in the situation, protection plans are formally documented for the most sensitive countries. A security officer is identified in each of these countries. This individual acts as the Security Department's local representative and is the preferred point of contact for the country's diplomatic authorities. In order to deliver specific training to employees and inform them about security risks as well as the prevention and protection rules to be observed in high-risk countries, the Group developed an e-learning module in 2013, which is mandatory for any employees due to travel to these countries. Additional face-to-face training sessions are also organized.

Information system security

In line with the Group's structure, an information systems security organization (ISS) was set up in 2013. Managed by an Information Systems Security Officer reporting to the Group Chief Security Officer as well as the Group Chief Information Systems Officer, the ISS is supported by a network of local officers spanning all countries where the Group operates.

The Information Systems Security Policy (ISSP) was redefined and approved at the end of 2013. The ISSP defines the objectives, missions and organization of Information Systems Security (ISS), details the approach based on specific Veolia risks and describes the ISS mechanisms aiming to limit the occurrence or impact of ISS risks within Veolia.

These concern:

- data security;
- the management of IT systems users;
- IT infrastructure security;
- the security of computer applications;
- specific recommendations for industrial systems;
- iT continuity plans;
- measures for audits, controls and the corresponding dashboards.

The ISSP is implemented for Veolia entities under the oversight of the Information Systems Security Officer. The ISSP is in the process of being revised and should be approved by mid-2015.

Promoting user awareness is also an important line of action for the ISSP. This is carried out by means of IT charters, distributing information on good information systems security practices and lastly, through Veolia's participation in the "serious game" initiative of the CIGREF, a French industry association focusing on information system issues.

In countries where Veolia is subject to specific local constraints associated with the protection of information systems, the local ISS officer works with the relevant authorities. This is the case in France, where Veolia is in permanent contact with the French Information Networks and Security Agency (ANSSI) and contributes to work relating to the application of the 2013-2019 military planning law for information systems.

4.2.3 Insurance

4.2.3.1 Policy relating to insurance

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

Main Group insurance policies third-party liability

The general third-party liability and environmental damage program initially negotiated on July 1, 2011 for a three-year period for worldwide coverage (excluding the United States and Canada) that was extended for six months, accordingly expired at midnight on December 31, 2014. Outside of the United States and Canada, initial coverage of up to €100 million per claim was subscribed. In the United States and Canada, several contracts cover third-party liability and environmental damage for Group subsidiaries, up to a maximum of US$50 million per claim and per year. For all Veolia subsidiaries worldwide, an insurance program provides excess coverage of up to €400 million per claim, in addition to the basic coverage of €100 million outside the United States and Canada, and of €450 million per claim in excess coverage over and above the basic coverage of US$50 million in the United States and Canada. This program encompasses liability resulting from environmental damage sustained by third parties as a result of a sudden and accidental event. Certain activities, such as maritime transport, automotive and construction, have their own specific insurance policies.

4.2.3.2 Property damage and business interruption

All the Company's subsidiaries are covered by property damage insurance policies, insuring the installations that they own as well as those that they operate on behalf of customers. The Group insurance program provides either "business interruption" coverage or "additional operating cost" coverage depending on each subsidiary's ability to use internal or external solutions to ensure service continuity. These policies contain standard insurance market terms. The Group's property insurance policy was renewed on January 1, 2013 for a period of three years. The level of premiums, deductibles and sub-limits for exceptional socio-political or natural events reflects the terms proposed, or sometimes required, by insurers in the markets in which the risk is underwritten. Group insurance coverage carries a limit per event of €350 million per claim. Some of this coverage includes additional sub-limits per claim or per year. On January 1, 2014, the Group renewed its Construction-Comprehensive Assembly and Test insurance policy covering all worksite operations throughout the world, for all subsidiaries.

4.2.3.3 Self-insurance and retained risks

For any insured claim or loss, Group companies 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. The Group's self-insurance system is based mainly on its reinsurance subsidiary, Veolia Environnement Services-Ré, which retains a self-insured risk of €1.5 million per claim for third-party liability and €2 million per claim for property damage and resulting financial losses, thereby limiting the accumulation risk. For both property damage and third-party liability, Veolia Environnement Services-Ré has set up reinsurance contracts to limit its exposure to frequency risk (stop loss-type contracts). The insurance policy described above continues to be updated in response to the ongoing appraisal of risks, market conditions and available insurance capacity. Veolia Environnement ensures that the main accidental and operating risks brought to its attention are covered by the insurance markets, when insurance is available on the market and it is economically feasible to do so.

4.3 Audit and internal control

4.3.1 Definition and objectives of internal control

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

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

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

4.3.2 Organization

The reorganization of the Group, which began in 2013 when the Water and Waste solutions activities for each country were grouped into business units, was completed in 2014, when international Energy services activities were also incorporated into theses BUs.

In light of this restructuring, on July 7, 2014, the Group's Executive Management decided to create a compliance function, to bolster the internal financial control and regulatory compliance systems already in place. This function is responsible for overseeing and coordinating internal control activities within the Group. It ensures that Veolia's internal standards are communicated, understood and applied consistently, and goes above and beyond regulatory compliance.

The Compliance function comprises:

- the Risk, Insurance and Compliance Department (DRAC), which is responsible for the central coordination of internal control and compliance activity, and for overseeing the establishment of nomenclature and the consolidation of Group standards;
- the Group's Corporate Legal Department, which checks the legal aspects of internal standards and works to ensure ethical and compliant behavior by providing information and training on competition law and the prevention of legal risk and corruption (see Section 4.4).

The Compliance Function collaborates with all functional departments, in particular the Internal Control Department, and works very closely with the Internal Audit Department, which regularly monitors the correct application of Group standards.

The Internal Control Department, which reports to the Group's Finance Department, coordinates the work of the functional departments in order to identify, standardize and improve the reliability of the key processes used to produce the Group's financial information.

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

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

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

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

Within the **Corporate Finance Department**, the Consolidation and Financial Information Department is responsible for preparing the Group's provisional and final consolidated financial statements and financial documentation, and for defining and implementing its accounting principles. It coordinates the analytical reviews of the interim and annual closings. The Finance Department is also supported by the Financial Supervision and Management Control Department, which comprises:

- the Management Control Department, which is responsible for coordinating the provisional and final reviews of business unit operating performance. It is also responsible for the definition and implementation of the Group's management methods and systems;

- the Long-term Planning Department, which coordinates the financial aspects of work related to the strategic plan in cooperation with the Innovation and Markets Department;
- the Regional Financial Supervision Department, which serves as a link between regional managers, the Corporate Finance Department and the Chief Financial Officers for each country (corresponding to the business units).

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

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

The Internal Audit Department operates based on the following main mechanisms:

- the implementation of an annual audit program approved by the Company's Audit and Accounts Committee;
- from the end of the fiscal year on December 31, 2014, guidance and oversight for the annual process of formal, in-depth self-assessment of internal control, in accordance with Article L. 225-37 of the French Commercial Code regarding the content of the Report from the Chairman of the Board of Directors on the internal control system and the obligations of Accounts and Audit Committees pursuant to the Order of December 8, 2008 (implementing the 8th European Directive) on monitoring the effectiveness of internal control and risk management systems

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

4.3.3 Procedures relating to the preparation and processing of financial and accounting information

Procedures

In addition to the Group procedures manual, which is broken down by process and is available in French and English on the intranet and prior to each accounts closing, an instruction memorandum is issued by the Group's Consolidation and Financial Information Department. It identifies all of the information necessary for preparing published financial documentation. It reiterates the new accounting regulations and texts and details their application procedures. This note is sent to the business units and the regional managers. The provisional and final financial statements are produced via the financial reporting system.

Upon receipt of the financial statements, review meetings are organized between the Group Finance Department and the Finance Departments within the business units. Their purpose is to verify that the financial statements were prepared according to the rules, to understand changes in the main aggregates and indicators in relation to the previous accounting year and budget forecasts as well as to analyze the substantiation of the main balance sheet components. The Statutory Auditors also have access to the analysis performed by the Group Finance Department through attendance at review meetings at Group and operational level. They also review the relevant procedures.

Regulatory context

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

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

The Report from the Chairman of the Board of Directors in application of Article L. 225-37 of the French Commercial Code, which will be presented to the Shareholders' Meeting of April 22, 2015, as well as the Report from the Statutory Auditors in application of Article L. 225-235 of the French Commercial Code, are appended to this Registration Document.

Following the delisting of its American Depositary Receipts (ADRs) from the New York Stock Exchange (NYSE) and the filing of a deregistration request with the Securities and Exchange Commission (SEC), Veolia Environnement is no longer required to comply with the 2002 Sarbanes-Oxley Act for the 2014 fiscal year, in particular with regard to Article 404 regarding the assessment of internal controls for financial reporting.

However, as a French company listed on Euronext Paris, Veolia Environnement must comply with the provisions of Article L. 225-37 of the French Commercial Code.

Therefore, Veolia Environnement is continuing to follow the process used to monitor the effectiveness of the internal control system by undertaking a structured self-assessment exercise based primarily on the implementation of an electronic application composed of self-assessment questionnaires and tests, which cover around 70% of the Group's indicators and demonstrate the traceability of the controls performed. This self-assessment is supplemented by controls performed by internal and external auditors.

This work, managed by the Internal Audit Department, is performed in conjunction with the relevant operations or business units and in close collaboration with the Statutory Auditors, under the supervision of the Veolia Environnement Audit and Accounts Committee.

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

Legal requirements aside, this system has resulted in key changes, in particular the introduction of a stringent assessment process that is tailored to the Group's decentralized culture and structure, and a positive dynamic that is reinforcing company rules and collective awareness of these issues.

4.3.4 Control duties of functional departments

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

The Financing and Cash Unit, which reports to the Group's Finance Operations Department, helps to define management rules and procedures for arranging financing, managing cash surpluses and managing interest and foreign exchange rates within the Group. Organized by region, each including several countries, it is responsible for the application of these rules in all the Group's business units.

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

The Development Department, which reports to the Group's Finance Operations Department, supervises mergers and acquisitions and oversees investments and major projects.

The Department of Transformation and Organization is responsible, via the application of the transformation plan, for implementing the reorganization of the finance function at the Group's various levels and for helping the business units to roll out their internal control and financial performance monitoring procedures.

The Group's control structures are now realigned by business unit. Several Group procedures have been revised and implemented at country level. An example is the investment selection procedure.

In each subsidiary, specific procedures may be implemented, particularly with respect to the activity or the breakdown of the share ownership of the Company.

4.3.5 Steering and coordination of internal controls for financial reporting

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

A "process and control" function was made mandatory within the business units. A code of conduct for financial professionals was defined: this code includes provision for all financial managers and Systems and Business Processes managers to report to both functional and hierarchical management and sets out a formal reiteration of the responsibility and autonomy of financial managers in the effective performance of their operational control function.

The rollout of this system, supported by training to raise awareness amongst financial and operational managers of the risk of fraud, was finalized in 2012.

4.3.6 Reporting on fraud

Fraud reporting was introduced in 2006 as part of the Group's continuous improvement approach. As a result, the financial and operational managers of the Group's subsidiaries must inform the Audit Director and the Chief Financial Officer of any fraud that comes to their attention that would have direct or indirect accounting consequences. There are three major categories of fraud which must be reported: (i) misappropriation of tangible or financial assets (belonging to Veolia or a third party), cash or revenue from the company by an employee or by persons with a close relationship with an employee; this category relates to risks described as "transactional" in the internal control classification; (ii) the production of fraudulent information at company headquarters, resulting in the incorrect presentation of the company's consolidated financial statements; this category relates to "reporting risks" in the internal control classification and; (iii) corruption and unethical behavior that constitutes fraud; this category relates to risks associated with "unethical behavior" in the internal control classification.

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

4.3.7 Disclosure Committee

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

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

According to its internal regulations, the main duties of the Disclosure Committee are to oversee the implementation of internal procedures for gathering and verifying information to be made public by the Company, to define the procedures for preparing and drafting reports and communications, to review information communicated and to approve the final version of draft reports and communications, in particular the Registration Document and Form 20-F (until the last filing in 2014) to be filed with the French and US stock exchange authorities, as well as the manner in which these are published and filed or registered.

The Disclosure Committee met twice in 2014. At its meeting of April 7, it reviewed the procedures for preparing and approving Form 20-F before it was filed with the SEC on April 12, 2014, as well as the certificates required to be provided by the Chief Executive Officer and the Chief Financial Officer in accordance with US stock exchange regulations. At its meeting of December 9, 2014, the Disclosure Committee primarily reviewed recent regulatory developments that could have an impact on the communication and publication of information intended for the market, in particular through the Registration Document, and initiated the process of gathering information and drafting the annual reports for fiscal year 2014. Essentially, following the delisting of its American Deposit Receipts (ADRs) from the New York Stock Exchange (NYSE) and its filing with the SEC of Form 15F suspending its reporting obligations to the SEC, Veolia Environnement is no longer obliged to file Form 20-F for fiscal year 2014. In spite of the US delisting, the Group plans to retain this governance body, which will be responsible for validating the information in the Company's Registration Document.

4.3.8 Internal information and communication

The procedures developed by Veolia are published on the Group intranet.

The business unit CEOs and CFOs submit representation letters to Veolia Environnement's Executive Management attesting, in particular, to the accuracy of the financial and accounting information communicated to the Company and to their compliance with prevailing laws and regulations. As specified in the first part of this report, the Board of Directors' Audit and Accounts Committee works with the Statutory Auditors to review the relevance and consistency of the accounting methods adopted for the preparation of the consolidated financial statements. It is regularly advised on the internal control system relating to financial and accounting information, the main procedures and measures implemented within this framework at Group level, as well as the content and implementation of the internal audit plan.

4.4 Ethics and compliance

Present in 45[1] countries around the world, Veolia is particularly attentive to compliance with values and rules of conduct relating to human and social rights set forth in international laws and treaties.

(1) *Country where Veolia has a permanent establishment with staff and in excess of €5 million of capital employed.*

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

4.4.1 Ethics Guide

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

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

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

Since 2010, Veolia Environnement's Executive Management has entrusted the implementation and control of its ethics policy to the Group's Company Secretary, with the Group's country managers also serving as ethics officers for the countries under their supervision.

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

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

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

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

In 2008 and 2009, Veolia Environnement continued these actions by delivering a "Compliance with Antitrust Law" training program, in France and abroad, targeting more than 3,900 Group managers. Refresher training took place in several countries from 2010 to 2014 (including in France in 2014). In 2013, an e-learning version of this program, consisting of four modules, was introduced, aimed at 6,000 Group employees around the world.

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

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

4.4.2 Ethics Committee

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

The role of the Ethics Committee is to make recommendations regarding Veolia Environnement's fundamental values. It also ensures that everyone has access to the Ethics Guide. Any employee may refer any matter that concerns professional ethics to the Ethics Committee, which may also deal with such matters on its own initiative. It may undertake "ethics visits" to the Group's operating sites. The goal of this approach is particularly to assess, through individual interviews with a cross-section of employees who are as representative as possible of the operating site in question, the degree of ethical maturity of employees, their knowledge of the Group's values, the ethical problems that they may encounter and the training that they receive from their hierarchy or provide for their employees on the subject.

Any Group employee who believes there has been a failure to comply with the rules set forth in the Ethics Guide can refer the matter to the Ethics Committee. This whistle blowing procedure can in particular be used when the said employee considers that informing his or her supervising management could result in difficulties or when the employee is not satisfied by the response of the latter. The committee is vested with the necessary authority to perform this mission. On that basis, it is authorized to hear any Group employee, the auditors, and third parties. It can also request assistance from the Internal Audit Department or any other Company department or use the services of outside experts.

In 2014, the Committee reported on its work during the previous year, as it does annually, to the Audit and Accounts Committee and the Executive Committee.

5 INFORMATION RELATING TO THE ISSUER AFR

5.1 History and development of the Company

5.1.1 History of the Company

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

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

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

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

On July 20, 2000, Vivendi Environnement shares were listed on the Premier Marché of Euronext Paris, which became the Eurolist of Euronext Paris on February 21, 2005 and then EuroNext Paris in 2014.

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

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

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

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

In November 2005, Veolia Environnement rolled out a new brand policy aimed at increasing the Company's visibility and consistency among the Group's businesses. The goal was to strengthen the Group's identity and common culture by focusing on its values and its services. Since 2013, the Water, Waste solutions and Energy services activities have been united under a single brand name, “Veolia.” (See Chapter 6, Section 6.2.5 below.)

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

As part of this transaction, Veolia Transport and Transdev were each transferred by their shareholders to the newly created joint venture, Veolia Transdev, which has since been renamed Transdev Group (TDG). Prior to completing the transaction, Caisse des Dépôts et Consignations subscribed to a €200 million capital increase by Transdev.

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

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

- following authorization of the combination by the relevant antitrust authorities and approval by the French Ministry of the Economy of the privatization of Transdev;
- following the final amendments to the shareholders' agreement in order to simplify measures regarding the governance of the new entity.

On that date, pursuant to the financing policy set forth in the shareholders' agreement, two loan agreements were concluded between TDG and Veolia Environnement and between the Caisse des dépôts et consignations and TDG. Under the terms of those agreements, Veolia Environnement and the Caisse des dépôts et consignations each undertook to provide TDG with term loans of €900 million ("shareholder loans"). To provide TDG with the financial flexibility required for its development and in order to strengthen its balance sheet, on December 18, 2013, Veolia Environnement and the Caisse des dépôts et consignations extended their respective loans and carried out a share capital increase of €560 million by set-off against the receivables resulting from the shareholder loans. In addition, on December 16, 2013, Veolia Environnement and the Caisse des dépôts et consignations agreed to grant TDG one-year liquidity lines of €180 million and €150 million ("the liquidity lines"), respectively. The shareholder loans and the liquidity lines were to mature on December 19, 2014. TDG thus signed an agreement with each of Veolia Environnement and the Caisse des dépôts et consignations organizing (i) their extension for an additional year and (ii) with respect to the shareholder loans, their partial repayment and restructuring into a bullet loan (of €345 million for each of the shareholders) and a credit line (of €200 million for each of the shareholders).

On December 6, 2011 in Paris, during the Investors' Day, the Group presented its strategic plan and midterm outlook based on the refocusing of its activities and business portfolio and encompassing €6 billion in asset divestitures over the next two years, the concentration of activities on the three main business lines, and the sale of regulated Water activities in the United Kingdom and solid waste activities in the United States. These activities were sold, respectively, on June 28, 2012 and November 20, 2012. This divestiture program continued throughout fiscal years 2013 and 2014.

In July 2013, the Group launched an important organizational change, which was implemented and fully rolled out starting in early 2014. As of that date, the Group's activities are based on a geographical organization and no longer by business lines and divisions, as had been the case in the past.

During 2014, the Company continued to roll out its new organizational structure by country, business unit and zone (bringing together several countries). Since late July 2014, the country managers have thus been responsible for the Water, Waste solutions and Energy services activities within their scope (see details in Chapter 6, Section 6.1.3.2 below).

On July 25, 2014, Veolia Environnement and EDF finalized the transaction associated with the agreement, signed on March 25, 2014, related to their joint subsidiary, Dalkia. On conclusion of that transaction, EDF took over all of Dalkia's activities in France and retained the Dalkia brand. Dalkia's international activities were taken over by Veolia.

Furthermore, following the filing on December 12 of a Form 25 document with the U.S. Securities and Exchange Commission (SEC), Veolia Environnement's American Deposit Receipts (ADRs) are no longer listed on the New York Stock Exchange (NYSE) as of December 23, 2014. The American Deposit Receipt Facility program managed by The Bank of New York Mellon has been maintained as a sponsored level 1 facility. The ADR holders were thus able to retain their securities, which are now traded on the U.S. over-the-counter market. On December 23, 2014, Veolia Environnement filed a 15F form, suspending its SEC reporting requirements.

5.1.2 General information regarding the Company

Corporate Name and Registered Office

Since April 30, 2003, the name of the Company has been Veolia Environnement. Its abbreviated corporate name is VE. The Company's registered office is located at 36/38, avenue Kléber, 75116 Paris, France. The telephone number is (33) 1 71 75 00 00.

Legal Form and Applicable Law

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

Date of Incorporation and Term

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

Trade and Companies Registry

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

5.2 Investments

Total Group industrial investments, including new operating financial assets, amounted to €1,555 million in 2014, compared with €1,469 million restated in 2013.

In response to the economic climate, the Group adopted a selective investment policy in 2014, without jeopardizing industrial investments that are contractually required or necessary to maintain industrial equipment.

A detailed description of investments made in 2014, as well as their financing, is set forth in Chapter 9, Section 9.1.1 (General context) and Section 9.3.3 (Industrial investments) and Chapter 20, Section 20.1, Note 7 (Concession intangible assets), Note 9 (Property, plant and equipment), Note 13 (Non-current and current operating financial assets) and Note 5 (Reporting by operating segment) to the consolidated financial statements.

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

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

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

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

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

- in 2014: following the completion of the unwinding of Dalkia, international Energy activities (Dalkia International) were taken over by the Group, while EDF took over all of the Energy activities in France, under the Dalkia brand.

  After authorization of anti-trust authorities at the end of June 2014, the transaction was completed on July 25, 2014 and has resulted in the divestment of Dalkia France shares to EDF and the divestment of Dalkia International shares by EDF to Veolia Environnement, these two divestments being inseparable from one another.

  The unwinding of both of these transactions led Veolia Environnement to make a cash-payment to EDF to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities. The amount of cash paid by Veolia Environnement to EDF amounted to €661 million. As of July 25, 2014, the transaction ultimately resulted in a reduction of some €350 million in Veolia's Net Financial Debt, of which €155 million was recognized in 2013 in association with the deconsolidation of Dalkia France's external debt (already recategorized as a liability held for sale as of December 31, 2013, in accordance with IFRS 5).
- in 2013: the acquisition of the 50% stake held by Fomento de Construcciones y Contratas (FCC) in Proactiva Medio Ambiente. The amount of this transaction was €150 million for the proportionate share of equity interest acquired (€238 million in enterprise value at 50%) and means that the Group now holds 100% of the share capital of Proactiva.

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

As of the date of the filing of this Registration Document, no material external growth transactions are planned.

6 BUSINESS OVERVIEW AFR

6.1 Main business activities

In this document, the descriptions of the sectors in which Veolia operates and of its business activities are set out in accordance with the new geographical structure of the Group, which was adopted in mid-2013 and fully implemented as from fiscal year 2014. This structure brings together our activities and the corresponding financial reporting for Water, Waste solutions and Energy services in each country. Having taken over 100% of the business activities of Dalkia International (renamed Veolia Energie International) at the end of July 2014, these have been incorporated into the new structure with effect from this date.

6.1.1 General description of Veolia

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

Veolia's operations are conducted through three businesses: Water, Waste solutions and Energy services. Through these businesses, Veolia currently provides drinking water to 96 million people and treats wastewater for 60 million people throughout the world, processes nearly 46.4 million metric tons of waste, and satisfies the energy requirements of hundreds of thousands of buildings for industrial, public authority and private customers. Veolia also develops service offerings that combine several Group businesses, either through several individual contracts or by combining services within a multiservices contract.

The following table breaks down Veolia Environnement's 2014 proforma consolidated revenue[2], by geography and business sector (revenue under IFRS).

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

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(1) Unless otherwise indicated, market data or data related to the market and/or data relating to Veolia's positioning with respect to competitors in this Registration Document are based on estimations made by Veolia on the basis of publicly accessible information (particularly the revenue figures published by competitors).

(2) The proforma scope excludes Dalkia France and fully consolidates Dalkia International business for the whole of 2014.

2014 revenue

2014 proforma revenue *(in € millions)*	**Total**
France	**5,573.2**
Water France	3,028.4
Waste recycling and recovery France	2,554.8
Europe excluding France	**8,476.7**
Central and Eastern Europe	2,850.6
United Kingdom and Ireland	2,275.3
Northern Europe	2,262.9
Iberia	309.1
Other European countries excluding France	778.8
Rest of the world	**4,770.0**
North America	1,672.3
Latin America	585.6
Asia	1,063.4
Pacific	964.4
Africa and the Middle East	484.3
Global business	**4,538.9**
SARP	377.5
SARP Industrie	435.1
Veolia Water Solutions and Technologies	2,295.0
SADE CGTH	1,309.7
SEDE Environnement	121.6
Other	**1,049.6**
Total Group Proforma	**24,408.4**

6.1.2 Veolia's strategy

According to a report issued by the United Nations, the world population is increasing constantly and is set to reach around 9 billion by 2050, with 60% of the world population expected to be living in urban areas by 2030. Cities are now becoming dense economic networks. There are now around 400 cities in the world with more than 1 million inhabitants.

The centers of economic growth have shifted toward emerging countries, where the demand for water is rising twice as fast, especially in high water stress areas. Access to water is becoming a critical issue for the growth of economies and cities and its management is a strategic challenge for some industries (such as oil, gas and mining).

At the same time, the availability of energy resources and raw materials is diminishing and their cost is rising. For example, the price index for raw materials more than doubled between 2000 and 2013.

With the environmental and social challenges facing big cities and major manufacturers, managing environmental issues is becoming increasingly complex (pollution becoming increasingly difficult to treat, management of increasingly rare resources, new regulations, etc.) not only in rapidly growing but also in mature countries.

In mature regions, some local authorities have been prepared to rethink their local public services in the face of the economic downturn, increasingly stringent regulatory restrictions (such as Europe's Energy Efficiency Directive) and price pressure.

The 21st century is therefore being marked by a radical change in the role played by cities in the global economy, where growth, prosperity and social welfare have become priority issues. Faced with increasingly strong worldwide competition and restrictive environmental standards, the industrial sector is finding itself forced to seek help in order to remain competitive.

In just a few years, the world has been transformed from one of consumption into one where austerity and recycling are de rigueur. More specifically, energy efficiency and the circular economy are becoming vitally important for industry and for cities.

Against this backdrop, Veolia – the number one global player in the environmental services sector – is positioning itself as a creator of value by offering expert, innovative solutions to both growth and traditional markets.

Veolia's strategy forms part of the transformation program set out at the end of 2011, which aimed to refocus the Group on its most profitable activities and segments, to put in place one integrated group with a single Veolia per country, to reduce its debt levels and to implement a program for reducing structural costs and improving industrial performance.

In 2014, Veolia continued to implement this strategic plan with a view to achieving selective, profitable and sustainable growth in its business areas:

- to become the benchmark company in major environmental markets;
- to balance its business activities between public authority and industrial customers;
- to refocus its business on the most dynamic regions and markets.

Veolia: a benchmark company in major environmental markets

Today's world is growing and needs new natural, economic and human resources. Veolia is responding to this need by developing and implementing innovative solutions for "Resourcing the World".

Natural resources are becoming increasingly scarce at a time when demand is increasing in a world that has a growing population, is becoming more urbanized and is facing climate change. Humankind must completely rethink its relationship with resources and come up with a new model of economic and social development that is more efficient, balanced and sustainable.

With its expertise in water, energy and waste solutions, Veolia uses its capacity for innovation to further human progress, business and regional performance, and human well-being. Veolia develops original, innovative solutions to improve access to resources, as well as preserving and renewing them, in order to move away from a consumerist approach to resources and towards a circular economy view of usage and recycling.

Veolia's efforts to achieve its goal can be seen in its strong commitment to tackling the challenge of climate change. Veolia offers operational solutions to reduce CO2 and methane emissions, mitigate the effects of climate change and help cities and industry to adapt to such changes by becoming more resilient. For example, Veolia will present its solutions at the COP 21 in Paris, such as the solution deployed in the city of Pécs in Hungary, which is entirely heated using straw and wood.

Towards a portfolio of activities with a good balance of public authority and industrial customers

The public authority market is still driven by ever-increasing demand for access to drinking water and wastewater treatment services and for modernized infrastructure and services, particularly in Central and Eastern Europe, North America, Latin America and Africa. In the public authority market, Veolia can choose between several distinct models, including providing operating services requiring significant investment, providing operations and services not involving significant investment, and engineering/construction. In this market, Veolia continues to implement its strategy of identifying and winning the best contracts – those in the most attractive regions, with good projected profitability and risk profiles that the Group deems acceptable. Depending on the circumstances, Veolia either fully finances the investment needed to provide the service or enters into financial partnerships while maintaining control of operational aspects (AssetCo/OpCo-type models). Veolia is also developing innovative models in response to the new challenges facing cities, including consultancy, assessments and smart networks, etc…

In the industrial sector, less than 10% of Water/Waste solutions/Energy services activities are currently being managed by third parties, although the trend towards outsourcing is increasing, driven by the need for more effective technologies, greater industrial security, to manage increasingly scarce resources and above all, for results and cost savings. As in the public authority sector, Veolia's growth strategy is based upon a highly selective approach to contracts. Depending on the circumstances, investments will be financed by Veolia either on its own or with partners (customers or financial partners). Veolia's aim is to increase the proportion of its revenue from industrial customers to 50% of the Group's total revenue by 2020, by focusing in particular on its priority markets, which are listed in the paragraph below.

Refocusing the business on the most dynamic regions and markets

Faced with the structural changes of its markets and the competitive environment for its activities, the Group has to select its projects in traditional markets carefully, offer innovative business models and focus its activities on growing industrial markets and regions.

In 2014, in order to accelerate the Group's growth strategy, the Innovation and Markets Department, created in 2013, devised and implemented a strategic plan that consists of targeting the most attractive markets, offering high added-value services, a network of key account managers and research and innovation programs, which also fall under the responsibility of this new department and address the priority environmental issues of the Group's customers.

The aim 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 (remuneration based on the performance of its solutions, innovative financing schemes, etc.).

The Group strives for thorough and methodical identification of the sectors offering the greatest potential for its activities, remaining attentive to the issues faced by its industrial and public authority customers and its operators in all regions and at all levels of the organization.

Seven key growth areas have thus been identified as priorities:

1. the circular economy;
2. the treatment of difficult types of pollution;
3. dismantling;
4. the food and beverage industry;
5. the mining industry;
6. the oil and gas industry;
7. innovative models for cities.

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

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

There is a more general awareness of the risks posed by:

The treatment of pollution (health, ecological and environmental risks), which are subject to increasingly stringent regulations with which only a small number of operators are currently able to comply: management of hazardous waste, soil remediation, radioactivity, etc.

Veolia has a global network of experts and resources that it has gradually built up over the years and can mobilize rapidly. It offers a range of technologies and complete services for treating hazardous waste in accordance with the highest standards and with the support of cutting-edge research programs (e.g., partnership with the FAO to manage the problem of perished pesticides stored in Europe and Africa, and supporting the British government in the destruction of Syria's chemical weapons precursors).

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

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

The food and beverage industry, which is the world's largest industrial sector, must respond to the population explosion, especially in high water stress areas, and the increasingly stringent demands of consumers and industry stakeholders in terms of environmental and social responsibility.

Veolia helps food and beverage, pharmaceutical and cosmetics manufacturers to take measures to reduce their environmental impact by managing their water and energy cycles and recovering manufacturing by-products and to improve their economic performance by reducing the supply of certain resources and the environmental impact of their manufacturing sites and supply chains (e.g., 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 areas of water stress (70% of the projects of the six largest mining operators) to compensate for the depletion of the most easily accessible ores. To guarantee the sustainability of its production, the sector must now limit its environmental footprint by turning waste into a resource, avoiding conflicts with local populations concerning access to water, and avoiding groundwater pollution.

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

The oil and gas industry is exploring new resources that can be exploited in a sustainable way and is seeking to prolong the productive service of mature sites. 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. Furthermore, these industries, as well as the chemicals sector, must address growing concerns about the risks they pose to health, safety and the environment.

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

Innovative models for cities: the economic downturn in mature regions, the willingness shown by some public authorities to rethink the governance of their local public services, increasing regulatory restrictions, aging infrastructure and pressure on prices all present opportunities for Veolia to diversify its delegation and concession models. Veolia gives priority to optimizing its operations, controlling its costs and developing attractive business models (remuneration based on the performance of its solutions, innovative financing schemes, etc.) for public authorities and companies that are seeking new momentum. Veolia plans to highlight its engineering expertise and innovation by positioning itself as a creator of value, a partner that operates in the field, supporting and advising, managing performance or developing new, bespoke services. Payment is evolving from volume indexation to taking a share in performance and results. These are low-investment business models (e.g., Peer Performance Solutions, Asset Co/Op Co, financial partnerships, etc.).

To support this strategy, the Group has devised a new commercial strategy. Although it is first and foremost a local stakeholder that is deeply rooted in the regions in which it operates, Veolia also understands how to involve its international network. Business units create and maintain relationships at local level that benefit from strong international cohesion and coordination, with entities such as local, regional and sometimes national authorities that comprise the customer base of Veolia's "Cities" segment, and also large industrial Groups. The business strategy is based on the development of global partnerships that bring to the forefront the value provided to our major customers, a network of Key Account Managers who coordinate local commercial initiatives, the standardized commercial roll-out of the best solutions to our public authority and industrial customers and the development of innovative business models, in constant liaison with the regions and operators.

In 2014, the Group's positioning in its business sectors and growth regions was accelerated by some great achievements, highlighting our leadership in environmental business activities:

- in the area of the circular economy and difficult forms of pollution, Novartis in Switzerland chose Veolia to implement innovative processes relating to energy efficiency and the treatment of hazardous waste: operating Europe's largest solvent distillation center to introduce recycling during production and optimize the energy mix;
- in the field of dismantling, Veolia won a contract with the RATP in France to dismantle and recycle trains from the RER A transit service and signed another with the French navy to dismantle the Colbert and Jeanne d'Arc ships;
- in the food and beverage sector, Nestlé chose Veolia to design and implement an industrial unit for milk products that is entirely self-sufficient in water within a region of high water stress in Mexico;
- in the mining and metals sector, HBIS, China's largest steel producer, chose Veolia to build its industrial water recycling plant in Tangshan and then to operate it for 30 years;
- in the oil sector:
  - shell chose Veolia to provide water treatment services for its oil sands operation at Carmon Creek in Canada;
  - in the Sultanate of Oman, Veolia was chosen by BP to build and operate the water treatment plant for the Khazzan unconventional hydrocarbon reserve;
  - finally, in terms of innovative models for cities, under a novel contract for assistance and advice on local authority operation of public services, DC Water in the United States sought Veolia's services to improve the efficiency of its water services and cut costs.

The Group's transformation plan

Veolia's transformation plan was launched in 2011 and has, among other things, helped the Group to return to profitability. It has enabled Veolia to make significant progress over the last two years in terms of harmonization, information sharing, cost reduction, performance management and investment management. At the global Veolia level, commercial synergies have been developed which enable the Group – the benchmark company for sustainable development – to exploit its competitive advantage in growth markets and become a partner for sustainable development.

Thanks to the new organizational structure, the Group can draw on a global network of operators, engineers and technical experts working with cities and manufacturers in accordance with the highest performance standards. Present in 45[1] countries, with a streamlined, refocused organizational structure, Veolia applies best practices along with comprehensive and integrated water, waste solutions and energy services offerings aimed at addressing environmental challenges more effectively.

(1) Countries where Veolia is established on a permanent basis, with staff and over €5 million of capital employed

Rolling out the new organizational structure

During the course of 2013-2014, Veolia became an integrated group with a separate organizational structure for each country (for more details, see Chapter 6, Section 6.1.3 below).

This new managerial structure makes the Group more flexible, with a consolidated management team for each country; improved information sharing; central, local and less costly organizational structures; improved links between the Group's headquarters and regions; more consistent personnel management; and better commercial synergies. These synergies are underpinned by the fact that the sales teams have now been unified, Key Account Managers are in place and multi-business offerings are being put together.

Reducing debt

The ambitious divestment program implemented between 2012 and 2014 helped the Group to reduce its net financial debt more quickly, to €8 billion by the end of 2014. The Group's development strategy will aim, among other things, to maintain debt at this level.

Cost reduction program

At the end of 2014, the cost reduction program introduced in 2012 was in line with the Group's targets. It enabled the Group to achieve cumulative cost savings worth a total of €582 million by the end of 2014, with an accelerated reduction in costs over the course of the second half-year.

The cumulative target for the end of 2015 is set at €750 million.

The savings are made not only through reductions in administrative, functional and operating costs, but also result from the transformation of the organizational structure.

6.1.3 Description of Veolia's main businesses

The Group's new organizational structure that was put in place during 2013 aimed to transform Veolia from an organization structured around divisions (businesses) into an integrated one structured by country, flattening reporting lines, eliminating levels of the organizational structure and strengthening performance improvement initiatives to become closer to its customers, more simple, more integrated and more flexible.

Amongst other things, this new organization is based on:

- bringing together the Water, Waste solutions and Energy services businesses under the responsibility of a single management team in each country (see Chapter 6, Section 6.1.3.1 below);
- a 10-zone organizational structure (Water France, France Recycling and waste solutions, Central and Eastern Europe, Northern Europe, the United Kingdom and Ireland, Africa/Middle East, North America, Latin America, Asia, Australia and New Zealand) and an additional, worldwide zone for Global businesses (see Chapter 6, Section 6.1.3.2 below);
- setting up more robust reporting lines;
- two new departments: one dedicated to innovation and markets, the other to technology and performance;
- two management bodies: an Executive Committee and a Management Committee.

This new structure makes it easier to share information and to put decisions into effect, making Veolia more responsive and more integrated. Moving from a single management structure to one Veolia per country has simplified the managerial hierarchy, increased operational and business synergies and enhanced relationships between the operating units and headquarters.

This structural change continued in 2014, when Veolia took on the whole of Dalkia's international business. As a result of this complete integration, Veolia now has full control of energy services management, which is an essential part of environmental business activities for the future.

Veolia can now take full advantage of the technological, operational and commercial synergies that exist between its three business activities.

In 2014, the Group's transformation was also reflected in the adoption of a single brand and tagline:

- the Veolia Environnement Group was simplified to Veolia, with the three business lines using a single "banner", a further sign of the Group's transition to a unified way of operating;
- Veolia also adopted a new tagline, "resourcing the world", as the issue of resources, and developing, preserving and renewing them, applies across all of the Group's business activities.

6.1.3.1 The main business activities of the Group

In 2014, the Group's consolidated proforma revenue (revenue under IFRS) was €24,408.4 million.

The revenue generated by the various business activities in 2014 can be broken down as follows:

- in 2014, Water activities represented 46% of the Group's consolidated revenue (revenue under IFRS), or €11,235.4 million;
- waste solutions represented 35% of the Group's 2014 consolidated revenue (revenue under IFRS), or €8,523.6 million euros;
- energy services represented 18% of the Group's 2014 consolidated revenue (revenue under IFRS), or €4,415.3 million euros;
- other business represented 1% of the Group's 2014 consolidated revenue (revenue under IFRS), or €234.1 million euros.

6.1.3.1.1 Water

Veolia is a major worldwide operator in water services (the supply of drinking and process water and treatment of wastewater) for local authorities and industrial companies, and is a world leader in the design of technological solutions and the construction of the facilities required to operate these services.

Through a geographical structure featuring a strong local presence, Veolia designs, builds and manages water services and wastewater treatment and recovery services for public authorities and industrial customers on five continents. In 2014, Veolia provided drinking water to 96 million people worldwide and supplied 60 million people with wastewater services. Contracts are generally long-term and range from ten to twenty years in length and potentially up to fifty years with certain local authorities in China, and from three to ten years with industrial customers. Veolia provides services under contracts of various forms, tailored to the needs and goals of the customer, and may include public-private partnerships, BOT (Build, Operate & Transfer) contracts, DBO (Design, Build & Operate) contracts or concessions/leases in France and O&M contracts. They are generally contracts that involve operation only and/or engineering/construction of installations, with the customer usually remaining the owner of the assets and retaining responsibility over the pricing policy and investment under municipal contracts. Changes in legislation and needs have enabled Veolia Environnement to integrate more elaborate mechanisms into its contracts allowing it to share in the added value (productivity gains, level of services, efficiency criteria, etc.). Public authorities often rely on Veolia to manage customer relations and the Group is constantly improving the efficiency of 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 is able to offer feasibility studies and technical assistance, which may include master plans, coordination and acceptance of projects, network modeling and financial analysis, etc…

Activities on behalf of public authorities and industrial customers

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

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

Technological solutions for the treatment of water and networks

Through its Technology and Networks activities, Veolia develops technological solutions and designs and builds the infrastructures necessary to provide water services on behalf of public authorities and industrial and service sector customers. In addition, the Group designs and operates equipment for the treatment of water for specific uses. A local technical assistance network is also available at all times for the upkeep and maintenance of these facilities. Veolia can treat groundwater, surface water, brackish or seawater, wastewater and wastewater sludge. Veolia has developed a comprehensive range of specific solutions for the purification of water or the reduction or elimination of impurities in effluents. The recycling systems installed by Veolia provide customers with the ability to circulate part or all of their waste water back into production processes, thereby reducing water consumption, operating costs and environmental impacts.

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

Key factors

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

- the key factors potentially impacting the "service contracts with public authorities and industrial customers" business are, from an economic point of view, trends in volumes billed (particularly changes in weather conditions that can impact domestic water consumption), the ability to obtain, within the planned time-period, price increases in line with Group objectives and the ability to implement cost cutting programs. From a technical point of view, the ability to satisfy service commitments negotiated with the customer or regulator and, from a contractual point of view, the ability to renew existing contracts under satisfactory terms and conditions in a highly competitive environment, are also essential. The company's ability to control costs and impose favorable conditions in its contracts for the sharing of risks and benefits are key success factors, particularly in the operating business in France;
- the Engineering and Technological Solutions business is potentially affected, at an economic level, by the rate of projects launched by public authorities and certain major industrial companies (and thus in particular the economic environment), as trends in demand levels have a direct impact on the order book. Continued technological leadership in tender bids and the ability to manage constraints and master technical solutions in the performance of contracts are determining factors. Finally, at a contractual level, meticulousness in the negotiation and performance of contracts is also a key factor in this sector (particularly the ability to meet deadlines and cost budgets).

6.1.3.1.2 Waste solutions

Veolia is a global leader in this sector, where it is involved in waste collection, recycling and processing. The Group handles waste in all forms and at all stages of the waste cycle. Veolia manages liquid and solid waste, non-hazardous and hazardous waste from collection to recovery, on behalf of both industrial and service sector customers, as well as local authorities.

Veolia serves nearly 43 million residents on behalf of local authorities and, as of December 31, 2014, the Group managed approximately 655 waste processing units (excluding landfill sites in the post-operation phase).

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

Upstream, Veolia provides environmental and logistical services, including waste collection, waste processing, cleaning of public spaces, maintenance of production equipment, soil remediation, and management of waste discharge at industrial sites.

Downstream, Veolia conducts basic or more complex waste processing operations in order to eliminate pollutants and transform waste into a resource. In this way, the Group:

- 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 recovery;
- processes waste in the least damaging way possible, through landfill sites or incineration;
- produces electricity or heat using waste in landfill sites or incineration, otherwise referred to as waste-to-energy recovery.

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

Key factors

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

- a presence at all points of the waste value chain, from pre-collection through to processing and recovery, in a representative range of geographical areas, in order to identify and manage innovative, tailored solutions that set the Group apart from its competitors in the market;
- the management of risks relating to the protection of the environment and the safety of individuals and facilities;
- 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 and rolling stock) and processes (sorting-recycling), founded on an effective technology, regulatory and competition monitoring system;

- operating efficiency (purchases, sales, logistics and 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 and facility size);
- the quality of contractual management for long-term contracts (major clauses, price review formulae, guarantees and deposits, etc.);
- the management of economic and financial risks: ability to adjust to volume fluctuations, reduced exposure to volatility in raw material prices (fuel, materials sold such as paper and metals), customer risk, foreign exchange and interest rate risk.

Waste solutions and logistics for public authorities and industrial companies

Maintenance of public spaces and urban cleaning

Each day, Veolia provides urban cleaning services in many of the world's largest cities. Veolia also provides mechanized street cleaning and building facade treatment services.

Cleaning and maintenance of industrial sites

Veolia provides cleaning and maintenance services at the sites of its industrial and service sector customers, including upkeep and maintenance of production lines and/or office cleaning.

In the industrial sector, Veolia also offers specialized high-pressure or ultra-high-pressure cleaning, cryogenic cleaning and robotic cleaning in food processing plants, high-tech and heavy industries, refineries and petrochemical plants. Veolia has also developed emergency services to treat site contamination in the event of an accident or other incident.

Liquid waste management

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

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

Soil remediation

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

Collection

Veolia collects household waste through door-to-door pickup or through pickup at designated drop-off sites, and collects commercial and non-hazardous industrial waste. Veolia maintains the cleanliness of green areas and carries away "green" waste. It also collects hazardous waste on behalf of its service sector and industrial customers, including hospital waste, laboratory waste, oil residue (ships, gas stations, etc.) and various other hazardous waste.

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

Transfer and grouping 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 physicochemical treatment centers, recycling units, special industrial waste incineration units or landfill sites designed to receive inert hazardous waste.

Sorting and recycling of materials

Veolia's goal is to process waste with a view to reintroducing such waste into the industrial production cycle.

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

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

Waste recovery and treatment through composting, incineration and landfilling

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

Composting and recovery of organic material from fermentable waste

Veolia's Water and Waste solutions businesses work together to recover sludge from wastewater treatment plants. Veolia processes urban and industrial sludge, part of which is then reintroduced into the agricultural cycle through land spreading, and also offers a related tracking service.

Incineration and waste-to-energy recovery

Veolia operates 60 incinerators (MSWI) equipped with waste-to-energy recovery systems, which process non-hazardous solid waste (mainly urban waste).

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

Landfilling and waste-to-energy recovery

In its non-hazardous waste landfill sites (excluding landfill sites for inert waste in the post-operation phase dedicated to waste-to-energy recovery), Veolia has developed expertise in processing waste through methods that reduce emissions of liquid and gas pollutants. In addition, 58 landfill sites have recovery systems to transform biogas emissions into alternative energies (including landfill sites in the post-operation phase or for biogas recovery).

Processing of hazardous waste

In 2014, Veolia had 26 incineration units for hazardous industrial waste, 56 processing units using physicochemical and stabilization methods, 15 class 1 landfill sites and 37 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 physicochemical processing of inorganic liquid waste.

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

6.1.3.1.3 Energy services

Veolia's Energy services business came about as a result of the finalization on July 25, 2014, of the transaction associated with the agreement signed on March 25, 2014 between Veolia Environnement and EDF regarding their joint subsidiary, Dalkia. Under this agreement, Dalkia's international operations were taken over by Veolia. With Dalkia International (renamed Veolia Energie International) fully integrated, Veolia, as a decentralized producer of thermal and electrical energy, is becoming a major international player for industrial and local authority customers.

Veolia is developing three types of energy services: heating and cooling systems, industrial utilities and energy services for buildings. In 2014, Veolia managed 529 heating and cooling systems and 1,802 industrial sites.

Veolia offers energy services solutions encompassing the entire conversion cycle from the purchase of energies entering the site (fuel, gas, coal, biomass and biogas), the construction of new facilities or the modernization of existing facilities, to the sale on the market of the electricity produced. Veolia joins forces with its customers, helping them optimize their energy purchases and improve the energy efficiency of their facilities both in terms of cost and atmospheric emissions and assists them with the transformation of their facilities.

Veolia's solutions include 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.

Veolia provides energy services to public and private customers with whom it forms long-term partnerships. Management contracts for the operation of urban heating or cooling systems are typically long-term, lasting up to thirty years, while contracts for the operation of thermal and multi-technical facilities for public or private customers may have terms of up to sixteen years. Contracts to provide industrial utilities generally have shorter terms (six to seven years on average).

Heating and cooling networks

The development of urban networks has been a key growth driver in recent years. Although fewer than in the past, there will still be many opportunities available in heating and cooling networks in the next six years. Nevertheless, the Group will only make major investments in legally constituted countries and any investment will be assessed based on profitability.

Veolia is one of the leading operators of large urban heating and cooling networks, particularly in Central and Eastern Europe and enjoys a strong position as an operator in the United States. Operation of these networks provides heating, domestic hot water and air conditioning to a wide range of public and private facilities, including schools, health centers, office buildings and residences. In addition, the production plants often generate electricity sold to operators or on the market.

Industrial utilities

The industrial market for Veolia Energy services and the opportunity of operating in synergy with Veolia Water and Veolia Waste solutions represent a significant outlook for growth around the world.

The following wide and consistent range of services has made Veolia a key player in energy services for industries in Europe:

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

Energy services for buildings

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

Veolia provides customers with a wide range of technical services and implements an extensive range of services to satisfy customer expectations for reduced energy consumption and CO_2 emissions.

Key factors

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

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

6.1.3.1.4. Other activities

6.1.3.1.4.1. Multi-business contracts with industrial customers

Industrial outsourcing and integrated offerings

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

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

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

Veolia organizational structure for the provision of multi-business services

The company VE Industries allows the Group to provide integrated solutions for industrial sector customers. Created in 1996, this structure enables Veolia Environnement to better satisfy the expectations of customers who wish to outsource a range of services across several industrial sites to a single service provider.

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

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

Multi-business contracts

The Group's activities in the multi-business market primarily consist of approximately fifteen major contracts, which together generate average annual revenue of approximately €450 million and which are expected to generate cumulative revenue over their remaining term of around €1.5 billion. The average term of these contracts is approximately 8 years.

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

VE Industries' references give it a unique position in the industrial outsourcing market and include:

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

VE Industries operates mainly in Europe. The experience gained by VE Industries in recent years has allowed the company to develop unique know-how in the management of complex projects and contracts. As a result, VE Industries currently also supports the development of highly technical multi-business activities in Veolia's geographic regions.

Activities in 2014

VE Industries has focused on the pharmaceutical sector as an area for growth in 2014 and won the utilities management contract for the Pfizer Freiburg site in Germany.

A notable development in the operational activity of VE Industries has also been the extension of the European multi-technical and multi-services contract signed with Novartis in 2013.

In Switzerland, several other contracts for the global management of waste have been won for industrial clients Syngenta and BASF on the back of the historical contract with Novartis Basel.

In France, VE Industries won a multi-technical and multi-services contract for a car manufacturer site.

6.1.3.1.4.2 Transportation activity in partnership with Caisse des dépôts et consignations through common subsidiary Transdev Group

In 2011, Veolia Environnement and the Caisse des dépôts et consignations combined their respective transport subsidiaries, creating Veolia Transdev (now known as Transdev Group), held 50/50 by Veolia Environnement and the Caisse des dépôts et consignations. The same year, Veolia Environnement announced its decision to withdraw progressively from the Transportation business. Accordingly, from financial year 2013, the Group modified the accounting presentation of its investment in the Transdev Group, reclassifying it from "Assets classified as held for sale" (discontinued operations) to "Investments in joint ventures" (continuing operations), accounted for using the equity method. Given the Group's reaffirmed desire to continue its withdrawal from Transdev, the Group's investment in the Transdev Group does not represent an extension of the Group's businesses within the meaning of the French Accounting Standards Authority's recommendation of April 4, 2013.

The core business of the Transdev Group (hereinafter "Transdev") is the operation of passenger transportation services by road, rail and sea on behalf of national, regional and local public authorities.

The following table shows the development of the consolidated revenue (revenue under IFRS) of Transdev Group (2014).

(€ million)	**As at December 31, 2014**	**As at December 31, 2013 (2)**	**% Change 2013/2014**
Revenue (1)	6,636. 9	6,606.1	4.7%

(1) Revenue and operating income exclude amounts in respect of discontinued operations (pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations").
(2) This figure relates pro forma to 2013 after reincorporating activities in Sweden and Finland as continuing business activities.

Overview of the Transportation business

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

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

Transdev’s activities fall into four main categories:

- mass road transportation (urban transport, suburban, inter-city and regional and other specific transportation services);
- mass rail transportation;
- forms of transportation-on-demand: taxis, chauffeured vehicles, limousines, airport shuttle services and regional and international tourist transportation;
- transportation management (passenger information services, clearing houses and call centers).

Mass road transportation

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

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 eight 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 states (including Rosenheim, Marschbahn, S-Bahn Bremen, Mittelrhein Bahn, etc.). In Sweden, the rail link between Stockholm and Malmö is the first long-distance line operated by the private sector, with high-added-value services.

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

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

Across the Atlantic, Transdev operates suburban rail networks in Miami and northern San Diego.

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

In partnership with RATP DEV, Transdev operates metro line 9 in Seoul, South Korea, and line 1 on the Mumbai metro in India, which was opened on June 9, 2014 and transports more than 300,000 passengers per day.

Commercial transportation (B to C)

Transportation-on-demand

Under the SuperShuttle trade name, Transdev provides shared transportation services at 38 airports in the United States. In Europe, Transdev provides shuttle services at seven airports (incl. Roissy Charles de Gaulle, Orly, Beauvais and Schiphol), again primarily under its SuperShuttle trade name. Transdev provides taxi services in the United States, in particular in Baltimore, Denver, Kansas City, Jacksonville and Pittsburgh, as well as in London (United Kingdom) through its subsidiary, Greentomato.

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

Tourism

Transdev also has a strong presence in the tourism sector.

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

Digital transportation management

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

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

Transdev has also invested in innovative ticketing solutions using various technologies (incl. near field communication and M-Ticketing) Transdev continues to invest in its digital services to enhance the performance of its transport networks.

Description of activities in 2014

In 2014, the Transportation business (at 100%) reported revenue of €6,636.9 million.

In France, the contracts held by Transdev for inter-city transportation services in the French departments of Vosges, Orne and Eure and the delegation of a public service contract for the management of regular sea transportation of passengers and goods to Belle-Ile-en-Mer, Groix, Houat and Hoëdic, were renewed in 2014. Transdev was successful in their bid for operating the automatic metro from Roissy airport, although allocation of this contract is still subject to a pre-contractual injunction introduced by the outgoing operator.

Transdev's contract to operate the tram network in Dublin was renewed for a further 5 years.

In Germany, Transdev's contract to operate the rail network, "Weser-Ems", was renewed for a further 10 years and in the Netherlands, the bus network in Amstelland-Meerlanden and the regional network of Zeeland were renewed.

The group to which Transdev belongs as an operator signed a PPP contract with the Australian government for the construction and operation of a new tram network in Sydney. Transdev will therefore be the tram operator in Sydney for a period of 19 years. The financial closing of this project must take place in February 2015.

The regional Commission for Transportation in South Nevada (RTC) has assigned a contract to Transdev for the transportation of people with reduced mobility in Las Vegas.

In 2014, Transdev sold its subsidiary in Belgium to a consortium consisting of Cube Infrastructure and Gim, and by becoming a majority shareholder in the operating companies, reinforced its position in the operation of the Trambais and Trambesos tram lines in Barcelona.

6.1.3.2 New organization of the Group's business

Beginning with fiscal year 2014, the newly implemented organization of the Group and related financial reporting have been based primarily on the geographic element of its activities, not on the activities and business elements, as was the case previously. As a result of this, and following the application of IFRS 8, financial information and data relevant to the activities of the Group are provided according to the following primary segments: France, Europe excluding France, Rest of the world, Global Businesses. Another segment called "Others" mainly covers the central functions.

6.1.3.2.1 France

Veolia has a strong presence in France, mainly in the Water and Waste solutions businesses, which historically were the traditional markets of the Group. In Energy services, the activities of Dalkia France were taken over by EDF from July 25, 2014, following the completion of the transaction associated with the agreement signed with EDF on March 25, 2014.

The France segment consists of two business units called Veolia Water and Recycling and Waste Solutions.

Veolia Water in France (water and sanitation services)

The Group's Veolia France Water business services operated by the subsidiary Veolia Eaux – Compagnie Générale des Eaux and its French subsidiaries operating water services in France (hereinafter "Veolia Water") serve approximately 24 million residents with drinking water and 17 million with sanitation services, primarily through concession and lease contracts. Veolia's markets for the supply of water services and sanitation in France are changing. For several years, there has been pressure on tariffs, terms of contracts and public service delegation contracts are being reduced, and consumption volumes are regularly falling (at the rate of about 1% per year). This is the context in which Veolia Eaux – Compagnie Générale des Eaux in France has embarked on a plan to transform its organizational structure to improve performance and competitiveness. The plan focuses on developing high-added-value services for local authorities, like the dynamic management of water networks using intelligent sensors, the scheduling of technical assistance, and maintenance or client management services. This is reflected in the partnership between IBM and Veolia Environnement for the development and deployment of the "Smarter Water" solution, which identifies trends, predicts events, and provides an overall view of operations from the data gathered from water management systems. It also contributes to more efficient water management in communities, a reduction in waste and better monitoring of the client's costs, thereby improving the finances of the local authority. This new solution is currently being deployed in Lyon (France).

Revenue for this geographic business unit in 2014 amounted to €3,028.4 million and represents 12% of Group proforma revenue as of December 31, 2014.

Comments on the turnover trend and results for this business unit may be found in Chapter 9, section 9.2 below.

Public service delegated management contracts renewed in 2014 represent expected total annual cumulative revenue of €3.44 billion in a still highly competitive environment. Successes during the period include 21 new contracts, including 9 with local authorities changing from a local authority management model to public service delegation management. The main contract renewals are detailed in the table below. These include, in particular, the contracts for drinking water for the Urban Community of Marseille Provence Métropole and for Urban Community of Greater Lyon, for which the administrative procedures were finalized in 2014.

In 2014, authorities responsible for Greater Montpellier finally took the decision to return to local authority management at the start of 2016. Veolia Water has duly noted this situation, but does not rule out the possibility of offering the organization in question its expertise through the provision of services at a later date.

The following table presents revenue generated by the main municipal contracts in France which are to be renewed or renegotiated during the period from 2015 to 2020:

City	***Estimated annual revenue*** *(in € million)*	***Contract expiry date***
Toulouse – Water treatment	53	2020
Toulouse – Drinking water	40	2020
Toulon	20	2019

Recycling and Waste solutions in France

The Group "Recycling and Waste solutions" business operated in France by Veolia Propreté and its French subsidiaries is present throughout the value chain, from collection to sorting, recycling, landfilling, incineration and waste recovery. The circular economy is at the heart of expectations. With Recycling and Waste solutions, Veolia Propreté has therefore positioned itself as "the leading producer of renewable resources". The aim is to move from a position as a service operator to that of industrial player through the command of a logistics segment and industrial procedures to create new recycled resources (transferring 880,000 metric tons of landfilled material to sorting, transformation and energy recovery units), and by creating and developing new, circular economy offerings based on innovative technologies (for example, the innovative regional collection system that requires no refuse collectors, added-value recycling stations, etc.) in innovative recovery markets.

Revenue for this geographic business unit in 2014 amounted to €2,544.8 million, and represents 10% of Group proforma revenue as of December 31, 2014.

Comments on the revenue trend and results for this business unit may be found in Chapter 9, Section 9.2 below.

The main contracts signed in 2014 by Veolia Water and Recycling and Waste solutions in France with municipal bodies or industrial and service sector companies are the following*:

Public authority or company and location thereof	**Month of signature of contract**	**New contract or renewal**	**Contract term**	**Estimated cumulative revenue** *(in euros)*	**Services provided**
Water					
Urban Community of Marseille	(1)	Renewal	15 years	1,600 million	Public service delegation contract for drinking water
Urban Community of Lyon	January	Renewal/ extension of scope	8 years	716 million	Public service delegation contract for drinking water
SIAEP in the region of Lagny sur Marne	February	Renewal	12 years	120 million	Public service delegation contract for drinking water
Melun-Dammarie	March	Renewal	10 years	77 million	Public service delegation contract for drinking water
Agglomeration Community of Montpellier	December	Renewal	7 years	75 million	Public service delegation contract for sanitation – Maera Wastewater Treatment Plant
Urban Community of Marseille West	(1)	Renewal	15 years	74 million	Public service delegation contract for sanitation
Urban Community of Marseille East	(1)	Renewal	15 years	58 million	Public service delegation contract for sanitation

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
Agglomeration Community of Montpellier	December	Renewal	7 years	42 million	Public service delegation contract for the collection of waste water from communities served by the Maera Wastewater Treatment Plant
Agglomeration Community of Sud – La Réunion	March	New	8 years	17 million	Public service delegation contract for sanitation
Waste solutions					
Intercommunal Association for the Treatment of Urban Waste in Triel sur Seine	April	Renewal/ extension	9 years	23 million	Contract for the operation of a center to treat household and similar waste
Agglomeration Community of the French Riviera – Menton, France	September	New	5 years	19 million	Contract for the supply of services to treat and recover household waste
Ministry of Defense National Navy	September	New	3 years	11 million	Service contract for the dismantling of the Jeanne d'Arc and Colbert ships

(1) Contract signed on November 2013

** Revenue from the contracts indicated represents the portion due to Veolia under these contracts. As a result, the sums indicated might be different from the figures provided in the press releases issued by the Group.*

6.1.3.2.2 Europe excluding France

The Europe segment excluding France is made up of three areas: Central and Eastern Europe, the United Kingdom and Ireland, and Northern Europe. The Group's three main business activities operate in this segment (Water, Waste solutions and Energy services).

Central and Eastern Europe

In Central and Eastern Europe, the Group's main business activities are Energy services and Water, which mainly operate in Central and Eastern Europe as traditional concessions, or public service delegation contracts. Veolia manages drinking water and/or sanitation services in big cities, including the capital cities of Prague, Sofia, Bucharest and Budapest, and provides close to 40% of the Czech population with water and sanitation services. In the Energy services sector, the Group has a strong reputation in the operation of heating networks (Romania, Czech Republic, Slovakia, Hungary and Poland) where it holds a leading position particularly through its installed base in major cities in Poland (Warsaw, Lodz and Poznan) and Slovakia (Bratislava).

Central and Eastern Europe remains a growth area for Veolia's conventional Energy services and Water businesses in view of the need to upgrade the infrastructure in line with European regulations that are increasingly stringent on energy efficiency, wastewater and storm water treatment, waste treatment (particularly wastewater sludge) and environmental protection (air and soil).

The operating contract between Veolia Voda Ceska Republika and Synthesia for the BČOV Pardubice wastewater plant was not renewed at the end of its term, December 31, 2014, following Synthesia's decision to transfer the plant to Vodovody a kanalizace Pardubice, a local public company that is taking over its operation. The loss of this contract will be offset by new contracts won on the Czech market. In addition, the Veolia staff assigned to the plant will transfer to the new operator.

United Kingdom and Ireland

In the United Kingdom and in Ireland, Veolia operates in three areas of business, providing Water and Energy Services primarily to industrial customers, but is especially active in Waste solutions through the traditional business of municipal, commercial and industrial waste collection and treatment, as well as in the circular economy sector. Veolia particularly leads the field in managing private finance initiatives (PFI), a comprehensive municipal waste management solution where Veolia designs, finances, builds and operates a combination of solutions for processing local authority waste (incinerators, composting, etc.). As regards the circular economy, Veolia's position in recycling covers both local authorities and industrial companies; amongst its activities are material recycling loop development projects (*i.e.* (implementation of recycling processes for specific materials) for certain focused industrial companies and for such diverse resources as building materials, hard plastics or glass fiber. Energy production from waste and industrial effluent methanization also feature in the offering for the regional circular economy.

Northern Europe

In Germany, Veolia operates in three areas of business: Water, Waste solutions and Energy services (services for buildings). In the paper sector, Veolia processes 1,800 million metric tons of paper in partnership with major industrial companies such as Propapier and Smurfit Kappa. The market is driven by investments to renovate utilities infrastructures, which represents an opportunity for Veolia.

In the rest of Northern Europe, Veolia operates in Benelux, the Netherlands and in Scandinavia (Sweden, Norway, and Finland), mainly in the Energy business (energy efficiency services for buildings).

Revenue for this segment in 2014 amounted to €8,476.7 million, and represents 35% of Group proforma revenue as of December 31, 2014.

Comments on the revenue trend and results for this segment may be found in Chapter 9, Section 9.2 below.

The following table shows the major contracts signed in 2014 with public authorities, industrial companies and service sector companies *:

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
Water					
Water DOWW Germany	(1)	Renewal	5 years	50 million	Drinking water distribution services contract
CEZ (coal power plant) Czech Republic	December	Renewal	2 years	28 million	Contract for water and waste treatment infrastructure maintenance services
Roztoky Central Bohemia Czech Republic	December	Renewal	2 years	17 million	Water and sanitation concession contract
Waste solutions					
Consultancy for Telford & Wrekin, UK	February	New	24 years	408 million	Waste treatment service delegation contract
Energy services					
Ennatuurlijk BV and Ennatuurlijk Opwek BV Netherlands	March	New	10 years	246 million	Heating network maintenance contract
Mahle Polska Poland	October	New	1 year(2)	9 million	Electricity supply contract
Sprzedazy Ciepla Poland	December	New	10 years	16 million	Replacement of boilers and 10-year steam sales contract
Richter Gedeon Nyrt. Hungary	October	Renewal	8 years	36 million	Steam distribution services contract

(1) Contract signed at the end of 2013
(2) Renewable every year
* *Revenue from the contracts indicated represents the portion due to Veolia under these contracts and has been converted into euros at the closing exchange rate on December 31, 2014. As a result, the sums indicated might be different from the figures provided in the press releases issued by the Group.*

6.1.3.2.3 Rest of the world

The Rest of the world segment comprises five areas: Africa/Middle East, North America, Latin America, Asia, and Australia/New Zealand. The Group's three main business activities operate in this segment (Water, Waste solutions and Energy services), and growth is particularly high in the United States, Australia and Asia.

Africa/Middle East

Veolia operates in three countries within Africa: Morocco, Gabon and Niger. In Morocco, Veolia manages electricity and water distribution, and wastewater treatment services for the cities of Rabat, Tangier and Tétouan through a concession contract. In Gabon, Veolia manages drinking water production and the distribution of drinking water and electricity for the entire country through a concession contract. Lastly, in Niger, Veolia supplies the country's urban centers with drinking water under a lease contract.

In the Middle East, Veolia operates mainly in Saudi Arabia and the United Arab Emirates, working in all three business areas with local authorities, industrial companies and the service sector, as well as in Qatar and Oman. Developments in our traditional areas of business remain the primary driver for growth in this geographic region.

North America

In the United States and Canada, Veolia works with:

- local authorities, in the Water and Energy services businesses, where the majority of its Energy services business runs on a concession basis, and a large proportion of operating and maintenance services concern the Water sector. In addition to these traditional models, an innovative contract model devised by Veolia aims to help cities identify efficiency opportunities and implement improvements. The model, called Peer Performance Solutions, is based on a combined consultancy and business expertise offering and has been successfully introduced in cities such as New York, Washington DC, Pittsburgh, and Winnipeg;

- industrial companies in the Water and Waste solutions businesses with a significant share of revenue in the oil and gas sector (prominent in the refinery business, with activities including oily sludge treatment, industrial vat cleaning, hazardous waste treatment, etc.), chemicals, mines and metals, and pharmacy, with a view to enlarging the service offering to the Energy services business based on a unified business approach. The momentum in the local economy is driving Veolia's activity within US industry.

Latin America

In Latin America, Veolia operates its Water and Waste businesses in Brazil, Argentina, Chile, Colombia, Peru, Mexico, Ecuador, and Venezuela. Business in these countries was initially geared towards local authorities. Since its total takeover of Proactiva in 2013, Veolia's aim is to roll out high-added-value solutions, such as hazardous waste management via the Mexican subsidiary (RIMSA) or industrial process water recycling in all South American countries. The confirmed intent for "green" growth on the part of many South American states has meant a tightening of environmental restrictions, leading industrial companies to implement recycling and recovery solutions and control their environmental footprint more effectively. In addition, the South American metropolitan authorities are working to support urban growth by developing high-performing, efficient and sustainable public services. The main focus areas for progress are: optimizing public services, creating waste recovery solutions, rational water resource management and protecting the natural environment.

Asia

In Asia, Veolia operates in the Group's three areas of business. The main drivers of development in Asia are hazardous waste treatment, circular economy solutions, services in the oil, gas and food and beverage industries, as well as dismantling services. In Japan, Veolia is currently primarily positioned in the water services business, much of this on a concession basis, particularly in the larger cities (Hiroshima, Kyoto, Tokyo, etc.), and through performance contracts in smaller towns and cities.

In China and Hong Kong, other than the traditional concession markets that the Group holds in drinking water production and wastewater treatment services (for example, Shenzhen, Pudong, Haikou and Changzhou), and in Waste solutions, particularly for hazardous waste in the whole region, Veolia operates in the Energy services business covering heating network contracts (Harbin and Jiamusi) and industrial utilities (CTC and SanWaYao), as well as in an emerging building services business. In Korea, Veolia is primarily positioned on industrial markets and the microelectronics sector in particular. Veolia's Asian markets are driven by economic growth, rapid population growth, a changing middle class, urbanization (64% of the population will live in urban areas by 2025), and regulatory policies (for example, China's 12th Five-Year Plan sets outs ambitious environmental goals, particularly on carbon impact).

Australia/New Zealand

In Australia, Veolia's business is split between the industrial market (77%) and the municipal (23%). Business is predominantly in Waste solutions. The oil and gas, mining and food and beverage industries are buoyant markets for Veolia as regards energy efficiency and waste treatment and recovery. The traditional water market remains a development opportunity for Veolia, as public authorities come under regulatory pressure and look to long-term or performance contracts in their need to improve service efficiency. Two significant contracts for waste solutions in Australia, one with Mackay Regional Council for waste treatment and recycling and another for waste collection with Woolahra Council Australia, were not renewed. In total, the impact on revenue from lost contracts was offset by winning new public service delegation contracts (from publicly-managed or competitively-managed services) or new business in service provision.

Revenue for this segment in 2014 amounted to €4,770 million, and represents 20% of Group proforma revenue as of December 31, 2014.

Comments on the revenue trend and results for this segment may be found in Chapter 9, Section 9.2 below.

The following table shows the major contracts signed in 2014 with either public authorities or industrial or service sector companies*:

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
Water					
Oman Power & Water Procurement SAOC Oman	July	New/ extension	22 years	356 million(1)	Drinking water distribution services contract
Monteria Colombia	December	Extension	10 years(2)	183 million	Drinking water and wastewater treatment concession contract
Tangshan Iron & Steel China	October	New	30 years	390 million	Facility operation and management, wastewater treatment and chilled water production
Hunter Water Corp. Australia	July	New	8 years	141 million	Operation and maintenance contract for wastewater production and treatment units
New Orleans LA (NOLA) United States	December	Renewal	10 years	95 million	Wastewater treatment facilities operation and maintenance contract
BP Exploration Limited Oman	May	New	2 years	40 million	Raw water treatment plant construction contract
Waste solutions					
Buenos Aires Argentina	October	New	10 years	400 million	Cleaning and household waste collection services contract
Petrochemicals company United States	October	New	5 years	79 million	Multiservices contract with multiple industrial sites
Specialist oil refining company United States	May	Renewal	3 years	40 million	Industrial site maintenance services contract
Tomago Aluminium Australia	December	Renewal	1 year(3)	11 million	Cleaning and waste treatment services contract
Las Condes Chile	February	Renewal	8 years(4)	38 million	Contract for household waste collection services
Energy services					
MERRIT Biomass Plant Canada	July	New	30 years	540 million	Contract for biomass plant installation, production and sale of biomass
Hongwon Paper Manufacturing Korea	September	New	10 years	170 million	Industrial utilities services contract

(1) Exchange rate used: one-month rate as at December 31, 2014 – 1.3288
(2) Current contract extended until January 5, 2030
(3) 1-year contract, renewable for 4 years subject to conditions
(4) 8-year contract, extendible for 2 years at the customer's discretion
** Revenue from the contracts indicated represents the portion due to Veolia with respect to these contracts and has been converted into euros at the closing exchange rate as of December 31, 2014. As a result, the sums indicated may differ from those provided in the press releases issued by the Group.*

6.1.3.2.4 Global Businesses

The Group's global enterprises bring together the Veolia business activities that need to be run and managed on a worldwide scale. They combine the following Group business activities: engineering and construction in the water and water network sector through the Veolia Water Solutions & Technologies subsidiaries and Sade, a hydraulic engineering firm; hazardous waste collection and treatment carried out by the SARP and SARP Industries companies; sludge treatment and recyclingthrough the Sede Environnement subsidiary; and lastly multi-business activities through its subsidiary, VE Industries.

Revenue for this segment in 2014 amounted to €4,538.9 million, and represents 19% of Group proforma revenue as of December 31, 2014.

Comments on the revenue trend and results for this segment may be found in Chapter 9, Section 9.2 below.

The major contracts signed in 2014 with public authorities or with companies in the industrial and service sectors were as follows *:

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
Water					
Toulouse Provence Metropole France	January	New	20 years	55 million	Public service delegation contract for construction and refurbishment of a deep gallery
Matale City Sri Lanka	November	New	-	156 million	Design and build contract for a drinking water treatment unit
Ecopetrol Castilla Colombia	January	New	-	67 million	Design and build contract for an industrial water treatment unit
Waste solutions					
RATP SMR Grand Paris France	October	New	3	14 million	Soil remediation works contract

* *Revenue from the contracts indicated represents the portion due to Veolia with respect to these contracts and has been converted into euros at the closing exchange rate as of December 31, 2014. As a result, the sums indicated may differ from those provided in the press releases issued by the Group.*

6.1.3.3 Main changes in Group consolidation scope in 2014

The main changes in consolidation scope in 2014 were as follows:

- Veolia completed the divestiture of its 65% stake in the Marius Pedersen Group, which provides solid waste management and treatment services in Denmark, the Czech Republic and Slovakia, to Entreprenør Marius Pedersens Fond (the Marius Pedersen Foundation) for a consideration of €240 million.
- the transaction associated with the agreement signed between Veolia and EDF on March 25, 2014 regarding their joint subsidiary, Dalkia, was finalized on July 25, 2014. Under this agreement, EDF has acquired all Dalkia activities in France (including Citelum) under the Dalkia brand, while Dalkia's international operations have been taken over by Veolia;

On July 9, 2014, Veolia also signed an agreement with funds managed by Oaktree Capital Management, L.P., a global investment manager, for the sale of its water, waste and energy activities in Israel.

The main changes in consolidation scope and changes within the Group are further covered in detail in Chapter 9, Section 9.1.1 below.

6.2 Market overview

6.2.1 Environmental services market

Environmental management services provided by Veolia include drinking water treatment and distribution, wastewater and sanitation services, and waste management and energy services. This market also encompasses the design, construction and, where applicable, funding of necessary facilities to supply such services. These services are provided to industrial and service sector companies, public authorities and private individuals.

The Company is setting up public-private and private-private partnerships aimed at providing comprehensive solutions to critical environmental and economic issues, in both "mature" and "emerging" countries, covering waste treatment and reduction, recycling of resources, energy savings and green energy production, drinking water production, the treatment and reuse of water and the reduction of polluting emissions. One such example is the Design, Finance, Build, Operate, Maintain (DFBOM) contract in partnership with Canadian infrastructure fund Fengate Capital Management Ltd. This association provides for the development of a second biomass power plant in Merritt (Canada), a cutting-edge facility that will rank as one of the largest on the North American continent. Others include the contract for the design, construction and operation of Saudi Arabia's largest ultrafiltration and reverse osmosis desalination plant between Marafiq (Saudi Arabia's largest national power and water utility) and Veolia, the pneumatic waste collection contract between Grand Paris Seine Ouest and Veolia Propreté, and the contract managed by Veolia Water in Nagpur, India, with the help of external funding (European funds, EBRD, etc.) where necessary.

Sensitivity to environmental challenges is now widespread among both public and private decision-makers. In 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 among the public and public contractors. The latter (particularly cities, city groups and, increasingly, major conurbations and urban areas) are carrying out more and more studies on the environmental attractiveness of their areas and seeking to implement solutions designed to resolve major environmental issues. Veolia, the number one global player in the environmental services sector, contributes to a range of environmental and social innovation and incubation studies and programs. Through its partnerships, some of which are entirely dedicated to generating energy savings and the recovery of resources, Veolia uses its unique know-how as an engineer and operator to address its customers' issues. Finally, although public sector management contracts are still mostly allocated service by service, owing to regulatory requirements on competition and the administrative and budgetary organization of public sector customers, the Company has technology that sets it apart and allows it to offer a full range of environmental management services.

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

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

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

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

- a global environmental services market enjoying sustained growth (3.4% per annum to 2015 according to the above report);
- customer need for increased competitiveness and savings;
- as innovative technical solutions favorable to the environment are developed, the Group's expertise is sought to identify, design, control, build and operate them;

- faced with increasingly strict environmental standards and requirements, public and private players do not always have the necessary technical or operational resources that specialist professionals can mobilize to deal with environmental problems effectively and at minimum cost; they also seek the legal security offered by an operator that accepts responsibility for the management of these activities. Expertise relative to environmental regulations is a determining factor in choosing an operator, and an advantage that sets Veolia apart from the competition;
- the need for the coordinated management of services entrusted by companies to service providers for a range of sites spread across one or several continents;
- in addition, public procurement, which now widely reflects a concern for sustainable development, must set exemplary standards with respect to commitments made at the local and international level. However, in a world that combines accelerated urbanization with demographic growth, major investment in environmental projects and services, as well as effective management in the long term, are needed in order to provide growing urban populations with adapted environmental services and replace existing environmental infrastructures.

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

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

6.2.2 Customers

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

Public authorities

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

New business models for local authorities not served by private operators

Local authorities that take care of their own environmental management, or for which no service is organized, accounted for more than 80% of the global market at the end of 2014. The quest to be efficient, competitive, appealing, the need to adapt to climate change, environmental complexity and public demand, the uncertainty about entrusting services entirely or in part to a private operator, and requirements for funding are just some of the issues that local authorities have to tackle.

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

For other local authorities, public services lie at the core of municipal policy, and they do not want to delegate services to a private operator. Nonetheless, they need to optimize their services (Water, Waste and Energy), choose between new investments and improve the integrated management of Water/Energy networks and customer relations. ***The Peer-Performance Solutions (PPS)*** developed by Veolia are aimed at public bodies in charge of services, as illustrated by the contracts with Pittsburgh and Washington DC (advice and assistance on implementing efficiency gains).

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

The traditional concession model

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

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

Industrial and service sector companies

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

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

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

For industrial customers operating in sectors like transverse markets in the circular economy, such as dismantling (between 100 and 160 nuclear reactors will need to be decommissioned in the next 10 years) and treating difficult forms of pollution, Veolia offers a complete construction and/or services range, aimed at improving their competitiveness and their environmental and social impacts: facility upgrades, production of utilities needed for the industrial process (steam, industrial heating and cooling, process water, demineralized water, compressed air, etc.), consumption optimization, reuse of process water, limitation and recovery of by-products (effluent treatment, waste recovery and recycling, competitiveness and sustainability of waste elimination channels), and enhanced approval from their stakeholders and local populations.

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

6.2.3 Competition

Most markets for environmental services are very competitive and are characterized by increasing technological challenges due to changes in regulation, as well as the presence of experienced competitors. The competitive landscape is very diverse but on a worldwide scale, there are few players that compare to Veolia.

Competition in each of the markets where the Company operates focuses mainly on the quality of the products and services provided, the best technology, reliability, customer service, financial position, the financial structure of the contract, prices, commitments to results and cost savings, and reputation and experience in providing services. Additional considerations include the ability to adapt to changing legal and regulatory environments and 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 the Group operates, its competitive advantages are its technological and technical expertise, its financial position, its geographical reach, its experience in providing and performing all environmental management services, its management of outsourced employees, and its ability to comply with regulatory requirements.

Where environmental services are concerned, Veolia's competitors are mainly regional companies or local specialists.

Global multiservice players, as characterized by Veolia, are mainly Remondis and Suez Environnement. A broader range of services and technologies serves to differentiate Veolia from its main competitors. The economic model for all three players, however, is based on common growth strategies: development in emerging markets, development in industrial markets, and new high-added-value services. The three players are groups of significant size with revenue ranging between €10 billion and €25 billion. Suez Environnement, Veolia's main competitor, covers a range of services that includes Water and Waste solutions. A new industrial innovation and performance department was also created in 2013 to coordinate these two activities under a single leadership.

Water

Veolia maintains its leading position in the water and wastewater treatment sectors, where its main competitor across all markets is Suez Environnement.

In national, regional and international markets, 2014 confirmed the growth in local competition (which paradoxically has started expanding internationally) from private, public and semi-public operators.

Historical municipal activities

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

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

In the rest of Europe, players other than Suez Environnement and Saur include the German companies Gelsenwasser, Remondis, or FCC-Aqualia, which continues to show interest in Central and Eastern Europe.

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

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

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

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

Industry

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

Veolia's main global competitors in this sector are GE, Evoqua Water Technologies and Degrémont Industry (Suez), and many more specialized operators such as Cameron, Cetco, Exterran, Filterboxx, Aquatech and AquaPure are also present.

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

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

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

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

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

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

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

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

Waste solutions

On a worldwide level, Veolia's main competitors are Waste Management and Suez Environnement. Other competitors are regional players, or cover only part of the range of services that Veolia offers.

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

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

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

Energy services

The energy services market combines a diversified range of services and involves many different types of market players. Veolia therefore faces strong competition from primarily sector-specific players.

Only the group formed by the GDF–Suez merger, primarily via Cofely, has the ability to offer a diversified and comprehensive range of services with a strong international presence – a profile largely comparable to that of Veolia. Among sector-specific players, Veolia is faced with large competitors such as Vattenfall, Fortum, Alpiq and EON, particularly in the local energy infrastructure sector.

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

Worth noting is the increasing role that equipment manufacturers (Schneider Electric, Siemens and Johnson Control) and likewise IT service companies and providers of IT energy management solutions, are playing in smart building services.

Moreover, the Company is faced with increasing competition from the historical base of municipally- and publicly-run companies and a move towards insourcing among certain public and private customers.

In terms of market share, in regions where it has a strong presence, Veolia is among the leading players in the heating networks market.

Veolia leads the field in Poland, where it tops the privatized heating market with a 25% market share, and holds approximately 14% of the market share in the Czech Republic. In the Bulgarian and Slovakian markets, Veolia ranks somewhat as an outsider beside established major players such as HK Hristo Kovacki.

In the Asian market, and more specifically the Chinese market, Veolia is an outsider challenging five Chinese public "Gencos", which are very well established throughout China, for example, China Huadian group and China Datang Group.

Small local players are often Veolia's main competition in the energy services sector. This is especially the case in Ireland, where Bord Gáis, Frontline and Lynch Interact have market shares ranging from 3% to 17%.

In the cooling network market in the Middle East, 100 networks are installed and extension projects are plentiful. Tabreed is the main market leader, with a market share of over 30%, followed by Empower at 27%, and then Palm District Cooling and Emicool. Veolia's market share is around 3%.

6.2.4 Contracts

The variety of the business models implemented by the Group results in diverse forms of contracts tailored to suit local legal systems, customer type (public *vs.* private), their requirements (in terms of financing and performance) and size. Veolia therefore strives to take its customers' expectations into account in its contract negotiations, building a partnership-based relationship that is attentive to the customer's issues, taking a shared approach to improvement and productivity, and setting out clearly defined commitments to performance and sharing the value created, all in accordance with regulatory transparency requirements, from the initial bidding stage and throughout execution of the contract.

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

Most often, these public services fall under the responsibility of the competent local authorities that are directly involved in their management, in various ways. They may:

- operate the service themselves (direct or internal local authority management) using their own resources or resources hosted by an entity over which the authority exercises complete control, similar to the control that it exercises over its own departments (or "in-house" under European regulations);
- or:
  - engage the services of private, part-public or public companies, which operate all or part of the service on their behalf (in its entirety, for support assignments related to the service, or within a limited scope) and for which they form the customer base,
  - transfer or "delegate" responsibility for operating all or part of the service, implementing the human, material and financial resources and, where applicable, designing, building and funding the facilities needed to operate the service, to a private, part-public or public company.

In certain cases, service users may form the Company's direct customer base.

The variety of management approaches to public services thus gives rise to contractual mechanisms that Veolia adapts to suit each customer, depending on whether or not the company is entrusted with full responsibility for providing the public service, how the service is funded and the relationship with end users. The contracts generally fall into one of three categories:

- public contracts: the holder of the contract is charged with delivering supplies, work and/or services by the public sector body in exchange for payment by the latter as the services are delivered. These contracts may have a limited purpose (e.g. operating a heat production plant, a waste treatment facility, a treatment plant, etc.). Increasingly, however, municipalities are turning to comprehensive public procurement contracts whereby the company is tasked with the design, construction and operation and maintenance of facilities and which may include remuneration mechanisms, including Design, Build, Operate, Maintain (DBOM) procurement contracts or Design, Build, Operate (DBO) contracts for international markets including design but no financing;
- partnership agreements in France, Build, Operate, Transfer (BOT), or Build, Own, Operate (BOO) contracts with financing for international markets: contract whereby the public sector body assigns the overall task of designing, building and/or operating facilities, which may include partial or total financing and an end-of-operations asset transfer clause. These contracts may be executed by Group entities acting alone or as part of a consortium with third parties or, where facilities are subject to financing, through *ad hoc* companies who enter into the contract and incur the debt such that the lenders are unable to enter into proceedings against the borrower's shareholders. In this type of contractual arrangement, it is also usual for an operating company to be created for the purpose of operating and maintaining the facility. As a result, Group entities may, for a single project, invest to varying degrees in the construction consortium, in the capital of the *ad hoc* company holding the main contract and in the capital of the operating company;
- public service delegation contract: the public sector body delegates the management of a public service to the contract holder, who assumes some or all of the operating risks, and which generally entails receiving payment directly, in full or in part, from the service user.

Although some established models still dominate depending on the country and the activities carried out by the Group, changes may be made to these contractual models in order to address new issues faced by public authorities, providing them with innovative financing solutions and remuneration mechanisms based on the savings achieved and/or the performance of the service. Contract periods vary according to the nature of the mission and are generally medium- or long-term. Long-term contracts may include a periodic review of financial terms and conditions.

Partnerships with industrial and service sector businesses can also adopt a variety of contract types, including at the very least a service of limited scope, but potentially also the design, financing, construction and full operation of a facility. These contracts are customized as they are aimed at addressing in a focused manner the specific issues facing each customer:

- outsourcing a group of services not included in its core business such as providing utilities to sites (steam, compressed air, electricity, cooling towers, cooling unit, heating-ventilation-air-conditioning), the water cycle (drinking water, process water and effluents) and comprehensive waste management services. More broadly, the Group manages the full range of production support services at industrial sites: building maintenance, lifting equipment, fire detection, mechanical and electrical maintenance, calibration, instrumentation, etc.;
- exploring and implementing innovative or hi-tech solutions to address complex problems: e.g., in the fields of decontamination, recycling hazardous waste, reducing greenhouse gas emissions through projects with a significant environmental component (biomass or solar facilities), the production of water used in the customer's industrial process, and the treatment or reuse of industrial wastewater by zero wastewater discharge projects;
- etc.

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

The Group is also very attentive to the economic balance of its contract portfolio, in particular when Veolia must finance the investments required under a contract. Given the complexity of the contracts managed and their long-term nature, the Group possesses skills in contract analysis and control. The content of tender bids is approved by Veolia's Investment Committee (for the most important bids) and by regional or country investment approval committees. The Group's central functions are involved in the process of negotiating and drafting major contracts, initiated by operating entities. The implementation of offerings and contracts is subject to controls. Each year, Veolia's Internal Audit Department includes a review of the contractual and financial risks inherent in Veolia's most significant contracts in its annual program.

6.2.5 Intellectual property – Company Dependence

The Company owns a number of brands, including the Veolia brand. The Group applies a brand strategy that brings together the "Water", "Waste solutions" and "Energy services" business lines under a common brand name: "Veolia".

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

In Veolia's opinion, its business is not dependent on the existence or validity of one or more of these patents, or on any contract covering one or more intellectual property right(s). Furthermore, Veolia is not dependent on any customer, major license or industrial, commercial or financial supply contract.

6.2.6 Seasonality

Some of the Company's businesses are subject to seasonal variations. With regard to the Energy business (heating networks), the Group generates the bulk of its operating income in the first and fourth quarters of the year, corresponding to periods in which heating is used in Europe and North America. In the Water sector, household water consumption and the related drainage tend to be higher between May and September in the northern hemisphere, where the Group conducts most of this business. Thanks to the diverse nature of Veolia Environnement's operations and its worldwide presence, Group results are, in general, not significantly affected by seasonal variations.

6.2.7 Raw materials

Given Veolia's business activities (Water, Waste solutions and Energy services), changes in the price of raw materials (mainly fuel and natural gas prices) and recycled materials (paper, cardboard, ferrous scrap and non-ferrous metals) can have differing effects on its activities.

Fuel prices (mainly gas and coal) can be subject to significant fluctuations. Energy prices have fluctuated widely in the past few years. In 2014, the price of a barrel of North Sea Brent crude fluctuated around an average of US$99 (down 9% compared with the average for 2013), with a significant drop in the last quarter of 2014 (until the end of September 2014, the average price was still US$107 compared with an average for the last quarter of US$76). In euros, the average price of a barrel of Brent crude fell by 9% on an annual basis. The decrease in the price of Brent crude oil not only had an impact on fuel prices, but also on gas prices (with long-term gas supply contracts in Europe generally indexed to oil prices). Average gas prices for the main European interconnection points fell by about 22% in 2014 compared with the previous year.

The general consensus among energy product analysts, however, is that energy prices will continue to increase in the long-term due to the increasing scarcity of known oil reserves, a marked increase in extraction costs and the need to adopt new sources of energy in response to growing environmental demands. However, the timeline for this underlying trend is difficult to forecast, due to the limited visibility of market participants regarding economic growth. The possibility of a further drop in commodity prices cannot be excluded, therefore. In any event, as in recent years, energy prices are expected to remain volatile in 2015.

The long-term contracts entered into by Veolia Group generally include price review and/or indexation clauses which enable it to pass on part of the increase in commodity or fuel prices in the price of services sold to customers, even if this takes place with a time lag.

In the Waste solutions business, collection services involving non-hazardous solid and liquid waste are the most sensitive to fluctuations in fuel prices. However, for customers who have contracts with Veolia, indexation clauses generally allow the Group to pass on most of the increase in such costs through the prices charged. Approximately two-thirds of activities are contractually hedged. For customers not bound by contract, increases in fuel costs are passed on in full or in part through an increase in fees or through sales negotiations.

In the Waste solutions business, the drop in average fuel prices in 2014 compared with 2013 had a positive impact on fuel expenses, which were approximately €11 million in 2014, including the cost of swap hedging arrangements.

A significant portion of the Waste solutions business' revenue is generated by its sorting-recycling and trading businesses, which are particularly sensitive to fluctuations in the price of recycled materials (paper, cardboard, ferrous scrap and non-ferrous metals). In 2014, annual averages for two representative price benchmarks (Copacel 1.05 for recycled paper and E40 for ferrous scrap) reported drops of 8.9% for recycled paper and 5.9% for ferrous scrap, compared with 2013 averages. On that basis, the decline in the price of recycled materials compared with 2013 had an adverse impact on revenue for the Waste solutions business of €32 million in 2014.

In the Energy services business, given the long-term nature of contractual terms and conditions and the terms of supply agreements, changes in energy prices may have different impacts depending on the areas of intervention.

Electricity production volumes sold on the wholesale market are sensitive to fluctuations in market prices, particularly in Central Europe and the United Kingdom. However, as a result of forward contract hedging on these activities, price fluctuations during the year will impact the Group's accounts in part with a time lag.

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

The Group has also entered into long-term coal, gas, electricity and biomass purchase contracts in order to secure its supplies. The majority of these commitments are reciprocal, whereby the third parties concerned have an obligation to deliver the quantities provided for under the terms of these contracts and the Group has an obligation to take them.

See also Chapter 20, Section 20.1, Note 30.2 and Note 35 to the consolidated financial statements.

6.3 Environmental and employee regulation, policies and compliance

Veolia is changing to tackle new challenges in terms of the environment, growth and access to resources. Because the sustainable development of the planet is fundamental, because the sustainable development of the regions in which the Group operates is its *raison d'être* and because its performance is dependent upon the well-being of its employees, in 2014, the "new Veolia" sought to redefine and reaffirm its commitments to sustainable development along three axes:

- **Resourcing the world** (see Chapter 6.3.2 above):
  - *Commitment 1: Sustainably manage natural resources by supporting the circular economy,*
  - *Commitment 2: Contribute to the fight against climate change,*
  - *Commitment 3: Preserve and restore biodiversity;*
- **Resourcing the regions** (see Chapter 6.3.3 above):
  - *Commitment 4: Build new models for our stakeholder engagement and the creation of shared value,*
  - *Commitment 5: Contribute to local development and attractiveness of regions,*
  - *Commitment 6: Supply and maintain services essential to health and human development;*
- **For the company's workforce** (see Chapter 17 above):
  - *Commitment 7: Guarantee a safe and healthy working environment,*
  - *Commitment 8: Encourage the professional development and each employee's commitment,*
  - *Commitment 9: Guarantee for diversity and respect the fundamental human and social rights within the company.*

These commitments to sustainable development form part of the Group's voluntary adherence to the United Nations Global Compact, which it signed in June 2003. In doing so, it has committed to supporting and promoting the Compact's 10 principles on human rights, labor law, the environment and the fight against corruption. The practical principles adopted by Veolia have also been consistent with various international reference texts, such as the Universal Declaration of Human Rights and the additional treaties, the Organization for Economic Co-operation and Development's guidelines for multinational enterprises, AFEP-MEDEF Corporate Governance Code of listed corporations and the objectives of the French National Biodiversity Strategy and the Convention on Biological Diversity.

The Group's commitments to sustainable development apply to all of its activities and all of its employees, in all of the countries where it operates. They involve management and monitoring at different levels of governance within the company:

- an internal Sustainable Development Committee bringing together all stakeholders involved in implementing these commitments is responsible for coordinating and conducting the initiatives. The Committee is chaired by the General Secretary and run by the Sustainable Development Department;
- the Executive Committee assesses progress on these commitments on an annual basis and monitors the achievement of objectives using 12 key indicators accompanied by action plans;
- the directors who sit on the Innovation, Research and Sustainable Development Committee, one of the Board of Directors' four committees, are responsible for monitoring the Group's social and environmental performance.

The monitoring of the key indicators is verified by an external firm and the Group's performance is then shared with its external stakeholders.

The changes that the Group is introducing are taking place against a backdrop of environmental regulation, which is explained in Section 6.3.1.

6.3.1 Environmental regulation

The Group's activities are subject to extensive, evolving and increasingly stringent environmental regulations, in particular in the European Union, but also in North America and emerging countries.

Cross-cutting regulations

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

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

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

In Europe,

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

With respect to chemicals, Regulation (EC) 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which came into effect on June 1, 2007, established a new European methodology for the management of chemicals, which aims to enhance the knowledge of substances currently in circulation on the European market. This regulation seeks to reduce the health and environmental risks associated with the manufacture and use of chemical substances. It introduces a range of procedures across Europe aimed at improving knowledge of the health and environmental risks associated with chemicals marketed, together with the management of these risks throughout the life cycle of the chemicals, in order to ensure better health, safety and environmental protection. It implies in particular for the Group, as a user and producer of such substances, the strengthening of cooperation and exchange of information with suppliers and customers. It also involves improving risk management at all stages of the life cycle of chemicals and strengthening the prevention of chemical risks affecting Group employees.

The relevant legal entities are in compliance with the schedule set by the REACH Regulation for chemicals requiring registration within the Group. After the systematic pre-registration of all substances that may be concerned, and compliance with the first registration deadline, forthcoming deadlines are being monitored along with changes to the regulation and updates to its annexes.

With respect to biocides, which are another type of chemical substance used by the Group, EU Regulation 528/2012 of the European Parliament and of the Council of May 22, 2012 concerning the making available on the market and use of biocidal products strengthened the control of biocidal products and harmonized authorization procedures.

With the same purpose as the REACH regulation, namely, to ensure a high level of protection of human health and the environment, as well as the free movement of chemical substances, Regulation (EC) 1272/2008 of the European Parliament and of the Council of December 16, 2008 on Classification, Labeling and Packaging (CLP), which came into effect on January 20, 2009, harmonized the existing provisions and criteria concerning the classification, packaging and labeling of hazardous substances with the adoption of the United Nations' Globally Harmonized System (GHS) of Classification and Labeling of Chemicals. The CLP Regulation was amended to adapt its technical provisions by Commission Regulation 487/2013 of May 8, 2013.

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

At international level, the Kyoto Protocol set the European Union the objective of reducing greenhouse gas emissions in the European Union by 8% over the period from 2008 to 2012, compared with 1990 emission levels. Directive 2003/87/EC of October 13, 2003 amended Council Directive 96/61/EC and created an emissions trading system (EU ETS) that came into force in 2005 and resulted in the creation of national quota allocation plans (NQAPs) for an initial trading period (2005-2007), followed by a second period (2008-2012) corresponding to the commitment period of the Kyoto protocol.

Directive 2009/29/EC of April 26, 2009 extended the EU ETS to cover a third period (2013-2020), providing for a gradual reduction in the quotas allocated and new allocation procedures.

European Regulation 1031/2010 of November 12, 2010 established a scheme for auctioning greenhouse gas emission quotas for the 2013-2020 period. This regulation was amended by Regulation 176/2014 of February 25, 2014, which introduced the postponement of a volume of 900 million metric tons to be auctioned between 2014-2016 and 2019-2020. This measure, called backloading, has been negotiated by the European Commission with the Parliament and the European Council since mid-2011. The aim is to rebalance the EU ETS and encourage an increase in the price of emission rights.

The European Commission's decision of December 15, 2010 set out the rules for allocating free quotas for the period from 2013 to 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 final allowances were known only in late 2012 or early 2013 depending on the country. The first conformity check for the third period took place on April 30, 2014 for 2013.

European Regulation 1123/2013 of November 8, 2013 amended Directive 2003/87/EC with regard to the use of international credits under the EU ETS. During the 2008-2012 period, each of the national plans provided for the use of these credits, which were issued under the “Joint Implementation” and “Clean Development Mechanism” programs, up to a certain percentage of the free allocation received by each facility operator subject to the EU ETS. This regulation allows operators to continue to benefit from this concession in Phase III (2013-2020) and specifies that the maximum percentage for using such international credits is equal to: A) The national and sector-based use limit applied to the operator by the national regulator for Phase II; B) 11% of the free allocation received for Phase II; or C) 4.5% of actual verified emissions for the whole of Phase III (2013-2020), whichever is highest.

With respect to biodiversity, based on the conclusions of the Convention on Biological Diversity, in May 2006, the European Commission implemented an action plan comprised of objectives aimed at halting the decline in biodiversity and measures enabling the achievement of these objectives by the end of 2010. This action plan was based on an assessment of lost biodiversity in Europe and elsewhere in the world, as well as measures already taken by the European Union to resolve this problem. In October 2009, the Conference of the Parties (COP) revised the Convention’s strategic plan in order to define new targets for the period from 2010-2020: in particular the target of analyzing the services provided by ecosystems for human “well-being”. On a global scale, the United Nations Convention on Biodiversity held in October 2010 in Nagoya (COP 10), adopted the Nagoya protocol. This protocol provides, in particular, for the adoption of a strategic plan covering the period from 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.

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

With respect to energy efficiency, Directive 2012/27/EU of October 25, 2012 on energy efficiency set a common framework of measures aimed at improving energy efficiency in the European Union by at least 20% by 2020. In particular, it proposed the implementation of energy audits for large companies, as well as efficiency measures with regard to energy supply.

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

An environment charter was promulgated by Constitutional Law 2005-205 of March 1, 2005. It has constitutional standing and forms part of the body of constitutional rules of French law, acknowledging the fundamental rights and duties relating to protecting the environment.

The planning law aimed at implementing the Grenelle de l’environnement decisions (taken in fall 2007), known as the “Grenelle 1 Law” of August 3, 2009, was supplemented by a law comprising national environmental commitments, known as the “Grenelle 2 Law” of July 12, 2010.

These laws seek to implement six major projects, which have significant implications for each of the Group’s businesses. The construction, transport, health and waste, water and biodiversity, and energy sectors were all affected, as were environmental governance and information transparency. The decree of July 11, 2011 concerning greenhouse gas emission reports and local climate-energy plans, required companies with more than 500 employees to prepare a greenhouse gas emission report before December 31, 2012. This obligation also applied to the State and to local authorities with a population of over 50,000.

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

After the first Environmental Conference in September 2012 on ecological transition, a second Environmental Conference, held in September 2013, took stock of the actions taken 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. The environmental conference held in November 2014 focused on three topics: national mobilization in preparation for the COP 21 on climate and biodiversity issues; sustainable transport and mobility; and the environment and health.

The law of July 16, 2013 contained various provisions aimed at bringing French law in line with European Union regulations on sustainable development (the DDADUE law), including a new requirement for certain companies to carry out energy audits. The methodology for carrying out such audits, which must be completed by the end of 2015, was set out in the decree and administrative order of November 24, 2014.

The law on access to housing and town planning reform (known as the “ALUR” law) of March 24, 2014 changed the law on polluted sites and soil by improving the information available to local populations and clarifying the responsibilities of stakeholders in order to promote the redevelopment of industrial wasteland.

The majority of facilities operated by the Group fall under the control of the **ICPE regime (Facilities Classified for Environmental Protection)**. This central regime for environmental law lists facilities that are likely to present disadvantages or dangers to the environment as a result of their activities or the substances handled there and makes them subject to a range of different requirements (such as declarations, registration and authorizations).

The Order of January 5, 2012 enacted the IED Directive into law by creating a specific section numbered 3000 for facilities covered by the ICPE classification. The conditions governing the installation and operations of these facilities are set forth to ensure they are operated using Best Available Techniques (BAT) and with reference to the conclusions of these BATs. Account must also be taken of changes in the BATs. In addition, the Order clarifies the circumstances under which information provided by the operator for the review of the facility's authorization conditions, will be presented to a public inquiry. Decree 2013-374 of 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 Facilities, since the creation of the registration regime in 2009, is the new financial guarantees regime extending the facilities concerned by the requirement to establish financial guarantees for the protection of sites in the event of cessation of activity and, where applicable, the implementation of accidental pollution management measures (Decree of May 3, 2012 and application orders).

With regard to so-called "Seveso" facilities, the texts enacting the Seveso III directive, which were published in 2014 (decrees of March 3 and the administrative Order of May 26, 2014) changed the applicable requirements and the list of ICPEs by creating a new "4000" category.

Furthermore, Order 2012-34 of January 11, 2012, which simplified, reformed and harmonized the provisions of administrative and judicial policies of the French Environmental Code, introduced far-reaching changes in environmental policy by standardizing administrative policy tools and harmonizing penal sanctions.

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

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

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

With respect to controlling the risk of proliferation of Legionnaires' disease from cooling facilities through dispersion of water in an air flow ("IREDEFA" or air coolers), these facilities have been classified for environmental protection under section 2921 since 2004. Specific requirements were set out in the administrative orders of December 14, 2013, which were newly published for these facilities that are now subject to registration or declaration. These orders result from the amendment of section 2921, which raised the declaration threshold from 2,000 kW to 3,000 kW, established periodic inspections for installations subject to declaration and created the registration system to replace the authorization system.

In Spain, Decree (real decreto) 865/2003 of July 4, 2003 establishes criteria for water quality and the frequency of inspection procedures, as well as the requirement to take action once certain limits are exceeded. A range of descriptive procedures set the action and liability framework. The Spanish standards 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 the Asia-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.

Water

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

At international level, World Health Organization directives on health and water are issued for countries to help them draft internal regulations governing water quality. 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.

At European level, the guiding strategy underlying regulation is the supply of drinking water which complies with regulations, the attainment of good chemical and ecological quality as well as a good quantitative status for 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.

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

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

Directive 2008/105/EC of December 16, 2008 (another daughter directive of the framework directive) set out environmental quality standards for 33 priority substances and 13 priority dangerous substances that present a major risk to the environment or to public health in the water sector. This directive was amended by Directive 2013/39 of August 12, 2013, which added 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, concerning the treatment of urban wastewater. The objectives of this directive were confirmed and extended by the Water Framework Directive.

The treatment of wastewater is also directly affected by Directive 2008/56/EC of June 17, 2008, which establishes a framework for community action in the field of marine environmental policy (the "Marine Strategy Framework Directive") and seeks to protect and conserve the marine environment, thereby preserving its biodiversity. It also seeks to establish protected marine areas to help get the European Union's marine environment into a healthy ecological condition by 2020. European Directive 2006/7/EC of February 15, 2006 concerning "bathing water" imposed new restrictions on the monitoring and management of bathing water and information provided to the general public.

Public authorities also impose strict regulations concerning industrial wastewater likely to be discharged into collection systems, as well as processed wastewater and sludge originating from urban water treatment installations.

With respect to radioactive substances in drinking water, Council Directive 2013/51/EURATOM of October 22, 2013 set out requirements on protecting the general public's health with regard to radioactive substances in water intended for human consumption.

Regarding flood risks, Directive 2007/60/EC of the European Parliament and of the Council of October 23, 2007 on the assessment and management of flood risks in Europe requires Member States to identify and map high-risk river basins and coastal areas and to produce management plans.

France has many laws and regulations governing the production of drinking water and the treatment of wastewater and water pollution, as well as numerous administrative agencies to enforce them.

Certain discharges, disposals and other actions with a potentially negative impact on the quality of surface or groundwater sources require authorization or notification. This is known as the "IOTA" (facilities, structures, works and activities) system and is subject to the water policy. For instance, public authorities must be notified of any facility that pumps groundwater in amounts that exceed specified volumes, and French law prohibits or restricts the release of certain substances into water. Law 2006-1772 of December 30, 2006 on water and aquatic environments (LEMA) addressed EU requirements for high quality water and significantly amended French water legislation, thus responding to EU water quality objectives for 2015. Under this law, wastewater treatment plants of over 10,000 population equivalent (PE), as well as those of between 10,000 PE and 100,000 PE, must implement dangerous substance search and reduction measures several times a year. In addition to this, water development and management plans (SDAGE) take specific account of this water quality objective and the administrative order of January 25, 2010 as amended set out a water quality oversight program.

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

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

The law also clarified and strengthened the supervisory role of local authorities with regard to non-collective wastewater treatment and required municipalities to draw up a collective wastewater treatment policy before the end of 2013.

Sludge produced at wastewater treatment stations to be used in agriculture must comply with strict traceability regulations in respect of the organic materials and trace metals it is likely to contain (heavy metals such as cadmium, mercury or lead). To be recovered as biogas that is likely to be injected into natural gas networks, it must also comply with a list of authorized inputs. 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.

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

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 sets key measures for the national action plan, amended in October 2013.

The law on the modernization of territorial public action and affirmation of metropolitan areas of January 27, 2014 (known as the “MAPAM” law) gave municipalities and EPCIs (public establishments for cooperation between local authorities) new powers in relation to the management of aquatic environments and the prevention of flooding (known as “GEMAPI”), while at the same time providing them with new tools (taxes and easements).

Violation of most of these laws is punishable under 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 enacted 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.

Waste solutions

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

In addition, landfill sites must comply with a number of specific standards, and incineration plants are usually subject to rules that limit the emission of pollutants. Waste may also be subject to various regulations depending on the type of waste.

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

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

With respect to ship recycling, Regulation (EU) 1257/2013 of the European Parliament and of the Council of November 20, 2013 aimed to better monitor 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 shipments of waste set out conditions for monitoring and inspecting waste transfers, as well as current procedures for monitoring the transfer of non-hazardous waste for recycling. It was amended by the regulation of May 15, 2014, which requires Member States to implement inspection plans by January 1, 2017 with a view to ensuring more effective inspections.

Furthermore, through Directive 2003/87/EC of October 13, 2003, the European Union implemented a quota system for greenhouse gas emissions that targets carbon dioxide only. Waste incinerators are excluded from this system.

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 (ICPEs), a number of decrees and ministerial and administrative orders establish rules applicable to landfill sites for hazardous and non-hazardous waste. These orders govern the design and construction of these waste processing centers, among other things. Hazardous waste is subject to strict monitoring at all stages of the processing cycle. It is tracked using a waste monitoring slip (bordereau de suivi des déchets - BSD).

Since July 1, 2012, producers/holders of non-hazardous waste, unless exempt, are subject to a traceability requirement and must keep a chronological register in the same way as for hazardous waste.

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

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

In addition, it is planned to reduce waste elimination through the use of landfill sites and incinerators by limiting the waste tonnage that they can accept, while developing recovery sectors through sorting-at-source and the selective collection of organic waste.

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

The Waste Framework Directive of November 19, 2008 was enacted into French law by Order 2010-1579 of December 17, 2010, which contained various provisions aimed at bringing French law in line with European Union laws on waste. This enactment clarified certain definitions, introduced a hierarchy of waste treatment methods (reuse, recycle, recovery and removal) and clarified the responsibilities of producers and holders of waste.

Decree 2011-828 of July 11, 2011 brought into effect several measures adopted as part of the Grenelle 2 Law to improve waste prevention and management. It also completed the enactment of the Waste Framework Directive and clarified certain application conditions of Regulation 1013-2006 of June 14, 2006 on the cross-border transportation of waste.

With respect to end-of-waste status, Decree 2012-602 of April 30, 2012 set out a procedure for obtaining end-of-waste status in accordance with European and domestic criteria: it is authorized by the Minister responsible for the environment for waste categories and by the prefect for specific waste recovered in a given facility.

The scope of financial guarantees for site restoration has been extended to cover the majority of facilities classified as waste transit, grouping, sorting or treatment facilities under the authorization or registration requirements for facilities authorized from July 1, 2012. For facilities that were already in place on July 1, 2012, financial guarantees must be gradually introduced from July 1, 2014, or July 1, 2019, depending on the facilities in question.

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

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

Energy services

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

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

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

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

Regulation 574/2014 of April 16, 2014 reformed this provision by repealing Regulation 842/2006 with effect from January 1, 2015. The aim of Regulation 574/2014 is to reduce fluorinated greenhouse gas emissions by two-thirds by 2030, compared with their current levels.

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

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

6.3.2 Environmental policy and information

6.3.2.1 Environmental policy and management

6.3.2.1.1 Environmental policy

Veolia has made “Resourcing the world” a day-to-day ambition and in 2014 decided to restructure its environmental commitments in line with three key environmental issues facing the planet:

- Commitment 1: Sustainably manage natural resources by supporting circular economy;
- Commitment 2: Contribute to fight against climate change;
- Commitment 3: Preserve and restore biodiversity.

Every day, the Group takes practical measures to make its ambition of “Resourcing the world” a reality, with the aim of managing the sites that it operates in an exemplary way and offering the most effective and innovative solutions to its customers. In order to achieve this, it has not only introduced an internal environmental management system (EMS) overseen by the Executive Committee, but has also taken measures to achieve certification for its sites and activities around the world (including ISO 9001 quality management, ISO 14001 environmental management and ISO 50001 energy management).

6.3.2.1.2 Environmental objectives

Since 2009, the Group has broken down its environmental policy into three-yearly objectives. In accordance with the requirements of its EMS, these objectives apply to the entire Group scope and each entity must supplement, where relevant, these general objectives with local objectives decided on the basis of an analysis of the major environmental impacts identified for its scope. The objectives of the 2012-2014 plan were defined on the basis of an analysis of the materiality of the Group’s environmental challenges. Work to draw up a new environmental plan, which had been scheduled for 2014, has been postponed for one year, partly due to the restructuring of Veolia in 2014 and partly so that this work could be carried out in line with the creation of the 2020 strategic plan, which is currently being finalized. The 2012-2014 plan has therefore been extended for an additional year pending completion of this work: the objectives were subject to a re-evaluation for 2015.

6.3.2.1.3 Methodology for environmental reporting

Environmental reporting covers all activities over which the Group exercises operating control throughout the world. It therefore covers activities linked to the operation of public water and wastewater treatment services, all waste collection, transfer and processing activities as well as industrial cleaning and maintenance and energy services (heating and cooling systems, industrial utilities and energy services to buildings). Within this scope, environmental information taken from the Group’s dedicated environmental information system is fully consolidated. For the first year, the scope of reporting includes activities relating to the operation of industrial water facilities within the United States, Asia and VE Industries[(1)] perimeter.

Excluded activities are split between those relating to the operation of industrial water facilities that still need to be integrated into the reporting and activities, the Moroccan entities (Redal and Amendis) and activities with a low environmental impact that have not been integrated (such as support functions, research departments and training establishments).

The data collected cover the period from January 1 to December 31, 2014. Measurement and calculation procedures, as well as inspection and audit rules, are defined in the Environmental Reporting Protocol, which is available on the Veolia website (www.veolia.com).

Historical data have been restated to take account of the divestiture of the Energy services activity in France in 2014.

Key environmental reporting figures:	
Number of primary indicators	> 1,000
Number of calculated indicators	> 600
Number of material indicators subject to external verification	> 15
Based on reasonable assurance	6
Number of entities where data is entered	1,600
Number of contributors worldwide	> 1,000

(1) For VE Industries, see Chapter 6.1.3.1.4.1 below

6.3.2.1.4 Environmental Management System

The Group has managed its environmental impact using an EMS (Environmental Management System) since 2002 and has reported on it since 2004. The Group's EMS draws in large part on ISO standard 14001 and is based on a set of requirements that was strengthened in 2009 and is structured around four levels of responsibility (Corporate, business lines, business units and sites). It enables users at each relevant level to assess environmental impacts and compliance with regulations and internal Group requirements, set objectives and then implement the resources and action plans needed to achieve them. It also helps to prevent accidental pollution and to define the procedures to be followed in the event that an accident does occur, as well as ensuring that such resources remain operational.

Management and deployment

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

The EMS is run by an environmental steering which includes key players responsible for environmental issues in each activity and which ensures that information is communicated and action plans are coordinated.

The Group's internal audit department is responsible for monitoring the deployment of the EMS within different countries and business units. Auditors with operational experience in the field (for example, as operations managers) have been recruited to carry out these specific tasks.

In addition, Veolia Environnement's Risk Department is responsible for coordinating, identifying and assessing Group risks, particularly environmental risks, and ensuring that they are controlled. It works with a risk committee that brings together the members of the Executive Committee and is chaired by the General Secretary and run by the Chief Risk, Insurance and Compliance Officer. This committee validates and monitors the effectiveness of the action plans implemented with respect to the significant risks identified in the mapping (see Chapter 4, Section 4.2.1 above).

Veolia Environnement has also implemented a warning procedure and a crisis management procedure throughout its locations, including for environmental issues. These procedures mean that any necessary measures can be taken on a timely basis and at an appropriate level (see Chapter 4, Section 4.2.1 above). No serious environmental incidents were reported at Group level in 2014.

	2012	2013	2014
Roll-out of an EMS *(in % of revenue covered)* (1)	77%	79%	81% *(√)*(1)
Of which ISO 14001-certified *(% of revenue covered)*	65%	66%	67%

(1) KPMG SA has provided reasonable assurance of the information selected by the company and marked with the (√) symbol.

The EMS continues to be rolled out with the aim of achieving 81% of relevant revenue covered, of which 67% is ISO 14001-certified.

Training and raising awareness among employees

Training and informing employees about environmental issues is an integral part of the measures put in place by the Group in each of the countries where it operates. The Veolia Campus network provides business units with access to environmental training, which is prepared at the request of the Group's business committees (see Chapter 17). This is supplemented by local training sessions based on identified needs.

Furthermore, to inform Group employees of the major challenges facing society in line with international and political current affairs, the Sustainable Development Department organizes several conferences each year (three in 2014), with presentations by leading specialists in the areas covered.

Each year, the Group runs an international awareness campaign on World Environment Day on June 5. This is an opportunity for sites around the world to organize awareness events.

Resources dedicated to the prevention of environmental risks and pollution

Given the nature of the Group's activities, the amounts allocated to preventing environmental risks, particularly pollution, account for the majority of its expenses and investments. More specifically, industrial investments amounted to €1,555 million in 2014 (see Chapter 9, Section 9.3.3 below) and included investments in growth and compliance measures. The Group also invested in employee training, certification programs and the implementation of the EMS. Its Research and Innovation budget was also renewed (see Chapter 11 below).

In 2014, the Group continued a policy of selective investment, while maintaining industrial investments that were contractually required or that were needed to maintain industrial assets.

Provisions for environmental risks primarily consist of provisions for costs relating to site closure (including provisions for site restoration, the dismantling of equipment and environmental risks). They totaled €640.5 million in 2014.

6.3.2.2 Sustainably manage natural resources by encouraging the circular economy

6.3.2.2.1 Preserving natural resources

Saving water resources

Reducing the quantity of water withdrawn from resources, whether for its own facilities or those operated on behalf of its customers, is a constant concern for Veolia.

In 2014, of 9.8 billion m^3 of water withdrawn:

- 9.2 billion m^3 were introduced into drinking water distribution networks or provided to industrial customers for use as process water;
- 0.6 billion m^3 were used in industrial processes carried out by the Group.

	2012	2013	2014
Total volume of water withdrawn (m^3) (1)	nr	10,601,227,538	9,788,592,772
Volume of water withdrawn directly from the natural environment *(% of total volume)*	nr	95%	95%
Of which *(% of volume of water withdrawn from the natural environment):*	nr		
• volume of surface water withdrawn	nr	80%	79%
• volume of groundwater withdrawn	nr	20%	21%
Volume of water withdrawn from a distribution network *(% of total volume)*	nr	5%	5%

(1) For the second year, the Group segmented its sources of water abstraction in its reporting system on all its activities.
nr = not recorded

The largest withdrawals made or managed by the Group are those related to its drinking water production and distribution activity (91% of the total volume withdrawn). In 2014, 8.7 billion m^3 of drinking water were produced in the 4,455 production plants operated by the Group under its contracts with local authorities. It distributed 9.1 billion m^3 across a network of 316,993 km.

The volume converted into drinking water and put back into the distribution networks dropped by 0.8% compared with 2013. This slight drop is explained by the removal from the scope of the Ashkelon desalination plant in Israel.

Proposing technical solutions

Veolia is firmly committed to optimizing water cycle management and saving what is at times a scarce resource. It offers a wide range of technical solutions to its customers, designed to:

- protect resources (identification of chronic sources of damage to resources, prevention of accidental pollution and creation and supervision of protected areas);
- optimize their long-term management (resource monitoring, long-term water withdrawal management, controlled use of resources, improved network efficiency, combating fresh water parasites, managing demand, etc.);
- develop alternative resources, where needed (water reuse, groundwater recharge and sea water desalination).

These measures are routinely offered to the Group's customers, who then decide whether to apply them on a case-by-case basis.

Monitoring the state of resources and sharing this information

Climate change in certain regions of the world heightens stress on water resources. These developments are conducted in close association with local authorities, regulatory bodies and the scientific community. Global water stress maps are available on the intranet to enable managers to prioritize their water footprint challenges based on the local context and regional stress on water resources.

Improving water footprints

In addition to these technical solutions, Veolia has also developed the Water Impact Index (WIIX), a water footprint indicator that enables decision-makers (companies and local authorities) to make the necessary choices concerning water management and use. It may be combined with the carbon footprint and applies both to public water and wastewater services and industrial customers.

Veolia has also developed and now offers its local authority customers tools to raise awareness and empower end users to manage their consumption (such as the installation of individual meters and incentive-based pricing).

Reducing losses from distribution networks

In many cities around the world, 20 to 50% of water produced is lost as a result of leaks in the distribution networks. Veolia has made reducing losses from networks one of its priorities and has set a target of reducing the volume of losses by 9% between 2011 and 2015, on a like-for-like basis. On this basis, losses in 2011 totaled 27.2% of the water introduced into the distribution networks. In 2014, they amounted to 24.8%. On this 2011-2014 pro forma basis, the volume of water lost fell by 8.6%, showing a net improvement for most of the networks managed by Veolia.

	2011 Pro forma (2011 – 2014)	2012 Pro forma (2011 – 2014)	2013 Pro forma (2011 – 2014)	2014 Pro forma (2011 – 2014)	2015 target
Volume of drinking water consumed *(millions of m^3)*	5,785	5,816	5,944	5,968	-
Volume of losses in distribution networks *(in millions of m^3)*	2,161	2,091	2,015	1,977	-
Change in volume of losses compared with 2011	-	-3.2%	-6.8%	-8.6%	-9%

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

In order to focus our leak detection efforts and advise our customers on the best options in terms of investing in network upgrades, two complementary indicators are used to measure network performance:

- network efficiency, which assesses the percentage of water delivered to the end consumer, but is influenced by changes in consumption on the network;
- the linear loss index relating the volume of water lost to the length of the network.

Since the aim is to find the best balance between the environmental and the economic 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.

Increasing the reuse of water

Saving resources is also achieved by developing alternatives, for example, by reusing treated water, which has seen a significant increase in recent years. In order to further improve wastewater recycling, the Group has set itself the target of achieving a 50% increase in the volume of water reused from collected and treated wastewater by 2015 (compared with 2011). In 2014, the volume of recycled wastewater increased by 49% compared with 2011. Significant fluctuations in quantities of recycled wastewater can be observed from one year to the next, meaning that this performance can only be assessed in the long term.

Since 2011, Veolia has included two wastewater recycling and treatment plants in the United Arab Emirates with a total capacity of 430,000 m^3/day in its scope of reporting. This treated wastewater is used for the irrigation of green areas in Abu Dhabi and Al Ain. This partly explains the change in the volume of water reused. Over the rest of the scope, the use of treated wastewater for other purposes (irrigation, fertilization, alternative resource for industry, anti-pollution barrier, etc.) is being developed in accordance with local regulatory constraints.

	2011	2012	2013	2014	2015 target
Volume of water reused from collected and treated wastewater *(m^3)*	194,999,910	225,000,720	261,790,900	291,435,210	
Improvement compared with 2011	-	+ 15%	+ 34%	+49%	+50%

Saving and preserving energy resources

Veolia is committed to improving energy efficiency, not only in the facilities that it operates, but also through the energy services that it provides. The Group gives priority to the use of renewable and alternative energy and makes every effort to recover the maximum energy potential from waste or wastewater to be treated and from the facilities that it operates.

The highest levels of energy consumption and production are naturally found in the Energy services business. However, energy-related issues also affect the Water and Waste solutions activities, both of which contribute to the Group's consumption and production of renewable and alternative[(1)] energy, as shown below. Veolia has set itself specific objectives for its different business activities.

(1) Alternative energies are natural or industrial energy sources that are lost if not recovered immediately (such as mine gas, biogas and own consumption).

	2012	2013	2014	Contribution of activities *(%)* Water	Waste	Energy
Total energy consumption *(million MWh)*	126.9	123.0	116.6 *(√)*	8%	30%	62%
• Of which total thermal energy consumption *(million MWh)*	111.6	112.2	105.2	2%	31%	67%
• Of which total electrical energy consumption *(million MWh)*	14.3	10.8	11.4	63%	14%	23%

	2012	2013	2014	Contribution of activities *(%)* Water	Waste	Energy
Consumption of renewable or alternative energy *(million MWh)*	39.0	39.4	39.3 *(√)*	2%	78%	20%
Share of renewable or alternative energy used by the Group *(%)*	31%	32%	34%	-	-	-
Consumption of renewable energy *(million MWh)*	23.1	23.8	24.1	4%	68%	28%

	2012	2013	2014	Contribution of activities *(%)* Water	Waste	Energy
Total energy production (thermal and electric) *(million MWh)*	71.3	67.7	61.1 *(√)*	1%	14%	85%
• Of which total thermal energy production *(million MWh)*	50.5	49.9	45.0	1%	6%	93%
Production of renewable or alternative energy *(million MWh)*	16.1	16.7	15.2 *(√)*	4%	54%	42%
Production of renewable energy *(million MWh)*	11.2	11.7	10.7	6%	42%	52%

In 2014, the consumption and production of renewable and alternative energy decreased slightly due to the mild winter in Europe, which impacted the heating supply business. However, the Group’s efforts to diversify its energy mix and recover energy from waste and wastewater were reflected in an increasingly diversified energy mix. The proportion of renewable and alternative energies consumed increased by 2 points between 2013 and 2014, from 32% to 34%.

The Energy services business is responsible for energy management at more than 71,000 energy facilities 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 performance by concentrating production on a single site and involving co-generation (the simultaneous production of thermal energy and electricity) represent strong growth areas for the Energy services business activity, which is also implementing a policy to diversify its energy mix in favor of renewable energies. The proportion of biomass fuel consumed by Energy services activities has been set at a minimum of 10% for 2015. In the longer term, the target proportion of renewable energy in the Energy services energy mix in the European Union is 20% in 2020.

	2012	2013	2014	Target
Percentage of biomass in total energy consumption (%)	6%	6%	8%	10% in 2015
Percentage of renewable energy in the mix of energy services – EU basis (%)	12%	13%	14%	20% in 2020

With regard to its Water activity, Veolia is developing its expertise with a view to becoming completely or almost entirely energy self-sufficient, primarily in relation to the treatment of wastewater. Indeed, the potential energy contained in wastewater is between two and over five times greater than that needed to treat it.

The Group seeks to minimize the energy consumption of the facilities that it operates by implementing best practice and sound technological decisions, developing diagnostic tools and carrying out energy audits. Veolia’s Veolink Care PED (permanent energy diagnosis) software helps the Group to control the energy consumption of its plants by allowing it to manage aspects of energy supply, distribution and consumption for all processes in real time. The replacement policy for electro-mechanical equipment also aims to optimize energy consumption. An increasing number of wastewater treatment plants are now excellent examples of energy efficiency, such as the Braunschweig plant (with a water treatment capacity of 275,000 population equivalent), which produces more than 100% of the energy it needs to operate.

In order to assess the progress made in reducing energy consumption, in 2012, Veolia introduced a target of improving by 5% the energy efficiency of its wastewater treatment plants (by 2014, 2011 pro forma basis).

	2011 Pro forma (2011 – 2014)	2012 Pro forma (2011 – 2014)	2013 Pro forma (2011 – 2014)	2014 Pro forma (2011 – 2014)	2014 target
Energy efficiency of wastewater treatment plants (Wh consumed/g BOD5 treated)	2.19	2.23	2.22	2.22	
Change compared with 2011	-	+2%	+1%	+1%	-5%

However, on the pro forma basis, electricity consumption per quantity of BOD5 treated increased slightly (+1%) compared with the reference year 2011. The volumes treated increased by 6%, resulting in higher electricity consumption related to pumping. This target covered just 8% of Group consumption and has not been extended into 2015. At the same time, as part of its search for the best solution for treating wastewater sludge (see the chapter on *Recovering by-products* below), Veolia is researching and evaluating options for waste-to-energy recovery (such as methanization and incineration or co-incineration with energy recovery) and is seeking to optimize the energy efficiency of its treatment processes. Furthermore, in cases where it is technically viable and economically advantageous for the customer, Veolia seeks to increase energy production using equipment to produce renewable energy, such as solar panels or wind turbines. It assesses the amount of recoverable energy by locating turbines at the outlets from wastewater treatment plants, as in the case of Brussels (Belgium). Finally, it is continuing to investigate the use of heat pumps, in conjunction with the Energy services business.

With regard to its Waste solutions activity, the development of waste-to-energy recovery at treatment plants such as landfill sites, incinerators and methanization plants means that the use of external energy sources to power operations at such sites can be reduced and energy can be supplied to third parties. Furthermore, recycling measures and the use of solid recovered fuels have also helped to reduce customers' primary energy needs.

	2011	**2012**	**2013**	**2014**	**2015 target**
Production of renewable energy from waste *(million MWh)*	4.8	4.1	4.4	4.5	
Change compared with 2012	-	-	+ 7.3%	+ 9.8%	+ 12%

In 2012, the production of renewable energy fell following the sale of the Waste solutions activities in the USA and Italy.

Since 2012, the figures have steadily increased, primarily as a result of improved performance by the incineration (optimization of heat recovery) and storage activities (improvement of biogas recovery).

Reducing consumption and recovering raw materials

The consumption of raw materials (excluding fuels) by Veolia's various activities relates mainly to treatment reagents.

For the Water activity, predictive regulation of reagents (such as the Prédifloc™ process for coagulants) makes it possible to optimize dosage levels and results in an average reduction of 15% in the consumption of reagents. Furthermore, by ensuring that the size of storage tanks is suitable for the needs in question, it is possible to manage supply more effectively, have better-planned consumption and limit the number of trips made by lorries.

The Group has rationalized raw material consumption and efficiency of use at several levels of the organization. On an economic front, a cost reduction objective incorporating savings on raw material procurement was adopted and rolled out to all areas of activity, requiring a reduction in the consumption of certain raw materials. This is performed in conjunction with the Company's greenhouse gas reduction objectives.

Veolia is firmly committed to the recovery chain, particularly by developing methods for recovering materials from the waste entrusted to it for treatment and the by-products of its other activities. It also helps third parties to reduce their consumption of raw materials by making secondary raw materials available to them. In 2014, the Group treated 46.4 million metric tons of waste.

	2012	**2013**	**2014**	**2015 target**
Waste treated *(tonnage in millions of T)*	51.3	52.1	46.4	
Rate of materials recovery from treated waste (Waste solutions) (%)	19%	20%	20%	26%
Rate of energy recovery from treated waste (%)	47%	53%	48%	-

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

Veolia has set itself the objective of achieving an overall materials recovery rate of 26% of all waste treated by its Waste solutions business by 2015. In 2014, the materials recovery rate remained stable. The energy recovery rate was down by 5 points, following the sale of waste treatment activities in Central and Eastern Europe.

These indicators reflect above all the type of contracts signed by Veolia (with or without recovery). Veolia Environnement is responsible for developing innovative and efficient waste management technologies and solutions that enable waste recovery (selective collection, materials, energy and organic recovery) and for offering these technologies and solutions to its industrial customers and local authorities, which take the final decision to implement them.

Use of soils

Ecological management

The Group's landfill sites and water treatment and production sites cover the largest areas. However, these land areas are not fully sealed and the design of these sites and the operating methods implemented by the Group seek to minimize the footprint of its activities by maximizing the percentage of soil favorable to the maintenance and development of biodiversity. As part of its biodiversity approach (see below), the Group continues its work on the ecological management of land. Conditions for land use are included in site operating rules and are consistent with the Group's commitment to ecosystem management (the environmental management and development element of the biodiversity commitment in relation to our sites and for our customers).

Redevelopment of landfilling cells

The operation of a landfill site requires landfilling cells to be dug and prepared. Where the Group is responsible for this task, it complies with all obligations regarding surface sealing and the recovery of excavated materials. Once used, the cells are covered as quickly as possible. These measures encourage the development of local ecosystems. The cells are monitored for environmental impacts before being returned to general use. When the entire site is redeveloped, monitoring is continued to ensure the species planted repopulate the area (post-operation phase). These stages are incorporated in the site biodiversity action plans. As part of this approach, Veolia in France has agreed a partnership with the Conservatoire Botanique National du Bassin Parisien (Paris Basin National Botanical Conservatory) for the period 2013-2016. An experiment was carried out on landfilling cells with the aim of selecting, increasing and producing indigenous plants to replant redeveloped land with species that are of conservation interest and are suited to local environmental features and stresses. Initial results from this experiment gathered in spring 2014 have already proved highly promising and are expected to bring real environmental added value to this industry sector where natural and semi-natural habitats are very rare.

Protective perimeter around water catchment areas

Protective perimeters are established around catchment areas of water intended for human consumption to preserve the resource. Within these protective perimeters, human activities that could directly or indirectly affect the quality of water are forbidden or tightly controlled. When the Group operates wellfields, it implements voluntary biodiversity-friendly actions (differentiated management of public parks, inventory of animal and plant life, etc.) much like the actions carried out at the Crépieux-Charmy wellfield in Lyon. These good practices are also favored in France at sites operated by the Company, in accordance with the good ecological management guidelines for Group sites.

6.3.2.2.2 Reducing pollution and protecting health

Limiting the discharge of pollutants into water

Veolia constantly strives to improve its performance in order to reduce the impact of water discharges from its activities.

The main discharges from facilities operated by the Group are obviously related to its Water activity.

Veolia provides wastewater treatment services to nearly 60 million people worldwide and collects 6.4 billion m^3 of wastewater; 5.8 billion m^3 are treated in the 3,338 urban wastewater treatment plants operated by the Group.

To ensure the efficient management of wastewater collection and treatment services, Veolia has developed a comprehensive approach to help public authorities, whatever their size and the technical issues and regulations involved. The guarantee of the success of a wastewater project involves clearly defined stages: assessment of needs, definition of a local strategy, guarantee of quality, measurement of service performance and, lastly, communication to residents about the impact of the service.

Optimizing the efficiency of treatment processes is an ongoing concern for Veolia, both in terms of operating the facilities under its management and of developing new processes.

The average rates of pollution abatement, expressed in BOD5 and COD, for wastewater treatment plants operated by the Group are very good. In 2014, the pollution abatement rate, expressed in BOD5, remained stable compared with 2013 at 94.8%. The COD efficiency was 90.0%.

Wastewater treatment efficiency of purification stations with a capacity of at least 50,000 population equivalent	2012	2013	2014	Efficiency minimum to be achieved in accordance with the administrative order of June 22, 2007(1)
BOD_5 treatment efficiency *(%)*	95%	94.5%	94.8%	80%
COD treatment efficiency *(%)*	89.9%	89.6%	90.0%	75%

(1) Decree of June 22, 2007 on the collection, transportation and treatment of wastewater from wastewater disposal zones and on monitoring their operational effectiveness.

Veolia has taken French regulations as its reference when evaluating its overall performance. In 2014, as in 2013, worldwide efficiencies met the minimum thresholds[1] defined by the administrative order of June 22, 2007 on wastewater treatment.

Furthermore, in accordance with the European Water Framework Directive, systems were implemented, particularly in France, to monitor the flow of many micro pollutants considered dangerous to the environment, in order to assess the impact of wastewater treatment plant emissions on the ecological state of bodies of water.

Veolia's center for environmental analysis has developed regulatory analysis techniques and offers customers a comprehensive range of monitoring services (sampling and analysis). It has also identified biological tools for measuring the impact of these emissions on target organisms. Where necessary, the Group then assists its customers in identifying and implementing solutions to reduce or eliminate the discharge of dangerous substances into the natural environment and to manage risks. These solutions can either be implemented at source (for example, by connecting plants and monitoring networks) or take the form of remedial measures (optimizing procedures, introducing additional treatments, etc.).

Limiting atmospheric pollutants

As part of its commitment to fight pollution, the Group is committed to reducing its emissions below the required regulatory levels by improving the treatment of air emissions and developing more effective technologies (such as the treatment of incineration smoke and low NOx or SOx emission combustion technologies for thermal energy plants). The Group is continuing in its efforts to reduce consumption and encourage the use of cleaner fuels (including low-sulfur fuel oil and coal, natural gas, LNG for combustion facilities and vehicles and hybrid electric or bi-modal vehicles).

	2012	2013	2014
SOx emissions *(metric tons)* [(1) (2)]	68,165	68,541	67,627
• of which thermal combustion facilities *(metric tons)*	67,356	67,774	66,858
• of which waste incinerators *(metric tons)*	733	703	711
• of which sludge incinerators *(metric tons)*	76	64	57
NOx emissions *(metric tons)*	37,089	37,088	38,544
• of which Dalkia thermal combustion facilities *(metric tons)*	30,023	30,185	31,074
• of which waste incinerators *(metric tons)*	6,836	6,742	7,302
• of which sludge incinerators *(metric tons)*	230	161	168

(1) For combustion facilities, the calculation of Sulfur Oxide (SOx) and Nitrogen Oxide (NOx) emissions is based on the European Directive of October 23, 2001. These documents set the maximum values for emissions based on fuel type and facility capacity.

(2) The calculation methods for SOx and NOx emissions may differ depending on the activity. For the Group's waste incinerators, particularly in Europe, dust, TOC, HCI, SO2, HF, CO, NOx and flue flow are measured on a continuous basis. Analyzers provide substance concentration measurements every minute or so. For thermal energy plants, emissions are calculated based on energy consumption and regulatory emissions limits (as laid down in the Directive of October 23, 2001) for large combustion plants (from 50 to 100 MW). Other methods may be used in response to local requirements, based on emission factors depending on the tonnage burned, with these factors being determined through tests under real operating conditions.

Quality of atmospheric emissions from incinerators

Veolia has adopted the strictest regulatory reference – that of the European Union – to evaluate its overall performance worldwide. In 2014, as in 2013, total emissions worldwide fell below the levels stipulated by the European directive.

Comparison of emissions from hazardous and non-hazardous waste incineration plants with the threshold values set out in the European directive:

	CO mg/Nm3	NOx mg/Nm3[(1)]	SO2 mg/Nm3	HCl mg/Nm3	Dust mg/Nm3	Dioxins ng/Nm3
Average concentration of emissions from hazardous and non-hazardous waste incineration plants	9	128	12	7	2	0.02
Threshold values for emissions in the European Directive[(2)]	50	200	50	10	10	0.1

(1) For NOx, the standard depends on the rate of output: 200 mg/Nm3 for plants > 6t/hr and 400 mg/Nm3 for plants < 6 t/hr.

(2) European Directive 2000/76/EC of December 4, 2000 transposed into French law by two decrees of September 20, 2002 (daily averages).

(1) The minimum thresholds defined are for wastewater treatment centers receiving a gross organic pollution load in excess of 600 kg/d of BOD5 (in excess of 10,000 population equivalent)

Recovering residual waste and limiting the production of landfill waste

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

The main types of waste produced by the Group are sludge created as a result of wastewater treatment, bottom ash and APC residues from incineration, sorting waste and soot, ash and bottom ash related to the combustion of wood and coal in plants.

	2012	2013	2014
Water			
Quantity of sludge produced by wastewater treatment *(kT of MS)*	1,136	1,007	998
• Proportion of sludge recovered for agricultural purposes	48%	50%	51%
• Proportion of sludge recovered for energy purposes	18%	9%	14%
Waste solutions			
Non-hazardous waste produced by Waste solutions *(kT)*	2,432*	3,745	3,127
of which:			
• quantity of bottom ash produced by the incineration of non-hazardous waste	1,846	1,792	1,843
• quantity of waste produced by sorting centers (non-recyclable waste)	nr	979	694
Hazardous waste produced by Waste solutions *(kT)*	664	641	656
of which:			
• APC residues(1) resulting from the incineration of non-hazardous household waste:	265	261	269
• APC residues(2) resulting from the incineration of hazardous industrial waste:	58	56	49
Proportion of bottom ash resulting from the incineration of recovered hazardous and non-hazardous waste for which Veolia is contractually responsible	nr	77%	80%
Energy services *(kT)*(3)			
Quantity of fuel oil soot from plants with a thermal output exceeding 20 MW *(kT)*	nr	nr	0.19
Quantity of bottom ash and ash from plants with a thermal output exceeding 20 MW *(kT)*	nr	nr	995
Quantity of recovered bottom ash and ash from plants with a thermal output exceeding 20 MW	nr	nr	72%

nr: not recorded
(1) Bottom ash produced by the incineration of household waste.
(2) Bottom ash produced by the incineration of special (hazardous) industrial waste
(3) For the first time, the Group is monitoring the production of waste from its Energy services business activity more closely
** Excluding rejects from sorting activity and other types of waste recorded only from 2013 onwards*

In 2013, the Group improved reporting on by-products and waste from its Waste solutions activity, which explains the increase in the tonnages posted. The waste generated by the sorting activity corresponds to sorting errors by waste producers, as well as to outsize recoverable materials that have to be separated during the sorting process at our centers. How such waste is then managed depends on the household waste treatment facilities available locally.

Residues from waste incineration

Bottom ash is the non-combustible solid residue produced by incineration. It accounts for approximately 19.8% of the tonnage of incinerated waste. Depending on its origin, its recovery is governed by specific regulations. Depending on its composition and after a period of maturation, it can be recovered as road construction material. Veolia is contractually bound to manage 65% of the bottom ash produced by the incinerators that it operates, equivalent to around 1.2 million metric tons. In 2014, it recovered 80% of bottom ash. When bottom ash cannot be recovered, it is stored at a landfill site for household and similar waste.

Residues from the treatment of fumes are stabilized and then stored at landfill sites for hazardous waste. The amount produced is in the region of 2.9% of the waste incinerated for household waste incineration plants.

Combustion residues from thermal energy plants

The combustion of solid fuels such as coal, lignite and biomass produces ash that is largely made up of (non-combustible) mineral matter and a small amount of unburned carbon. The amount of ash produced depends mainly on the level of mineral matter present in the fuel – this tends to be low for biomass but can be high in the case of certain types of coal.

The ash produced falls into two categories: “bottom ash” and “fly ash”. Fly ash is transported by combustion gases and is captured by dust removal equipment to ensure that only a tiny amount of dust goes into the atmosphere.

The Group is committed to limiting the waste produced by its Energy services activity by improving combustion techniques and treating or recovering waste in accordance with local regulations.

In Lodz and Poznan (Poland), fly ash from coal-burning boilers is recovered for use in cement manufacturing. In Hungary, the biomass power plant in Pecs produces ash that can be used as fertilizer thanks to its levels of potassium, calcium and phosphorus.

Wastewater sludge

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 worldwide.

The quantity of sludge resulting from wastewater treatment remained stable compared with 2013.

To meet the requirements of its customers, public authorities and manufacturers, all of whom are having to manage an ever-increasing volume of sludge on a daily basis, Veolia is working to process this sludge in such a way as to reduce the costs related to managing it and to recover it in the form of energy and/or products that can be used in agriculture or industry.

When the sludge quality and availability of suitable land permit, Veolia views organic (manuring or composting) and waste-to-energy recovery (methanization, use as a substitute fuel and incineration with energy recovery) as potential recovery options. In 2014, at least 51% of sludge was recovered for use in agriculture and at least 14% was recovered for energy. Veolia ensures that the quality of the sludge is always appropriate for the customer's intended use.

Limiting soil pollution

In accordance with the principles of its Ethics Guide, the Group is careful not to generate any chronic or accidental soil pollution at the sites it operates. It does this by ensuring good storage and application conditions for the materials used, by effectively managing stormwater and the effluents produced during treatment processes and by maintaining operational resources to prevent accidental spillages.

Of all the sites operated by the Group, landfill sites have the highest land footprint and use the most advanced technologies. Veolia has introduced minimum standards for the design and operation of its sites. These include, among other things: carrying out geological soil studies; implementing a watertight system made up of a double barrier (active and/or passive, with the application of a geomembrane that has been tested and certified by an external service provider); introducing systems for collecting and treating leachates[1] and surface water on site or at external plants; and monitoring groundwater. Throughout the duration of operation and post-operation (at least 20 years), the monitoring program is based, inter alia, on the analysis of surface water, groundwater and leachates. All of the Group's sites conduct self-assessments in relation to these standards. If they are found not to meet the Group's standards, they must either: propose an action plan showing how they intend to achieve compliance; demonstrate that equivalent measures are in place; or obtain special dispensation on the basis of additional monitoring measures.

Veolia is also committed to restoring and maintaining soil quality through the remediation of contaminated soil and organic recovery of waste and wastewater sludge (see the chapter on *Recovering by-products* above).

Reducing local pollution (odors and noise)

The Group works to minimize the local pollution that may be generated across all of its activities. Indeed, identifying environmental impacts at local level is one of the Group's EMS requirements and enables local managers to identify specific issues relating to such pollution and to take appropriate measures.

Odors

The natural process of decay of organic matter may generate odorous molecules. As this process is present in many of its activities (such as biological wastewater treatment, composting, household waste collection and landfills), the fight against odor emissions is a constant concern for Veolia, which strives to limit, capture and treat such odors for all affected activities.

Veolia implements solutions directly and works with its customers to identify solutions where these relate to investments for which the customer is responsible. To this end, Veolia has developed technologies and works with partners to treat and control odors (for example, biofiltration treatments, scrubbing and electronic measurement systems). It also implements physical-chemical and biological techniques that limit odor problems. In the event of a perceived nuisance, the Group gives priority to dialogue with the local population. For example, the creation of a "nose jury" made up of local residents who have been trained in the identification of odors, or the introduction of a special telephone line, can be used to better assess the odor problem and take appropriate steps.

Noise

The issue of noise has become a key concern for local elected representatives. The main problems relating to noise primarily concern waste collection. Veolia is carrying out research and has developed some particularly innovative

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(1) Combination of moisture from the waste and rainwater contaminated by percolating through the waste

solutions, such as a pneumatic waste collection system that significantly reduces the volume of lorries in cities and towns.

6.3.2.3 Contribute to combating climate change

6.3.2.3.1 Emissions linked to our activities

In 2014, direct emissions (scope 1) from activities managed by the Group stood at 26.2 million metric tons of CO2 eq. (28.8 million metric tons of CO2 eq. in 2013)[(1)] created by industrial processes, facilities, equipment and vehicles that it manages - these are broken down as follows:

- 52%: CO2 emissions from Energy services activities;
- 28%: methane emissions contained in biogas (from the fermentation of waste in landfills) that are not captured by the collection systems installed;
- 18%: CO2 emissions from Waste solutions activities (particularly as a result of the incineration of fossil fuels contained in waste);
- 1%: CO2 emissions from Water activities;
- 1%: N2O emissions from waste combustion.

Indirect emissions (scope 2) stood at 7.7 million metric tons of CO2 equivalent (7.4 million tons in 2013). 58% of this amount is linked to electricity consumption and 42% to the purchase of heat.

The Group also assesses greenhouse gas emissions that fall under its control by calculating a part of its third scope. In 2014, emissions linked to employee travel (by air and rail) were calculated for the Group's companies within the scope of France and accounted for 18,162 metric tons of CO2 equivalent.

6.3.2.3.2 Helping to reduce overall emissions

As part of its objective to combat climate change, the Group contributes to the overall reduction in greenhouse gas emissions by reducing them at the facilities it manages (through energy efficiency measures, the use of renewable energies and the destruction of methane, as well as through certain operating methods implemented by the Group) and by enabling third parties to prevent emissions as a result of its activities (such as energy and materials recovery).

The measures to reduce greenhouse gas emissions, for each activity, are as follows:

Energy services

Reduction of GHG emissions:

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

Water

Reduction of GHG emissions:

- through reusing some of the heat and electricity produced from renewable sources (biogas from sludge digestion, recovering potential water energy using hydraulic micro-turbines, heat pumps, etc.);
- through other actions which enable rationalization of energy consumption by the facilities.

GHG emissions prevented:

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

Waste solutions

Reduction of GHG emissions:

- through the collection and treatment of biogas from landfill sites;
- through the on-site consumption of electricity produced from waste incineration and biogas recovery;

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(1) *The GHG emission associated with the use of refrigerants in Veolia's business activities are negligible (direct emissions estimated at 1%. Source: Art 75 Balance through the sale of heat and electricity derived from the combustion of incinerated waste.)*

- through the on-site consumption of heat produced from waste incineration and biogas recovery;
- through other actions enabling the reduction of fuel and energy consumption (see energy chapter).

GHG emissions prevented:

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

6.3.2.3.3 Balance of emissions and reduction actions

In 2014, the direct and indirect emissions of residual greenhouse gases due to activities managed by the Group decreased by 6% reaching 33.9 million metric tons of CO_2 equivalent.

This can be attributed to the Group's efforts to diversify its energy mix towards solutions that produce fewer GHG emissions and to improve procedures for combating climate change.

In 2014, the Group recorded very positive performance levels in the use of renewable and alternative energy, the electrical and thermal efficiency of combustion facilities and a substantial increase in methane capture from landfill sites.

	2012	2013	2014
Total direct and indirect GHG emissions *(million metric tons CO_2 eq.)*	37.3	36.1	33.9 (√)
• direct emissions	27.4	28.8	26.2
• indirect emissions	9.9	7.4	7.7
Water	7.7	5.1	3.4
• direct emissions	1.8	1.8	0.4
• indirect emissions	5.9	3.3	3.0
Waste solutions	12.2	13.5	12.4
• direct emissions	12.0	13.3	12.2
• indirect emissions	0.2	0.2	0.2
Energy services	17.5	17.6	18.2
• direct emissions	13.7	13.7	13.7
• indirect emissions	3.8	3.9	4.5

6.3.2.3.4 Handling our main GHG issues

As part of its environmental aims, the Group has defined objectives to reduce these two main sources of direct emissions, which represent 99% of its direct emissions:

- improve the carbon performance of combustion facilities by 5% from 2011 to 2015;
- reach over 60% methane capture rate in landfill sites in all countries by 2020.

	2011	2012	2013	2014	2015 target
Carbon performance of combustion facilities *(Metric tons of CO_2 emitted/thermal MWh produced)*	0.283	0.264	0.265	0.274	0.269
Methane capture rate in landfill sites under operation *(%)*	50%	49%	52%	56%	≥60% in 2020

The carbon performance indicator for combustion plants was negatively impacted by the sale of the Energy services France business in 2014, which increased the share of Group business in countries with a higher carbon energy mix. The target for 2015 has been revised accordingly.

The rise in methane capture rate between 2013 and 2014 reflects the Group's policy of creating new extraction wells and enhancing the performance of existing facilities.

6.3.2.3.5 Adaptation to the consequences of climate change

The Group takes restrictions on climate change into account throughout its operational plants and implements solutions to support its customers.

At business unit level, adaptation to climate change is integrated into the analysis of environmental risks and challenges performed locally, integrating relevant regulatory changes, resource availability, identification of additional requirements/volumes and necessary process changes. Adapting to a possible change in the availability of resources, particularly water, could take the form of developing and reusing treated wastewater and improving the performance of the distribution network (see Chapter 6, Section 6.3.2.2.1 below).

At Group level, adaptation to climate change is integrated into the risk mapping process, identified considering resources, regulatory and market changes, purchases and economic risk. In 2014, the definition of risks connected with climate change was reviewed in order to improve the identification and assessment in the risk mapping process within Veolia's strategic risks.

The risk mapping performed at country/activity level and for the Group as a whole is presented to the Risk Committee, which implements the appropriate action plans that contribute to adaptation to climate change.

6.3.2.3.6 The Group's role in the COP 21 international conference

In 2014 Veolia wanted to fully engage in preparations for COP 21, the 21st United Nations Framework Convention on Climate Change (UNFCCC) to be held in Paris at the end of 2015 and which combines civil society with businesses.

The Chairman - CEO of Veolia took part in person in the UN Climate Summit in September in New York in a session on short-lived climate pollutants such as methane. On this occasion the Group made a commitment in favor of a strong and stable CO_2 price by signing the statements of the World Bank and Carbon Price - Press release.

Veolia joined the positive agenda of solutions and would like to show the benefit of solutions connected with the circular economy on climate (recycling, reuse, etc.). So, in December at the COP 20 in Lima, Peru, Veolia organized a conference open to all on the subject of "energy, waste and water: the co-construction of climate solutions with regions" to discuss these environmental issues with Peruvian and international representatives and institutional, UN, public and private organizations.

6.3.2.4 Protect and restore biodiversity

6.3.2.4.1 Biodiversity commitment

In direct association with the Aichi objectives adopted in Nagoya (new strategic plan of the Convention on biological diversity) and continuing work in progress since 2010, the Biodiversity commitment made by Veolia in 2014 can be split into three parts:

- improved consideration for biodiversity issues on a local level and creation of innovative nature-based solutions;
- implementation of ecological development and management on our sites and for our customers;
- awareness-raising among as many internal and external parties as possible and promotion of actions implemented collectively with local players.

The biodiversity approach, supported by this commitment, is applied to all the Group's activities and the international context. It is pursued within the framework of a biodiversity committee that unites the management teams in charge of this theme within Group entities (businesses, research and innovation, sustainable development and operations) through a plan of actions and indicators built into the Group environmental plan. Furthermore, a network of biodiversity officers in France and in the main countries where sites are located has been in place since 2010. This network ensures the roll-out of the Group's strategy through the implementation of action plans, sharing good practice and reference to experience.

Furthermore, the aim of this approach is to be a part of the vision, aims and principles of governance of the National Biodiversity Strategy (SNB) launched in France, and which Veolia signed up to in May 2011. The Group is making a practical contribution to the approach by addressing the voluntary commitment initiative, comprising significant and additional actions to promote biodiversity.

6.3.2.4.2 Roll-out of actions to promote biodiversity

In 2009, Veolia launched an analysis of issues connected with biodiversity for each of its business activities; this included the identification of their dependence on ecosystem services and their impacts.

The impacts of the Group's activities are connected in particular with the land footprint of its sites, which contributes to soil degradation, the consumption of natural resources and to the residual pollution contained in the waste and emissions from its operations. The Group is mindful of these impacts and is committed to applying the principles of the mitigation hierarchy (a policy known as ERV), in which the first step is to prevent damage to biodiversity, followed by reducing the impacts and finally compensating for them. This is the basis on which the biodiversity policy is gradually developed.

In order to support the **roll-out of its biodiversity policy,** the Group has developed a methodology enabling sites to carry out their own biodiversity appraisals and to implement action plans suitable for the local context. The environmental plan for 2012-2014 incorporates indicators for the implementation of action plans to promote biodiversity. In conjunction with the French committee of the IUCN, the Group has published a guide to ecological management for sites operated in France. It has been translated into English for operators outside France and is distributed to the biodiversity network. Other technical guides have also been drawn up to support the sites with their biodiversity policy.

Finally, to support operational personnel with the implementation of the Biodiversity policy, the Group makes use of **internal expertise** within the businesses, its engineering departments and its research and innovation teams. These areas of expertise contribute to the development of methodologies and tools for the assessment of ecosystem services, characterization of the ecological status of environments, assessment of the impact of waste and the development of ecological engineering solutions.

In order to enrich its knowledge of different issues connected with biodiversity, Veolia also takes part in different projects with associations and organizations with various players with an interest in these issues.

As a result, numerous specific measures have been taken and monitored over a number of years, including: the sustainable management of green and maritime areas (e.g.: Braunschweig, Germany); a local partnership with the Malaysia Terengganu University at the Dungun site (Malaysia); the preservation of ecosystems in the development of sites and their surrounding areas (Graulhet and Saint-Cyr-des-Gats hazardous waste landfill sites in France). Good ecological management of the Group's sites has also led to **certifications** being obtained according to *ad hoc* guidelines. **External labels** were awarded to the Dunkirk incinerator site in 2014 - *Biodiversity Progress label* (Dervenn/Bureau Veritas) – and the Coalmoor and Smalley Hill sites in the UK have been *Biodiversity benchmark* certified by the Wildlife Trust for many years.

6.3.2.4.3 Participation in working, discussion and project groups with recognized stakeholders

The Group also works with a number of partner universities, associations and institutions in order to further its knowledge through innovative research programs covering the interaction of its activities with the operation of ecosystems. For example, in 2008, Veolia Environnement entered into a partnership agreement with the French committee of the **IUCN**, to strengthen and support Group actions to promote biodiversity (IUCN France comprises 55 members – 2 government ministries, 13 public institutions and 41 NGOs – as well as a network of 250 experts). At international level, the IUCN has been a United Nations observer since 1999.

In France, **the coastal conservation agency, Conservatoire du Littoral, Rivages de France** and Veolia, partners for four years now, have combined their expertise to enhance wetlands and raise awareness about their functions and how they benefit society.

The Group has also participated in international studies, primarily through the work of the **WBCSD** (Ecosystem Services Review (ESR) and Corporate Ecosystem Valuation). The integration into its activities of the principles of the Convention on Biological Diversity (CBD) is highlighted in "Responding to the Biodiversity Challenge - Business contribution to the CBD", and was the focus of a presentation in October 2010 during the tenth Conference of Parties (COP 10) convention in Nagoya. In 2014, as part of the "Ecosystems and Landscape Management" working group led by the WBCSD, Veolia presented a case study (Aquisafe) to feed into a database on "green infrastructures".

Veolia also takes part in **working groups of recognized bodies** whose findings result, for example, in publications aimed at promoting the implementation of actions. As part of the French working group on "Entreprises et Biodiversité" (Enterprises and Biodiversity), Veolia contributed to a study published in 2014 on Biodiversity reporting by businesses and relevant indicators.

Various **knowledge sharing** measures in line with the Group's activities have been taken by the **Veolia Institute**, including the publication of a special edition of S.A.P.I.EN.S, on "biodiversity", requested by and in association with the IUCN. This work, which is widely shared among various expert and influential conservation groups has fostered dialog and the exchange of knowledge on nature-based solutions. Continuing this work, in 2014 the Veolia Institute organized its 7th Environmental perspective Conference in Washington (USA) on the issue of the management and restoration of large-scale ecosystems.

The work of the **Veolia Foundation** supplements the improved understanding of ecological balance, and the way that this knowledge is shared through biodiversity awareness and communication. The Foundation also contributes to promoting common discussion on issues of general interest such as the ecological restoration of important sites. Since 2004, 314 projects on the environment and biodiversity have been supported by the Foundation, including 8 in 2014. Worthy of note in 2014 was the project led by the UVED (Virtual University of Environment and Sustainable Development) to create an online course open to all on the topic of biodiversity, and the launch of the Tara expedition, a scientific and awareness mission on plastic pollution and the environmental issues of the Mediterranean.

6.3.3 Information on social/societal sustainable development commitments

6.3.3.1 Management of social responsibility

Management of social responsibility for Veolia

Social responsibility is expressed and assessed through three Group commitments to the sustainable development of regions (see introduction to Chapter 6.3 above):

- Commitment 4 - Build new models for our stakeholder engagement and the creation of shared value;
- Commitment 5 - Contribute to local development;
- Commitment 6 - Supply and maintain services essential to health and human development.

The information on social commitments to promote sustainable development (as defined by Article R.225-105 of the French Commercial Code) is set out in this section, and in the other chapters and sections of this document (see cross-reference table in Appendix B).

Reporting

Veolia's social reporting information comes from two sources:

- data from Group reporting in the environmental and operational, social (Human Resources), financial and sustainable development purchasing areas;
- data obtained from limited geographical or business areas or from departments centralized at Group level (excluding formal reporting).

The scope of social reporting covers, in principle (general framework), all the activities over which Veolia Environnement has operational control worldwide for the operation of public water or waste water treatment services (Water), the collection, transfer and treatment of waste, industrial cleaning and maintenance (Waste solutions) and energy services (Energy services).

Note: the Transport business, a joint venture in which Veolia has a 50% stake is not included in the scope of reporting.

There may however be specific information associated with reporting or with the geographical areas from which the data is obtained. In this case, the specific nature of the information is stated with the presentation of the indicator.

Social indicators are defined and explained in a common reference system shared across the Group, available in French and English. As with the sustainable development purchasing protocol, this document can be consulted on the Group's website. The indicators were chosen to monitor performance relating to the Group's social challenges and regulatory obligations (Article R. 225-105-1 of the French Commercial Code) as a matter of priority.

The data from Group reporting are **consolidated and checked** according to IFRS in the case of financial reporting or procedures specific to these reports. Some of these items are reproduced in this document (in particular, Section 6.3.2, "Environmental policy and information", and Chapter 17, Section 17.2, "Social information" below). The other social data are consolidated and checked by the country, area or department that collects them (Group Purchasing Division, for example) and then by the Sustainable Development Division.

There may be methodological limits to social indicators due to:

- lack of harmonization between national and international legislation;
- the heterogeneous nature of the data managed and the variety of tools in the Group's many subsidiaries;
- changes in definition that may affect the comparison of indicators;
- the specific characteristics of labor laws in certain countries;
- the practicalities of data collection;
- the availability of source data on the reporting date. Where the information is not available in time for the preparation of the registration document, it is the information relating to fiscal year 2013 or a period specified in the legislation that is published.

Organization

The business units on the five continents are the main players in the implementation of the Group's commitments, in cooperation with the functional departments. The Group's commitments are rolled out through local employers and the executive committee as well as the country representatives of the functional departments.

The Group is also supported by two structures, namely:

- the Veolia Institute (www.institut.veolia.org), a special think tank that provides forward-looking insights and promotes innovative modes of interaction between the company and civil society (see Section 6.3.3.2 below); and
- the Veolia Foundation (www.fondation.veolia.com), whose priority areas are (i) development assistance and humanitarian emergencies, (ii) support for transition to work and social cohesion, (iii) environmental and biodiversity protection. The Foundation's projects involve all the Group's employees, as sponsors or volunteers. In 2014, the Veolia Foundation provided financial support totaling around €2.35 million for 44 new projects. Over the preceding five years (2009-2013), Veolia had dedicated €36 million to its foundation. By extending the Foundation's mandate for a new five-year term (2014-2018), the Group has confirmed its commitment to a policy of skills-based patronage and financial sponsorship.

6.3.3.2 Build new relational models and create value with stakeholders

Dialogue and action with stakeholders

Veolia's commitment and approach

The way that the Group fits into its environment, manages its employees, and communicates and interacts with its stakeholders, determines its admissibility to produce and sell and its "license to operate".

The relationship was previously two-way, then triangular, and has now become multipolar, with the introduction of players from civil society, NGOs, businesses, consumer associations, charities and universities. The arrival of these new players has pushed the traditional boundaries of the Veolia businesses and brought about the remodeling of the company's governance. The Group has committed to engaging in dialogue with all its stakeholders.

In 2014, Veolia continued its policy of partnership relations in two directions:

Collaborations with institutional, national or international bodies to sharpen the profile of the Group's expertise and know-how in its various businesses;

Veolia has regular discussions with its institutional stakeholders (associations, international organizations, universities, trade unions, etc.) through various think tanks (working groups, conferences and international events) and has formed partnerships with several of them. Veolia contributes to discussions, consultations and projects on changes in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs. The Group shares its expertise by meeting stakeholders' requirements at their request or on issues that have a direct or indirect impact on its businesses.

Measures to provide support for the socioeconomic development of the areas where the Group operates (see Section 6.3.3.3 below).

For its employees, as its internal stakeholders, Veolia promotes equal opportunities within the company through its Human Resources policy (see Chapter 17, Section 17.1.4 below) and its priorities for action. Since its inception in 2012, the Group has supported the Égalité des Chances (equal opportunities) foundation through funding for "boarding schools of excellence" (internats d'excellence).

The Group also contributes to developing social dialogue in the general interest and to improving local working conditions, in particular in emerging countries, where it encourages the creation of forums for dialogue with employees.

As part of the transformation of the Group, the Chairman and Chief Executive Officer of Veolia Environnement has decided to provide the company with a "*Critical Friends*" committee in order to draw on the expertise and advice of independent stakeholders. This committee is made up of about a dozen high-level individuals, half of whom are French and the other half international, representing associations, institutions and academia, who are willing to contribute their expertise, vision and constructive criticisms to the new Veolia.

Since June 2013, the Veolia Critical Friends have met four times: site visits (to help the Critical Friends get to know the Group's businesses and to understand the challenges it faces) and discussions with the Chairman and CEO of Veolia Environnement and the members of the Executive Committee. It was decided that the Chair of the Critical Friends committee should report its proposals and positions to the governing bodies of Veolia Environnement each year.

Veolia has published two documents:

- a stakeholder mapping;
- a methodological guide to communication with stakeholders for operational managers.

Dialogue with local stakeholders within the contractual framework

Dialogue with local stakeholders involves, in particular:

- implementing a local management structure to respond to the information and service requests of all inhabitants, which respects their diversity and covers the entire area;
- providing regular information to local stakeholders concerned and/or affected by access to services and changes thereto;
- conducting customer satisfaction surveys to assess service progress and the benefits enjoyed by users and also to better understand the reasons for dissatisfaction and expectations;
- setting up an external communication system to promote new solutions among municipal customers (innovation booklet, dedicated website, innovation meetings, Research & Innovation overview and participation in targeted events on the sustainable city);
- taking into account the informal sector.

Local public authorities

The public-private partnership model for the provision of public services favors constant dialogue with local authorities and administrations. Accordingly, the appropriate discussion bodies in place are clearly defined at the heart of Group governance for ongoing contracts and the frequency and format of interaction is contractually documented.

In parallel, for certain parties, Veolia provides specific expertise to local or national authorities, supporting them in the definition of the strategy for their services to the environment. In doing so, Veolia develops new relational models for creating value with these public authorities.

Industrial clients

Veolia supports its industrial clients with the development of their activities related to social and environmental responsibility.

This cooperation essentially concerns:

- the coherence of Veolia's commitments with the CSR policy applied by its industrial clients;
- the construction of new "win-win" partnership models;
- the provision of our know-how and tools (e.g., environmental footprint tools) for optimal management of the natural resource, respect for biodiversity and the promotion of a circular economy.

Contracts signed with Novartis or, previously, with Total (Osilub) are a clear illustration of the Group's approach to partnership with its industrial clients.

Consumers/users and local communities affected

The Group develops a number of local initiatives to foster dialogue on their activities with its customers, local communities, and inhabitants of the region: neighborhood meetings, meetings with elected representatives, local associations, site visits and open days to inform the general public, etc.

The Group also develops mediation actions (e.g. PIMMS, VoisinMalin in France, services dedicated to relationships with consumers and stakeholders, particularly in poorer areas in Latin America) and social support partnerships for disadvantaged groups (see Section 6.3.3.3 below).

The informal sector

Sometimes in competition (e.g., in recycling) and sometimes in a complementary way, the informal sector can be a crucial factor in the economics of Veolia contracts. As shown in the two examples below, it is essential that this – and the stakeholders involved – be taken into account.

- in Colombia, a social integration initiative for rag collectors was developed on a landfill site, the "CET Presidente" in Cali, and 100 rag collectors created two recycling cooperatives which still operate independently. The rag collectors have received appropriate training and obtained access to medical services.
- in the Philippines, in the informal sector of waste electric and electronic equipment recycling in the metropolitan region of Manila, the Veolia Foundation supports the four-year program launched in 2012 by the NGO Médecins du Monde to improve the working conditions and health of people working in this sector.

Dialogue with representatives of civil society and the academic world

The Veolia Institute: a forward-looking tool

The Veolia Institute is an association governed by the French Law of 1901 and created by Veolia Environnement 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. In 2014, the headline achievement was the Institute's 7th International Conference on the restoration of ecosystems, organized at the National Academy of Sciences in the United States with key international partners.

It has also reinforced the development of its scientific journals S.A.P.I.EN.S and FACTS Reports with special issues on the restoration of ecosystems, Haiti, local democratic innovations and access to services for the poorest populations. The Institute has also contributed to studies on the adaptation of cities to climate-related natural disasters, as part of the European research project RAMSES.

For all its activities, the Institute draws on a multidisciplinary network of international partners, including the members of its Foresight Committee. Through its conferences, journals and studies, it captures and develops reliable scientific knowledge and tried-and-tested expertise in the field, communicating it to all public and private players involved in sustainable development discussions. For further information on the Institute: www.institut.veolia.org.

Other partnerships

Other partnerships have led to the creation of shared value between Veolia and the academic world (e.g., Antropia and ESSEC's Institute for Innovation and Social Entrepreneurship) or civil society (e.g., the "Enterprise and poverty" think tank that Veolia joined in 2014, the partnership with Ashoka, and social business).

Signed in 2014, the partnerships with Antropia (the IIES-ESSEC social incubator) and with Ashoka (the leading global network of social entrepreneurs, with 3,000 members in 80 countries) aim to find mechanisms to help develop the social entrepreneurship of an area. These collaborations, which contribute both the know-how on social and fair economy of Antropia and Ashoka, and the regional network of a company such as Veolia, should enable social entrepreneurs to make their businesses more successful, efficient and sustainable. During "Ashoka Changemaker's Week 2014", Veolia made the public commitment to create incubators in France and abroad.

Dialogue with organizations for development

As a partner to international organizations, Veolia continues to cooperate with the main UN agencies, bilateral organizations and international donor agencies, to give effect to the commitments made when it joined the Global Compact in June 2003, to contribute to the achievement of the Millennium Development Goals and to contribute to the definition of international agendas for development.

In 2014, the Group joined the highly prized club of businesses that have achieved "Advanced" level differentiation for their Communication On Progress as part of its adherence to the UN Global Compact.

Since 2013, Veolia has been directly involved with the consultation of "major groups" initiated by the UN for the preparation of the next Conference of Parties on climate change (COP 21 in Paris in 2015). Veolia also took part in the UN Climate Summit in September 2014 in New York and in the COP 20 in Lima (Peru) in December 2014. (see Section 6.3.2./Commitment 2: Contribute to combatting climate change).

Veolia is an active member of the World Urban Campaign led by UN-Habitat, the United Nations agency that promotes sustainable urban planning. In 2014 this led to the Group taking part in the World Urban Forum of Medellin (Colombia, April 2014) on "Urban Equity in Development – Cities for Life" and in the preparations for the United Nations Habitat III Conference to take place in Istanbul in 2016. Veolia is focusing in particular on the role of basic services in strategic urban planning

In connection with the preparations for the "Habitat III" conference. Veolia is also a partner of the United Cities and Local Governments (UCLG) entrepreneurial partnership program to highlight the importance of its businesses and business model.

Participation in multi-stakeholder platforms

By investing in multi-stakeholder networks or platforms, the Group is trying to find synergies with its ecosystem. Hence, Veolia is an important player in partnership ventures such as: Vivapolis/Ubifrance, the French Alliance for Cities and Territorial Development (PFVT), France Nature Environment (FNE) - work on urban sprawl, the Greater Paris Metropolitan mission, the French partnership for water, competitiveness clusters (water cluster of Montpellier, Maritime Brittany and Mediterranean), the coastal conservation agency (*Conservatoire du Littoral* and *Rivages de France*) - for promoting wetlands, etc.

Dialogue with international, European and national authorities

Veolia contributes on an ongoing basis to discussions, consultations and projects on changes in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs.

These actions are implemented within the context of its adherence to the Global Compact, international, European and French regulations, codes of conduct of different institutions, and also within the general framework of the Group's ethics program (with reference to the Ethics Guide, the Manager's Code of Conduct and the Code of conduct for the Group's employees who perform interest representation activities).

Since 2009, Veolia has been listed on the register of interest representatives of the European Commission and the European Parliament. In France, it has been registered on the public list of interest representatives of the National Assembly since 2010 and the Senate since 2011.

The Group is also a member of the ARPP, the French professional association of parties responsible for relations with public authorities. Through these memberships, the Group has made a formal commitment to adhere to the codes of conduct established by these different institutions.

Outsourcing and suppliers

Veolia's purchases are very varied and are mainly structured according to the following purchase areas:

- energy and raw materials;
- industrial and service outsourcing;
- industrial equipment and materials and vehicular rolling stock.

The sustainable purchasing policy developed by Veolia is based on the following principles:

- Incorporating sustainable development in the call for tenders process:
  - suppliers charter issued when a consultation is launched, setting out the purchasing process, the Group's commitments and its expectations in respect of suppliers, as well as other details,
  - identification of high-risk purchase categories in order to automate the supplier CSR performance assessment before the call for tenders.
- Securing commitment from our suppliers and assessing their CSR performance:
  - sustainable development requirements are progressively incorporated in supplier contracts via a specific clause. This commits the supplier to compliance with the Universal Declaration of Human Rights and the UN convention, as well as protection of the environment. At the end of 2014, this commitment applied to about half of current contracts in the Group's contract database, since 46% of them (excluding contracts managed by Veolia Transdev and Dalkia France buyers) have been reported by buyers as including formal sustainable development requirements,
  - the CSR assessment of current or potential suppliers consists primarily of a documentation audit managed by an independent service provider covering twenty-two criteria focusing on environmental, social, ethical and supplier relationship issues. The 2014 campaign comprised 155 evaluations (new or updated) in seven strategic procurement countries (Germany, Australia, the United Kingdom, China, Japan, the USA and France). As a result, 219 suppliers (excluding contracts managed by Transdev and Dalkia France buyers) have been assessed on their CSR performance over the past three years. Based on the results of these CSR appraisals, focused improvement measures are launched in association with suppliers, by means of action plans and on-site audits;
- contributing to the development of the local economy: In France, as part of the Water business partnership with the GESAT network(1), and in collaboration with the Water business' disability strategies in France, since 2013 the Group Purchasing Division adopted an approach to promote procurement from the protected workers sector, in particular for specific categories of purchases. For fiscal year 2014, the expenditure recorded for purchases from the protected workers sector (excluding VAT) was €6 million for France(2). Furthermore, by signing up in 2012 to the SME Pact, the Group demonstrates its aim of supporting the development of innovative small and medium-sized enterprises (SMEs) by facilitating and strengthening their relationships with large companies. For fiscal year 2014, the proportion of purchasing expenditure incurred with SMEs in France accounts for 74% of total purchasing expenditure.

  Veolia is ranked number two on the list of 35 companies on the 2014 Supplier Poll of the SME Pact.

6.3.3.3 Contribute to the development and attractiveness of regions

Veolia contributes to regional attractiveness and dynamism by implementing local, innovative and economically viable solutions that respond to collective local and industrial needs in terms of sustainable development.

The Group contributes to the economic and social development of the regions where it operates, not only through the performance of delegated public services, but also through the significant investments that it makes for the repair, maintenance and development of infrastructures.

Veolia is a green economy operator which, through its services, offers solutions that create:

- environmental value: innovations in key areas for the green economy (water, waste and energy services); the Group supports its customers to help them reduce their consumption of natural resources, their carbon emissions and to protect biodiversity better;
- social value: access to essential resources, employment, local jobs and solidarity;
- economic value: long-term partnership approach, support for SMEs, local innovation, green jobs and training.

Veolia, creating jobs and employability

The jobs (mainly green jobs), generated by Veolia's activity, are, by their very nature, impossible to relocate and are largely open to low-skilled individuals. In 2014, the Energy business created more than 1,500 jobs throughout the world(3) through the biomass segment.

The Group's workforce currently stands at 179,508 employees; 80% of them have followed at least one training course. The Group also welcomed 4,616 interns and 2,007 trainees in 2014.

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(1) GESAT = Association founded in 1982 to promote the protected workers sector and support economic players in their relations with this sector

(2) Includes the following entities: Corporate, Veolia Eau France excluding SEM, SADE, Veolia Environmental Services, SARP, SARPI, SEDE and Veolia Water technologies

(3) Outside France

Veolia, creator of employment and social solidarity

Actions taken by the Group

Group companies develop initiatives aimed at fostering employability, support for transition to work, and social solidarity more generally, through:

- making work-study contracts a priority in external recruitment, since the Group is convinced that work-study schemes are an excellent way of acquiring skills (in particular under apprenticeship and professionalization contracts);
- the many partnerships established in France between the network of regional Veolia Campus sites and professionals involved in training, orientation and employment (such as the Epide “second-chance” schools, and the *Conseil National des Missions Locales* [French national council of local community organizations]) create pathways to the qualifications that will prepare them for our businesses for young people who are the most alienated from the workplace;
- the hiring of people with disabilities in France. In particular, for its Waste solutions activity, Veolia has signed:
  - the charter for the professional integration of disabled people (2009),
  - two agreements with AGEFIPH (a French government agency promoting the employment of disabled people; 2009-2011 and 2011-2013),
  - an agreement with its social partners on the “Integration and job retention of disabled people” (2011-2014).

Furthermore, this entity will train all operational unit managers, operations managers, human resources and QSE officers in the job retention of disabled and other employees.

And for its Water business activity:

  - In 2013, Veolia signed a third disability agreement with DIRECCTE (French labor department), management and all the trade unions for 2013-2016 (previous agreements were signed in 2006 and 2010). The main priorities of this agreement are the continued employment of disabled employees, recruitment and training of disabled persons, outsourcing work to the protected workers sector, and information and awareness communication;
- support for social integration programs: welcoming individuals on subsidized employment contracts into Veolia contractual activities or activities performed in partnership with integration structures (recycling/re-use, sorting of office paper of small companies, etc.). In France, for its Waste solutions business activity, Veolia has signed partnership agreements with the ELISE and ENVIE associations (this partnership aims to create employment pathways between the ENVIE network and the Group). In the United Kingdom, the Restart program supports the long-term unemployed, homeless people and ex-offenders;
- solidarity initiatives for a specific local context: in Australia, for example, Veolia began a long-term partnership with Barnardos Australia (child protection) in 2013 and continued its partnerships with the Aboriginal and Torres Strait Islander peoples throughout the year.

The actions of the Veolia Foundation

Support for transition to work and social cohesion is one of three main aims of the Veolia Foundation. In particular, it supports initiatives and structures that encourage the return to work of people outside mainstream society (e.g., work sites, associations and companies that foster professional integration through economic activity, training, social assistance, entrepreneurial solidarity and microcredit, etc.). The beneficiaries of these projects are primarily young people experiencing major difficulties, the long-term unemployed and people on social welfare.

More than 350 projects in this area had received support by the end of 2014. A study of Professional Integration patronage by the Foundation (2004-2009) showed that supported structures help 7,000 individuals each year.

The “Integration through Work” program, created on the Centre-East Campus in partnership with local players in the Greater Lyon area, strives to ensure that 10% of its staff for future promotions come from disadvantaged groups (with work-linked training for Veolia business areas). This program comprises a process and stages required to secure work-study training pathways for people with few qualifications and who are marginalized in the job market, in order to better guarantee their transition to work.

Through its multi-year partnerships, the Veolia Foundation supports integration projects through various initiatives with the ARES group, the *La Petite Reine* association, the *Sport dans la Ville* association and the *Secours Catholique* charity, as well as through projects to help with the creation of micro-businesses with ADIE. For example, the *Créajeunes* project launched in 2013 with ADIE is a training and coaching program for people under 30, who are excluded from the job market and the traditional banking system and want to start their own business.

In 2014, supporting the Association for the development of local services, the Veolia Foundation took action to improve social ties in large cities (small businesses and services within a district, with a network of partner companies) in Paris and then elsewhere in France. In Germany, the training center for joiners in Hamm (North Rhine-Westphalia), supported by the Foundation in 2014, helps young people with problems - psychological problems or ex-drug users - also offering them therapy. Since 2005, the Veolia Foundation has supported the *Unis-Cité* association which offers young people aged between 18 and 25 who are doing their voluntary civic service the chance to work on projects concerning the fight against exclusion, the restoration of social bonds and environmental protection. As such, the aim of the “Médiaterre” program is to provide low-income families with support in changing their behavior (eco-civic behavior: reduction of waste and control of water and energy consumption).

The Group contributes to developing the attractiveness of the regions where it is established through the action that it takes to promote biodiversity and environmental protection[(1)], thereby promoting the right of neighboring and local populations to a healthy environment.

The protection of the environment and biodiversity is reflected – on a day-to-day basis – by the core services of Veolia's businesses (waste collection, treatment and recovery, wastewater treatment, green energy, etc.), and on an ad hoc basis through partnerships (such as the partnership entered into with the French Committee of the International Union for Conservation of Nature in 2008[(2)]) and projects supported by the Veolia Foundation.

6.3.3.4 Supply and maintain services essential to health and human development

Veolia is committed, together with its delegating authorities or partners and its industrial clients, to ensuring sustainable access to essential water, waste or energy services.

The Group has developed a set of solutions appropriate for the local context, which enable it to ensure access for all to quality services (e.g. ACCES expertise). Veolia is particularly in favor of policies targeted towards more disadvantaged populations and/or districts.

Through contracts with local authorities, the Group provides drinking water to 96 million people, wastewater treatment services to nearly 60 million people, waste collection services to 42.8 million people, and supplies heating to close to 6.4 million people worldwide[(3)].

In developing or emerging countries, Veolia is therefore committed, working with and on behalf of its delegating authorities, to being a key player in achieving the Millennium Development Goals, one of which aims to "*reduce by half, by 2015, the proportion of the population that does not have sustainable access to safe drinking water and basic wastewater services*"[(4)].

In developed countries, the company is also mindful of maintaining access to services for the poorest populations, people in insecure situations and the homeless.

In France, its "Water for all" solidarity program is structured around three types of assistance: emergency solutions to maintain access to water services by offering different forms of financial assistance appropriate to the individual's situation – a payment schedule, debt write-off or water vouchers – providing support solutions to help people manage their budgets and water consumption in a sustainable manner and preventive solutions to alert them to unusual over-consumption.

Consumer health and safety measures

Veolia provides drinking water services to 96 million people around the world. With the constant concern of controlling the quality of the water produced and distributed, Veolia has established a water quality control policy which aims to control the quality of water from source to faucet. It is based on four principles:

- foreseeing: through scientific monitoring of emerging parameters, particularly new micropollutants such as endocrine disruptors and pharmaceutical product residues, improvement in the analytical methods for detecting these micropollutants and the assessment of their effects on health;
- monitoring:
  - by performing more frequent and complex water analyses within shorter timescales, according to standardized methods and using cutting-edge equipment and qualified personnel. In 2014 the rates of conformity to regulations of the water distributed were 99.5% and 99.6% respectively for bacteriological and physicochemical parameters,
  - by monitoring compliance of the largest distribution networks throughout the world;
- offering solutions to local communities for operational improvements and for the investments required for controlling water quality across the whole supply chain: maintaining network water quality, safeguarding the production and distribution of drinking water and protecting the resource;
- informing populations and ensuring an optimal response in case of accidents or crisis situations: on-call service 24/7, telephone service for responding to consumer concerns, distribution of bottled water in the event of extended

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(1) See Section 6.3.2 (Environmental policy and information).

(2) The IUCN is the most extensive nature conservation organization in the world and has had observer status at the United Nations since 1999.

(3) The number of inhabitants served takes account of inhabitants directly supplied by a distribution network operated by Veolia and inhabitants receiving water produced by Veolia but supplied by a third party. For distribution, this relates to inhabitants identified according to local practices (INSEE in France) in the region supplied. For production without distribution, the number of inhabitants supplied may be estimated from the volume sold to the distributor based on an average volume distributed per day and per inhabitant. The inhabitant data gathered and volumes sold to third parties are updated each year. The calculation of the number of inhabitants supplied with wastewater treatment services follows the same principle, using the capacity of wastewater treatment plants in terms of population equivalents when wastewater is collected by a third party.

(4) Millennium Declaration of September 8, 2000 (UN); see http://www.un.org/millenniumgoals/

disruption to the service, telephone warning system to advise all consumers of any restrictions on consumption and distribution points for bottled water, etc.

Please also see Chapter 4, Section 4.2.2.2.4, “Management of operational risks, Management of health and environmental third-party liability risks in respect of past and present activities” above.

The research partnership on the monitoring of drinking water quality is also worthy of mention. Through this partnership, Veolia and BioMérieux have pooled their complementary expertise in order to contribute to the improvement of public health worldwide. They are working together to detect microorganisms present in the natural environment or the network more rapidly than with current methods.

Development assistance and humanitarian emergency

Solidarity is firstly expressed through the services that our Group provides and that contribute to the common good. Combatting insecurity by ensuring access to essential services for people without a water supply, water treatment services or electricity is one of the ways that Veolia is actively committed.

Solidarity is also expressed through service contracts established in France between Veolia and local authorities as part of decentralized co-operation projects (international solidarity).

In the United Kingdom, Veolia is carrying out actions with local solidarity-oriented companies involved in local projects through its national program, Go Further Together(1). This solidarity has led to direct funding for causes in accordance with the company’s values or by giving Veolia personnel the chance to devote some of their working time to a community project.

International solidarity and humanitarian emergency actions by the Veolia Foundation

In 2013, the Veolia Foundation celebrated its 10th birthday. Its mandate was extended as of January 1, 2014 for a new five-year term (2014-2018), confirming the Group’s commitment to a policy of skills-based patronage and financial sponsorship.

The Veolia Foundation also contributes to extending access to essential services through its international solidarity activities (humanitarian emergencies and development assistance), which is one of its three priority intervention areas (see Section 6.3.3.1 above), and has established numerous partnerships in this area. It provides financial support and the skills of the Group’s employees (through the Veoliaforce network).

The Foundation acts in partnership with the United Nations agencies (UNICEF and UNHCR) and international bodies (Red Cross, ACF, MDM, *Solidarité Internationale*, OXFAM, etc.) or in support of national governments. In August 2014, it signed a partnership agreement with the French government to strengthen the effectiveness of the response to emergency humanitarian situations. For example, in Iraqi Kurdistan, France transported 20 metric tons of humanitarian aid equipment for storing and distributing drinking water, 12.5 metric tons of which were provided by the Veolia Foundation and were managed in situ by the Red Cross.

In the Democratic Republic of Congo, the Foundation supported the DRC Ministry of Health by continuing to implement the national cholera eradication program that it launched in 2007 and by taking part in a rehabilitation project for the water infrastructure of the city of Uvira, in the Great Lakes region (one of the eight cholera areas identified in the country). The Foundation also runs and provides secretarial services to the GAAC(2). A partner of the Veolia Foundation in the Democratic Republic of Congo, the NGO *Medecins sans frontieres* tested the mobile drinking water production equipment developed by the Foundation’s teams under humanitarian emergency conditions (in south Sudan refugee camps on the northern border of Uganda, in 2014), with the support of Group R&D.

In 2014, MSF also contacted the Veolia Foundation for research/innovation support for problems connected with its activities in the field, in the areas of energy, waste, wastewater treatment and emergency drinking water. The installation of photovoltaic panels to safeguard an independent electricity supply for its mission in Moissala, in Chad, is a first step.

In Kenya, as part of the “Education above all” program, the Foundation is working on wastewater treatment in school settings and on raising young people’s awareness of hygiene, in Kakuma (the largest refugee camp currently in place in Africa).

The Veolia Foundation is also involved in the global action plan to combat the Ebola epidemic in Guinea. In Macenta, one of the main centers of the Ebola outbreak raging since January 2014, the French Red Cross opened a treatment center and called on the Veolia Foundation to size and install a complex water distribution system, an essential component of the Logistics Center.

It is also worth mentioning the support to the NGO Sulabh International in India, the aid to Mali, devastated by the conflict which happened there in 2012-2013, and to the displaced populations (with the provision of water supply through the rehabilitation or construction of drill holes, and help with reconstruction), and the involvement of Veoliaforce, working alongside the NGO Solidarité, in supplying water to thousands of people in Tacloban in the Philippines, the first city on the East coast destroyed by the Haiyan cyclone (Yolanda).

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(1) “Go Further Together”: national sustainable development initiative launched by Veolia in the United Kingdom in 2010.

(2) Global Alliance Against Cholera (GAAC): an international alliance established in 2010 by the Veolia Foundation to fight cholera (a consortium of public and private sector players making a combined contribution of funds and the skills required to take targeted action to eradicate cholera).

Finally, the MODEAB project in Bangangté in Cameroon (sustainable contracting authority in the sectors of water and wastewater treatment) and supported by the Veolia Foundation since 2007, received the United Nations prize for public services, in the category “Improving the provision of services to populations”.

6.3.3.5 Preventing corruption

See Chapter 4, Sections 4.3, “Audit and internal control” and 4.4, “Ethics and compliance” above.

6.3.3.6 Actions taken to promote human rights

For many years now, Veolia has been committed to respect for human rights, not only in its business activities but also in the regions where the company operates.

Veolia’s actions fall within the framework of international initiatives to which the Group has signed up, in particular the UN Global Compact, international human rights law and the OECD guidelines for multinational enterprises (see the Veolia Ethics Guide).

Projects carried out in numerous developing countries have shown that it is possible to reconcile service quality and accessibility and advocate respect for the human rights of the populations served.

After welcoming the official recognition of access to water as a basic human right in 2010, Veolia, as a modest player given the scale of this challenge, continues to work with its public authority partners to ensure that this right is respected through technically ambitious and socially innovative access programs.

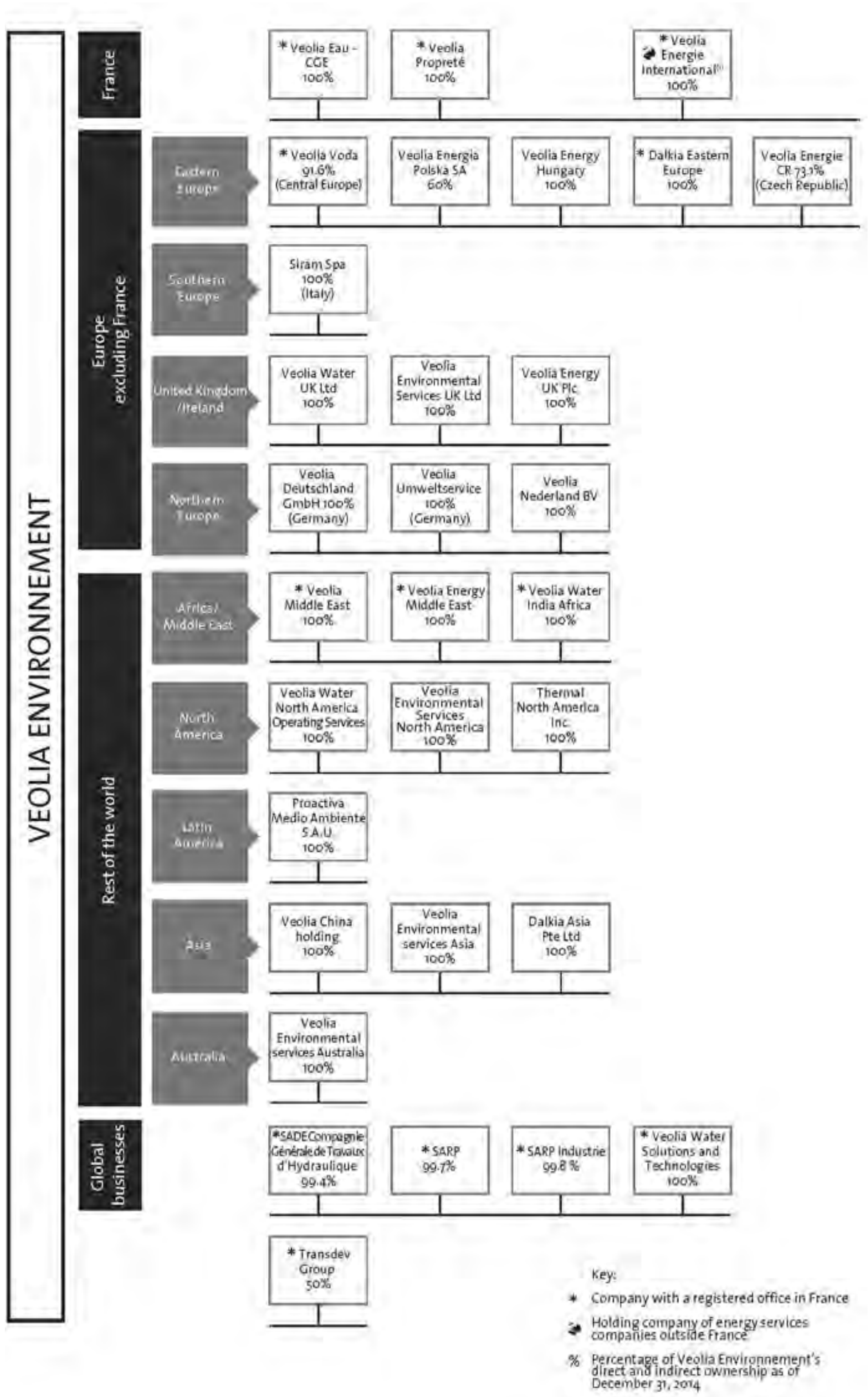
Veolia continues to respond to invitations from institutions involved in the application of this right and contributes its recognized technical excellence to help advance this cause, combined with dialogue with all stakeholders to help produce shared solutions.

7 ORGANIZATIONAL CHART

The following simplified organizational chart shows the main subsidiaries owned directly and/or indirectly by Veolia Environnement as of December 31, 2014, categorized by segment.

The purpose of the chart is to present the Group's organization by segment, through the main subsidiaries controlled directly and/or indirectly by Veolia Environnement. It is not intended to reflect the Group's legal structure.

The list of the main companies included in the consolidated financial statements in 2014 is shown in Chapter 20, Section 20.1, Note 41 below.



The companies are shown in the segment where most of their activities are carried out.

(1) Formerly Dalkia International

Main financial flows between Veolia Environnement and the main subsidiaries of the Business Units in the new geographic structure

The main financial flows between Veolia Environnement and the main subsidiaries of the Business Units in the new geographic structure are described in the notes to the parent company financial statements set forth in Chapter 20, Section 20.2 below.

Veolia Environnement primarily finances its Business Units through loans and current accounts (net position of €8.1 billion as of December 31, 2014) and through equity. As a result, it received €259.1 million in interest and €404.5 million in dividends in 2014. The Company has set up a system to centralize cash management in the main countries in which it operates and uses hedging, mainly at Group level, in accordance with its risk management policy (see Note 30 to the consolidated financial statements – Chapter 20, Section 20.1 below).

For the main financial flows between Veolia Environnement and the Business Units concerning operations, Veolia Environnement charged the Business Units a total of €446.6 million, corresponding mainly to the provision of services and trademark royalties and temporary out-placement of personnel. In addition, in connection with contractual commitments relating to the management of expenses for the renovation of facilities made available by delegating authorities, the Company received €183.6 million in renewal indemnities from its Water France and Dalkia France Business Units and paid €203.1 million to the Water France and Dalkia France Business Units in 2014.

In connection with operating activities, Veolia Environnement granted financial and operational guarantees worth €3,225.6 million as of December 31, 2014.

The table below details the consolidated amounts of certain line items from the balance sheet (non-current assets, financial debt, cash and cash equivalents), of net cash flows from operating activities and of the amount of dividends paid in 2014 and recovered by the Company, as of December 31, 2014, broken down between Veolia Environnement and its Business Units.

Information as of December 31, 2014:

(in € million)	France	Europe excluding France	Rest of the world	Global businesses	Other(1)	Veolia Environnement	Total consolidated
Non-current assets	3,505.1	8,523.8	6,105.8	1,472.5	1,229.9	581.6	21,418.7
Non-Group financial debt(2)	(221.8)	(348.6)	(493.0)	(115.3)	(248.7)	(9,815.9)	(11,243.3)
Cash and cash equivalents less bank overdrafts(3)	(6.6)	207.0	239.9	90.0	119.3	2,282.6	2,932.2
Net cash flow from operating activities	537.8	821.6	483.7	(105.3)	156.3	155.3	2,049.4
Dividends paid during the period and attributable to Veolia Environnement	199.5	-	24.4	-	180.6	-	-

(1) Including Dalkia France up to July 25, 2014.
(2) Corresponds to long-term borrowings + short-term borrowings +/- readjustment of cash instruments.
(3) Corresponds to cash and cash equivalents less bank overdrafts and other cash position items.

8 PROPERTY, PLANT AND EQUIPMENT

Veolia uses various assets and equipment for the conduct of its activities, over which it exercises extremely diverse rights.

The total gross value of the assets required for the Group's business activities (including concession assets) as of December 31, 2014 was €23,546.3 million (or a net value of €11,397.7 million representing 32.8% of total consolidated assets), compared with €17,495.8 million as of December 31, 2013 (or a restated[1] net value of €8,455.4 million).

In the conduct of its concession management business, Veolia provides collective services (distribution of drinking water and heating, household waste collection, etc.) to local authorities in return for remuneration based on the services performed. These collective services (also known as services of general interest or general economic interest, or public services) are generally managed by Veolia under contracts entered into at the request of public sector bodies, which retain control over the assets associated with these services. Concession agreements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities built by Veolia, or made available to it for or without consideration. Facilities normally consist of pipelines, water treatment and purification plants, pumps etc. in the Water business, incineration plants in the Waste solutions business, and urban heating networks and heating and co-generation plants in the Energy business.

With respect to these assets, the Group is generally subject to contractual obligations under public service contracts to maintain and repair the installations that it manages. When necessary, related repair and maintenance costs are provided for in contractual commitments in the event of delays in the performance of work. The nature and extent of the Group's rights and obligations under these different contracts vary according to the type of public service performed by the different Group businesses.

Under outsourcing contracts with industrial clients, BOT (Build, Operate, Transfer) contracts, or incineration or co-generation contracts, the Group may grant customers the right to use a group of assets in return for rent included in the total contract remuneration. Pursuant to IFRIC 4, the Group thus becomes a lessor with respect to these customers. The corresponding assets are therefore recorded in the consolidated balance sheet as operating financial assets.

The Group is also the outright owner of industrial facilities, in particular for activities within the Waste solutions business (landfill sites and hazardous waste processing plants) and the Energy services business (assets for producing and distributing heat, *i.e.* boilers and co-generation networks). These assets are classified under property, plant and equipment in the consolidated balance sheet. The Group's property, plant and equipment are subject to maintenance and repair costs and may also be subject to obligations relating to dismantling and to closure and post-closure costs.

There are relatively few real estate assets legally owned by the Group without any grant-back obligations. When possible, the Group does not own its office buildings.

Finally, assets purchased under finance leases which fall into one of the three asset categories detailed above accounted for a net amount of €248.6 million as of December 31, 2014.

The main insurance policies subscribed by the Company are described in Chapter 4, Section 4.2.3 of this Registration Document.

Environmental issues may also influence the Company's use of property, plant and equipment, as detailed in Chapter 6, Section 6.3 of this registration document.

(1) ***Restatements for fiscal year 2013 result from the reclassification of the Eau Maroc business as continuing operations.***

9 OPERATING AND FINANCIAL REVIEW AFR

9.1 Major events of 2014

The agreement signed by Veolia Environnement and EDF on March 25, 2014 in respect of their joint subsidiary, Dalkia, was finalized on July 25, 2014.

As part of this agreement, EDF acquired all of Dalkia's Energy activities in France, operating under the Dalkia brand, while the international Energy operations (Dalkia International) were taken over by the Group.

After the authorization of antitrust authorities was received at the end of June 2014, the transaction was completed on July 25, 2014 and resulted in the divestiture of the Group's Dalkia France shares to EDF and the divestiture of EDF's Dalkia International shares to the Group, these two divestitures being part of one transaction.

Following the completion of the transaction, the international activities of Energy, were fully consolidated in the Veolia financial statements as of the date of closure.

9.1.1 General context

Despite the current economic environment, the Group's performance in 2014 was encouraging, surpassing the year's objectives, and was particularly marked by:

- a return to revenue growth due to the successful implementation of our strategy and robust growth outside of France despite a relative stability in France and the negative weather impact on Energy activities in the first quarter of 2014. Revenue increased 4.9% at constant exchange rates (+4.6% at current consolidation scope and exchange rates). For our combined Water and Waste activities, cumulative revenue rose +3.3% at constant consolidation scope and exchange rates in 2014. Overall, nearly €9 billion in new contracts were awarded or renewed in 2014, half of which were in our new strategic growth markets: oil and gas, circular economy, hazardous pollution, dismantling, and innovative solutions for cities;
- a significant improvement in performance with a 17.3% rise in adjusted operating cash flow at constant exchange rates, driven by internal management efforts and the ramp-up of cost savings. Indeed, the impact on operating profit of savings plans had a total impact of €168 million in 2014, net of implementation costs;
- strong growth in adjusted net income attributable to owners of the Company, to €326.1 million for the year ended December 31, 2014, compared to re-presented €182.0 million for the year ended December 31, 2013, due to debt reduction and improvement in our operating results;
- the improvement in our net free cash flow to €330 million for the year ended December 31, 2014, versus re-presented €87 million for the year ended December 31, 2013, driven by the improvement in adjusted operating cash flow, as well as better control over industrial investments and operating working capital requirements;
- net financial debt was relatively stable, standing at €8.3 billion as of December 31, 2014, compared to re-presented €8.4 billion as of December 31, 2013, despite a negative foreign exchange impact of nearly €400 million.

Changes in governance

On Thursday April 24, 2014, the Combined Shareholders' Meeting of Veolia Environnement, chaired by Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company, approved all the resolutions on its agenda.

In addition, the Board of Directors meeting on the same day, renewed Mr. Antoine Frérot's term of office as Chairman and Chief Executive Officer.

Pursuant to the legal provisions in force and the amendment of the bylaws approved by the Combined Shareholders' Meeting of April 24, 2014, the French and European Works Councils respectively appointed Messrs. Pierre Victoria (of French nationality) and Pavel Páša (of Czech nationality) as directors representing employees on the Veolia Environnement Board of Directors.

These directors were appointed for a term of 4 years as of October 15, 2014.

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

Following these appointments, the Board of Directors now consists of sixteen voting directors and one non-voting director (censeur):

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;
- Mr. Louis Schweitzer, Vice-Chairman and Lead Independent Director;
- Mr. Jacques Aschenbroich;
- Mrs. Maryse Aulagnon;
- Mr. Daniel Bouton;
- Caisse des Dépôts et Consignations, represented by Mr. Olivier Mareuse;
- Mr. Pierre-André de Chalendar;
- Groupama SA, represented by Mr. Georges Ralli;
- Mrs. Marion Guillou;
- Mr. Serge Michel;
- Mr. Pavel Páša;
- Mr. Baudouin Prot;
- Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Mohamed Ebrahim Al Sayed;
- Mrs. Nathalie Rachou;
- Mr. Paolo Scaroni;
- Mr. Pierre Victoria;
- Mr. Paul-Louis Girardot, non-voting director.

In addition, during its meeting on November 5, the Board of Directors changed the composition of its committees and appointed additional members.

The composition of the four Board Committees is as follows:

- Accounts and Audit Committee: Mr. Daniel Bouton (Chairman), Mr. Jacques Aschenbroich, Mrs. Nathalie Rachou, and Mr. Pierre Victoria.
- Appointments Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon, Mr. Pierre-André de Chalendar and Mr. Serge Michel.
- Compensation Committee: Mr. Louis Schweitzer (Chairman), Mr. Daniel Bouton, Mrs. Marion Guillou, Mr. Serge Michel, and Mr. Pierre Victoria.
- Research, Innovation and Sustainable Development Committee: Mr. Jacques Aschenbroich (Chairman), Mr. Pierre-André de Chalendar, Mr. Paul-Louis Girardot, Mrs. Marion Guillou, and Mr. Pavel Páša.

Completion of the transaction between Veolia Environnement and EDF related to Dalkia

As a reminder, discussions between Veolia Environnement and EDF led to the signature of a Memorandum Of Understanding in October 2013, with the goal of reaching an agreement on their joint subsidiary Dalkia.

The transaction contemplated by the agreement signed by Veolia Environnement and EDF on March 25, 2014 in respect of their joint subsidiary, Dalkia, was finalized on July 25, 2014.

This transaction led to a cash payment to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities. Taking into account the transaction's final structuring, a cash payment of €661 million was made by the Group to EDF.

As of July 25, 2014, the transaction reduced Veolia's net debt by approximately €350 million, of which €155 million, was recorded in 2013, resulting from the de-consolidation of the external debt of Dalkia France (already reclassified in "Assets classified as held for sale" as of December 31, 2013 pursuant to IFRS 5).

Accounting impacts of the transaction

In the Group consolidated financial statements, this transaction was reflected by the loss of control of the Dalkia activities in France and the acquisition of control of Dalkia International. Accordingly, Dalkia International, which was previously equity-accounted in the Group consolidated financial statements, is fully consolidated and its activities are broken down by segment commencing the closing date of the transaction:

- France,
- Europe, excluding France,

- Rest of the World,
- Global Businesses,
- Other, including the contribution of Dalkia France up to the date of the unwinding of the Dalkia joint venture, on July 25, 2014.

For further information on the impacts of the acquisition of control of Dalkia International and the divestiture of Dalkia France, please refer to Note 4 to the consolidated financial statements.

Delisting from the New York Stock Exchange

On December 12, 2014, Veolia Environnement confirmed that it had filed a request to delist its ADRs from the New York Stock Exchange (NYSE), with a view to terminating its registration with the U.S. Securities and Exchange Commission (SEC).

The delisting should generate savings and eliminate the additional costs relating to the double listing on the New York and Euronext Paris stock exchanges.

As announced, Veolia Environnement will maintain its American Depositary Receipt (ADR) program managed by The Bank of New York Mellon as a sponsored level 1 facility. ADR holders will thus be able to conserve their ADRs following the NYSE delisting and the termination of the company's registration.

The NYSE delisting was effective on December 23, 2014. Furthermore, on the same day, Veolia Environnement filed a Form 15F suspending its registration with the US Securities and Exchange Commission (SEC). The final end of this registration is effective ninety days after the filing of the Form 15F with the SEC.

Changes in Group structure

SNCM / Transdev Group

2014 was marked by the following developments in SNCM:

- the larger role played by the French State in the major decisions affecting the company's future. The French State became a direct shareholder in SNCM in January 2014 and participates directly in the financing of SNCM's activities and the definition of its industrial strategy. In particular, the French State granted SNCM several cash advances totaling €30 million over the period. For their part, neither Veolia Environnement nor Transdev Group accorded additional funding;
- the change in the chairmen of its two governing bodies in June and July 2014 (among which appointment of general secretary of Transdev Group, as chairman of the Supervisory Board);
- the use by SNCM of a portion of escrow amounts (Napoléon Bonaparte insurance indemnity) for purposes other than payment of severance compensation to SNCM employees, leading Transdev and Veolia Environnement to call in their loans to SNCM, with effect from November 3, 2014. SNCM management therefore filed for bankruptcy on the grounds of insolvency on November 4, 2014 and the Marseille Commercial Court opened receivership proceedings on November 28, 2014.

This procedure, is accompanied by a search for potential buyers for the assets and activities of SNCM under a divestiture plan. An invitation for tenders was launched by the administrative receivers on December 19, 2014 and includes the possibility of acquiring the public service delegation contracts on a line-by-line basis as requested by the European Commission. Tenders were received on February 2, 2015 and are currently being reviewed by court administrators.

For further information on the proceedings concerning SNCM, please refer to Note 36 to the consolidated financial statements.

Impact on the consolidated financial statements for the year ended December 31, 2014

SNCM remains equity-accounted indirectly as part of the Transdev Group joint venture.

Considering the opening of SNCM receivership proceedings, the assumptions underlying the accounting treatment of SNCM in the 2014 consolidated financial statements remain consistent with those adopted in prior years (appropriate collective procedure accompanied by a divestiture plan and a settlement agreement).

Accordingly, the accounting treatment adopted in the 2014 consolidated financial statements is based on a fair assessment of the residual financial exposure of the Group in the context of collective proceedings through its indirect investment in SNCM.

With regards to the European disputes, the repayments claimed by the European Commission in respect of the privatization process (€220 million excluding interest) and compensation paid for so-called complementary services (€220 million excluding interest; the Corsican Transportation Authority having issued a demand for payment in November 2014 in the amount of €197.8 million, of which €167.2 million excluding interest), would not be paid under the modeled assumptions. Should this scenario not prevail, the Company would reassess the financial effects.

Transdev Group joint venture

The Group's investment in Transdev Group does not represent a core Group business within the meaning of the recommendation issued by the French Accounting Standards Authority (Autorité des Normes Comptables, ANC) on April 4, 2013, as the Group aims to withdraw from the transportation business.

While SNCM's difficulties may slowdown the implementation of this policy, the desired final outcome remains unchanged.

At the end of December 2014, the Transdev Group joint venture partially repaid two loans granted by its shareholders the Caisse des Dépôts et Consignations and Veolia Environnement in the amount of €156 million to each shareholder.

Morocco

Taking into account the sales process launched in 2012 for the Group's Water activities in Morocco and the agreement signed in March 2013 for its sale to the Actis fund the Water activities in Morocco, were reclassified to discontinued operations as of December 31, 2012 and retained in discontinued operation as of December 31, 2013 (see also Note 26.2 to the consolidated financial statements).

In the first half of 2014, the majority of the municipalities rejected the sale to the Actis fund and announced their intention to buyback the associated concessions.

However, as the Group did not receive formal notification from the municipalities of their intention to buyback the concessions during the second half of the year, Water activities in Morocco were reclassified to continuing operations retroactively from January 1, 2013 in accordance with IFRS 5 (see also Note 26.2 to the consolidated financial statements).

Acquisitions, significant partnerships

Purchase of 51% of Kendall

On January 30, 2014, TNAI acquired 51% of Kendall Green Energy Holding LLC and its wholly-owned subsidiary, Kendall Green Energy LLC (cogeneration plant providing energy to customers in Cambridge, Boston and the Massachusetts General hospital). This transaction was completed at a price of €19 million.

The Group has a call option covering the shares held by the joint partner and simultaneously granted a put option to the joint partner exercisable under the same conditions, which was recognized in debt for approximately €20 million.

Purchase of IFC's investment in Veolia Voda

On April 18, 2014, VE-CGE signed an agreement to purchase International Finance Corporation's (IFC) minority interest in Veolia Voda (9.52% of Veolia Voda's share capital) for €90.9 million. Following this transaction, the Group's stake in Veolia Voda is 91.64%.

Purchase of IFC and Proparco minority interests

On July 7, 2014, following the exercise of a put option by the minority shareholder IFC, the Group increased its stake in Water activities in Africa, the Middle East and India from 80.55% to 94.44%.

On December 24, 2014, following the exercise of a put option by the minority shareholder Proparco, the Group increased its stake in these activities to 100%.

The consideration paid under these transactions amounted to €34.8 million.

Principal divestitures

Marius Pedersen

On June 27, 2014, Veolia completed the divestiture of its 65% stake in Marius Pedersen Group, the joint venture, to Fondation Marius Pedersen for a consideration of €240 million. Marius Pedersen Group provides solid waste management services in Denmark, the Czech Republic and Slovakia.

Divestiture of activities in Israel

On July 2014, the Group signed an agreement with funds managed by Oaktree Capital Management, L.P., a global investment manager, for the sale of its water, waste and energy activities in Israel.

This transaction will contribute around €200 million to the reduction in Veolia's debt. It is part of Veolia's strategy to refocus the Group geographically and to concentrate on areas that offer less capital intensive opportunities.

Completion of this transaction is expected in the first half of 2015.

9.1.2 New contracts

The list of major contracts won during the year 2014 is in Chapter 6 "Business Overview" in the 2014 Registration Document.

9.1.3 Group financing

Dividend payment

As decided at the General Shareholders' Meeting of April 24, 2014, Veolia Environnement offered shareholders a choice of payment of the dividend in cash or shares. The share payment option was taken up for 46.67% of coupons payable, resulting in the creation of 13,426,093 shares representing approximately 2.38% of share capital and 2.44% of voting rights. Accordingly, the dividend payment in cash totaled €199.5 million and was paid on May 28, 2014.

Early reversal of a portion of the swap portfolio

In June 2014, the Group launched the early reversal of its portfolio of euro interest rate floating-rate payer swaps. The swaps unwound were classified as fair value hedges of bonds issued by Veolia Environnement. Balancing cash payments by the banks totaled €98.6 million and concerned notional outstandings of €2,850 million. The transaction had no impact on the income statement.

Partial buyback of notes

On November 24, 2014, Veolia Environnement performed partial buybacks of its euro denominated notes: €40 million of the 4% euro notes maturing in February 2016, €10 million of the 4.375% euro notes maturing in January 2017 and €175 million of the 6.75% euro notes maturing in April 2019.

On December 19, 2014, Veolia Environnement bought back all 6% US dollar denominated notes maturing in June 2018 for a total principal amount of USD 408 million.

The total cost of these buybacks of €62.3 million is recorded in non-recurring net finance costs.

The purpose of this transaction was to actively manage the Company's debt and optimize its financing costs. It will allow the Company to reduce gross debt and thereby limit its cost of carrying cash and cash equivalents.

9.2 Accounting and financial information

9.2.1 Definitions and accounting context

On December 23, 2014, Veolia Environnement voluntarily delisted its American Depositary Receipts (ADRs) from the New York Stock Exchange (NYSE), and filed a Form 15F with the U.S. Securities and Exchange Commission (SEC) indicating its intent to terminate its registration with the SEC which is expected to be effective 90 days following the Form 15F filing.

Pursuant to Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation no. 297/2008 of March 11, 2008, the Group's financial statements are now presented in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

9.2.2 Key figures

Group consolidated revenue increased 1.6% at constant consolidation scope and exchange rates (+4.6% at current consolidation scope and exchange rates) to €23,879.6 million for the year December 31, 2014, compared with re-presented(1) revenue of €22,819.7 million for the year ended December 31, 2013

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented(1)**	**% Change**	**% Change at constant consolidation scope and exchange rates**
Revenue, published	23,879.6	22,819.7	+4.6%	+1.6%
Water and Waste revenue	20,370.0	19,340.3	+5.3%	+3.3%
Pro forma revenue (2)	24,408.4	23,952.7	+1.9%	+1.0%

(1) The figures for December 31, 2013 are re-presented for the reclassification of the Morocco Water activities in continuing operations (for more information, see Section 9.11.1).

(2) Excluding Dalkia France, and including Dalkia International fully consolidated over 12 months for the comparative periods.

The change in quarterly revenue at constant consolidation scope and exchange rates is a follows:

	Q1			**Q2**			**H1**		
	2013	**2014**	**Change at constant consolidation scope and exchange rates**	**2013**	**2014**	**Change at constant consolidation scope and exchange rates**	**2013**	**2014**	**Change at constant consolidation scope and exchange rates**
TOTAL GROUP GAAP re-presented	5,872.5	5,811.0	**(1.6%)**	5,440.1	5,671.4	**3.1%**	11,312.5	11,482.4	**0.7%**
TOTAL GROUP Water, Waste, others	4,693.9	4,876.8	**3.2%**	4,795.4	5,053.4	**4.0%**	9,489.3	9,930.1	**3.6%**
TOTAL GROUP PRO FORMA	6,203.0	6,151.5	**0.0%**	5,750.3	5,863.5	**2.2%**	11,953.4	12,015.0	**1.0%**

	Q3			**Q4**			**TOTAL 2014**		
	2013	**2014**	**Change at constant consolidation scope and exchange rates**	**2013**	**2014**	**Change at constant consolidation scope and exchange rates**	**2013**	**2014**	**Change at constant consolidation scope and exchange rates**
TOTAL GROUP GAAP re-presented	5,215.7	5,758.4	**2.8%**	6,291.4	6,638.8	**2.4%**	22,819.7	23,879.6	**1.6%**
TOTAL GROUP Water, Waste, others	4,754.5	5,036.7	**3.2%**	5,096.5	5,403.3	**3.0%**	19,340.3	20,370.1	**3.3%**
TOTAL GROUP PRO FORMA	5,553.6	5,754.1	**1.3%**	6,445.7	6,639.3	**0.6%**	23,952.7	24,408.4	**1.0%**

The change in revenue over 2014 benefited:

- in France, from the good resilience of Water and Waste activities. Waste revenue in France remained stable, while Water revenue contracted slightly;
- in Europe excluding France, from steady growth due to solid momentum in the UK (+4.9% at constant consolidation scope and exchange rates) related to the commissioning of Waste assets;
- in the Rest of the World, substantial growth (+6.7% at constant consolidation scope and exchange rates) in all regions and specifically industrial contracts in Asia and Australia and favorable price impacts in Australia and the United States. The segment also benefited from the consolidation of the Water and Waste activities of Proactiva Medio Ambiente in Latin America;
- in the Global Businesses segment, from solid momentum, with substantial revenue growth (+9.7% at constant consolidation scope and exchange rates) made possible by the start-up of major engineering-construction projects at Veolia Water Technologies and SADE.

Pro forma Group consolidated revenue rose +1.9% at current consolidation scope and exchange rates (+2.4% at constant exchange rates) to €24,408.4 million for the year ended December 31, 2014 compared to re-presented €23,952.7 million for the year ended December 31, 2013.

Adjusted operating cash flow for the year ended December 31, 2014 increased 17.3% at constant exchange rates (+17.1% at current consolidation scope and exchange rates) to €2,164.3 million, compared to re-presented €1,847.6 million for the year ended December 31, 2013.

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented**	**% Change**	**% Change at constant exchange rates**
Adjusted operating cash flow, published	2,164.3	1,847.6	+17.1%	+17.3%
Water and Waste adjusted operating cash flow	1,885.1	1,667.0	+13.1%	+13.2%
Pro forma adjusted operating cash flow	2,308.1	2,138.1	+8.0%	+8.4%

In 2014, the increase in adjusted operating cash flow benefited from:

- the sizeable contribution of cost savings plans;
- stability in France, excluding restructuring costs;
- significant growth in Europe excluding France, particularly for Waste activities in the United Kingdom and Germany;
- strong momentum in the Rest of the World, particularly for Energy activities in the United States and China, and Water activities in Australia, Gabon and the Middle East;
- sustained growth of Global Businesses, particularly at Veolia Water Technologies and in hazardous waste;
- positive consolidation scope impacts relating to the consolidation of Dalkia International, and the full consolidation of Proactiva Medio Ambiente in Latin America.

Conversely, adjusted operating cash flow was negatively impacted by:

- in France, the change in recycled metal prices in Waste, contractual erosion in Water activities, and French Water restructuring charges relating to the voluntary departure plan in the amount of -€41 million, recorded in non-recurring items within operating income;
- lower profits for the Braunschweig contract in Germany, due to an unfavorable weather impact;
- a difficult first half of 2014 for Dalkia in France, due to unfavorable weather conditions and the impact of the scheduled end of gas cogeneration contracts.

The foreign exchange impact on adjusted operating cash flow was limited to -€2.2 million.

The reconciliation of adjusted operating cash flow to adjusted operating income for the year ended December 31, 2014 and re-presented December 31, 2013 breaks down as follows:

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented**	**% change**	**% change at constant exchange rates**
Adjusted operating cash flow	2,164.3	1,847.6	+17.1%	+17.3%
Depreciation and amortization	(1,246.8)	(1,187.4)		
Adjusted net capital gains on disposals	46.7	122.6		
Operating provisions, fair value adjustments and other	50.4	(13.4)		
Share of adjusted net income of joint ventures and associates (excluding capital gains on disposals)	93.7	131.4		
ADJUSTED OPERATING INCOME	**1,108.4**	**900.8**	**+23.0%**	**+23.2%**

Adjusted net finance costs fell significantly, standing at -€481.6 million for the year ended December 31, 2014, versus re-presented -€521.4 million for the year ended December 31, 2013.

The net loss from discontinued operations was €21.9 million for the year ended December 31, 2014, compared to re-presented net income of €34 million for the year ended December 31, 2013, mainly due to the capital gain on the divestiture of the Water contract in Berlin at the end of 2013.

Net income attributable to owners of the Company therefore rose significantly to €246.1 million for the year ended December 31, 2014, compared to a re-presented net loss of €153.4 million for the year ended December 31, 2013.

Adjusted net income attributable to owners of the Company also rose significantly, amounting to €326.1 million for the year ended December 31, 2014, compared to re-presented €182.0 million for the year ended December 31, 2013.

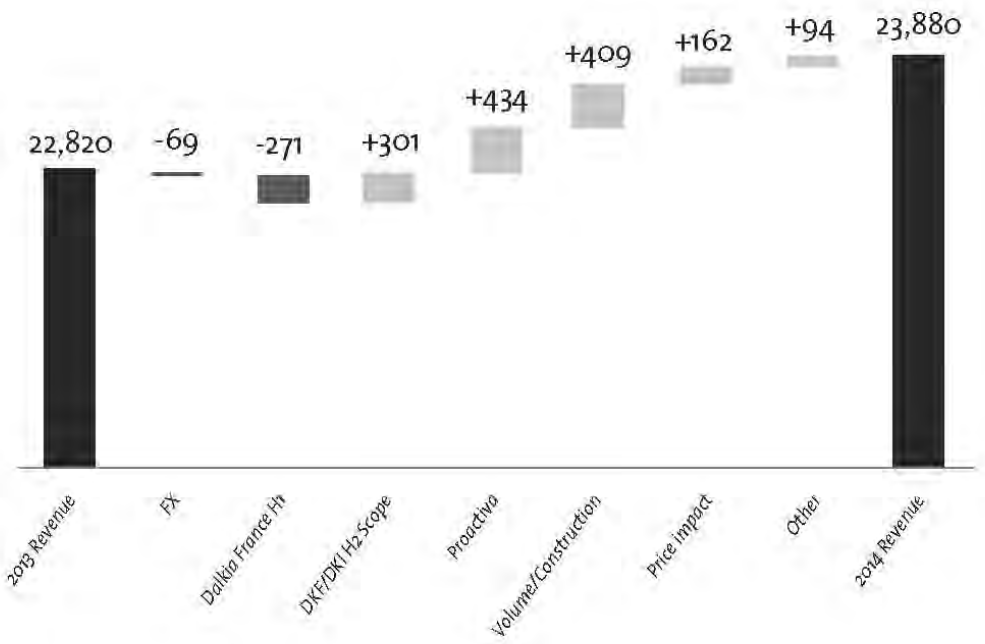
Net financial debt amounted to €8.3 billion as of December 31, 2014, compared to re-presented €8.4 billion as of December 31, 2013, and was penalized by a negative foreign exchange impact of nearly €400 million. Net financial debt adjusted for loans granted to joint ventures, as defined in Section 9.11.2, rose from re-presented €5.7 billion as of December 31, 2013 to €7.7 billion as of December 31, 2014. The increase in adjusted net financial debt over the period mainly stems from financing at Dalkia International (re-presented in 2013 since the associated equity-accounted entities are fully consolidated as of December 31, 2014).

9.2.3 Revenue

9.2.3.1 Overview

Year ended December 31, 2014 *(€ million)*	**Year ended December 31, 2013 re-presented** *(€ million)*	**% change 2014/2013**	**Internal growth**	**External growth**	**Foreign exchange impact**
23,879.6	22,819.7	+4.6%	+1.6%	+3.3%	-0.3%

The evolution of revenue between 2013 and 2014 can be analyzed as follows:



Group consolidated revenue rose by 1.6% at constant consolidation scope and exchange rates (+4.6% at current consolidation scope and exchange rates) to €23,879.6 million for the year ended December 31, 2014, compared to re-presented €22,819.7 million for the year ended December 31, 2013.

Changes in consolidation scope had a positive impact on revenue for the year ended December 31, 2014 of €755.5 million, including:

- +€433.8 million relating to the acquisition of control of Proactiva at the end of November 2013. Proactiva has since been fully consolidated in the Group accounts,
- +€301 million relating to the acquisition of the Dalkia International entities net of the impact of the divestiture of Dalkia France.

The foreign exchange impact of -€68.9 million primarily reflects the appreciation of the euro against the Australian dollar (-€63.4 million), the Czech crown (-€36.3 million), the Japanese yen (-€27.1 million), the Brazilian real (-€12.6 million), and the Canadian dollar (-€12.4 million). The pound sterling appreciated against the euro for an impact of €106.7 million on revenue.

For the combined Water and Waste activities, revenue increased by +5.3% at current consolidation scope and exchange rates and +3.3% at constant consolidation scope and exchange rates, compared to re-presented December 31, 2013 figures.

Pro forma Group consolidated revenue rose by +1.9% at current consolidation scope and exchange rates (+2.4% at constant exchange rates) to €24,408.4 million for the year ended December 31, 2014, compared to re-presented €23,952.7 million for the year ended December 31, 2013.

9.2.3.2 Revenue by segment

Primary segment reporting:

Revenue *(€ million)*						
	Year ended December 31, 2014	**Year ended December 31, 2013 re-presented**	**% change 2014/2013**	**Internal growth**	**External growth**	**Foreign exchange impact**
France	5,556.7	5,627.4	-1.3%	-1.4%	+0.1%	n/a
Europe, excluding France	6,623.3	4,830.9	+37.1%	-0.2%	+36.1%	+1.2%
Rest of the World	4,595.4	3,789.6	+21.3%	+6.7%	+17.1%	-2.5%
Global Businesses	4,517.7	4,162.5	+8.5%	+9.7%	-0.4%	-0.8%
Other	2,586.5	4,409.3	-41.3%	-4.5%	-37.0%	+0.2%
GROUP	**23,879.6**	**22,819.7**	**+4.6%**	**+1.6%**	**+3.3%**	**-0.3%**

France

Revenue in France was stable overall at -1.4% at constant consolidation scope, compared to re-presented December 31, 2013 figures.

- Water activities reported a 2.3% contraction in revenue (at current and constant consolidation scope). Revenue benefited from tariff indexation increases (+1.2%), which partially offset contractual erosion, as well as the -0.7% decrease in volumes sold and lower construction activity due to shrinkage in the public works market.
- Waste activities reported relatively stable revenue (+0.1% at current consolidation scope, -0.3% at constant consolidation scope). A slightly favorable volume effect (+0.4%) and an increase in net prices (+0.7% excluding materials), were offset by lower recycled raw material prices and volumes.

Europe, excluding France

Revenue of the Europe, excluding France segment grew +37.1% at current consolidation scope and exchange rates (-0.2% at constant consolidation scope and exchange rates). The external growth impact is mainly related to the acquisition of control of the Dalkia International subsidiaries in Europe at the end of July 2014 in the amount of €1,742.1 million. At constant consolidation scope and exchange rates, the change is largely related to:

- In the United Kingdom: revenue rose substantially by +15.4% at current consolidation scope and exchange rates (+4.9% at constant consolidation scope and exchange rates) due to the contribution of integrated contracts in Waste operations (higher business volumes relating to the start-up of the PFI in Staffordshire and the increase in construction revenue, particularly in Leeds) and the increase in commercial collection, hazardous waste and industrial services volumes.
- In the Central and Eastern European countries: revenue grew 0.2% at constant consolidation scope and exchange rates (+73.5% at current consolidation scope and exchange rates) in line with tariff increases in the Water business (mainly in the Czech Republic and Romania), offset by a decrease in construction activities in Romania (Water).
- These impacts were partially offset by declining revenue in Germany of nearly -5.4% at constant consolidation scope and exchange rates, primarily due to the continuing decline in commercial collection and sorting-recycling volumes in the Waste business, as well as the unfavorable weather impact in the first and fourth quarters of 2014 for the Braunschweig contract.

Rest of the World

Revenue of the Rest of the world segment increased +21.3% at current consolidation scope and exchange rates (+6.7% at constant consolidation scope and exchange rates).

This increase was driven primarily by sustained revenue growth:

- in the United States, where revenue rose sharply by +8.5% at current consolidation scope and exchange rates (+5.8% at constant consolidation scope and exchange rates) mainly due to revenue growth in Energy activities (attributable to harsh weather conditions in the first half, new projects and higher natural gas and diesel prices);
- in Australia, where revenue grew by +6.2% at constant consolidation scope and exchange rates (+3.1% at current consolidation scope and exchange rates), due primarily to higher commercial collection tariffs and new contract wins in Water (QGC).

The external growth impact is mainly related to the acquisition of control of Proactiva Medio Ambiente at the end of November 2013 in the amount of €433.8 million.

Global Businesses

Revenue of the Global Businesses segment grew +8.5% at current consolidation scope and exchange rates (+9.7% at constant consolidation scope and exchange rates). The increase was mainly due to the following changes:

- +13.5% at constant consolidation scope and exchange rates and +11.0% at current consolidation scope and exchange rates for Veolia Water Technologies. This solid momentum in revenue was primarily driven by the start-up of major projects in the industrial Design and Build sector (particularly the Az Zour North and Sadara desalination projects in the Middle East);

- +9.5% at constant consolidation scope and exchange rates and +9.3% at current consolidation scope and exchange rates for SADE. The increase is mainly related to international revenue growth (Ivory Coast, Hungary, Bulgaria, Moldavia, Peru) and growth in telecom activities in France;

- +5.1% at current consolidation scope and exchange rates and +3.9% at constant consolidation scope and exchange rates for SARPI, with an increase in hazardous waste landfill and treatment volumes (used oil regeneration) and biogas recovery activities.

Other

The Other segment comprises the contribution of Dalkia France up to the date of the unwinding of the Dalkia joint venture on July 25, 2014, Water activities in Morocco and industrial multiservice contracts.

The significant fall in revenue over the period (-41.3% at current consolidation scope and exchange rates, -4.5% at constant consolidation scope and exchange rates) is essentially due to the unfavorable impacts of the 2014 winter in Dalkia France and the scheduled end of gas cogeneration contracts in France over the first half of 2014.

The external growth impact is mainly related to the deconsolidation of Dalkia France as of July 25, 2014.

9.2.3.3 Revenue by business

Secondary segment reporting:

Revenue *(€ million)*						
	Year ended December 31, 2014	**Year ended December 31, 2013 re-presented**	**% change 2014/2013**	**Internal growth**	**External growth**	**Foreign exchange impact**
Water	**11,215.1**	10,741.4	+4.4%	+3.8%	+1.5%	-0.9%
Waste	**8,506.3**	8,099.7	+5.0%	+2.0%	+2.6%	+0.4%
Energy *	**3,926.1**	3,756.5	+4.5%	-5.4%	+9.9%	+0.0%
Other	**232.1**	222.1	+4.5%	+0.0%	+4.5%	n/a
GROUP	**23,879.6**	**22,819.7**	**+4.6%**	**+1.6%**	**+3.3%**	**-0.3%**

* *Energy activities mainly include the contribution of TNAI in the United States, Dalkia France until July 25, 2014, as well as the entities of Dalkia International fully consolidated on the same date.*

Revenue benefited from:

- In Water:
  - stable Operations activities (+0.4% at constant consolidation scope and exchange rates and +2.0% at current consolidation scope and exchange rates), with the consolidation scope impact mainly corresponding to the consolidation of the Water activities of Proactiva Medio Ambiente;
  - growth in Technologies and Networks activities (Veolia Water Technologies & SADE) of +11.4% at constant consolidation scope and exchange rates (+9.7% at current consolidation scope and exchange rates) in line with the start-up of major projects at Veolia Water Technologies, mainly in the industrial Design and Build sector (particularly desalination projects in the Middle East) and the growth in the international activities of SADE;
- In Waste, growth of 2.0% at constant consolidation scope and exchange rates (including +0.6% for volumes and +0.9% for price increases), primarily due to:
  - in the United Kingdom, the contribution of integrated contracts (particularly Leeds and Staffordshire) and solid momentum in commercial collection;
  - in Australia (higher commercial collection tariffs);
  - the consolidation scope impact mainly corresponds to the consolidation of the Waste activities of Proactiva Medio Ambiente.

- Energy revenue fell -5.4% during the period at constant consolidation scope and exchange rates (compared to an increase of +4.5% at current consolidation scope and exchange rates). This decline was mainly due to the negative weather impact of the 2013-2014 winter compared with the particularly harsh weather the year before and the impact of the scheduled end of gas cogeneration contracts in France over the first half of 2014. The revenue growth of +4.5% at current consolidation scope and exchange rates is mainly attributable to:
  - the positive impact of TNAI activities in North America (price increases indexed to gas prices over the first half of 2014),
  - the consolidation scope impact of the unwinding of the Dalkia joint venture from the third quarter of 2014, and therefore the full consolidation of the Dalkia International activities, net of the removal of the Dalkia France entities.

The Other segment essentially comprises revenue from industrial multiservice contracts.

9.2.4 Other income statement items

9.2.4.1 Selling, general and administrative expenses

Selling, general and administrative expenses declined from re-presented €3,017.8 million for the year ended December 31, 2013 to €2,996.7 million for the year ended December 31, 2014, representing a decrease of 0.7% at current consolidation scope and exchange rates.

The ratio of selling, general and administrative expenses on sales fell from re-presented 13.2% for the year ended December 31, 2013 to 12.5% for the year ended December 31, 2014.

At constant consolidation scope, method and exchange rates, and excluding non-recurring items, selling, general and administrative expenses decreased by nearly 5%.

This decrease is due to the asset optimization policy and the cost reduction program implemented by the Group since 2012.

9.2.4.2 Adjusted operating cash flow

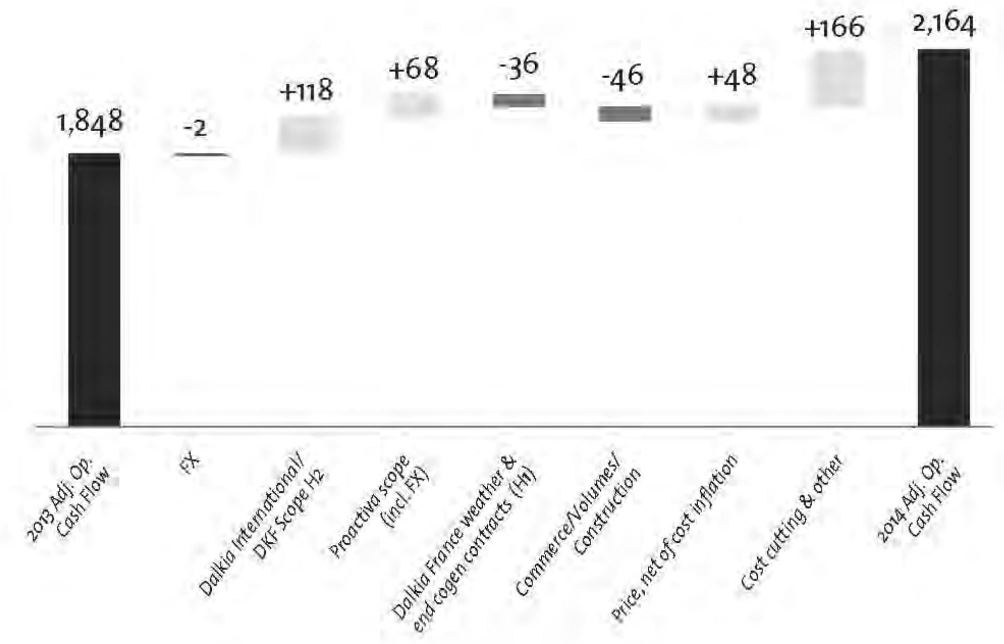
Changes in adjusted operating cash flow **by segment** were as follows:

	Adjusted operating cash flow			
			Change	
(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented**	**at current exchange rates**	**at constant exchange rates**
France	537.0	576.9	-6.9%	-6.9%
Europe, excluding France	691.6	495.6	+39.6%	+38.3%
Rest of the World	543.8	367.9	+47.8%	+49.6%
Global Businesses	206.3	185.6	+11.1%	+12.0%
Other *	185.6	221.6	-16.2%	-16.2%
Adjusted operating cash flow	**2,164.3**	**1,847.6**	**+17.1%**	**+17.3%**
Adjusted operating cash flow margin	**9.1%**	**8.1%**		

* *The Other segment essentially comprises the activities of Dalkia in France up to the unwinding of the Dalkia joint venture on July 25, 2014.*

As of the second half of 2014 and in tandem with the reorganization and acquisition of control of Dalkia International, the Group decided to review and standardize its policy for chargebacks of centralized corporate costs to the subsidiaries in France and internationally retroactively from January 1, 2014. These impacts have no impact at Group level on the financial indicators presented below. In order to make appropriate year over year comparisons, they have been cancelled out in the 2013 comparative period in the analysis by segment of adjusted operating cash flow, adjusted operating income, and operating income after share of net income (loss) of equity-accounted entities.

The evolution of **adjusted operating cash flow** between 2013 and 2014 can be analyzed as follows:



Changes in adjusted operating cash flow **by business** were as follows:

(€ million)	Adjusted operating cash flow			
	Year ended December 31, 2014	**Year ended December 31, 2013 re-presented**	**Change at current exchange rates**	**Change at constant exchange rates**
Water	930.0	838.9	+10.9%	+11.7%
Waste	942.7	842.9	+11.8%	+11.3%
Energy *	335.3	228.7	+46.6%	+46.6%
Other	(43.7)	(62.9)	+30.5%	+30.5%
Adjusted operating cash flow	**2,164.3**	**1,847.6**	**+17.1%**	**+17.3%**
Adjusted operating cash flow margin	**9.1%**	**8.1%**		

* *Energy activities mainly include the contribution of TNAI in the United States, Dalkia France until July 25, 2014, as well as the entities of Dalkia International fully consolidated on the same date.*

Adjusted operating cash flow amounted to €2,164.3 million for the year ended December 31, 2014, compared to re-presented €1,847.6 million for the year ended December 31, 2013, up +17.3% at constant exchange rates (+17.1% at current consolidation scope and exchange rates).

For the combined Water and Waste activities, adjusted operating cash flow rose +13.1% at current consolidation scope and exchange rates and +13.2% at constant exchange rates.

In 2014, the increase in adjusted operating cash flow benefited from:

- the sizeable contribution of cost savings plans;
- stability in France, excluding restructuring costs;
- significant growth in Europe excluding France, particularly for Waste activities in the United Kingdom and Germany;
- strong momentum in the Rest of the World, particularly for Energy activities in the United States and China, and Water activities in Australia, Gabon and the Middle East;
- sustained growth of Global Businesses, particularly at Veolia Water Technologies and in hazardous waste;
- positive consolidation scope impacts relating to the consolidation of Dalkia International, and the full consolidation of Proactiva Medio Ambiente in Latin America.

Conversely, adjusted operating cash flow was negatively impacted by:

- in France, the change in recycled metal prices in Waste, contractual erosion in Water activities, and French Water restructuring costs relating to the voluntary departure plan in the amount of -€41 million, recorded in non-recurring items within operating income;
- lower profits for the Braunschweig contract in Germany, due to an unfavorable weather impact;
- a difficult first half of 2014 for Dalkia in France, due to unfavorable weather conditions and the impact of the scheduled end of gas cogeneration contracts.

The foreign exchange impact on adjusted operating cash flow was limited to -€2.2 million and mainly reflects the appreciation of the euro against the Australian dollar (-€7 million) and the Czech crown (-€4.5 million). The pound sterling appreciated against the euro for €12 million.

9.2.4.3 Operating income after share of net income (loss) of equity-accounted entities and adjusted operating income

The reconciliation of adjusted operating cash flow with adjusted operating income for the years ended December 31, 2014 and 2013 re-presented is as follows:

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented**	**% Change**	**% Change at constant exchange rates**
Adjusted operating cash flow	2,164.3	1,847.6	+17.1%	+17.3%
Depreciation and amortization	(1,246.8)	(1,187.4)		
Adjusted net capital gains on disposals	46.7	122.6		
Operating provisions, fair value adjustments and other	50.5	(13.4)		
Share of adjusted net income of joint ventures and associates (excluding capital gains on disposals)	93.7	131.4		
ADJUSTED OPERATING INCOME	**1,108.4**	**900.8**	**+23.0%**	**+23.2%**

The increase in depreciation and amortization charges is primarily due to the consolidation of Dalkia International activities as of July 25, 2014 and the full-year impact of the Proactiva depreciation and amortization charges, including in both cases the depreciation and amortization impacts relating to the purchase price allocation process.

Adjusted net capital gains on disposals for the year ended December 31, 2014 include the impact of the June 2014 sale of Marius Pedersen for €48.9 million. For the year ended December 31, 2013, the item mainly related to capital gains on industrial divestitures (specifically the sale of the SADE head office), and the impact of the deconsolidation of the Italian Waste entities.

The change in operating provisions includes the change in non-recurring cash restructuring costs between 2014 and 2013 for €20.6 million. Other than this impact, the decrease in charges to operating provisions is attributable to the absence of asset impairment charges that were recorded in the Africa- Middle East region in 2013, offset by a negative comparison impact of approximately -€27 million in Veolia Environnement regarding reversals of senior executive pension provisions.

The change in adjusted operating income, as defined in Section 9.11.2, breaks down as follows:

	Adjusted operating income			
(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented**	**% Change**	**% Change at constant exchange rates**
France	223.3	206.8	+8.0%	+8.0%
Europe, excluding France	308.0	211.7	+45.5%	+44.4%
Rest of the World	300.7	148.1	+103.1%	+103.8%
Global Businesses	99.7	113.3	-12.0%	-10.9%
Other (1)	176.7	220.9	-20.1%	-19.3%
TOTAL	**1,108.4**	**900.8**	**+23.0%**	**+23.2%**

(1) The Other segment essentially comprises the activities of Dalkia in France, which were sold in July 2014.

For the years ended December 31, 2014 and December 31, 2013 re-presented, the reconciliation of operating income after share of net income (loss) of equity-accounted entities and adjusted operating income is as follows:

Year ended December 31, 2014 *(€ million)*	**Operating income after share of net income (loss) of equity-accounted entities (A)**	**Adjustments [1] (B)**	**Adjusted operating income [2] (C)**
France	227.4	4.1	223.3
Europe, excluding France	(120.3)	(428.3)	308.0
Rest of the World	243.3	(57.4)	300.7
Global Businesses	99.6	(0.1)	99.7
Other	617.2	440.5	176.7
TOTAL	**1,067.2**	**(41.2)**	**1,108.4**

(C) = (A)-(B)

(1) For the year ended December 31, 2014, the items that are not included in adjusted operating income include:

- *The capital gain related to the unwinding of the Dalkia joint venture for €494.7 million,*
- *Goodwill impairments of -€299.1 million on Energy activities in Central Europe, and goodwill impairments for entities consolidated under the equity method for -€12.5 million,*
- *Non-current asset impairments amounting to -€180.0 million, in particular in Central and Eastern Europe, as well as in China,*
- *Restructuring costs of -€29.5 million relating to the head office voluntary departure plan, as well as in French Water operations, the United Kingdom, North America and Poland.*

(2) Adjusted operating income is defined in Section 9.11.2

Year ended December 31, 2013 re-presented *(€ million)*	**Operating income after share of net income (loss) of equity-accounted entities (A)**	**Adjustments**		**Adjusted operating income [3] (D)**
		Impairment losses on goodwill [1] (B)	**Other [2] (C)**	
France	109.7	-	(97.1)	206.8
Europe, excluding France	30.4	(168.3)	(13.0)	211.7
Rest of the World	125.1	(0.2)	(22.8)	148.1
Global Businesses	108.4	-	(4.9)	113.3
Other	274.4	-	53.5	220.9
TOTAL	**648.0**	**(168.5)**	**-84.3**	**900.8**

(D) = (A)-(B)-(C)

(1) For the re-presented year ended December 31, 2013, this item comprised -€168.0 million in goodwill impairment for Waste activities in Germany and Poland.

(2) Restructuring costs relating to the voluntary departure plan in Water activities in France (in the amount of -€97 million) and the headquarters, as well as income of +€82 million relating to the fair value remeasurement of the interest previously held in Proactiva are reclassified in "Other" adjustments in operating income. The impairment losses on the securities of equity-accounted companies are also presented in the "Other" adjustments column, i.e. -€12.2 million for China, -€4.9 million for India and -€8.4 million for Dalkia in the United Kingdom and Latin America.

(3) Adjusted operating income is defined in Section 9.11.2.

9.2.4.4 Analysis by segment of adjusted operating cash flow and adjusted operating income

France

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 *re-presented***	**% Change at current exchange rates**	**% Change at constant exchange rates**
Adjusted operating cash flow	**537.0**	576.9	-6.9%	-6.9%
Adjusted operating cash flow margin	***9.7%***	*10.3%*		
Adjusted operating income*	**223.3**	206.8	+8.0%	+8.0%

* *Including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow decreased by 6.9% at constant and current exchange rates to €537.0 million for the year ended December 31, 2014, compared with re-presented €576.9 million for the year ended December 31, 2013.

The decline in the adjusted operating cash flow of Water activities in France was primarily due to the restructuring costs generated by the voluntary departure plan of -€41 million for the year ended December 31, 2014, in addition to contractual erosion and the decrease in volumes.

Regarding Waste activities, adjusted operating cash flow was hindered by:

- the trend in scrap metal prices,
- the decrease in tonnage landfilled.

Adjusted operating cash flow in France nevertheless benefited from the positive impact of the cost cutting program.

Adjusted operating income increased by 8.0% at constant and current exchange rates to €223.3 million for the year ended December 31, 2014, compared with re-presented €206.8 million for the year ended December 31, 2013.

The adjusted operating income of Waste activities in France declined compared with re-presented December 31, 2013 figures, in line with the change in adjusted operating cash flow.

The adjusted operating income of Water activities in France increased, mainly due to lower depreciation and amortization charges. This decline was primarily attributable to the exceptional rise in net depreciation and amortization charges recognized in 2013 due to the planned reorganization of Water activities and its impact on information systems.

Europe excluding France

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013** ***re-presented***	**% Change at current exchange rates**	**% Change at constant exchange rates**
Adjusted operating cash flow	**691.6**	495.6	+39.6%	+38.3%
Adjusted operating cash flow margin	***10.4%***	*10.3%*		
Adjusted operating income*	**308.0**	211.7	+45.5%	+44.4%

* *Including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow in Europe excluding France increased by 38.3% at constant exchange rates (39.6% at current exchange rates) to €691.6 million for the year ended December 31, 2014, compared with re-presented €495.6 million for the year ended December 31, 2013. It includes the contribution of the Dalkia International business in Europe as of July 25, 2014.

For the year ended December 31, 2014, growth in adjusted operating cash flow was particularly marked for Waste operations in the United Kingdom, mainly due to the contribution of integrated contracts. It also benefited from the net impact of cost reduction plans.

The adjusted operating cash flow of Waste activities in Germany sharply improved, whereas the Braunschweig contract was penalized by unfavorable weather conditions in the first quarter of 2014, which negatively impacted electricity, gas and heating margins.

Adjusted operating income increased by 44.4% at constant exchange rates (45.5% at current exchange rates) to €308.0 million for the year ended December 31, 2014, compared with re-presented €211.7 million for the year ended December 31, 2013.

This increase was attributable to the rise in adjusted operating cash flow, offset by:

- movements in operating provisions relating to the fair value remeasurement of Waste assets in the course of divestiture in Poland for around -€20 million;
- the increase in net depreciation and amortization charges, in line with the consolidation of the Dalkia International entities from the third quarter of 2014.

Rest of the World

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013** ***re-presented***	**% Change at current exchange rates**	**% Change at constant exchange rates**
Adjusted operating cash flow	**543.8**	367.9	+47.8%	+49.6%
Adjusted operating cash flow margin	***11.8%***	*9.7%*		
Adjusted operating income *	**300.7**	148.1	+103.1%	+103.8%

* *including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow increased by 49.6% at constant exchange rates and 47.8% at current exchange rates to €543.8 million for the year ended December 31, 2014, compared with re-presented €367.9 million for the year ended December 31, 2013.

This steady growth in adjusted operating cash flow primarily involved:

- Energy activities in the United States;
- the full consolidation of Proactiva Medio Ambiente since November 28, 2013;
- China, which benefited from favorable volume and commercial impacts in Energy activities;
- the solid momentum of Water activities in Australia, mainly due to the performance of new contracts; and
- the robust performance of Water activities in Gabon and the Middle East.

Adjusted operating income increased to €300.7 million for the year ended December 31, 2014, compared with re-presented €148.1 million for the year ended December 31, 2013, due to the improvement in adjusted operating cash flow and positive movements in operating provisions, particularly in the United States and Gabon.

The increase in adjusted operating income was partially offset by:

- the increase in net depreciation and amortization charges, particularly for the Proactiva Medio Ambiente entities, which have been fully consolidated since the end of November 2013;
- the decline in the share of net income of joint ventures, particularly for Water activities in China due to asset impairment provisions recognized in 2014.

Global Businesses

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 *re-presented***	**% Change at current exchange rates**	**% Change at constant exchange rates**
Adjusted operating cash flow	**206.3**	185.6	+11.1%	+12.0%
Adjusted operating cash flow margin	***4.6%***	*4.5%*		
Adjusted operating income *	**99.7**	113.3	-12.0%	-10.9%

* *including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow increased by 12.0% at constant exchange rates (11.1% at current exchange rates) to €206.3 million for the year ended December 31, 2014, compared with re-presented €185.6 million for the year ended December 31, 2013, in line with:

- the rise in the hazardous waste volumes treated and landfilled via the increase in authorized capacity,
- the steady growth of Veolia Water Technologies, due to the start-up of major industrial Design and Build projects and the decrease of the losses arising from the construction of the sludge incineration plant in Hong Kong,
- the net impact of cost reduction plans.

Adjusted operating income declined by 10.9% at constant exchange rates (-12.0% at current exchange rates) to €99.7 million for the year ended December 31, 2014, compared with re-presented €113.3 million for the year ended December 31, 2013. This decrease in adjusted operating income was due to the recognition of disposal gains in 2013, mainly relating to Water activities in Portugal (€15.6 million) and the SADE headquarters (€23.6 million).

Other

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 *re-presented***	**% Change at current exchange rates**	**% Change at constant exchange rates**
Adjusted operating cash flow	**185.6**	221.6	-16.2%	-16.2%
Adjusted operating income*	**176.7**	220.9	-20.1%	-19.3%

* *including the share of adjusted net income (loss) of joint ventures and associates.*

Adjusted operating cash flow of the Other segment, including Dalkia France, decreased by 16.2% at constant and current exchange rates to €185.6 million for the year ended December 31, 2014, compared with re-presented €221.6 million for the year ended December 31, 2013.

Excluding Dalkia France, the adjusted operating cash flow of the Other segment improved, particularly due to:

- the robust performance of the Moroccan subsidiaries Water,
- the impact of cost reductions following the regrouping of the corporate headquarters facilities completed since July 2013,
- the favorable variation in head office restructuring costs (voluntary departure plans) between December 31, 2013 and December 31, 2014.

Dalkia France adjusted operating cash flow fell by 38.3% at constant and current exchange rates for the half-year ended June 30, 2014. This decrease was mainly due to particularly unfavorable weather conditions, the impact of the programmed cessation of gas cogeneration contracts and unfavorable movements in energy prices.

Adjusted operating income decreased by 19.3% at constant exchange rates (-20.1% at current exchange rates) to €176.7 million for the year ended December 31, 2014, compared with re-presented €220.9 million for the year ended December 31, 2013.

Excluding Dalkia France, the segment's adjusted operating income was slightly down compared to 2013.

Changes, excluding Dalkia France, were impacted by:

- reversals of pension provisions following modifications to Veolia Environnement executive management pension plans, which fell by €27 million compared with re-presented December 31, 2013;
- the negative comparison impact relating to capital gains on financial divestments realized in 2013, particularly the deconsolidation of the Italian Waste entities;
- the write-down of the financial receivable on an industrial multi-service agreement in Portugal in 2014. Veolia's residual exposure under this multi-service agreement totaled €74 million as of December 31, 2014.

Nevertheless, it benefited from the impact of the divestiture of Marius Pedersen in June 2014 in the amount of €48.9 million and the absence of asset impairment charges recorded in the Africa-Middle East region in 2013.

9.2.4.5 Net finance costs

Net finance costs (re-presented for the finance costs of discontinued operations, and excluding bond buyback costs in 2013 and 2014 treated as a non-recurring item) declined by nearly €60 million in 2014, compared with 2013.

The financing rates for the years ended December 31, 2014 and December 31, 2013 re-presented break down as follows:

(€ million)	**Year ended December 31, 2014**		**Year ended December 31, 2013 re-presented**	
Net finance costs	(543.9)		(594.5)	
Re-presented net finance costs	(468.2)	5.31%	(494.1)	5.11%
Impact of the consolidation of Proactiva and Morocco debts		**-0.14%**		
Impact of the Dalkia transaction		**-0.30%**		
Net finance costs re-presented, excluding these scope impacts	**(431.1)**	**4.87%**	**(494.1)**	**5.11%**

On a comparable scope basis, the financing rate for the year ended December 31, 2014 fell sharply to 4.87%, compared with re-presented 5.11% for the year ended December 31, 2013:

- before inclusion of net financial debt of the Dalkia International activities which have been fully consolidated since July 25, 2014;
- before reconsolidation of the external debt of Morocco Water activities at the end of 2014 in application of IFRS 5 and;
- before the full-year impact of the consolidation of Proactiva's external debt following the acquisition of control at the end of 2013.

Other financial income and expenses break down as follows:

Other financial income and expenses *(€ million)*	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented**
Revenue from financial assets	+62.8 [(1)]	+118,8
Unwinding of the discount on provisions (non-cash)	(45.3)	(41.7)
Other	(30.7)	(25.0)
Adjusted other income and expenses	**(13.2)**	**+52.1**

(1) Including the decline in interest paid on Dalkia International loans of -€53 million following Veolia Environnement and EDF on Dalkia's operation.

9.2.4.6 Income tax expense

For the year ended December 31, 2014, the income tax expense totaled -€167.3 million, compared with re-presented -€119.4 million for the year ended December 31, 2013.

Excluding certain non-recurring items, the adjusted tax rate dropped to 31.7% for the year ended December 31, 2014, compared with re-presented 43.0% for the year ended December 31, 2013. This significant decrease in the tax rate was mainly due to the improved results of the French tax group, which is still reporting a loss (with no impact on the tax expense as losses are not activated for the French tax group).

Year ended December 31, 2014 (€ million)	**Pre-tax income/(loss) (*)**	**Income tax expense**	**Tax rate**
Effective	417.3	(167.3)	40.1%
Adjustment of non-recurring items			
Bond buyback costs	62.3	-	
Impact of Dalkia transaction	(3.7)	4.7	
Restructuring	29.5	(2.1)	
Other	15.0	-	
Adjusted rate	520.4	(164.7)	31.7%

* *See Note 25.2 to the consolidated financial statements.*

9.2.4.7 Net income (loss) from discontinued operations

The net loss from discontinued operations was €21.9 million for the year ended December 31, 2014, compared with re-presented net income of €34.0 million for the year ended December 31, 2013 and includes equity-accounted entities divested or in the course of divestiture. See Note 26.2 to the Consolidated financial statements for the year ended December 31, 2014.

The re-presented net income from discontinued operations for the year ended December 31, 2013 mainly concerned global urban lighting activities (Citelum) in Energy activities and the investment in Berliner Wasser divested in early December 2013.

9.2.4.8 Net income (loss) of other equity-accounted entities

Net income of other equity-accounted entities (Transdev Group) totaled €11.5 million for the year ended December 31, 2014, compared with a re-presented net loss of €51.5 million for the year ended December 31, 2013. It includes the contribution of the Transdev Group shareholding in SNCM and reflects the fair assessment of the residual financial risk related to the Group's exposure in the context of bankruptcy proceedings, and with respect to its indirect shareholding in SNCM.

9.2.4.9 Net income (loss) attributable to non-controlling interests

The net income attributable to non-controlling interests was €85.3 million for the year ended December 31, 2014, compared with re-presented €107.8 million for the year ended December 31, 2013. This decrease was mainly due to the downturn in the performance of Dalkia International and Dalkia France in the first half of 2014 and the unwinding of the Dalkia joint venture on July 25, 2014.

9.2.4.10 Net income (loss) attributable to owners of the Company

Net income attributable to owners of the Company was €246.1 million for the year ended December 31, 2014, compared with a re-presented net loss of €153.4 million for the year ended December 31, 2013. Adjusted net income attributable to owners of the Company was €326.1 million for the year ended December 31, 2014, compared with re-presented €182.0 million for the year ended December 31, 2013.

Given the weighted average number of shares outstanding of 543.0 million in 2014 (basic and diluted) and re-presented 524.4 million in 2013 (basic and diluted), earnings per share attributable to owners of the Company (basic and diluted) were €0.33 for the year ended December 31, 2014, compared with -€0.32 for the year ended December 31, 2013. Adjusted net income per share attributable to owners of the Company (basic and diluted) was €0.60 for the year ended December 31, 2014, compared with re-presented €0.35 for the year ended December 31, 2013.

Adjusted net income for the year ended December 31, 2014 breaks down as follows:

Year ended December 31, 2014 *(€ million)*	**Adjusted**	**Adjustments**	**Total**
Operating income (loss) after share of net income (loss) of equity-accounted entities	1,108.4	(41.2)(*)	1,067.2
Net finance costs	(481.6)	(62.3)(**)	(543.9)
Other financial income and expenses	(13.2)	(1.0)	(14.2)
Income tax expense	(164.6)	(2.7)	(167.3)
Net income (loss) of other equity-accounted entities	-	11.5	11.5
Net income (loss) of discontinued operations	-	(21.9)	(21.9)
Non-controlling interests	(122.9)	37.6	(85.3)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**326.1**	**(80.0)**	**246.1**

* *Adjustments to operating income are presented in Section 9.2.4.3.*
** *Costs related to bond buybacks.*

Re-presented adjusted net income for the year ended December 31, 2013 breaks down as follows:

Year ended December 31, 2013 re-presented *(€ million)*	**Adjusted**	**Adjustments**	**Total**
Operating income (loss) after share of net income (loss) of equity-accounted entities	900.8	(252.8)(*)	648.0
Net finance costs	(521.4)	(73.1)(**)	(594.5)
Other financial income and expenses	52.1	(14.3)	37.8
Income tax expense	(133.0)	13.6	(119.4)
Net income (loss) of other equity-accounted entities	-	(51.5)	(51.5)
Net income (loss) of discontinued operations	-	34.0	34.0
Non-controlling interests	(116.5)	8.7	(107.8)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**182.0**	**(335.4)**	**(153.4)**

* *Adjustments to operating income are presented in Section 9.2.4.3.*
** *Costs related to bond buybacks.*

9.3 Financing

The following table summarizes the statement of change in net financial debt for the years ended December 31, 2014 and December 31, 2013 re-presented.

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented**
Adjusted operating cash flow *	2,172	1,848
Principal payments on operating financial assets excluding discontinued operations	131	160
Industrial investments including operating financial assets, excluding discontinued operations	(1,533)	(1,411)
Industrial divestitures	63	120
Dividends received from equity-accounted entities and joint ventures and non-consolidated investments	80	115
Change in operating WCR excluding discontinued operations	73	14
Operating Free Cash Flow before Financial Acquisitions and Divestitures *	**986**	**846**
Interest paid	(497)	(645)
Operating cash flow from financing activities	48	88
Taxes paid	(207)	(202)
Net Free Cash Flow *	**330**	**87**
Financial investments and financial divestitures	143	864
Total impact of unwinding Dalkia joint venture 2014 and 2013 **	348	-
Change in receivables and other financial assets	136	(45)
Dividends paid (to shareholders, minority interests and deeply subordinated security coupons)	(330)	(208)
Issues of deeply subordinated securities	-	1,470
Other cash flows	(19)	(1)
Non-cash flows (foreign exchange, remeasurement and other)	(475)	211
Change in net financial debt	**133**	**2,378**
NET FINANCIAL DEBT/NET CASH AT THE BEGINNING OF THE PERIOD	**(8,444)**	**(10,822)**
NET FINANCIAL DEBT/NET CASH AT THE END OF THE PERIOD	**(8,311)**	**(8,444)**

* *Before impact of unwinding the Dalkia joint venture*

** *Total impact of +€348M debt reduction; including €155M recorded as of 12/31/2013 (Dalkia France external debt moved to liabilities held for sale)*

9.3.1 Operating cash flow before changes in working capital

Operating cash flow before changes in working capital totaled €2,174.6 million for the year ended December 31, 2014, compared with re-presented €1,960.0 million for the year ended December 31, 2013, including adjusted operating cash flow of €2,164.3 million (compared with re-presented €1,847.6 million in 2013), operating cash flow from financing activities of €48.3 million (compared with re-presented €88.7 million in 2013) and operating cash flow from discontinued operations of -€38 million (compared with re-presented €23.7 million in 2013).

An analysis of adjusted operating cash flow is presented in Section 9.2.4.2.

9.3.2 Operating Working capital

The cash increase associated with operating working capital requirements (including discontinued operations in the amount of €33 million) totaled €94 million for the year ended December 31, 2014, compared with re-presented €6 million for the year ended December 31, 2013 (including discontinued operations in the amount of -€8 million). Beyond the scope impacts, this increase was primarily due to the seasonality of Energy activities in Asia.

9.3.3 Industrial investments

Industrial investments, including discontinued operations, break down by segment as follows:

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013 re-presented
France	(296)	(313)
Europe (excluding France)	(597)	(365)
Rest of the World	(376)	(268)
Global Businesses	(131)	(121)
Other	(133)	(344)
Total industrial investments excluding discontinued operations	**(1,533)**	**(1,411)**
Industrial investments of discontinued operations	(22)	(58)
TOTAL INDUSTRIAL INVESTMENTS	**(1,555)**	**(1,469)**

Changes in industrial investments (including discontinued operations) in the year ended December 31, 2014, compared with re-presented December 31, 2013, was mainly attributable to the full-year impact of the consolidation of Proactiva, the consolidation of Dalkia International activities (+€214 million) and the exit of Dalkia France in the second half of 2014 (-€180 million).

Growth industrial investments (including operating financial assets) for the year ended December 31, 2014, amounted to €885 million, compared with re-presented €914 million for the year ended December 31, 2013. Maintenance-related industrial investments in the year ended December 31, 2014, amounted to €670 million, compared with re-presented €555 million for the year ended December 31, 2013.

9.3.4 Net Free Cash Flow

The Company monitors the net free cash flow indicator, a non-GAAP indicator defined in Section 9.11.2. The calculation of this indicator is presented in Section 9.3.

Net free cash flow for the year ended December 31, 2014 (before payment of the dividend) improved significantly, amounting to €330 million, compared with re-presented €87 million for the year ended December 31, 2013, and excluding the issuance (at the beginning of January 2013) of deeply subordinated perpetual securities denominated in euros and pound sterling in the amount of €1,454.0 million.

The increase in net free cash flow for the year ended December 31, 2014 reflects the improvement in adjusted operating cash flow and the tight control over industrial investments and working capital requirements.

9.3.5 Financial investments and divestitures

Financial investments for the year ended December 31, 2014 included:

- the buyout of the International Finance Corporation (IFC) minority interest in Water activities in Central and Eastern Europe in the amount of €90.9 million;
- the acquisition of Kendall in the United States for a consideration of €19 million;
- the buyout of IFC and PROPARCO minority interests in Africa and the Middle East in the amount of €34.8 million.

In 2014, financial divestitures (in enterprise value and excluding the impact of the unwinding of the Dalkia joint venture) amounted to €355 million (including transactions between shareholders) and primarily included the divestiture of the investment in Marius Pedersen for €240 million.

For the record, in 2013, financial divestitures concerned:

- the divestiture of the 24.95% stake in Berliner Wasser for €636 million;
- the divestiture of Water activities in Portugal in the first half of 2013 for an enterprise value of €91 million;
- the divestiture of 19.25% of the shares held by the Group in the Sharqiyah Desalinisation Company following the initial public offering on the Oman market of 35% of this company's shares, which had a €89 million impact on Group net financial debt;
- the deconsolidation of practically all the Group's Waste activities in Italy following the approval of the entity's voluntary liquidation plan ("Concordato preventivo di gruppo"), which had a €90 million impact on Group net financial debt.

9.3.6 External financing

9.3.6.1 Net financial debt and adjusted net financial debt

(€ million)	As of December 31, 2014	As of December 31, 2013 re-presented
Non-current borrowings	8,324.5	9,729.5
Current borrowings	3,003.1	2,950.5
Bank overdrafts and other cash position items	216.4	221.1
Sub-total borrowings	**11,544.0**	**12,901.1**
Cash and cash equivalents	(3,148.6)	(4,282.4)
Fair value gains (losses) on hedge derivatives	(84.3)	(174.5)
NET FINANCIAL DEBT	**8,311.1**	**8,444.2**
Loans granted to joint ventures	**619.3**	**2,725.0**
ADJUSTED NET FINANCIAL DEBT (1)	**7,691.8**	**5,719.2**

(1) See Section 9.11.2 for the definition

Loans granted to equity-accounted entities include the loans to Transdev Group in the amount of € 465.3 million as of December 31, 2014.

Non-current borrowings of the Group fall due as follows as of December 31, 2014:

(€ million)	Amount	Maturity of non-current borrowings		
		1 to 3 years	4 to 5 years	More than 5 years
Bonds	7,482.1	1,426.6	1,171.2	4,884.3
Bank borrowings	842.4	342.4	192.0	308.0
Non-current borrowings	**8,324.5**	**1,769.0**	**1,363.2**	**5,192.3**

9.3.6.2 Group liquidity position

Liquid assets of the Group as of December 31, 2014 break down as follows:

(€ million)	As of December 31, 2014	As of December 31 2013 re-presented
Veolia Environnement:		
Undrawn MT syndicated loan facility	2,962.5	3,000.0
Undrawn MT bilateral credit lines	350.0	975.0
Undrawn ST bilateral credit lines	625.0	0.0
Letters of credit facility	190.7	350.2
Cash and cash equivalents	2,302.0	3,670.4
Subsidiaries:		
Cash and cash equivalents	846.4	612.0
Total liquid assets	**7,276.8**	**8,607.6**
Current debts and bank overdrafts and other cash position items		
Current debts	3,003.1	2,950.5
Bank overdrafts and other cash position items	216.4	221.1
Total current debts and bank overdrafts and other cash position items	**3,219.5**	**3,171.6**
TOTAL LIQUID ASSETS NET OF CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	**4,057.3**	**5,436.0**

Veolia Environnement may draw on the multi-currency syndicated credit facility and all credit lines at any time.

Undrawn medium-term syndicated loan facilities

The two syndicated loan facilities comprising a €2.5 billion multi-currency credit facility and a €0.5 billion credit facility available for drawdown in Polish zloty, Czech crown and Hungarian forint were not drawn as of December 31, 2014.

Bilateral credit lines

Undrawn credit lines as of December 31, 2014 are as follows:

Bank	Maturity	Amount *(€ million)*
Société Générale	12/29/2015	150
Banco Santander	08/19/2015	100
Bank of Tokyo-Mitsubishi	10/05/2015	150
NATIXIS	04/13/2015	150
CM CIC	12/18/2016	100
BNP	10/31/2016	150
CACIB	03/31/2016	100
La Banque Postale	06/25/2015	75
TOTAL		**975**

Letters of credit facility:

In the third quarter of 2014, Veolia Environnement reduced by USD 500 million the amount of the U.S. dollar letters of credit facility (syndicated facility) signed on November 22, 2010, initially for an amount of USD 1.25 billion and had already been reduced by USD 400 million at the end of 2013. Two new facilities maturing in November 2017 and comprising two one-year extension options were set-up for a total amount of USD 150 million.

As of December 31, 2014, the facilities are drawn USD 268.4 million in the form of letters of credit. The portion that may be drawn in cash is USD 231.6 million (€190.7 million euro equivalent). It is undrawn and recorded in the liquidity table above.

9.3.6.3 Bank covenants

Veolia Environnement 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 Company considers that the covenants included in the documentation of material financing were satisfied (or had been waived by lenders) as of December 31, 2014.

9.3.6.4 Rating agencies

As of December 31, 2014, Moody's and Standard & Poor's rated Veolia Environnement as follows:

	Short-term	Long-term	Outlook	Recent events
Moody's	P-2	Baa1	Stable	On February 7, 2012, Moody's downgraded the long-term credit rating allocated on June 27, 2005 by one notch from "A3" to "Baa1", with a stable outlook. The short-term credit rating remains unchanged at P-2.
Standard and Poor's	A-2	BBB	Negative	On November 15, 2013, Standard and Poor's downgraded the long-term credit rating by one notch from "BBB +" to "BBB" with a negative outlook. The short-term credit rating remains unchanged at A-2.

9.3.6.5 Market risks

See Note 30 to the consolidated financial statements.

9.4 Pro forma financial information

9.4.1 Pro forma figures in connection with the Energy activities shareholding restructuring

These figures include the 12 months' contribution of Dalkia International at 100% and exclude Dalkia operations in France. These figures do not include any restatement of internal chargebacks between the various entities or the impact of any net synergies:

	Year ended December 31, 2014 pro forma	Year ended December 31, 2013 re-presented pro forma	% change	% change at constant exchange rates
Revenue	**24,408.4**	23,952.7	+1.9%	+2.4%
Adjusted operating cash flow	**2,308.1**	2,138.1	+8.0%	+8.4%
Industrial investments (including operating financial assets)	**1,567.4**	1,459.1	+7.4%	n/a

Adjusted operating cash flow improved overall compared with 2013 re-presented figures, due to the sharp improvement in the profitability of Water and Waste activities, particularly outside of France and despite the unfavorable weather conditions in 2014 for Dalkia International activities.

9.4.2 Pro forma segment reporting in 2014 and 2013

These figures include the 12 months' contribution of Dalkia International at 100% and exclude Dalkia operations in France. These figures do not include any restatement of internal chargebacks between the various entities or the impact of any net synergies:

Revenue *in € millions*	Year ended December 31, 2014 pro forma	Year ended December 31, 2013 re-presented pro forma	% change at current exchange rates	% change at constant exchange rates
France	5,573.2	5,656.6	-1.5%	
Europe, excluding France	8,476.7	8,786.4	-3.5%	
Rest of the world	4,770.0	4,264.0	+11.9%	
Global businesses	4,538.9	4,198.6	+8.1%	
Other	1,049.6	1,047.1	+0.2%	
TOTAL	**24,408.4**	**23,952.7**	**+1.9%**	**+2.4%**

Adjusted operating cash flow *in € millions*	Year ended December 31, 2014 pro forma	December 31, 2013 re-presented pro forma	% change at current exchange rates	% change at constant exchange rates
France	537.0	576.9	-6.9%	
Europe, excluding France	935.2	960.6	-2.6%	
Rest of the world	564.2	401.4	+40.6%	
Global businesses	206.3	185.6	+11.2%	
Other	65.4	13.6	-	
TOTAL	**2,308.1**	**2,138.1**	**+8.0%**	**+8.4%**

Industrial investments *in € millions*	**Year ended December 31, 2014 pro forma**	**Year ended December 31, 2013 re-presented pro forma**	**% change at current exchange rates**
France	295.7	312.8	-5.5%
Europe, excluding France	689.6	616.1	+11.9%
Rest of the world	387.9	313.6	+23.7%
Global businesses	130.9	121.3	7.9%
Other	63.3	95.3	-33.6%
TOTAL	**1,567.4**	**1,459.1**	**+7.4%**

9.5 Return on Capital Employed (ROCE)

Veolia Environnement has adopted the ROCE indicator (return on capital employed) to track the Group's profitability. This indicator measures Veolia Environnement's ability to provide a return on the funds provided by shareholders and lenders.

The return on capital employed is defined in Section 9.11.2 below.

Net income from operations is calculated as follows:

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013 re-presented**
Adjusted operating income *	1,108.4	900.8
- Adjusted income tax expense	(164.6)	(133.0)
- Revenue from operating financial assets	(169.0)	(175.9)
+ Income tax expense allocated to operating financial assets	39.9	45.6
NET INCOME FROM OPERATIONS	**814.7**	**637.5**

* *including the share of adjusted net income (loss) of joint ventures and associates.*

Average capital employed during the year is defined as the average of opening and closing capital employed.

Capital employed is equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in associates, net operating and non-operating working capital requirements and net derivative instruments less provisions.

Capital employed in 2014 included assets and liabilities transferred to assets and liabilities held for sale as of December 31, 2014.

Capital employed is calculated as follows:

(€ million)	**As of December 31, 2014**	**As of December 31, 2013 re-presented**
Intangible assets and property, plant and equipment, net	10,361.5	7,382.3
Goodwill, net of impairment	4,516.0	3,500.8
Investments in associates	454.9	385.0
Investments in joint ventures	2,043.2	2,905.2
Operating and non-operating working capital requirements, net	(294.1)	(534.5)
Net derivative and other instruments(1)	(120.5)	(8.1)
Provisions	(2,511.6)	(2,157.8)
Capital employed of companies classified in assets and liabilities held for sale	233.7	1,448.1
Capital employed	**14,683.1**	**12,921.0**
Impact of operations discontinued in 2013 and 2014 and other restatements(2)	(382.0)	(380.6)
2013 re-presented capital employed		**12,540.4**
2014 published capital employed	**14,301.1**	
2014 AVERAGE PUBLISHED CAPITAL EMPLOYED	**13,420.8**	**12,686.3**

(1) *Excluding derivatives hedging the fair value of debt in the amount of €78.6 million as of December 31, 2014, and €166.9 million as of December 31, 2013.*

(2) *The adjustments in 2013 and 2014 include the impact arising from the capital employed of entities which are not viewed as core to the Group's businesses, i.e. Transdev Group.*

The Group's return on capital employed (ROCE) after tax is as follows:

(€ million)	**Net income from operations**	**Average capital employed**	**ROCE after tax**
2014	**814.7**	**13,420.8**	**6.1%**
2013	637.5	12,686.3	5.0%

The increase in the return on capital employed between 2013 and 2014 was primarily due to improved operating performance (see Section 9.2.4.3).

9.6 Statutory auditors' fees

In 2014 and 2013, Veolia Environnement and its fully consolidated subsidiaries paid the following fees to its statutory auditors for services rendered in connection with all consolidated companies:

	KPMG network				**Ernst & Young network**			
	Amount (excl.taxes)		**Percentage**		**Amount** (excl. taxes)		**Percentage**	
€ million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Statutory audit, certification, audit of company and consolidated accounts (1) (4)	11.2	11.3	84.0%	87.4%	12.7	11.2	90.7%	91.2%
• Veolia Environnement	1.2	1.2	8.7%	9.0%	1.1	1.1	7.9%	9.0%
• Fully-consolidated subsidiaries	10.0	10.1	75.3%	78.4%	11.6	10.1	82.9%	82.2%
Other diligences and services directly related to the statutory audit engagement (2)	2.1	1.6	16.0%	12.6%	1.3	1.1	9.3%	8.8%
• Veolia Environnement	0.8	0.3	5.8%	2.2%	0.6	0.2	4.3%	1.9%
• Fully-consolidated subsidiaries	1.3	1.3	10.2%	10.4%	0.7	0.9	5.0%	6.9%
Sub-total 1	**13.3**	**12.9**	**100%**	**100%**	**14.0**	**12.3**	**100%**	**100%**
Other services rendered by the networks to fully-consolidated subsidiaries (3)								
• Legal, tax, employee-related								
• Other								
Sub-total 2								
TOTAL (1+2)	**13.3**	**12.9**	**100%**	**100%**	**14.0**	**12.3**	**100%**	**100%**

(1) Including services provided by independent experts or statutory auditor network members at the request of the statutory auditors for the purpose of the audit.
(2) Diligences and services rendered to Veolia Environnement or its subsidiaries by the statutory auditors or members of their networks.
(3) Non-audit services rendered by network members to Veolia Environnement subsidiaries
(4) The change between 2014 and 2013 mainly relates to the scope impact of the Dalkia's closing operation.

9.7 New financial indicators (applicable from fiscal year 2015)

For the dual purpose of better presentation of operating performance and comparability with other sector companies, the Group decided to introduce new financial indicators starting fiscal year 2015 which will be utilized to communicate the Group's financial results.

These new indicators are:

- EBITDA;
- Current Operating Income; (COI) and
- Current Net Income.

EBITDA, which replaces Adjusted operating cash flow, will comprise the sum of all operating income and expenses received and paid (excluding restructuring costs and renewal expenses) and principal payments on operating financial assets.

To calculate **Current Operating Income**, the following items will be deducted from operating income:

- Goodwill impairments of fully controlled subsidiaries and equity-accounted entities;
- restructuring charges;
- capital gains on financial divestments, which will now be considered as an item within net finance costs;
- one-time and/or significant impairment of non-current assets (tangible, intangible and operating financial assets; and
- impacts relating to the application of IFRS 2 "Share-based payment".

Current Operating Income replaces Adjusted Operating Income. The Group wished to replace the current indicator by current operating income to allow for the definition of a level of operating performance that can be used to adopt a forecast approach.

The following table shows the transition from **EBITDA** to **Current Operating Income**.

EBITDA	
-	Renewal costs
-	Principal payments on operating financial assets
+	Share of net income (loss) of equity-accounted entities, excluding goodwill impairment and gains or losses on disposal of equity-accounted entities
-	Depreciation and amortization charges
-	Net charges to operating provisions, (excluding impairment of non-current assets)
+	Gains or losses on industrial divestitures
-	Fair value and other adjustments
CURRENT OPERATING INCOME	

EBITDA and Current Operating Income will be included in the aggregates for the publication of our segment reporting as from fiscal year 2015.

Current Net Income, which will replace Adjusted Net Income, will comprise the sum of the following items:

- Current Operating Income;
- Current net finance cost items;
- Other current financial income and expenses, including capital gains or losses on financial divestments (of which gains or losses included in the share of net income of equity-accounted entities);
- Current income tax items; and
- Minority interests (excluding the portion of minority interests relative to non-current items in the income statement).

The share of net income of other equity-accounted entities is not viewed as an extension of the Group's core activities and net income of discontinued operations will be excluded from Current Net Income.

Where necessary, the items used to describe the Group's financial performance will be compared with the indicators defined by IFRS.

These new financial indicators do not change the definition of the Group's net Free Cash Flow, net financial debt, published net income or gross industrial investments.

Based on *pro forma* figures for the year ended December 31, 2014, these new indicators are as follows:

EBITDA	€2,763.3 million
Current Operating Income	€1,074.0 million
Current Net Income	**€314.5 million**

The transition between the current indicators and these new indicators is presented in the following tables:

Transition from Adjusted operating cash flow to EBITDA *€ million*	**Year ended December 31, 2014 pro forma**
Adjusted operating cash flow	**2,308.1**
Excluded items:	
Renewal costs	+263.5
Restructuring costs	+78.6
Included items:	
Principal payments on operating financial assets	+113.1
EBITDA	**2,763.3**

Transition from Adjusted operating income to Current operating income *€ million*	**Year ended December 31, 2014 pro forma**
Adjusted operating income	**1,106.0**
Excluded items:	
Impairment of property, plant and equipment, intangible assets, operating financial assets	+9.1
Gains (losses) on disposals of financial assets	(42.2)
Other	+1.1
CURRENT OPERATING INCOME	**1,074.0**

Transition from EBITDA to COI *€ million*	**Year ended December 31, 2014 pro forma**
EBITDA	**2,763.3**
Depreciation & amortization	(1,369.4)
Provisions, fair value adjustments & other	(11.9)
Share of net income of JVs & associates	68.6
Renewal costs	(263.5)
Principal payments on operating financial assets	(113.1)
CURRENT OPERATING INCOME	**1,074.0**

Transition from Adjusted net income to Current net income *€ million*	**Year ended December 31, 2014 pro forma**
Adjusted net income (attributable to owners of the Company)	**304.3**
Excluded items:	
Impairment of property, plant and equipment, intangible assets, operating financial assets	+9.1
Other	+1.1
CURRENT NET INCOME (ATTRIBUTABLE TO OWNERS OF THE COMPANY)	**314.5**

9.8 Subsequent events

None

9.9 Forward-looking Information and objectives

For the 2015 fiscal year the Group aims to achieve:

- revenue growth;
- EBITDA and Current Operating Income growth with :
  - continued strong operational performance,
  - cost savings benefit: continued execution of the €750M cost savings plan,
  - continued capex discipline,
  - the dividend and hybrid coupon payment to be covered by Current Net Income and paid by Free Cash Flow excluding net financial divestments,
  - net financial debt management.

For 2016, for the fiscal year 2015, the Board of Directors has indicated that the dividend per share shall be at least equal to € 0,70.

9.10 Risk factors

The main risk factors that the Group may face are described in section 4 of the Annual Financial Report of the 2014 Registration Document.

9.11 Appendices

9.11.1 Reconciliation of previously published and re-presented data for the year ended December 31, 2013

€ million	Year ended December 31, 2013 published	IFRS 5 restatements(1)	Year ended December 31, 2013 re-presented
Revenue	22,314.8	504.9	22,819.7
Adjusted operating cash flow	1,796.3	51.3	1,847.6
Operating income	490.5	(21.2)	469.3
Operating income after share of net income (loss) of equity-accounted entities (2)	669.2	(21.2)	648.0
Adjusted operating income (3)	921.9	(21.1)	900.8
Net income attributable to owners of the Company	(135.3)	(18.1)	(153.4)
Adjusted net income attributable to owners of the Company	223.2	(41.2)	182.0
Gross investments	1,738.0	-	1,738.0
Net financial debt	8,176.7	267.7	8,444.4
Loans granted to joint ventures	2,725.0	-	2,725.0
Adjusted net financial debt	5,451.7	267.7	5,719.4

(1) Recognition of Morocco activities in continuing operations
(2 Including the re-presented share of net income (loss) of joint ventures and associates for the year ended December 31, 2013
(3) Including the re-presented share of adjusted net income (loss) of joint ventures and associates for the year ended December 31, 2013

9.11.2 Accounting definitions

GAAP (IFRS) indicators

Operating cash flow before changes in working capital, as presented in the consolidated cash flow statement, is comprised of three components: **operating cash flow from operating activities** (referred to as "adjusted operating cash flow" and known in French as "capacité d'autofinancement opérationnelle") consisting of operating income and expenses received and paid ("cash"), **operating cash flow from financing activities** including cash financial items relating to other financial income and expenses and **operating cash flow from discontinued operations** composed of cash operating and financial income and expense items classified in net income from discontinued operations pursuant to IFRS 5. Adjusted operating cash flow does not include the share of net income attributable to equity-accounted entities.

Net finance costs represent the cost of gross debt, including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses divested or in the course of divestiture, in accordance with IFRS 5.

Non-GAAP indicators

The new standards, IFRS 10, 11 and 12, have modified existing indicators or created new indicators that are described below:

- Following application of the new standards, inter-company loans granted to joint ventures are no longer deducted from net financial debt. Non-eliminated inter-company loans are presented in the balance sheet in loans and financial receivables. As these loans and receivables are not included in the Group definition of cash and cash equivalents and these joint ventures no longer generate strictly operating flows in the consolidated financial statements, the Group now uses in addition to net financial debt, the indicator **adjusted net financial debt**. Adjusted net financial debt is therefore equal to net financial debt less loans and receivables to joint ventures.

The other indicators were not impacted by the new standards and are defined as follows:

- The term **"internal growth"** (or "growth at constant consolidation scope and exchange rates") includes growth resulting from:
  - the expansion of an existing contract, primarily resulting from an increase in prices and/or volumes distributed or processed,
  - new contracts, and,
  - the acquisition of operating assets allocated to a particular contract or project.
- The term **"external growth"** includes growth through acquisitions (performed in the period or which had only partial effect in the prior period), net of divestitures, of entities and/or assets deployed in different markets and/or containing a portfolio of more than one contract.
- The term **"change at constant exchange rates"** represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal.
- **Adjusted operating income** is equal to net income after the share of adjusted net income (loss) of equity-accounted entities, adjusted to exclude the impact of goodwill impairment and certain special items. Special items include items such as gains and losses from asset divestitures that substantially change the economics of one or more cash-generating units.
- **Adjusted net income** attributable to owners of the Company is equal to net income attributable to owners of the Company adjusted to exclude goodwill impairment, share of net income of other equity-accounted entities and certain special items. Special items include items such as gains and losses from asset divestitures that substantially change the economics of one or more cash-generating units.
- **Net financial debt** (NFD) represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt.
- The **financing rate** is defined as the ratio of net finance costs (excluding fair value adjustments to instruments not qualifying for hedge accounting) to average monthly net financial debt for the period, including net finance costs of discontinued operations.
- The **adjusted operating cash flow margin** is defined as the ratio of adjusted operating cash flow to revenue from continuing operations.

- **Net free cash flow** before net financial divestments and after payment of financial expense and taxes corresponds to free cash flow from continuing operations, and is calculated by: the sum of adjusted operating cash flow and principal payments on operating financial assets, dividends received from joint ventures, operating cash flow from financing activities, and changes in working capital for operations, less net industrial investments, cash financial expense and cash taxes paid.
- **Net investment**, as presented in the statement of change in net financial debt, includes industrial investments, net of industrial asset divestitures (purchases of intangible assets and property, plant and equipment net of divestitures), financial investment net of financial divestitures (purchases of financial assets net of divestitures, including the net financial debt of companies entering or leaving the scope of consolidation), partial purchases net of sales resulting from transactions with non-controlling interests where there is no change in control, new operating financial assets and principal payments on operating financial assets. The net investment concept also takes into account issues of share capital by non-controlling interests.

  The Group considers growth investments, which generate additional cash flows, separately from maintenance-related investments, which reflect the replacement of equipment and installations used by the Group.
- The **return on capital employed** is defined as the ratio of:
  - net income from operations after tax, plus the share of net income from associates, less net operational income, after tax, from operating financial assets (return on operating financial assets net of tax allocated to this activity), to
  - average capital employed during the year, where
  - capital employed excludes operating financial assets and net income from operations excludes the related income.

10 CASH FLOW AND CAPITAL AFR

Information on Veolia Environnement’s cash flows, working capital requirements and investments is set forth in Chapter 9, Sections 9.3.1 through 9.3.6 above of this Registration Document and in Chapter 20, Section 20.1, Notes 16, 17 and 30 to the consolidated financial statements, below.

Information on borrowing terms and conditions and Veolia Environnement’s financing structure is set forth in this Registration Document in Chapter 9, Section 9.3.6 above and Chapter 20, Section 20.1, Notes 17, 20 and 29 to the consolidated financial statements, below.

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

11 RESEARCH AND INNOVATION, PATENTS AND LICENSES AFR

11.1 Research and innovation

11.1.1 Research and innovation: driving development for Veolia and its customers

Veolia's activities are at the crossroads of several major challenges facing the modern world: demographic explosion and urbanization, increasing scarcity of resources, access to water and fighting climate change. The solution to these challenges requires a global industrial and technological approach. This cross-functional approach, underpinned by the Group's mission, lies at the heart of Veolia's Research and Innovation (R&I) strategy.

With today's technologies, these challenges are already lost. Only by fully leveraging the inventive capacity of its network of research and innovation staff can the Group rise to the challenges of the modern world, by proposing solutions that combine innovation, performance and accessibility and by providing its customers with long-term support.

Upstream research to anticipate tomorrow's challenges is combined with research tested under real conditions, before progressing to the industrial scale-up or marketing phases. On this basis, creative solutions are developed to address very specific problems and local conditions. These in turn can then be adapted to other regions of the globe. In this manner, Veolia's R&I drives development and value creation for the Group's different entities and its customers.

Innovation in environmental services offers an essential competitive edge when responding to calls for tenders while contributing decisively to the success of the Group's mission.

11.1.2 Organization of Research and Innovation

The R&I team reports to Veolia Environnement's Innovation and Markets Department. This department also includes the Strategy, Marketing and Development teams as well as the incubator for Veolia's new solutions. Veolia's research activities are overseen by Veolia Environnement Recherche & Innovation (VERI).

VERI works on behalf of all business units, as their needs are similar. These include improving overall performance and productivity, developing new areas of business activity and anticipating the needs of tomorrow. VERI provides innovative solutions to Group customers, whether they be industrial companies or municipalities.

R&I, while driving growth, also helps to ensure that research efforts are properly aligned with Group strategy.

For this purpose, the VERI organization was restructured in 2014 to focus effectively on the Group's new growth sectors. With this objective, it adopted a matrix structure covering four major research programs:

- **Industry**: projects in industrial segments as defined by the Group's strategic plan (oil and gas, mining, the circular economy, dismantling, food and beverage, pharmaceuticals and cross-sector);
- **Towns and cities**: projects addressing the needs of urban markets (digital cities, sustainable cities and traditional services);
- **Performance**: projects for optimizing performance of ongoing contracts and Group solutions (waste management, water, energy and health and safety);
- **Incubator**: projects for anticipating future needs.

With five research center departments devoting their expertise to meeting the needs of the Group and its customers:

- Biosystems & Biotechnologies;
- Environment & Health;
- Process Engineering;
- Modeling & Information Technologies;
- Technologies & Engineering.

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

Finally, to allow Group experts to focus on project work, the above programs are responsible for defining lines of research and for the dynamic management of project portfolios in conjunction with the other Departments and regions to ensure industrial scale-up. Each innovative solution should therefore encourage the creation of new services or an improvement in the quality of existing services by increasing efficiencies, yields or reliability and reducing impacts and costs. By intensifying its technology integration role, R&I also increases the differentiation of Veolia's solutions and therefore its competitiveness.

This organizational structure, combined with its reporting line to the Innovation and Markets Department, allows for a closed-loop innovation process between R&I and operations to roll out cutting-edge ecotechnologies as quickly as possible.

11.1.3 Research and Innovation expertise and resources

To achieve these objectives and drive improvements in the productivity of Group processes and services, research projects are conducted by combining methodological rigor, scientific excellence and internal expertise. In 2014, Veolia deployed nearly 850 experts worldwide in support of these R&I activities.

In order to be responsive to emerging markets and technologies, in 2013, Veolia set up an international network of R&I officers, to identify innovation needs in each region of the world and communicate on research work. Locally, the Group's R&I approach gives its business units a competitive advantage, by helping to adapt their offerings to the specific requirements of each market.

This unique approach to R&I is further supported by R&I centers, test facilities and research pilots. Veolia has six research centers located in France, China, Poland and Singapore. In France, the three main sites in Maisons-Laffitte, Limay and Saint-Maurice form a network that operates as a single research center.

Veolia also has three specialized research centers located in international markets. In China, Veolia R&I joined forces in 2010 with a leading Chinese university, the University of Tsinghua, to open a joint research center and work on the treatment of micropollutants and industrial effluents. Since 2012, the Heat Tech Center in Warsaw (Poland) has bolstered Veolia's position as an industry leader in this area. Its mission is to spearhead research projects focusing on smart heating networks and responsible resource planning and management. Finally, in 2014, the center of excellence for urban modeling was created in Singapore.

These research activities are supported by three test facilities for wastewater and drinking water treatment as well as seawater desalination, along with 278 research pilots to validate these technologies and ensure their reliability.

In 2014, the total budget for R&I was approximately €78.1 million.

11.1.4 Approach and methods for Research and Innovation

VERI is fully aligned with the Group's approach to innovation, and combines a unique research and innovation structure with operational innovation right across the Group.

This system is based on:

- an internal approach in the form of an **innovation network within Veolia** coordinated by VERI, for sharing and expanding innovation capabilities within the Group;
- an **open innovation** approach to identify innovations originating from outside sources to be incorporated within Veolia's solutions.

The objective of the **internal innovation network** is to promote collaborative innovation internally to achieve improvements in productivity and performance. It also seeks to develop relations and foster exchanges of information between all participants in Group innovation. The network supports and encourages the development of local innovation initiatives by sharing best practices or making available specific tools. Innovation is an integral part of Veolia's assets. This network in turn contributes to increasing total innovation capability and fosters momentum for generating, sharing and applying innovations.

Veolia's open innovation approach accelerates and amplifies the Group's innovation capability. Launched in 2010, this approach makes it possible for any external company (mainly startups and SMEs) to propose innovations of potential interest to Group business lines through an online platform. The dedicated program - Veolia Innovation Accelerator - is able to identify startups to accelerate the roll-out of the most innovative technologies for the environment and enhance the Group's customer solutions.

In 2014, this open innovation approach evolved with the introduction of challenges for external solutions in order to respond more rapidly to Group innovation needs.

11.1.5 An outward looking approach to innovation

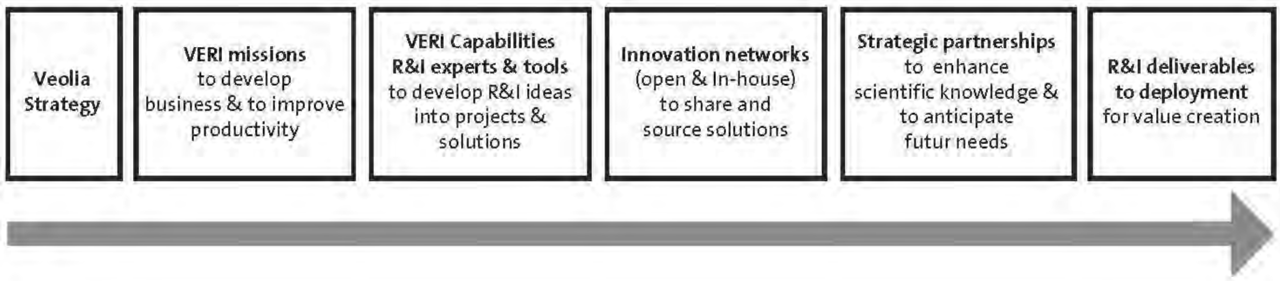
With a reputation as a partner of value and necessity**,** Veolia's R&I has developed more than 220 partnerships throughout the world to further strengthen its expertise, improve the quality of scientific knowledge, prepare for the R&I needs of the future, find innovative responses to customers' questions and address the environmental challenges of tomorrow.

These partnerships are developed both with academic institutions recognized for their scientific excellence and industrial groups or local authorities on the cutting-edge of their respective areas.

These privileged relationships may take many different forms: research projects through private funds supported by national, European or international public financing, but also participation in projects originating from the French "Investments for the Future Program" (five in 2014), participation in 10 competitiveness clusters covering Veolia's areas of business or the financing of five research chairs in areas of major importance for understanding and addressing environmental challenges (lifecycle analysis, biodiversity, knowledge of water, detection and modeling and greenhouse gas emissions).

This outward-looking approach to innovation reflects a Research & Innovation strategy that is at the forefront of progress in delivering customer service and creating value.

R&I in brief:



11.1.6 Progress in 2014

INDUSTRY PROGRAM

Actiflo SOFT'ns: a new softening process for wastewater treatment in industrial applications

This high-yield chemical softener concept was developed by VERI and VWT for wastewater treatment in the industrial market. VWT (Pittsburg-USA) has developed the Actiflo SOFT'ns ("softening no sand") process based on high-rate clarification and a settling technology. This new process uses a chemical softener to produce precipitated calcium carbonate used as a ballast for settling. This makes it possible to treat high levels of hardness and particles suspended in water compared with existing processes. After testing the Actiflo SOFT'ns configuration at pilot scale, VERI gave the go-ahead for a new configuration including a high density solids pump system (Turboflo) for the precipitation phase. This pump system makes it possible to avoid the loop of recirculating mud. The Actiflo SOFT'ns process can also be used in the mining industry and the energy sector.

MOVE2CHEM: Worldwide Innovation Challenge award winner

Spearheaded by the VERI teams in partnership with SAS Pivert and AVRIL, the Move2Chem project aims to develop a system for recovering byproducts from the food and beverage industries, by converting them into chemical molecules used to create new materials and products such as dyes and solvents. As the winner of the Worldwide Innovation Challenge for the plant chemistry program, Move2Chem, Veolia was received at the Elysée Palace, the official residence of the President of the French Republic. The purpose of this French government-sponsored challenge is to promote the emergence of the country's future economic champions. This distinction will enable the Group and its partners to accelerate completion of the first trials and bring them to maturity with a view to the industrial scale-up of the processes developed.

STRUVIA: a technology for recovering phosphates and nitrates from wastewater

The objective of this project is to recover phosphates and nitrates from wastewater using crystallization and precipitation processes. A specific form of precipitate was defined: struvite or MAP (magnesium ammonium phosphate). Bench tests were conducted by VERI using synthetic solutions. In parallel, Veolia Environnement's Technical and Performance Department conducted pilot tests using a real matrix (Athos process). The reactor used was developed by VERI. The main objectives of the VERI test bench study and Technical and Performance Department pilot were successfully achieved, with 95% of phosphates eliminated in the form of struvite.

BIODATA: a database of biomass fuel sources

BIODATA is a database characterizing the different sources of biomass fuel for boiler systems. It includes data on different types of fuel: forest biomasses, pruning wood, energy crops, recycled wood, industrial byproducts, compost waste, sawmill waste and agricultural byproducts. The information retrieved concerns parameters for the physical and chemical analysis of fuel: moisture, lower calorific value, ash fusibility temperature and elemental analysis. When tests are carried out on boilers, additional information becomes available: power output, combustion chamber temperature and exhaust composition. Comments are also included about the risks of clogging, corrosion, suitability of a specific combustion technology, etc.

Advanced energy optimization for industrial sites: delivery of a new version of PROSIM PLUS with EXERGIE and PINCH modules

In connection with the COOPERE project (a development tool and advanced methodologies for performing energy audits of industrial sites), the partners have delivered a new version of the PROSIM PLUS platform which is able to analyze an industrial site in terms of processes and calculate the associated energy optimization potential using a combination of PINCH methodologies and exergy optimization. The audit assessments incorporate the recovery of co-products and by-products obtained. In time, the software platform will also include a module for cost and environmental calculations and technological modules for drying and anaerobic digestion technologies.

Case study on "recovering unavoidable heat for an industrial client"

In connection with a project for "recovering unavoidable energy", VERI conducted a case study on the site of an industrial customer of Veolia, specialized in the production of high-purity alumina. The objective was to suggest ways to improve energy consumption and the recovery of unavoidable energy. The industrial site was a major energy consumer, with only a small fraction used for the chemical manufacturing process itself. VERI's mission consisted in performing an audit of the site, producing simple models for the main process steps, then identifying potential sources of energy savings and recovery of unavoidable energy. This study led to the proposal of technical solutions. In practical terms, a simple tool was developed and the study findings were provided to the customer.

PROGRAM FOR TOWNS AND CITIES

Presentation of the urban planning modeling system at the Singapore World Cities Summit

VERI is currently developing a decision-support tool for sustainable and intelligent initiatives for Singapore. Based on an innovative approach for modeling complex systems, VERI provides models that will enable the Singapore municipal agency responsible for housing, the Housing Department Board, to assess local initiatives from the perspective of sustainable development. This tool is able to simulate the performances of urban systems for a city and their impacts on the environment, the population and costs. Measures such as the implementation of new technologies or awareness-raising initiatives to promote changes in behavior may also be compared in different areas such as water management, waste management or energy savings. Carried out in collaboration with EDF, this research project generated interest from a number of public and private stakeholders active in the area of resilient and intelligent cities when it was demonstrated at the World Cities Summit in Singapore in June 2014.

The Veolia Environmental Footprint: Methodology Guide

The Veolia Environmental Footprint is based on the measurement of four footprints describing four environmental challenges: climate change, the preservation of water resources, the preservation of biodiversity and the preservation of natural resources. For the development of this "Veolia Environmental Footprint", VERI has just produced the first "Methodology Guide for territorial application of the Veolia Environmental Footprint". This guide sets out an analysis of existing environmental assessment methods applicable at territorial level as well as the Veolia Environmental Footprint assessment methodology. There is a section devoted to the "regionalization method", a key step for scaling up to local economy level and for the region's interaction with the outside world.

The Water France Hydraulic Situation Report: a tool for measuring the hydraulic stress of water resources

The Water France Hydraulic Situation Report provides a daily overview of water resources and production for a drinking water plant. It provides a comparison of the current situation in relation to benchmarks based on Water France operating data and on public data. Indicators make it possible to measure the criticality of drinking water production on a daily basis. Version 0 was released in January 2014.

IRRIALT'EAU: the project was awarded the Costi prize (France)

In January 2014, the Irrialt'Eau R&D project for the irrigation of vineyards using treated wastewater was the recipient of a prize awarded in Montpellier by the Scientific, Technical and Industrial Steering Committees (*Conseils d'Orientation Scientifiques, Techniques et Industriels* or Costi) of the Languedoc Roussillon (France) Regional Agency for Innovation and Technology Transfer. This aim of this demonstration project is to establish the environmental, health and societal benefits of reusing treated wastewater for irrigating vineyards in regions subject to water stress.

Coastal wetlands: results of the partnership between Rivages de France, Conservatoire du Littoral and Veolia.

Veolia's three-year partnership with Rivages de France and coastal conservation agency, Conservatoire du Littoral, has resulted in the implementation of projects to protect local wetlands (les prés salés de La Teste de Buch in the Gironde department of France) and the Étangs de Villepey (Var)) included in the agency's coastal land reserve. This partnership focused on two priority lines of action: 1) initiatives for research, measurement, analysis and project execution or pilot work contributing to defining methods for classifying the relevant wetlands in terms of services provided (tracking protocols, qualification grid and specific indicators); and 2) restoring the image of coastal wetlands by designing pedagogical awareness-raising products for local communities and parties involved in regional planning. This work resulted in the creation of a guide, "Les zones humides littorales : des écosystèmes utiles pour les territoires" (Coastal wetlands: useful territorial ecosystems), as well as an educational film promoting the value of coastal wet zones. This film was shown at the trade fair for mayors and local communities and is available online: (http://www.dailymotion.com/video/x1a2mhn_a-votre-service-les-zones-humides-littorales-des-ecosystemes-utiles-pour-les-territoires_tech)

REFLEXE (*REponse de FLEXibilité Electrique*): project results and closure

In October 2014, the REFLEXE project completion meeting was held with Ademe, the French Environment and Energy Management Agency (*Agence de l'Environnement et de la Maîtrise de l'Energie*) and the project partners. This project gave each company an opportunity to develop skills and knowledge in the field of smart electrical grids. VERI structured and formalized the use of electrical flexibility for commercial buildings and for water utility networks. Energy performance should lead the way in terms of optimizing electrical flexibility, followed by electricity pricing, and finally the capacity market. Two potential areas for further study were identified: flexibility for industrial sites and a decision-support tool for purchasing electricity at deregulated prices.

Spidflow™: performance of the VWS flotation unit

The results of the pilot trials at the Fujaïrah desalination platform, and data on the performance of the reverse osmosis membrane desalination plant operated by Veolia at Fujaïrah, demonstrate that the Spidflow™ technology (a Group patented air flotation technology) could provide a means to responding to red tide algal bloom periods while ensuring continuing availability and production of desalination facilities. These results were presented at an international conference on harmful algal blooms held in Oman in April of last year.

Opalix®: an innovative process for the treatment of natural organic matter in Drinking Water plants

Eliminating organic matter remains one of the key challenges for the production of drinking water. Chlorine disinfection of water containing natural organic material (NOM) leads to the formation of byproducts. In addition, the presence of NOM contributes to the development of bacteria in water supply networks. A new patented process for eliminating natural organic material by ion exchange, Opalix® was developed to be able to achieve dissolved organic carbon (DOC) values of less than 2.0 mg/l. This process uses special proprietary ion exchange resins regenerated on-site in a simple and economic manner. It does not produce solid waste and is also capable of absorbing peaks in organic matter. Furthermore, it has been demonstrated that the eluates from the regeneration system can be used between three and five times. The Opalix® process was presented at the ASTEE trade fair in June 2014 in Orléans, France.

IFAS: ANITA™ Mox applied to water treatment applications

IFAS (Integrated Fixed-film Activated Sludge) is a new configuration of the ANITA™ Mox process. Tests conducted on recirculated effluent or sidestream flows demonstrated that this new configuration makes it possible to significantly improve the performance of the ANITA™ Mox process. The novel characteristics of this configuration are a definite advantage for "mainstream" water treatment applications. Two studies are currently being conducted to demonstrate (i) the feasibility and interest of IFAS ANITA™ Mox for mainstream applications (ii) how this process can be integrated into the water treatment industry by providing net benefits in terms of reduced energy needs and operating expenses. The results of R&D trials conducted by AnoxKaldnes and VERI on the IFAS process applied to water treatment applications and an article entitled *"Mainstream Deammonification with ANITA-Mox process",* were presented at the WEFTEC conference in October 2014 in New Orleans (United States).

Sanitation system management: VERI tests stochastic optimization to improve the management of rainfall events

Random (or stochastic) events, such as rainfall events or rate fluctuations are numerous and factoring these uncertainties into the decision-making and management process is a sensitive undertaking. However, methods exist and VERI selected a hypothetical test case to evaluate them: the problem of managing pumping operations in a rainwater drainage system during a period of rainfall. Results demonstrated the benefits and efficacy of stochastic optimization techniques as well as certain limits relating mainly to the complexity of implementation. These results were published and presented in June 2014 at the 24th European Symposium on Computer Aided Process Engineering (ESCAPE 24).

PROGRAM FOR PERFORMANCE

Flash BMP®: innovation transfer at CAE and the SEDE Artois anaerobic digestion plant

For scaling or managing an anaerobic digestion facility it is important to be able to measure the biochemical methane potential (BMP) of organic waste. Using the Flash BMP® solution, the biochemical methane potential can be calculated in less than 10 days to a level of accuracy comparable to conventional methods. Developed by VERI in partnership with chemometrics specialist ONDALYS, Flash BMP® is a methodology based on an instantaneous optical measurement of near-infrared spectroscopy. This innovation was transferred in 2014 to the SEDE Artois anaerobic digestion plant and the Veolia Group's Environmental Analysis Center (*Centre d'Analyses Environnementales* or CAE). This method can be applied to a broad range of products: waste from the food and beverage industry, agricultural waste and effluents and municipal waste.

Remotely Controlled Waste Separation: Veolia inaugurates I-SORT3R, a new process for sorting without contact with waste in Amiens (France)

I-SORT3R, the remote-controlled sorting process, developed by VERI for Veolia's Waste Recycling and Recovery division, was inaugurated in November 2014 at the new selective waste sorting center in Amiens (France). This process reinvents the job of the waste management technician, with the process of sorting performed using a touchscreen, without any contact with the waste. On the sorting line, waste is automatically ejected using pressurized air. The only one of its kind in France, this innovation increases the production of secondary raw materials derived from waste and opens the way to a new generation of waste sorting facilities.

Organic Waste Products: scientific conclusions on the QualiAgro system

In October 2014, at an event devoted to "Recycling and the Impact of Organic Waste Products" organized by INRA (*Institut National de Recherche Agronomique*), the scientific conclusions of the QualiAgro system were presented, after 16 years of experimentation in cultivated fields. Conducted as a partnership between INRA and VERI, QualiAgro's aim was to compare the effects of organic waste products – biowaste compost, household waste compost or wastewater sludge – with the better-known effects of mineral fertilizer or cow manure. The results indicated significant agricultural benefits from regular organic waste inputs to the soil, with no material environmental impacts. To find out more: http://www6.inra.fr/qualiagro.

Moisture: Open Innovation Challenge for measuring biofuel and waste moisture

In April 2014, VERI launched an external Open Innovation challenge to identify innovative solutions for the inline or flow-based measurement of intrinsic moisture for matrices with high organic content (biofuels, household waste, biogas digestate, etc.). Indeed, the moisture of the matrix is a key parameter for the management of operations. The quality of measurement represents a challenge for process management and optimization. For example, in the energy sector, some manufacturers use the water content of the fuel as a parameter in the controls for managing the settings of a biomass boiler. Likewise, it is also essential for checking that the measured LCV (Lower Calorific Value) of the fuel delivered is compliant with that ordered. For the biological treatment of waste, moisture determines the smooth operation of equipment such as screens or presses and especially the proper functioning of the processes that break down organic matter. Following this challenge, a Finnish technology was selected for full-scale trials to be conducted in 2015.

Inspect'O: the first installation delivered by SETHA for the drinking water supply network of Colle-sur-Loup, in the Alpes-Maritimes department of France

The first installation was delivered by SETHA in December 2014 for 2 km of the drinking water supply network of Colle-sur-Loup (Alpes-Maritime, France). "Inspect'O" is a tool for inspecting the degree of deterioration in underground drinking water pipelines and optimizing the maintenance and renewal policy and expenses, as well as improving service performance indicators in the long term. Developed by VERI, the process is based on introducing into the network an electromagnetic sensor using non-destructive RFEC (remote field eddy current) technology. By measuring the thickness of the pipelines, it is possible to identify "critical" sections requiring refurbishment or replacement work. The service is offered to municipalities as a decision-support tool for managing water networks.

H_2S in sanitation systems: GaStrip version 1 calculation tool for estimating gas-phase H_2S

Hydrogen sulfate (H_2S) emission is a common problem in sanitation systems. H_2S, a toxic and corrosive gas constitutes a danger for operating personnel and degrades network infrastructure. Significant quantities of this gas are produced in turbulent hydraulic conditions. In this connection, VERI developed and validated a digital model of the kinetics of H_2S emissions for a waterfall. This model was integrated into GaStrip, a calculation tool for the Veolia engineering department used to estimate the concentration of H_2S on the basis of relevant factors. A second version of this tool is under development to expand the scope of application of the model.

RELIABLE DH: functional specifications for the decision-making tool for heating network resource planning and management

The RELIABLE DH "District Heating" project aims to develop a decision-making tool for producing multi-year plans for renovating heating pipe networks, based on a holistic approach to risk management and lifecycle. This project is being carried out jointly by the Warsaw Heat Tech Center (Poland) and VERI. The functional specifications for the tool are complete and the decision-support tool algorithms have been developed in part. The software development phase began in January 2015 in close collaboration with the demonstration site of Lodz (Poland) which has just been selected.

OPEN INNOVATION

Veolia Innovation Accelerator: presentation of the approach at the "Osaka Prefecture Open Innovation Seminar 2014" organized by the Japan External Trade Organization

Veolia was a guest of the Open Innovation forum organized by the Osaka Chamber of Commerce and Industry and the Japan External Trade Organization (JETRO) in July 2014. The purpose of the forum is to support local companies in their development by offering them an opportunity to work with major groups like Veolia. The event provided an ideal opportunity for Veolia to present the Veolia Innovation Accelerator (VIA) approach, open innovation challenges already completed and future areas of potential interest to the Osaka Prefecture as well as to small and large companies and universities.

United States: Veolia North America successfully tests the FluxDrive technology

A company identified through the Veolia Innovation Accelerator, FluxDrive has developed two product lines based on induction machine technology, both of which seek to improve not only cost but also energy performance and the maintenance of motorized systems. In 2014, Veolia North America successfully tested the company's solutions on two installations. Demonstrations on a plume-abatement fan and a hot oil pump produced significant energy savings, improved performance and reduced maintenance costs.

United States: Open Innovation assistance with the city of Akron (Ohio)

Veolia Innovation Accelerator successfully supported the Veolia North America Business Development team by providing a tailor-made innovation assistance program for the city of Akron. Included as an element of the "Peer Performance Solutions" contract, Veolia Innovation Accelerator's objective is to assist the city in identifying and implementing innovative initiatives that will contribute to achieving the economic development goals set.

France: Territorial Innovation Accelerator (TIA) launched in Seine Saint-Denis

Following the success of the TIA in Nord-Pas-de-Calais, Veolia has introduced the TIA approach to Seine Saint-Denis (TIA-SSD), in partnership with Orange, Rabot Dutilleul and the Seine Saint-Denis Chamber of Commerce and Industry (CCI). The initiative was officially launched on December 9, 2014 at the Seine Saint-Denis CCI. Supported by the CCI, through members of the Up'Innov entrepreneurs network, an initial challenge has been launched on the theme of "Smart buildings".

Scandinavia: launch of the Nordic Innovation Accelerator (NIA)

In early 2014, VERI and Lahti Region Development LADEC Ltd (Finland) launched the Nordic Innovation Accelerator. Challenges launched and piloted in connection with the Open Innovation platform of VERI are now promoted on this new Nordic platform with the goal of identifying differentiating solutions originating from Scandinavia, a hub for innovative companies in the environmental field, with the active support of LADEC. The platform is accessible at www.nordicinnovationaccelerator.com. The Nordic Innovation Accelerator is a way of further contributing to the attractiveness of the Scandinavian region and the vibrancy of its economy.

11.2 Patents and licenses

See Chapter 6, Section 6.2.5 above (Intellectual property – Company dependence).

12 INFORMATION ON TRENDS AFR

12.1 Trends

The main trends relating to or affecting the Company's business are described in Chapters 6 and 9 above.

The events or circumstances that could reasonably have a material effect on the Company's outlook for 2015 were communicated during the presentation of its 2014 annual results on February 26, 2015 (see Section 12.2 below), after the Board of Directors approved the Company accounts at its meeting on February 25, 2015.

12.2 Recent developments

On February 9, 2015, Veolia Environnement issued a press release concerning the acquisition by its subsidiary, Sarp Industries, of an incinerator for special waste in Constanti, Catalonia, Spain.

On February 26, 2015, the Company issued a press release on its results for 2014.

Group post-balance sheet events are shown in Note 40 to the consolidated financial statements.

According to a press release published on March 3, 2015, the Groupama Group announced that they had sold 28,396,241 of the Company's shares. Following this divestiture, on March 5, 2015, Groupama declared that the Groupama SA intermediary, Gan Assurances and the regional banks held 0.15% of the Company's capital and voting rights, *i.e.* 823 779 shares.

On March 10, 2015, the Board of Directors of Veolia Environnement decided, at a proposal from the Nominations Committee, to propose the following resolutions at the General Combined Meeting of Shareholders of April 22, 2015:

- the renewal of the terms of office as directors of Mr Louis Schweitzer, Mrs Maryse Aulagnon and Mr Baudouin Prot;
- the appointment of Mrs Homaira Akbari (of US and French nationality) and of Mrs Clara Gaymard (of French nationality) as Directors;
- Upon his request, non-renewal of the term of office of Mr. Pierre-André de Chalendar, to whom the Board expresses its deepest gratitude for the quality of his contribution to the work of the Board.

The Board of Directors also formally noted the resignation from his office as a director, with effect from March 9, 2015, of the company Groupama SA, and co-opted Mr. Geoges Ralli for the remainder of the term of office of this company, of which he was the representative. The Shareholders' Meeting on April 22, 2015, will be asked to ratify this cooptation.

Finally, the Board of Directors has decided to submit an amendment to the Company's Articles of Association, intended to exclude the automatic acquisition of double voting rights, at the Shareholders' Meeting on April 22, 2015, while recommending that the shareholders do not adopt the corresponding resolution in order to promote long term share ownership.

In addition, the Board of Directors decided to appoint Ms. Isabelle Courville, a Canadian national, as a non-voting director ("censeur") with effect from March, 10, 2015.

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

13 OBJECTIVES AND OUTLOOK

For the 2015 fiscal year the Group aims to achieve:

- revenue growth;
- EBITDA and Current Operating Income growth with:
    - continued strong operational performance,
    - cost savings benefit: continued execution of the €750M cost savings plan;
- continued capex discipline;
- the dividend and hybrid coupon payment to be covered by Current Net Income and paid by Free Cash Flow excluding net financial divestments;
- net financial debt management.

For 2016, for the fiscal year 2015, the Board of Directors has indicated that the dividend per share shall be at least equal to € 0,70.

14 BOARD OF DIRECTORS, MANAGEMENT AND SUPERVISORY BODIES AND EXECUTIVE MANAGEMENT AFR

The Company has been a société anonyme (a French public limited company) with a Board of Directors since the General Meeting of Shareholders (GM) of April 30, 2003. The Company's shares are listed on the Euronext Paris regulated market. It is subject to French law, specifically with regard to corporate governance.

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

14.1 Board of Directors of the Company

14.1.1 Members of the Board of Directors and positions outside the Company held by Directors

The Company's Board of Directors has sixteen members, including two Directors representing the employees, and two non-voting members (*censeurs*) as of the date that this registration document was filed (see Chapter 16, Section 16.1.2, below).

Name of Director/non-voting member	Date of appointment for first term	Date of last reappointment	Expiration of term(1)
Antoine Frérot, Chairman and Chief Executive Officer	May 7, 2010	April 24, 2014	2018 GM
Louis Schweitzer*, Vice-Chairman and Senior Independent Director	April 30, 2003	May 17, 2011	**2015 GM**
Jacques Aschenbroich*	May 16, 2012	-	2016 S GM
Maryse Aulagnon*	May 16, 2012	-	**2015 GM**(2)
Daniel Bouton*	April 30, 2003	April 24, 2014	2018 GM
Caisse des Dépôts et Consignations, represented by Olivier Mareuse	March 15, 2012	May 14, 2013	2017 GM
Pierre-André de Chalendar*(3)	May 7, 2009	May 17, 2011	**2015 GM**
Marion Guillou*	December 12, 2012	May 14, 2013	2017 GM
Serge Michel	April 30, 2003	May 16, 2012	2016 GM
Pavel Páša(4), *Director representing employees*	October 15, 2014	-	15.10.18
Baudouin Prot*	April 30, 2003	May 17, 2011	**2015 GM**
Qatari Diar Real Estate Investment Company*, represented by Khaled Al Sayed	May 7, 2010	-	2018 GM
Nathalie Rachou*	May 16, 2012	-	2016 GM
Georges Ralli*(5)	May 16, 2012		2016 GM
Paolo Scaroni*	December 12, 2006	May 14, 2013	2017 GM
Pierre Victoria (6), *Director representing employees*	October 15, 2014		October 15, 2018
Isabelle Courville (7), *non-voting member*	March 10, 2015	-	2016
Paul-Louis Girardot (8), *non-voting member*	April 24, 2014	-	2018

(1) Since the General Meeting of Shareholders of May 7, 2009 adopted the resolution reducing the term of office for Directors from six to four years (immediate implementation provision for current terms) the term of office of the Directors is for four years.

(2) Term reduced to three years (i.e. at the end of the Ordinary Shareholders' Meeting to be held in 2015) following the Board of Directors' meeting of March 11, 2014.

(3) At its meeting of March 10, 2015, the Board of Directors noted the request from Pierre-André de Chalendar not to renew his appointment as a Director.

(4) Nominated as a Director representing employees by the Group's European Committee of Veolia Environnement l on October 15, 2014.

(5) Mr. Georges Ralli was co-opted by the Board of Directors on March 10, 2015 to replace Groupama SA, which he represented, for the rest of his current term of office, i.e. until the end of the Combined General Meeting of Shareholders called to approve the financial statements for the year ended December 31, 2015. The General Combined Shareholders' Meeting of April 22, 2015 will be asked to ratify this co-optation.

(6) Nominated as Director representing employees by the Group's France Committee of Veolia Environnement on October 15, 2014.

(7) Mrs. Isabelle Courville was nominated to the Board as a non-voting member by the Board of Directors on March 10, 2015, effective the same date for an initial term that ends at the 2016 Shareholders' Meeting called to approve the financial statements for fiscal year 2015. Mrs. Isabelle Courville will be proposed by the Board of Directors for election to the Board as a voting member during the 2016 General Meeting of Shareholders in the context of the election of one-fourth of the members of the Company's Board of Directors.

(8) Paul-Louis Girardot was appointed as a non-voting member at the March 11, 2014 meeting of the Board of Directors, taking effect at the close of the General Meeting of Shareholders of April 24, 2014 for a period of four years, expiring at the close of the 2018 General Meeting of Shareholders; in addition, in a letter dated March 28, 2014, the Groupe Industriel Marcel Dassault (GIMD) and Thierry Dassault informed the Company that they were resigning, effective immediately, from their respective positions as a Director and a non-voting member of the Board of Veolia Environnement.

* *Independent Director.*

The table below shows the names of the voting and non-voting members of the Board of Directors as of the date the registration document was filed, their ages, the dates of their first appointment and reappointment, if any, and the expiration date of their terms of office, the main positions they hold outside the Company and the corporate offices they have held with all companies during the last five years.

The offices held by the Directors and non-voting members indicated above are current as of December 31, 2014 on the basis of the updated or known information on the filing date of this registration document with the French Financial Markets Authority (AMF):

Legend:

GM = General Meeting of Shareholders convened to vote on the financial statements for the previous year.

** Listed company.*

[VE] Group company

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
Antoine Frérot 56 years old Date of first appointment: May 7, 2010 Reappointed: April 24, 2014 Term of office expires: 2018 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]; • Director of Veolia Energie International[VE]; • Director of Société des Eaux de Marseille [VE]; • Chairman of Fondation d'Entreprise VE[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; • Chairman and Director of the non-profit organization, Envie; • Director of the non-profit organization the Centre d'Arts Plastiques de Royan. ***Outside France:*** • Member of the Management Board of Veolia Environmental Services North America (United States of America) [VE].	***In France:*** • Member and Chairman of the Supervisory Board of Dalkia France until July 24, 2014[VE]; • Chairman of Campus Veolia Environnement until May 5, 2014[VE] • Chairman of VE France Régions until April 12, 2014[VE]; • Member of the A and B Supervisory Boards of Dalkia (formerly Dalkia Holding) until July 25, 2014[VE]; • Director and Chairman of the Board of Directors of Veolia Water until November, 19 2013[VE]; • Chairman of the Board of Directors of Veolia Transdev until December 3, 2012[VE]; • Chairman of the Board of Directors of Veolia Propreté until October 31, 2012[VE]; • Member and Chairman of the Supervisory Board of Eolfi until June 29, 2012; • Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Institut Veolia Environnement until February 22, 2011; • Permanent Representative of Veolia Eau – Compagnie Générale des Eaux, and Director on the Board of Directors of Fondation d'Entreprise VE until January 25, 2010 [VE]; • Chairman of the Board of Directors of Veolia Propreté until October 7, 2011[VE]; • Director of Veolia Transport until March 24, 2011[VE]; • Member of the Supervisory Board of Ponts Formation Edition until March 1, 2011; • Member of the Supervisory Board of Louis Dreyfus BV until February 3, 2011; • Chief Executive Officer of Veolia Environnement until December 12, 2010[VE]; • Director of SADE CGTH until June 23, 2010[VE]; • Director of CEP Ports until April 28, 2010[VE]; • Member and Chairman of the Supervisory Board of SETDN until May 28, 2010; • Member and Chairman of the Supervisory Board of CEO until May 28, 2010[VE]; • Permanent Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Société des Eaux de Marseille until April 21, 2010[VE]; • Director of SARP until February 18, 2010[VE]; • Permanent Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Proxiserve Holding until January 15, 2010; ***Outside France:*** • Director of Veolia Environmental Services North America (United States of America) until December 31, 2012 [VE]; • Director of Société Monégasque des Eaux (Monaco) until April 7, 2010.

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
LOUIS SCHWEITZER 72 years old Date of first appointment: April 30, 2003 Reappointed: May 17, 2011 Term of office expires: **2015 GM** ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Vice-Chairman of the Board of Directors; Senior Independent Director; Member of the Nominations and Compensation Committees	***Principal position held outside the Company:*** • Commissioner General for Investment; • Chairman of Initiative France. ***Other offices and positions held with any company/entity:*** ***In France:*** • Director of L'Oréal*; • Member of the Board of Musée du Quai Branly; • Member of the Board of the National Political Science Foundation; • Director of the Société des Amis du Musée du Quai Branly; • Chairman of the Board of Directors of Festival d'Avignon; • Chairman of the Board of Directors of Maison de la Culture MC 93. ***Outside France:*** • Member of the Advisory Board of Allianz* (Germany);	***In France:*** • Chairman of the National Authority against Discrimination and for Equality ("HALDE"); • Chairman of the Supervisory Board of the "Le Monde" Group; • Member of the Advisory Board of the Banque de France; • Director of BNP Paribas*. ***Outside France:*** • Member of the Advisory Board of Bosch (Germany). • Chairman of the Board of Directors of AstraZeneca* (United Kingdom); • Chairman of the Board of Directors of AB Volvo* (Sweden).
JACQUES ASCHENBROICH 60 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/entity:*** ***In France:*** • Chairman of Valeo Finance; • Director of the École Nationale Supérieure des Mines ParisTech. ***Outside France:*** • Chairman of Valeo SpA (Italy); • Chairman of Valeo (UK) Limited (United Kingdom); • Director of Valeo Service Espana, S.A. (Spain).	None
MARYSE AULAGNON 65 years old Date of first appointment: May 16, 2012 Term of office expires: **2015 GM**(1) ***Principal position held within the Company:*** Independent Director of Veolia Environnement*	***Principal position held outside the Company:*** • Chairman and Chief Executive Officer of Affine R.E.* ***Other offices and positions held with any company/entity:*** ***In France:*** • Director of Air France KLM*; • Member of the Supervisory Board of BPCE (Banques Populaires Caisses d'Épargne) Group. • Chairman of the Management Board of Mab-Finances; Permanent Representative of Affine R.E.*, Mab Finances and Promaffine to the boards of various entities of the Affine R.E. Group; ***Outside France:*** • Representative of Affine R.E., Chairman of Banimmo*, Affine Group (Belgium); • Director of Holdaffine BV, Affine R.E. Group (Netherlands).	***In France:*** • Director of AffiParis*. ***Outside France:*** • Manager of Affinvestor GmbH (Germany);

(1) Term of office reduced to three years after the March 11, 2014 meeting of the Board of Directors

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
DANIEL BOUTON 64 years old Date of first appointment: April 30, 2003 Reappointed: April 24, 2014 Term of office expires: 2018 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*; Member of the Accounts and Audit Committee since November 2, 2009, and Chairman of this committee since January 1, 2010; member of the Compensation Committee	***Principal position held outside the Company:*** • Chairman of DMJB Conseil; • Senior Advisor of Rothschild & Cie Banque. ***Other offices and positions held with any company/entity:*** None	***In France:*** • Senior Advisor of CVC Capital Partners; • Director of Total SA*;
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/entity:*** ***In France:*** • Director of CNP Assurances*; • Director of Compagnie des Alpes*; • Director of Egis SA; • Director of FSI; • Director of Icade*; • Director of la Poste; • Director of Oseo SA; • Member of the Supervisory Board of SNI; • Director of Veolia Transdev.	***Outside France:*** • Director of Dexia* (Belgium).
OLIVIER MAREUSE 51 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:*** • Chief Financial Officer of the Caisse des Dépôts et Consignations Group (CDC). ***Other offices and positions held with any company/entity:*** ***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; • Director of CNP Assurances*; • Director of CDC GPi; • Director of CDC International Capital; • Member of the Group Executive Committee and the Public Institution Executive Committee of CDC.	***In France:*** • Director of FSI; • Member of the Supervisory Board of IXIS Asset Management. ***Outside France:*** • Director of Dexia* (Belgium).

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
PIERRE-ANDRÉ DE CHALENDAR 56 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; Member of the Nominations Committee since March 25, 2014	***Principal position held outside the Company:*** • Chairman and Chief Executive Officer of Compagnie de Saint-Gobain*. ***Other offices and positions held with any company/entity:*** ***In France:*** • Director of BNP Paribas*. ***Outside France:*** • Director of Saint-Gobain Corporation (United States of America).	***In France:*** • Chairman of the Board of Directors of Verallia; • Deputy 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).
MARION GUILLOU 60 years old Date of first appointment: December 12, 2012 Reappointed: May 14, 2013 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; member of the Compensation Committee since November 5, 2014	***Principal position held outside the Company:*** • Chairman of Agreenium. ***Other offices and positions held with any company/entity:*** ***In France:*** • Member of the Board of Directors of the Sciences-Po Foundation; • Member of the national council of the Legion of Honor; • Director of Imerys*; • Director of Apave; • Director of BNP*; • Chairman of the adjudication panel of l'initiative d'excellence de Toulouse (IDEX); ***Outside France:*** • Member of the Board of CGIAR; • Member of FAO's expert committee (HLPE).	***In France:*** • Chairman and Chief Executive Officer of l'INRA; • Chairman of the Board of Directors of École Polytechnique; • Chairman of a joint agriculture and climate change research initiative (JPI FACCE); • Member of the Supervisory Board of Areva as a representative of the State.
SERGE MICHEL 88 years old Date of first appointment: April 30, 2003 Reappointed: May 16, 2012 Term of office expires: 2016 GM ***Principal position held within the Company:*** Director of Veolia Environnement*; Chairman of the Nominations and Compensation Committee from April 30, 2003 to March 11, 2014; Member of the Nominations and Compensation Committee from March 11 to 25, 2014; Member of the Nominations Committees since March 25, 2014	***Principal position held outside the Company:*** • Chairman of Soficot SAS. ***Other offices and positions held with any company/entity:*** ***In France :*** • Chairman of SAS Société Gastronomique de l'Étoile ; • Chairman of SAS Groupe Épicure; • Chairman 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 Infonet Services.	***In France:*** • Chairman of SAS Carré des Champs-Élysées ; • Director of LCC SA; • Chairman of SAS CIAM; • Permanent Representative of EDRIF to the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux[VE]; • Member of the Supervisory Board of Eolfi[VE]; • Director of Eiffage SA*; • Permanent Representative of SARP to the Board of Directors of SARP Industries.

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
PAVEL PÁŠA 50 years old Date of first appointment: October 15, 2014 Term of office expires: October 15, 2018 ***Principal position held within the Company:*** Independent Director representing Veolia Environnement employees*; Member of the Research, Innovation and Sustainable Development Committee since November 5, 2014	***Principal position held outside the Company:*** None ***Other offices and positions held with any company/entity:*** None	***In France:*** • Member of the Group's European Committee of Veolia Environnement VE ; • Officer of the Group's European Committee of Veolia Environnement VE. ***Outside France:*** None
BAUDOUIN PROT 63 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:*** • None ***Other offices and positions held with any company/entity:*** ***In France:*** • Director of Lafarge*; • Director of Kering*. ***Outside France:*** • Member of the Institute of International Finance (IIF); • Vice-Chairman of the International Monetary Conference (IMC); • Member of the International Advisory Panel of the Monetary Authority of Singapore (MAS) (Singapore); • Member of the International Business Leaders' Advisory Council (IBLAC) of the city of Shanghai (China)*.	***In France:*** • Chairman of the Board of Directors of BNP Paribas*; • Director and Chief Executive Officer of BNP Paribas*; • Member of the French Banking Federation Executive Committee. ***Outside France:*** • Director of Pargesa Holding SA* (Switzerland); • Director of BNL* (Italy); • Director of Erbé SA (Belgium).
QATARI DIAR REAL ESTATE INVESTMENT COMPANY Date of first appointment: May 7, 2010 Reappointed: April 24, 2014 Term of office expires: 2018 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*	***Principal position held outside the Company:*** None ***Other offices and positions held with any company/entity:*** ***Outside France:*** • Director of Barwa Real Estate (Qatar); • Director of Canary Wharf (United Kingdom).	None
KHALED AL SAYED 49 years old ***Principal position held within the Company:*** Permanent Representative of Qatari Diar Real Estate Investment Company to the Board of Directors of Veolia Environnement*	***Principal position held outside the Company:*** • Group Chief Executive Officer of Qatari Diar Real Estate Investment Company (Qatar).	***Outside France:*** • Chief Business Officer of Qatari Diar Real Estate Investment Company (Qatar); • Contracts Director of Qatari Diar Real Estate Investment Company (Qatar); • Director Supply Chain of Eastern Hemisphere Occidental Oil & Gas Corporation (Abu Dhabi).

	Principal positions held outside the Company – Other offices	Positions or offices expired during the last five years
NATHALIE RACHOU 57 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/entity:*** • 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*.	None
GEORGES RALLI 66 years old ***Principal position held within the Company:*** Independent Director of Veolia Environnement*	***In France:*** • Director of Quadrature Investment Managers; • Director of Chargeurs*; • Director of Carrefour*. ***Outside France:*** • Managing Director of IPF Management I Sarl (Luxembourg); • Managing Director of IPF Partners Sarl (Switzerland).	***In France:*** • Chairman of Maison Lazard SAS; • Chairman and Managing Partner of Lazard Frères Gestion SAS; • Managing Partner of Compagnie Financière Lazard Frères SAS and of Lazard Frères SAS; • Member of the Supervisory Board of VLGI; • Non-voting Board Member of Eurazeo*; • Member of the Supervisory Board of Bazile Telecom; • Director of Silic*. ***Outside France:*** • Deputy Chairman and Managing Director of Lazard Group LLC (United States of America); • Chief Executive of the European Investment Banking Business of Lazard (United States of America); • Co-Chairman of the European Investment Banking Committee of Lazard (United States of America); • Director of Lazard AB (Sweden); • Member of the Executive Committee of Lazard BV (Belgium); • Director of Lazard Aserores 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 of America); • Member of LFCM Holdings LLC (United States of America); • Chairman of the Executive Committee of Lazard Fund Management GmbH (Germany).

	Principal positions held outside the Company – Other offices	**Positions or offices expired during the last five years**
PAOLO SCARONI 68 years old Date of first appointment: December 12, 2006 Reappointed: May 14, 2013 Term of office expires: 2017 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement*	***Principal position held outside the Company:*** None ***Other offices and positions held with any company/entity:*** ***Outside France:*** • Member of the Board of Directors of Columbia Business School (United States of America); • Member of the Board of Directors of Fondazione Teatro alla Scala (Italy).	***Outside France:*** • Vice-Chairman of London Stock Exchange Plc* (England); • Member of the Board of Directors of Assicurazioni Generali* (Italy); • Chief Executive Officer of ENI* (Italy).
PIERRE VICTORIA 60 years old Date of first appointment: October 15, 2014 Term of office expires: October 15, 2018 ***Principal position held within the Company:*** Independent Director representing Veolia Environnement employees*; Member of the Accounts and Audit Committee and the Compensation Committee since November 5, 2014	***Principal position held outside the Company:*** • General Representative of the Cercle français de l'eau ; • Treasurer of the non-profit organization Association pour la défense des intérêts français en Asie Pacifique (ADIFAP). ***Other offices and positions held with any company/entity:*** ***In France:*** • Director of Seureca [VE] ; • Representative of the founding members of the VE Enterprise Foundation[VE].	None
ISABELLE COURVILLE 52 years old Date of first appointment: March 10, 2015 Term of office expires: 2016 ***Principal position held within the Company:*** non-voting member since March 10, 2015	***Principal position held outside the Company:*** • Chairman of the Board of Directors of Laurentian Bank of Canada . ***Other offices and positions held with any company/entity:*** ***Outside France:*** • Director of Canadian Pacific (Canada); • Director of TVA Group (Canada); • Representative for the Canadian State to the ABAC (Asia Pacific Economic Cooperation Business Advisory Council).	***Outside France:*** • Chairman of Hydro-Quebec Distribution (Canada); • Member of the Chamber of Commerce of Metropolitan Montreal (Canada); • Director of Miranda Technologies, Inc. (Canada) ; • Member of the Northeast Power Coordinating Council (Canada); • Chairman of Hydro-Quebec TransÉnergie (Canada); • Member of the Saint Justine UHC Hospital Foundation (Canada).
PAUL-LOUIS GIRARDOT (1) 81 years old Date of first appointment: April 24, 2014 ***Principal position held within the Company:*** Non-voting member since April 24, 2014; Member of the Research, Innovation and Sustainable Development Committee since September 14, 2006	***Principal position held outside the Company:*** • Chairman of the Supervisory Board of Veolia Eau – Compagnie Générale des Eaux[VE]. ***Other offices and positions held with any company/entity:*** ***In France:*** • Director of Société des Eaux de Marseille[VE]; • Chairman of the Supervisory Board of Compagnie des Eaux et de l'Ozone[VE]; • Vice-Chairman of Institut Veolia Environnement[VE].	***In France:*** • Director of Veolia Environnement*; • Member of the Supervisory Board of Dalkia France[VE]; • Member of the A and B Supervisory Boards of Dalkia SAS[VE]; • Director of Veolia Propreté[VE]; • Director of Veolia Water[VE]; • Member of the Supervisory Board of Compagnie des Eaux de Paris; • Director of Veolia Transport.

(1) Paul-Louis Girardot was appointed as a non-voting member by the Board of Directors at its meeting of March 11, 2014, effective as of the close of the Shareholders' Meeting of April 24, 2014 for a term of four years, expiring at the close of the Shareholders' Meeting in 2018.

14.1.2 Biographical information about Directors

Born on June 3, 1958 in Fontainebleau (France), **Antoine Frérot** is a graduate of the École Polytechnique (class of 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 a research engineer 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 et Chaussées as a project manager and then served as assistant director from 1984 to 1988. From 1988 to 1990, he was Head of Financial Transactions at Crédit National. In 1990, Antoine Frérot joined Compagnie Générale des Eaux as a project manager and, in 1995, became Chief Executive Officer of CGEA Transport. In 2000, he was appointed as Chief Executive Officer of CONNEX, the Transport Division of Vivendi Environnement, and a member of the Executive Committee of Vivendi Environnement. In January 2003, Antoine Frérot was appointed Chief Executive Officer of Veolia Eau, the Water Division of Veolia Environnement, and Senior Executive Vice President of Veolia Environnement. In November 2009, he was appointed Chief Executive Officer, and in December 2010, Chairman and Chief Executive Officer of Veolia Environnement.

Louis Schweitzer is a graduate of the Institut d'Études Politiques (IEP) in Paris. A graduate of the École nationale d'administration (ENA) and Inspector of Finance, from 1981 to 1986 he was chief of staff 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 team and then successively held the positions of Head 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 as Chairman of the Board of Directors of Renault. Mr. Schweitzer did not seek to renew his term of office as a Director of Renault at the May 6, 2009 Annual General Meeting. After being appointed Vice-Chairman of the Veolia Environnement Board of Directors on November 27, 2009, he was appointed Independent Director of the Company on May 16, 2012 and, on May 14, 2013, was again appointed Vice-Chairman. He has served as Commissioner General for Investment since April 23, 2014.

Jacques Aschenbroich, is an engineering graduate of the Corps des Mines. He held several positions in the French civil service and served on the Prime Minister's staff in 1987 and 1988. He then moved into industry, working in the Saint-Gobain Group from 1988 to 2008. After managing the Group's subsidiaries in Brazil and Germany, he took over the management of the Flat Glass Division of the Compagnie de Saint-Gobain and went on to become Chairman of Compagnie 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 starting in January 2007, and managed the Group's operations in the United States of America as Chief Executive of Saint-Gobain Corporation and General Representative for the United States of America and Canada from September 1, 2007. He has been a Director and the Chief Executive Officer of Valeo since March 2009.

Maryse Aulagnon is Founder and Chief Executive Officer of Affine Group, consisting of two property companies listed in Paris and Brussels specializing in commercial real estate. She holds a Master's degree in economics and is a graduate of the Institut d'études politiques (IEP) and of the École nationale d'administration (ENA). She is an honorary Maître des Requêtes of the Conseil d'État (1975 to 1979). After holding various positions at the French Embassy in the United States of America (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 joined Euris as Deputy Chief Executive Officer when it was created in 1987. In 1990 she founded Affine Group, which she has led 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. Lastly, she serves as a Director of several professional organizations (including Club de l'Immobilier, Fondation Palladio, FSIF and a founding member of Cercle 30). She is also a Director of cultural and university organizations (Fondation des Sciences-Po, Le Siècle, Terrafemina, etc.).

Daniel Bouton holds a degree in political science. He is a graduate of the École nationale d'administration (ENA) and was an Inspector of Finance. He has held several positions in the French Ministry of Economy, Finance and Industry, including budget Director, from 1988 to 1991. In 1991, he began working at Société Générale, serving as Chief Executive Officer from 1993 and as Chairman and Chief Executive Officer from 1997. He was appointed as Chairman of the Board of Directors of Société Générale in May 2008, and resigned from his duties as Director and Chairman of the Bank in May 2009. He founded a consulting company, DMJB Conseil, and became its Chairman in November 2009.

Caisse des dépôts et consignations, established in 1816, is a public establishment carrying out tasks of general interest. As such, it is a long-term investor seeking to contribute to the growth of companies. Its Permanent Representative on the Board of Directors of Veolia Environnement, **Olivier Mareuse**, graduated from the Institut d'études politiques (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 Vice President in the collective insurance department and subsequently worked as a special assistant to the Chief Executive Officer of CNP Assurances between 1991 and 1993. From 1993 to 1998, he worked as Vice President of Strategy, Management Control and Shareholder Relations and was responsible for the company's initial public offering. He was then appointed Vice President of Investments, a post he held until 2010. In October 2010, He joined the Caisse des dépôts et consignations, first as deputy Chief Financial Officer (CFO) and 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) and 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 of Compagnie de Saint Gobain in June 2007. He was appointed Chairman and Chief Executive Officer of Compagnie de Saint Gobain in June 2010.

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 Chief Executive Officer 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 appointed as its Chairman and Chief Executive Officer (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 and been Chairman of Socea, he chaired the SGE group until 1991 and the CISE group until 1997. He served as 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. He has been a Director of the Company since April 30, 2003.

Pavel Páša has been a Veolia employee since 1995.

Baudouin Prot is a graduate of the École des Hautes Etudes Commerciales (HEC) and of the École nationale d'administration (ENA). From 1974 to 1983, he was successively the Deputy to the Prefect of the Franche-Comté region, Inspector of Finance at the French Treasury and Deputy to the General Director of Energy and Raw Materials at 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 being appointed Director and Executive Vice-President of BNP Paribas in March 2000, he was named Director and Chief Executive Officer of BNP Paribas in June 2003. He was elected as Chairman of the Board of Directors of BNP Paribas on December 1, 2011, a position he held until December 1, 2014.

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 on the Board of Directors of Veolia Environnement is **Khaled Al Sayed**. He holds a degree in electrical engineering science from the United States of America and has held various positions in several departments, including engineering, project management, logistics and business development, in 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 Al Sayed and his outstanding results led him to be appointed Group Chief Executive Officer of Qatari Diar Real Estate Investment Company.

Nathalie Rachou is Managing Director of Topiary Finance Ltd., an asset management company (funds of funds) serving private clients based in the United Kingdom, which she founded in November 1999. She was graduated from the École des hautes études commerciales (HEC) in 1978 and spent the first part of her career at Banque Indosuez (now Crédit Agricole). After working as a foreign exchange dealer for clients in London and Paris from 1978 to 1982, she was Head of Asset and Liability Management and Market Risk Management until 1986, and then set up the bank's business on MATIF and the bank's derivatives broking subsidiary. From 1991 to 1996, she was General Counsel for Banque Indosuez, then served from 1996 to 1999 as head of Global Foreign Exchange and Currency Options worldwide. In November 1999, she founded Topiary Finance, a United Kingdom based asset management company, which she has led since that date. She has been a non-executive Director of Société Générale since 2008 (member of the Audit, Risk and Internal Control Committee) and of Altran Technologies (member of the Audit Committee) since 2012. She has been a French foreign trade advisor since 2001 and is on the board of ARIS (the association of Indosuez retirees and former employees) and a member of the Cercle d'Outre-Manche. She also participates in voluntary initiatives at HEC.

Georges Ralli 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 held the post of 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, then jointly headed the mergers and acquisitions department of Lazard LLC as of 1999. From 2000 to 2012, he served as Deputy Chairman and Managing Director of the Executive Committee of Lazard LLC (United States of America) and in 2005 was named Co-Chairman and Chief Executive of European Investment Banking Committee of Lazard. He was head of La Maison Française until 2009 and led 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.

Paolo Scaroni holds a degree in economics from Bocconi University in Milan and an MBA from Columbia Business School in New York. Following a year with McKinsey & Company after earning his MBA, he held various positions with Saint Gobain, ultimately heading the “flat glass” division, between 1973 and 1985. In 1985, Paolo Scaroni became Chief Executive Officer of Techint, while at the same time holding the positions of Vice President 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 and held that position until May 2002. After serving as Chief Executive Officer of Enel from 2002 to 2005, he became Chief Executive Officer of Eni in June 2005.

Pierre Victoria is a graduate of the Institut d’Études Politiques (IEP) in Paris and holds a Master's degree in law. He is currently the Director of Sustainable Development for Veolia. He joined the headquarters of Veolia Eau-Compagnie Générale des Eaux in 2001 after holding sales and administrative positions with Veolia Eau-Compagnie Générale des Eaux in western France for twelve years. He is also the General Representative of the Cercle français de l’eau and a member of the French trade union CFDT.

Isabelle Courville graduated in Engineering Physics from Ecole Polytechnique Montréal and in Civil Law from McGill University. She was active for 20 years in the Canadian telecommunications industry. She served as President of Bell Canada’s Enterprise Group and as President and Chief Executive Officer of Bell Nordiq. From 2006 to 2013, she joined Hydro-Québec where she served as President Hydro-Québec TransEnergie and eventually as President Hydro-Québec Distribution. Since 2013, she has been Chairman of the Board of Laurentian Bank of Canada. She is also a board member of Canadian Pacific Railway and the TVA Group. She sits on the board of Polytechnique Montréal, the Montreal Heart Institute Foundation and the Institute of Corporate Directors. She was a member of the APEC (Asia Pacific Economic Cooperation) Business Advisory Council from 2010 to 2013.

Paul-Louis Girardot served as Director and Chief Executive Officer of Vivendi until 1998. He focused principally on developing the Veolia Environnement Group’s utilities concessions, particularly in the water sector. In addition, he contributed significantly to Vivendi’s activities in the telephone sector, in particular mobile telephones. He also worked to expand the Veolia Environnement Group’s business in the energy sector and in the decentralized production of electric power (cogeneration), through the Dalkia subsidiary. He has been Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux since 2001. He was appointed to the position of non-voting member by the Board of Directors at its March 11, 2014 meeting, taking effect at the close of the April 24, 2014 General Meeting of Shareholders for a period of four years and expiring at the close of the 2018 General Meeting of Shareholders.

14.2 Convictions, bankruptcies, conflicts of interest and other information

On the basis of the declarations made by the members of the Board of Directors to Veolia Environnement, there are, to the best of the Company’s knowledge, no family ties among the members of the Company’s Board of Directors and, during the last five years: (i) no member of the Board of Directors of Veolia Environnement has been convicted of fraud; (ii) no member of the Board of Directors has been involved in any bankruptcy, receivership or liquidation proceedings; (iii) no statutory or regulatory authority (including designated professional organizations) has made any official public accusation and/or imposed a penalty 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 of Management or of a Supervisory Body of a publicly held company or from participating in the management or business operations of a publicly held company.

To the best of the Company’s knowledge, no conflict of interest exists at the level of the Board of Directors or executive management of Veolia Environnement, with the notable exception of Caisse des dépôts et consignations, represented by Olivier Mareuse, with respect to Transdev Group, in which Caisse des dépôts et consignations holds 50% of the capital. In addition to the provisions of the French Commercial Code (Code de Commerce) concerning regulated agreements, the Board of Directors’ internal rules and regulations provide that directors must inform the Board of Directors of any existing or potential conflict of interests and abstain from voting in any situation where such a conflict of interest exists. No service contract providing for benefits to be granted if such contract is terminated exists between a Director or the Chief Executive Officer and the Company or its subsidiaries.

No arrangement or agreement has been signed with the Company’s principal shareholders, customers or suppliers pursuant to which a member of the Board of Directors has been selected as Director or to hold an executive management position in the Company.

Finally, to the best of the Company’s knowledge, the members of the Board of Directors have not agreed to any restrictions on their ability to transfer any stake they may hold in the capital of Veolia Environnement, with the exception of the provision in the bylaws stipulating that each director must own at least 750 registered shares of the Company.

15 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS AND DIRECTORS AFR

15.1 Compensation and benefits of Corporate Officers and Directors

The total compensation paid during fiscal year 2014 to the Chief Executive Officer and other corporate officers (Executive Committee members) by the Company and by controlled companies within the meaning of Article L. 233-16 of the French Commercial Code is detailed below.

It is noted that the Board of Directors of Veolia Environnement, at its meeting held on January 7, 2009, confirmed that the AFEP-MEDEF Corporate Governance Code of listed corporations would be the reference used by Veolia Environnement, notably in regard to the compensation of the Chief Executive Officer. This Registration Document and, in particular, the tables in Section 15.1 herein, and in Chapter 17, Sections 17.3 and 17.4 below (stock subscription or purchase options and free shares) have been prepared in accordance with the format recommended by the AFEP-MEDEF Corporate Governance Code of listed corporations, as revised in June 2013, and the AMF's recommendation 2012-02.

15.1.1 Rules and principles adopted by the Board to determine the compensation paid to the Chief Executive Officer

Principles used in 2012, 2013 and 2014 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 11, 2014, the Board of Directors, following the recommendation made by the Nominations and Compensation Committee, decided that the fixed compensation portion of 900,000 euros, awarded to Mr. Antoine Frérot for fiscal year 2014 in his capacity as Chairman and Chief Executive Officer of the Company would remain unchanged.

In addition to his compensation, he is entitled to a company car and to social security benefits equivalent to those of employees (healthcare and pension). He is also eligible to participate in the supplementary defined contributions group pension plan applicable since July 1, 2014; an overview of the plan is provided in Section 15.3 below (supplementary defined contributions group pension plan applicable since July 2014).

Variable compensation for the 2012, 2013 and 2014 fiscal years

The variable portion of the Chief Executive Officer's compensation has been weighted since 2003 between a quantitative portion of 70% and a qualitative portion of 30% of the basis of the Bonus target ("Target Bonus Base") for his variable compensation. The Target Bonus Base accounted for 100% of his fixed compensation in 2010, and 125% since 2011, *i.e.*, 1,125,000 euros. The Nominations and Compensation Committee and the Board of Directors believe that the continuity of these variable compensation-weighting rules is a positive element of governance. Since 2010, the financial criteria for determining the quantitative portion of variable compensation have remained the same; they have been incorporated into the Group's objectives announced since that date in relation to growth in adjusted operating cash flows after deduction of net investments and 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 fiscal years 2012, 2013 and 2014 are set out below.

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2012 variable portion of compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 15, 2012, for the purposes of determining the variable portion of the Chief Executive Officer's compensation in respect of the year 2012, maintained the weightings between a quantitative portion of 70% and a qualitative portion of 30%. With regard to the Group's 2012 objectives involving a sizeable program of disposals and debt reduction in line with the objective to increase positive free cash flow (after payment of dividends) and cost reduction in line with the objective to increase adjusted operating income (excluding Transdev Group), the criteria for the quantitative portion of the variable compensation of the Chairman and Chief Executive Officer were based on the achievement of budget objectives concerning (i) adjusted operating cash flow after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements (weighted at 35%, hereafter defined as the "Cash Flow Indicator"), and (ii) the increase in Adjusted Operating Income (weighted at 35%).

The qualitative portion of 30% was assessed with respect to the following qualitative criteria: the achievement of the Group's strategic transformation plan.

Applying these criteria and given the achievement of the objectives announced for the year 2012 (for the quantitative portion: achievement of a positive free cash flow above the external objectives announced, exceeding of the debt reduction objective and the cost reduction plan ahead of schedule despite the drop in Adjusted Operating Income compared with 2011; for the qualitative portion: successful completion of disposals and group refocusing), on March 14, 2013, the Board of Directors decided to award Mr. Antoine Frérot an amount of 679,293 euros in respect of the quantitative and qualitative portion of his variable compensation for 2012.

This 2012 variable portion represented a 52% average achievement rate for the Cash Flow Indicator and Adjusted Operating Income financial criteria of the Target Bonus Base and an 80% rate for the qualitative Target Bonus Base.

2013 variable portion of compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 14, 2013, maintained, for the purposes of determining the variable portion of the Chairman and Chief Executive Officer's compensation for 2013, the same weighting concerning the quantitative portion of 70% and the qualitative portion of 30%, and therefore the Target Bonus Base (recap: fixed at 125% of the fixed portion, *i.e.* 1,125,000 euros in the event that 100% of the annual targets are met). Quantitative and qualitative elements for the variable portion for 2013 were fixed as follows:

For the quantitative portion of the variable compensation, the quantitative elements for 2013 (second year of the Group's transformation) were established with regard to achievement of the budget targets concerning (i) the adjusted operating cash flow growth after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements (weighted at 35%, hereinafter defined as the "Cash Flow Indicator"), and (ii) the increase in Adjusted Operating Income (weighted at 35%). These criteria were consistent with the Group's two major objectives, which in 2013 were to control debt and to improve profitability within the overall context of a refocusing strategy.

The qualitative portion of the variable compensation was assessed with regard to the further implementation of the Group's strategic transformation plan.

In light of the results and achievement of the 2013 objectives, the calculation of the variable quantitative portion resulted in an amount of 583,377 euros and therefore an average rate of 74.1% for the achievement of the Cash Flow Indicator and of the Adjusted Operating Income criteria (*i.e.* 74% of the Target Bonus Base for his quantitative target Bonus).

The Board of Directors decided on March 11, 2014 to compensate Mr. Antoine Frérot with 303,750 euros for the qualitative variable portion of his compensation for 2013, *i.e.* 90% of the Target Bonus Base for his qualitative Bonus with reference in particular to the implementation during 2013 of the profound reorganization of the Group in a difficult economic context and the first results seen by this transformation.

The total amount of his variable compensation (quantitative and qualitative portions) for fiscal year 2013 was therefore 887,127 euros or 78.85% of his Target Bonus Base for fiscal year 2013.

2014 variable portion of compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 11, 2014, recommended keeping the same weighting for the quantitative (70%) and qualitative (30%) portions, as well as the target Bonus basis (*i.e.* fixed at 125% of the fixed portion, *i.e.* 1,125,000 euros in the event that 100% of the annual targets are met). Quantitative and qualitative elements for the variable portion for 2014 were fixed as follows:

For the quantitative portion of the variable compensation, the quantitative elements for 2014 (third year of the Group's transformation) were established with regard to achievement of the budget targets concerning (i) the adjusted operating cash flow growth after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements (weighted at 35%, hereafter defined as the "Cash Flow Indicator"); and (ii) the increase in Adjusted Operating Income (weighted at 35%). These criteria were consistent with the Group's two major objectives announced in 2014, which were to decrease debt and to significantly improve profitability.

The qualitative portion was assessed by the Board, on the recommendation of the Compensation Committee, based on the performance of the Chairman and Chief Executive Officer in realizing the Group's strategic transformation plan and on the improvements made by him, as Chairman of the Board of Directors, to the quality of the work of the Board of Directors.]

In light of the results and achievement of the 2014 objectives, the calculation of the variable quantitative portion resulted in an amount of 869,613 euros and therefore a rate of 120% for the achievement of the Cash Flow Indicator and of 100.8% for the achievement of Adjusted Operating Income criteria (*i.e.*, 110.4 % of the basis for his quantitative Target Bonus Base).

At its meeting of March 10, 2015, the Board of Directors decided to allocate to Mr. Antoine Frérot 337,500 euros for the qualitative variable portion of his 2014 compensation, *i.e.* 100 % of the basis for his qualitative Bonus specifically for having achieved results exceeding the budget objectives recorded by the transformation plan and for the improvements made, among other things, in conducting the Board of Directors' seminar dedicated to Group strategy.

The total amount of his variable compensation (quantitative and qualitative portions) for fiscal year 2014 is therefore 1,207,113 euros or 107.3 % of the basis for his Target Bonus Base for fiscal year 2014.

Total compensation paid to Mr. Antoine Frérot in his capacity as Chairman and Chief Executive Officer of Veolia Environnement

In fiscal year 2014, the total compensation paid to Mr. Antoine Frérot amounted to 1,789,157 euros. Mr. Antoine Frérot thus received the fixed portion of his 2014 compensation (900,000 euros), as well as the variable portion of his compensation for fiscal year 2013, in 2014 (887,127 euros). Finally, he received benefits in kind and waived his Directors' fees for 2014 for his positions held within the Company and other companies of the Group.

For fiscal year 2014, the total compensation due is 2,109,146 euros, corresponding to a 17.88 % increase compared to the amount due for fiscal year 2013, including the fixed portion of his 2014 compensation, unchanged from 2013 (900,000 euros), and the variable portion of his compensation for fiscal year 2014 (1,207,113 euros) as well as benefits in kind. Mr. Antoine Frérot did not receive Directors' fees for his positions held within the Company and other companies of the Group.

The table below shows a summary of compensation of all kinds, detailed in the tables hereafter and in Chapter 17, Section 17.3.2 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)	2012	2013	2014
Total compensation owed for the fiscal year	1,580,610	1,789,157	2,109,146
Value of options granted during the fiscal year	0	0	0
Value of performance shares granted during the fiscal year	N/A	N/A	N/A
TOTAL	**1,580,610**	**1,789,157**	**2,109,146**

Table summarizing the compensation paid out to Mr. Antoine Frérot

	2012		2013		2014	
	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**	**Amounts owed for the fiscal year**	**Amounts paid out during the fiscal year**
Fixed compensation in his capacity as Chairman and Chief Executive Officer of the Company	900,000	900,000	900,000	900,000	900,000	900,000
Variable compensation in his capacity as Chairman and Chief Executive Officer of the Company	679,293(1)	244,940	887,127(2)	679,293	1,207,113	887,127
Exceptional Compensation	0	0				
Directors' fees						
• Paid by Veolia Environnement	0	8,400(3)	0	0	0	0
• Paid by controlled companies(4)	0	64,466	0	0	0	0
Benefits in kind (5)	1,317	1,317	2,030	2,030	2,033	2,030
TOTAL	**1,580,610**	**1,219,123**	**1,789,157**	**1,581,323**	**2,109,146**	**1,789,157**

(1) Variable portion for 2012 paid out in 2013.
(2) Variable portion for 2013 paid out in 2014.
(3) Directors' fees paid in relation to his position as Director for the 4th quarter of 2011.
(4) Directors' fees received or to be received in respect of positions in other companies of the Group, in France and abroad.
(5) Provision of a company car.

Compensation of Mr. Antoine Frérot in his capacity as Chairman and Chief Executive Officer and objectives for 2015

Following the recommendations made by the Compensation Committee, the Board of Directors, at its meeting on March 10, 2015, decided to set the fixed portion of Mr. Antoine Frérot's compensation at 950,000 euros (+5.5%) based on the excellent results achieved in 2014; the fixed portion of his compensation has remained unchanged since 2011.

In respect of the Group's objectives for 2015, the Board of Directors decided, for the purpose of setting the variable portion of the Chairman and Chief Executive Officer's compensation for fiscal year 2015, to maintain a quantitative portion of 70% and a qualitative portion of 30%. The amount of for his Target Bonus Base represents 125% of the new fixed portion of his compensation.

Mr. Antoine Frérot's variable compensation ceiling is set at 1,353,750 euros, *i.e.*, 114% of his Target Bonus Base, which itself represents 125% of the fixed portion of his compensation.

The criteria and financial indicators applied to determine the quantitative portion of the Chairman and Chief Executive Officer's variable compensation for 2015 are in line with the Company's 2015 objectives (current operating income growth and dividend paid out of Free cash flow) relating to the growth (i) in "Free cash flow before financial investments and divestments and dividends" (an indicator referred to as "Free cash flow") and (ii) "in current operating income" (an indicator referred to as "current operating income") instead of Adjusted Operating Income. The choice of these new indicators seeks to improve financial communication by making the Group's financial statements easier to understand and easier to compare with those of comparable companies. These two criteria are each weighted at 35%.

Furthermore, the qualitative portion of 30% will be assessed depending on the performance of the Chairman and Chief Executive Officer in further implementing the Group's strategic transformation plan (20%) and in relation to the decrease in the rate of the Group's workplace accidents (10%).

Allocation of stock subscription or purchase options and performance shares

With regard to the policy for the allocation of stock subscription or purchase options and performance shares to the Company's Chief Executive Officer, as of the date of filing of this Registration Document and since the former took office on November 27, 2009, the Board of Directors has made no allocation of financial instruments of this kind to the Chairman and Chief Executive Officer. The same has been applied to the Group's executives, managers and employees, with the exception of stock option subscription plan no. 8, decided on September 28, 2010, which has proved to be inapplicable, due to the fact that the required performance criteria were not achieved.

Information regarding stock subscription or purchase options potentially awarded to the Chairman and Chief Executive Officer during fiscal year 2014 can be found in Chapter 17, Section 17.3, below.

Implementation of a long-term incentive plan named "Management Incentive Plan" ("MIP")

In October 2014, the Group implemented a long-term incentive plan named the "Management Incentive Plan" ("MIP") authorized by the Board of Directors at its meeting of August 27, 2014. The plan was intended for the 300 key Group officers (including Mr. Antoine Frérot as Chief Executive Officer and the Executive Committee).

This incentive plan is based on a joint investment approach with the beneficiary's personal investment in Company shares combined with the allocation, subject to performance conditions, of additional shares financed by the Group (no dilution impact via the allocation of Company's treasury share held by the Company, ("Share Bonus"). Subject to the achievement performance conditions, the Share Bonus will be fully vested on the plan's maturity date in April 2018, subject to the confirmation of continued employment of the beneficiary concerned and to such beneficiary having kept all the initially invested shares. Under the plan, on October 22, 2014 under this plan, Mr. Antoine Frérot purchased 24,403 Company shares at the market price of 13.04 euros per share. The detailed features of this incentive plan are presented in Chapter 17.5 below.

15.1.2 Total compensation paid to Directors[1]

Amount and distribution of Directors' fees in 2014

In order to address the appointment in 2014 of two Directors representing employees, and, if necessary, to reorganize the committees of the Board of Directors and/or increase the number of meetings, the Board of Directors, in its meeting of March 11, 2014 and following the recommendations made by the Nominations and Compensation Committee decided to ask the General Meeting of Shareholders of April 24, 2014, which approved the request, to increase in the total annual amount of Directors' fees from 866,000 to 980,000 euros. The Board also took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his Directors' fees for 2014, and decided to continue applying in 2014 the same distribution of Directors' fees as in 2013. However, in application of the recommendations of the AFEP-MEDEF Corporate Governance Code of listed corporations, (amended in June 2013), the Board decided, on the basis of an unchanged basic Directors' fee of 33,600 euros, to apply a new distribution[2] as follows: a fixed portion of 40% and a variable portion of 60%, subject to attendance rate; by decision of the Board of Directors at its meeting of March 25, 2014, this rule also applies to the Directors' fees to be allocated to Chairmen and members of Committees.

(1) Corporate officers.

(2) Directors' fees include:

- *33,600 euros with respect to the office of director, including (a) a fixed amount of 13,440 euros, divided into four quarterly amounts, i.e., 3,360 euros per quarter, and (b) a potential variable amount of 20,160 euros maximum, divided into four quarterly amounts and adjusted based on the number of meetings held during each quarter of the fiscal year concerned and the number of meetings that the director attended;*
- *an additional amount of 8,400 euros subject to the attendance rate of a director as a member (not a chairman) of a Board committee;*
- *an additional amount of 100,000 euros subject to attendance rate for the Vice-Chairman and Senior Independent Director;*
- *an additional amount of 67,200 euros subject to attendance rate for the Chairman of the Accounts and Audit Committee;*
- *an additional amount of 33,600 euros subject to attendance rate for the Chairman of the Nominations and Compensations Committees;*
- *an additional amount of 16,800 euros subject to attendance rate for the Chairman of the Research, Innovation and Sustainable Development Committee; and*
- *an additional amount of 16,800 euros with respect to the office of non-voting member (i.e., 50 % of the amount with respect to the office of director), half of which is only due as a proportion of the non-voting member attendance to meetings.*

Attendance rate bonus calculation method: calculated per quarter for the fiscal year concerned and final adjustment made in the first quarter of the following fiscal year at the time of payment of the directors fees due for the fourth quarter of the fiscal year concerned

The amount is decreased on a prorated basis in the event of appointment to or removal from office during the fiscal year.

Table of Directors’ fees in 2014 and 2013

The table below shows the amount of Directors’ fees paid in 2014 and 2013, as well as the amount owed for these two fiscal years to members of the Board of Directors of Veolia Environnement by the Company and by controlled companies. Moreover, since 2012, and for fiscal years 2013 and 2014, Mr. Antoine Frérot has decided to waive Directors’ fees paid by Group-controlled companies.

Name of the Director	2014				2013			
	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	
	By the Company	By controlled companies [1]	By the Company	By controlled companies	By the Company	By controlled companies [1]	By the Company	By controlled companies
Jacques Aschenbroich [2]	58,800 [1]	0	57,120 [1]	0	63,229 [1]	0	52,500 [1]	0
Maryse Aulagnon [2]	34,860 [1]	0	34,160 [1]	0	32,989 [1]	0	28,000 [1]	0
Daniel Bouton	109,200 [1]	0	109,200 [1],	0	109,200 [1]	0	109,200 [1]	0
Caisse des Dépôts et Consignations [3]	31,080 [1]	0	33,320 [1]	0	31,920	0	27,618	0
Pierre-André de Chalendar	45,780 [1]	0	44,660 [1]	0	38,640 [1]	0	37,545 [1]	0
Antoine Frérot [4]	0	0	0	0	0	0	0	0
Groupama SA [2] [5]	33,600 [1]	0	33,600 [1]	0	33,600 [1]	0	25,963 [1]	0
Groupe Industriel Marcel Dassault [6]	12,600 [1]	0	25,200 [1]	0	50,400 [1]	0	50,400 [1]	0
Marion Guillou [7]	39,480 [1]	0	38,220 [1]	0	38,640 [1]		30,100 [1]	0
Philippe Kourilsky	N/A	N/A	N/A	N/A	8 400 [1]	0	17 945 [1]	0
Serge Michel	53,200 [1]	3,830	57,400 [1]	3,830	67,200 [1]	5,430	67,200 [1]	5,430
Pavel Páša [8]	9,701.09 [1]	0	N/A	N/A	N/A	N/A	N/A	N/A
Baudouin Prot	26,040 [1]	0	23,240 [1]	0	26,880 [1]	0	21,891 [1]	0
Qatari Diar Real Estate Investment Company	18,480	0	18,900 [1]	0	25,200	0	24,245	0
Nathalie Rachou [2]	42,000 [1]	0	42,000 [1]	0	42,000	0	39,900 [1]	0
Paolo Scaroni	28,560 [1]	0	31,080 [1]	0	23,215 [1]	0	15,655 [1]	0
Louis Schweitzer	162,300 [1]	0	156,000 [1]	0	123,250 [1]	0	110,750 [1]	0
Pierre Victoria [8]	11,801.09 [1]	0	N/A	N/A	N/A	N/A	N/A	N/A
Thierry Dassault [6]	5,460 [1]	0	10,990 [1]	0	22,680 [1]	4,600	20,586 [1]	4,600
Paul-Louis Girardot, *Non-voting member*	32,608 [1]	10,262	38,908 [1]	10,262	50,400 [1]	44,795	50,400 [1]	44,795
TOTAL	**755,550.18**	**14,092**	**753,998**	**14,092**	**787,843**	**54,825**	**729,898**	**54,825**

N/A not applicable

(1) *Amounts before withholding tax at source.*

(2) *Mr. Jacques Aschenbroich, Mrs. Maryse Aulagnon, Groupama SA, represented by Mr. Georges Ralli, and Mrs. Nathalie Rachou were appointed as Directors by the General Meeting of Shareholders on May 16, 2012.*

(3) *Caisse des Dépôts et Consignations, represented by Mr. Olivier Mareuse, was co-opted by the Board of Directors on March 15, 2012 as Director to replace Mr. Augustin de Romanet de Beaune, who resigned on February 29, 2012 with effect from March 15, 2012.*

(4) *The full compensation of Mr. Antoine Frérot is indicated in Chapter 15.1.1. At its meeting of March 14, 2013, the Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive his Directors’ fees for 2014.*

(5) *As from May 16, 2012, Directors' fees are paid to Mr. Georges Ralli at the request of Groupama SA.*

(6) *As from fiscal year 2011, Directors’ fees are paid to Mr. Olivier Costa de Beauregard at the request of Groupe Industriel Marcel Dassault (GIMD). In a letter dated March 28, 2014, GIMD and Mr. Thierry Dassault informed the Company of their decision to resign with immediate effect from their respective offices as Director and non-voting member of the Company.*

(7) *Mrs. Marion Guillou was co-opted by the Board of Directors on December 12, 2012 as Director to replace Mr. Henri Proglio.*

(8) *Mr. Pavel Páša and Mr. Pierre Victoria were appointed Directors representing the employees by the Group’s France and European Committees, respectively, on October 15, 2014. They attended the Board of Directors meeting of November 5, 2014.*

At its meeting of March 10, 2015, the Board of Directors recorded Mr. Pierre Victoria’s decision to transfer his Directors’ fees to his trade union and Mr. Pavel Páša’s intention to transfer his Directors’ fees to an organization representing or supporting the employees.

Amount and distribution of Directors' fees in 2015

In its meeting of March 10, 2015, the Board of Directors following the recommendations made by the Compensation Committee decided to ask the General Meeting of Shareholders to be held on April 22, 2015 to approve an increase in the total annual amount of Directors' fees from 980,000 euros to 1,080,000 euros. The request to increase the total amount of Directors' fees was made for the following reasons: to take into account the appointment of the two Directors representing employees, which occurred on October 15, 2014, the appointment of an additional Director with American nationality and residing in the United States of America, proposed to the General Meeting of Shareholders to be held on April 22, 2015, appointment of an additional non-voting Board member with Canadian nationality and residing in Canada, the increase in Directors' fees for Directors and non-voting Board members residing on another continent (2,000 euros per meeting attended in person by the Director or non-voting member concerned) and possible reorganization of the Board of Directors Committees.

The Board also took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his Directors' fees for 2015, and decided to continue applying in 2015 the same distribution of Directors' fees as in 2014 (see details in Note 2 to the above section on "Amount and distribution of Directors' fees in 2014").

15.2 Compensation of senior executives excluding the Chief Executive Officer (Executive Committee members)

All members of the Executive Committee in office on December 31, 2014 (see Chapter 16, Section 16.4 below), (excluding the Chairman and Chief Executive Officer) received total gross compensation totaling 5,311,009 euros in 2014 (for an Executive Committee made up of ten members excluding the Chairman and Chief Executive Officer), as compared to 4,282,823 euros in 2013 (for an Executive Committee made up of nine members excluding the Chairman and Chief Executive Officer).

The tables below show the total gross compensation paid out to members of the Company's Executive Committee on December 31, 2012, 2013 and 2014, with the exception of the Chairman and Chief Executive Officer, including the fixed and variable compensation paid by or due from Veolia Environnement in respect of these fiscal years, benefits in kind and Directors' fees received by Executive Committee members in respect of directorships held in companies of the Group in France and abroad.

	Fiscal year 2012 (8 members)	
(in euros)	**Amounts owed for the fiscal year**	**Amounts paid out during the fiscal year**
Fixed compensation	3,025,864	2,168,864
Variable compensation	1,546,000	1,140,455
Directors' fees		
• Paid by Veolia Environnement	0	0
• Paid by controlled companies	0 (1)	124,991 (2)
Benefits in kind	10,953	10,953
TOTAL	**4,582,817**	**3,445,263**

(1) As from 2012, it has been decided that members of the Group Executive Committee and executives will no longer receive Directors' fees in respect of their positions held in 2012.
(2) Amounts paid in 2012 for the fiscal year 2011.

(in euros)	Fiscal year 2013 (9 members)	
	Amounts owed for the fiscal year	***Amounts paid out during the fiscal year***
Fixed compensation	2,985,000	2,924,016
Variable compensation	1,917,052	1,348,709
Directors' fees		
• Paid by Veolia Environnement		
• Paid by controlled companies		
Benefits in kind [(1)]	10,098	10,098
TOTAL	**4,912,150**	**4,282,823**

(1) These figures do not take into account possible expatriation compensation.

(in euros)	Fiscal year 2014 (10 members)	
	Amounts owed for the fiscal year	**Amounts paid out during the fiscal year**
Fixed compensation	3,541,667	3,618,579
Variable compensation	3,088,738	1,683,852
Directors' fees		
• Paid by Veolia Environnement		
• Paid by controlled companies		
Benefits in kind [(1)]	8,578	8,578
TOTAL	**6,638,983**	**5,311,009**

(1) These figures do not take into account possible housing and expatriation compensation.

15.3 Retirement pensions and other benefits

There is no contract between the members of the Board and the Company or its subsidiaries that provides for the payment of benefits or compensation owed, or that may be owed, in the event of members ceasing or changing their functions within the Company or its subsidiaries, other than the Chairman and Chief Executive Officer's termination compensation and the supplementary defined benefits group pension plan described below.

Compensation in the event of termination of office as Chairman and Chief Executive Officer

It is noted that, in accordance with the AFEP-MEDEF recommendations for the corporate governance of listed companies, the Company's Board of Directors, at its meeting on December 17, 2009, recorded the termination, as of January 1, 2010, of Mr. Antoine Frérot's employment contract, which had been suspended on November 27, 2009 when he was appointed Chairman and Chief Executive Officer of Veolia Environnement. The termination of Mr. Antoine Frérot's employment contract caused him to lose the right under the collective bargaining agreement to receive severance compensation related to his years of service within the Group (over 20 years as of that date).

The Board of Directors, following a proposal from the Nominations and Compensation Committee, and further to the approval of shareholders at the General Meeting held on May 7, 2010 decided to award Mr. Antoine Frérot compensation in the event of the termination of his term of office as Chairman and Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L. 225-42-1 of the French Commercial Code – law relating to employment, labor and purchasing power).

Within the framework of the renewal of the mandate of Mr. Antoine Frérot at the April 24, 2014 General Meeting of Shareholders, the Board of Directors decided in its meeting of March 11, 2014, upon the proposal of the Nominations and Compensation Committee, to renew this termination compensation under conditions similar to those previously granted and in accordance with the provisions of the AFEP-MEDEF Corporate Governance Code of listed corporations, namely:

- payment of this compensation is limited only to "forced departure in connection with a change of control or strategy". It would not be applied where (1) Mr. Antoine Frérot leaves the company on his own initiative outside the case of a "forced departure", or (2) he is able to claim his full retirement on the date of cessation as Chief Executive Officer, or

(3) he accepts after his departure as Chairman, a proposal of reclassification to general management positions (as employee or officer of the company) within the Group;

- the maximum amount is limited to twice the yearly gross compensation (excluding the Directors' fees and benefits in kind) including the fixed portion of his compensation during the last year ("Fixed Portion") and the average of the variable portions ("Variable Portion") paid or due for the last three fiscal years prior to termination of his position as Chief Executive Officer ("Reference Compensation");
- the calculation of this amount and of the fixed and variable portions of this compensation both depend on the achievement of performance conditions. The calculation of the amount of compensation is equal to twice the sum of (1) the Variable Portion of his Reference Compensation (the average of the last three fiscal years) and (2) the Fixed Portion of his Reference Compensation (last fiscal year), adjusted by a "Performance Rate" equal to the average percentage achievement of the variable remuneration bonus target (also called "Target Bonus Base" or meeting 100% of annual objectives) over the last three fiscal years ended before the termination of his term of office. The methods for determining the variable portion of remuneration of Mr. Antoine Frérot are detailed in Chapter 15, Section 15.1.1 above.

The renewal of this compensation in the event of termination of Mr. Antoine Frérot's term of office, was ratified at the Company's General Meeting of Shareholders on April 24, 2014.

Supplementary group pension plan

Recap of the supplementary defined benefits group pension plan in place between July 2013 and June 2014

After a favorable opinion of the Works Council and the Nominations and Compensation Committee, the Board of Directors decided, at its meeting held on March 14, 2013, 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 (of rank 9 and the Chief Executive Officer) and to replace it with the basic defined benefits group pension plan open to all management employees of rank 8 and above (and the Chief Executive Officer). By way of a reminder, before July 2013, the pension plan in place was a defined benefits pension plan in which the total retirement benefits received was limited to a maximum of 50% of the annual reference compensation, which was itself limited to a maximum of 60 times the annual social security ceiling. With effect from July 1, 2013, the new defined benefits pension plan is limited to a maximum of 10% of the reference compensation, which is itself limited to a maximum of 8 times the annual social security ceiling.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code, on the basis of a special report prepared by the statutory auditors, the General Meeting of Shareholders on May 14, 2013 approved these changes to the extent that they concern the Chief Executive Officer.

The main characteristics of this 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 will be the average of the last three years' full compensation subject to a maximum of 8 times the annual social security ceiling;
- **the pension amount** is determined based on the number of years of service in the Group and **capped at a maximum of 10% of the reference compensation** for beneficiaries with more than 30 years of service.
- the maximum annual increase in potential pension entitlements is estimated at 0.4%.

The amount booked as provisions (cost of services rendered) for this supplementary group pension for 2014 is equal to the amount shown as post-employment benefits in Note 31.2 of the consolidated financial statements (see below).

Implementation, since July 1, 2014, of a new supplementary defined contributions group pension plan

After a favorable opinion of the Works Council and the Nominations and Compensation Committee, the Board of Directors, decided, at their meeting held on March 11, 2014, upon a motion by the Chairman and Chief Executive Officer:

- to close the defined benefits pension plan for category 8 and higher executives (including the senior executive officer not party to an employment contract) with a freeze on entitlements and closure of the plan to new members, effective June 30, 2014;
- and to amend, effective July 1, 2014, the existing supplementary defined contributions group pension plan. The main features of the amended plan are 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 times the annual social security ceiling. Compensation includes all components subject to social security contributions (fixed salary, variable salary, bonuses and benefits in kind). In particular, this plan is open to management employees of rank 8 and above (including the Chief Executive Officer),

- 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 beyond tranche C; 2.50% employee share beyond tranche C,
- 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.

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 April 24, 2014 approved these changes concerning the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code of listed corporations, the value of the benefits provided by the supplementary pension plan is taken into account when setting the Chairman and Chief Executive Officer's total compensation. Furthermore, the group of potential beneficiaries is not limited to the Chief Executive Officer, 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 three years, excluding compensation paid at the time of employment termination or retirement, as well as any other type of extraordinary compensation.

With the supplementary defined benefits group pension plan for management employees of rank 8 and above having been closed with effect from June 30, 2014, any entitlements accumulated under this plan will be calculated according to their value as of June 30, 2014. Accordingly, the reference compensation corresponds to the average of the last three calendar years prior to the closure of the plan and the service history used for calculation purposes will be that as at June 30, 2014.

Provided he is still with the company at the time of his retirement in accordance with legal requirements, the theoretical annual amount of the lifetime annuity paid by the defined benefits pension plan to the Chief Executive Officer, could represent 6% of his annual reference compensation. This reference compensation is capped at 8 times the annual social security ceiling.

This theoretical annual lifetime annuity would be reduced by the annuity amounts paid by the Group defined contribution pension plan to which the Chief Executive Officer is entitled by virtue of his affiliation with the Group.

Therefore, the theoretical annuity, under the Group defined contribution pension plan will be eliminated if the entitlements accumulated under the defined contribution pension plans would result in a higher annuity. Assuming a retirement age of 62 and based on a total annual compensation level of between 1.5 and 2 million euros, the potential annuity of the Chief Executive Officer under all pension plans (including the basic social security retirement plan, the complementary pension plans and the company's group supplementary pension plans) could represent a theoretical amount in the order of 10% of his annual compensation.

Summary of the situation as of December 31, 2014

Directors – 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: 27.11.09 End date of term of office as Chairman and Chief Executive Officer: Ordinary General Meeting 2018		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) Until June 30, 2014, Antoine Frérot participated in the supplementary defined benefits group pension plan set up for category 8 and higher management employees of Veolia Environnement. Since July 1, 2014, he participates in the supplementary defined contributions group pension plan set up for category 8 and higher management employees (see Chapter 15.3 above).

(3) Pursuant to a decision adopted by the Board of Directors on March 11,14, Antoine Frérot is entitled to compensation in the event of termination of his term of office as Chief Executive Officer, in accordance with the provisions of the "TEPA " Act (Article L. 225-42-1 of the French Commercial Code) and the AFEP-MEDEF Corporate Governance Code of listed corporations *(see Chapter 15.3 above).*

16 OPERATION OF MANAGEMENT AND SUPERVISORY BODIES AFR

16.1 Operation of the Board of Directors

16.1.1 Principles of Corporate Governance and AFEP-MEDEF Code

The Company applies a corporate governance code in accordance with the provisions of the French Commercial Code and as part of the listing of its shares on the Euronext Paris regulated market.

It should be noted that the Company's Board of Directors, at its meeting on January 7, 2009, confirmed that the AFEP-MEDEF corporate governance code for listed corporations, as amended in June 2013 (the "AFEP-MEDEF Code") (www.medef.com, under the heading "*gouvernement d'entreprise*") is the code which Veolia Environnement follows.

In compliance with the "apply or explain" rule resulting from Article 25.1 of the AFEP-MEDEF Code, the Company will indicate hereunder the recommendations in this code that were disregarded for fiscal year 2014.

Summary Table of the Recommendations of the AFEP-MEDEF Code not adopted for fiscal year 2014

Provision eliminated	Explanation
Criterion stipulated in Article 9.4 of the AFEP-MEDEF Code for the assessment of the independence of Directors: "Not have been a Director of the company for more than twelve years".	The Nominations Committee and the Board of Directors carefully reviewed the independence of the Directors in light of all the criteria stipulated by the AFEP-MEDEF Code. At the end of this analysis, they believed that, although they have not formally followed this criterion as of May 1, 2015, Messrs. Daniel Bouton, Baudouin Prot, Georges Ralli and Louis Schweitzer can be classified as independent (see Chapter 16, section 16.1.3 of the 2014 Registration Document)

16.1.2 Composition of the Board of Directors

Members of the Board of Directors

As of the date of filing this Registration Document, the Board of Directors has sixteen members, including two employee representative Directors, who were appointed for a term of four years from October 15, 2014, as well as two non-voting members ("censeurs"). The list of their names and the expiry dates of their terms of office, a brief curriculum vitae and the table of other appointments that they may hold, including outside the Group, are featured in Chapter 14, Section 14.1 above, and their shareholdings in the Company are shown in Chapter 17, Section 17.6 below.

With the exception of the Directors representing employees, the members of the Board of Directors are elected by the General Shareholders' Meeting on the recommendation of the Board, which, in turn, receives proposals from the Nominations Committee. Board members may be removed at any time by decision of the General Shareholders' Meeting. With the exception of Directors representing employees, each Director must hold at least 750 registered shares in the Company.

The Board of Directors may appoint one or more non-voting members under Article 18 of the Articles of Association adopted at the Combined General Shareholders' Meeting of May 7, 2010. Paul-Louis Girardot was appointed as a non-voting member at the March 11, 2014 meeting of the Board of Directors, effective at the close of the General Shareholders' Meeting held on April 24, 2014, for a period of four years, expiring at the close of the 2018 General Shareholders' Meeting. In addition, on March 10, 2015, the Board appointed Mrs. Isabelle Courville, a Canadian citizen, as the second non-voting member, effective the same date, for an initial period that expires at the 2016 General Shareholders' Meeting called to approve the financial statements for fiscal year 2015. Mrs. Courville will be proposed as a new Director by the Board at the 2016 General Shareholders' Meeting in the context of the annual vote to renew or replace one-fourth of the members of the Board of Directors. The non-voting member's ("censeurs") mission is to attend the Board of Directors' meetings in an advisory capacity, and the Board may freely ask him for advice.

Furthermore, the Company's Board of Directors also includes a representative from the Company's Works Council, who attends the Board of Directors' meetings in a non-voting advisory capacity.

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

Renewal of the Board Members' terms of office

In accordance with the AFEP-MEDEF Code, Article 11 of the Company's Articles of Association provides for a four-year term of office for Directors and annual renewal of the terms of one quarter of Board members.

In a letter dated March 28, 2014, Groupe Industriel Marcel Dassault (GIMD) and Thierry Dassault informed the Company of their decision to resign, with immediate effect, from their respective offices as Director and non-voting member of Veolia Environnement.

The Combined General Shareholders' Meeting of April 24, 2014, among other things:

- renewed the director office of Antoine Frérot for a term of four years ending at the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017 (1);
- renewed the director's office of Daniel Bouton and Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed, for a term of four years ending at the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017.

The Board of Directors noted:

- at the meeting of November 5, 2014, the designation on October 15, 2014 of two Directors representing employees, Pierre Victoria and Pavel Páša, designated respectively by the Group's France Committee and the Group's European Committee in accordance with laws in force and the amendment to the bylaws approved at the Combined Shareholders' Meeting of April 24, 2014;
- at the meeting of March 10, 2015, the resignation of Groupama SA from the Board on March 9, 2015.

In accordance with the requirement to renew one quarter of the Board every year, at its meeting held on March 10, 2015, the Board of Directors formally noted that the terms of office of four Directors (Mrs. Maryse Aulagnon, Mr. Pierre-André de Chalendar, Mr. Baudouin Prot and Mr. Louis Schweitzer) are due to end at the close of the General Shareholders' Meeting to be held on April 22, 2015.

Pierre-André de Chalendar has announced that he will not seek renewal of his term of his office. On the recommendation of the Nominations Committee.The Board of Directors decided on March 10, 2015, to recommend that the Combined Shareholders' Meeting of April 22, 2015 should renew terms of office of Maryse Aulagnon, Baudouin Prot and Louis Schweitzer and should appoint two new Directors, Mrs. Homaira Akbari (American citizen) and Clara Gaymard (French citizen) for a four-year term that expires at the end of the 2019 Annual Shareholders' Meeting, called to approve the financial statements for fiscal year 2018. In addition, at the same meeting, the Board will propose to the shareholders to ratify the co-optation of Georges Ralli to the Board to replace Groupama SA, which resigned, for the remaining period in Groupama's term, which is until the 2016 Annual Shareholders' Meeting, called to approve the financial statements for fiscal year 2015.

After these renewals and appointments and assuming they are approved by the General Shareholders' Meeting of April 22, 2015, the Board of Directors will be composed of seventeen Directors, including two Directors representing employees, five women (33.33 %) and two non-voting members.

Applying the principal of equal representation of men and women

The Nominations Committee has taken formal 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 with the AFEP-MEDEF Code, on March 15, 2012 the Nominations and Compensation Committee (now known as the "Nominations Committee") recommended to the Board that it propose the appointment of more women to the Board at future Annual General Shareholders' Meetings.

As of the date of filing of this Registration Document, the Board has three women among the Directors, accounting for 20 % of the total Board members(2). If the changes to the composition of the Board of Directors proposed to the General Shareholders' Meeting of April 22, 2015 are approved, this percentage would increase to 33.3 %.

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(1) Moreover the Board of Directors at its meeting held on April 24, 2014,reappointed Antoine Frérot as chairman and Chief Executive Officer for the duration of his directorship.

(2) Pursuant to Article 6.4 of the AFEP-MEDEF Code, "on the subject of men's and women's representation, the goal is that each board should reach and maintain a percentage of at least 20% women within three years, and at least 40% women within six years, after the 2013 General Meeting of Shareholders or,from the date of the listing of the company 's shares on a regulated market . The permanent representatives of legal entities which are directors and the directors representing employee are shareholders taken into account when calculating these percentages, but this is not the case with ***directors representing employees*** *[...]"*

Selection criteria for Directors

The Board of Directors' Nominations Committee advises the Board on the selection of candidates for the purpose of renewing the terms of office of the Board of Directors based on the following criteria, in particular: management skills acquired in major French and foreign international corporations, familiarity with the Company and its industry, professional experience, financial and accounting expertise and sufficient availability. The Board is striving to diversify the profiles of its members, of both French and foreign nationality, particularly by increasing the number of women over the coming years, while making sure that there is a balance between the various stakeholders in the Company. As of the date of filing this Registration Document, the Board has three foreign Directors (Paolo Scaroni, Italian citizen; Khaled Al Sayed, Bahraini citizen; and Pavel Páša, Czech citizen), representing 18.75% of the total Board members.

Training and integration of new Directors

At the request of the Board of Directors, the Company organizes training for new Directors on the specifics of the Group's businesses to facilitate their integration, particularly through site visits. Moreover, to facilitate their integration, new Board members may meet the Group's key executive officers.

Thus, in the context of the integration of two Directors representing the employees at the end of 2014, the Company organized an internal training session for them and enrolled them in an outside training program devised by the IFA and Sciences Po leading to the issue of a Corporate Director's Certificate.

16.1.3 Independence of Directors

Criteria of independence of Directors

According to the terms of the internal regulations of the Board of Directors, members are considered independent if they have no relationship with the Company, its Group or its management that might compromise their ability to exercise their judgment objectively. According to the internal regulations, which adopt the criteria of independence of a Director stipulated by the AFEP-MEDEF Code:

1) not be an employee or have been a member of the Company's Management Board, a Director or member of the executive management of its former parent corporation or of any of the companies that it consolidates, nor have held any such position within the past five years;

2) not be a Director or executive officer of any company in which the Company directly or indirectly holds a directorship, or in which an employee appointed as such, either a Director or executive officer of the Company (current or within the past five years) holds a Directorship;

3) not be a customer, supplier, investment banker or commercial banker that is material for the Company or its Group or for which the Company or its Group represents a significant part of its business (nor be directly or indirectly linked with such a person);

4) not have any close family ties with a Director or Executive Officer;

5) not have been a Statutory Auditor of the Company within the past five years;

6) not have been a Director of the Company for more than 12 years on the date on which his/her current term of office was conferred.

In the case of Directors holding 10% or more of the Company's share capital or voting rights, or representing a legal entity with such shareholdings, the Board, based on a report from the Nominations Committee, shall decide whether or not they are independent, taking into account the composition of the Company's share capital and the existence of any potential conflicts of interest.

Those criteria are evaluated and weighted by the Board of Directors, which may decide that a Director who does not meet the criteria defined in the internal regulations may nevertheless be described as independent in light of his/her particular situation or that of the Company, given its shareholding structure or any other reason, or vice versa.

The internal regulations also stipulate that, before publishing the Registration Document each year, the Board of Directors must evaluate the independence of each of its members based on the criteria set out in the aforementioned regulations, any special circumstances, the situation of the person in question, of the Company and of the Group and the opinion of the Nominations Committee.

Evaluation of the independence of the Directors

At its meeting held on March 10, 2015, the Board of Directors carried out the annual review of the independence of the Directors after hearing the opinion of the Nominations Committee.

The Board deems that the following eleven Directors (out of a total of fourteen) are independent: Maryse Aulagnon, Jacques Aschenbroich, Daniel Bouton, Pierre-André de Chalendar, Groupama SA represented by Georges Ralli, Marion Guillou, Baudouin Prot, Qatari Diar Real Estate Investment Company represented by Khaled Al Sayed, Nathalie Rachou, Paolo Scaroni and Louis Schweitzer.

In fact, for fiscal year 2014, all of these Directors met the criteria for independence of the AFEP-MEDEF Code and, in particular, they are not significant shareholders of the Company as defined by this Code, and maintain no business relationship with the Company or its Group. With respect to this second criterion, this is very specifically the case for Maryse Aulagnon, Marion Guillou, and Nathalie Rachou and for Jacques Aschenbroich, Daniel Bouton, Qatari Diar (represented by Khaled Al Sayed), Paolo Scaroni and Louis Schweitzer. For Pierre-André de Chalendar, Groupama (represented by Georges Ralli) and Baudouin Prot, the Company has non-significant business relations as this is defined by the AFEP-MEDEF Code with the company or the group with which these persons are affiliated, and the existence of these relationships is described in Note 38 to the 2014 consolidated financial statements (*see* Chapter 20.1 note 38 *below*). It should be noted that Baudouin Prot ended all his positions in the BNP Group on December 1, 2014.

For fiscal year 2015, the Board of Directors, at its meeting of March 10, 2015, maintained this 'independent' classification for all of the Directors evaluated for fiscal year 2014 (subject to the resignation on March 9, 2014 of the legal entity Groupama SA on the Board, replaced by Georges Ralli as an individual). With respect to the two new candidates for the Board to be recommended at the Shareholders' Meeting of April 22, 2015 (Mrs. Homaira Akbari and Mrs. Clara Gaymard), the Board of Directors, at its March 10, 2015 meeting, classified them as independent if they are elected by the Shareholders' Meeting on April 22, 2015.

For fiscal year 2015 and the period after the Shareholders' Meeting of April 22, 2015, the Board noted on May 10, 2015 that the length of the terms of four Directors (Louis Schweitzer, Daniel Bouton, Baudouin Prot and Georges Ralli) will be 12 years as of March 1, 2015. Please note that, for information that the AFEP-MEDEF Code specifies that the loss of the status of Independent Director occurs only at the expiry of the term in which the Director in question has exceeded the 12-year period. For the year 2015 and for the period after the Shareholders' Meeting of April 22, 2015, and if the Shareholders' Meeting, on the recommendation of the Board, renews the term of the office of two of these Directors (Louis Schweitzer and Baudouin Prot) and ratifies the appointment of Georges Ralli, the Board of Directors has decided to maintain the classification of independence for these four Directors and disregard (if necessary) the 12-year service criterion stipulated by the AFEP-MEDEF Code on the basis of the following general and specific reasons:

(1) In order to determine the independence of a Director, the Board did not want to systematically apply the length of service criterion to Board members present for more than twelve consecutive years. While length of service can, in certain cases, effectively reduce the independence of a Director, as the influence of time can in fact alter the necessary distancing with the company and its management, it can, on the other hand, strengthen the ability of a Director to question management and give greater independence of mind. It is this capacity that the Board assessed on a case by case basis to determine the independence of these four Directors.

(2) From a general standpoint, Veolia's activities are characterized by contracts, markets and long-term investments (which can be as long as several decades in cases of concessions and public-private partnerships), and the Board felt it important not only to retain Directors with in-depth knowledge of the group, but also persons who have sufficient perspective and clear judgments about the Group's broad strategic plans based on past decisions and experiences.

(3) More specifically and personally, these four Directors have not established any particular interest or privileged ties with the Group or its executives. More particularly, between April 30, 2003, the date they took office, and today, these four Directors have served with two different executives: Mr. Henri Proglio (2003 to 2009), and now Mr. Antoine Frérot (since 2010). The performance of their duties during this period, in the context of a change in management at the head of the Group (along with a profound change in the members of the Board during that same period) demonstrates, if necessary, the absence of any specific ties with the Company's management (including its executive committee, which has been reorganized in recent years) or with the other members of its Board. Therefore, the context of these changes strengthens the status of independence of these Directors and, on the basis of these factors, the Board of Directors believes that length of service alone does not call their independence into question.

(4) Moreover, the top management positions previously held by each of these four Directors in their respective sectors (Industry for Louis Schweitzer and Banking for Daniel Bouton, Baudouin Prot and Georges Ralli) strengthen their authority, freedom to speak, and constitute a guarantee of their independent judgment.

In conclusion, after finding that these four Directors do meet all the criteria for independence of the AFEP-MEDEF Code, with the exception of length of service, the Board of Directors decided not to use the criterion of more than 12 years of service as a criterion that would mechanically make them lose the status of independent Directors insofar as their expertise, their experience and their knowledge of the group are unquestionably assets which, in this case, do not represent a source of conflicts of interest.

Subject to the renewals, appointments and ratification of a co-optation to be proposed to the Shareholders' Meeting on April 22, 2015, the Board of Directors will have twelve independent members out of a total of seventeen Directors, including two Directors representing employees (*i.e.* 80%).

The following table shows a case-by-case assessment of each of the Directors in relation to the independence criteria defined by the AFEP-MEDEF Code.

Name of the Director	Criterion no.1	Criterion no.2	Criterion no.3	Criterion no.4	Criterion no.5	Criterion no.6
Antoine Frérot	No	Yes	Yes	Yes	Yes	Yes
Louis Schweitzer	Yes	Yes	Yes	Yes	Yes	Yes(1)
Jacques Aschenbroich	Yes	Yes	Yes	Yes	Yes	Yes
Maryse Aulagnon	Yes	Yes	Yes	Yes	Yes	Yes
Daniel Bouton	Yes	Yes	Yes	Yes	Yes	Yes(1)
Caisse des Dépôts et Consignations, represented by Olivier Mareuse	Yes	No	No	Yes	Yes	Yes
Pierre-André de Chalendar	Yes	Yes	Yes	Yes	Yes	Yes
Groupama SA, represented by Georges Ralli	Yes	Yes	Yes	Yes	Yes	Yes(1)
Marion Guillou	Yes	Yes	Yes	Yes	Yes	Yes
Serge Michel	Yes	Yes	No	Yes	Yes	Yes
Pavel Páša, *Director representing employees*	N/A	N/A	N/A	N/A	N/A	N/A
Baudouin Prot	Yes	Yes	Yes	Yes	Yes	Yes(1)
Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed	Yes	Yes	Yes	Yes	Yes	Yes
Nathalie Rachou	Yes	Yes	Yes	Yes	Yes	Yes
Paolo Scaroni	Yes	Yes	Yes	Yes	Yes	Yes
Pierre Victoria, *Director representing employees*	N/A	N/A	N/A	N/A	N/A	N/A

"Yes" means compliance with the AFEP-MEDEF Code in relation to independence criteria.
"No" means non-compliance with the AFEP-MEDEF Code in relation to independence criteria.
(1) see reasons above
N/A: not applicable

Criterion 1: Status as an employee or executive officer within the past five years.

Criterion 2: Existence or otherwise of cross-directorships.

Criterion 3: Existence or otherwise of any significant business relationships.

Criterion 4: Existence of close family ties with a Director or Executive Officer.

Criterion 5: Not having been a Statutory Auditor of the Company within the past five years.

Criterion 6: Not having been a Director of the Company for more than twelve years.

The other Directors deemed to be independent do not have business relations with the Company or any significant business relationship likely to compromise their freedom of judgment.

As of the date of filing of this Registration Document, the Company's Board of Directors therefore has eleven independent members, representing 78.57% of the total, which is more than the recommendation of the AFEP-MEDEF Code[1].

16.1.4 Powers and work of the Board of Directors

Powers of the Board of Directors

In accordance with the law, the Board of Directors establishes the policies concerning the Company's business and supervises the implementation thereof. Subject to the powers expressly granted to shareholders' meetings and within the limits of the corporate purpose, the Board of Directors has the authority to consider all matters concerning the proper operation of the Company and, by its deliberations, resolves matters that concern the Board.

In addition to the powers conferred on the Board of Directors by the law, its internal regulations impose an internal requirement that certain major decisions of the Chairman and Chief Executive Officer be submitted for prior approval by the Board of Directors. These limitations of internal authority are described below (see Chapter 16.3.2 below on "Limits on the Powers of the Chairman and Chief Executive Officer").

(1) *Pursuant to Article 9.2 of the AFEP-MEDEF Code, "[...] the proportion of independent directors should be half of the board members in companies with dispersed ownership and no controlling shareholders. In subsidiary companies, the proportion of independent directors must be at least a third. The directors representing shareholders who are employees and the directors who are employee representatives are not taken into account when calculating these percentages."*

Meeting frequency, duration and attendance

According to its internal regulations, the Company's Board of Directors must meet at least four times a year. In fiscal year 2014, the Board met eight times (compared to ten times in 2013) and its meetings lasted an average of three hours (as in 2013), with the exception of the meeting of December 11, 2014 when an entire day was devoted to the Group's strategy.

The average attendance rate at Board meetings in 2014 was 87% (compared to 86% in 2013). The option to participate through electronic communication was used in three out of eight meetings in 2014 (compared to eight out of ten meetings in 2013).

Dates of meetings of the Board *(fiscal year 2014)*	**Attendance of Directors rate**
February 26	13/16 (81.25%)
March 11	14/16 (87.50%)
March 25	15/16 (93.75%)
April 24	13/15 (86.67%)
May 6	12/14 (85.71%)
August 27	12/14 (85.71%)
November 5	13/16 (81.25%)
December 11	15/16 (93.75%)

Work of the Board of Directors in 2014

The activities of the Board of Directors in 2014 were mainly divided among the following subject areas: strategy, long-term plan and 2015 budget, review of the 2013 annual financial statements and 2014 first-half financial statements, accounting information for the first and third quarters of 2014 and draft of the corresponding financial disclosures. In connection with the 2013 financial statements, special attention was given to the dividend policy, the proposed appropriation of income and payment of a scrip dividend.

The Board also issued the notice of meeting for the Annual Combined General Shareholders' Meeting and approved the reports and draft resolutions to be submitted to the shareholders. It reviewed the Company's policies on long-term compensation for Executive Officers by approving the implementation of a Management Incentive Plan in October 2014 and the policy on employee savings (PEG), the 2013 Registration Document, and the report from the Chairman of the Board pursuant to Article L. 225-37 of the French Commercial Code. It also examined the summaries and reports by their respective chairs of the work done by the Accounts and Audit Committee, the Nominations and Compensation Committee and the Research, Innovation and Sustainable Development Committee, as well as the policy on gender equality in employment and pay. It approved in particular: the agreement spitting the French and international activities of Dalkia group by the Company and EDF; the delisting on the NYSE, and the deregistration of Veolia Environnement with the SEC; and the merger-absorption of Veolia Services Energétiques (formely called Dalkia) by Veolia Environnement. It also considered the position of the SNCM and the Group's ethics policy, and studied the mapping of risks for 2014.

The Board reviewed the financing policy and renewed the financial and legal authorizations granted to the Chairman and Chief Executive Officer, notably with regard to financing transactions and off-balance sheet commitments, as well as approving the Group's significant guarantee transactions.

With regard to corporate governance, in 2014 the Board's work focused on: the reappointment of Antoine Frérot as Chairman and Chief Executive Officer; the policy on and setting of the amount of compensation for the Chief Executive Officer and the review of the compensation policy for the Executive Committee; examination of the criteria for selecting Directors when renewing the Board's terms of office, particularly with regard to appointing women; evaluation of the independence of the Directors; evaluation of the internal audit and approval of the Chairman's report; renewal by the General Shareholders' Meeting of part of the Board of Directors and the allocation of the Director's fees.

The Board met for a strategic seminar to discuss in depth the key strategic policies proposed by management.

The Board then discussed and approved the 2015 budget and long-term plan outlining this strategy. In 2014, the Board of Directors was regularly informed of key commercial developments and the initiatives planned by Executive Management. The Board also received reports from 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 Company's ownership, the Group's financial and cash position, the off-balance sheet commitments of the Company and the Group, and changes in significant litigation. The Group's Chief Financial Officer, General Secretary and General Counsel attended the Board meetings in 2014. The Directors receive a monthly report on prices of the Company's stock and a review of analysts' recommendations. Every six months, Executive Management provides the Directors with detailed documentation regarding business activities, internal matters (appointments and social policy) and the Group's corporate activities (initiatives with various institutions in France, Europe and abroad, and keeping abreast of regulatory changes) during the period in question.

Evaluation of the Board and of the actions of Executive Management

Once a year, the Board must devote one point on its agenda to an assessment of how it operates, to be prepared by the Nominations Committee, and arrange a discussion about the way in which it operates in order to improve its effectiveness, check that the major issues have been suitably prepared and discussed by the Board and measure the effective contribution of each member to the Board’s work. Furthermore, the Board’s internal regulations require that a formal assessment be performed every three years by an external organization under the direction of the Nominations Committee, with the aim of checking that the operating principles of the Board have been complied with and identifying possibilities for improving its operation and effectiveness. The Nominations Committee produces an annual report for the Board of Directors, which the Directors discuss, assessing how the Chairman and Directors have performed, as well as the actions taken by Executive Management.

To implement the decisions taken at this meeting, the Chairman and Chief Executive Officer annually convenes the Board for a strategic seminar attended by the Executive Committee.

In accordance with the internal rules, a formal assessment carried out by an external organization was conducted early in 2014 and submitted to the Board on March 11, 2014 by the Chairman of the Nominations Committee. The following main conclusions emerge from this assessment: over the past two years, Board members had noticed an improvement in the operation of the Board of Directors with respect to the items covered and, in particular, the depth of the discussions. With respect to governance, the combination of the duties of Chairman and Chief Executive Officer is considered to be the most suitable solution in the Group’s current situation, and the role of the Vice-Chairman is considered essential in this context. With respect to the composition of the Board, the Directors are generally in favor of a reduction in its size, of its continued appointment of more women, and of the co-option of members with special experience of contracts in the utilities and Energy sectors. They also recommend increasing the international membership of the Board.

In terms of the operation of the Board, while the arrangements for meetings, the number of them and the time they last are considered suitable for present circumstances, the Directors would like: timetables for meetings 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, with regard to content, for presentations to be more concise, with better tracking of the implementation of decisions made and actions to be undertaken. Finally, the Board would like to be more closely involved 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 generally satisfactory. The Board would like to see improvements, however, in the following areas: in terms of governance, the Nominations and Compensation Committee should be split into two committees and, with respect to the way in which all the committees operate, their work program should be circulated in advance; for the Accounts and Audit Committee, there should be greater in-depth analysis of risks and of the reports to the Board in this area, as well as greater involvement in monitoring the management information systems.

In 2015, the results of the annual assessment initiated by the Chairman of the Nominations Committee were communicated at the Board meeting held on March 10, 2015.

The following is a summary of the main conclusions from this annual assessment on March 10, 2015:

The Directors were unanimous in seeing a significant improvement in the work and operation of the Board since its last formal assessment in March 2014. In particular, the Board's strategic planning seems to be better structured thanks to the implementation of the recommendations made in March 2014 about the preparation, format and content of the annual strategy seminar. The main areas of improvement suggested by the Directors are as follows: concerning the issues covered, they would like more time devoted to discussion of the annual budget and to tracking: (i) the profitability of new growth sectors; (ii) the progress of the Group's international business in the main countries where it operates; (iii) plans for restructurings and the reorganization of the Group; (iv) questions on human resources, particularly the issues of staffing, cost control and succession plans. In terms of improving its information, the Board is asking management to more regularly prepare summary presentations on important subjects. Concerning Board membership, the Board wants to add members who have specific expertise in Veolia's public or industrial customer base and/or in new data technologies, and to increase the international character of the Board when new members are selected. For the work of its committees, the Board members generally believe that the composition of the committees and the reports of their work are satisfactory. However, they would like more details on the work of the Accounts and Audit Committee concerning the monitoring of risk management and more frequent reports on the work of the Nominations Committee and the Research, Innovation and Sustainable Development Committee.

16.1.5 Role of the Chairman of the Board of Directors

The internal regulations of the Board clarify the role of the Chairman of the Board of Directors.

The Chairman of the Board of Directors organizes and directs the work of the Board, about which he reports to General Shareholders’ Meetings. He is responsible for preparing reports on the organization of the Board’s work, internal controls and risk management. He chairs General Shareholders’ Meetings.

In general, the Chairman of the Board of Directors ensures the proper operation of the Company’s corporate bodies and compliance with good governance principles and practices, in particular regarding the committees created within the Board. He ensures that the Directors are capable of performing their duties and that they are adequately informed. He devotes the time necessary to questions concerning the Group’s future and, in particular, those relating to the Group's strategy.

In accordance with the internal regulations, the Directors 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 executed by the Company in which they may have a direct or indirect interest.

The Chairman of the Board chairs Board meetings and prepares and coordinates the Board’s work. In this regard, he:

- convenes Board meetings in accordance with the timetable 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 contained in them is complete;
- ensures that certain subjects are discussed by the committees in preparation for Board meetings and ensures that the committees perform their duty of making recommendations to the Board;
- leads and directs the Board's discussions;
- ensures that Directors comply with the provisions of the internal regulations of the Board and of the committees;
- monitors the implementation of the Board’s decisions;
- in conjunction with the Nominations and Compensation Committees, prepares and organizes the Board’s periodic assessment work.

The Chairman has all the means required for the performance of his duties.

16.1.6 Senior Independent Director

Appointment of a Senior Independent Director

On October 21, 2009, the Board of Directors decided to create the position of Vice-Chairman, to assist the Chairman with his duty to ensure proper operation of the Company’s governing bodies, on the British model of the Senior Independent Director. In accordance with the internal regulations of the Board, the Senior Independent Director is chosen from among the Directors characterized as independent for the duration of his/her term of office as an independent Director. The Board appointed the independent Director Louis Schweitzer to assume this position of Vice-Chairman, effective November 27, 2009.

At the meeting held on March 15, 2012, the Board of Directors formally noted that Louis Schweitzer would turn 70 years old in 2012 and, in accordance with Article 12 of the Company’s Articles of Association, his term of office as Vice-Chairman of the Company could not continue beyond the General Shareholders’ Meeting to be held on May 16, 2012. On the recommendation of the Nominations and Compensation Committee, the Board decided to appoint him, with effect from the Annual General Shareholders’ Meeting of May 16, 2012, as Senior Independent Director responsible for performing functions relating to the smooth running of the Company’s governance bodies for the duration of his term of office, insofar as he remains an independent Director as determined by the Board. At its meeting held on March 14, 2013, in accordance with the recommendations of the Nominations and Compensation Committee, the Board of Directors approved the appointment of Louis Schweitzer as Vice-Chairman, a role he held previously until the 2012 General Shareholders’ Meeting and that he combines with his role as Senior Independent Director. This appointment arose from the approval by the General Shareholders’ Meeting of May 14, 2013 of the modification of Article 12 of the Company’s Articles of Association, increasing the maximum age for a Vice-Chairman from 70 to 75 years old.

Role of the Senior Independent Director

The Senior Independent Director’s duties include helping the Chairman ensure that the Company’s governing bodies are running smoothly. In this regard, the Senior Independent Director examines, in particular, conflicts of interest, including potential conflicts of interest that may involve the Board members or the Chairman of the Board with regard to the interests of the Company, whether they arise in connection with operational projects, strategic policies or specific agreements. He submits 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 matters and ensures that such concerns are addressed. If necessary, and in agreement with the Chairman of the Board, the Senior Independent Director himself may also respond to questions from major shareholders or meet with them, if the ordinary avenues involving 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 itself renders these ordinary avenues inadequate or inappropriate.

In the context of the evaluation of the Board’s operations pursuant to its internal regulations, the Senior Independent Director is particularly involved in the assessment of the performance of the Chairman of the Board.

In 2014, in addition to this assessment work, the Vice-Chairman and Senior Independent Director met shareholders not represented on the Board to discuss various governance matters. He also contributed to the preparation of the Board’s plan for the splitting of French and International activities of Dalkia group by the Company and EDF.

16.1.7 Securities trading by Directors and executive officers

Reporting obligations and prohibition of securities trading

According to the Board's internal regulations, every Director or non-voting Board member must report all transactions performed with regard to the Company's securities to the AMF (the French Financial Markets Authority) and to the Company and comply, in particular, with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the general regulations of the AMF (the table detailing transactions involving Veolia Environnement securities carried out by Directors during 2014 is shown in Chapter 17, Section 17.5.1 below). The members of the Board of Directors and the Company's management staff or key senior management, or the persons who work closely with them, shall report all acquisitions, sales, subscriptions or trades in the Company's securities and financial instruments to the AMF, within five trading days after completion.

In addition, Directors and executive officers are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of privileged information. In accordance with Article L. 621-18-4 of the French Monetary and Financial Code, the Company draws up, and keeps up to date, a list of permanent insiders, which is available to the AMF, and which includes in particular the members of the Board of Directors and of the Company's Executive Committee.

The Company's Directors and Executive Officers are required to comply with the provisions of the Company's Code of Conduct with respect to securities transactions (see Chapter 4, Section 4.2.2.2.1 and Chapter 16, Section 16.1.7 above). In that respect, the members of the Board of Directors and of the Executive Committee are deemed by the Company to be permanent insiders and may not buy or sell the Company's securities, directly or through a third-party intermediary, during certain periods: during the six-week period up to and including the date of publication of the annual financial statements, the four-week period up to and including the publication of the interim financial statements, and the two-week period up to and including the date of publication of quarterly financial information, or even outside of those periods so long as they possess insider information. In order to prevent any difficulties relating to the application of the code of conduct, the individuals in question should consult with the Company's Secretary General.

Shareholding obligation of Directors and executive officers

In accordance with Article L. 225-185 of the French Commercial Code, the Company's Board of Directors decided on March 29, 2007, on the recommendation of the Nominations and Compensation Committee, to apply a rule to require its Chairman and Chief Executive Officer to set up a Veolia Environnement share portfolio equal to 50% of the balance of the shares that result from exercising options after payment of tax (capital gains tax and mandatory social security contributions) and the cost of financing (number of options that it is necessary to exercise by combined exercise and sale in order to finance the exercise price of the portfolio and the tax). This rule has not been applied in practice, as the performance condition set in the 2007 stock options plan has not been satisfied, and no options or performance shares have been awarded to the Company's Directors and executive officers since that date. The rule may be reassessed by the Board in the future.

16.1.8 Other Information about the Operation of the Board

This section sums up the corresponding sections of the internal regulations of the Board of Directors.

Directors' duties and obligations

According to the Board's internal regulations, its members are subject to the following obligations: to act in the Company's best interests; to inform the Board of any conflict of interest, even potential, and to abstain from voting on any decisions in which they may have a conflict of interest; to perform their duties in accordance with the statutory provisions, notably those concerning the limits on terms of office, and to regularly attend Board and committee meetings; to be informed in order to be able to deal effectively with the agenda items; to consider themselves bound by professional secrecy and by a duty of loyalty; and, to comply with the Company's code of conduct with respect to securities transactions. The members of the Board of Directors and, where applicable, the Chief Executive Officer are required to promptly report to the Chairman of the Board any agreement signed by the Company in which they are directly or indirectly interested or which was concluded through an intermediary on their behalf.

Each Director receives a periodically updated "Directors' Guide" which includes the following primary documents: the Company's Articles of Association, the appointment procedure for, and the powers of, the Chairman and Chief Executive Officer, the appointment procedure for, and the powers of the Vice-Chairman and Senior Independent Director, the internal regulations of the Board of Directors and of the Accounts and Audit, and Nominations and Compensation Committees, the French regulations applying to the Audit Committee, the Company's code of conduct for securities trading and compliance with French and. American Stock Exchange legislation, the list of Directors and the expiry dates of their terms of office, the composition of the Board of Directors' committees, useful contacts for members of the Board of Directors and the committees, and the composition of the Executive Committee.

Information provided to Directors

The Chairman provides Directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman provides the members of the Board with all significant information concerning the Company on an ongoing basis. Each Director receives and has the right to request all necessary information to perform his/her duties, and may also request additional training concerning the specific features of the Company and the Group.

In order to fulfill their duties, the Directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

At the request of the Chairman or of a Director, the heads of the Group's divisions may be invited to any Board meeting devoted to the outlook and strategies for their business sector.

Attendance by means of telecommunications

Directors may participate in Board discussions by videoconference or other kinds of telecommunication, in the manner and on the terms set out in Articles L. 225-37 and R. 225-21 of the French Commercial Code and as provided for by the internal regulations of the Board of Directors. In such case, Directors are deemed to be present for the purpose of calculating the quorum and majority, except with regard to the vote on certain major decisions as provided by law and by the Board's internal rules (in particular, the year-end closing of accounts and preparation of the management report and the consolidated financial statements).

16.1.9 Compensation of the Board members

The rules governing Directors' fees and the amounts paid in 2014 are stated in Chapter 15, Section 15.1.2 above.

16.2 Operations and work of the Committees of the Board of Directors

Since April 30, 2003, when the Company adopted a mode of governance as a public limited Company with a Board of Directors (*société anonyme à conseil d'administration*), the Company's Board of Directors has been assisted by an Accounts and Audit Committee, a Nominations and Compensation Committee (which was divided into two separate committees following the Board meeting held on March 25, 2014), and, since September 14, 2006, a Research, Innovation and Sustainable Development Committee.

16.2.1 Accounts and Audit Committee

Operations and composition of the Committee

The Accounts and Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors at least five times a year to review the periodic and annual financial statements before their submission to the Board of Directors. In 2014, the Accounts and Audit Committee met seven times (as in 2013). The average attendance rate in 2014 was 86% (compared to 91% in 2013).

The Accounts and Audit Committee has between three and six members appointed by the Board of Directors from among the Directors (excluding those in management positions) on the basis of recommendations made by the Nominations Committee. The Committee's Chairman is appointed by the Board.

At its meeting of November 5, 2014, the Board made changes to the composition of the Accounts and Audit Committee. It was decided to nominate Mr. Pierre Victoria as a Director, representing employees, as an additional member of the committee. As of the date of the filing of this Registration Document, this committee had four members, three of whom are deemed independent according to the criteria set forth in the Board's internal rules: Daniel Bouton (Chairman), Jacques Aschenbroich, Nathalie Rachou and Pierre Victoria[(1)].

According to the internal regulations of the Accounts and Audit Committee[(2)], its members are required to be chosen on the basis of their financial or accounting expertise, and at least one committee member must have specific financial or accounting expertise and be independent under the criteria specified in the internal regulations of the Board of Directors. On March 24, 2011, the Board of Directors classified Mr. Daniel Bouton, a member of the Accounts and Audit Committee, as a "financial expert", as defined by the American Sarbanes-Oxley Act and French law, having determined that he has the necessary qualifications and experience.

(1) Director representing employees is not recognized in the accounts in order to establish the percentages of independence in application of Article 9.2 of the AFEP-MEDEF Code.

(2) The internal regulations of the Accounts and Audit Committee was updated by the Board of Directors at its meeting of November 2, 2014 in order to take account, in particular, of the latest changes in the AFEP-MEDEF Code and the change in the maximum number of members of the committee.

Duties of the Committee

The duties of the Accounts and Audit Committee, according to its internal regulations adopted by the Board, include the tasks assigned by the regulations on the internal control of financial and accounting information stipulated by the Ordinance of December 8, 2008, which transposed into French law the Eighth Directive on the Legal Audit of Accounts (Directive 2006/43/EC) and the AMF recommendations of July 2010. They also include the duties defined by the applicable American Sarbanes-Oxley Act on the evaluation of the internal control of financial and accounting information, but which no longer apply to the Group as of December 31, 2014 following the delisting of Veolia Environnment from the New York Stock Exchange (NYSE).

In general, the Accounts and Audit Committee is responsible for monitoring matters concerning the preparation and control of accounting and financial information and, in particular, for monitoring: (i) the integrity of the Group's financial statements and the process for preparing financial information; (ii) the effectiveness of internal control systems concerning financial and accounting information and the Group's risk management systems that are expressed in the accounting system, or identified by Executive Management, and that may affect the financial statements; (iii) the Group's compliance with statutory and regulatory requirements where these are relevant to financial reporting or internal control; (iv) the evaluation of the Statutory Auditors' capabilities and independence; and (v) the performance by the Group's Internal Audit Department and the Statutory Auditors of their duties with respect to auditing the parent company and consolidated financial statements. In this regard, the Committee monitors more particularly the following activities:

a) the process of preparing accounting and financial information: (i) together with the Statutory Auditors, reviewing the relevance and consistency of the accounting methods used to prepare the parent company or consolidated financial statements, examining whether major transactions are adequately processed on a Group-wide level; (ii) reviewing the scope of the consolidated companies and the procedures for collecting financial and accounting information and interviews and seeking the explanations and comments of the Statutory Auditors in this respect, where necessary; (iii) giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by Executive Management before those statements are presented to the Board; (iv) interviewing the Statutory Auditors, the members of Executive Management and financial officers, particularly on the off-balance sheet commitments, depreciation/amortization, provisions, goodwill and principles of consolidation; such interviews may be conducted without the presence of the Company's Executive Management; (v) acquainting itself with, and expressing an opinion on the process of preparing press releases for the publication of the annual or interim financial statements and the quarterly information; and in the context of the Board's examination of the press releases concerning, in particular, the annual and interim financial statements, making sure that the presentation of this financial information to the market is consistent with the information in the financial statements, according to the information in its possession;

b) internal audit: (i) acquainting itself with the Company's audit charter; (ii) examining the Group's annual internal audit program on a yearly basis; (iii) periodically receiving information from the Company with regard to the progress of the internal control audit program and self assessment of the internal control and risk management system, summaries of the auditing assignments carried out and, once a year, an overall analysis of the main lessons learned from the auditing year; and (iv) interviewing the head of the Internal Audit Department and giving the Committee's opinion on the organization of the work of his department;

c) the effectiveness of internal control and risk management systems, particularly in the context of Article L. 823-19 of the French Commercial Code (see Order of December 8, 2008, which transposed the Directive on the Statutory Audit of Financial Statements):

- *concerning the monitoring of the effectiveness of internal control systems:* (i) periodically receiving information from the Company about the organization and procedures of internal control relating to financial and accounting information;(ii) interviewing the head of internal control and giving the Committee's opinion on the organization of the work of his/her department; (iii) hearing an annual report from the Ethics Committee on the whistle blowing system available to employees with respect to accounting, finance, management audits and control; having significant matters referred to it by the Ethics Committee in said fields and ensuring the follow-up of those cases with said Committee,
- *concerning the monitoring of the effectiveness of the system for managing the risks expressed in the accounting statements or those identified by Executive Management that may have an effect on the financial statements:* (iv) periodically examining the mapping of the main risks identified by Executive Management that may affect the financial statements; (v) acquainting themselves with the main characteristics of the procedures for managing those risks and their results, based in particular on the work of the Risk Management Department, the Internal Audit Department and the Statutory Auditors in relation to internal control procedures; and (vi) following up on the implementation of corrective actions in relation to any identified weaknesses that might have an impact on the financial statements;

d) Statutory Auditors: (i) reviewing the Statutory Auditors' planned work on an annual basis; (ii) interviewing the Statutory Auditors and the executives in charge of finance, accounting and treasury, in certain cases without the presence of members of the Company's Executive Management; (iii) supervising and making recommendations in respect of the process for choosing Statutory Auditors; (iv) expressing its opinion regarding the amount of fees requested by the Statutory Auditors; (v) giving its prior approval to auditors' activities that are strictly ancillary or directly complementary to the audit of the financial statements; and (vi) being informed of the fees that the Company and the Group pay to the audit firm and its network, ensuring that the amount of these payments or the share of these payments in the firm's and the network's revenue does not call into question the independence of the Statutory

Auditors, and reviewing together with the Statutory Auditors any risks threatening their independence and the precautionary measures to be taken to reduce such risks.

Activities of the Committee in 2014

In 2014, the Accounts and Audit Committee organized its activities, as before, within the framework of a program drawn up by the Committee for the year under review. The meetings are covered by minutes and by a report from the Committee Chairman to the Board of Directors.

The Accounts and Audit Committee reviewed the annual and interim financial statements and the associated business report.

It reviewed the main accounting choices, the estimates and principles of financial communication, the final impairment tests and at-risk contracts, the plan to issue hybrid securities, the main IT systems (excluding French operations), the policy on the use of outsourcing, and the changes to financial reporting and tax inspections affecting the Company. The Committee reviewed the Finance transformation plan, financial information and business reports for the first, second and third quarters of 2014. Pursuant to the provisions of Section 404 of the Sarbanes-Oxley Act, the Committee read the summary of the internal control activities and evaluation for fiscal year 2013, certified by the Statutory Auditors, and examined the 20-F report for 2013. It examined reports on fraud and reviewed the action plans for fraud prevention, as well as the report on the activities of the Ethics Committee. The Committee examined summaries of internal audits conducted in 2013 and the first half of 2014, and approved the internal audit program for 2015.

The Committee also reviewed, with Company management, the key processes involved in its duties: a review of the financial policy and planned financing transactions; a review of the investment process and divestment transactions; a tax review and review of legal reporting on major litigation; a review of the risk management system and Group insurance; and updates on the implementation of action plans.

In particular, the Committee was informed about: changes in the Group's organizational structure; the planned redistribution of Dalkia activities in France and globally; divestments in Israel and of Marius Pedersen; and about developments in the SNCM situation.

The Committee reviewed the Statutory Auditors' assignments for 2014. The Committee reviewed the fee budget for Statutory Auditors for 2015 and how their appointments are divided up, as well as their independence, how they organized their tasks and their recommendations.

The Committee may interview persons outside the Company if it deems such interviews useful for the performance of its duties. In addition, the Committee may consult outside experts. It may also interview the Company's financial officers or the Statutory Auditors without the presence of the Chief Executive Officer. During the past year, the Chairman of the Accounts and Audit Committee and/or the Committee members interviewed and met: the Chairman and Chief Executive Officer, the Deputy Chief Financial Officer, the Director of Financial Control, the General Counsel and secretary of the committee, the Group Audit Director, the Risk Management, Insurance and Compliance Officer, the Secretary General for the Information Systems department, the Tax Director, the Director for Transformation and Organization, a member of the Ethics Committee, the Cash-flow and Financing Director, and the Company's independent Auditors.

16.2.2 Nominations Committee[(1)]

Operations and composition of the Committee

The Nominations Committee meets when convened by its Chairman or at the request of the Chairman of the Board of Directors, at least twice a year. In 2014, the Nominations Committee met four times. The average attendance rate was 100%.

In accordance with its internal regulations, the Nominations Committee is composed of three to six members, who are appointed by the Board of Directors on the recommendation of the Nominations Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors on the recommendation of the Committee.

At its meeting on March 25, 2014, the Board of Directors decided to appoint Louis Schweitzer as Chairman of the Committee, Maryse Aulagnon, Pierre-André Chalendar, Groupe Industriel Marcel Dassault, represented by Olivier Costa de Beauregard[(2)] and Serge Michel. As of the date of the filing of this Registration Document, this committee had four members, three of whom are deemed independent according to the criteria set forth in the Board's internal rules: Louis Schweitzer* (Chairman), Maryse Aulagnon*, Pierre-André de Chalendar* and Serge Michel.

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(1) The Nominations Committee results from the division of the Nominations and Compensation Committee into two distinct committees, decided by the Board of Directors at its meeting on March 25, 2014

(2) By letter dated March 28, 2014, the Groupe Industriel Marcel Dassault, represented by Mr. Olivier Costa de Beauregard, informed the Company of its resignation, with immediate effect, from its position as a Director of Veolia Environnement.

* *Independent Directors*

Duties of the Committee

The main duties of the Nominations Committee are as follows:

a) nominations: the Committee is charged with making recommendations regarding the future composition of the Company's management bodies and, more importantly, it is responsible for selecting the Company's executive officers and developing a succession plan; it also recommends the appointment of Directors and of members, as well as the members and Chairman of each Board committee, striving to ensure diversity in experience and points of view, while making certain that the Board of Directors retains the necessary objectivity and independence vis-à-vis any specific shareholder or group of shareholders. The Committee gives its opinion on the succession plan for the Company's key managers who are not also Directors or executive officers of the Company. The Nominations Committees strives to ensure that at least (i) one-half of the Directors, (ii) two-thirds of the members of the Accounts and Audit Committee and (iii) one-half of the members of the Nominations Committee are independent Directors. Each year, the Nominations Committee conducts a case-by-case assessment of each Director with regard to the independence criteria as set forth in the internal regulations of the Board of Directors and makes proposals to the Board of Directors for the Board's review of the position of each Director in question;

b) assessment: the Nominations Committee assists the Board in its periodic assessments. It prepares the Board's annual assessment of its organization and operations, and leads the formal assessment of the Board that is carried out every three years by an outside organization. Each year, the Committee provides the Board of Directors with a report evaluating the performances of the Chairman and of the Directors, as well as the actions of Executive Management. The Board then discusses this report. Lastly, each year, the key managers who are not also Directors or executive officers of the Company have a meeting and an interview with each member of the Committee.

Activities of the Committee in 2014

In 2014, the Nominations Committee focused on the changes in Board membership, the search for and review of candidates to serve on the Board, the replacement of members, the report of the formal assessment of the Board and its committees, and the review of the independence of the Directors. Several meetings were also dedicated to governance and reviewing the actions of the Chairman and Chief Executive Officer.

16.2.3 Compensation Committee[(1)]

Operations and composition of the Committee

The Compensation Committee meets when convened by its Chairman or at the request of the Chairman of the Board of Directors, at least twice a year. In 2014, the Compensation Committee met five times. The average attendance was 100%.

In accordance with its internal regulations, the Compensation Committee has between three and six members, who are appointed by the Board of Directors on the recommendation of the Compensation Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors on the recommendation of the Committee.

At its meeting held on March 25, 2014, the Board of Directors decided to appoint Louis Schweitzer as Chairman of the Committee and Daniel Bouton and Serge Michel as Committee members. At its meeting held on November 5, 2014, the Board of Directors made changes to the composition of the Compensation Committee. It decided to appoint Marion Guillou and Pierre Victoria in addition to the members who had previously been appointed. As of the date of filing this Registration Document, this Committee had five members, three of whom are deemed independent according to the criteria set out in the Board's internal rules: Louis Schweitzer* (Chairman), Daniel Bouton***,** Marion Guillou* Serge Michel and Pierre Victoria[(2)].

Duties of the Committee

The main duties of the Compensation Committee are as follows: (i) to study and make proposals regarding the overall compensation of the Company's executive officers, in particular with regard to the rules and criteria governing the variable portion of compensation consistent with the annual assessment of their performance and the medium-term strategy and performance of the Company and the Group, and with regard to the granting of in-kind corporate benefits, options to purchase or subscribe shares and the allocation of bonus shares, pension plans, compensation for termination and any other benefits, ensuring that all such components are taken into account in evaluating and setting their overall compensation; (ii) to recommend to the Board of Directors an overall amount of Directors' fees to be paid to the Directors, as well as the rules for their distribution; (iii) to give the Board of Directors its opinion regarding the general policy and terms and conditions for granting stock purchase or subscription options, the allocation of bonus shares and setting up employee share ownership plans, as well as the provisions for employee Company or Group profit-sharing; (iv)

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(1) The Compensation Committee results from the division of the Nominations and Compensation Committee into two distinct committees, decided by the Board of Directors at its meeting on March 25, 2014

(2) Director representing employees not recognized in the accounts in order to establish the percentages of independence in application of Article 9.2 of the AFEP-MEDEF Code

* *Independent Directors*

to make proposals to the Board concerning the granting of stock options and, if applicable, bonus shares to the Company's Directors and executive officers, as well as with respect to the performance conditions applicable thereto; (v) to make proposals to the Board concerning the obligation for the Company's executive officers to keep shares obtained by exercising stock options or, if applicable, the allocation of bonus shares; and (vi) to give its opinion concerning the compensation policy with regard to the Company's key managers who are not also Directors or executive officers of the Company or of other companies in the Group.

Activities of the Committee in 2014

In 2014, the work of the Compensation Committee focused on: preparing proposals and recommendations for the Board of Directors on the compensation of the Chairman and Chief Executive Officer (the variable portion for 2013 and the fixed portion for 2014) and the compensation policy for Executive Committee members; developing a system of long-term Management Incentive Plan for executives and corporate officers (Management Incentive Plan); an opinion on the employee savings plan policy (PEG); reviewing the budget for Directors' fees and recommending the allocation among the Directors.

16.2.4 Research, Innovation and Sustainable Development Committee

Operations and composition of the Committee

In accordance with its internal regulations, the Research, Innovation and Sustainable Development Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors. It is required to hold at least three meetings per year. In 2014, the Committee met three times (as in 2013). The attendance rate was 85% (compared to 73% in 2013).

The Research, Innovation and Sustainable Development Committee has between three and five members, who are appointed by the Board of Directors on the recommendation of the Nominations Committee. The Chairman of the Committee is appointed by the Board of Directors based on the recommendation of the Chairman of the Board.

At its meeting held on November 5, 2014, the Board of Directors made changes to the composition of the Compensation Committee. It decided to appoint Pavel Páša, the Director representing employees, in addition to the members who had previously been appointed. As of the date of filing of this Registration Document, this committee had five members, three of whom are deemed independent: Jacques Aschenbroich* (Chairman), Paul-Louis Girardot* (non-voting member), Pierre-André de Chalendar*, Marion Guillou* and Pavel Páša.

Duties of the Committee

The mission of the Research, Innovation and Sustainable Development Committee is to assess Group's strategy and policies in these areas and to issue an opinion to the Board of Directors.

The Committee is informed of programs and priority actions undertaken and evaluates the results thereof. In particular, it keeps abreast of the budgets and staff levels and gives its opinion regarding the allocation of means and resources and whether they are appropriate in light of the strategic choices made.

The Committee's main contacts are the Chairman of the Company's Board of Directors, Executive Management and the Executive Committee, the Group's Research, Innovation and Development and Sustainable Development departments, as well as any other manager within the Company who has information or opinions that may be of use to the Committee.

The Committee may also interview persons outside the Company if it deems such interviews to be of use in the performance of its duties. In addition, the committee may consult outside experts.

Activities of the Committee in 2014

The Committee aims to analyze the content of Veolia's services, its potential customers, the size of the market, the Group's competitive advantages, its competitors, its research programs, technologies and the best economic equations for each area addressed. In 2014, the Committee looked at Veolia's positioning on the market for dismantling nuclear sites and the Group's range of digital services. It also formulated recommendations on the sustainable development policy.

16.3 Executive management

16.3.1 Method of Exercise of Executive Management

As a French public limited company (*société anonyme*) with a Board of Directors, the Company is legally entitled to opt either for a separation of the roles of Chairman and Chief Executive Officer or to have a single person hold both these

* *Independent Directors*

positions. As mentioned in the AFEP-MEDEF Code, the law states no preference between those two options, and it is the Board of Directors' prerogative to choose between the two methods of Executive Management in accordance with their specific requirements.

The Board of Directors of the Company decided to assign the management of the Company to Antoine Frérot (see Chapter 14, section 14.1 above). His term of office began on November 27, 2009 and was extended on December 12, 2010 until the close of the General Shareholders' Meeting called to approve the financial statements for 2013. His term of office was renewed again on April 24, 2014 until the close of the General Shareholders' Meeting called to approve the financial statements for 2017. At the same Board meeting of December 12, 2010, the Board formally noted the resignation of Henri Proglio as Chairman and decided, on the recommendation of the Nominations and Compensation Committee, to change the mode of management of the Company and to approve the principle of combining the duties of Chairman of the Board with those of the Chief Executive Officer. The choice to combine the positions of Chairman and Chief Executive Officer was reiterated by the Board on April 24, 2014. This combination method of management was adopted for the following reasons:

- Henri Proglio held the combined duties of Chairman and Chief Executive Officer from 2003 to the end of 2009, and that mode of management proved to be perfectly effective at Veolia Environnement during that period;
- the changes in the Company's governance resulting from the appointment of Henri Proglio as Chairman and Chief Executive Officer of EDF had been the subject of an in-depth review by the Board in 2009. The Board had decided that it was in the interest of the Company and its shareholders to separate the duties of Chief Executive Officer from those of Chairman of the Board in order to maintain the Company's continuity and stability vis-à-vis its customers and employees during a transition period. This split was ended on December 12, 2010;
- this combined mode of governance ensures unified management that is more suitable and effective within a decentralized group such as Veolia Environnement. It is also more tightly knit and responsive, since it simplifies the processes of decision-making and responsibility, for example in the implementation of the Group's far-reaching transformation process, launched in 2012;
- the limitations of powers stipulated by the Board's internal rules (see Chapter 16, Section 16.3.2 below), the existence of a Senior Independent Director who will also be the Vice-Chairman of the Board (see Section 16.1.6 above), and the presence of independent Directors on the Board offer all the guarantees necessary for the exercise of the combined mode of management in accordance with the practices of good governance;
- finally, regarding the practices of CAC 40 companies, it is the preferred management system since most companies with a Board of Directors opted for that combined mode of management.

16.3.2 Limits on powers of Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer, who assumes the duties of executive management, is fully empowered to act in the name of the Company under any circumstances. He is required to act within the limits of the corporate purpose, subject to those powers that the law expressly confers on shareholders' meetings and the Board of Directors. He represents the Company in its relations with third parties.

The powers exercised by the Chairman and Chief Executive Officer are limited by the internal regulations of the Board of Directors for the purpose of internal order. Thus, according to the internal regulations of the Board of Directors, the following actions of the Chief Executive Officer require prior approval from the Board:

- establishing the Group's strategic direction;
- Group operations of an amount of over €300 million per transaction, with the exception of financing transactions;
- after an opinion from and consultation with the Accounts and Audit Committee, the investment or divestment transactions of the Group, including a commitment of between us, according to the internal rer transaction, with the exception of financing transactions[1];
- financing transactions, whatever their terms, amounting to more than €1.5 billion per transaction if carried out in a single tranche and €2.5 billion if the transaction is carried out in several tranches;
- transactions in the Company's shares amounting to an overall number in excess of 1% of the Company's total shares.

(2) On August 1, 2012, the Board of Directors amended the internal regulations of the Board of Directors and of the Accounts and Audit Committee.

16.4 Executive Committee

In accordance with the Company's principles of corporate governance and practices since April 30, 2003, the Chairman and Chief Executive Officer (previously the Chief Executive Officer) is supported by an Executive Committee which includes representatives of each of the Company's businesses.

Under the chairmanship of Antoine Frérot, the Executive Committee is convened whenever the Group's major policies are established, for the purposes of reflection, consultation and decision-making. In addition, it authorizes major Group projects, such as sales contracts and proposed investments, divestments or sales for amounts above certain thresholds. The Executive Committee meets approximately every two weeks.

In order to further enhance the Company's capabilities to assess and oversee projects, in 2008, an undertakings subcommittee of the Veolia Environnement Executive Committee was created under the chairmanship of the Chairman and Chief Executive Officer. This subcommittee conducts an in-depth review of major Group projects that must be submitted to the Executive Committee for final decision, before submission to the Board of Directors for authorization depending on the amounts involved. The subcommittee is chaired by the Chairman and Chief Executive Officer and includes the Chief Operating Officer, the Chief Financial Officer, the General Secretary, the Technical and Performance Manager and the Innovation and Markets Manager. Issues and topics are presented to it by the Area Manager in charge of the project.

As of the date of filing of this Registration Document, the Company's Executive Committee consists of eleven members:

- Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement;
- Laurent Auguste, Senior Executive Vice President Innovation and Markets;
- François Bertreau, Chief Operating Officer;
- Estelle Brachlianoff, Senior Executive Vice President United Kingdom, Ireland;
- Régis Calmels, Senior Executive Vice President Asia;
- Philippe Capron, Chief Financial Officer;
- Philippe Guitard, Senior Executive Vice President Central and Eastern Europe;
- Patrick Labat, Senior Executive Vice President Northern Europe;
- Jean-Marie Lambert, Senior Executive Vice President Human Resources;
- Claude Laruelle, Director of Global Enterprises;
- Helman le Pas de Sécheval, Secretary General.

17 EMPLOYEES AND HUMAN RESOURCES AFR

17.1 Human Resources

For Veolia, employees are central to the Group's success because their effectiveness and the quality of their services are a competitive advantage. The essential components of the Human Resources policy, which have been affirmed in the commitments to Sustainable Development "to the men and women who work for our company" are:

- to guarantee a safe and healthy work environment;
- to encourage the professional development and commitment of each employee;
- to promote diversity, equal opportunity, and to fight discrimination;
- to maintain open lines of communication between labor and management and guarantee solidarity for all employees within the company.

17.1.1 Support: A key element in transformation

Transforming Veolia requires consistency and cohesion. Accordingly, the Group's Executive Management is actively partnering with management in the different phases of the transformation, reaching out directly to the managers and employees of the Group to explain and share the strategy so that everyone owns and implements it. In addition, affirming the Group's values and enhancing the loyalty and professionalism of employees and management is essential. For this purpose, Veolia's efforts have taken concrete form in the following actions:

The Manager's Code of Conduct

In order to strengthen cohesion and solidarity to the benefit of the Group's general interest, Veolia established the Manager's Code of Conduct in 2012. An instrument vital to building the new Veolia, the Manager's Code of Conduct is based on the Group's five founding principles: respect, solidarity, responsibility, innovation, and customer focus. For each of these principles, the Code reflects the Group's collective commitment and the collective and individual behaviors expected of managers, which they must promote with their teams.

Manager commitment survey

In 2013, 2,500 Veolia executives and managers were surveyed to measure their commitment and to make them closer partners in the implementation of the strategy. This survey was designed to measure understanding and acceptance of the new strategy, evaluate the actions undertaken at their level to accelerate the transformation, and to identify their needs, if any, for support or assistance in this area.

The Group has set a high target commitment rate for managers, which will be assessed regularly, of more than 80%. It was 80% in 2013.

A common model for performance assessment

In order to ensure that managers' objectives are aligned with the Group's strategy and values, a unique annual interview process is used for all managers at all our sites worldwide. This format ensures harmonized criteria and a common language to define individual objectives and adapt the Group's strategy. It allows the Group to assess performance and skills, to share the Group's values, to identify development needs, career prospects, and to implement the necessary measures.

The evaluation of performance is based on financial, safety and qualitative objectives, taking into consideration an employee's place in the hierarchy and their position. For managers, some of the qualitative objectives are based on compliance with and dissemination of the Code of Conduct.

Programs to develop managerial skills

The Group offers **pathways** to develop the managerial skills defined for Veolia as a whole: the Executive seminar and the Talents programs. The Executive seminar prepares individuals for corporate management by working on a changing world and its impact on our current and future activities, and the ability to carry the values of corporate social responsibility. In 2014, the Talents programs reached nearly 150 managers; they are designed to develop managerial skills and entrepreneurial ability, vision and strategic planning.

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

Diversity and the internationalization of profiles

Through its “2014-2016 Diversity commitments”, the Group confirmed the priorities set for diversity and support for the internationalization of the business (see 17.1.4 below).

17.1.2 Prevention, health and safety in the workplace and personal safety

17.1.2.1 Prevention, health and safety in the workplace

The prevention of business risks and health and safety in the workplace are ongoing priority concerns for Veolia throughout all its operations. Veolia is committed to ensuring the physical and psychological integrity of our employees.

Group commitment

In 2013, Veolia, represented by its Chairman and Chief Executive Officer, signed the Seoul Declaration on Safety and Health at Work at the headquarters of the International Labor Organization (ILO) in Geneva, recognizing the fundamental human right to a safe and healthy work environment. Veolia is committed to promoting the continuous improvement of occupational Prevention, Health and Safety, employee training and dialogue between management and employees on these issues.

With involvement from the highest level of the organization, Veolia’s process of continuous improvement in Prevention, Safety and Health, as formalized by the commitment of the Chairman and CEO is built around **5 pillars:**

- involve the entire managerial line;
- train and involve all employees;
- improve communication and dialogue;
- improve risk management;
- monitor Health and Safety performance.

This process is designed to support the efforts already initiated in this area, by reinforcing the involvement of all employees at all levels of the organization, as well as suppliers, subcontractors and joint venture partners, in order to ensure their physical and psychological integrity.

To communicate their involvement and their commitment in visible fashion, all the Group’s managers, from the Executive Committee members down to the first-level supervisors, are also encouraged to conduct **safety field visits** so they can engage in frequent dialogue with employees on best practices and safe behaviors. Moreover, the comprehensive assessment of management performance includes a criterion on performance improvement in Prevention, Health and Safety, and it is included when calculating the variable portion of managers’ compensation.

This commitment, shared by everyone, is generating visible results. Since 2010, the frequency rate has been declining steadily, from 18.88 in 2010 to 11.71 in 2014. The Group has set a target frequency rate of less than 6.5 by 2020.

Prevention, Health and Safety Management System

More than a mere policy, Prevention, Health and Safety is an integral part of all activities and of the organization’s structural processes.

The center of excellence in Prevention, Health and Safety, composed of twenty international experts, proposes strategies for Prevention, Health and Safety to the Executive Committee for approval and implementation. It coordinates the Group-wide projects, creates synergies between the businesses by encouraging the sharing of best practice, and evaluates the results using performance indicators. In addition to these projects, a number of Prevention, Health and Safety experts have been appointed across the Group to ensure the consistency of the measures applied by country and by region, also ensuring coordination and follow-up actions. This organization provides a structured ongoing improvement system which, when supplemented by field inspections, incorporates the cultural dimensions specific to each country.

The Prevention, Health and Safety management system is based on risk mapping as near to grassroots work situations as possible, an analysis of the causes and circumstances of accidents, near misses and occupational diseases, and monitoring of the action plans decided as a result of audits. Several annual step points are submitted to the Executive Committee in order to verify that the actions conducted fit with the strategy of the business.

In addition, Veolia has set up structured and structural prevention processes on the basis of standards such as OHSAS 18001 and ILO OSH 2001. Every year, around the world, entities are certified, labeled or recognized for their procedures in prevention, health and safety.

In 2014, nearly 58% of the employees received safety training, and one third of the training hours were devoted to safety. All suppliers must take the required measures to guarantee the health, safety and well-being of their employees. For subcontracted activities, a preliminary analysis of risks is performed in order to contractually define the prevention measures to be applied by all subcontractors, which are audited regularly.

Safety audits of the facilities are carried out before operations commence to detect any risk situations and propose corrective measures. The Group incorporates the risk prevention mechanisms as far upstream as possible in respect of its facility design and builds activities, in order to eliminate any likelihood of occurrence and guarantee the level of health and safety of the future operators.

Innovative local practices in the area of health and safety at work have also been identified and shared across the Group. Several of them were recognized with "Social Innovation Awards" (see Section 17.1.5), thus underscoring that the health and safety aspect has been fully incorporated in the company's employment and social policy.

Prevention of occupational diseases

All employees benefit from periodic medical follow-up to detect occupational diseases, but particularly to help prevent them.

In order to supplement the tools for identifying workstation accident situations, Veolia designed a Group tool to analyze exposure to occupational diseases, which is shared with the trade union and employee representatives of the Group French Works Council, and is available to all health and safety officers. This tool allows the company to anticipate exposure to risk factors in order to define and implement a joint action plan. Rolled out in France, this process has been extended and adapted to the international segment.

In 2014, 199 employees had an occupational disease. This reporting was rolled out to all Group entities for the first time in 2014. It should be noted that information on occupational diseases can show differences in the calculation method because of differences in local practices and regulations.

Approach to well-being in the workplace

The Group has initiated an approach to quality of life in the workplace that incorporates procedures to prevent psychosocial risk factors (stress). Employees are provided with information on this issue, particularly during the presentation of results from the surveys conducted, explaining the prevention programs. A training program for managers designed to assist them in incorporating awareness of psychosocial risks into their managerial practice has been rolled out in France and several other countries in Europe.

In addition, this process includes an ergonomic analysis of workstations, the promotion of best practices in health and nutrition, and the fight against alcoholism and drug use. Certain operations offer their employees muscle warm-up exercises before they start work; this program will be rolled out in 2015.

A joint commitment to prevention, health and safety

Stronger prevention and accident analysis are essential components of labor relations; as a result, nearly 220 agreements on Prevention, Health and Safety were signed in 2014.

In Europe, this commitment resulted in the signature in 2012 of a letter of undertaking between management and the employee representatives on the Group's European Works Council. This commitment ensures the consistency of site initiatives in each country in Europe where Veolia operates. The structural themes of this joint commitment include systematic accident analysis, enhanced prevention in occupational health and improved communication with employees on health and safety topics.

17.1.2.2 A reinforced international security policy

The Group is especially concerned with monitoring employees who are on temporary or permanent international assignment, and especially in areas that present a high level of security risk.

To ensure the earliest possible detection of any deterioration in security, the Security Department continually monitors and analyzes the situation in "at-risk" regions and countries. This monitoring process also contributes to the preparation of a monthly risk mapping of these countries, which is distributed to all Group employees so as to inform them of each country's current security profile.

Veolia's Security Department evaluates authorization requests for travel to the countries considered most sensitive on a case-by-case basis and always issues recommendations specific to the type of assignment to be carried out by employees, based on their position in the Group and their destination. In 2013, over 1,600 assignments received individual attention.

For the most sensitive countries, security plans are drawn up in order to provide the means to respond to possible deterioration in the security context. These plans, which are regularly updated, indicate the specific security measures put in place in each country as well as the organization and measures that will need to be implemented in the event of a crisis.

Security assistance provided to employees also involves raising their awareness of and offering training on security risks, the rules of conduct, and the prevention and protection principles to adopt in high-risk countries. In order to effectively reach the largest number of employees, an e-learning module for the Group was developed in 2013 by the Security

Department and the Veolia Campus, which is mandatory for all employees traveling to these regions. Face-to-face training sessions are also provided for employees who travel most frequently to high-risk regions.

The International Business Volunteers (VIE) led by the Human Resources departments of each entity, are systematically briefed on security issues. The Security department also supports the Veolia Environnement Foundation in training voluntary staff for emergency assignments.

17.1.3 Employment, Mobility and Training policies

The quality of Veolia's responses to environmental challenges and to the growing demands of public authorities and industrial entities depends on its expertise and, more generally, the performance of its employment model. This is why Veolia strives to attract, train, develop and retain its staff at all levels of qualification and in all areas of employment in which it operates.

17.1.3.1 Employment, Mobility and Career Management policies

The role of the Human Resources Development and Career Management Department is to define and promote the Group's policies relating to mobility, career management, and talent identification and management at all of the Group's establishments.

Organized by region and by function, its dual aim is to meet the skills requirements of the Group's business activities and to provide career opportunities for its employees.

In the context of the Group's current transformation, the priority given to internal mobility is clearly stated. Its implementation relies on the following processes and tools:

- a mobility committee focused on mobility in the regions and subsidiaries, which meets every fortnight; the career portal where all job opportunities in the Group are published;
- annual interviews used group-wide to identify the skills development measures to be implemented;
- collective manager assessments, in particular using the ECHOS process, based on peer reviews of people, organizations and structures. Findings from these sessions are used to provide a better fit between resources and the needs of the Group's business activities. They also facilitate the identification of high-potential talent, in order to provide these individuals with the means to pursue their professional development within the Group;
- the use of international talent incubators through the Pangeo program ensures the hiring of young talent.

With respect to the Group's operations in France, the employment policy continues to be affected by the Group's sweeping reorganization and requires continuing efforts to optimize controlled hiring processes, as solidarity within the Group is essential.

Work/Study

Work/study is a priority recruiting tool for helping young workers into stable employment. This is Veolia's first-choice route for preparing employees to conduct the businesses of the Group with the necessary skills. Work/study ensures the transfer of knowledge and key skills and develops the resources of inter-generational teams through the network of tutors and mentors.

This policy is implemented in particular through the network of Veolia campuses and training centers, and through a growing number of partnerships with local employment and training operators. This proactive approach reaches out to the public and local employment and training partners to raise awareness of environmental activities and services and to facilitate the recruitment of candidates for local jobs, including those with no prior experience.

Relations with schools and partnerships

Mobilizing the resources the Company needs today and tomorrow, in terms of both quantity and quality, remains a priority: Veolia reaffirms its presence through events focused on environmental businesses, job and work/study fairs, and forums in schools and universities. Programs like the "summer school" and the "Trophée Performance awards" are special opportunities that give international students an opportunity to discover Veolia's businesses and to adapt their course of study to the challenges of the Group.

The Group is continually developing and expanding its many academic, educational, institutional and research partnerships with professionals in training, counseling, employment and higher education.

17.1.3.2 Training

Veolia has developed an ambitious training policy and ensures, through commitments for Sustainable Development “to the men and women who work for our company”, that more than 75% of the employees participate in at least one training course each year.

Veolia‘s main challenges in terms of training are to:

- continuously adapt skills to increasingly complex activities so as to better serve the Group’s customers and maximize its competitive advantage;
- anticipate change through training in new technologies;
- promote career development.

To address these challenges, the Group’s training policy focuses on three objectives:

- develop and adapt employee skills in all businesses;
- support the Group’s commercial development and performance;
- contribute to the development of the corporate culture.

The range of programs was developed by more than 600 in-house trainers and contributors on the basis of input from the corporate and business training departments and the local operational units. The Group can thus offer training that is always appropriate for the reality of its businesses and what is happening in the field.

The network of Veolia campuses spans 10 countries. Established in 1994, this network now totals 14 centers, covering two-thirds of Veolia’s operating territories and offering nearly 2,300 training programs.

Training for all

The training policy is open to all employees from the time they are hired and throughout their career with the Company. In 2014, almost 450,000 training sessions were delivered. Their purpose is to develop individuals’ skills through recognized courses that lead to certifications and accreditations, job mobility and career development. Over 88% of training efforts are aimed at operators and technicians to promote the development of the less-qualified staff as well.

Recognized training

The group offers recognized certification training programs to ensure the recognition of skills in order to motivate employees, increase their employability and to allow them to acquire measurable skills and develop an understanding of the task, which is a key competitive asset in a service business. For more than 20 years, this aim has been embodied by the creation of diploma programs dedicated to the Group’s activities, at all levels of training offered in the Campus network. The French network offers 11 CAP-level (certificate of professional aptitude) certificates and diplomas, 9 BAC-level (Baccalaureate) certificates and diplomas, 3 BTS (advanced vocational) diplomas, 2 Licences Professionnelles (vocational bachelor degrees) and 1 master’s degree.

Veolia trains Veolia

The Group is both the main actor and the director of its training policy. Two-thirds of the training hours provided by the Campus network and the Veolia training centers are delivered by Group employees. Striking a balance between permanent trainers and ad hoc contributors from within the Group’s companies ensures the content’s relevance and enhances cohesion.

The Campus network and partnerships

Veolia has deployed a skills development platform around the world, through an active policy of partnerships with employment and training operators in the regions and a number of educational partnerships.

17.1.4 Diversity, equal opportunity, and the avoidance of discrimination

Commitment to diversity – Equal opportunity

Since June 12, 2003, when it joined the United Nations Global Compact, the Group has supported and promoted the Compact’s principles in its sphere of influence, particularly the protection of international law on human rights, the recognition of collective bargaining rights, and eliminating discrimination in employment and occupations. Respect for these basic rights is a natural part of Veolia’s comprehensive Human Resource policy.

The 2014-2016 diversity commitments are based on a standard that gives **priority to equal opportunity without discrimination,** and thus recognizes all the in-house talent and skills. Moreover, two other priorities have been defined to meet Veolia's challenges:

- **the expansion of diversity and gender equality**:

Diversity and gender equality in the workplace are challenges in terms of performance, credibility and fairness. Veolia must attract talented people at all levels of the Group in the conduct of all its businesses. Special attention will be focused on increasing the number of women in the executive bodies of the Group, on diversity in hiring in the businesses and in our representative bodies.

- **support for Veolia's globalization:**

The new Veolia must encourage work in an intercultural environment that respects the culture of each employee. All the countries in which we are expanding enrich our Group. Every employee, whatever his or her origin, should be fully involved in, and thus contribute to, Veolia's growth.

Veolia's commitments have already resulted in the renewal of the Veolia Diversity Charter. In 2013, Veolia signed an agreement on gender equality with the French Ministry for Women's Rights and an agreement on the French generation contract with trade unions.

These documents were reaffirmed in the commitments to Sustainable Development "to the men and women who work for our company". As such, the Group is committed to "Guaranteeing respect for diversity and fundamental human and social rights in the company".

The Diversity network

The Diversity action plan is driven by a global network of over 40 diversity standards which:

- guarantee the implementation of the 2014–2016 Diversity commitments;
- establish the diagnostics and action plan appropriate for their specific context, and measure the results;
- highlight innovative measures that support the Veolia values.

Finally, a new scorecard based on six thematic areas has been developed to guarantee the traceability of the measurements.

- complaints: the number of complaints filed by employees and stakeholders based on the alert mechanisms and the number of proven cases of discrimination;
- gender equality: the rate of employment of women, the percentage of female managers, the percentage of female non-managers, and the percentage of women recruited;
- seniors: the rate of employment for workers over the age of 55;
- young workers: the employment rate of workers aged less than 30 years old, and the work/study rate;
- disabled workers: the employment rate of disabled workers;
- access to training: the percentage of employees who have access to training per year, and the rate of female managers trained per year.

A number of programs were conducted in **2014**, in all our countries and entities, including:

The process to update the **alert system** and hear Veolia complaints in France. Given the organizational changes, and after an analysis of practices, the in-house processes were reorganized in 2014 and the new mechanism approved for deployment in the first quarter of 2015.

Diversity through sport: Veolia wanted to promote diversity by drawing on sport, highlighting team spirit, group success, and access to sports for everyone regardless of ability and performance. In partnership with the French and European Federations of Corporate Sports (FFSE and EFCS), Veolia was involved in the first edition of the Diversity Race. Two hundred employees took part in this event to help promote the values of diversity.

A "non-discrimination" audit of the Group's "Taleo" recruitment portal was launched in order to monitor the correct application of non-discrimination rules in accordance with 20 legal criteria (French laws). This audit covers both the operation of the tool and the content of the job opportunities for the entire Group.

International Women's Day, March 8, 2014: Veolia wanted to highlight "gender equality in the business lines". A communication campaign featuring female operators, technicians, managers, and executives was broadcast on the Veolia Group intranet. Advocacy measures for women were conducted worldwide. As such, in the Middle East, a video portrait of women at work was shown to employees and on the Group's internal networks.

In Asia, following the award of the social initiatives prize to the Human Resources team in Japan for its project to promote women's talents in Japan (2013), the Japanese Productivity Center wanted to meet with Veolia to study the Group's policy on diversity and learn best practices to be developed in Japanese companies. An exchange was organized with about twenty executives and Japanese HRD representatives to discuss the problems of female equality and discrimination in business.

To mark **International Day of Persons with Disabilities,** Veolia constructed a map of best practices by region. This global mapping was circulated not only to the Group Human Resources and Diversity network, but also externally through the Tremplin Handicap association.

In order to support the **development of diversity and gender equality** in the company, a plan consisting of 10 specific measures was defined and presented to the Board of Directors. It covers the themes of integration, career management for women, and includes a component on increased awareness and training.

A recognized commitment

Every year, Veolia's commitment is recognized through labels, certificates, and rankings. Thus, France Water earned renewal of the Diversity Label in 2014; in the Czech Republic, Dalkia earned the *Investor in People* label; in China, Water activities rolled out a *Charter on Gender Equality*; in the United Kingdom, Veolia was included in the Financial Times' list of "Responsible Businesses"; and, in Germany, OEWA recently renewed its work/life balance certification.

Long-term partnerships

The Group is a partner and/or a member of various organizations that promote diversity and equal opportunity in the various countries where the Group operates. In particular, Veolia is a partner in the Global Compact and the Women's Forum.

In France, Veolia has been a partner in the French Association of Diversity Managers (AFMD) for five years and contributes to the sharing of best practices with the member companies. In 2014, Veolia hosted the AFMD network to present the agreement on the generation contract and its operational implementation. In 2015, it has already scheduled a debate with AFMD members on "diversity through sports" and participation in the study trip to Great Britain on diversity practices in Europe.

Veolia is also a partner in the Corporate Social Responsibility Observatory.

Supporting the most vulnerable employees

In 2009, an Active Solidarity Plan was launched in France in consultation with the Group French Works Council to support the most vulnerable employees in a difficult economic context. This led to the launch of "Allô Solidarité", an employee counseling and support system in France set up with the help of an external partner.

Today, thousands of Group employees have access to a telephone platform that allows them to speak with professionals about the social challenges they face.

In 2014, over one hundred calls were received each month, mainly about housing and financial issues.

The partnership with the "Vivons Solidaires" association, which has been in place since September 2010, helps to tackle social emergencies. The association receives many requests for assistance with emergency housing and food donations. Union organizations are involved with the board of directors and management of this association.

17.1.5 Workforce cohesion and labor-management relations

Constructive dialogue with its employees has always been a key element of Veolia's human resources policy. It strengthens cohesion within the workforce, contributes to the implementation of the Group's Human Resources policy, and is a major factor in the Group's economic and social performance.

As part of its commitments, the Group develops employee-management dialogue at individual country level, and defines procedures to promote basic human and social rights everywhere that it operates, with a target for 2020 of 95% of employees being covered with social dialogue organization.

Strengthening the quality and the development of labor-management relations

Veolia ensures that dialogue with employees is properly carried out at all levels:

- at company or site level, a natural place for negotiations on many issues that impact employees' daily lives. At Veolia, more than 1,000 labor agreements were signed in operational units supplement the Group directives and agreements;
- at country level, which includes the formal structures for consultation and dialogue that handle all national issues;
- at Group level in the corporate offices and with the Group's French and European works councils.

The agreement to form the Group European Works Council in 2010 modernized and strengthened the Council's procedures and operation and dialogue with employee representatives in Europe.

The Group European Works Council represents more than two-thirds of Veolia employees.

The collective bargaining agreement signed by the Group in France in 2010 on the quality of labor-management relations as well as the commitments made under the agreement signed with the Group's European Works Council are evidence of the ambition on the part of the Group's Executive Management to structure superior relations with employee representatives and thus contribute to the Group's actions on behalf of all its employees.

The **certification training program** offered to French central trade union partners and created in partnership with the Paris Institut d'Etudes Politiques and the "Dialogues" association, reflects the Group's strong interest in maintaining high-quality relations with its trade union partners. This was part of a study led jointly with the unions on union careers. The training strengthens the skills development of trade union representatives who are thus recognized and supported in their work.

Under the 2010 agreement, union seminars were set up by each organization in order to improve their structure and define their priorities. By systematically participating in these union seminars, which are held each year, the Group's management actively listens to its partners and maintains a dialogue on the major themes of its employment policy.

Finally, in the spirit of training especially for French representatives, a program was implemented for officers, and then members, of the Group's European Works Council. It confirms the desire to strengthen European labor-management relations. Designed with the officers of the Group European Works Council and Astrée, a non-profit labor advocacy group, this program focuses on the issues of labor-management relations and interculturalism within the Group European Works Council.

The Group formalizes these commitments in Group agreements signed with trade union representatives, particularly:

The commission to monitor the French agreement on the "prevention of occupational hazards, workplace health and safety", signed in 2008 for a three-year term, was amended and renewed by the trade union partners. The amendment formalizes the commitment shared by all to prioritize employee health and safety and prevent accidents within the Group.

A letter of commitment was also signed with the Group's European Works Council on "Prevention, Health and Safety" in 2012.

The Group also signed an agreement in 2012 setting up a group retirement savings plan (PERCO).

An agreement on the generation contract for the Group in France was signed in 2013.

In 2014, Management and the trade union and employee representatives initiated negotiations in order to adapt the agreements of the Group French and European works councils to the new Group environment, again working to modernize the agreements to simplify and step up labor-management relations.

Pursuant to the securitization law, two employee board members were appointed by the French and European Works Councils respectively. In addition, management and the trade union and employee representatives worked on the formalization of an agreement on the procedures for exchanges of views on strategic directions, focusing on information with the offices of the Group French and European works councils.

Discussions on corporate social responsibility, initiated by the Group's European Works Council and management, also continued, with a view to implement a shared dashboard.

Involving trade union and employee representatives in the Group's transformation

In line with the Group's commitments and to ensure the transparency and fluidity of communications with trade union and employee representatives as changes occur in the Group, the representative bodies at all levels have been regularly informed at Group European and French works council meetings about plans that could impact the employees' future. This included Dalkia's uncoupling in France and internationally, which resulted in a procedure and in-depth labor-management dialogue within the French and European bodies, and proposed sales, particularly the Marius Pedersen activities.

In this time of transformation, developing and structuring communication with employees is all the more crucial as it strengthens staff cohesion across the Group and ensures that the Group's employer and social responsibility commitments are upheld in a difficult economic context. As a result, at Veolia headquarters and France Water businesses, voluntary redundancies were negotiated in order to adapt the organization to Veolia's challenges and the reality of our activity.

Promoting social initiatives

The Group Human Resources Department is committed to developing innovative field practices with regard to local contexts. The Group's policy aimed at promoting social initiatives brings all Group companies together to recognize and reward local teams. At end 2013, achievements in this area were recognized with **Social Innovation Awards** to highlight initiatives that promote solidarity, social equity, employability, and prevention, health and safety. Management plans to stage these Awards on a regular basis in the Group to drive an active policy of sharing human resources practices among all Veolia entities.

17.1.6 A consistent and competitive compensation policy

Veolia applies a comprehensive compensation policy that is consistent with the Company's results and accounts for the following components: wages, social security and employee savings.

This policy is based on the following principles:

- guaranteeing competitive fixed and variable compensation that takes account of the company's results;
- offering fair compensation in line with the practices of the local markets on which the Group is present, which incorporates and recognizes the efforts made by each individual;
- harmonizing the bases and methods for the calculation of the variable components of executive compensation across the Group, in order to ensure uniform practices within geographic regions, while respecting cultural differences and remaining in line with the legal environment. Since 2013, a policy on the valuation rules for the variable component has been rolled out for all executive managers. It incorporates economic, qualitative and safety criteria whilst taking into account an employee's place in the hierarchy and their position;
- optimizing coverage of healthcare and insurance costs in the main countries where the Group operates, in an effort to manage risks separately, and to improve consistency in the choice of local partners (brokers, insurers, etc.);
- minimizing the risk associated with the existing systems for paying entitlements or pensions in the various countries in which we do business. Harmonized pension policies with defined contribution plans have been drawn up for France, the United Kingdom and the United States;
- in France, harmonizing existing local employee savings plans by gradually moving them toward Group-level plans (overhaul of the Group savings plan and negotiation of a Group retirement savings plan - PERCO).

Longer life expectancies, rising medical costs and increasing retirements make the management of the solvency of social security plans increasingly strategic. In some countries, following the abandonment of public social security systems, economic stakeholders seek to provide health, benefit and pension cover for their employees. Due to its international scope, the Company must take these factors into account and ensure that it:

- complies with local legislation and, wherever possible, implements complementary social security systems in order to guarantee fair coverage for all its employees;
- ensures the appropriate management of the Company by seeking to manage the costs associated with benefit obligations that fall within the scope of IAS 19;
- funds its plans through employer and employee co-investment, so that each party assumes responsibility and the associated risk can be anticipated.

The Group's benefit obligations amounted to €2.1 billion as of December 31, 2014, an increase of €0.6 billion over year-end 2013.

This increase was primarily driven by the acquisition of the international entities of Dalkia (€0.4 billion) and by the change in other items, including the normal cost of plans (cost of benefits plus the net interest expense minus benefits paid), effects of exchange rate fluctuations, and actuarial losses.

These obligations consist mainly of defined-benefit retirement plans (68%) and retirement bonuses (24%). The remaining majority percentage of defined-benefit pension plans was primarily due to the acquisition of Dalkia UK and, to a lesser extent, the negative impact of the discount rate used in 2014. The corresponding figures are explained in Note 31 of Chapter 20.1 Consolidated financial statements *below.* Other liabilities consist primarily of long-term service awards, healthcare coverage for retirees and other long-term benefits (time savings accounts and early retirement benefits in Germany [ATZ]).

Obligations are covered by plan assets in the amount of €1.3 billion.

17.2 Workforce information

Total workforce

As of December 31, 2014, the total workforce was 179,508 employees, compared with 202,800 as of December 31, 2013.

The table below shows the breakdown of the workforce managed by Veolia by geographic region.

Distribution of employees by geographic region	2012	2013	2014 (√)[1]	%
Europe	**147,888**	**138,412**	**118,902**	**66%**
• **France**	68,816	65,990	52,959	30%
North America	**10,011**	**9,428**	**8,937**	**5%**
Latin America	**21,796**	**16,339**	**14,089**	**8%**
Africa, Middle East	**13,182**	**12,540**	**11,949**	**7%**
Asia, Oceania	**26,862**	**26,081**	**25,631**	**14%**
TOTAL WORLD	**219,739**	**202,800**	**179,508**	**100%**

Breakdown of employees by age bracket and gender (√)				
Age	**Men (%)**	**Women (%)**	**2014 Total**	**% 2014**
Under 20 years old	0.5%	0.5%	886	0.5%
20 to 24 years old	4.0%	3.9%	7,152	4.0%
25 to 29 years old	9.1%	10.7%	16,895	9.4%
30 to 34 years old	11.8%	14.4%	22,053	12.3%
35 to 39 years old	12.9%	14.7%	23,768	13.2%
40 to 44 years old	14.7%	16.2%	26,925	15.0%
45 to 49 years old	15.0%	15.7%	27,182	15.1%
50 to 54 years old	14.8%	11.4%	25,305	14.1%
55 to 59 years old	11.6%	8.7%	19,823	11.0%
60+ years old	5.7%	3.9%	9,519	5.3%
TOTAL	**143,094**	**36,414**	**179,508**	**100%**

Breakdown of total workforce by type of contract and by category

	2012 Total		2013 Total		2014 Total	
	World	France	World	France	World	France
Total workforce as of December 31	219,739	68,816	202,800	65,990	179,508	52,959
Employees with unlimited-term contracts	92.1%	94.8%	91.6%	95.1%	91.2%	95.7%
Employees with fixed-term contracts	7.9%	5.2%	8.4%	4.9%	8.8%	4.3%
Total managerial staff	11.7%	17.3%	12.7%	17.3%	12.0%(√)	17.0%
Total non-managerial staff	88.3%	82.7%	87.3%	82.7%	88.0%(√)	83.0%

Weighted average annual workforce

	2012 Total	2013 Total	2014 Total
Annual full-time equivalent workforce	215,254	198,215	174,856(√)
Employees with unlimited- term contracts (full-time equivalent)	199,294	183,464	160,335
%	92.6%	92.6%	91.7%

(1) The information selected by the Company and identified by the sign (√) are subject to reasonable assurance by KPMG S.A.

This workforce corresponds to the equivalent number of employees that Veolia would have if these employees had all worked full-time throughout the year. It is calculated by weighting the total workforce against both the employment rate and the amount of time worked by each employee.

In France, there were 52,922.66 full-time equivalent employees in 2014, of whom 50,471.71 (95.4%) were employees with unlimited-term contracts.

Hirings

	2012 Total	2013 Total	2014 Total
External hires with unlimited-term contracts	20,012	14,256	12,879
External hires with fixed-term contracts	15,822	13,447	13,664
Employees recruited after a market recovery	962	829	702
TOTAL	**36,796**	**28,532**	**27,245**

In 2014, the total number of employees hired was 27,245. In addition to contract gains, accounting for 702 employees, the Group recruited 12,879 people on unlimited-term contracts, *i.e.* 47.2% of the total number of hires and 13,664 people on fixed-term contracts. Of the employees hired on fixed-term contracts, 2,980 (21.8%) were converted to unlimited-term contracts during the year. The percentage of the full-time equivalent workforce on fixed-term contracts represented 8.3% of the average full-time equivalent workforce of all employees. Furthermore, 2,250 employees changed jobs through internal mobility.

In France, the total number of staff hired in 2014 was 4,948, made up of 1,725 external hires on unlimited-term contracts and 2,964 on fixed-term contracts. A total of 674 fixed-term contracts were converted into unlimited-term contracts during the year. Furthermore, 331 of the external hires were executives. The percentage of the full-time equivalent workforce of all employees on fixed-term contracts equated to 4.6% of the average full-time equivalent workforce in France.

Departures

The total number of departures in 2014 was 28,680, with 13.4% of these being individual dismissals and 1.5% being collective redundancies.

In France, the total number of departures in 2014 was 6,174, with 14.2% of these being individual dismissals and 1.6% (98 employees) in collective redundancies.

Changes in scope are taken into account on the date on which they become effective. It is however tolerated that acquisitions, creation of new companies or new contracts be accounted for only after a full year of operation.

For 2014, the change in the workforce was -23,292 employees, a decrease of 11.5% explained by 24,323 in deconsolidated companies, including Dalkia in France, Citelum, Marius Pedersen and by 1,874 in newly consolidated companies, including the Esterra group in France.

Overtime

The total number of overtime hours worked was 15,541,504 (√), *i.e.*, an average per employee of 88.9 hours of overtime per year. The definition of overtime, however, varies from country to country, which sometimes makes it difficult to evaluate such an indicator. Moreover, in a services business, a large number of overtime hours are due to emergency work performed by on-call or on-site personnel, to restore water supplies or heating within a reasonable timeframe, for example.

In France, the total number of overtime hours worked was 1,989,572, which corresponds to an average of 37.6 overtime hours per employee, per year.

Information on planned reductions in workforce and job protection schemes, redeployment efforts, rehires and support measures

Changes in the scope of the Veolia consolidation led to employee transfers, without termination of their contracts. The restructuring plans that were implemented in 2014 most often corresponded to the loss of markets, or to reorganization that was vital for certain business units. These operations were always carried out in compliance with the legislation and in consultation with labor and management representatives, and for the most part by giving priority to internal redeployment within the Group.

In 2014, an employment protection plan was agreed with trade union and employee representatives within the scope of Eau France. It is based on a voluntary departure plan and the establishment of a new organizational structure. It will expire in 2015. At headquarters, a voluntary departure plan concerned 10% of staff, *i.e.* more than 80 employees.

Organization and duration of working time

The ways in which working time is organized depend on the companies concerned, the nature of their business and where they are located, and are defined in order to best meet the requirements of the department to which the employees are assigned and the employees' preferences. Although working time is most often based on daily equivalent working time, work schedules may vary considerably (for example, the work may be spread over four, five or six days a week, punch-in and punch-out times may be shifted, flextime may be used, as well as alternate short and long work-weeks, and working time may be calculated over the year).

The average work-week was 38.8 hours.

The total number of calendar days of absence was 2,361,032 (√) during 2014, of which 1,576,432 were days of absence for sickness (67% of the total). Other reasons for absence were mainly industrial accidents, family events and maternity leave.

In France, the average work-week is 35.1 hours. The total number of calendar days of absence was 1,069,045 in 2014, including 703,934 days of absence for illness (66% of the total).

	2012 Total		2013 Total		2014 Total	
	World	**France**	**World**	**France**	**World**	**France**
Absenteeism rate	3.84%	5.58%	3.90%	5.75%	3.79% (√)	6.01%

Compensation, social security charges and gender equality

The annual average gross compensation for all Group employees was €29,515 in 2014. Gross compensation for men was €30,479 (€29,484 in 2013) and €25,517 for women (€25,412 in 2013), representing an average difference of €4,962. This difference is due primarily to the nature of the jobs performed and their requirements, as well as differences in age, seniority and qualifications often found between the two populations. Veolia's policy is to respect equality between men and women who have the same employment conditions and qualifications.

These averages are only indicative, however, and should be interpreted with an element of caution. They correspond to a wide diversity of situations due to the nature of the professions and jobs carried out and their geographical location and are affected by changes in the foreign exchange rate.

In France, average annual gross compensation paid for men was €36,149 in 2014 (€35,830 in 2013). Average gross compensation for men was €36,097 (€35,811 in 2013) and compensation for women was €36,372 (€35,916 in 2013), *i.e.*, an average difference of -€275.

Business relations and overview of collective bargaining agreements

Number of collective agreements signed in 2014 in the Group: 1,033 (√) collective agreements were signed, including 482 (√) agreements on remuneration, 217 (√) agreements on health, safety and working conditions, 81 agreements on social dialogue and 253 agreements on other subjects or comprising several subjects. There were 10,604 (√) employee representatives.

Number of collective agreements signed in 2014 in France: 375 collective agreements were signed, including 187 agreements on remuneration, 51 agreements on health, safety and working conditions, 40 agreements on social dialogue and 97 agreements on other subjects or comprising several subjects. There were 6,059 employee representatives in France in 2014.

Health and safety conditions

Details of methodology: With respect to the workplace accident severity rate, the definition used by the Group in calculating the number of work days lost due to workplace accidents includes the work days lost in the year as a result of workplace accidents that occurred during previous years. There may be differences in calculation method in some entities as to the application of these principles. Since 2012, accident data from the Waste management activities have been collected using the "Acciline" consolidation tool and are then consolidated into the Group with the social reporting tool Global Report.

	2012 Total	2013 Total	2014 Total
Work accidents leading to absence from work (excluding commuting)	5,659	4,485	3,707(√)
Calendar work days lost due to workplace accidents (excluding commuting) (unlimited and fixed-term contracts)	219,951	183,538	161,000(√)
Work accident frequency rate	14.53	12.59	11.71(√)
Work accident severity rate	0.56	0.52	0.51(√)
Number of employees trained in safety	110,114	116,240	101,168
Number of authorities dedicated to the study of health and safety issues	2,540	2,503	1,880

The Group has chosen a common definition of work accidents for all countries and subsidiaries, *i.e.*, all work accidents, not involving commutes, which resulted in at least one day of absence from work.

In 2014, the number of work accidents, excluding commuting, resulting in at least one day of absence from work was 3,707 (-17% compared with 2013).

In 2014, 101,168 people took part in safety training, accounting for 36% of the total training hours and there were 1,880 authorities dedicated to occupational health and safety issues.

Training

Veolia also gives special priority to skills development, maintaining staff employability and supporting staff through training, mobility and building motivating career paths. For France, individual training entitlements are included and time off for individual training is excluded as well as apprenticeship training times.

	2012 Total		2013 Total		2014 Total	
Training	**World**	**France**	**World**	**France**	**World**	**France**
Total number of entrants in training programs	487,810	93,416	497,405	88,497	449,940	62,138
Of which managerial staff	14.1%	17.2%	13%	17%	11%	16%
Of which non-managerial staff	85.9%	82.8%	87%	83%	89%	84%
Men	78.4%	84.7%	75%	84%	79%	83%
Women	21.6%	15.3%	25%	16%	21%	17%
Rate of employees who participated in at least one training course	73.3%	67.9%	76%	65%	80%	59%
Average number of hours of training per employee	17.6	16.7	17.4	16.6	16.4	15.1
Number of hours of training effectively given	3,791,844	1,136,458	3,450,928	1,092,994	2,858,891	797,507

Employment and social integration of the disabled

There were 3,376 disabled employees as of December 31, 2014, compared with 3,934 in 2013. Excluding Dalkia France and Marius Pedersen, the number of disabled employees increased by 4%.

In France, the number of disabled employees was 2,067 as of December 31, 2014 compared with 2,437 in 2013, a decrease of 15% compared with 2013. Excluding Dalkia France, the number of disabled employees decreased by 2%.

Social welfare activities

The consolidated amount of subsidies for social and cultural activities organized for employees totaled €35 million in 2014. This amount does not include all the corporate social or solidarity activities conducted by Group companies.

In France, the consolidated amount of grants for social activities was €16 million.

Respect for fundamental rights

Promotion and compliance with the provisions of the fundamental conventions of the ILO relating to respect for freedom of association and the right to collective bargaining

Veolia focuses on respect for fundamental international conventions, in particular those relating to employee relations and working conditions, such as those adopted under the aegis of the International Labor Organization (ILO). This commitment is reinforced by the Group’s decision to join the United Nations Global Compact in 2003. Principles 1 to 6 of this platform reflect the ILO’s objectives.

With respect to collective bargaining, Veolia draws both on direct relationships with all the trade union and employee representatives as well as joint organizations created according to the rules of each country.

For example, in 2014, 91% of the Group’s employees were covered by labor-management relations arrangements. The Group is committed to achieving a coverage rate of 95% by 2020.

Promotion and compliance with the provisions of the fundamental conventions of the ILO relating to the elimination of discrimination in respect of employment and occupation

In line with the commitments made to the ILO (see above), the commitments made by Veolia are set out in detail in Section 17.1.4, Diversity, equal opportunity and combating discrimination.

Promotion and compliance with the provisions of the fundamental conventions of the ILO relating to the elimination of forced or compulsory labor

In accordance with the commitments made to the ILO (see above), Veolia prohibits any form of forced or compulsory labor. These commitments are recalled in the “Ethics Guide”, in particular concerning compliance with international fundamental labor standards and the prohibition of the use of forced labor in all its operations.

Promotion and compliance with the provisions of the fundamental conventions of the ILO relating to the effective abolition of child labor

In accordance with the commitments made to the ILO (see above), Veolia strictly prohibits child labor. In certain special cases, particularly work-study apprenticeships, minors can work but with strict compliance with all the provisions of the regulations. These commitments are recalled in the “Ethics Guide”, in particular concerning compliance with international fundamental labor standards and the prohibition of the use of child labor.

Details of social reporting methodology

The human resources information above has been taken from the international database that Veolia has been developing since 2001 for its social reporting. This database includes all companies that are fully consolidated in the Group’s financial statements and the companies consolidated in the financial statements, which the Group manages operationally and which are located in all the countries where the Group has employees. Within this scope, the human resources information is fully consolidated regardless of the proportion of consolidation.

Indicators

Employees hired, employees departing, compensation, training, health, safety, social dialogue and diversity: these represent a total of nearly 200 indicators collected on the basis of a reference guide to common definitions shared by all entities. Given the international dimension of the Group, this reference document has been translated into five languages: French, English, German, Spanish and Portuguese.

The indicators were chosen to monitor the following as a priority:

- performance relating to the Group’s principal Human Resources challenges;
- effects of the Group’s Human Resources policy;
- regulatory obligations (Article R. 225-105-1 of the French Commercial Code in France).

In the absence of a recognized and relevant external reporting reference document, the Group has defined its own procedures for reporting human resources information drawn from best practices and international standards and has established a comprehensive human resources reporting procedure that describes the methodology used for the compiling, checking, analysis and consolidation of data.

Consolidations and controls

The Group uses a software package to conduct automated checks on entities. The human resources data are consolidated and checked by the Group’s business units and the Corporate Human Resources Department.

Since fiscal year 2007, the most relevant human resources indicators determined by the Group have been subject to a specific external review by KPMG. For fiscal year 2014, all the social information was checked to a moderate level of assurance. and the indicators selected by the Company and noted by the symbol (√) were checked with a reasonable level of assurance by KPMG S.A.

It is important to note that there may be methodological limits to human resources indicators due to the following:

- lack of harmonization between national and international legislation;
- heterogeneous nature of the data managed and the variety of tools in the Group’s many subsidiaries;
- changes in definition that may affect the comparison of indicators;
- specific characteristics of labor laws in certain countries;
- practicalities of data collection;
- availability of source data on the reporting date.

The main indicators are presented below under different subheadings. Some figures should be interpreted with caution, in particular averages, since the figures below comprise worldwide data that require a more detailed analysis at the level of the geographical area, country or business area concerned.

17.3 Stock option and bonus share plans

17.3.1 Company policy on the allocation of stock options and bonus shares

Company policy for fiscal year 2014

The Company did not allocate any stock options or bonus shares (“performance shares”) in 2014.

Company policy for fiscal year 2015

Regarding incentive arrangements for executives and managers of the Group, at its meeting of March 10, 2015, the Board of Directors and the Compensation Committee decided not to award stock options or performance shares in 2015. In view of these recommendations, the General Meeting of Shareholders to be held on April 22, 2015 will not be asked to vote on a resolution for allocating stock options or performance shares.

Overview of stock option plans for the year ended December 31, 2014

As a result of the capital increase recorded on July 10, 2007 (see Chapter 21, Section 21.1.6 below), and in order to preserve the rights of the holders of stock options, the exercise parity of the options was adjusted pursuant to Article L. 225-181 of the French Commercial Code. These adjustments entered into force on July 11, 2007.

	Subscription options	**Subscription options**
	Plan No. 8	**Plan No. 7**
Date of the Shareholders' Meeting	05/07/2010	05/11/2006
Date of Board meeting	09/28/2010	07/17/2007
Total number of options initially granted	2,462,800	2,490,400
• Of which total number of options granted to corporate officers	0	110,000
Number of corporate officers initially concerned	0	1
Number of employees initially concerned	1,221	557
Exercise start date	09/29/2014	07/18/2011
Expiration date	09/28/2018	07/17/2015
Exercise price*	€22.50	€57.05
Number of options exercised as of December 31, 2014	0	0
Total number of shares that could be subscribed or purchased as of December 31, 2014**	0***	467,900

* *Adjusted, where necessary, to take into account transactions affecting the Company's share capital.*
** *After application of legal adjustments and the plan performance conditions, after taking into account options exercised and any changes in the situation of the beneficiaries since each plan was set up.*
*** *Except in the case of a public offer on the Company's shares, in which case the 2,127,400 stock options of Plan No. 8 would become exercisable.*

Plan No. 6 was set up on March 28, 2006, also pursuant to a Management Board decision. This plan expired on March 28, 2014. At the maturity date, 1,300 shares had been subscribed by Group executives and employees under this plan.

For the potential dilution from share subscriptions and bonus shares, see Chapter 21, Section 21.1.5 below.

17.3.2 Options and bonus shares granted to and exercised by executive corporate officers in 2014

Stock options allocated over the fiscal year to corporate officers by Veolia Environnement and by any Group company

Name of corporate officer	Plan number and date	Type of option	Number of options allocated over the fiscal year	Valuation of the options	Exercise price (in €)	Exercise period
Antoine Frérot (Chairman and Chief Executive Officer)	n/a	n/a	None	n/a	n/a	n/a

n/a: not applicable

Bonus shares allocated during the year to executive corporate officers by Veolia Environnement and any other Group companies

Name of corporate officer	Plan number and date	Number of options allocated over the fiscal year	Valuation of the shares	Availability date	Performance conditions
Antoine Frérot (Chairman and Chief Executive Officer)	n/a	None	n/a	n/a	n/a

n/a: not applicable

Stock options exercised over the fiscal year by corporate officers

Name of corporate officer	Plan number and date	Number of options exercised during the year	Type of option	Exercise price (in €)
Antoine Frérot (Chairman and Chief Executive Officer)	n/a	None	n/a	n/a

n/a: not applicable

Bonus shares that became available during the year for corporate officers

Name of corporate officer	Plan number and date	Number of shares available during the year	Vesting conditions
Antoine Frérot (Chairman and Chief Executive Officer)	n/a	None	n/a

n/a: not applicable

Stock options held by Antoine Frérot, Chairman and Chief Executive Officer of the Company as of December 31, 2014

As of December 31, 2014, Mr. Frérot no longer held any stock options.

Mr. Frérot did not hold any bonus shares.

17.3.3 Options granted to the top ten employees other than corporate officers over fiscal year 2014 and options exercised by them over the fiscal year

Stock options granted to the top ten employee beneficiaries other than corporate officers and options exercised by these individuals	Total number of options granted/new or existing shares	Average weighted price**	Plan number
Options granted over fiscal year 2014 by Veolia Environnement and any company within the scope of the option award, to the ten employees of Veolia Environnement and of any other company included within this scope, who were granted the highest number of shares in this way	None	n/a	n/a
Options held in Veolia Environnement and the companies referred to above which were exercised during fiscal year 2014 by the ten employees of Veolia Environnement and of the aforementioned companies, who exercised the highest number of options in this way*	None	n/a	n/a

n/a: not applicable

* *This does not include options exercised by employees who have left the Group.*

** *Exercise price after legal adjustments.*

17.4 Employee savings plans within the Group

17.4.1 Profit-sharing and incentive agreements

Given the nature of its business, Veolia Environnement is unable to allocate funds to the profit-sharing reserve, and has not therefore entered into any profit-sharing agreement. An optional profit-sharing agreement, on the other hand, applies to all employees of the Company. The terms of this agreement, intended to give employees a vested interest in the performance of the Group and the Company, were renegotiated in 2014 and four indicators were defined for the period from 2014 to 2016: two financial indicators, a third indicator related to the overall performance of the Group in terms of the safety of working conditions, and a fourth indicator that takes into account the increase in France in the use of the protected workers sector.

In general, the Group favors expanding optional profit-sharing schemes in order to give employees a vested interest in the performance of the companies to which they are assigned, on the basis of criteria tailored specifically to the business in question.

Compared with 2013, the amounts for mandatory profit-sharing and optional profit-sharing recognized within the subsidiaries of Veolia Environnement were down for fiscal year 2014 by 15.9% to €103.2 million, versus €122.8 million for the previous year.

For the Group's French companies only, €81.1 million will be distributed for 2014. Excluding Dalkia France(1), this amount is €67.2 million, compared with €73 million in 2013.

In 2014, as in 2013, efforts were focused on the roll-out to nearly all Group entities of the investment processes for profit-sharing and incentive amounts in the Group employee savings and retirement savings plan (Perco). The amount invested in 2014 for the 2013 profit-share and incentives amounted to €16 million, or 22% of the sums distributed.

17.4.2 Company savings plans and employee shareholding policy

17.4.2.1 Employee savings plans

In France, following the 2012 launch of the project to harmonize all Veolia Environnement Group employee savings plans, the amount of €102 million was transferred at the end of 2014 from all multi-company or dedicated funds, from the various local employee savings plans and from the Veolia Group Savings Plan to the new dedicated funds of the Veolia Environnement Group savings plan, with more than 30,000 accounts opened.

As a result, at the end of 2014, approximately €208 million is held, for the diversified funds (excluding employee shareholding), in the Group Savings Plan and the Veolia Group Perco plan.

17.4.2.2 Group retirement savings plan

To supplement its employee savings plan, Veolia Environnement now offers a Group retirement savings plan ("PERCO G") for its employees and the employees of its French subsidiaries under an agreement signed with labor and management partners, to allow any employee who so wishes to prepare for retirement under advantageous fiscal and social security. This plan includes employer matching, now combined with the Group savings plan, which is intended to encourage even the smallest employee contributions.

At year-end 2014, 18,869 employees had assets invested in the Group Perco, amounting to a total of €12.6 million, including €3.9 million invested during the year from profit-sharing and incentives.

17.4.2.3 Employee Shareholding

Since 2002, Veolia Environnement employees have been able to invest in various instruments in the Group savings plan (PEG), including diversified funds and funds invested in Veolia Environnement shares.

Following the first capital increase in 2002 reserved exclusively for its French employees and the employees of its French subsidiaries, Veolia Environnement decided in 2004 to offer its employees residing abroad the possibility of acquiring shares in the Company during reserved capital increases. The plan was progressively rolled out internationally (it has covered up to 29 countries, including France, all mechanisms combined).

Two share ownership formulas have been proposed to date: a classic plan, in which the employee is exposed to changes in listed share prices, and a secured offer (with or without leverage), which protects employees from a fall in the share price while giving them the possibility of benefiting from its increase.

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(1) Given the divestiture of Dalkia France on July 25, 2014, these pro forma figures relate to the new Group scope as of December 31, 2014.

Depending on local particularities, the shares in these two plans are subscribed either directly or through the FCPE (company mutual fund). Additionally, ad hoc plans were put in place in the United Kingdom (Share Incentive Plan) and in China (synthetic plan that replicates the economic conditions of the low-risk shareholder plan) in order to take account of certain constraints such as tax and foreign exchange regulations.

The last transaction took place in late 2010 and resulted in the issuance of 1,692,862 new shares, representing 0.34% of share capital upon the plan's implementation. This capital increase reserved for employees was offered to 185,000 employees in 24 countries (excluding the United Kingdom).

As of December 31, 2014, approximately 40,400(1) Group employees held shares in Veolia Environnement and, as of the date of filing of this Registration Document, they hold 1.05% of the Company's share capital.

As of December 31, 2014, a total of 74,500 accounts had been opened in the Group France and International savings plans of Veolia Environnement, excluding holders of assets held in a blocked current account.

17.5 Management Incentive Plan (MIP)

In October 2014, the Group set up a long-term incentive mechanism, named the "Management Incentive Plan" (MIP), for the Group's top 300 executives (including the Chief Executive Officer, corporate officers and the members of the Executive Committee).

This mechanism is based on a co-investment process, with a personal investment by the beneficiary in shares of the Company along with the allocation, subject to performance conditions, of a bonus in "additional" shares financed by the Group (particularly through the allotment of the Company's treasury shares).

The initial investment made by the beneficiary results in a guarantee limited to 80% of the value of his/her investments (excluding any income or other taxes payable by the beneficiary), except for the Chief Executive Officer and the members of the Executive Committee, whose investments are not guaranteed.

The maximum amount of the investment is equal to three times the reference gross monthly salary determined by the Group, and may not be less than €5,000.

The bonus in shares of stock, allotted in three tranches, is linked to the achievement of the following criteria: an increase in the price of the share over the acquisition price at the time of the initial investment in October 2014, and the net recurring income, attributable to the Group, per share. These criteria are recorded on three dates (March 2016, March 2017 and March 2018) in corresponding to the publication of the Company's annual financial statements for 2015, 2016 and 2017. The gains are calculated at each of these dates, but definitively vested at the expiration of the plan in April 2018, subject on that date to (i) confirmation that the beneficiaries in question satisfy the requirement of continued employment, and (ii) retention by the beneficiaries of the shares initially invested.

As of December 31, 2014, 439,495 shares were invested in this plan, including 100,688 shares acquired by the members of the Executive Committee.

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code, the shares purchased by the members of the Executive Committee (including the chief executive and corporate officer) were declared to the French *Autorité des Marchés Financiers* (AMF).

17.6 Shares held by corporate officers and senior executives and transactions in the Company's shares

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF General Regulations, members of the Board of Directors and the Company's senior executives, or any person with close links to them, are required to notify the AMF of any acquisitions, sales, subscriptions or exchanges of Company securities or financial instruments, within five days of completing the transaction.

In addition, Directors and senior executives are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of privileged information (2).

Finally, Directors and senior executives are required to comply with the Company's code of conduct governing trading in its securities (see Chapter 4, Section 4.2.2.2.1 and Chapter 16, Section 16.1.7 above). Under the provisions of this Code, the Company considers members of the Board of Directors and Executive Committee to be permanent insiders, who can

(1) Excluding Transdev & Dalkia France, for all methods of share ownership, including as units of a company mutual fund and direct shareholding.

(2) Under the terms of Article L. 621-18-4 of the French Monetary and Financial Code, a list of permanent insiders has been drawn up which includes the members of the Board of Directors and the members of the Executive Commitee of Veolia Environnement. This list is held at the disposal of the French financial markets authority, the AMF.

only purchase or sell Company securities, directly or through an intermediary, under certain conditions and during specific, time-limited periods, in particular after the publication of the Company's annual and interim results.

17.6.1 Share ownership by Directors and the non-voting member and transactions in Veolia Environnement shares

To the Company's knowledge, on December 31, 2014 the members of the Board, including the non-voting member, held a total of 48,641,823 shares of Veolia Environnement stock, representing 9% of the Company's capital as of that date. The table below details the number of Veolia Environnement shares held individually by each of the Company's Directors and the non-voting member:

	Number of shares held as of 12/31/2014	**Number of shares held as of 12/31/2013**
Antoine Frérot	36,450	12,047
Louis Schweitzer	16,132	11,132
Jacques Aschenbroich	2,176	2,104
Maryse Aulagnon	1,000	1,000
Daniel Bouton	3,065	3,065
Caisse des Dépôts et Consignations, represented by Olivier Mareuse	48,570,712	48,570,712
Pierre-André de Chalendar	750	750
Marion Guillou	750	750
Groupama SA, represented by Georges Ralli	1,549	1,549
Groupe Industriel Marcel Dassault, represented by Olivier Costa de Beauregard(1)	N/A	32,888,732
Serge Michel	3,094	3,094
Pavel Páša	0	N/A
Baudouin Prot	1,687	1,687
Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed	750	750
Nathalie Rachou	822	793
Paolo Scaroni	916	916
Pierre Victoria	762	N/A
Paul-Louis Girardot (non-voting member)(2)	1,208	1,168
Thierry Dassault(1)	N/A	3,057
TOTAL	**48,641,823**	**81,503,306**

n/a: not applicable

(1) On March 28, 2014, Groupe Industriel Marcel Dassault resigned from the Board and Thierry Dassault resigned from his position as non-voting member.

(2) Paul-Louis Girardot, director until April 24, 2014, was appointed as non-voting Board member by the Board of Directors on March 11, 2014, effective at the end of the Shareholders' Meeting of April 24, 2014 for a four-year term that expires at the close of the Shareholders' Meeting in 2018.

The table below details transactions involving Veolia Environnement securities made over fiscal year 2014 by the Directors of the Company. To the best of the Company's knowledge, no other declaration has been made of transactions involving the purchase or sale of Veolia Environnement securities by Directors or any person with close personal links to them over fiscal year 2014:

Name of Director	**Financial instrument**	**Type of transaction**	**Transaction date**	**Unit price** *(in €)*	**Total transaction amount** *(in €)*
Louis Schweitzer	Shares	Purchase	March 11, 2014	14.16	70,800
Jacques Aschenbroich	Shares	Dividend in shares	May 28, 2014	13.01	936.72
Paul-Louis Girardot	Shares	Dividend in shares	May 28, 2014	13.01	520.4
Nathalie Rachou	Shares	Dividend in shares	May 28, 2014	13.01	377.29
Antoine Frérot	Shares	Purchase	October 22, 2014	13.04	318,215.12

17.6.2 Transactions in Veolia Environnement shares by executives

The table below details transactions in Veolia Environnement shares by Executive Committee members in 2014 (see Chapter 16, Section 16.4 above). To the best of the Company's knowledge, no other declaration has been made of transactions involving the purchase or sale of Veolia Environnement securities by these people or any person with close personal links to them during fiscal year 2014:

Name of executive	**Financial instrument**	**Type of transaction**	**Transaction date**	**Unit price** *(in €)*	**Total transaction amount** *(in €)*
Antoine Frérot	Shares	Purchase	October 22, 2014	13.04	318,215.12
Laurent Auguste	Shares	Purchase	October 22, 2014	13.04	49,721.52
François Bertreau	Shares	Purchase	October 22, 2014	13.04	198,886.08
Estelle Brachlianoff	Shares	Purchase	October 22, 2014	13.04	67,964.48
Régis Calmels	Shares	Purchase	October 22, 2014	13.04	96,952.4
Philippe Capron	Shares	Purchase	October 22, 2014	13.04	248,607.6
Philippe Guitard	Shares	Purchase	October 22, 2014	13.04	91,475.6
Jean-Michel Herrewyn	Shares	Purchase	October 22, 2014	13.04	4,955.2
Patrick Labat	Shares	Purchase	October 22, 2014	13.04	47,726.4
Jean-Marie Lambert	Shares	Purchase	October 22, 2014	13.04	69,607.52
Helman le Pas de Sécheval	Shares	Purchase	October 22, 2014	13.04	118,859.6

(1) This table is drawn up in accordance with Article 223-26 of the AMF General Regulations and sets out the transactions declared to the AMF during 2014 by the Company's senior managers as described in Article L. 621-18-2 of the French Monetary and Financial Code.

18 PRINCIPAL SHAREHOLDERS AFR

18.1 Shareholders of Veolia Environnement as of December 31, 2014

The table below shows the number of shares and the corresponding percentages of share capital and voting rights held as of December 31, 2014 by Veolia Environnement's principal known shareholders.

Each Veolia Environnement share entitles its holder to one vote. There are no shares with double voting rights or non-voting shares (however, the voting rights of treasury shares are not exercised).

To the best of the Company's knowledge, as of the date of the filing of this Registration Document, no shareholder other than those listed in the table below directly or indirectly held 4% or more of the Company's shares or voting rights.

Shareholders as of December 31, 2014	Number of shares	% of share capital	Theoretical number of voting rights	Number of voting rights that may be exercised	Percentage of voting rights**
Caisse des Dépôts(1)	48,570,712	8.64	48,570,712	48,570,712	8.86
Groupe Industriel Marcel Dassault – GIMD(2)	32,088,732	5.71	32,088,732	32,088,732	5.85
Groupe Groupama(3)	29,455,011	5.24	29,455,011	29,455,011	5.37
Velo Investissement (Qatari Diar)(4)	26,107,208	4.64	26,107,208	26,107,208	4.76
Veolia Environnement(5)	13,797,975	2.45	0*	0*	0*
Public and other investors	412,282,163	73.32	412,282,163	412,282,163	75.16
TOTAL	**562,301,801**	**100.00**	**548,503,826**	**548,503,826**	**100.00**

* *As of December 31, 2014 and the date that this Registration Document was filed, Veolia Environnement held 13,797,975 treasury shares.*

** *Percentage of voting rights as a share of actual voting rights (Veolia Environnement treasury shares do not exercise voting rights).*

(1) *According to the statement of registered shareholders as of December 31, 2014 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2014. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Caisse des Dépôts et Consignations was filed on June 15, 2009 (AMF Decision and Information No. 209C0862 dated June 15, 2009).*

(2) *According to the statement of registered shareholders as of December 31, 2014 prepared by Société Générale and according to the analysis of the Company's shareholders as of December 31, 2014. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Groupe Industriel Marcel Dassault (GIMD) was filed on March 11, 2010 (AMF Decision and Information No. 210C0246 dated March 15, 2010).*

(3) *According to the analysis of the Company's shareholders as of December 31, 2014. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Groupama was filed on December 30, 2004 (AMF Decision and Information No. 205C0030 dated January 7, 2005). According to a press release published on March 3, 2015, the Groupama Group announced that they had sold 28,396,241 of the Company's shares. Following this divestiture, on March 5, 2015, Groupama declared that the Groupama SA intermediary, Gan Assurances and the regional banks held 0.15% of the Company's capital and voting rights, i.e. 823,779 shares.*

(4) *According to the analysis of the Company's shareholders as of December 31, 2014. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Velo Investissement (Qatari Diar) was filed on April 15, 2010 (AMF Decision and Information No. 210C0335 dated April 16, 2010).*

(5) *Treasury shares without voting rights. This information is included in the monthly report of transactions carried out by Veolia Environnement with respect to its own shares that was filed with the French Regulatory Authority (AMF) on January, 6 2015.*

To the best of the Company's knowledge, there is no agreement between one or more of the Company's other shareholders or any provision in a shareholders' agreement or agreement to which the Company is a party that could have a material impact on the Company's share price, and there is no shareholders' agreement or other agreement of such nature to which any significant non-listed subsidiary of the Company is a party, other than the agreements with the Caisse des Dépôts et Consignations, described in Chapter 20, Section 20.1 (Notes 35 and 38 to the 2014 consolidated financial statements) of this Registration Document.

No third party controls Veolia Environnement and, to the Company's knowledge, there is no agreement in existence that, if implemented, could result in a change of control or takeover of the Company.

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

Table summarizing changes in the Company's principal shareholders (that have held more than 4% of the Company's shares, directly or indirectly) over the last three fiscal years*

	Situation as of December 31, 2014			Situation as of December 31, 2013			Situation as of December 31, 2012		
Shareholder	**Number of shares**	**% of share capital**	**% of voting rights****	**Number of shares**	**% of share capital**	**% of voting rights****	**Number of shares**	**% of share capital**	**% of voting rights****
Caisse des Dépôts	48,570,712	8.64	8.86	48,570,712	8.85	9.08	48,570,712	9.30	9.56
Groupe Industriel Marcel Dassault – GIMD	32,088,732	5.71	5.85	32,888,732	5.99	6.15	32,888,732	6.30	6.48
Groupe Groupama	29,455,011	5.24	5.37	28,269,972	5.15	5.28	28,322,858	5.42	5.58
Velo Investissement (Qatari Diar)	26,107,208	4.64	4.76	24,745,371	4.51	4.63	24,681,519	4.73	4.86
EDF	0****	0****	0****	0***	0***	0***	22,024,918	4.22	4.34

* *Figures are taken from the 2014, 2013 and 2012 Registration Documents. Figures for Capital Group Companies have been combined to take into account the percentages of the Company's share capital and voting rights held by all companies of that group.*

** *The percentage of voting rights refers to the theoretical number of voting rights (the percentage of voting rights that may be exercised is identical to the theoretical percentage of voting rights).*

*** *According to the statement of registered shareholders as of December 31, 2013 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2013.*

**** *According to the statement of registered shareholders as of December 31, 2014 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2014.*

18.2 Changes in share ownership

- SNEGE, a wholly owned subsidiary of Vivendi Universal, held 99.99% of the Company's share capital from its incorporation until March 31, 1999. Between April 1 and April 9, 1999, Vivendi Universal acquired 100% of the Company's share capital at its par value.
- In July 2000, the Company's shares began trading on the Euronext Paris First Market, which led Vivendi Universal's equity stake in the Company to fall from 100% to 72.3%.
- In December 2001, Vivendi Universal made an over-the-counter block sale of 32.4 million of the Company's shares, representing 9.3% of the Company's total share capital, further reducing its stake in the Company to 63%.
- In July 2002, the Company carried out a capital increase without suspending preemptive subscription rights. This capital increase was completed on August 2, 2002. Pursuant to the terms of an agreement dated June 24, 2002, several financial investors, including Caisse des Dépôts et Consignations, Groupama, BNP Paribas, AGF, Société Générale, Dexia, Caisses d'Epargne, Crédit Lyonnais and Natixis Banques Populaires (the "Group of Declared Investors" or "GID 1"), acquired and exercised the preferential subscription rights which had been granted to Vivendi Universal and subscribed for the remainder of the shares not subscribed by the public. Upon conclusion of the transaction, the GID 1 held 9.4% of the Company's share capital.
- On November 24, 2002, Vivendi Universal, the Company, the GID 1 and a group of new long-term investors including EDF, Caisse des Dépôts et Consignations, Groupama SA, AXA, Compagnie d'Investissement de Paris SAS, Eurazeo, Aurélec, Dexia Crédit Local, Caisse Nationale des Caisses d'Epargne, Assurances Générales de France Holding, CNP-Assurances, Crédit Agricole Indosuez (Suisse) SA (on its own behalf and on behalf of a client), CIC, Generali, Crédit Lyonnais, Médéric Prévoyance and Wasserstein Family Trust LLC (the "New Investors"), signed an amendment to the June 24, 2002 agreement, pursuant to which on December 24, 2002 Vivendi Universal sold to the New Investors and to Veolia Environnement a total of 82,486,072 of the Company's shares (of which 3,624,844 were sold to the Company, representing approximately 0.9% of its share capital at the time of sale). For each share purchased, the Company and the New Investors also received an option to purchase the Company's shares at a price of €26.50 per share, exercisable at any time between December 24, 2002 and December 23, 2004 inclusive. As of the expiration date of these options, *i.e.*, December 23, 2004, none had been exercised.
- On December 31, 2002, the Company certified completion of a capital increase reserved for employees of the Company and the Group, which had been approved on June 27, 2002. The Sequoia employee investment fund subscribed for these shares in the name and on behalf of its beneficiaries. Upon conclusion of this transaction, 1,183,158 new shares with a par value of €13.50 each had been subscribed at a price of €26.50 per share, thereby increasing the share capital by €15,972,633, which represented approximately 1.28% of the Company's share capital.

- On December 6, 2004, the Company certified completion of a capital increase reserved for employees of the Company and the Group, which had been approved by the Board of Directors on September 16, 2004. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,351,468 new shares with a par value of €5 each had been subscribed at a price of €18.71 per share, thereby increasing share capital by €6,757,340, which represented approximately 0.33% of the Company's share capital.
- On December 8 and 9, 2004, Vivendi Universal disposed of 15% of the 20.36% stake that it still held in the Company through (i) a private placement for investors involving 10% of the Company's share capital; (ii) the conclusion of a derivative transaction with Société Générale involving 3% of the Company's share capital; and (iii) a redemption by the Company of its shares, involving 2% of the share capital, which was completed on December 29, 2004.
- On December 6, 2005, the Company certified completion of a capital increase reserved for employees of the Company and the Group, which had been approved by the Board of Directors on September 15, 2005. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,281,928 new shares with a par value of €5 per share had been subscribed at a price of €28.11 per share, thereby increasing share capital by €6,409,640, which represented approximately 0.3% of the Company's share capital on the date the completion was certified.
- On July 6, 2006, Vivendi (formerly Vivendi Universal) announced the completion of the sale of the 5.3% stake it still held in Veolia Environnement, representing a total of 21,523,527 shares, under an accelerated book building procedure. As a result of this transaction, Vivendi no longer holds any shares in the Company[(1)].
- On December 15, 2006, the Company certified completion of a capital increase reserved for employees of the Company and the Group, which had been approved by the Board of Directors on September 14, 2006. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,931,340 new shares with a par value of €5 each had been subscribed for at a price of €37.52 each, thereby increasing capital by €9,656,700, which represented approximately 0.47% of the Company's share capital on the date the completion was certified.
- On July 10, 2007, the Company certified completion of a capital increase for cash with maintenance of preferential subscription rights, which had been approved by the Board of Directors on June 10, 2007. Upon conclusion of this transaction, 51,941,040 new shares with a par value of €5 each were issued, thereby increasing share capital by €259,705,200. The total amount of the capital increase, including the issue premium, was €2,581,469,688.
- On December 12, 2007, the Company certified completion of a capital increase consisting of (i) a capital increase reserved for current and retired employees of the Company and the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds; and (ii) a capital increase reserved for Sequoia Souscription International – SAR, a subsidiary of Calyon, acting pursuant to a structured share offer for employees in countries unable to participate in traditional employee shareholder plans. Upon completion of these transactions, 3,250,446 new shares with a par value of €5 each, which were subscribed for at a price of €48.18 and €60.23 (depending on the plan), were issued, thereby increasing share capital by €16,252,230, which represented approximately 0.7% of the Company's share capital on the date the completion was certified.
- On June 4, 2009, the Company certified completion of a capital increase for cash for a total amount of €322,993,629, which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 7, 2009. This transaction resulted in the issuance of 20,111,683 new shares with a par value of €5 each, *i.e.*, an increase in the Company's share capital of €100,558,415. Upon completion of this transaction, the Company's share capital had been increased to €2,463,441,745, divided into 492,688,349 shares with a par value of €5 each.
- On August 5, 2009, the Company recorded completion of a capital increase reserved for current and retired employees of the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds. Upon completion of this transaction, 911,014 new shares with a par value of €5 each had been issued, which were subscribed for at a price of €21.28 and increased the Company's share capital by €4,555,070, which represented approximately 0.18% of the Company's share capital on the date the completion was certified.
- On March 4, 2010, the Company recorded completion of a capital increase pursuant to options exercised during 2009. After these options were exercised, 31,011 new shares with a par value of €5 each were issued, thereby increasing the Company's nominal share capital by €155,055. Upon conclusion of this transaction, the Company's share capital had been increased to €2,468,151,870, divided into 493,630,374 shares with a par value of €5 each.

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(1) Following the transfer, Vivendi reported that as of July 11, 2006, it held less than 5% of the share capital and voting rights of Veolia Environnement and that it no longer held any securities of the Company (AMF Decision and Information No. 206C1511 of July 24, 2006).

- On June 7, 2010, the Company certified completion of a capital increase for cash for a total amount of €79,268,062.32, which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 7, 2010. This transaction resulted in the issuance of 3,732,018 new shares with a par value of €5 each, *i.e.*, an increase in the Company's share capital of €18,660,090. Upon completion of this transaction, the Company's share capital had been increased to €2,486,811,960 divided into 497,362,392 shares with a par value of €5 each.
- On December 15, 2010, the Company certified completion of a capital increase reserved for current and retired employees of the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds. This transaction resulted in the issuance of 1,692,862 new shares with a par value of €5 each, which were subscribed for at a price of €17.74 and increased the Company's nominal share capital by €8,464,310, which represented approximately 0.34% of the Company's share capital on the date the completion was certified. Upon completion of this transaction, the Company's share capital had been increased to €2,495,276,270 divided into 499,055,254 shares with a par value of €5 each.

  Following this transaction, the Company's employees held approximately 2% of the Company's share capital as of that date[1].
- On January 26, 2011, the Company certified completion of a capital increase pursuant to options exercised during fiscal year 2010. After these options were exercised, 71,113 new shares with a par value of €5 each were issued, thereby increasing the Company's nominal share capital by €355,565. Upon conclusion of this transaction, the Company's share capital had been increased to €2,495,631,835, divided into 499,126,367 shares with a par value of €5 each.
- On June 15, 2011, the Company certified completion of a capital increase for cash for a total amount of €383,465,301.04 which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 17, 2011. This transaction resulted in the issuance of 20,462,396 new shares with a par value of €5 each, *i.e.*, an increase in the Company's nominal share capital of €102,311,980. Upon completion of this transaction, the Company's share capital had been increased to €2,597,943,815, divided into 519,588,763 shares with a par value of €5 each.
- On August 3, 2011, the Company recorded completion of a capital increase pursuant to options exercised during fiscal year 2011. After those options were exercised, 64,197 new shares with a par value of €5 each were issued, thereby increasing the Company's nominal share capital by €320,985. Upon conclusion of this transaction, the Company's share capital had been increased to €2,598,264,800, divided into 519,652,960 shares with a par value of €5 each.
- On June 14, 2012, the Company certified completion of a capital increase for cash for a total amount of €24,217,195.55, which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 16, 2012. This transaction resulted in the issuance of 2,433,889 new shares with a par value of €5, *i.e.*, an increase in the Company's nominal share capital of €12,169,445. Upon completion of this transaction, the Company's share capital had been increased from €2,598,264,800, divided into 519,652,960 shares, to €2,610,434,245, divided into 522,086,849 shares with a par value of €5 each.
- On May 14, 2013, the Company certified completion of a capital increase for cash for a total amount of €227,973,190.09 including issue premium, which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of May 14, 2013. This transaction resulted in the issuance of 26,788,859 new shares with a par value of €5, *i.e.*, an increase in the Company's nominal share capital of €133,944,295. Upon completion of this transaction, the Company's share capital had been increased from €2,610,434,245, divided into 522,086,849 shares, to €2,744,378,540, divided into 548,875,708 shares with a par value of €5 each.
- On April 24, 2014, the Company certified completion of a capital increase for cash for a total amount of €174,673,469.93 including issue premium which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the Combined Shareholders' Meeting of April 24, 2014. This transaction resulted in the issuance of 13,426,093 new shares with a par value of €5, *i.e.*, an increase in the Company's nominal share capital of €67,130,465. Upon completion of this transaction, the Company's share capital has been increased from €2,744,378,540, divided into 548,875,708 shares, to €2,811,509,005, divided into 562,301,801 shares with a par value of €5 each.

(1) As of December 31, 2010, the Company's employees held 1.91% of its share capital.

19 RELATED-PARTY TRANSACTIONS

Information concerning transactions with related parties in 2014 is included in the special report of the Statutory Auditors concerning regulated agreements and commitments concluded in 2014 (Appendix 1 to this Registration Document) and in Chapter 20, Section 20.1, Note 38 to the consolidated financial statements.

See also the Statutory Auditors' reports concerning regulated agreements for the 2012 and 2013 fiscal years, which are included as Appendices to Veolia Environnement's 2012 and 2013 Registration Documents.

20 FINANCIAL INFORMATION CONCERNING THE ASSETS, FINANCIAL POSITION AND RESULTS OF THE ISSUER AFR

20.1 Consolidated Financial Statements

Consolidated Statement of Financial Position

Assets

(€ million)		**As of December 31, 2014**	**As of December 31, 2013 (1)**
Goodwill	Note 6	4,499.4	3,486.3
Concession intangible assets	Note 7	2,750.5	2,487.9
Other intangible assets	Note 8	990.1	737.3
Property, plant and equipment	Note 9	6,637.5	4,171.5
Investments in joint ventures	Note 10	2,043.2	2,905.2
Investments in associates	Note 11	454.9	385.0
Non-consolidated investments	Note 12	54.7	40.5
Non-current operating financial assets	Note 13	1,882.5	1,698.1
Non-current derivative instruments - Assets	Note 30	101.9	258.3
Other non-current financial assets	Note 14	866.7	2,492.0
Deferred tax assets	Note 15	1,137.3	884.5
Non-current assets		**21,418.7**	**19,546.6**
Inventories and work-in-progress	Note 16	729.9	443.2
Operating receivables	Note 16	8,650.4	7,127.6
Current operating financial assets	Note 13	127.2	97.9
Other current financial assets	Note 14	203.1	640.9
Current derivative instruments - Assets	Note 30	103.0	60.7
Cash and cash equivalents	Note 17	3,148.6	4,282.4
Assets classified as held for sale	Note 26	343.6	4,008.2
Current assets		**13,305.8**	**16,660.9**
TOTAL ASSETS		**34,724.5**	**36,207.5**

The accompanying notes are an integral part of these consolidated financial statements.

(1) Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, and as disclosed in Note 26, the contribution of Water activities in Morocco is no longer recognized in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale. Comparative figures for fiscal year 2013 have been reclassified accordingly.

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

Equity and Liabilities

(€ million)		As of December 31, 2014	As of December 31, 2013 (1)
Share capital		2,811.5	2,744.4
Additional paid-in capital		7,165.6	7,851.1
Reserves and retained earnings attributable to owners of the Company		(1,685.2)	(2,408.2)
Total equity attributable to owners of the Company	Note 18	**8,291.9**	**8,187.3**
Total equity attributable to non-controlling interests	Note 18.3	1,167.2	1,472.2
Equity	Note 18	**9,459.1**	**9,659.5**
Non-current provisions	Note 19	1,958.8	1,706.5
Non-current borrowings	Note 20	8,324.5	9,729.5
Non-current derivative instruments - Liabilities	Note 30	112.5	144.0
Deferred tax liabilities	Note 15	1,135.3	806.8
Non-current liabilities		**11,531.1**	**12,386.8**
Operating payables	Note 16	9,697.6	8,209.7
Current provisions	Note 19	552.9	451.3
Current borrowings	Note 20	3,003.1	2,950.5
Current derivative instruments - Liabilities	Note 30	128.5	37.9
Bank overdrafts and other cash position items	Note 17	216.4	221.1
Liabilities directly associated with assets classified as held for sale	Note 26	135.8	2,290.7
Current liabilities		**13,734.3**	**14,161.2**
TOTAL EQUITY AND LIABILITIES		**34,724.5**	**36,207.5**

The accompanying notes are an integral part of these consolidated financial statements.

(1) Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, and as disclosed in Note 26, the contribution of Water activities in Morocco is no longer recognized in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale. Comparative figures for fiscal year 2013 have been reclassified accordingly.

Consolidated Income Statement

(€ million)		**2014**	**2013**(1)
Revenue	Note 21	**23,879.6**	**22,819.7**
o/w Revenue from operating financial assets		*169.0*	*175.9*
Cost of sales		(20,459.7)	(19,446.1)
Selling costs		(517.4)	(536.0)
General and administrative expenses		(2,479.3)	(2,481.8)
Other operating revenue and expenses		(9.1)	113.5
Operating income	Note 22	**414.1**	**469.3**
Share of net income (loss) of equity-accounted entities		**653.1**	**178.7**
o/w share of net income (loss) of joint ventures	Note 10	632.3	160.3
o/w share of net income (loss) of associates	Note 11	20.8	18.4
Operating income after share of net income (loss) of equity-accounted entities		**1,067.2**	**648.0**
Finance costs	Note 23	(592.1)	(640.9)
Income from cash and cash equivalents	Note 23	48.2	46.4
Other financial income and expenses	Note 24	(14.2)	37.8
Income tax expense	Note 25	(167.3)	(119.4)
Share of net income (loss) of other equity-accounted entities	Notes 10 & 11	11.5	(51.5)
Net income (loss) from continuing operations		**353.3**	**(79.6)**
Net income (loss) from discontinued operations	Note 26	(21.9)	34.0
Net income (loss) for the year		**331.4**	**(45.6)**
Attributable to owners of the Company		**246.1**	**(153.4)**
Attributable to non-controlling interests	Note 27	85.3	107.8
(in euros)			
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE (2)	Note 28		
Diluted		0.33	(0.32)
Basic		0.33	(0.32)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE (2)	Note 28		
Diluted		0.35	(0.39)
Basic		0.35	(0.39)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE (2)			
Diluted		(0.02)	0.07
Basic		(0.02)	0.07

The accompanying notes are an integral part of these consolidated financial statements.

(1) Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the income statements of discontinued operations divested i.e. European wind energy activities divested in February 2013 and the share of net income (loss) of the Berlin Water associate to December 2, 2013, are presented in a separate line, Net income (loss) from discontinued operations, for the year ended December 31, 2013.
Furthermore, as disclosed:
- *in Note 3.2.2, the contribution of the Transdev Group was transferred to continuing operations in fiscal year 2013;*
- *in Note 26.2, the contribution of Water activities in Morocco is no longer recognized in Net income (loss) from discontinued operations and was transferred to continuing operations in the 2013 comparative period.*

(2) The weighted average number of shares outstanding at December 31, 2014, is 543.0 million (basic and diluted) - See Note 28, Earnings per share. Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year. Pursuant to IAS 33.9 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

Consolidated Statement of Comprehensive Income

(€ million)	2014	2013 [3]
Net income (loss) for the year	**331.4**	**(45.6)**
Actuarial gains and losses on pension obligations	(69.2)	17.3
Income tax expense	7.6	1.3
Amount net of tax	(61.6)	18.6
Other items of comprehensive income not subsequently released to net income	**(61.6)**	**18.6**
o/w attributable to joint ventures[2]	***-5.7***	***2.1***
o/w attributable to associates	***-***	***(0.1)***
Fair value adjustments on available-for-sale assets	(5.9)	3.0
Income tax expense	(0.8)	0.6
Amount net of tax	(6.7)	3.6
Fair value adjustments on cash flow hedge derivatives	(24.9)	38.6
Income tax expense	3.9	(13.0)
Amount net of tax	(21.0)	25.6
Foreign exchange gains and losses		
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	297.5	(255.2)
Amount net of tax	297.5	(255.2)
• on the net financing of foreign operations	(103.9)	89.3
• income tax expense	1.6	(0.6)
Amount net of tax	(102.3)	88.7
Other items of comprehensive income subsequently released to net income	**167.5**	**(137.3)**
o/w attributable to joint ventures[2]	***134.2***	***(37.1)***
o/w attributable to associates	***14.7***	***(4.1)***
Total Other comprehensive income [1]	**105.9**	**(118.7)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**437.3**	**(164.3)**
Attributable to owners of the Company	*324.9*	*(226.4)*
Attributable to non-controlling interests	*112.4*	*62.1*

The accompanying notes are an integral part of these consolidated financial statements.

(1) Other comprehensive income attributable to discontinued operations as defined in IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, is -€4.8 million for the year ended December 31, 2014 and -€0.2 million for the year ended December 31, 2013.

(2) The share attributable to joint ventures mainly concerns Dalkia International up to July 25, 2014, the Chinese Water concessions and Transdev Group.

(3) Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, and as disclosed in Note 26, the contribution of Water activities in Morocco is no longer recognized in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale. Comparative figures for fiscal year 2013 have been reclassified accordingly.

Consolidated Cash Flow Statement

(€ million)		2014	2013 (2)
Net income (loss) for the year		331.4	(45.6)
Operating depreciation, amortization, provisions and impairment losses	Note 22	1,727.0	1,530.8
Financial amortization and impairment losses		15.0	19.3
Gains (losses) on disposal and dilution	Note 22	(0.1)	(181.4)
Share of net income (loss) of joint ventures	Note 10	(641.7)	(109.3)
Share of net income (loss) of associates	Note 11	(20.9)	(28.0)
Dividends received	Note 24	(3.1)	(3.1)
Net finance costs	Note 23	547.0	599.6
income tax expense	Note 25	165.5	123.5
Other items		54.5	54.2
Operating cash flow before changes in working capital		**2,174.6**	**1,960.0**
Changes in operating working capital	Note 16	94.1	6.2
Income taxes paid		(219.3)	(203.1)
Net cash from operating activities		**2,049.4**	**1,763.1**
Including Net cash from operating activities of discontinued operations (1)		***(5.9)***	***15.6***
Industrial investments	Note 5	(1,380.4)	(1,226.9)
Proceeds on disposal of intangible assets and property plant and equipment		63.0	120.2
Purchases of investments *		172.8	(79.8)
Proceeds on disposal of financial assets **		357.0	807.1
Operating financial assets			
New operating financial assets	Note 13	(159.9)	(224.2)
Principal payments on operating financial assets	Note 13	133.5	202.1
Dividends received (including dividends received from joint ventures and associates)	Notes 10, 11 & 24	79.7	115.2
New non-current loans granted		(268.2)	(698.3)
Principal payments on non-current loans		215.6	307.3
Net decrease/increase in current loans		188.8	345.7
Net cash used in investing activities		**(598.1)**	**(331.6)**
Including Net cash from investing activities of discontinued operations (1)		***173.7***	***649.4***
Net increase/decrease in current borrowings	Note 20	(912.3)	(1,389.0)
New non-current borrowings and other debts	Note 20	124.8	164.0
Principal payments on non-current borrowings and other debts	Note 20	(829.4)	(1,577.1)
Proceeds on issue of shares		7.6	13.2
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases		(130.6)	(15.3)
Transactions with non-controlling interests: partial sales		1.2	2.7
Issues of deeply subordinated securities	Notes 18 & 20	-	1,470.2
Coupon on deeply subordinated securities		(68.0)	(16.6)
Purchases of/proceeds from treasury shares ***	Notes 18 & 31.1.3	5.8	-
Dividends paid		(261.3)	(191.3)
Interest paid		(529.3)	(693.1)

(€ million)		**2014**	**2013 (2)**
Net cash used in financing activities		**(2,591.5)**	**(2,232.3)**
Including Net cash from (used in) financing activities of discontinued operations (1)		***0.5***	***(7.8)***
NET CASH AT THE BEGINNING OF THE YEAR		**4,061.3**	**4,771.2**
Effect of foreign exchange rate changes and other		11.1	90.9
NET CASH AT THE END OF THE YEAR		**2,932.2**	**4,061.3**
Cash and cash equivalents	Note 17	3,148.6	4,282.4
Bank overdrafts and other cash position items	Note 17	216.4	221.1
NET CASH AT THE END OF THE YEAR		**2,932.2**	**4,061.3**

* *Purchases of investments in the Consolidated Cash Flow Statement primarily include the impact of the Dalkia transaction in the amount of €229.9 million. This impact comprises the cash payment to EDF (-€660.8 million), the cash and cash equivalents of Dalkia International entered into the scope of consolidation (€175.4 million), the cash and cash equivalents of Dalkia France removed from the scope of consolidation (-€22.2 million) and finally the repayment of internal financing granted to Dalkia France (€737.5 million).*

** *Proceeds on disposal of financial assets in the Consolidated Cash Flow Statement include financial disposals, cash and cash equivalents, bank overdrafts and other cash position items removed from the scope of consolidation.*

*** *This line includes the initial investment of beneficiaries of the Management Incentive Plan (see Notes 18.2.2 and 31.1.3) in the amount of €5.7 million, mainly corresponding to the sale of 439,952 shares at €13.04 per share to beneficiaries.*

(1) Net cash flows attributable to discontinued operations as defined in IFRS 5 mainly concern:

a. Global urban lighting activities (Citelum), divested on July 25, 2014;

b. European wind energy activities, divested in February 2013;

c. The Berlin Water associate to December 2, 2013.

Discontinued operations are presented in Notes 3 and 26.

(2) Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, and as disclosed in Note 26, the contribution of Water activities in Morocco is no longer recognized in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale. Comparative figures for fiscal year 2013 have been reclassified accordingly.

The accompanying notes are an integral part of these consolidated financial statements.

Statement of changes in equity

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply-subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2013, represented	**522,086,849**	**2,610.4**	**8,466.3**	**-**	**(442.5)**	**(3,690.2)**	**222.3**	**(60.1)**	**7,106.2**	**1,391.4**	**8,497.6**
Issues of share capital of the parent company	26,788,859	134.0	93.3	-	-	-	-	-	227.3	-	227.3
Issues of deeply subordinated securities	-	-	-	1,470.2	-	-	-	-	1,470.2	-	1,470.2
Coupon on deeply subordinated securities	-	-	-	(16.6)	-	-	-	-	(16.6)	-	(16.6)
Parent company dividend distribution	-	-	(708.5)	-	-	353.0	-	-	(355.5)	-	(355.5)
Elimination of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	13.2	13.2
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(63.1)	(63.1)
Transactions with non-controlling interests	-	-	-	-	-	(1.0)	-	-	(1.0)	(13.5)	(14.5)
Total transactions with non-controlling interests	**26,788,859**	**134.0**	**(615.2)**	**1,453.6**	**-**	**352.0**	**-**	**-**	**1,324.4**	**(63.4)**	**1,261.0**
Foreign exchange translation	-	-	-	-	-	-	*(204.3)*	-	*(204.3)*	*(50.9)*	*(255.2)*
Net foreign investments	-	-	-	-	-	-	*87.2*	-	*87.2*	*1.5*	*88.7*
Actuarial gains and losses on pension obligations	-	-	-	-	-	*18.2*	-	-	*18.2*	*0.4*	*18.6*
Fair value adjustments on cash flow hedge derivatives	-	-	-	-	-	-	-	*24.1*	*24.1*	*1.5*	*25.6*
Fair value adjustments on AFS assets	-	-	-	-	-	-	-	*1.8*	*1.8*	*1.8*	*3.6*
Total Other comprehensive income	-	-	-	-	-	18.2	(117.1)	25.9	(73.0)	(45.7)	(118.7)
Net income for the year	-	-	-	-	-	(153.4)	-	-	(153.4)	107.8	(45.6)
Total comprehensive income for the year	-	-	-	-	-	**(135.2)**	**(117.1)**	**25.9**	**(226.4)**	**62.1**	**(164.3)**
Other movements	-	-	-	-	-	(16.9)	-	-	(16.9)	82.1	65.2
As of December 31, 2013	**548,875,708**	**2,744.4**	**7,851.1**	**1,453.6**	**(442.5)**	**(3,490.3)**	**105.2**	**(34.2)**	**8,187.3**	**1,472.2**	**9,659.5**

(€ million)	**Number of shares outstanding**	**Share capital**	**Additional paid-in capital**	**Deeply subordinated securities**	**Treasury shares**	**Consolidated reserves and retained earnings**	**Foreign exchange translation reserves**	**Fair value reserves**	**Equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
As of December 31, 2013	**548,875,708**	**2,744.4**	**7,851.1**	**1,453.6**	**(442.5)**	**(3,490.3)**	**105.2**	**(34.2)**	**8,187.3**	**1,472.2**	**9,659.5**
Issues of share capital of the parent company	13,426,093	67.1	107.2	-	-	-	-	-	174.3	-	174.3
Issues of deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities	-	-	-	(68.0)	-	-	-	-	(68.0)	-	(68.0)
Parent company dividend distribution	-	-	(792.7)	-	-	418.5	-	-	(374,.2)	-	(374.2)
Elimination of treasury shares	-	-	-	-	5.8	-	-	-	5.8	-	5.8
Share-based payments	-	-	-	-	-	1.2	-	-	1.2	-	1.2
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	7.6	7.6
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(61.4)	(61.4)
Transactions with non-controlling interests	-	-	-	-	-	47.5	-	-	47.5	(81.0)	(33.5)
Total transactions with non-controlling interests	**13,426,093**	**67.1**	**(685.5)**	**(68.0)**	**5.8**	**467.2**	**-**	**-**	**(213.4)**	**(134.8)**	**(348.2)**
Foreign exchange translation	-	-	-	-	-	-	*266.2*	-	*266.2*	*31.3*	*297.5*
Net foreign investments	-	-	-	-	-	-	*(100.4)*	-	*(100.4)*	*(1.9)*	*(102.3)*
Actuarial gains and losses on pension obligations	-	-	-	-	-	*(61.0)*	-	-	*(61.0)*	*(0.6)*	*(61.6)*
Fair value adjustments on cash flow hedge derivatives	-	-	-	-	-	-	-	*(22.7)*	*(22.7)*	*1.7*	*(21.0)*
Fair value adjustments on AFS assets	-	-	-	-	-	-	-	*(3.3)*	*(3.3)*	*(3.4)*	*(6.7)*
Total Other comprehensive income	-	-	-	-	-	(61.0)	165.8	(26.0)	78.8	27.1	105.9
Net income for the year	-	-	-	-	-	246.1	-	-	246.1	85.3	331.4
Total comprehensive income for the year	-	-	-	-	-	**185.1**	**165.8**	**(26.0)**	**324.9**	**112.4**	**437.3**
Other movements	-	-	-	-	-	(6.9)	-	-	(6.9)	(282.6) *	(289.5)
As of December 31, 2014	**562,301,801**	**2,811.5**	**7,165.6**	**1,385.6**	**(436.7)**	**(2,844.9)**	**271.0**	**(60.2)**	**8,291.9**	**1,167.2**	**9,459.1**

* *Other movements of non-controlling interests include the impact of Dalkia transaction with EDF in the amount of -€308.7 million and the fair value remeasurement of Proactiva Medio Ambiente of €23.1 million.*

The dividend distribution per share for fiscal year 2014 is €0.70, compared with €0.70 for fiscal year 2013.

A dividend distribution of €0.70 per share is proposed to the General Shareholders' Meeting of April 22, 2015.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €261 million and €191 million for the years ended December 31, 2014 and 2013, respectively, breaks down as follows:

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Parent company dividend distribution	-374	-355
Third party share in dividend distributions of subsidiaries	-61	-63
Scrip dividend [1]	+174	+227
TOTAL DIVIDEND PAID	**-261**	**-191**

(1) The lines "Proceeds on issue of shares" and "Dividends paid" in the Consolidated Cash Flow Statement are presented net of scrip dividends as such distributions do not generate cash flows.

Notes to the consolidated financial statements

Note 1 Accounting principles and methods

1.1 Accounting Standards Framework

1.1.1 Basis underlying the preparation of the financial information

On December 23, 2014, Veolia Environnement voluntary delisted its American Depositary Receipts (ADRs) from the New York Stock Exchange (NYSE) and terminated its registration with the U.S. Securities and Exchange Commission (SEC).

Pursuant to Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation no.297/2008 of March 11, 2008, the consolidated financial statements are now presented in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union. These standards may be consulted at the following European Union website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

In the absence of IFRS standards or interpretations and in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Veolia refers to other IFRS dealing with similar or related issues and the conceptual framework. Where appropriate, the Group may use other standard references and in particular U.S. standards.

1.1.2 Standards, standard amendments and interpretations applicable from fiscal year 2014

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2014 are identical to those applied by the Group as of December 31, 2013, with the exception of the following standard amendments:

- amendments to IAS 32, seeking to clarify the principles for offsetting financial assets and liabilities;
- amendments to IAS 36, Impairment of Assets, relating to required disclosures on the recoverable amount of non-financial assets;
- amendments to IAS 39, Financial Instruments: Recognition and Measurement, on novation of derivatives and continuation of hedge accounting.

The first-time application of these texts has no impact on the consolidated financial statements of the Group.

Nevertheless, IFRS 10-11-12 have been applied from January 1st, 2013, with respect to the Group's registration with the US Securities and Exchange Commission (SEC) until December 23, 2014.

1.1.3 Texts which enter into mandatory effect after December 31, 2014

- IFRS 9, Financial Instruments;
- amendment to IFRS 7 relating to disclosures on transition to IFRS 9;
- IFRS 15, Revenue from Contracts with Customers;
- amendment to IAS 19, Employee Benefits: employee contributions to defined benefit plans, aimed at simplifying the accounting for contributions that are independent of the number of years of employee service;
- amendments to IAS 16 and IAS 38, aimed at clarifying acceptable methods of depreciation and amortization;
- amendment to IFRS 11, Joint Arrangements, providing guidance on how to account for the acquisition of an interest in a joint arrangement;
- amendments resulting from the IFRS annual improvement process (2010-2012, 2011-2013 and 2012-2014 cycles);
- amendment to IFRS 10 and IAS 28 providing guidance on how to account for asset sales or contributions to an associate or joint venture;
- IFRIC 21, Levies, which provides guidance on when to recognize a liability for a levy imposed by a government.

Subject to their definitive adoption by the European Union, these standards and standard amendments are of mandatory application for fiscal years beginning on or after January 1, 2015 or later. The Group is currently assessing the potential impact of the first-time application of these texts.

1.2 General principles underlying the preparation of the financial statements

The accounting methods presented below have been applied consistently for all periods presented in the consolidated financial statements.

The consolidated financial statements are presented on a historical cost basis, with the exception of assets and liabilities held for sale measured in accordance with IFRS 5 and assets and liabilities recognized at fair value: derivatives, financial instruments held for trading, financial instruments designated at fair value and available-for-sale financial instruments (in accordance with IAS 32 and IAS 39).

The Veolia Environnement consolidated financial statements for the year ended December 31, 2014 were adopted by the Board of Directors on February 25, 2015 and will be presented for approval at the General Shareholders' Meeting on April 22, 2015.

1.3 Basis of presentation as of December 31, 2014

The consolidated financial statements are presented in millions of euros, unless stated otherwise.

The consolidated financial statements comprise the financial statements of Veolia Environnement, the entities it controls (its subsidiaries) and the entities over which it exercises significant influence. The financial statements of subsidiaries are drawn up for the same reference period as those of the parent company, from January 1, to December 31, 2014, in accordance with uniform accounting policies and methods.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

1.4 Principles of Consolidation

1.4.1 Controlled entities

Veolia Environnement fully consolidates all entities over which it exercises control.

Definition of control

Control exists when the Group (i) holds power over an entity, (ii) is exposed or has rights to variable returns from its involvement with the entity and (iii) has the ability to use its power over the entity to effect the amount of its returns.

Full consolidation

The Group consolidates a subsidiary in its consolidated financial statements from the date it obtains control of the entity to the date it ceases to control the entity.

Non-controlling interests represent the equity in a subsidiary that is not directly or indirectly attributable to the Group.

Net income and each component of other comprehensive income are attributed to owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests, even if this results in non-controlling interests having a deficit balance.

Change in ownership interests in consolidated subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a change in control over the subsidiaries are accounted for as equity transactions, as they are transactions performed by shareholders acting in this capacity.

The effects of these transactions are recognized in equity at their net-of-tax amount and do not therefore impact the Consolidated Income Statement of the Group.

These transactions are presented in financing activities in the Consolidated Cash Flow Statement.

1.4.2 Investments in joint ventures and associates

Definition

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to its net assets.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity method

The results and assets and liabilities of associates or joint ventures are incorporated in the Group consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

Under the equity method, the investment in the associate or joint venture is initially recognized at acquisition cost and subsequently adjusted to recognize the Group's share of the net income and other comprehensive income of the associate or joint venture.

An investment is accounted for using the equity method from the date on which the entity becomes an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the entity's identifiable assets and liabilities is recognized as goodwill. Any excess of the net fair value of the entity's identifiable assets and liabilities over the cost of the investment is recognized in profit or loss.

The share of net income (loss) of equity-accounted entities is included in the Group Consolidated Income Statement. Pursuant to recommendation no. 2013-01 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, the share of net income (loss) of equity-accounted entities must be included in "Operating income after share of net income (loss) of equity-accounted entities" or presented in a separate line "Share of net income (loss) of other equity-accounted entities" depending on whether the activities of such entities represent an extension of the Group's businesses.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transaction with the associate or joint venture are recognized in the Group consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Impairment tests

The requirements of IAS 39, Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to test an investment in an associate or joint venture for impairment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets.

Loss of significant influence or joint control

The equity method is discontinued from the date the investment ceases to be an associate or a joint venture. Where the Group retains a residual interest in the entity and that interest is a financial asset, the financial asset is measured at fair value at the date the investment ceases to be an associate or a joint venture.

Where an investment in an associate becomes an investment in a joint venture, or vice versa, the equity method continues to be applied and the change in ownership interest does not trigger remeasurement to fair value.

1.4.3 Investments in joint operations

Definition

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities, relating to the arrangement.

Accounting for joint operations

As a joint operator in a joint operation, the Group recognizes in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

As a joint operator, the Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

1.5 Transactions impacting the consolidation scope

1.5.1 Business combinations and goodwill

Business combinations are recorded in accordance with the acquisition method as defined in IFRS 3.

Under this method, identifiable assets acquired and liabilities assumed of the acquiree are recorded at fair value at the acquisition date.

The goodwill arising from the business combination is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and, where applicable, the fair value of any previously held interest, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

This goodwill is measured in the functional currency of the company acquired and recognized in assets in the Consolidated Statement of Financial Position.

The Group may elect, on an individual transaction basis, at the acquisition date, to measure non-controlling interests either at fair value (full goodwill) or at the share in the fair value of the identifiable net assets of the company acquired.

Pursuant to IFRS, goodwill is not amortized but is subject to impairment tests performed annually or more frequently where there is evidence calling into question the net carrying amount recorded in assets in the Statement of Financial Position (see Note 1.11, Impairment of intangible assets, property, plant and equipment and non–financial assets).

Where the terms and conditions of a business combination are advantageous, negative goodwill arises. The corresponding profit is recognized in net income at the acquisition date.

Acquisition-related costs are expensed in the period in which the costs are incurred and the services received.

Pursuant to the provisions of IFRS 3, the Group may finalize the recognition of the business combination during the measurement period. This period ends when all the necessary information has been obtained and no later than one year after the acquisition date.

In the absence of specific IFRS provisions on the creation of joint ventures, the Group applies the acquisition method set-out in IFRS 3, Business combinations, when accounting for acquisitions of joint ventures.

1.5.2 Assets/liabilities classified as held for sale, discontinued operations

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

The standard notably requires the separate presentation of assets held for sale in the Consolidated Statement of Financial Position at the lower of net carrying amount and fair value less costs to sell, where the criteria set-out in the standard are satisfied.

When the Group is committed to a sales process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale where the standard classification criteria are met, irrespective of whether the Group retains a residual interest in the entity after sale.

When the Group is committed to a sales process involving an investment or a portion of an investment in an associate or joint venture, the investment or portion of the investment for sale is classified as held for sale from the date the standard classification criteria are met and the equity method is no longer applied to the investment or portion of the investment classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale. After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39, unless the retained interest continues to be an associate or a joint venture, in which case the equity method is applied.

In addition, the standard requires the separate presentation in the Consolidated Income Statement of the results of discontinued operations for all comparative periods on a retrospective basis.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or major geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale.

1.6 Translation of foreign subsidiaries' financial statements

Statements of financial position, income statements and cash flow statements of subsidiaries whose functional currency is different from the presentation currency of the Group are translated into the presentation currency at the applicable rate of exchange (*i.e.* the year-end rate for statement of financial position items and the average annual rate for income statement and cash flow items). Foreign exchange translation gains and losses are recorded in other comprehensive income in equity. The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

Year-end exchange rate *(one foreign currency unit = €xx)*	**As of December 31, 2014**	**As of December 31, 2013**
U.S. dollar	0.8237	0.7251
Pound sterling	1.2839	1.1995
Chinese renminbi yuan	0.1327	0.1198
Australian dollar	0.6744	0.6483
Average annual exchange rate *(one foreign currency unit = €xx)*	**Average annual rate 2014**	**Average annual rate 2013**
U.S. dollar	0.7525	0.7529
Pound sterling	1.2400	1.1776
Chinese renminbi yuan	0.1221	0.1225
Australian dollar	0.6792	0.7263

1.7 Foreign currency transactions

Foreign currency transactions are translated into euro at the exchange rate prevailing at the transaction date. At the year end, foreign currency-denominated monetary assets and liabilities are remeasured in euro at year-end exchange rates. The resulting foreign exchange gains and losses are recorded in net income for the period.

Loans to a foreign subsidiary, the settlement of which is neither planned nor probable in the foreseeable future represent, in substance, a portion of the Group's net investment in this foreign operation. Foreign exchange gains and losses on monetary items forming part of a net investment are recognized directly in other comprehensive income in foreign exchange translation adjustments and are released to income on the disposal of the net investment.

Exchange gains and losses on foreign currency-denominated borrowings or on currency derivatives that qualify as hedges of a net investment in a foreign operation, are recognized directly in other comprehensive income as foreign exchange translation adjustments. Amounts recognized in other comprehensive income are released to income on the date of disposal of the relevant investment.

Foreign currency-denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency-denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

1.8 Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost to the Group, less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life.

Useful lives are as follows:

	Range of useful lives in number of years *
Buildings	20 to 50
Technical installations	7 to 35
Vehicles	3 to 25
Other plant and equipment	3 to 12

* *The range of useful lives is due to the diversity of property, plant and equipment.*

Property, plant and equipment are primarily depreciated on a straight-line basis, unless another systematic depreciation basis better reflects the rate of consumption of the asset.

Borrowing costs attributable to the acquisition or construction of identified installations, incurred during the construction period, are included in the cost of those assets in accordance with IAS 23, Borrowing Costs.

A finance lease contract is a contract that transfers to the Group substantially all the risks and rewards related to the ownership of an asset.

Pursuant to IAS 17, assets financed by finance lease are initially recorded at the lower of fair value and the present value of future minimum lease payments. Subsequently, the Group does not apply the remeasurement model but the cost model in accordance with IAS 16 and IAS 38.

These assets are depreciated over the shorter of the expected useful life of the asset and the lease term, unless it is reasonably certain that the asset will become the property of the lessee at the end of the contract. This accounting policy complies with IAS 17 and Group accounting methods regarding the recognition and measurement of intangible assets and property, plant and equipment.

Given the nature of the Group's businesses, the subsidiaries do not own investment property in the normal course of their operations.

1.9 Government grants

1.9.1 Investment grants for property, plant and equipment

In accordance with the option offered by IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, investment grants are deducted from the gross carrying amount of property, plant and equipment to which they relate.

They are recognized as a reduction in the depreciation charge over the useful life of the depreciable asset.

When the construction of an asset covers more than one period, the portion of the grant not yet used is recorded in "Other liabilities" in the Consolidated Statement of Financial Position.

1.9.2 Investment grants relating to concession arrangements

Investment grants received in respect of concession arrangements (see Note 1.20) are generally definitively earned and, therefore, are not repayable.

In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets or financial assets depending on the applicable model following an analysis of each concession arrangement (IFRIC 12).

Under the intangible asset model, the grant reduces the amortization charge in respect of the concession intangible asset over the residual term of the concession arrangement.

Under the financial asset model, investment grants are equated to a means of repaying the operating financial asset.

1.9.3 Operating grants

Operating grants concern, by definition, operating items.

Where operating grants are intended to offset costs incurred, they are recognized as a deduction from the cost of goods sold over the period that matches them with related costs.

Where operating grants represent additional contractual remuneration of a recurring nature, such as contributions or compensation for inadequate revenue provided under certain public service delegation contracts, they are recognized in revenue.

1.10 Intangible assets excluding goodwill

Intangible assets are identifiable non-monetary assets without physical substance. They are recorded at acquisition cost less accumulated amortization and any accumulated impairment losses.

Intangible assets mainly consist of certain assets recognized in respect of concession arrangements (IFRIC 12), entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations ("contractual rights"), patents, licenses, software and operating rights.

Intangible assets are amortized on a straight-line basis over their useful life, unless another systematic amortization basis better reflects the rate of consumption of the asset.

Useful lives are as follows:

	Range of useful lives in number of years *
Entry fees paid to local authorities	3 to 80
Purchased contractual rights	3 to 35
Purchased software	3 to 10
Other intangible assets	1 to 30

* *The range of useful lives is due to the diversity of intangible assets concerned.*

1.11 Impairment of intangible assets, property, plant and equipment and non-financial assets

The net carrying amount of non-financial assets, other than inventory and deferred tax assets is reviewed at each period end in order to assess the existence of any indication of loss in value. Where such indication exists, the recoverable amount of the asset or group of assets is estimated.

Goodwill and other assets with an indefinite useful life are subject to systematic annual impairment tests following the update of the long-term plan and more frequent tests where there is an indication of loss in value.

Where the resulting recoverable amount is less than the net carrying amount of the asset or group of assets, an impairment is recorded.

Impairment losses can be reversed, with the exception of those relating to goodwill.

Goodwill and impairment tests

A Cash-Generating Unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Given the Group’s activities, cash-generating units and groups of cash-generating units are below operating segments in the organizational structure and generally represent a country or group of countries.

For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units or each of the groups of cash-generating units that are expected to benefit from the business combination.

A cash-generating unit to which goodwill has been allocated is subject to annual impairment tests and more frequent tests where there is an indication of impairment, by comparing the net carrying amount of the CGU, including the goodwill, to its recoverable amount.

Therefore, changes in the general economic and financial environment, or changes in the Group’s economic performance or stock market capitalization represent, in particular, external indicators of impairment that are analyzed by the Group to determine whether it is appropriate to perform more frequent impairment tests.

Where appropriate, goodwill impairment is recognized in operating income and is definitive.

Measuring recoverable amount

The need to recognize an impairment is assessed by comparing the net carrying amount of the assets and liabilities of the CGU or group of CGUs with their recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is determined based on available information enabling the best estimate of the amount obtainable from the sale of the cash-generating unit in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

The *value in use* determined by the Group is equal to the present value of the future cash flows expected to be derived from the CGU or group of CGUs, taking account of their residual value and based on the following:

- forecast cash flows taken from the long-term plan prepared each year. This plan covers the year in progress and the next six years. This period is representative of the average duration of the Group's long-term contract portfolio and its short-term activities. Exceptionally, the long–term plans of the Chinese Water Concessions were extended to 2025, in order to identify standard flows for the calculation of the terminal value, as Water activities in China follow a specific economic model, with extremely long contract terms (fifty years) and high investment flows during the initial contract years;
- terminal values are calculated based on discounted forecast flows for the last year of the long-term plan (2020). These flows are determined for each CGU or group of CGUs based on a perpetual growth rate which takes account of factors such as inflation;

- discount rate (weighted average cost of capital) is determined for each asset, CGU or group of CGUs: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks (see Note 2). The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the CGU or group of CGUs is exposed, with the other risks reflected in the expected future cash flows from the assets;
- investments included in forecast future cash flows are those investments that enable the level of economic benefits expected to arise from the assets to be maintained in their current condition;
- restructuring plans to which the Group is not committed are not included in forecast cash flows used to determine values in use.

1.12 Inventories

In accordance with IAS 2, Inventories, inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.13 Provisions

Pursuant to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

As part of its obligations under public services contracts, Veolia generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

In the case of provisions for rehabilitation of landfill facilities, Veolia accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component and taking into account inflation and the date on which expenses will be incurred (discounting). The asset is amortized based on its depletion.

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

1.14 Financial instruments

1.14.1 Financial assets and liabilities

Financial assets include assets classified as available-for-sale and held-to maturity, assets at fair value through the Consolidated Income Statement, asset derivative instruments, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing and bank overdrafts, liability derivative instruments and operating payables.

The recognition and measurement of financial assets and liabilities is governed by IAS 39. Fair value measurement incorporates, in particular, the risk of non-performance by the Group or its counterparties, determined based on default probabilities taken from rating agency tables.

1.14.2 Measurement, recognition and derecognition of financial assets

Financial assets are initially recognized at fair value plus transaction costs, where the assets concerned are not subsequently measured at fair value through the Consolidated Income Statement. Where the assets are measured at fair value through the Consolidated Income Statement, transaction costs are expensed directly to net income.

The Group classifies financial assets in one of the four categories identified by IAS 39 on the acquisition date.

1.14.2.1 Held-to maturity assets

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables that the Group acquires with the positive intention and ability to hold to maturity. After initial recognition at fair value, held-to-maturity assets are recognized and measured at amortized cost using the effective interest method.

Held-to-maturity assets are reviewed for objective evidence of impairment. An impairment loss is recognized if the carrying amount of the financial asset exceeds the present value of future cash flows discounted at the initial effective interest rate (EIR). The impairment loss is recognized in the Consolidated Income Statement.

Net gains and losses on held-to-maturity assets consist of interest income and impairment losses.

1.14.2.2 Available-for-sale assets

Available-for-sale assets mainly consist of non-consolidated investments and marketable securities that do not qualify for inclusion in other financial asset categories. They are measured at fair value, with fair value movements recognized directly in other comprehensive income, except where there is a material or long-term unrealized capital loss. This can arise when future cash flows decrease to such an extent that the fair value of these assets falls materially or long-term below the historical cost. Where this is the case, the impairment loss is recognized in the Consolidated Income Statement. Impairment reversals are recognized in the Consolidated Income Statement for debt securities only (receivables and bonds).

Amounts recognized in other comprehensive income are released to income on the sale of the available-for-sale assets. Fair value is equal to market value in the case of quoted securities and an estimate of the fair value in the case of unquoted securities, determined based on financial criteria most appropriate to the specific situation of each security. Non-consolidated investments which are not quoted in an active market and for which the fair value cannot be measured reliably, are recorded as a last resort by the Group at historical cost less any accumulated impairment losses.

Net gains and losses on available-for-sale assets consist of interest income, dividends, impairment losses and capital gains and losses on disposals.

1.14.2.3 Loans and receivables

This category includes loans to non-consolidated investments, operating financial assets, other loans and receivables and trade receivables. After initial recognition at fair value, these instruments are recognized and measured at amortized cost using the effective interest method.

An impairment loss is recognized if, where there exists an indication of impairment, the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR. The impairment loss is recognized in the Consolidated Income Statement.

The impairment of trade receivables is calculated using two methods:

- a statistical method: this method is based on past losses and involves the application of a provision rate by category of aged receivables. The analysis is performed for a group of similar receivables, presenting similar credit characteristics as a result of belonging to a customer category and country;
- an individual method: the probability and amount of the loss is assessed on an individual case basis in particular for non-State public debtors (past due period, other receivables or payables with the counterparty, rating issued by an external rating agency, geographical location).

Net gains and losses on loans and receivables consist of interest income and impairment losses.

1.14.2.4 Assets and liabilities at fair value through the Consolidated Income Statement

This category includes:

- trading assets and liabilities acquired by the Group for the purpose of selling them in the near term and which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives not qualifying for hedge accounting are also considered trading assets and liabilities;
- assets designated at fair value and primarily the portfolio of cash UCITS whose performance and management is based on fair value.

Changes in the value of these assets are recognized in the Consolidated Income Statement.

Net gains and losses on assets at fair value through the Consolidated Income Statement consist of interest income, dividends and fair value adjustments.

Net gains and losses on derivatives entered into for trading purposes consist of swapped flows and the change in the value of the instrument.

1.14.2.5 Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which nearly all the rights and obligations inherent to ownership of the financial asset are transferred. Any interest created or retained by the Group in a financial asset is recognized separately as an asset or liability.

1.14.3 Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments. In order to be considered a cash equivalent, an investment must be readily convertible to a known amount of cash and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and monetary UCITS.

Term deposit accounts and negotiable debt instruments present characteristics satisfying the requirements of IAS 7 when their yield is based on short-term money-market rates (such as Eonia) and their maturity is less than 3 months (contractually or due to an early exit option exercisable at least every 3 months and held at a low or nil cost, without loss of capital or remuneration received net of the early exit penalty of less than the yield on short-term investments).

UCITS classified in “cash equivalents” comply with Directive 2009/65/EC of the European Commission of July 13, 2009 and constitute short-term monetary UCITS or monetary UCITS (pursuant to the AMF classification no. 2005-02 of January 25, 2005, as amended on May 3, 2011). Pursuant to AMF Position no. 2011-13 of September 23, 2011, these UCITS are presumed to satisfy the cash equivalent criteria defined by IAS 7. These UCITS can be sold daily on demand, conferring on them the characteristics of short-term, highly liquid investments that are readily convertible to known amounts of cash. These instruments are not intended to be held more than three months and offer a yield similar to the EONIA (European Overnight Index Average) interbank rate, thereby limiting sensitivity to interest rates. The regularity of performance trends does not expose them to a material risk of change in value.

Cash and cash equivalents are valued at fair value through the Consolidated Income Statement. Note 1.26 sets out the method of determining fair value. Cash and cash equivalents belong to fair value levels 1 and 2:

- instruments with a quoted price in an active market in level 1;
- other instruments that are not quoted but the fair value of which is determined using valuation techniques involving standard mathematical calculation methods integrating observable market data, in level 2.

Bank overdrafts repayable on demand which form an integral part of the Group's cash management policy represent a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

1.14.4 Measurement and recognition of financial liabilities

With the exception of trading liabilities and liability derivative instruments which are measured at fair value, borrowings and other financial liabilities are recognized initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

When the financial liability issued includes an embedded derivative which must be recognized separately, the amortized cost is calculated on the debt component only. The amortized cost at the acquisition date is equal to the proceeds from the issue less the fair value of the embedded derivative.

1.14.5 Non-controlling interest put options

Pursuant to IFRS 10, non-controlling interests in fully consolidated subsidiaries are considered a component of equity.

Furthermore, in accordance with IAS 32, Financial Instruments: Presentation, non–controlling interest put options are recognized as liabilities.

1.14.6 Measurement and recognition of derivative instruments

The Group uses various derivative instruments to manage its exposure to interest rate and foreign exchange risks resulting from its operating, financial and investment activities. Certain transactions performed in accordance with the Group interest rate and foreign exchange risk management policy do not satisfy hedge accounting criteria and are recorded as trading instruments.

Derivative instruments are recognized in the Consolidated Statement of Financial Position at fair value. Other than the exceptions detailed below, changes in the fair value of derivative instruments are recorded through the Consolidated Income Statement. The fair value of derivatives is estimated using standard valuation models which take into account active market data.

Net gains and losses on instruments at fair value through the Consolidated Income Statement consist of swapped flows and the change in the value of the instrument.

Derivative instruments may be designated as hedges under one of three types of hedging relationship: fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation:

- a fair value hedge is a hedge of exposure to changes in fair value of a recognized asset or liability, or an identified portion of such an asset or liability, that is attributable to a specific risk (primarily interest rate or foreign exchange risk), and could affect net income for the period;

- a cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction (such as a planned purchase or sale) and could affect net income for the period;
- a hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of a foreign operation including loans considered part of the investment (IAS 21, The Effects of Changes in Foreign Exchange Rates).

An asset, liability, firm commitment, future cash-flow or net investment in a foreign operation qualifies for hedge accounting if:

- the hedging relationship is precisely defined and documented at the inception date;
- the effectiveness of the hedge is demonstrated at inception and by regular verification of the offsetting nature of movements in the market value of the hedging instrument and the hedged item. The ineffective portion of the hedge is systematically recognized in the Consolidated Income Statement.

The use of hedge accounting has the following consequences:

- in the case of fair value hedges of existing assets and liabilities, the hedged portion of these items is measured at fair value in the Consolidated Statement of Financial Position. The gain or loss on remeasurement is recognized in the Consolidated Income Statement, where it is offset against matching gains or losses arising on the fair value remeasurement of the hedging financial instrument, to the extent it is effective;
- in the case of cash flow hedges, the portion of the gain or loss on the fair value remeasurement of the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, while the gain or loss on the fair value remeasurement of the underlying item is not recognized in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss on the hedging instrument is recognized in the Consolidated Income Statement. Gains or losses recognized in other comprehensive income are released to the Consolidated Income Statement in the same period or periods in which the asset acquired or liability issued impacts net income;
- in the case of net investment hedges, the effective portion of the gain or loss on the hedging instrument is recognized in translation reserves in other comprehensive income, while the ineffective portion is recognized in the Consolidated Income Statement. Gains and losses recognized in foreign exchange translation reserves are released to the Consolidated Income Statement when the foreign investment is sold.

1.14.7 Embedded derivatives

An embedded derivative is a component of a host contract that satisfies the definition of a derivative instrument and whose economic characteristics are not closely related to that of the host contract. An embedded derivative must be separated from its host contract and accounted for as a derivative if, and only if, the following three conditions are satisfied:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the embedded derivative satisfies the definition of a derivative laid down in IAS 39; and
- the hybrid instrument is not measured at fair value with changes in fair value recognized in the Consolidated Income Statement.

1.14.8 Treasury shares

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

1.15 Pension plans and other post-employment benefits

Veolia Environnement and its subsidiaries have several pension plans.

Defined contribution plans: plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments.

These obligations are expensed in the Consolidated Income Statement when due.

Defined benefit plans: all plans which do not meet the definition of a defined contribution plan. The net obligations of each Group entity are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. The amount of the obligation is discounted to present value and the fair value of plan assets is deducted.

Where the calculation shows a plan surplus, the asset recognized is capped at the total of the discounted present value of profits, in the form of future repayments or reductions in plan contributions. The plan surplus is recognized in non-current financial assets.

Certain obligations of the Group or Group entities may enjoy a right to reimbursement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. This right to reimbursement is recognized in non-current financial assets.

The financing of defined benefit pension plans may lead the Group to make voluntary contributions to pension funds. Where applicable, these voluntary contributions are presented in Net cash from operating activities in the Consolidated Cash Flow Statement, in the same way as other employer contributions.

Employee obligations of the Group are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with companies in the Group until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary area. They are determined based on the yield offered by bonds issued by leading companies (rated AA) or treasury bonds where the market is not liquid, with maturities equivalent to the average term of the plans valued in the relevant region. This results in the recognition of pension-related assets or provisions in the Consolidated Statement of Financial Position and the recognition of the related net expenses.

Pursuant to IAS 19, Employee Benefits, actuarial gains and losses are recognized in other comprehensive income.

1.16 Share-based payments

Pursuant to IFRS 2, Share-based Payment, an expense is recorded in respect of share purchase or subscription plans and other share-based compensation granted by the Group to its employees. The fair value of these plans at grant date is expensed in the Consolidated Income Statement and recognized directly in equity in the period in which the benefit is vested and the service is rendered.

The fair value of instruments granted is calculated using the Black and Scholes model, taking into account their expected life, the risk-free interest rate, expected volatility, determined based on observed volatility in the past and dividends expected on the shares.

The compensation expense in respect of employee saving plans corresponds to the difference between the subscription price and the average share price at each subscription date, less a discount for non-transferability and to the Company's contribution to subscribers.

1.17 Revenue

Revenue represents sales of goods and services measured at the fair value of the counterparty received or receivable.

Revenue from the sale of goods or services is recognized when the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- the significant risks and rewards of ownership of the goods have been transferred to the buyer, in the case of sales of goods;
- the stage of completion of the transaction at the year-end may be reasonably determined in the case of sales of services;
- the recovery of the counterparty is considered probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17.1 Sales of goods

Sales of goods mainly concern the sale of technological procedures and solutions relating to the treatment of water (drinking water and wastewater treatment) in the Water activities and sales of products related to recycling activities in the Waste activities.

Revenue relating to these sales is recognized on physical delivery of the goods, which represents the transfer of the inherent risks of ownership of these goods.

1.17.2 Sales of services

The provision of services represents the majority of Group activities such as the processing of waste, water distribution and related services, network operation and Energy services (heat distribution, thermal services and public lighting).

Revenue from these activities is recognized when the service is rendered and it is probable that the economic benefits will flow to Group entities.

These activities involve the performance of a service agreed contractually (nature, price) with a public sector or industrial customer, within a set period. Billing is therefore based on the waste tonnage processed/incinerated, the volume of water distributed, the thermal power delivered or the number of passengers transported, multiplied by the contractually agreed price.

It should be noted that fees and taxes collected on behalf of local authorities are excluded from Revenue when the Group does not bear the risk of payment default by third parties.

1.17.3 Construction contracts (excluding service concession arrangements)

Construction contracts mainly concern the design and construction of the infrastructures necessary for water treatment/distribution and wastewater treatment activities.

The related revenue is recognized in accordance with IAS 11, Construction Contracts (see Note 1.22).

1.17.4 IFRIC 4 Contracts

Contracts falling within the scope of IFRIC 4, Determining Whether an Arrangement Contains a Lease (see Note 1.21), involve services generally rendered to industrial/private customers. All service components to which the parties have agreed are detailed in contracts such as BOT (Build, Operate, Transfer) contracts.

Services include the design, construction and financing of the construction of a specific asset/installation on behalf of the customer and the operation of the asset concerned. In this context and in accordance with IFRIC 4, revenue is recognized in accordance with the accounting method applicable to construction contracts.

Construction revenue is recognized in accordance with the percentage completion method and, more generally, the principles set out in IAS 11. At the same time, the amount of built assets is recorded in “Operating financial assets”.

The service invoiced to the customer includes a component representing the operation of the specific asset/installation concerned and a second component representing the financing of the construction.

- revenue relating to the operation of the asset is recognized on delivery of the goods or performance of the service, in accordance with IAS 18.
- the financing of construction work involves finance costs that are invoiced to the customer and recognized in Revenue, under Revenue from operating financial assets. This interest is recognized in Revenue from the start of construction work and represents remuneration received by the builder/lender.

1.17.5 Concession arrangements (IFRIC 12)

See Note 1.20 on service concession arrangements.

1.18 Financial items in the Consolidated Income Statement

Finance costs consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

Interest costs included in payments under lease finance contracts are recorded using the effective interest method.

Finance income consists of gains on interest rate derivatives, both qualifying and not qualifying as hedges and income from cash investments and equivalents.

Interest income is recognized in the Consolidated Income Statement when earned, using the effective interest method.

Other financial income and expenses primarily include income on financial receivables calculated using the effective interest method, dividends, foreign exchange gains and losses, impairment losses on financial assets and the unwinding of discounts on provisions.

1.19 Income taxes

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

Deferred tax assets and liabilities are generally recognized on deductible timing differences and/or tax loss carry forwards.

Deferred tax assets arising from timing differences are only recognized when it is probable that:

- there are sufficient taxable timing differences within the same tax group or tax entity that are expected to reverse in the same periods as the expected reversal of such deductible timing differences or in the periods when the deferred tax assets arising from tax losses can be carried back or forward;
- or the Group is likely to generate sufficient future taxable profits against which the asset can be offset.

At each period end, the Group reviews the recoverable amount of deferred tax assets arising from material tax losses carried-forward.

Deferred tax assets arising from these tax losses are no longer recognized or are reduced when required by the specific facts and circumstances of each company or tax group concerned, and particularly when:

- the forecast period and uncertainties regarding the economic environment no longer enable the probability of utilization to be assessed;
- the companies have not started utilizing the losses;
- the forecast utilization period exceeds the carry forward period authorized by tax legislation;
- offset against future taxable profits is uncertain due to the risk of different interpretations of the application of tax legislation.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

1.20 Description of Group concession activities

In the course of its activities, Veolia provides collective services (distribution of drinking water and heating, passenger transport network, household waste collection, etc.) to local authorities in return for a remuneration based on services rendered.

These collective services (also known as services of general interest or general economic interest or public services) are generally managed by Veolia under contracts entered into at the request of public bodies which retain control thereof.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated installations built by Veolia, or made available to it for a fee or nil consideration:

- these contracts define "public service obligations" in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term;
- Veolia can, in certain cases, be responsible for a given service as it holds the service support network (water/heat distribution network, water treatment network). Such situations are the result of full or partial privatizations. Provisions impose public service obligations and the means by which the local authority may recover control of the concession holder.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where appropriate, a provision for contractual commitments is recorded in respect of commitments resulting from delays in the performance of work.

The nature and extent of the Group's rights and obligations under these different contracts differ according to the public services rendered by the different Group businesses.

The accounting treatment is disclosed in Notes 7 and 13.

Water

Veolia manages municipal drinking water and/or waste water services. These services encompass all or part of the water cycle (extraction from natural sources, treatment, storage and distribution followed by collection and treatment of waste water and release into the environment).

In France, these services are primarily rendered under public service delegation “affermage” contracts with a term of 8 to 20 years. They concern the production and distribution of drinking water and/or the collection and treatment of waste water. They use specific assets, such as distribution or wastewater treatment networks and drinking water or wastewater treatment plants, which are generally provided by the concession grantor and returned to it at the end of the contract.

Abroad, Veolia renders its services under contracts which reflect local legislation, the economic situation of the country and the investment needs of each partner.

These contracts are generally concession arrangements, service contracts or O&M (Operate & Manage) and BOT contracts with an average term of between 7 and 40 years, and sometimes longer.

Contracts can also be entered into with public entities in which Veolia purchased an interest on their partial privatization. The profitability of these contracts is not fundamentally different from other contracts, but operations are based on a partnership agreement with the local authority.

Waste solutions

Both in France and abroad, the main concession arrangements entered into by Veolia concern the treatment and recovery of waste in sorting units, storage and incineration. These contracts have an average term of 18 to 30 years.

Energy Services

Veolia has developed a range of energy management activities: heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, and integration services for the comprehensive management of buildings and electrical services on public roadways.

The main contracts concern the management of heating and air-conditioning networks under urban concessions or on behalf of local authorities.

In Eastern Europe, Veolia’s Energy Services activity provides services under mixed partial privatizations or through public-private partnerships with local authorities responsible for the production and distribution of thermal energy.

Accounting for service concession arrangements

Concession arrangements are recognized in accordance with IFRIC 12, Service Concession Arrangements.

A substantial portion of the Group's assets is used within the framework of concession or affermage contracts granted by public sector customers ("grantors") and/or by concession companies purchased by the Group on full or partial privatization. The characteristics of these contracts vary significantly depending on the country and activity concerned.

Nonetheless, they generally provide, directly or indirectly, for customer involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

IFRIC 12 is applicable to concession arrangements comprising a public service obligation and satisfying all of the following criteria:

- the concession grantor controls or regulates the services to be provided by the operator using the asset, the infrastructure, the beneficiaries of the services and prices applied;
- the grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to IFRIC 12, such infrastructures are not recognized in assets of the operator as property, plant and equipment but in financial assets ("financial asset model") and/or intangible assets ("intangible asset model") depending on the remuneration commitments given by the grantor.

1.20.1 Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor in remuneration for concession services.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- amounts specified or determined in the contract; or
- the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Financial assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets" and recognized at amortized cost.

Unless otherwise indicated in the contract, the effective interest rate is equal to the weighted average cost of capital of the entities carrying the assets concerned.

Cash flows relating to these operating financial assets are included in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement.

Pursuant to IAS 39, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR.

The portion falling due within less than one year is presented in "Current operating financial assets," while the portion falling due within more than one year is presented in the non-current heading.

Revenue associated with this financial model includes:

- revenue recorded on a completion basis, in the case of construction operating financial assets (in accordance with IAS 11);
- the remuneration of the operating financial asset recorded in Revenue from operating financial assets (excluding principal payments);
- service remuneration.

1.20.2 Intangible asset model

The intangible asset model applies where the operator is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the recoverable amount. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service in remuneration of concession services.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Concession intangible assets" and are amortized, generally on a straight-line basis, over the contract term.

Cash outflows, that is disbursements, relating to the construction of infrastructures under concession arrangements accounted using the “intangible asset model” are presented in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement, while cash inflows are presented in Net cash from operating activities.

Under the intangible asset model, Revenue includes:

- revenue recorded on a completion basis for assets and infrastructure under construction (in accordance with IAS 11);
- service remuneration.

1.20.3 Mixed or bifurcation model

The choice of the financial asset or intangible asset model depends on the existence of payment guarantees granted by the concession grantor.

However, certain contracts may include a payment commitment on the part of the concession grantor covering only part of the investment, with the balance covered by royalties charged to users.

Where this is the case, the investment amount guaranteed by the concession grantor is recognized under the financial asset model and the residual balance is recognized under the intangible asset model.

1.21 Finance leases

IFRIC 4 seeks to identify the contractual terms and conditions of agreements which, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract remuneration. It identifies in such agreements a lease contract which is then analyzed and accounted for in accordance with the criteria laid down in IAS 17, based on the allocation of the risks and rewards of ownership.

The contract operator therefore becomes the lessor with respect to its customers. Where the lease transfers the risks and rewards of ownership of the asset in accordance with IAS 17 criteria, the operator recognizes a financial asset to reflect the corresponding financing, rather than an item of property, plant and equipment.

These financial assets are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets". They are initially recorded at the lower of fair value and total future flows and subsequently at amortized cost using the effective interest rate of the contract.

The portion falling due within less than one year is presented in "Current operating financial assets," while the portion falling due within more than one year is presented in the non-current heading.

Contracts falling within the scope of IFRIC 4 are either outsourcing contracts with industrial customers, BOT (Build, Operate and Transfer) contracts, or incineration or cogeneration contracts under which, notably, demand or volume risk is, in substance, transferred to the prime contractor.

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue in the Consolidated Income Statement, in accordance with the percentage completion method laid down in IAS 11 on construction contracts.

The financial receivables resulting from this analysis are initially measured at the fair value of lease payments receivable and then amortized using the effective interest method.

After a review of the contract and its financing, the implied interest rate on the financial receivable is based on either the Group financing rate and /or the borrowing rate associated with the contract.

1.22 Construction contracts

Veolia recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts as defined by IAS 11.

Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably.

The percentage of completion is determined by comparing costs incurred at the period end with total estimated costs under the contract. Costs incurred comprise costs directly attributable to the contract and borrowing costs incurred up to completion of the work. However, prospection costs, costs incurred prior to contract signature, and administrative and selling costs are expensed in the period incurred and do not therefore contribute to contract completion.

Where total contract costs exceed total contract revenue, the Group recognizes a loss to completion as an expense of the period, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably. Provisions for losses to completion are recorded as liabilities in the Consolidated Statement of Financial Position.

The amount of costs incurred, plus profits and less losses recognized and intermediary billings is determined on an individual contract basis. In accordance with IAS 11, where positive, this amount is recognized in assets in "amounts due from customers for construction contract work" (in “Other operating receivables”). Where negative, it is recognized in liabilities in "amounts due to customers for construction contract work" (in “Other operating payables”).

Partial payments received under construction contracts before the corresponding work has been performed, are recognized in liabilities in the Consolidated Statement of Financial Position under advances and down-payments received.

1.23 Electricity purchase and sale contracts

Certain Veolia Environnement subsidiaries are required to purchase or sell electricity on the market, in order to manage supplies and optimize costs.

1.23.1 Revenue

After analysis of contractual terms and conditions, the net margin on trading activity transactions is recognized in "Revenue".

1.23.2 Financial instruments

Certain subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IAS 39.

1.23.2.1 Application scope of IAS 39

Options and forward purchase and sale contracts with physical delivery are excluded from the application scope of IAS 39 if entered into for own use (“exception for own-use”).

This exception is applicable when the following conditions are satisfied:

- the volumes purchased or sold under the contracts reflect the operating requirements of the subsidiary;
- the contracts are not subject to net settlement as defined by IAS 39 and, in particular, physical delivery is systematic;
- the contracts are not equivalent to sales of options, as defined by IAS 39.

1.23.2.2 Recognition and measurement of instruments falling within the application scope of IAS 39

Instruments falling within the application scope of IAS 39 are derivative instruments and are measured at fair value; calculated using models mostly based on observable data (see Note 1.26). Fair value movements are recorded in operating income. The net impact of the unwinding of these transactions is recorded in revenue (see Note 21).

1.24 Greenhouse gas emission rights

Pursuant to the Kyoto Protocol signed in 1997, the European Union undertook to reduce its greenhouse gas emissions by 8% in 2012 compared to 1990. Directive 2003/87/EC introduced an Emissions Trading Scheme (ETS) to transfer this commitment to the main emitters, that is, electricity and heat production combustion installations with thermal output greater than 20 MW and the main industrial sites in the European Union.

Directive 2009/29/EU extends the ETS beyond the EU’s commitment under the Kyoto Protocol and provides for a 20% reduction in greenhouse gases in 2020 compared with 1990, through an equivalent reduction in emission allowances created. In this new phase, effective since January 1, 2013, the proportion of allowances granted free of charge decreases substantially in 2013 and then progressively each year. The new calculation method is no longer based on past emissions at each site, but on benchmark emissions for each sector and an annual reduction factor. On September 5, 2013, the European Commission set the total amount of allowances granted free of charge (Decision 2013/448/EU).

The actual emissions position is determined each year and the corresponding rights surrendered. The Group then purchases or sells emission rights, depending on whether actual emissions are greater or lesser than emission rights allocated.

In the absence of specific IFRS provisions, the Group has adopted the “net liability approach,” which involves the recognition of a liability at the period end if actual emissions exceed allowances held, in accordance with IAS 37.

Allowances are managed as a production cost and, in this respect, are recognized in inventories at:

- nil value, when they are received free of charge;
- acquisition cost, if purchased for valuable consideration on the market.

Consumption of this inventory is recognized on a weighted-average unit cost basis.

Transactions in these allowances performed on the forward market are generally recognized outside the application scope of IAS 39 (“own use” exemption), except for certain specific transactions related to the hedging of electricity production activities.

1.25 Segment reporting

The operating segments are components of the Group that engage in activities and whose operating results are reviewed by the Group Chairman and Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance.

Following the reorganization of the Group in 2014, the Group now presents the following operating segments:

- France;
- Europe, excluding France;
- Rest of the world;
- Global Businesses;
- Other.

The Group’s main joint ventures, *i.e.* the Chinese Water concessions, form an integral part of the Group’s strategic development objectives. Accordingly, their operating performance is followed by the Group Chairman and Chief Executive Officer, in group share, in the Rest of the world operating segment.

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements. The main financial aggregates, in group share, are also presented for the Chinese Water concessions.

1.26 Fair value determination principles

The fair value of all financial assets and liabilities is determined at the period end; either for recognition in the accounts or disclosure in the notes to the financial statements (see Note 29).

Fair value is determined:

i. Based on quoted prices in an active market (level 1) or;

ii. Using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of Veolia Group or the counterparty (level 2) or;

ii. Using internal valuation techniques integrating factors estimated by the Group in the absence of observable market data (level 3).

1.26.1 Quoted prices in an active market (level 1)

When quoted prices in an active market are available, they are adopted in priority for the determination of the market value. Marketable securities and certain quoted bond issues are valued in this way.

1.26.2 Fair values determined using models integrating observable market data (level 2)

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Group credit risk.

1.26.3 Fair values determined using models integrating certain non-observable data (level 3)

Derivative instruments valued using internal models integrating certain non-observable data include certain electricity derivative instruments for which there are no quoted prices in an active market (notably for electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials, interest-rate curves, etc.), in particular for distant maturities.

Note 2 Use of management estimates in the application of Group accounting standards

Veolia may be required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Future results may be different from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered as reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change.

Accounting estimates underlying the preparation of the accounts were made in an uncertain economic and financial environment (volatile financial markets, government austerity measures, etc.) making economic forecasting more difficult. In this context, the consolidated financial statements for the period were prepared based on the current environment, particularly with respect to the estimates presented below.

Veolia must make assumptions and judgments when assessing the level of control exercised over certain investments and particularly when defining relevant activities and identifying substantial rights. These judgments are reassessed when the facts and circumstances change.

Pursuant to the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the Group must exercise judgment in determining whether the criteria for recognizing an asset or group of assets as held for sale are met and in measuring these assets. Furthermore, discontinued operations are identified with respect to criteria also defined in IFRS 5. These assessments are reviewed at each period end taking account of any changes in facts or circumstances.

Notes 1.5.1, 4 and 6 on goodwill and business combinations present the methods adopted for the fair value measurement of identifiable assets acquired and liabilities assumed in business combinations. Allocations are based on future cash flow assumptions and discount rates.

Notes 1.11, 6 and 22 concern goodwill and non-current asset impairment tests. Group management performed tests based on best forecasts of discounted future cash flows of the activities of the cash-generating units concerned. Sensitivity analyses were also performed on invested capital values and are presented in the aforementioned notes.

Notes 1.14 and 1.26 describe the principles adopted for the determination of financial instrument fair values.

Notes 15 and 25 concern deferred tax asset and liability balances and the income tax expense. They present the tax position of the Group and are based, primarily in France and in the United States, on best estimates available to the Group of results of tax audits in progress and trends in future tax results.

Notes 19, 31 and 36 on provisions, employee benefit obligation and contingent assets and liabilities, detail the provisions recognized by Veolia. Veolia determined these provisions based on best estimates of these obligations.

Note 30 on derivative instruments describes the accounting treatment of derivative instruments. Veolia valued these derivative instruments, allocated them and tested their effectiveness where necessary.

All these estimates are based on organized procedures for the collection of forecast information on future flows, validated by operating management, and on expected market data based on external indicators and used in accordance with consistent and documented methodologies.

The following calculation method was adopted for discount rates:

- application of IAS 36, Impairment of assets: in accordance with Group practice, the discount rates used correspond to the weighted-average cost of capital, calculated annually. A specific risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro area and the following countries on the periphery of the euro area: Ireland, Italy, Portugal, Slovakia, Slovenia and Spain;

- application of IAS 37, Provisions, Contingent Liabilities and Contingent Assets: the discount rates used consist of a risk-free interest rate and a risk premium specific to the underlying assets and liabilities;
- application of IAS 19 revised, Employee Benefits: commitments were measured using a range of market indices and, in particular the Iboxx index, and data provided by actuaries. The same method was used year-on-year.

Note 3 Significant events

3.1 Ongoing implementation of the organization transformation plan

3.1.1 Transformation of the Group organizational structure

The reorganization of the Group as announced on July 8, 2013, led it to adapt, from January 1, 2014 the segment reporting structure so as to reflect the Group's performance as monitored by the Chief Operating Decision Maker. Financial information is now reported according to the following segments:

- France
- Europe, excluding France, including Dalkia International subsidiaries from July 25, 2014;
- Rest of the world, including Dalkia International subsidiaries from July 25, 2014;
- Global Businesses;
- Other, including the various Group holding companies and the contribution of Dalkia France up to the date of the Dalkia transaction on July 25, 2014 (see Note 4).

3.1.2 Completion of the transaction between Veolia Environnement and EDF regarding Dalkia

As a reminder, discussions between Veolia Environnement and EDF led to the signature of a Memorandum Of Understanding in October 2013, with the goal of reaching an agreement on their joint subsidiary Dalkia.

The transaction contemplated by the agreement signed by Veolia Environnement and EDF on March 25, 2014 in respect of their joint subsidiary, Dalkia, was finalized on July 25, 2014.

This transaction is presented in detail in Note 4.

3.1.3 Delisting from the New York Stock Exchange

On December 12, 2014, Veolia Environnement confirmed that it had filed a request to delist its ADRs from the New York Stock Exchange (NYSE), with a view to terminating its registration with the U.S. Securities and Exchange Commission (SEC).

The delisting should generate savings and eliminate the additional costs relating to the double listing on the New York and Euronext Paris stock exchanges.

As announced, Veolia Environnement will maintain its American Depositary Receipt (ADR) program managed by The Bank of New York Mellon as a sponsored level 1 facility. ADR holders will thus be able to conserve their ADRs following the NYSE delisting and the termination of the company's registration.

The NYSE delisting was effective on December 23, 2014. Furthermore, on the same day, Veolia Environnement filed a Form 15F suspending its registration with the US Securities and Exchange Commission (SEC). The final end of this registration is effective ninety days after the filing of the Form 15F with the SEC.

3.2 Changes in Group structure

3.2.1 Principal divestitures

Marius Pedersen

On June 27, 2014, Veolia completed the divestiture of its 65% stake in Marius Pedersen Group, a joint-venture, to Fondation Marius Pedersen for a consideration of €240 million. Marius Pedersen Group provides solid waste management services in Denmark, the Czech Republic and Slovakia (see also Note 10).

Activities in Israel

On July 2014, the Group signed an agreement with funds managed by Oaktree Capital Management, L.P., a global investment manager, for the sale of its water, waste and energy activities in Israel (see also Note 26.1.).

This transaction will contribute around €200 million to the reduction in Veolia's debt. It is part of Veolia's strategy to refocus the Group geographically and to concentrate on areas that offer less capital intensive opportunities.

Completion of this transaction is expected in the first half of 2015.

3.2.2 SNCM/TRANSDEV

2014 was marked by the following developments in SNCM:

- The larger role played by the French State in the major decisions affecting the company's future. The French State became a direct shareholder in SNCM in January 2014 and participates directly in the financing of SNCM's activities and the definition of its industrial strategy. In particular, the French State granted SNCM several cash advances totaling €30 million over the period. For their part, neither Veolia nor Transdev Group accorded additional fundings;

- The change in the chairmen of its two governing bodies in June and July 2014 (among which appointment of general secretay of Transdev Group, as chairman of the Supervisory Board);

- The use by SNCM of a portion of escrow amounts (Napoléon Bonaparte insurance compensation) for purposes other than payment of severance compensation to SNCM employees, leading Transdev and Veolia Environnement to call in their loans to SNCM, with effect from November 3, 2014. SNCM management therefore filed for bankruptcy on the grounds of insolvency on November 4, 2014 and the Marseille Commercial Court opened receivership proceedings on November 28, 2014.

This procedure is accompanied by a search for potential buyers for the assets and activities of SNCM under a divestiture plan. An invitation for tenders was launched by the administrative receivers on December 19, 2014 and includes the possibility of acquiring the public service delegation contracts on a line-by-line basis as requested by the European Commission. Tenders were received on February 2, 2015 and are currently being reviewed by court administrators.

For further information on the proceedings concerning SNCM, please refer to Note 36.

Impact on the consolidated financial statements for the year ended December 31, 2014

SNCM remains equity-accounted indirectly as part of the Transdev Group joint venture.

Considering the opening of SNCM receivership proceedings, the assumptions underlying the accounting treatment of SNCM in the 2014 consolidated financial statements remain consistent with those adopted in prior years (appropriate collective procedure accompanied by a divestiture plan and a settlement agreement).

Accordingly, the accounting treatment adopted in the 2014 consolidated financial statements is based on a fair assessment of the residual financial exposure of the Group in the context of collective proceedings through its indirect investment in SNCM.

With regards to the European disputes, the repayments claimed by the European Commission in respect of the privatization process (€220 million excluding interest) and compensation paid for so-called complementary services (€220 million excluding interest; OTC having issued receipt orders in November 2014 in the amount of €197.8 million, of which €167.2 million excluding interest), would not be paid under the modeled assumptions. Should this scenario not prevail, the Company would reassess the financial effects.

Transdev Group

The Group's investment in Transdev Group does not represent an extension of the Group's businesses within the meaning of the recommendation issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, as the Group aims to withdraw from the transportation business.

While SNCM's difficulties may slowdown the implementation of this policy, the desired final outcome remains unchanged.

3.2.3 Other transactions

Purchase of IFC's investment in Veolia Voda

On April 18, 2014, VE-CGE signed an agreement to purchase International Finance Corporation's (IFC) minority interest in Veolia Voda (9.52% of Veolia Voda's share capital) for €90.9 million. Following this transaction, the Group's stake in Veolia Voda is 91.64%

Morocco

A sales process was launched in 2012 with the Actis fund for Water activities in Morocco, which were therefore reclassified to discontinued operations as of December 31, 2012 and retained in discontinued operation as of December 31, 2013, based on the agreement signed in March 2013 (see also Note 26.2).

In the first half of 2014, the majority of the municipalities rejected the sale to the Actis fund and announced their intention to buyback the concessions.

However, as the Group did not receive formal notification from the municipalities of their intention to buyback the concessions during the second half of the year, Water activities in Morocco were reclassified to continuing operations retroactively from January 1, 2013 in accordance with IFRS 5 (see also Note 26.2).

3.3 Group financing

3.3.1 Dividend payment

As decided at the General Shareholders' Meeting of April 24, 2014, Veolia Environnement offered shareholders a choice of payment of the dividend in cash or shares. The share payment option was taken up for 46.67% of coupons payable, resulting in the creation of 13,426,093 shares representing approximately 2.38% of share capital and 2.44% of voting rights. Accordingly, the dividend payment in cash totaled €199.5 million and was paid on May 28, 2014.

3.3.2 Early reversal of a portion of the swap portfolio

In June 2014, the Group launched the early reversal of its portfolio of euro interest rate floating-rate payer swaps. The swaps unwound were classified as fair value hedges of bonds issued by Veolia Environnement. Balancing cash payments by the banks totaled €98.6 million and concerned notional outstandings of €2,850 million.

3.3.3 Partial buyback of notes

On November 24, 2014, Veolia Environnement performed partial buybacks of its euro notes: €40 million of the 4% euro notes maturing in February 2016, €10 million of the 4.375% euro notes maturing in January 2017 and €175 million of the 6.75% euro notes maturing in April 2019.

On December 19, 2014, Veolia Environnement bought back all 6% USD notes maturing in June 2018 for a total principal amount of USD 408 million.

The total cost of these buybacks of €62.3 million is recorded in net finance costs.

The purpose of this transaction was to actively manage the Company's debt and optimize its financing costs. It will allow the Company to reduce gross debt and thereby limit its cost of carrying cash and cash equivalents.

Note 4 Transaction between Veolia Environnement and EDF regarding Dalkia

4.1 Overview of the transaction

As disclosed in Note 3.1.2., the agreement signed by Veolia Environnement and EDF on March 25, 2014 in respect of their joint subsidiary Dalkia, was completed on July 25, 2014.

As part of this agreement, EDF acquired all Dalkia Group's Energy Services activities in France, operating under the Dalkia brand, while the international Energy Services operations (Dalkia International) were taken over by the Group.

After the authorization of antitrust authorities was received at the end of June 2014, the transaction was completed on July 25, 2014 and resulted in the divestiture of the Group's Dalkia France shares to EDF and the divestiture of EDF's Dalkia International shares to the Group, these two divestitures being part of one transaction.

The settlement of these two transactions led to a cash payment to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities. A cash payment of €661 million was made by the Group to EDF. Following this transaction, the Group may continue to operate the international Energy Services activities under the Dalkia brand for a maximum period of 18 months.

If the transaction had been completed on January 1, the international Energy Services activities would have contributed €3,997.8 million to Revenue and €191.7 million to Operating income after share of net income/(loss) of equity-accounted entities (adjusted for goodwill and assets impairments).

It is recalled that Dalkia France reported revenues of €3,479.4 million in 2013.

The Group bore total costs of €7.5 million in respect of this transaction.

4.2 Accounting impact of the transaction

Recognition of a net gain on the disposal of Dalkia France

The divestiture to EDF of Dalkia activities in France held by the Group generated a capital gain on disposal of €2 million.

Remeasurement of the interest in Dalkia International previously held by the Group

It is recalled that until the transaction completion date, Dalkia International was jointly controlled by the Group and EDF and was accordingly equity-accounted in the consolidated financial statements. The additional purchase of Dalkia International shares from EDF provides the Group with control of Dalkia International. This transaction is reflected in the accounts by the fair value remeasurement of the interest previously held in Dalkia International through the Consolidated Income Statement in the amount of €500 million and the full consolidation of Dalkia International from the transaction completion date.

Fair value remeasurement of Dalkia International assets and liabilities

The acquisition of control of Dalkia International as a result of the transaction requires the fair value remeasurement of the assets and liabilities of the entity pursuant to IFRS 3 on business combinations. The main impacts of the fair value remeasurement of assets concern property, plant and equipment (networks, boilers and turbines) in the amount of €388 million and intangible assets (contracts and contract portfolios) in the amount of €128 million, before income tax and non-controlling interests.

Following this exercise, provisional residual goodwill was recognized in the amount of €1,271 million, Group share, primarily in respect of Central European countries. The following fair values were allocated to Dalkia International assets and liabilities at the acquisition date:

In millions of euros at the acquisition date of July 25, 2014	
Intangible assets	476
Property, plant and equipment	2,454
Other non-current assets	355
Non-current assets	**3,285**
Inventories	320
Operating receivables	1,453
Other current assets	55
Cash and cash equivalents	210
Assets clasified as held for sale	133
Current assets	**2,171**
Non-controlling interests	(384)
Non-controlling interests	**(384)**
Non-current liabilities	**(907)**
Operating payables	(1,299)
Other non-current liabilities	(123)
Bank overdrafts and other cash position items	(1,605)
Liabilities directly associated with assets classified as held for sale	(35)
Current liabilities	**(3,062)**
Share of net assets acquired by the Group	**1,103**
Consideration transferred *	**2,374**
Residual goodwill	**1,271**

* *The consideration transferred was taken from the transaction data which led to a cash payment by the Group of €661 million.*

Presentation of the impacts of the transaction on the consolidated financial statements

The impacts of this transaction on the consolidated financial statements can be summarized as follows:

Impacts on the Consolidated Income Statement:

In millions of euros	
Capital gains (losses):	
• in operating income	(17)
• in net income (loss) of joint ventures	519
Total capital gains (losses)	**502**
o/w Dalkia France	*2*
o/w Dalkia International	*500*
Disposal costs	(7)
Operating income after share of net income (loss) of equity-accounted entities	**495**
Capital losses on the sale of financial assets	(1)
Income tax expense	(12)
TOTAL IMPACT OF THE TRANSACTION	**482**

Impacts on the Consolidated Cash Flow Statement and the Statement of Change in Net Financial Debt:

(€ million)	**Consolidated Cash Flow Statement**	**Statement of Change in Net Financial Debt**
Cash payment	(661)	(661)
Integration of net cash and cash equivalents / Net financial debt from Dalkia International	175	113
Dalkia France net cash and cash equivalents / Net financial debt transferred out	(23)	176
Repayment of Dalkia France financing	738	738
Other	(18)	(18)
TOTAL IMPACT	**211**	**348**
Net cash and cash equivalents / Net financial debt transferred to assets and liabilities classified as held for sale in 2013	22	(155)
IMPACT IN 2014	**233**	**193**

Note 5 Reporting by operating segment

The operating segments are components of the Group that engage in activities and whose operating results are reviewed by the Group Chairman (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance.

Information presented to the Chief Operating Decision Maker is taken from the Group internal reporting system.

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements.

Until December 31, 2013, the presentation by operating segment corresponded to the Group’s traditional four businesses, that is, Water, Waste, Energy Services and Other Segments.

From 2014, the new organizational structure as announced on July 8, 2013 led the Group to adapt its segment reporting to better reflect the Group’s performance as reviewed by the Chief Operating Decision Maker.

In accordance with the provisions of IFRS 8 on the identification of operating segments and after taking account of regrouping criteria, the following segments are now presented:

- **France**
- **Europe, excluding France,** including Dalkia International subsidiaries from July 25, 2014;
- **Rest of the world,** including Dalkia International subsidiaries from July 25, 2014;
- **Global Businesses;**
- **Other**, including the various Group holding companies and the contribution of Dalkia France up to the date of the Dalkia transaction on July 25, 2014 (see Note 4).

The main financial aggregates, in group share, are also presented for the Chinese Water concessions.

Segment reporting for prior periods was restated for this change.

In accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the income statements of activities in the course of divestiture and activities divested (see Note 26) were transferred to "Net income (loss) from discontinued operations".

5.1 Reporting by operating segment

Operating cash flow before changes in working capital, as presented in the consolidated cash flow statement, is comprised of three components: **operating cash flow from operating activities** (referred to as "adjusted operating cash flow" and known in French as "capacité d'autofinancement opérationnelle") consisting of operating income and expenses received and paid ("cash"), operating cash flow from financing activities including cash financial items relating to other financial income and expenses and operating cash flow from discontinued operations.

2014							**Joint ventures (*Data in Group share*)**
(€ million)	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total consolidated financial statements**	**Chinese Water Concessions**
Revenue	**5,556.7**	**6,623.3**	**4,595.4**	**4,517.7**	**2,586.5**	**23,879.6**	**610.1**
Operating cash flow before changes in working capital	**534.7**	**694.5**	**538.2**	**193.0**	**214.2**	**2,174.6**	**111.0**
Adjusted operating cash flow	**537.0**	**691.6**	**543.8**	**206.3**	**185.6**	**2,164.3**	**108.6**
Net charges to operating provisions	*61.9*	*(103.4)*	*(53.7)*	*8.0*	*(75.3)*	*(162.5)*	*(8.0)*
Net depreciation and amortization	*(376.1)*	*(422.2)*	*(271.3)*	*(125.7)*	*(86.0)*	*(1,281.3)*	*(57.3)*
Impairment of goodwill and negative goodwill	*0.0*	*(299.1)*	*0.0*	*0.0*	*0.0*	*(299.1)*	*(8.6)*
Capital gains (losses) on disposal of non-current assets	*(3.6)*	*(3.4)*	*1.6*	*3.9*	*(0.4)*	*(1.9)*	*0.2*
Other	*0.0*	*(7.5)*	*(0.4)*	*0.4*	*2.1*	*(5.4)*	*(0.1)*
Operating income	**219.2**	**(144.0)**	**220.0**	**92.9**	**26.0**	**414.1**	**34.8**
Share of net income (loss) of equity-accounted entities	*8.2*	*23.7*	*23.3*	*6.7*	*591.2*	653.1	*0.3*
Operating income after share of net income (loss) of equity-accounted entities	**227.4**	**(120.3)**	**243.3**	**99.6**	**617.2**	**1,067.2**	**35.1**
Industrial investments	**(283.6)**	**(518.7)**	**(323.1)**	**(129.4)**	**(125.6)**	**(1,380.4)**	**(50.8)**

2013							Joint ventures (Data in Group share)
(€ million)	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total consolidated financial statements**	**Chinese Water Concessions**
Revenue	**5,627.4**	**4,830.9**	**3,789.6**	**4,162.5**	**4,409.3**	**22,819.7**	**555.0**
Operating cash flow before changes in working capital	**574.7**	**495.6**	**362.9**	**177.2**	**349.6**	**1,960.0**	**116.4**
Adjusted operating cash flow	**576.9**	**495.6**	**367.9**	**185.6**	**221.6**	**1,847.6**	**114.4**
Net charges to operating provisions	*(58.0)*	*5.5*	*(36.3)*	*5.9*	*(8.3)*	*(91.2)*	*0.0*
Net depreciation and amortization	*(422.2)*	*(313.4)*	*(221.8)*	*(131.1)*	*(165.1)*	*(1,253.6)*	*(54.4)*
Impairment of goodwill and negative goodwill	*0.0*	*(168.2)*	*(0.2)*	*0.0*	*(0.2)*	*(168.6)*	*(12.2)*
Capital gains (losses) on disposal of non-current assets	*10.9*	*3.6*	*(5.3)*	*47.0*	*95.2*	*151.4*	*0.1*
Other	*0.1*	*(10.8)*	*(5.7)*	*(0.1)*	*0.2*	*(16.3)*	*0.0*
Operating income	**107.7**	**12.3**	**98.6**	**107.3**	**143.4**	**469.3**	**47.9**
Share of net income (loss) of equity-accounted entities	*2.0*	*18.1*	*26.5*	*1.1*	*131.0*	**178.7**	*0.5*
Operating income after share of net income (loss) of equity-accounted entities	**109.7**	**30.4**	**125.1**	**108.4**	**274.4**	**648.0**	**48.4**
Industrial investments	**(301.6)**	**(290.3)**	**(239.6)**	**(117.7)**	**(277.7)**	**(1,226.9)**	**(47.2)**

2014							Joint venture (Data in Group share)
Assets by operating segment *(€ million)*	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total consolidated financial statements**	**Chinese Water Concessions**
Goodwill, net	1,160.9	2,174.5	696.2	451.1	16.7	4,499.4	259.0
Intangible assets and Property, plant and equipment, net	1,935.8	4,637.6	2,548.1	661.1	595.5	10,378.1	1,946.3
Operating financial assets	129.5	1,109.6	723.4	6.0	41.2	2,009.7	13.7
Working capital assets, including DTA	2,741.9	2,766.9	1,637.9	2,417.2	953.7	10,517.6	235.2
Total segment assets	**5,968.1**	**10,688.6**	**5,605.6**	**3,535.4**	**1,607.1**	**27,404.8**	**2,454.2**
Investments in joint ventures	13.0	17.9	1,614.2	10.6	387.5	2,043.2	0.0
Investments in associates	12.9	225.5	120.9	89.0	6.6	454.9	3.6
Other unallocated assets					4,821.6	4,821.6	(887.3)
TOTAL ASSETS	**5,994.0**	**10,932.0**	**7,340.7**	**3,635.0**	**6,822.8**	**34,724.5**	**1,570.5**

2013							Joint venture (Data in Group share)
Assets by operating segment *(€ million)*	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total consolidated financial statements**	**Chinese Water Concessions**
Goodwill, net	1,119.6	1,408.6	462.4	441.4	54.3	3,486.3	249.7
Intangible assets and Property, plant and equipment, net	2,016.2	2,208.9	1,794.1	653.9	723.6	7,396.7	1,760.6
Operating financial assets	147.2	903.1	659.5	7.1	79.1	1,796.0	23.4
Working capital assets, including DTA	2,824.5	1,237.2	1,348.7	2,078.0	966.9	8,455.3	193.9
Total segment assets	**6,107.5**	**5,757.8**	**4,264.7**	**3,180.4**	**1,823.9**	**21,134.3**	**2,227.6**
Investments in joint ventures	19.3	21.9	1,442.3	9.2	1,412.5	2,905.2	0.0
Investments in associates	16.9	199.9	76.2	84.9	7.1	385.0	3.3
Other unallocated assets					11,783.0	11,783.0	(945.4)
TOTAL ASSETS	**6,143.7**	**5,979.6**	**5,783.2**	**3,274.5**	**15,026.5**	**36,207.5**	**1,285.5**

2014							Joint venture (Data in Group share)
Liabilities by operating segment *(€ million)*	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total consolidated financial statements**	**Chinese Water Concessions**
Provisions for contingencies and losses	693.5	634.8	484.9	339.6	358.9	2,511.7	24.2
Working capital liabilities including DTL	3,353.7	2,621.7	1,731.3	2,203.6	922.6	10,832.9	628.7
Total segment liabilities	**4,047.2**	**3,256.5**	**2,216.2**	**2,543.2**	**1,281.5**	**13,344.6**	**652.9**
Other unallocated liabilities					21,379.9	21,379.9	917.6
TOTAL LIABILITIES	**4,047.2**	**3,256.5**	**2,216.2**	**2,543.2**	**22,661.4**	**34,724.5**	**1,570.5**

2013							Joint venture (Data in Group share)
Liabilities by operating segment *(€ million)*	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total consolidated financial statements**	**Chinese Water Concessions**
Provisions for contingencies and losses	691.1	407.4	435.5	315.8	308.0	2,157.8	23.1
Working capital liabilities including DTL	3,397.6	1,352.6	1,298.5	2,131.2	836.6	9,016.5	520.3
Total segment liabilities	**4,088.7**	**1,760.0**	**1,734.0**	**2,447.0**	**1,144.6**	**11,174.3**	**543.4**
Other unallocated liabilities					25,033.2	25,033.2	742.1
TOTAL LIABILITIES	**4,088.7**	**1,760.0**	**1,734.0**	**2,447.0**	**26,177.8**	**36,207.5**	**1,285.5**

5.2 Reporting by business

Businesses presented below are the following:

- Water integrates drinking water and wastewater activities such as water distribution, water and wastewater treatment, industrial process water, manufacturing of water treatment equipment and systems;
- Waste solutions cove collects, processes and disposes of household, trade and industrial waste;
- Energy Services include activities of Dalkia France until July 25, 2014, Dalkai Inetrnational activities from July 25, 2014 and TNAI activities in the United States;
- “Other” businesses cover various Group holding companies and industrial multi-service contracts.

As of the second half of 2014 and in tandem with the reorganization and acquisition of Dalkia International, the Group decided to review and standardize its policy for the rebilling of centralized corporate costs to the subsidiaries in France and internationally retroactively from January 1, 2014. These impacts have no impact at Group level on the financial indicators presented below. They have been cancelled out in the 2013 comparative period in the analysis by segment of adjusted operating cash flow, adjusted operating income, and operating income after share of net income (loss) of equity-accounted entities.

2014	
Revenue *(€ million)*	**Total consolidated financial statements**
Water	**11,215.1**
Waste Solutions	**8,506.3**
Energy Services	**3,926.1**
Other	**232.1**
Total	**23,879.6**

2013	
Revenue *(€ million)*	**Total consolidated financial statements**
Water	**10,741.4**
Waste Solutions	**8,099.7**
Energy Services	**3,756.5**
Other	**222.1**
Total	**22,819.7**

2014	
Adjusted Operating cash flow *(€ million)*	**Total consolidated financial statements**
Water	**930.0**
Waste Solutions	**942.7**
Energy Services	**335.3**
Other	**(43.7)**
Total	**2,164.3**

2013	
Adjusted Operating cash flow *(€ million)*	**Total consolidated financial statements**
Water	**838.9**
Waste Solutions	**842.9**
Energy Services	**228.7**
Other	**(62.9)**
Total	**1,847.6**

Note 6 Goodwill

6.1 Movements in goodwill

Goodwill breaks down as follows:

(€ million)	**As of December 31, 2014**	**As of December 31, 2013**
Gross	5,576.2	4,274.1
Accumulated impairment losses	(1,076.8)	(787.7)
NET	**4,499.4**	**3,486.3**

6.1.1 Main goodwill balances by Cash-Generating Unit

The main goodwill balances in net carrying amount by cash-generating unit (amounts in excess of €200 million) are as follows:

(€ million)	As of December 31, 2014	As of December 31, 2013
France Water	867.6	864.2
British Isles	811.1	756.9
Germany	367.8	367.8
Czech Republic, o/w	478.8	214.3
Water	*212.0*	*214.3*
Energy Services	*266.8*	-
France Waste	293.3	289.6
VWT	291.7	283.3
Poland	245.1	-
Goodwill balances > €200 million as of December 31, 2014	**3,355.4**	**2,776.1**
Other goodwill balances < €200 million	1,144.0	710.2
TOTAL GOODWILL	**4,499.4**	**3,486.3**

Goodwill balances of less than €200 million break down by operating segment as follows:

Goodwill balances < €200 million *(€ million)*	As of December 31, 2014	As of December 31, 2013
France	-	-
Europe, excluding France	271.6	69.6
Rest of the world	696.2	462.4 (1)
Global Businesses	159.4	158.1
Other	16.8	20.1
TOTAL	**1,144.0**	**710.2**

(1) Including provisional Proactiva Medio Ambiente goodwill: €193 million as of December 31, 2013

As of December 31, 2014, accumulated impairment losses total €1,076.8 million and mainly concern goodwill of the Germany (€493.0 million), North America (€175.5 million) and Poland (€99.2 million) cash-generating units.

6.1.2 Movements in the net carrying amount of goodwill

Movements in the net carrying amount of goodwill during **2014** are as follows:

(€ million)	As of December 31, 2013	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
France	1,153.8	7.0	-	-	-	0.1	**1,160.9**
Europe, excluding France	1,408.6	1,028.0	37.2	(299.1)	(0.1)	(0.1)	**2,174.5**
Rest of the world	462.4	242.5	33.2	-	0.8	(42.7)	**696.2**
Global Businesses	441.4	1.6	8.1	-	-	-	**451.1**
Other	20.1	(1.7)	0.1	-	(1.8)	-	**16.7**
GOODWILL	**3,486.3**	**1,277.4**	**78.6**	**(299.1)**	**(1.1)**	**(42.7)**	**4,499.4**

The main movements in Group goodwill were due to:

- completion of the Veolia Environnement and EDF transaction regarding Dalkia, resulting in the recognition of new goodwill of €1,271.5 million (see Note 4);
- finalization of the purchase price allocation process for Proactiva Medio Ambiente (Note 6.1.3) in the amount of €46.4 million ; and
- recognition of impairment losses of €299.1 million (see Note 6.2.2. hereafter).

In addition, foreign exchange translation gains and losses are primarily due to movements in the pound sterling, the U.S. dollar and the Chinese renminbi yuan against the euro in the amount of €55.6 million, €22.2 million and €12.3 million, respectively.

6.1.3 Finalization of the purchase price allocation process for Proactiva Medio Ambiente

It is recalled that on November 28, 2013, Veolia Environnement completed the acquisition of the 50% stake in Proactiva Medio Ambiente historically held by the Fomento de Construcciones y Contratas (FCC) group, thereby increasing the Group's stake in this company to 100%.

The transaction was performed for a total consideration of €150 million, comprising a cash payment of €125 million paid on the date of acquisition of control, a reverse earn-out of €20 million tied to activity growth in one of the countries where Proactiva Medio Ambiente operates and a further €5 million tied to the renewal of the Buenos Aires contract. Renewal of this contract was signed in January 2014 and €5 million was paid to FCC in the first-half of 2014.

The terms and conditions of this transaction and the disclosures required by IFRS 3, Business Combinations, were presented in Note 3.3.1 to the Group consolidated financial statements for the year ended December 31, 2013.

In 2014, the provisional goodwill of €193 million recognized at the end of 2013 was adjusted to €146.8 million. Fair value remeasurement procedures primarily focused on the valuation of contracts carried by Proactiva Medio Ambiente. Accordingly, definitive goodwill of €146.8 million is recognized in respect of this acquisition as of December 31, 2014.

The fair values attributed to the identifiable assets and liabilities of Proactiva Medio Ambiente at the acquisition date are presented below:

(€ million)	
Non-current assets	430,0
Current assets	287,7
Non-controlling interests	(89,2)
Non-current liabilities	(171,5)
Current liabilities	(308,8)
Share of net assets acquired by the Group	148,2
Consideration transferred *	295,0
Goodwill	146,8

* *The consideration transferred takes account of the buyout by certain Proactiva Medio Ambiente companies of non-controlling interests.*

6.2 Impairment tests

Veolia performs systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life. More frequent tests are performed where there is indication that the cash-generating unit may have suffered a loss in value, in accordance with the procedures set out in Note 1.11.

The Group has 45 cash-generating units as of December 31, 2014, including 26 cash-generating units with allocated goodwill in excess of €20 million.

6.2.1 Key assumptions underlying the determination of recoverable amounts

The calculation basis for recoverable amounts is presented in Note 1.11.

Changes in the economic and financial context, as well as changes in the competitive or regulatory environment may impact estimates of recoverable amounts, as may unforeseen changes in the political, economic or legal systems of certain countries.

Cash flow projections in the Long-Term Plan reflect changes in volumes, prices, direct costs and investment in the period, determined based on contracts and activities and in line with past data and expected changes over the period covered by the Long-Term Plan.

Other assumptions influencing the determination of recoverable amounts are the discount rate and the perpetual growth rate. Discount rates and perpetual growth rates used to determine terminal values, reflect the country or geographical area of the cash-generating unit, in accordance with the criteria set out in Notes 1.11 and 2.

The assumptions underlying the impairment tests on Group cash-generating units with material goodwill balances are as follows:

	Geographic area	Recoverable amount determination method	Discount rate	Perpetual growth rate
France	France	Value in use	6.50%	1.60%
British Isles	UK	Value in use	6.91%	2.00%
Germany	Germany	Value in use	6.50%	1.70%
Czech Republic	Czech Republic	Value in use	7.00%	2.00%
Poland	Poland	Value in use	7.70%	2.50%

As explained above, impairment tests and the fair value remeasurement of assets and liabilities held for sale, led the Group to recognize impairment of €299.1 million in 2014 in Operating income, as broken down below.

6.2.2 Impairment tests results

With regards in particular to Central European countries, changes in the economic, political and regulatory environment led to project stoppages and the deferral of a number of calls for tenders for certain major projects targeted by the Energy Services activities.

Impairment tests were therefore performed across all above mentioned cash-generating units, leading to the identification of impairment losses of €299.1 million, recognized in operating income (see Note 22).

These impairment losses concern Poland (-€101.1 million), Romania (-€59.4 million), Bulgaria (-€60 million), Hungary (-€52.9 million) and Slovakia (-€25.8 million).

6.2.3 Sensitivity of recoverable amounts

Recoverable amounts determined for impairment testing purposes were tested for their sensitivity to a 1% increase in discount rates, a 1% decrease in perpetual growth rates and a 5% decrease in operating cash flows.

The changes in operating cash flows taken into account for the purpose of these sensitivity tests include operating cash flow before changes in working capital, less investments net of divestitures as defined in Note 1.11, plus changes in working capital. They also include the impact of Efficiency and Convergence plans launched by each cash-generating unit at the date of preparation of the Long-Term Plan.

These assumptions are considered reasonable given the Group's activities and the geographic areas of its operations.

For a certain number of cash-generating units, these tests led to the identification of recoverable amounts lower than the net carrying amount of the cash-generating unit, adjusted where appropriate for impairments recognized during the period:

(€ million)			Difference between the recoverable amount and the net carrying amount			
Cash-generating unit	**Net carrying amount Data at 100%**	***o/w goodwill***	**Difference between the recoverable amount and the net carrying amount**	**Difference between the recoverable amount and the net carrying amount, with an increase in the discount rate (1%)**	**Difference between the recoverable amount and the net carrying amount, with a decrease in the perpetual growth rate (1%)**	**Difference between the recoverable amount and the net carrying amount, with a decrease in operating cash flows (5%)**
Poland	1,531.6	245.1	-	(265.5)	(215.6)	(77.2)

With regards to the France-Water cash-generating unit, action plans launched by the new management and particularly the expected impacts of the restructuring plan lead to 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. The value of this cash-generating unit nonetheless remains sensitive to the realization of the planned savings and the terms and conditions of contract renewal.

Note 7 Concession intangible assets

Movements in the net carrying amount of concession intangible assets during 2014 are as follows:

(€ million)	As of December 31, 2013	Additions	Disposals	Impairment losses	Amortization / reversals	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
Concession intangible assets, gross	4,371.0	378.3	(19.6)	-	-	386.1	98.0	(35.6)	(128.9)	5,049.3
Amortization and impairment losses	(1,883.1)	-	9.1	(52.2)	(296.6)	(138.5)	(27.4)	4.6	85.3	(2,298.8)
CONCESSION INTANGIBLE ASSETS, NET	**2,487.9**	**378.3**	**(10.5)**	**(52.2)**	**(296.6)**	**247.6**	**70.6**	**(31.0)**	**(43.6)**	**2,750.5**

Additions mainly concern France (€88.9 million), Europe, excluding France (174.3 million) and the Rest of the world (€44.4 million).

Impairment losses recognized in 2014 are broken down in Note 22 and mainly concern Europe, excluding France (-€18.8 million) and the Rest of the world (-€23.4 million).

Changes in consolidation scope mainly concern the intangible assets acquired following the Dalkia transaction.

Foreign exchange translation gains and losses are primarily due to movements in the pound sterling (€35.6 million), the U.S. dollar (€17.5 million), the Chinese renminbi yuan (€10.8 million) and the Moroccan dirham (€9.0 million).

Concession intangible assets break down by operating segment as follows:

(€ million)	As of December 31, 2014			Net carrying amount as of December 31, 2013
	Gross carrying amount	Amortization and impairment losses	Net carrying amount	
France	1,271.5	(634.4)	637.1	671.4
Europe, excluding France	2,221.1	(886.1)	1,335.0	1,020.4
Rest of the world	884.6	(494.7)	389.9	402.1
Global Businesses	24.6	(19.9)	4.7	5.3
Other	647.5	(263.7)	383.8	388.7
CONCESSION INTANGIBLE ASSETS	**5,049.3**	**(2,298.8)**	**2,750.5**	**2,487.9**

Note 8 Other intangible assets

Other intangible assets break down as follows:

(€ million)	As of December 31, 2014	As of December 31, 2013
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	**16.6**	**14.4**
Intangible assets with an definite useful life, gross	3,236.1	2,877.5
Amortization and impairment losses	(2,262.6)	(2,154.6)
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	**973.5**	**722.9**
OTHER INTANGIBLE ASSETS, NET	**990.1**	**737.3**

Movements in the net carrying amount of other intangible assets during **2014** are as follows:

(€ million)	As of December 31, 2013	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	**14.4**	**1.3**	**0.1**	**(0.8)**	**-**	**-**	**1.8**	**-**	**(0.2)**	**16.6**
Entry fees paid to local authorities	200.0	1.6	(0.5)	(0.3)	(44.9)	(7.6)	0.5	-	3.7	152.5
Purchased contractual rights	175.3	0.4	(0.1)	(6.3)	(50.7)	170.3	3.2	0.2	118.7	411.0
Purchased software	92.4	44.6	(1.2)	(0.6)	(39.2)	12.7	1.5	(5.1)	18.3	123.4
Purchased customer portfolios	36.4	-	-	-	(6.1)	3.3	1.8	-	0.2	35.6
Other purchased intangible assets	82.0	24.0	1.3	(0.7)	(11.6)	20.8	4.6	(3.5)	9.8	126.7
Other internally-developed intangible assets	136.8	25.5	(1.2)	(1.3)	(39.2)	4.6	2.4	(0.1)	(3.2)	124.3
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	**722.9**	**96.1**	**(1.7)**	**(9.2)**	**(191.7)**	**204.1**	**14.0**	**(8.5)**	**147.5**	**973.5**
OTHER INTANGIBLE ASSETS	**737.3**	**97.4**	**(1.6)**	**(10.0)**	**(191.7)**	**204.1**	**15.8**	**(8.5)**	**147.3**	**990.1**

Intangible assets with an indefinite useful life are primarily trademarks.

Entry fees paid to local authorities in respect of public service contracts total €152.5 million as of December 31, 2014, including €117.7 million in France. Amortization of entry fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€45.2 million in 2014, including -€39.0 million for France.

Additions mainly concern acquisitions of software in the amount of €44.6 million.

Changes in consolidation scope mainly concern the entry of Dalkia International into the consolidation scope in the amount of €127.5 million.

Other movements mainly concern the fair value remeasurement of Proactiva Medio Ambiente purchased contractual rights in the amount of €123.2 million.

Note 9 Property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during **2014** are as follows:

(€ million)	As of December 31, 2013	Additions	Disposals	Impairment losses	Depreciation	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
Property, plant and equipment, gross	11, 299.3	868.6	(414.6)	-	-	4,679.1	119.9	(223.0)	133.7	**16,463.0**
Depreciation and impairment losses	(7,127.8)	-	371.5	(145.5)	(797.9)	(2,199.5)	17.1	132.9	(76.3)	**(9,825.5)**
PROPERTY, PLANT AND EQUIPMENT, NET	**4,171.5**	**868.6**	**(43.1)**	**(145.5)**	**(797.9)**	**2,479.6**	**137.0**	**(90.1)**	**57.4**	**6,637.5**

Additions mainly concern France (€151.1 million), Europe, excluding France (€307.1 million) and the Rest of the world (€245.9 million).

Disposals, net of impairment losses and depreciation, of -€43.1 million, mainly concern France (-€15.4 million) and Europe, excluding France (-€13.8 million).

The main **Impairment losses** recognized in 2014 are broken down in Note 22 and mainly concern Europe, excluding France (-€104.0 million).

Depreciation of –€797.9 million mainly concerns France in the amount of -€217.0 million, Europe, excluding France in the amount of -€270.7 million and the Rest of the world in the amount of -€167.1 million.

Foreign exchange translation gains and losses are primarily due to the appreciation of the U.S. dollar, the Chinese renminbi yuan, the pound sterling and the Polish zloty against the euro in the amount of €100.2 million, €47.0 million, €32.7 million and -€35.6 million, respectively.

Other movements mainly concern the balancing entry to the update of rehabilitation provisions for landfill facilities in the amount of €18.3 million and the impact of hyper-inflation in Venezuela in the amount of €14.8 million.

Changes in consolidation scope mainly concern Europe, excluding France (€2,102.6 million) and are primarily tied to the Dalkia transaction between the Group and EDF (see Note 4).

Transfers to Assets classified as held for sale mainly concern Waste activities in Poland (-€17.2 million) and Israel (-€56.9 million).

Property, plant and equipment break down by operating segment as follows:

(€ million)	As of December 31, 2014			Net carrying amount as of December 31, 2013
	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	
France	3,746.7	(2,643.3)	**1,103.4**	1,151.8
Europe, excluding France	6,957.3	(3,941.1)	**3,016.2**	1,022.4
Rest of the world	3,472.4	(1,653.2)	**1,819.2**	1,219.4
Global Businesses	1,933.1	(1,346.0)	**587.1**	577.7
Other	353.5	(241.9)	**111.6**	200.2
PROPERTY, PLANT AND EQUIPMENT	**16,463.0**	**(9,825.5)**	**6,637.5**	**4,171.5**

Fluctuations of proprety, plan and equipement in Europe, excluding France, between December 31, 2013 and December 31, 2014 is mainly due to the entry of Dalkia International and its subsidiaries, in the consolidation scope, in the amount of €1,792.3 million.

The breakdown of property, plant and equipment by class of assets is as follows:

(€ million)	As of December 31, 2014			Net carrying amount as of December 31, 2013
	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	
Land	1,148.6	(567.7)	580.9	396.4
Buildings	2,816.8	(1,526.4)	1,290.4	934.5
Technical installations, plant and equipment	8,559.1	(5,006.9)	3,552.2	1,866.3
Travelling systems and other vehicles	1,772.7	(1,355.0)	417.7	404.7
Other property, plant and equipment	1,594.1	(1,340.2)	253.9	249.3
Property, plant and equipment in progress	571.7	(29.3)	542.4	320.3
PROPERTY, PLANT AND EQUIPMENT	**16,463.0**	**(9,825.5)**	**6,637.5**	**4,171.5**

The increase in "Technical installations, plant and equipment" between December 31, 2013 and 2014 is due to the entry of Dalkia International and its subsidiaries, in the consolidation scope, in the amount of €1,379.5 million.

Note 10 Investments in joint ventures

(€ million)	Share of equity		Share of net income (loss)	
	December 31, 2014	December 31, 2013	2014	2013
Chinese Water concessions	1,494.0	1,354.1	(0.1)	9.0
Other joint ventures	549.2	1,551.1	87.1	18.2
o/w Transdev Group	*382.0*	*380.6*	*11.5*	*(51.5)*
o/w Dalkia International	*-*	*791.2*	*26.0*	*25.0*
Total	**2,043.2**	**2,905.2**	**87.0**	**27.2**
o/w share of net income (loss) of equity-accounted joint ventures in continuing operations ***(a)***			87.0	26.8
o/w share of net income (loss) of equity-accounted joint ventures in discontinued operations			-	0.4
Gains (losses) on disposal and fair value remeasurement ***(b)***			556.8**	82.0*
Impact in the Consolidated Income Statement on Net income from continuing operations (a) + (b)			**643.8**	**108.8**
Share of net income (loss) of joint ventures			632.3	160.3
Share of net income (loss) of other equity-accounted entities			11.5	(51.5)

* *Including the fair value remeasurement of the investment previously held in Proactiva Medio Ambiente of €82.0 million*

** *Including, in particular, the fair value remeasurement of Dalkia International in the amount of €499.1 million and the capital gain on disposal of Marius Pedersen of €48.9 million.*

As disclosed in Note 3.2.1, the Group sold its investment in the Marius Pedersen Group (a specialist in solid waste management services in Denmark, the Czech Republic and Slovakia) on June 30, 2014 for a consideration of €240 million, generating a capital gain on disposal of €48.9 million.

The decrease in investments in joint ventures in **2014** is mainly due to:

- dividend payments during the period (-€55.5 million);
- the divestiture of Marius Pedersen (-€197.5 million);
- the full consolidation of Dalkia International (-€791.2 million);
- foreign exchange translation gains of €158.7 million.

10.1 Material joint ventures

The Group's material joint ventures as of December 31, 2014 consist of the Chinese Water concessions, comprising a combination of approximately twenty separate legal entities in which the Group holds interests of between 21% and 50% as of December 31, 2014; the most significant concessions, in terms of revenues, are Shenzhen (25% interest) and Shanghai (50% interest).

In 2013, material joint ventures also included Dalkia International, in Energy Services, operating primarily in Italy, Poland, the Czech Republic and the Baltic countries.

As disclosed in Note 3.1.2, the agreement between EDF and Veolia Environnement was finalized on July 25, 2014. Accordingly, Dalkia International, previously equity-accounted in the Group consolidated financial statements, is fully consolidated from that date.

Summarized financial information (at 100%) in respect of the Chinese Water concessions is set out below. This information reflects amounts presented in the joint ventures' financial statements prepared in accordance with IFRSs, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

Summarized financial information (at 100%) – Chinese Water Concessions	**As of December 31, 2014**	**As of December 31, 2013**
Current assets	1,241.6	992.5
Non-current assets	5,220.3	4,691.4
TOTAL ASSETS	**6,461.9**	**5,683.9**
Equity attributable to owners of the Company	3,232.0	2,890.2
Equity attributable to non-controlling interests	308.0	233.6
Current liabilities	1,887.9	1,502.9
Non-current liabilities	1,034.0	1,057.2
TOTAL EQUITY AND LIABILITIES	**6,461.9**	**5,683.9**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	586.1	413.9
Current financial liabilities (excluding trade and other payables and provisions)	709.6	556.5
Non-current financial liabilities (excluding trade and other payables and provisions)	494.9	572.2
INCOME STATEMENT		
Revenue	1,636.3	1,493.2
Operating income	123.5	170.3
Net income (loss) from continuing operations	39.5	37.7
Post-tax net income (loss) from discontinued operations	0.0	0.0
Net income (loss) attributable to non-controlling interests	(12.3)	(7.9)
Net income (loss) attributable to owners of the Company at the Chinese Water concessions level	27.2	29.8
Net income (loss) for the year	39.5	37.7
Other comprehensive income for the year	389.2	(56.2)
Total comprehensive income for the year	428.7	(18.5)
The above net income (loss) for the year includes the following:		
Depreciation and amortization	(160.8)	(137.2)
Interest income	4.8	5.4
Interest expense	(56.4)	(68.3)
Income tax (expense) income	(38.9)	(37.7)
DIVIDENDS		
Dividends received from the joint venture	10.6	8.2

Reconciliation of the above summarized financial information on the Chinese Water concessions to the carrying amount of the interest in these joint ventures recognized in the consolidated financial statements:

€ million	As of December 31, 2014	As of December 31, 2013
Net assets of the Chinese Water concession joint ventures	3,232.0	2,890.2
Proportion of the Group's ownership interest in the Chinese Water concession joint ventures – weighted-average rate	30.24%	30.24%
Goodwill	263.1	245.9
Other adjustments	253.5	234.2
Carrying amount of the Group's interest in the Chinese Water concession joint ventures	**1,494.0**	**1,354.1**

As the Chinese Water concessions represent approximately twenty individual concessions, the percentage interest indicated in the above reconciliation is a weighted-average rate of the contribution of each concession within the combination.

Accordingly, the "Other adjustments" line in the reconciliation of the summarized financial information on the Chinese Water concessions as a whole, to their carrying amount in the Consolidated Statement of Financial Position, represents the adjustment between the share in net assets obtained by applying the weighted average percentage interest for all Chinese Water concessions and the share in net assets recognized in the financial statements, calculated using the effective interest held in each of the Chinese Water concessions individually.

(€ million)	Year-ended December 31, 2014	Year-ended December 31, 2013
Net income (loss) for the year of the Chinese Water concession joint ventures	27.2	29.8
Proportion of the Group's ownership interest in the Chinese Water concession joint ventures – weighted-average rate	30.24%	30.24%
Other	(8.3)	-
Group share of net income (loss) of the Chinese Water concession joint ventures	**(0.1)**	**9.0**

Given their importance for the Group and as disclosed in Notes 1.4.2 and 1.11, the recoverable amount of the Chinese Water concessions is tested for impairment in accordance with the provisions set out in the standard. Given the models used and the timeframe adopted, the recoverable amounts determined are based on a certain number of structuring assumptions such as price increases, volume trends, construction activity levels and margins and efficiency and productivity measures integrated in future cash flows.

10.2 Other joint ventures

The Group's stake in Transdev Group is presented in "Investments in joint ventures" (continuing operations) and equity-accounted since December 31, 2013.

This investment totals €382.0 million as of December 31, 2014 and €380.6 million as of December 31, 2013.

The following table presents summarized financial information for Transdev (at 100%) in respect of 2014 and 2013. This information reflects amounts presented in the joint venture's financial statements prepared in accordance with IFRSs, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

Summarized financial information - Transdev	As of December 31, 2014	As of December 31, 2013
Current assets	1,800.0	2,345.1
Non-current assets	2,665.2	2,778.2
TOTAL ASSETS	**4,465.2**	**5,123.3**
Equity attributable to the owners of the Company	751.7	747.4
Equity attributable to non-controlling interests	34.0	84.8
Current liabilities	1,969.2	2,248.1
Non-current liabilities	1,710.3	2,043.0
TOTAL EQUITY AND LIABILITIES	**4,465.2**	**5,123.3**

INCOME STATEMENT	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	6,636.9	6,606.1
Operating income	107.2	38.5
Net income (loss) for the year	1.4	(140.3)

The Group also holds interests in joint ventures that are not individually material, with a total net carrying amount of €167.2 million as of December 31, 2014.

10.3 Unrecognized share of losses of joint ventures

As all joint ventures are partnerships in which the Group exercises joint control, the share of any losses is recognized in full at the year-end.

Note 11 Investments in associates

	Share of equity		Share of net income (loss)	
(€ million)	**December 31, 2014**	**December 31, 2013**	**2014**	**2013**
Berlin Water	-	-	-	9.6
AFF W A Ltd*	*44.4*	*41.5*	*3.4*	*3.8*
Fovarosi Csatomazasi Muvek	*41.2*	*44.1*	*(0.4)*	*0.4*
Siciliacque	*50.7*	*46.6*	*4.3*	*0.2*
Other non-material associates	*318.6*	*252.8*	*9.7*	*14.0*
Total	**454.9**	**385.0**	**17.0**	**28.0**
Impacts on the Consolidated Income Statement				
Share of net income (loss) of equity-accounted entities in continuing operations			*20.8***	*18.4*
Share of net income (loss) of equity-accounted entities in discontinued operations			-	*9.6*

* *Formerly Rift Acquisition Holding Co.*

** *Including the gain on disposal of Delfluent of €3.7 million.*

The divestiture by the Group of its 24.95% investment in Berlin Water to the Federal State of Berlin was completed on December 2, 2013.

The increase in investments in associates in **2014** breaks down as follows:

(€ million)	As of December 31, 2013	Net income	Dividend distribution	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2014
Investments in associates	**385.0**	17.0	(21.1)	55.5	13.6	4.9	**454.9**

Changes in consolidated scope mainly comprise the entry into the consolidation scope of associates held by Dalkia International in the amount of €62.5 million and the exit from the consolidation scope of Qingdao, in Asia, in the amount of -€6.7 million.

As all associates of the Group are companies in which the Group exercises significant influence, the share of any losses is recognized in full.

Note 12 Non-consolidated investments

In accordance with IAS 39, non-consolidated investments are recognized at fair value. Unrealized gains and losses are recognized directly through other comprehensive income, except for unrealized losses considered long-term or material which are expensed in the Consolidated Income Statement in "Other financial income and expenses" (see Note 24).

Movements in non-consolidated investments during **2014** are as follows:

(€ million)	As of December 31, 2013	Additions	Disposals	Changes in consolidation scope	Fair value adjustments	Impairment losses	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
Non-consolidated investments	40.5	17.3	(7.0)	-	3.3	(0.3)	(0.1)	-	1.0	**54.7**

Additions mainly concern non-consolidated investments held by Dalkia International in the amount of €14.0 million.

Disposals mainly concern the divestiture of Proparco shares in the amount of -€5.4 million.

The Group did not hold any non-consolidated investment lines in excess of €10 million as of December 31, 2014.

Note 13 Non-current and current operating financial assets

Operating financial assets comprise financial assets resulting from the application of IFRIC 12 on accounting for concession arrangements and from the application of IFRIC 4 (see Notes 1.20 and 1.21).

Movements in the net carrying amount of non-current and current operating financial assets during **2014** are as follows:

(€ million)	As of December 31, 2013	New operating financial assets	Repayments/ disposals	Impairment losses (1)	Changes in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
Gross	1,727.6	149.6	(2.2)	-	120.2	88.7	(204.2)	-	17.1	1,896.8
Impairment losses	(29.5)	-	-	(41.3)	-	-	54.1	-	2.4	(14.3)
NON-CURRENT OPERATING FINANCIAL ASSETS	**1,698.1**	**149.6**	**(2.2)**	**(41.3)**	**120.2**	**88.7**	**(150.1)**	**-**	**19.5**	**1,882.5**
Gross	97.9	6.7	(131.3)	-	13.3	7.5	150.1	-	(7.0)	137.2
Impairment losses	-	-	-	(10.0)	-	-	-	-	-	(10.0)
CURRENT OPERATING FINANCIAL ASSETS	**97.9**	**6.7**	**(131.3)**	**(10.0)**	**13.3**	**7.5**	**150.1**	**-**	**(7.0)**	**127.2**
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	**1,796.0**	**156.3**(2)	**(133.5)**	**(51.3)**	**133.5**	**96.2**	**-**	**-**	**12.5**	**2,009.7**

(1) Impairment losses are recorded in operating income.

(2) New operating financial assets presented in the Consolidated Cash Flow Statement equal new operating financial assets presented above (€156.3 million), net of the related acquisition debt (€3.6 million as of December 31, 2014).

The principal **new** operating financial assets in 2014 mainly concern the increase in financial receivables for pre-existing contracts, in particular in the following operating segments:

- France, in the amount of €12.1 million and in particular investments in Valorcaux under the Brametot Anaerobic Digestion Plant (UMOM) contract (€10.8 million);
- Europe, excluding France, in the amount of €75.5 million and in particular investments in the United Kingdom under the Shropshire (€27.4 million) and Staffordshire (€6.6 million) concession agreements;

- Rest of the world, in the amount of €43.5 million and in particular investments in China under the Tanggang VW (Tangshan) industrial water processing agreement in the amount of €18.1 million and in Gabon in the amount of €15.4 million;
- Other in the amount of €24.7 million.

The **principal repayments and disposals of operating financial assets** in 2014 concern the following operating segments:

- Rest of the world in the amount of -€57.6 million;
- Europe, excluding France, in the amount of -€36.9 million;
- Other in the amount of -€26.0 million.

Foreign exchange translation gains and losses on current and non-current operating financial assets mainly concern movements in the pound sterling (€34.9 million), the Korean won (€25.9 million) and the Chinese renminbi yuan (€24.8 million) against the euro.

Changes in consolidation scope mainly concern the entry of Dalkia International into the consolidation scope in the amount of €154.5 million.

Operating financial assets held by the Group in countries considered high-risk by the International Monetary Fund are not material in amount.

The breakdown of operating financial assets by operating segment is as follows:

	As of December 31					
	Non-current		Current		Total	
(€ million)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
France	**120.8**	135.1	**8.7**	12.1	**129.5**	147.2
Europe, excluding France	**1,061.0**	872.9	**48.5**	30.2	**1,109.5**	903.1
Rest of the world	**655.1**	605.3	**68.5**	54.2	**723.6**	659.5
Global Businesses	**4.5**	5.7	**1.5**	1.4	**6.0**	7.1
Other	**41.1**	79.1	**-**	-	**41.1**	79.1
OPERATING FINANCIAL ASSETS	**1,882.5**	**1,698.1**	**127.2**	**97.9**	**2,009.7**	**1,796.0**

IFRIC 12 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	8.7	32.9	20.2	67.7	**129.5**
Europe, excluding France	34.9	108.7	72.0	760.9	**976.5**
Rest of the world	21.9	45.7	73.6	208.8	**350.0**
Global Businesses	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**65.5**	**187.3**	**165.8**	**1,037.4**	**1,456.0**

IFRIC 4 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	-	-	-	-	-
Europe, excluding France	13.6	19.1	20.1	80.2	**133.0**
Rest of the world	46.6	107.7	50.9	168.4	**373.6**
Global Businesses	1.5	2.1	1.5	0.9	**6.0**
Other	-	2.4	4.2	34.5	**41.1**
TOTAL	**61.7**	**131.3**	**76.7**	**284.0**	**553.7**

Note 14 Other non-current and current financial assets

(€ million)	As of December 31					
	Non-current		Current		Total	
	2014	2013	2014	2013	2014	2013
Gross	920.5	2 533.4	246.8	646.2	1,167.3	3,179.6
Impairment losses	(69.9)	(66.0)	(45.7)	(10.2)	(115.6)	(76.2)
FINANCIAL ASSETS IN LOANS AND RECEIVABLES	**850.6**	**2, 467.4**	**201.1**	**636.0**	**1,051.7**	**3,103.4**
OTHER FINANCIAL ASSETS	**16.1**	**24.6**	**2.0**	**4.9**	**18.1**	**29.5**
TOTAL OTHER FINANCIAL ASSETS	**866.7**	**2 492.0**	**203.1**	**640.9**	**1,069.8**	**3,132.9**

14.1 Movements in other non-current financial assets

Movements in the value of other non-current financial assets during **2014** are as follows:

(€ million)	As of December 31, 2013	Additions	Repayments/ disposals	Changes in consolidation scope	Impairment losses (1)	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
Gross	2,533.4	261.6	(251.1)	(1,467.3)	-	72.1	(225.9)	(1.2)	(1.1)	920.5
Impairment losses	(66.0)	-	-	(0.5)	(0.3)	(7.4)	4.3	-	-	(69.9)
NON-CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES	**2,467.4**	**261.6**	**(251.1)**	**(1,467.8)**	**(0.3)**	**64.7**	**(221.6)**	**(1.2)**	**(1.1)**	**850.6**
OTHER NON-CURRENT FINANCIAL ASSETS	**24.6**	**1.3**	**10.9**	**(16.7)**	**(2.9)**	**0.1**	**-**	**-**	**(1.2)**	**16.1**
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**2,492.0**	**262.9** (2)	**(240.2)** (3)	**(1,484.5)**	**(3.2)**	**64.8**	**(221.6)**	**(1.2)**	**(2.3)**	**866.7**

(1) Impairment losses are recorded in financial income and expenses.

(2) "New non-current loans granted" in the Consolidated Cash Flow Statement of -€268.2 million, include additions to other non-current financial assets of -€262.9 million, excluding additions to receivables on financial asset disposals (-€6.5 million), presented in "Proceeds on disposal of financial assets" and additions to other current financial assets available for sale (-€1.3 million) presented in "Purchases of investments".

(3) "Principal payments on non-current loans" in the Consolidated Cash Flow Statement of €215.6 million, include repayments/disposals of other non-current financial assets (€240.2 million), excluding:

- *repayments on disposals of financial assets of -€35.5 million;*
- *repayments on other financial assets available for sale (€10.9 million) presented in "Proceeds on disposal of financial assets".*

New loans mainly concern the transfer of financing held by Dalkia International subsidiaries in the amount of €147.1 million.

Repayments mainly concern the repayment, during the first half-year, of financing granted to Dalkia International subsidiaries (-€186.0 million) before their full consolidation and the early repayment of the vendor loan granted on the divestiture of VP Norway in the amount of -€35.5 million.

Changes in consolidated scope mainly comprise the transfer out of non eliminated financial assets granted to Dalkia International subsidiaries, following their acquisition on July 25, 2014 , in the amount of -€1,482.4 million.

Transfers to other current financial assets mainly comprise the reclassification of the Transdev Group debt (-€156.4 million) in respect of the early repayment during the period.

Non-current financial assets in loans and receivables

As of December 31, 2014, the main non-current financial assets in loans and receivables primarily represented loans granted to equity-accounted joint ventures totaling €570.1 million, compared with €2,178.7 million as of December 31, 2013.

These loans mainly concern the loan granted to Transdev Group in the amount of €465.0 million, whose maturity was extended to March 3, 2016 and loans granted to the Chinese Water concessions in the amount of €82.3 million.

The decrease in loans granted to equity-accounted joint ventures is mainly due to the activity redistribution transaction and the full consolidation of Dalkia International entities which were financed in the amount of €1,464.0 million as of December 31, 2013.

Other non-current financial assets

Other non-current financial assets are classified as "Available-for-sale assets" in accordance with the principles set out in Note 1.14.2.

Other financial assets held by the Group in countries considered high-risk by the IMF are not material in amount.

14.2 Movements in current financial assets

Movements in other current financial assets during **2014** are as follows:

(€ million)	As of December 31, 2013	Repayments/ disposals	Changes in consolidation scope	Fair value adjustments	Impairment losses (1)	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
Gross	646.2	(188.8)	(453.8)	-	-	10.0	225.9	4.6	2.7	246.8
Impairment losses	(10.2)	-	(21.8)	-	(8.5)	(1.7)	(4.3)	0.6	0.2	(45.7)
CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	**636.0**	**(188.8)**	**(475.6)**	**-**	**(8.5)**	**8.3**	**221.6**	**5.2**	**2.9**	**201.1**
OTHER CURRENT FINANCIAL ASSETS	**4.9**	**(0.3)**	**-**	**0.1**	**-**	**(0.5)**	**-**	**-**	**(2.2)**	**2.0**
TOTAL OTHER CURRENT FINANCIAL ASSETS, NET	**640.9**	**(189.1)(2)**	**(475.6)**	**0.1**	**(8.5)**	**7.8**	**221.6**	**5.2**	**0.7**	**203.1**

(1) Impairment losses are recorded in financial income and expenses.

(2) "Net decrease/increase in current loans" in the Consolidated Cash Flow Statement (€188.8 million) includes repayments/disposals of other current financial assets of €189.1 million, excluding the net increase/decrease in other current financial assets available for sale (-€0.3 million) presented in "Purchases of/Proceeds on disposal of financial assets".

The accounting treatment of other current financial assets in loans and receivables complies with the required treatment of loans and receivables as defined by IAS 39.

Other financial assets are classified as available-for-sale assets in accordance with the accounting principles described in Note 1.14.2.

Repayments mainly comprise the early repayment of the Transdev receivable (-€156.4 million) and the payment of accrued interest on the deeply subordinated perpetual securities (-€14.2 million).

Changes in consolidated scope mainly comprise the transfer out of non eliminated financial assets granted to Dalkia International subsidiaries, following their acquisition on July 25, 2014, in the amount of -€538.2 million.

Note 15 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities during **2014** are as follows:

(€ million)	December 31, 2013	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets / liabilities classified as held for sale	Other	December 31, 2014
Deferred tax assets, gross	1,942.3	180.7	25.3	371.9	93.7	(39.7)	1.9	2,576.1
Deferred tax assets not recognized	(1,057.8)	(121.0)	(19.9)	(221.8)	(38.1)	21.4	(1.6)	(1,438.8)
DEFERRED TAX ASSETS, NET	**884.5**	**59.7**	**5.4**	**150.1**	**55.6**	**(18.3)**	**0.3**	**1,137.3**
DEFERRED TAX LIABILITIES	**806.8**	**23.5**	**(1.1)**	**268.0**	**31.4**	**(28.4)**	**35.1**	**1,135.3**

As of December 31, 2014, deferred tax assets not recognized totaled -€1,438.8 million, including -€1,029.1 million on tax losses and -€409.7 million on timing differences. As of December 31, 2013, such deferred tax assets totaled -€1,057.8 million, including -€751.7 million on tax losses and -€306.1 million on timing differences.

In France, based on taxable projected income, the Veolia tax group restricted the recognition of deferred tax assets to the amount of deferred tax liabilities, as at the previous year end.

Changes in consolidation scope mainly concern the acquisition of an additional interest in Dalkia International (€142.2 million in assets and €269.6 million in liabilities).

Other movements mainly concern the allocation of the Proactiva Medio Ambiente purchase price (€34.8 million in liabilities).

Deferred tax assets and liabilities **break down by nature** as follows:

(€ million)	As of December 31, 2014	As of December 31, 2013
DEFERRED TAX ASSETS		
Tax losses (2)	1,337.2	986.1
Provisions and impairment losses (3)	400.9	305.0
Employee benefits	247.1	186.7
Financial instruments	148.2	155.1
Operating financial assets	63.5	65.9
Fair value of assets purchased	12.7	1.8
Foreign exchange translation	25.3	-
Finance leases	11.5	13.0
Intangible assets and Property, plant and equipment	24.0	7.6
Other	305.7	221.1
DEFERRED TAX ASSETS, GROSS (1)	**2,576.1**	**1,942.3**
DEFERRED TAX ASSETS NOT RECOGNIZED	**(1,438.8)**	**(1,057.8)**
RECOGNIZED DEFERRED TAX ASSETS	**1,137.3**	**884.5**

(1) Gross deferred tax assets increased €633.8 million between December 31, 2013 and 2014, primarily due to the acquisition of an additional interest in Dalkia International.

(2) The increase between December 31, 2013 and 2014 is mainly due to the entry of Dalkia International into the scope of consolidation in the amount of €201.8 million.

(3) The increase between December 31, 2013 and 2014 is mainly due to the entry of Dalkia International into the scope of consolidation in the amount of €75.3 million

(€ million)	As of December 31, 2014	As of December 31, 2013
DEFERRED TAX LIABILITIES		
Intangible assets and Property, plant and equipment	417.3	361.5
Fair value of assets purchased [(1)]	226.6	55.6
Operating financial assets	94.2	93.1
Financial instruments	50.6	46.0
Finance leases	92.7	81.7
Provisions	42.4	42.2
Foreign exchange translation	37.1	11.8
Employee benefits	46.9	28.8
Other	127.5	86.1
DEFERRED TAX LIABILITIES	**1,135.3**	**806.8**

(1) The increase in the fair value of assets purchased between December 31, 2013 and 2014 is mainly due to the allocation of the Dalkia International purchase price, as described in Note 4 in the amount of €142.8 million and of the Proactiva Medio Ambiente purchase price in the amount of €34.8 million at gross value.

The breakdown **by main tax group** as of December 31, 2014 is as follows:

(€ million)	Recognized deferred tax assets on tax losses	Recognized deferred tax assets on timing differences	Deferred tax liabilities on timing differences	Net recognized deferred tax position
France Veolia tax group	-	189.6	(189.6)	-
United States tax group	232.9	148.5	(184.1)	197.3
United Kingdom tax group	-	69.3	(153.0)	(83.7)
TOTAL FOR THE MAIN TAX GROUPS	**232.9**	**407.4**	**(526.7)**	**113.6**

As of December 31, 2014, the tax group in the United States has ordinary tax losses carried forward, relating to the restructuring of Water activities in 2006 and associated with losses incurred by the former activities of U.S. Filter.

The timing schedule for the reversal of the net deferred tax position on timing differences and the deferred tax asset position on tax losses of the France tax group and the United States tax group is as follows:

	Deferred tax assets on tax losses			Net deferred tax on timing differences			Total		
(€ million)	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total
France tax group	-	-	-	-	-	-	-	-	-
United States tax group	232.9	-	232.9	87.9	(123.6)	(35.7)	320.8	(123.5)	197.3

The expiry schedule for deferred tax assets on tax losses recognized and not recognized as of December 31, 2014 is as follows:

	Expiry			
(€ million)	5 years or less	More than 5 years	Unlimited	Total
Recognized tax losses	**18.7**	**168.0**	**121.4**	**308.1**
o/w French tax groups	-	-	-	-
o/w United States tax group	-	*232.9*	-	*232.9*
o/w United Kingdom tax group	-	-	-	-
Tax losses not recognized	**(82.8)**	**(125.1)**	**(821.2)**	**(1,029.1)**
o/w French tax groups	-	-	*(362.7)*	*(362.7)*
o/w United States tax group	-	-	-	-
o/w United Kingdom tax group	-	-	-	-

Deferred tax assets and liabilities **break down by destination** as follows:

(€ million)	As of December 31, 2014	As of December 31, 2013
DEFERRED TAX ASSETS, NET		
Deferred tax assets through net income	1,058.9	830.0
Deferred tax assets through equity	78.4	54.5
DEFERRED TAX ASSETS, NET	**1,137.3**	**884.5**
DEFERRED TAX LIABILITIES		
Deferred tax liabilities through net income	1,110.6	781.4
Deferred tax liabilities through equity	24.7	25.4
DEFERRED TAX LIABILITIES	**1,135.3**	**806.8**

Note 16 Working capital

Movements in net working capital during 2014 are as follows:

(€ million)	As of December 31, 2013	Changes in business	Impairment losses	Change in consolidation scope	Foreign exchange translation	Transfers to Assets / liabilities classified as held for sale	Other	As of December 31, 2014
Inventories and work-in-progress, net	443.2	8.2	(16.0)	322.8	8.8	(37.0)	(0.1)	729.9
Operating receivables, net	7,127.6	(259.8)	(59.7)	1,462.7	159.4	261.3	(41.1)	8,650.4
Operating payables	8,209.7	(320.1)	-	1,379.1	156.1	261.7	11.1	9,697.6
NET WORKING CAPITAL	**(638.9)**	**68.5**	**(75.7)**	**406.4**	**12.1**	**(37.4)**	**(52.3)**	**(317.3)**

Net amounts transferred to **“Assets classified as held for sale”** and **“Liabilities directly associated with assets classified as held for sale”** mainly concern Dalkia France asset and liability flows during the first half of the year in connection with the activity redistribution transaction disclosed in Note 3.1.2.

Net impairment losses were mainly recognized in France in the amount of -€20.3 million and in the “Other” operating segment in the amount of -€35.7 million.

Changes in consolidation scope mainly concern the Dalkia transaction between the Group and EDF.

Other movements mainly concern the fair value remeasurement of Proactiva Medio Ambiente assets in the amount of -€17.6 million.

Net working capital includes “operating” working capital (inventories, trade receivables, trade payables and other operating receivables and payables, tax receivables and payables other than current tax), “tax” working capital (current tax receivables and payables) and “investment” working capital (receivables and payables in respect of industrial investments).

Movements in each of these working capital categories in **2014** are as follows:

(€ million)	**As of December 31, 2013**	**Changes in business**	**Impairment losses**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets / liabilities classified as held for sale**	**Other**	**As of December 31, 2014**
Inventories and work-in-progress, net	443.2	8.2	(16.0)	322.8	8.8	(37.0)	(0.1)	729.9
Operating receivables (including tax receivables other than current tax)	7,006.0	(231.1)	(58.0)	1,427.9	156.6	261.9	(35.7)	8,527.6
Operating payables (including tax payables other than current tax)	(7,814.1)	202.8	-	(1,255.6)	(141.0)	(262.3)	(42.0)	(9,312.2)
OPERATING WORKING CAPITAL (1)	***(364.9)***	***(20.1)***	***(74.0)***	***495.1***	***24.4***	***(37.4)***	***(77.8)***	***(54.7)***
Tax receivables (current tax)	116.2	(20.1)	-	32.5	2.7	(0.5)	(13.7)	117.1
Tax payables (current tax)	(121.8)	54.6	-	(76.4)	(5.4)	12.6	24.0	(112.4)
TAX WORKING CAPITAL	***(5.6)***	***34.5***	***-***	***(43.9)***	***(2.7)***	***12.1***	***10.3***	***4.7***
Receivables on non-current asset disposals	5.4	(8.6)	(1.7)	2.3	0.1	(0.1)	8.3	5.7
Industrial investment payables	(273.8)	62.7	-	(47.1)	(9.7)	(12.0)	6.9	(273.0)
INVESTMENT WORKING CAPITAL	***(268.4)***	***54.1***	***(1.7)***	***(44.8)***	***(9.6)***	***(12.1)***	***15.2***	***(267.3)***
NET WORKING CAPITAL	**(638.9)**	**68.5**	**(75.7)**	**406.4**	**12.1**	**(37.4)**	**(52.3)**	**(317.3)**

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and impairment losses on operating working capital presented above.

Movements in inventories during **2014** are as follows:

Inventories *(€ million)*	**As of December 31, 2013**	**Changes in business**	**Impairment losses**	**Reversal of impairment losses**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2014**
Raw materials and supplies	332.0	18.2	-	-	154.0	6.7	(2.1)	3.5	512.3
Work-in-progress	44.7	22.0	-	-	142.9	0.9	(44.8)	0.1	165.8
Other inventories (1)	85.9	(32.0)	-	-	40.8	0.8	2.3	(1.5)	96.3
INVENTORIES AND WORK-IN-PROGRESS, GROSS	**462.6**	**8.2**	**-**	**-**	**337.7**	**8.4**	**(44.6)**	**2.1**	**774.4**
IMPAIRMENT LOSSES ON INVENTORIES AND WORK-IN-PROGRESS	**(19.4)**	**-**	**(32.7)**	**16.7**	**(14.9)**	**0.4**	**7.6**	**(2.2)**	**(44.5)**
INVENTORIES AND WORK-IN-PROGRESS, NET	**443.2**	**8.2**	**(32.7)**	**16.7**	**322.8**	**8.8**	**(37.0)**	**(0.1)**	**729.9**

(1) Including CO_2 inventories.

Inventories mainly concern the Europe, excluding France operating segment in the amount of €343.6 million, the Global businesses operating segment in the amount of €136.2 million and the Rest of the world operating segment in the amount of €129.3 million.

Movements in operating receivables during **2014** are as follows:

Operating receivables *(€ million)*	**As of December 31, 2013**	**Changes in business**	**Impairment losses (1)**	**Reversal of impairment losses (1)**	**Changes in consolidation scope**	**Foreign exchange translation**	**Transfers to Assets classified as held for sale**	**Other**	**As of December 31, 2014**
Trade receivables	5,883.9	(221.6)	-	-	1,316.0	97.3	208.7	30.3	7,314.6
Impairment losses on trade receivables	(522.9)	-	*(168.9)*	*115.0*	*(173.7)*	*20.7*	*15.7*	*(17.4)*	*(731.5)*
TRADE RECEIVABLES, NET (2)	**5,361.0**	**(221.6)**	**(168.9)**	**115.0**	**1,142.3**	**118.0**	**224.4**	**12.9**	**6,583.1**
Other current operating receivables	496.0	(66.6)	-	-	83.4	16.6	(35.5)	(6.7)	487.2
Impairment losses on other current operating receivables	(37.3)	-	(12.0)	6.2	(11.7)	(1.1)	(0.6)	0.4	(56.1)
OTHER OPERATING RECEIVABLES, NET (2)	**458.7**	**(66.6)**	**(12.0)**	**6.2**	**71.7**	**15.5**	**(36.1)**	**(6.3)**	**431.1**

Operating receivables (€ million)	As of December 31, 2013	Changes in business	Impairment losses [1]	Reversal of impairment losses [1]	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2014
Other receivables [3]	518.8	10.4	-	-	116.3	24.4	1.2	(35.3)	635.8
Tax receivables	789.1	18.0	-	-	132.4	1.5	71.8	(12.4)	1,000.4
OPERATING RECEIVABLES, NET	**7,127.6**	**(259.8)**	**(180.9)**	**121.2**	**1,462.7**	**159.4**	**261.3**	**(41.1)**	**8,650.4**

(1) Impairment losses are recorded in operating income and included in the line "Changes in working capital" in the Consolidated Cash Flow Statement.
(2) Financial assets as defined by IAS 39, valued in accordance with the rules applicable to loans and receivables.
(3) Receivables recognized on a percentage completion basis in respect of construction activities and prepayments.

Short-term commercial receivables and payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Changes in consolidation scope mainly concern the Dalkia transaction between the Group and EDF.

Transfers to Assets classified as held for sale mainly concern Dalkia France operating receivable flows in the first half of the year (+€321.0 million).

Net impairment losses mainly concern trade receivables (-€53.9 million) and were primarily recognized in France (-€20.3 million) and in the Other operating segment (-€29.8 million).

Operating receivables held by the Group in countries considered high-risk by the IMF are not material in amount.

Movements in operating payables during 2014 are as follows:

Operating payables (€ million)	As of December 31, 2013	Changes in business [3]	Changes in consolidation scope	Foreign exchange translation	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2014
Trade payables [1]	3,320.1	(15.5)	608.9	67.1	200.2	38.4	4,219.2
Other operating payables [1]	3,546.0	(168.2)	406.3	53.6	(36.7)	2.5	3,803.5
Other liabilities [2]	463.2	33.2	173.8	27.9	(7.6)	(18.8)	671.7
Tax and employee-related liabilities	880.4	(169.6)	190.1	7.5	105.8	(11.0)	1,003.2
OPERATING PAYABLES	**8,209.7**	**(320.1)**	**1,379.1**	**156.1**	**261.7**	**11.1**	**9,697.6**

(1) Financial liabilities as defined by IAS 39, measured at amortized cost.
(2) Primarily deferred income.
(3) Changes in business mainly concern the Other operating segment in the amount of -€274.2 million.

Trade payables are recognized as liabilities at amortized cost in accordance with IAS 39 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Changes in consolidation scope mainly concern the Dalkia transaction between the Group and EDF.

Transfers to liabilities classified as held for sale mainly concern the reclassification of Dalkia France operating payable flows in the first half of the year (€305.3 million).

16.1 Transfers of financial assets

In 2014, Veolia had several programs for the assignment of receivables through factoring, discounting and assignment by way of security.

Factoring

The Group has regular recourse to factoring throughout the year.

Under these programs, certain subsidiaries have agreed to assign, on a renewable basis, trade receivables by contractual subrogation or assignment of receivables ("Dailly's" type for France) without recourse against the risk of default by the debtor. The analysis of the risks and rewards as defined by IAS 39 led the Group to derecognize almost all the receivables assigned under these factoring programs. In addition, the transferor subsidiaries generally remain responsible for invoicing and debt recovery, for which they receive remuneration but do not retain control.

Accordingly, receivables totaling €344.3 million were assigned under these programs in 2014, compared with €1,133 million in 2013 (this amount solely concerned Dalkia France). Receivables derecognized as of December 31, 2014 total €221.0 million, compared with €185.0 million as of December 31, 2013 (this amount solely concerned Dalkia France).

Discounting and assignment by way of security

Under Public-Private partnerships, all Veolia subsidiaries can assign the fraction of future payments guaranteed by local authorities / private customers (recognized in financial receivables pursuant to IFRIC 12 or IFRIC 4-IAS 17) to the bodies funding the project, through discounting or assignment by way of security programs (such as Dailly programs in France).

For the majority of partnerships concerned by these financial receivable assignments, the assignment agreements negotiated and the contractual clauses agreed between the stakeholders are sufficient to satisfy the derecognition criteria set out in IAS 39. The residual risk retained by the companies (considered immaterial) is generally tied solely to late customer payment due to late/deferred invoicing of royalties by Group subsidiaries. Group subsidiaries are mandated by the financial institutions to manage the invoicing and recovery of the receivables covered by these programs. Veolia analyzed the management and recovery procedures falling to Group subsidiaries and concluded that these services did not constitute continuing involvement.

Two assignments by way of security performed in 2005 and 2006 in connection with the specific terms and conditions of finance lease agreements entered into by the Waste activities operate differently and do not permit the derecognition of the receivables assigned. The assignment terms provide for the provision of a joint surety by the subsidiaries and their partners to the assignee financial institutions. Receivables of €77.1 million and finance lease obligations maturing in 2025 and 2026 of €77.8 million are recognized in Veolia's balance sheet as of December 31, 2014 in respect of these contracts (€81.3 million and €82.4 million, respectively, as of December 31, 2013).

Note 17 Cash and cash equivalents

Movements in cash and cash equivalents and bank overdrafts and other cash position items during **2014** are as follows:

(€ million)	As of December 31, 2013	Changes in business	Changes in consolidation scope	Fair value adjustments [1]	Foreign exchange translation	Transfers to Assets / Liabilities classified as held for sale	Other	As of December 31, 2014
Cash	497.6	116.4	120.7	-	18.2	66.0	1.8	820.7
Cash equivalents	3,784.8	(1,488.3)	35.1	-	2.1	(5.0)	(0.8)	2,327.9
CASH AND CASH EQUIVALENTS	**4,282.4**	**(1,371.9)**	**155.8**	**-**	**20.3**	**61.0**	**1.0**	**3,148.6**
Bank overdrafts and other cash position items	**221.1**	**(79.3)**	**(9.9)**	**-**	**4.3**	**80.1**	**0.1**	**216.4**
Net cash	**4,061.3**	**(1,292.6)**	**165.7**	**-**	**16.0**	**(19.1)**	**0.9**	**2,932.2**

(1) Fair value adjustments are recorded in financial income and expenses.

Transfers to Assets classified as held for sale mainly concern the net cash of the Group's activities in Israel (-€17.1 million).

Cash and cash equivalents total €3,148.6 million, including €186.0 million "subject to restrictions" as of December 31, 2014.

The decrease in net cash mainly reflects redemption of the euro-bond line in April 2014 in the amount of €575 million and bond buybacks in November and December 2014 for a euro-equivalent of €657 million.

As of December 31, 2014, the France segment held cash of €21.6 million, the Europe excluding France segment held cash of €241.1 million, the Rest of the World segment held cash of €219.3 million, the Global Businesses segment held cash of €126.1 million and the Other segment held cash of €212.6 million (including €100.2 million held by Veolia Environnement).

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement level, are invested in accordance with procedures defined by the Group. Note 30.4, “Management of liquidity risk”, presents a breakdown of investments by nature.

As of December 31, 2014, cash equivalents were primarily held by Veolia Environnement in the amount of €2,201.8 million including monetary UCITS of €1,014.4 million and term deposit accounts of €1,187.4 million. Cash equivalents are accounted for as assets at fair value through the Consolidated Income Statement.

Cash balances on the liquidity account set up for the purposes of the Management Incentive Plan (see also Notes 18.2.2 and 31.1.3), total €30.0 million as of December 31, 2014.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

Note 18 Equity

18.1 Share capital management objectives, policies and procedures

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure easy access to French and international capital markets, to enable investments in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining an “Investment Grade” credit rating.

With effect from September 30, 2014 and for a period of 12 months renewable by tacit agreement, Veolia Environnement has entrusted ROTHSCHILD & Cie BANQUE with the implementation of a liquidity contract. To this end, an amount of thirty million euros (€30,000,000) was allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders’ Meeting of April 24, 2014.

18.2 Equity attributable to owners of the Company

18.2.1 Share capital

The share capital is fully paid up.

18.2.1.1 Share capital increases

In 2013, Veolia Environnement performed a share capital increase of €227.3 million (net of issuance costs) on the payment of scrip dividends. As decided at the General Shareholders’ Meeting of May 14, 2013, the Group offered shareholders a choice of payment of the dividend in cash or shares. The option to receive payment of the dividend in shares led to the creation of 26,788,859 shares.

In 2014, Veolia Environnement performed a share capital increase of €174.3 million (net of issuance costs) on the payment of scrip dividends. As decided at the General Shareholders’ Meeting of April 24, 2014, Veolia Environnement offered shareholders a choice of payment of the dividend in cash or shares. The option to receive payment of the dividend in shares led to the creation of 13,426,093 shares.

18.2.1.2 Number of shares outstanding and par value

The number of shares outstanding was 548,875,708 as of December 31, 2013 and 562,301,801 as of December 31, 2014. The par value of each share is €5.

18.2.1.3 Authorized but unissued shares

The Veolia Environnement Combined General Shareholders’ Meeting generally grants two types of share issuance authorizations to the Board of Directors: (i) authorizations for the issuance of new shares, which are collectively limited to 70% of the number of shares outstanding on the date of the general shareholders’ meeting; and (ii) authorizations for the preferential issuance of warrants, which is limited to 25% of the number of shares outstanding on the date of the issue decision and which may only be used in the context of an outstanding tender offer on the Company’s shares. The first category of authorizations yields an exact number of authorized but unissued shares, whereas the number of shares authorized but unissued under the second category of authorizations will depend on the number of shares already outstanding on the date of the decision. Both types of authorizations, with the same limitations on issuance, *i.e.* 70% and 25%, were approved at the Combined General Shareholders’ Meetings in 2009 and 2010.

Fiscal years 2013 and 2014

For 2013, authorized but unissued shares under the first category amounted to 365,460,794, shares on the basis of 522,086,849 shares outstanding on May 14, 2013, the date of the General Shareholders’ Meeting voting the authorizations.

As of December 31, 2013, 26,788,859 shares had been issued from among the 365,460,794 above-mentioned authorized shares.

For 2014, authorized but unissued shares under the first category amounted to 384,212,996 shares on the basis of 548,875,708 shares outstanding on April 24, 2014, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2014, 13,426,093 shares had been issued from among the 384,212,996 above-mentioned authorized shares.

18.2.2 Offset of treasury shares against equity

Veolia Environnement did not purchase or sell any treasury shares in 2013.

Purchase and sale transactions in Veolia Environnement shares under the liquidity contract in 2014 were as follows:

Number of shares purchased in 2014	4,093,104
Number of shares sold in 2014	4,093,104

As of December 31, 2014, Veolia Environnement did not hold any shares under the liquidity contract.

The cash balance on the liquidity account was €30,045,304 at the end of 2014.

In 2014, the Group sold 439,952 treasury shares in the context of the Management Incentive Plan (see Note 31.1.3). Treasury shares held as of December 31, 2013 and December 31, 2014 total 14,237,927 and 13,797,975, respectively.

18.2.3 Appropriation of net income and dividend distribution

A dividend of €374.2 million was distributed by Veolia Environnement in 2014 and deducted from "Additional paid-in capital" and "Reserves". The 2013 net loss attributable to owners of the Company of €153.4 million was appropriated to "Consolidated reserves".

18.2.4 Foreign exchange translation

Accumulated foreign exchange translation reserves total €105.2 million as of December 31, 2013 (Group share).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi yuan (-€19.9 million), the Czech crown (-€36.3 million), the Australian dollar (-€21.3 million) and the pound sterling (-€23.2 million).

Accumulated foreign exchange translation reserves total €271.0 million as of December 31, 2014 (Group share).

The change in foreign exchange translation reserves primarily reflects the appreciation of the Chinese renminbi yuan (€153.7 million), the U.S. dollar (€99.9 million), the Czech crown (-€16.3 million), the Hong Kong dollar (-€106.8 million) and the pound sterling (€19.1 million).

Movements in foreign exchange translation reserves (attributable to owners of the Company and to non-controlling interests)

(€ million)	**Total**	**o/w Attributable to owners of the Company**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	224.6	175.9
Translation differences on net foreign investments	(70.8)	(70.7)
As of December 31, 2013	**153.8**	**105.2**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	297.5	266.2
Translation differences on net foreign investments	(102.3)	(100.4)
Movements in 2014	**195.2**	**165.8**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	522.1	442.1
Translation differences on net foreign investments	(173.1)	(171.1)
AS OF DECEMBER 31, 2014	**349.0**	**271.0**

Breakdown by currency of Foreign exchange translation reserves attributable to owners of the Company

(€ million)	As of December 31, 2013	Movement	As of December 31, 2014
Chinese renminbi yuan	250.4	153.7	404.1
Czech crown	42.2	(16.3)	25.9
Australian dollar	46.1	5.6	51.7
U.S. Dollar	58.3	99.9	158.2
Canadian dollar	1.9	4.5	6.4
Slovakian crown	14.0	(1.4)	12.6
Swiss franc	4.0	2.0	6.0
Swedish crown	0.3	(2.0)	(1.7)
Norwegian crown	0.1	(0.4)	(0.3)
Pound sterling	(154.5)	19.1	(135.4)
Hong Kong dollar	(23.3)	(106.8)	(130.1)
Polish zloty	(22.9)	8.2	(14.7)
Romanian leu	(20.0)	0.5	(19.5)
Korean won	8.7	7.8	16.5
Mexican peso	(2.2)	0.7	(1.5)
Hungarian forint	(13.1)	(3.6)	(16.7)
Other currencies	(84.8)	(5.7)	(90.5)
TOTAL	**105.2**	**165.8**	**271.0**

18.2.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€34.2 million as of December 31, 2013 and -€60.2 million as of December 31, 2014, and break down as follows:

(€ million)	Available-for-sale securities	Commodity derivatives hedging cash flows	Foreign currency derivatives hedging cash flows	Interest rate derivatives hedging cash flows	Total	o/w Attributable to owners of the Company
As of December 31, 2013	**18.1**	**(5.4)**	**6.7**	**(51.3)**	**(31.9)**	**(34.2)**
Fair value adjustments	5.6	(4.3)	(5.6)	(12.3)	(16.6)	(19.1)
Other movements	(12.3)	-	(0.8)	2.0	(11.1)	(6.9)
As of December 31, 2014	**11.4**	**(9.7)**	**0.3**	**(61.6)**	**(59.6)**	**(60.2)**
Amounts are presented net of tax.						

No material amounts were released to the Consolidated Income Statement in respect of interest rate derivatives hedging cash flows and recorded in finance costs and income.

18.3 Non-controlling interests

Non-controlling interests as of December 31, 2014 and 2013 break down by operating segment as follows:

(€ million)	As of December 31, 2014	As of December 31, 2013
France	19.8	20.4
Europe, excluding France	572.0	285.6
Rest of the world	556.4	457.4
Global Businesses	9.9	13.3
Other	9.1	695.5
TOTAL	**1,167.2**	**1,472.2**

A breakdown of the movement in non-controlling interests is presented in the Statement of Changes in Equity.

As of December 31, 2014 , non-controlling interests mainly include :

- in Europe, excluding France : Poland (€207.0 million), Czech Republic (€153.2 million) and Germany (€107.4 million);
- in rest of the world: China (€343.3 million).

The decrease in non-controlling interests in 2014 is mainly due to net income for the year (€85.3 million), changes in consolidation scope (-€363.6 million) primarily tied to the Dalkia transaction between the Group and EDF, dividend distributions (-€61.4 million) and foreign exchange gains and losses (€29.4 million).

18.4 Deeply subordinated securities

In January 2013, Veolia Environnement issued deeply subordinated perpetual securities in euros and pound sterling redeemable from April 2018. The issue comprised a euro tranche of €1 billion at 4.5% yield and a pound sterling tranche of £400 million at 4.875% yield.

This instrument is recognized in equity, pursuant to IAS 32.11 and given its intrinsic terms and conditions (no mandatory repayment, no obligation to pay a coupon, except in the event of a dividend distribution to shareholders or the buyback of own shares).

The coupon attributable to holders of deeply subordinated securities amounts to €68.0 million in 2014 against €16.6 million in 2013.

Note 19 Non-current and current provisions

In accordance with IAS 37 (see Note 1.13), provisions maturing after more than one year are discounted.

Movements in non-current provisions during **2014** are as follows:

(€ million)	As of December 31, 2013	Additions/ Charge	Repayment /Utilization	Reversal	Actuarial gains (losses)	Unwinding of the discount	Changes in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Other	As of December 31, 2014
Tax litigation	79.3	23.9	-	(12.4)	-	0.1	0.9	(0.1)	(3.6)	0.2	88.3
Employee litigation	4.0	1.4	-	(0.7)	-	-	0.5	-	(2.9)	0.1	2.4
Other litigation	34.1	8.6	-	(1.9)	-	0.1	6.7	2.4	(2.1)	1.3	49.2
Contractual commitments	173.9	195.9	(193.8)	(6.9)	-	0.8	15.1	0.5	-	0.3	185.8
Provisions for work-in-progress and losses to completion on long-term contracts	96.2	12.6	-	(5.1)	-	7.4	1.5	3.1	(41.1)	(5.4)	69.2
Closure and post-closure costs	483.5	19.4	-	(3.7)	-	57.9	33.3	-0.1	(41.5)	8.2	557.0
Restructuring provisions	61.0	-	-	(0.1)	-	-	-	-	(61.0)	0.1	-
Self-insurance provisions	96.8	13.9	-	4.3	-	2.2	-	0.5	(11.4)	0.1	106.4
Other provisions	110.5	11.9	-	(2.5)	-	-	6.6	1.6	(22.5)	16.5	122.1
Non-current provisions excl. pensions and other employee benefits	**1,139.3**	**287.6**	**(193.8)**	**(29.0)**	**-**	**68.5**	**64.6**	**7.9**	**(186.1)**	**21.4**	**1,180.4**
Provisions for pensions and other employee benefits	**567.2**	**75.4**	**(69.1)**	**(18.3)**	**59.9**	**23.8**	**159.3**	**11.7**	**-**	**(31.5)**	**778.4**
NON-CURRENT PROVISIONS	**1,706.5**	**363.0**	**(262.9)**	**(47.3)**	**59.9**	**92.3**	**223.9**	**19.6**	**(186.1)**	**(10.1)**	**1,958.8**

The increase in provisions in 2014 is mainly due to the entry into the scope of consolidation of the Dalkia International subsidiaries in the amount of €196.3 million.

Movements in current provisions during **2014** are as follows:

(€ million)	As of December 31, 2013	Charge	Utilization	Reversal	Changes in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Other	As of December 31, 2014
Tax litigation	38.5	35.8	(10.2)	(3.2)	7.2	0.4	3.6	0.1	72.2
Employee litigation	15.4	8.4	(4.9)	(4.1)	1.4	0.1	2.9	0.1	19.3
Other litigation	66.3	27.4	(33.3)	(21.8)	23.6	1.8	2.1	21.7	87.8
Provisions for work-in-progress and losses to completion on long-term contracts	85.7	23.2	(55.9)	(18.3)	(18.5)	1.0	41.1	6.1	64.4
Closure and post-closure costs	81.4	8.2	(39.5)	(13.5)	6.4	2.0	41.5	(3.0)	83.5
Restructuring provisions	45.9	16.4	(44.3)	(16.5)	5.2	0.3	61.0	4.2	72.2
Self-insurance provisions	25.4	12.5	(20.8)	(7.8)	(0.1)	1.2	11.4	(1.7)	20.1
Other provisions	92.7	63.7	(45.7)	(14.4)	13.1	1.5	22.5	-	133.4
CURRENT PROVISIONS	**451.3**	**195.6**	**(254.6)**	**(99.6)**	**38.3**	**8.3**	**186.1**	**27.5**	**552.9**

Movements in current and non-current provisions break down as follows:

19.1 Litigation

This provision covers all losses that are considered probable and that relate to litigation (taxation, employee or other) arising in the normal course of Veolia's business operations.

Additional information on the main litigation is presented in Note 36.

Provisions for litigation total €319.2 million as of December 31, 2014, compared with €237.6 million as of December 31, 2013.

The France, Europe excluding France, Rest of the world and Global Businesses operating segments account for €86.0 million, €47.5 million, €56.4 million and €66.0 million of these provisions, respectively, as of December 31, 2014.

19.2 Contractual commitments

As part of its obligations under public services contracts, Veolia generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

These provisions total €185.8 million as of December 31, 2014 and mainly concern the Rest of the world operating segment in the amount of €107.4 million.

19.3 Provisions for work-in-progress and losses to completion on long-term contracts

These provisions total €133.6 million as of December 31, 2014 and mainly concern the France operating segment in the amount of €20.6 million, the Europe, excluding France, operating segment in the amount of €21.8 million, the Rest of the world operating segment in the amount of €42.4 million and the Global Businesses operating segment in the amount of €46.3 million.

19.4 Closure and post-closure costs

This provision encompasses the legal and contractual obligations of the Group on the completion of operating activities at a site (primarily site rehabilitation provisions) and, more generally, expenditure associated with environmental protection as defined in the ethics charter of each entity (provision for environmental risks).

These provisions total €640.5 million as of December 31, 2014 compared with €564.9 million as of December 31, 2013 and mainly concern the following operating segments:

- France in the amount of €229.2 million in 2014, compared with €216.1 million in 2013;
- Europe, excluding France, in the amount of €229.7 million in 2014, compared with €182.9 million in 2013.

The increase in these provisions in 2014 is mainly due to the unwinding of the discount in the amount of €57.9 million and changes in consolidation scope in the amount of €39.7 million.

By nature of obligation, these provisions concern:

- **provisions for site rehabilitation** which cover obligations relating to closure and post-closure costs at waste disposal facilities operated by the Group and for which it is responsible. These provisions mainly concern Waste activities. Forecast site rehabilitation costs are provided pro rata to waste tonnage deposited over the authorized duration of the sites and total €545.4 million at the end of 2014 compared with €490.1 million at the end of 2013;
- **provisions for environmental risks** in the amount of €66.1 million in 2014 compared with €56.3 million in 2013;
- **provisions for plant dismantling** in the amount of €28.9 million in 2014, compared with €18.5 million in 2013.

19.5 Self-insurance provisions

As of December 31, 2014, self-insurance provisions total €126.5 million, compared with €122.2 million as of December 31, 2013. They were mainly recorded by Group insurance and reinsurance subsidiaries in the amount of €106.5 million.

19.6 Other provisions

Other provisions include various obligations recorded as part of the normal operation of the Group's subsidiaries and which are of immaterial individual amount.

Overall these **other provisions** total €255.5 million as of December 31, 2014, compared with €203.2 million as of December 31, 2013, and mainly concern the following operating segments:

- France in the amount of €79.2 million as of December 31, 2014, compared with €64.2 million as of December 31, 2013;
- Europe, excluding France in the amount of €55.3 million as of December 31, 2014, compared with €32.8 million as of December 31, 2013;
- Rest of the world in the amount of €35.6 million as of December 31, 2014, compared with €27.7 million as of December 31, 2013.

19.7 Provisions for pensions and other employee benefits

Provisions for pensions and other employee benefits as of December 31, 2014 total €778.4 million, and include provisions for pensions and other post-employment benefits of €674.3 million (governed by IAS 19 and detailed in Note 31, Employee benefit obligation) and provisions for other long-term benefits of €104.1 million.

Note 20 Non-current and current borrowings

(€ million)	As of December 31					
	Non-current		Current		Total	
	2014	2013	2014	2013	2014	2013
Bond issues	**7,482.1**	**8,953.7**	**1,059.6**	**594.6**	**8,541.7**	**9,548.3**
• maturing in < 1 year	-	-	1,059.6	594.6	1,059.6	594.6
• maturing in 2-3 years	1,426.6	1,492.6	-	-	1,426.6	1,492.6
• maturing in 4-5 years	1,171.2	1,919.2	-	-	1,171.2	1,919.2
• maturing in > 5 years	4,884.3	5,541.9	-	-	4,884.3	5,541.9
Other borrowings	**842.4**	**775.8**	**1,943.5**	**2,355.9**	**2,785.9**	**3,131.7**
• maturing in < 1 an	-	-	1,943.5	2,355.9	1,943.5	2,355.9
• maturing in 2-3 years	342.4	310.0	-	-	342.4	310.0
• maturing in 4-5 years	192.0	202.1	-	-	192.0	202.1
• maturing in > 5 years	308.0	263.7	-	-	308.0	263.7
TOTAL CURRENT AND NON-CURRENT BORROWINGS	**8,324.5**	**9,729.5**	**3,003.1**	**2,950.5**	**11,327.6**	**12,680.0**

The heading "Net increase/decrease in current borrowings" in the Consolidated Cash Flow Statement includes redemptions of current bonds in the amount of -€590.4 million in 2014 and increases and repayments of other current borrowings of -€352.3 million. This heading does not include accrued interest payable of -€30.5 million in 2014, presented on the line "Interest paid" in the Consolidated Cash Flow Statement.

The heading "New non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes non-current bond issues in the amount of €27.2 million in 2014 and new other non-current borrowings of €112.5 million. However, it excludes new finance lease obligations of €14.7 million in 2014, presented in investment flows.

The heading "Principal payments on non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes redemptions of non-current bonds in the amount of -€498.0 million in 2014 and principal payments on other non-current borrowings of -€331.6 million.

20.1 Movements in non-current and current bond issues

Movements in non-current and current bond issues during **2014** are as follows:

(€ million)	As of December 31, 2013	Increases/ subscriptions	Repayments	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Non-current/ current reclassification	Other	As of December 31, 2014
Non-current bond issues	8,953.7	27.2	(498.0)	0.4	(32.1)	80.4	(1,049.4)	(0.1)	7,482.1
Current bond issues	594.6	-	(590.4)	-	-	2.4	1,049.4	3.6	1,059.6
TOTAL BOND ISSUES	**9,548.3**	**27.2**	**(1,088.4)**	**0.4**	**(32.1)**	**82.8**	**-**	**3.5**	**8,541.7**

(1) Fair value adjustments are recorded in financial income and expenses.

Non-current borrowings are recorded as financial liabilities at amortized cost for accounting purposes. Hedging transactions were entered into in respect of certain fixed-rate borrowings. Fair value hedge accounting was applied to these transactions.

Repayments mainly comprise:

- the amortization of the euro-bond line maturing in April 2014 in the amount of €575 million;
- buybacks performed on November 24, 2014 on euro-denominated bond lines maturing in 2016, 2017 and 2019 for a total principal amount of €225 million;
- the buyback on December 19, 2014 of the entire U.S. dollar-bond line maturing in June 2018 for a total principal amount of USD 408 million, *i.e.* a euro-equivalent of €333 million at the buyback date.

Non-current/current reclassifications mainly concern the transfer to current bond issues of the euro-bond line linked to European inflation maturing in June 2015 (€1,032 million).

Non-current bond issues break down by maturity as follows:

(€ million)	As of December 31, 2013	As of December 31, 2014	Maturing in		
			2 to 3 years	4 to 5 years	More than 5 years
Publicly offered or traded issuances (1)	8,792.5	7,308.7	1,375.7	1,144.5	4,788.5
European market (i)	8,137.6	6,949.0	1,375.7	1,144.5	4,428.8
U.S. market (ii)	654.9	359.7	-	-	359.7
Stirling Water Seafield Finance bond issue(2)	81.1	81.7	10.8	12.3	58.6
Other amounts < €50 million in 2013 and 2014	80.1	91.7	40.1	14.4	37.2
NON-CURRENT BOND ISSUES	**8,953.7**	**7,482.1**	**1,426.6**	**1,171.2**	**4,884.3**

(1) Publicly offered or traded issuances.

i. European market: As of December 31, 2014, an amount of €7,981.0 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €6,949.0 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €78.4 million at the year-end (non-current portion)

ii. U.S. market: As of December 31, 2014, remaining nominal outstandings on the bond issues performed in the United States on May 27, 2008 total USD 400 million, maturing June 1, 2038 and paying fixed-rate interest of 6.75% (Tranche 3). Tranche 1 of USD 490 million, paying fixed-rate interest of 5.25% matured on June 3, 2013 and Tranche 2, maturing June 1, 2018, of USD 408 million, paying fixed-rate interest of 6% was bought back in full on December 21, 2014.

(2) Stirling Water Seafield Finance bond issue: the outstanding balance as of December 31, 2014 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water activities), is £67.6 million (current and non-current portion). This bond issue is recognized at amortized cost for a euro equivalent of €81.7 million as of December 31, 2014 (non-current portion). This bond matures on September 26, 2026.

Breakdown of **non-current bond issues** by main component:

Transaction *(all amounts are in € million)*	Final maturity	Currency	Nominal	Interest rate	Net carrying amount
Series 11	05/28/2018	EUR	472	5.375%	529
Series 12	11/25/2033	EUR	700	6.125%	695
Series 17	02/12/2016	EUR	382	4.000%	392
Series 18	12/11/2020	EUR	431	4.375%	505
Series 21	01/16/2017	EUR	606	4.375%	659
Series 23	05/24/2022	EUR	850	5.125%	911
Series 24	10/29/2037	GBP	834	6.125%	847
Series 26	04/24/2019	EUR	575	6.750%	616
Series 27	06/29/2017	EUR	250	5.700%	259
Series 28 (PEO)	01/06/2021	EUR	834	4.247%	795
Series 29 (PEO)	03/30/2027	EUR	750	4.625%	675
Series 30	06/28/2017	CNY	66	4.500%	66
Total bond issues (EMTN)	**n/a**	**n/a**	**6,750**	**n/a**	**6,949**
USD Series Tranche 3	06/01/2038	USD	329	6.750%	360
Total publicly offered or traded issuances in USD	**n/a**	**n/a**	**329**		**360**
Stirling Water Seafield Finance bond issue	09/26/2026	GBP	82	5.822%	82
Total principal bond issues	**n/a**	**n/a**	**7,161**	**n/a**	**7,391**
Total other bond issues	**n/a**	**n/a**		**n/a**	**91**
TOTAL NON-CURRENT BOND ISSUES	**N/A**	**N/A**		**N/A**	**7,482**

20.2 Movements in other borrowings

(€ million)	As of December 31, 2013	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current/ current reclassification	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2014
Other non-current borrowings	775.8	(219.1)	306.0	(0.5)	36.2	(194.7)	144.4	(5.7)	**842.4**
Other current borrowings	2,355.9	(352.4)	(537.4)	(0.2)	283.9	194.7	(2.7)	1.7	**1,943.5**
OTHER BORROWINGS	**3,131.7**	**(571.5)**	**(231.4)**	**(0.7)**	**320.1**	**-**	**141.7**	**(4.0)**	**2,785.9**

Movements in **other non-current borrowings** during **2014** are as follows:

The **net movement** is mainly due to the refinancing of the loan granted by EDF to Dalkia International by Veolia Environnement, in the amount of -€147.0 million, and refinancing of loans in Polish zloty and Chinese renminbi yuan granted by external banks to Dalkia International subsidiaries (-€131.7).

Changes in consolidation scope mainly concern:

- the Dalkia transaction between the Group and EDF in the amount of +€278.8 million;
- the change in the consolidation method of Dalkia in Portugal, now fully consolidated, in the amount of +€16.1 million;
- recognition of the Kendall option in the United States in the amount of +€18.2 million, following the acquisition by TNAI of 51% of Kendall Green Energy Holdings LLC and its wholly-owned subsidiary, Kendall Green Energy LLC. The Group has a call option covering the shares held by the joint partner and simultaneously granted a put option to the joint partner exercisable under the same conditions, which was recognized in debt.

Transfers to Liabilities classified as held for sale mainly concern the impact of the activity redistribution transaction on "Liabilities directly associated with assets held for sale" of +€148.0 million.

Breakdown of **other non-current borrowings** by main component:

(€ million)	As of December 31, 2013	As of December 31, 2014	Maturing in 2 to 3 years	4 to 5 years	More than 5 years
Finance lease obligations(1)	192.6	181.0	51.6	31.6	97.8
REDAL(2)	148.7	127.8	56.8	48.6	22.4
AMENDIS(2)	83.8	69.4	33.8	19.5	16.1
Other amounts < €70 million	350.7	464.2	200.2	92.3	171.7
OTHER NON-CURRENT BORROWINGS	**775.8**	**842.4**	**342.4**	**192.0**	**308.0**

(1) Finance lease obligations: the majority of interest rates are fixed-rates;

(2) REDAL/AMENDIS: the non-recourse debt carried by Redal and Amendis in Morocco (Water) is fully reconsolidated as of December 31, 2014 (reclassification to continuing operations). Redal and Amendis borrowings mature between December 31, 2018 and March 31, 2023. The non-current portion of these debts is €127.8 million and €69.4 million, respectively, as of December 31, 2014.

Current borrowings are recorded as financial liabilities at amortized cost for accounting purposes.

Other current borrowings total €1,943.5 million as of December 31, 2014, compared with €2,355.9 million as of December 31, 2013.

Net movements in other current borrowings in **2014** mainly reflect the increase in treasury notes issued in the amount of €682 million, the decrease in cash and cash equivalents invested by Transdev Group with Veolia Environnement in the amount of -€183 million following the repayment of shareholder loans in 2014 and the repayment of cash invested by Dalkia International (equity-accounted entity in 2013) with the Group following the divestiture of Dalkia's French activities, in the amount of -€286.0 million.

Changes in consolidation scope mainly concern the Dalkia transaction between the Group and EDF in the amount of -€402.5 million, including the elimination of cash invested by Dalkia International in Group holding companies in the amount of -€435.9 million.

As of December 31, 2014, current borrowings mainly concern:

- Veolia Environnement for €2,566.5 million (including bond issues of €1,032.0 million, treasury notes of €1,262.8 million and accrued interest on debt of €201.1 million);
- Certain subsidiaries of the Other operating segment in the amount of €47.2 million;
- France in the amount of €44.2 million;
- Europe, excluding France in the amount of €111.1 million;
- The Rest of the world, in the amount of €163.0 million;
- Global Businesses in the amount of €71.1 million.

The current portion of Group finance lease obligations is €40.1 million as of December 31, 2014, compared with €45.4 million as of December 31, 2013.

20.3 Breakdown of non-current and current borrowings by currency

Borrowings are primarily denominated in euro, pound sterling, U.S. dollar, Chinese renminbi yuan and Moroccan dirham.

Borrowings break down by original currency (before currency swaps) as follows:

(€ million)	**As of December 31, 2014**	**As of December 31, 2013**
Euro	9,056.5	10,047.1
Pound sterling	1,020.2	939.2
U.S. dollar	556.5	798.2
Moroccan dirham	241.6	273.7
Polish zloty	4.4	197.7
Chinese renminbi yuan	284.5	172.7
Chilean peso	0.7	41.2
Israeli shekel	-	38.8
Brazilian real	1.6	31.2
Mexican peso	24.3	25.5
CFA franc BEAC	12.3	16.7
Columbian peso	14.3	15.7
Korean won	12.3	15.5
Hong Kong dollar	30.1	15.7
Hungarian forint	12.5	10.6
Other < €10 million	55.8	40.5
NON-CURRENT AND CURRENT BORROWINGS	**11,327.6**	**12,680.0**

20.4 Finance leases

The Group uses finance leases to finance the purchase of certain operating property, plant and equipment and real estate assets recognized as assets in the Consolidated Statement of Financial Position.

Assets financed by **finance lease** break down by category as follows:

(€ million)	**Property, plant and equipment, net**	**Concession intangible assets**	**Operating financial assets**	**Total**
December 31, 2014	**84.5**	**43.5**	**120.6**	**248.6**
December 31, 2013	96.5	38.8	105.3	240.6

The increase in assets financed by finance lease between December 31, 2013 and 2014 is mainly due to the Dalkia transaction between the Group and EDF (+€30.9 million), partially offset by a decrease in Waste activities in France.

As of December 31, 2014, future minimum lease payments under these contracts are as follows:

(€ million)	**Finance leases**
Less than 1 year	49.7
2 to 3 years	67.6
4 to 5 years	49.3
More than 5 years	131.8
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**298.4**
Less amounts representing interest	77.1
PRESENT VALUE OF MINIMUM LEASE PAYMENTS (FINANCE LEASES)	**221.3**

Contingent rent and sub-lease income for the period recorded in the Consolidated Income Statement is not material.

Note 21 Revenue

As for other Income Statement headings, Revenue does not include amounts relating to discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations (see Note 26).

The results of these activities are presented in a separate line, “Net income (loss) from discontinued operations”, for fiscal year 2014 and fiscal year 2013 presented for comparison purposes (see Note 26).

Breakdown of Revenue (see Note 1.17)

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Services rendered	18,183.9	17,234.5
Sales of goods	1,756.1	1,858.7
Revenue from operating financial assets	169.0	175.9
Construction	3,770.6	3,550.6
REVENUE	**23,879.6**	**22,819.7**

Services are primarily rendered in Europe, excluding France (€5,636.6 million), France (€4,684.6 million) and the Rest of the world (€4,304.6 million).

The increase in services rendered in 2014 follows the Dalkia redistribution transaction (€216.7 million, representing the combined effect of the full consolidation of Dalkia International and the divestiture of Dalkia France), price increases in the Energy services and Waste solutions activities and contract wins.

Sales of goods mainly concern sales of technological solutions in the Water activities and sales of products relating to recycling activities in the Waste activities.

Sales of goods are primarily generated in France (€549.5 million), the United Kingdom (€219.2 million) and Germany (€440.7 million).

The increase in construction revenue in 2014 is mainly due to the start-up of major projects, Technologies and Networks activities in Water and primarily the Az Zour North and Sadara desalination project.

A breakdown of revenue by operating segment is presented in Note 5.

Note 22 Operating income

Operating income is calculated as follows:

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	**23,879.6**	**22,819.7**
Cost of sales	**(20,459.7)**	**(19,446.1)**
o/w:		
• impairment losses on goodwill, net of negative goodwill recognized in the Consolidated Income Statement	(299.1)	(168.6)
• impairment losses (excl. working capital) and provisions	(204.2)	(45.5)
• restructuring costs	(2.0)	(39.9)
• replacement costs	(318.7)	(396.8)
Selling costs	**(517.4)**	**(536.0)**
General and administrative expenses	**(2,479.3)**	**(2,481.8)**
o/w:		
• research and development costs	(78.1)	(81.9)
• restructuring costs	(51.4)	(120.6)
Other operating revenue and expenses	**(9.1)**	**113.5**
o/w:		
• capital gains (losses) on disposal of financial assets	(9.1)	113.5
• other	-	-
OPERATING INCOME	**414.1**	**469.3**
Share of net income (loss) of equity-accounted entities	**653.1**	**178.7**
Operating income after share of net income (loss) of equity-accounted entities	**1,067.2**	**648.0**

Breakdown of capital gains and losses on disposal

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Capital gains and losses on disposals of property, plant and equipment	7.1	37.9
Capital gains and losses on disposals of financial assets	(9.1)	113.5
Capital gains and losses on disposals recognized in operating income	**(2.0)**	**151.4**
Capital gains and losses on disposals recognized in financial income (loss)	**(0.9)**	**0.1**
Capital gains and losses on disposals of PP&E and financial assets	3.0	3.5
Capital gains and losses on disposals of discontinued operations	-	26.4
Capital gains and losses on disposals recognized in net income (loss) from discontinued operations	**3.0**	**29.9**
TOTAL CAPITAL GAINS AND LOSSES ON DISPOSALS IN THE CONSOLIDATED CASH FLOW STATEMENT	**0.1**	**181.4**

A breakdown of capital gains and losses on disposals of discontinued operations is provided in Note 26.

Breakdown of impairment losses

The main impairment losses recognized as of December 31, 2014 break down as follows:

- impairment losses on goodwill in the amount of -€299.1 million, broken down in Note 6;
- impairment losses (excluding WCR) and provisions recognized in cost of sales in the amount of -€204.2 million, mainly concerning:
  - the France operating segment in the amount of €23.5 million, including reversals of site rehabilitation provisions in Waste activities in the amount of €15.0 million and net provision reversals in respect of the exit of the Valene public service delegation contract in the amount of €14.1 million,
  - the Europe, excluding France operating segment in the amount of -€101.3 million, including asset impairment of -€98.5 million primarily in Central Europe,

- the Rest of the world operating segment in the amount of -€59.1 million, including asset impairment of -€47.4 million in China,
- the Other operating segment in the amount of -€69.7 million. This amount also takes into consideration the current estimate of financial risks regarding an industrial multi-service contract (Artelia in Portugal) leading to the impairment of the financial receivable. Veolia's residual exposure in respect of this industrial multi-service contract is €74.0 million as of December 31, 2014.

The main impairment losses recognized as of December 31, 2013 break down as follows:

- impairment losses on goodwill in the amount of -€168.6 million, mainly concerning:
  - Waste activities in Germany in the amount of -€150.0 million,
  - Waste activities in Poland in the amount of -€17.9 million.
- impairment losses (excluding WCR) and provisions recognized in cost of sales in the amount of -€45.5 million, mainly concerning:
  - the France operating segment in the amount of +€39.3 million, including reversals of provisions for site rehabilitation in Waste activities of +€17.1 million,
  - the Rest of the world operating segment in the amount of -€36.5 million,
  - the Global businesses operating segment in the amount of +€9.1 million,
  - the Other operating segment in the amount of -€60.1 million, including impairment of the Artelia financial receivable in Portugal in the amount of -€16.1 million, reflecting the worsening of the financial position of the client and the associated credit risk.

Breakdown of operating depreciation, amortization, provisions and impairment losses

Operating depreciation, amortization, provisions and impairment losses included in operating income in **2014** break down as follows:

(€ million)	**Charge**	**Reversal**	**Year ended December 31, 2014**	**Year ended December 31, 2013**
OPERATING DEPRECIATION, AMORTIZATION AND PROVISIONS, NET				
Depreciation and amortization	**(1,281.8)**	**0.4**	**(1,281.4)**	**(1,253.6)**
Property, plant and equipment	(796.1)	0.4	(795.7)	(739.7)
Intangible assets	(485.7)	-	(485.7)	(513.9)
Impairment losses	**(464.4)**	**151.3**	**(313.1)**	**(126.7)**
Property, plant and equipment	(153.7)	7.5	(146.2)	(24.0)
Intangible assets and operating financial assets	(117.2)	6.3	(110.9)	(56.7)
Inventories	(21.0)	16.7	(4.3)	4.0
Trade receivables	(162.4)	114.9	(47.5)	(46.5)
Other operating and non-operating receivables	(10.1)	5.9	(4.2)	(3.5)
Non-current and current operating provisions	**(530.2)**	**624.9**	**94.7**	**(10.5)**
Non-current operating provisions	(357.2)	308.1	(49.1)	(87.5)
Current operating provisions	(173.0)	316.8	143.8	77.0
IMPAIRMENT LOSSES AND IMPACT OF DISPOSALS ON GOODWILL AND NEGATIVE GOODWILL RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT	**(299.1)**	**-**	**(299.1)**	**(168.6)**
OPERATING DEPRECIATION, AMORTIZATION, PROVISIONS AND IMPAIRMENT LOSSES	**(2,575.5)**	**776.6**	**(1,798.9)**	**(1,559.4)**

Operating depreciation, amortization, charges to provisions and impairment losses in the Consolidated Cash Flow Statement include operating depreciation, amortization, provisions and impairment losses transferred to Net income from discontinued operations in the amount of +€15.9 million in 2014 and -€17.4 million in 2013.

Impairment losses on inventories and receivables are recorded in changes in working capital in the Consolidated Cash Flow Statement.

Restructuring costs

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Restructuring costs	(98.8)	(77.6)
Net charge to restructuring provisions	44.4	(85.0)
RESTRUCTURING COSTS BY NATURE	**(54.4)**	**(162.6)**
Cost of sales	(2.0)	(39.9)
Selling costs	(1.0)	(2.1)
General and administrative expenses	(51.4)	(120.6)
RESTRUCTURING COSTS	**(54.4)**	**(162.6)**

Restructuring costs included in operating income in 2014 mainly concern employee reorganization and adjustment measures at the Global headquarters through a voluntary redundancy plan in the amount of -€23.5 million.

Restructuring costs included in operating income in 2013 mainly concern France in the amount of €112.5 million and mainly include the cost of voluntary redundancy plans in France. The Group recognized a restructuring provision of €97 million in respect of this plan as of December 31, 2013 (including €14 million in cost of sales and €83 million in general and administrative expenses).

Personnel costs

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Employee costs	(6,762.1)	(6,527.8)
Profit-sharing and incentive schemes	(103.2)	(122.8)
Share-based compensation (IFRS 2)	(1.6)*	-
PERSONNEL COSTS	**(6,866.9)**	**(6,650.6)**

* *As disclosed in Note 31.1.3., share-based compensation in 2014 concerns the Management Incentive Plan.*

Research and development costs

Research and developments costs total €78.1 million in 2014 and €81.9 million in 2013.

Note 23 Net finance costs

The income and expense balances making up net finance costs are as follows:

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Finance income	48.2	46.4
Finance costs	(592.1)	(640.9)
NET FINANCE COSTS	**(543.9)**	**(594.5)**

Finance costs and finance income represent the cost of borrowings net of income from cash and cash equivalents. In addition, net finance costs include net gains and losses on derivatives allocated to borrowings, irrespective of whether they qualify for hedge accounting.

Net finance costs presented in the Consolidated Cash Flow Statement reflect the net finance costs of continuing operations presented above and the net finance costs of discontinued operations of -€3.1 million in 2014.

The heading “Interest paid” in the Consolidated Cash Flow Statement reflects the net finance costs of continuing and discontinued operations adjusted for accrued interest of -€30.5 million and fair value adjustments to hedging derivatives of +€48.2 million in 2014.

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Financial liabilities measured using the effective interest method	(543.0)	(612.3)
Commission on undrawn credit facilities	(8.5)	(8.6)
Expenses on gross debt	**(551.5)**	**(620.9)**
Assets at fair value through the Consolidated Income Statement	**34.6**	**31.0**

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
(fair value option)*		
Net gains and losses on derivative instruments, hedging relationships and other	**(27.0)**	**(4.6)**
NET FINANCE COSTS	**(543.9)**	**(594.5)**

* *Cash equivalents are valued at fair value through the Consolidated Income Statement.*

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for fiscal year 2014:

- interest income on hedging relationships (fair value hedges and cash flow hedges) of €19.2 million, as a result of the fall in interest rates in fiscal year 2014;
- net gains and losses on derivatives not qualifying for hedge accounting of -€44.5 million, mainly on foreign currency derivatives.

In addition, the charge relating to the ineffective portion of net investment hedges and cash flow hedges was not material in 2014 or 2013.

Interest income on instruments measured using the effective interest method (including interest income recorded in operating income and in other financial income and expenses) totals €231.8 million in 2014, compared with €294.7 million in 2013.

Note 24 Other financial income and expenses

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Net gains and losses on loans and receivables	47.7	99.6
Net gains and losses on available-for-sale assets(1)	3.1	3.9
Assets and liabilities at fair value through the Consolidated Income Statement	-	0.2
Unwinding of the discount on provisions	(45.3)	(41.7)
Foreign exchange gains and losses	-	(5.8)
Other	(19.7)	(18.4)
OTHER FINANCIAL INCOME AND EXPENSES	**(14.2)**	**37.8**

(1) Including dividends received of €3.1 million in 2014, compared with €3.0 million in 2013.

Net gains and losses on loans and receivables include income from joint venture loans, including loans to:

- Dalkia International for €35.6 million in 2014, before the Dalkia transaction and €88.9 million in 2013;
- Transdev Group for €14.6 million in 2014 and €20.4 million in 2013.

Note 25 Income tax expense

25.1 Analysis of the income tax expense

The income tax expense breaks down as follows:

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Current income tax (expense) income	**(203.4)**	**(173.3)**
France	(61.0)	(52.7)
Other countries	(142.4)	(120.6)
Deferred tax (expense) income	**36.1**	**53.9**
France	(15.1)	0.9
Other countries	51.2	53.0
TOTAL INCOME TAX EXPENSE	**(167.3)**	**(119.4)**

The income tax expense presented in the Consolidated Cash Flow Statement reflects the income tax expense of continuing operations presented above and the income tax expense of discontinued operations.

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company (five-year agreement, renewed in 2011). Veolia Environnement is liable to the French treasury department for the full income tax charge, calculated based on the group tax return. Any tax savings are recognized at the level of Veolia Environnement.

25.2 Effective tax rate

	Year ended December 31, 2014	Year ended December 31, 2013
Net income from continuing operations (A)	353.3	(79.6)
Share of net income (loss) of associates (B) (1)	17.0	18.4
Share of net income (loss) of joint ventures (C) (1)	74.8	78.3
Share of net income (loss) of other equity-accounted entities (D)	11.5	(51.5)
Income tax expense (E)	(167.3)	(119.4)
Net income from continuing operations before tax (F) = (A)-(B)-(C)-(D)-(E)	417.3	(5.4)
Effective tax rate (E)/(F)	**40.09%**	**-2,211.11%**
Theoretical tax rate (2)	**34.43%**	**34.43%**
Net impairment losses on goodwill not deductible for tax purposes	12.08%	-766.67%
Differences in tax rate	15.98%	281.48%
Capital gains and losses on disposals	-44.62%	1,170.37%
Dividends	3.45%	-727.78%
Taxation without basis	13.52%	-372.22%
Effect of tax projections	20.54%	-2 386.28%
Other permanent differences	-15.29%	555.56%
EFFECTIVE TAX RATE	**40.09%**	**-2 211.11%**

(1) Share of net income (loss) of joint ventures and associates, excluding gains (losses) on disposals and fair value adjustments to these entities.
(2) The tax rate indicated is the statutory tax rate in France excluding the exceptional contribution applicable in fiscal years 2011 to 2015.

The main elements explaining the effective tax rate in 2014 are as follows:

- the impacts of the Dalkia redistribution transaction which significantly impacted the lines “Capital gains and losses on disposals”, “Net impairment losses on goodwill”, “Differences in tax rates” and “Taxation without basis”;
- the non-capitalization of Veolia tax group losses.

As a reminder, the 2013 effective tax rate was mainly due to:

- the non-capitalization of Veolia tax group losses;
- net impairment losses on goodwill not deductible for tax purposes and particularly on Waste activities in Germany;
- the impact of changes in consolidation scope and particularly the acquisition of control of Proactiva Medio Ambiente.

Note 26 Assets classified as held for sale, discontinued operations and divestitures

26.1 Assets/Liabilities classified as held for sale

Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale are presented separately in the Group Consolidated Statement of Financial Position as follows:

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Assets classified as held for sale	343.6	4,008.2
Liabilities directly associated with assets classified as held for sale	135.8	2,290.7

As of December 31, 2014, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale mainly concern:

- the Group's activities in Israel;
- waste activities in Poland;
- certain Energy Services industrial assets in the United Kingdom.

As of December 31, 2013, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale mainly concerned:

- the activities of Dalkia France (see Note 3.1.2), presented in the "Other" operating segment;
- global urban lighting activities (Citelum).

As disclosed in Note 3.2.3, Water activities in Morocco are no longer classified as discontinued operations as of December 31, 2014. Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale as of December 31, 2013 were also re-presented.

In 2014, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

(€ million)	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total**
Assets						
Non-current assets	-	80.7	2.6	-	171.6	254.9
Current assets	-	10.4	0.4	-	57.0	67.8
Cash and cash equivalents	-	2.5	0.3	-	18.1	20.9
ASSETS CLASSIFIED AS HELD FOR SALE		**93.6**	**3.3**		**246.7**	**343.6**
Liabilities						
Non-current liabilities	-	13.7	1.1	-	15.1	29.9
Current liabilities	-	9.1	-	-	96.8	105.9
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	-	**22.8**	**1.1**	-	**111.9**	**135.8**

In 2013, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

(€ million)	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other ***	**Total**
Assets						
Non-current assets	-	-	23.8	-	1,978.1	2,001.9
Current assets	-	-	6.9	-	1,920.1	1,927.0
Cash and cash equivalents	-	-	-	-	79.3	79.3
ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**-**	**30.7**	**-**	**3,977.5**	**4,008.2**
Liabilities						
Non-current liabilities	-	-	3.0	-	486.2	489.2
Current liabilities	-	-	2.4	-	1,799.1	1,801.5
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**-**	**5.4**	**-**	**2,285.3**	**2,290.7**

* *Including Dalkia France*

26.2 Discontinued operations

In the Consolidated Income Statement presented for comparative purposes, the net income (loss) of operations divested or in the course of divestiture was reclassified to "Net income (loss) from discontinued operations". This concerns the following divested operations:

- Global urban lighting activities (Citelum) divested in July 2014;
- European wind energy activities, divested in February 2013;

- The Group share of the net income of the Berlin Water associate to December 2, 2013.

As disclosed in Note 3.2.3, pursuant to IFRS 5.28 and following the reclassification in accordance with IFRS 5 of Water activities in Morocco and value adjustments to the related assets, fiscal year 2013 was re-presented as follows:

(€ million)	**2013 published**	**Adjustments**	**2013 Represented**
Revenue	**22,314.8**	**504.9**	**22,819.7**
Operating income	490.5	(21.2)	469.3
Operating income after share of net income (loss) of equity-accounted entities	669.2	(21.2)	648.0
Net income (loss) from continuing operations	(48.8)	(30.7)	(79.5)
Net income (loss) from discontinued operations	27.3	6.7	34.0
Net income (loss) for the year	(21.5)	(24.1)	(45.6)
Net income (loss) attributable to owners of the Company	(135.3)	(18.1)	(153.4)
Net financial debt	**8,176.7**	**267.7**	**8,444.4**

Changes in **Net income (loss) from discontinued operations** are as follows:

(€ million)	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Net income (loss) from discontinued operations	(21.9)	15.9
Capital gains (losses) on disposal	-	22.2
Income tax expense	-	(4.1)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**(21.9)**	**34.0**

Net income (loss) from discontinued operations for the year ended **December 31, 2014** breaks down by operating segment as follows:

(€ million)	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total**
Net income (loss) from discontinued operations	-	-	0.3	-	(22.2)	(21.9)
Capital gains (losses) on disposal	-	-	-	-	-	-
Income tax expense	-	-	-	-	-	-
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**-**	**-**	**0.3**	**-**	**(22.2)**	**(21.9)**

The main Consolidated Income Statement items for discontinued operations for the year ended **December 31, 2014** break down by operating segment as follows:

(€ million)	**France**	**Europe, excluding France**	**Rest of the world**	**Global Businesses**	**Other**	**Total**
Revenue	-	-	-	-	116.7	116.7
Operating income after share of net income (loss) of equity-accounted entities	-	-	0.3	-	(21.5)	(21.2)
Financial items	-	-	-	-	(2.5)	(2.5)
Income tax expense	-	-	-	-	1.8	1.8
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-	**0.3**	**-**	**(22.2)**	**(21.9)**

Net income (loss) from discontinued operations for the year ended **December 31, 2013** breaks down by operating segment as follows:

(€ million)	France	Europe, excluding France	Rest of the world	Global Businesses	Other	Total
Net income (loss) from discontinued operations	-	28.9	-	-	(13.0)	15.9
Capital gains (losses) on disposal *	-	10.9	16.5	-	(5.2)	22.2
Income tax expense	-		(4.1)	-		(4.1)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**-**	**39.8**	**12.4**	**-**	**(18.2)**	**34.0**

* *including disposal costs on discontinued operations of €4.2 million in 2013.*

The main Consolidated Income Statement items for discontinued operations for the year ended **December 31, 2013** break down by operating segment as follows:

(€ million)	France	Europe, excluding France	Rest of the world	Global Businesses	Other	Total
Revenue	-	-	-	-	277.0	**277.0**
Operating income after share of net income (loss) of equity-accounted entities	-	17.6	-	-	(2.9)	**14.7**
Financial items	-	12.6	-	-	(11.5)	**1.1**
Income tax expense	-	(1.3)	-	-	1.4	**0.1**
Share of net income of associates	-	-	-	-	-	**-**
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**-**	**28.9**	**-**	**-**	**(13.0)**	**15.9**

Note 27 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests is €85.3 million for the year ended December 31, 2014, compared with €107.8 million for the year ended December 31, 2013.

Net income (loss) attributable to non-controlling interests breaks down by operating segment as follows:

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
France	3.0	2.9
Europe, excluding France (1)	11.0	38.9
Rest of the world (2)	25.7	18.2
Global Businesses	1.7	(0.3)
Other	43.9	48.1
NON-CONTROLLING INTERESTS	**85.3**	**107.8**

(1) Including net income attributable to non-controlling interests in Latin America (Proactiva Medio Ambiente, fully consolidated since November 2013).

(2) Including the share attributable to non-controlling interests in Central Europe (-€18.4 million), including the impact of asset impairments in Poland and Romania in the amount of -€12.2 million.

Note 28 Earnings per share

Pursuant to IAS 33, the weighted average number of shares outstanding taken into account for the calculation of net income per share is adjusted for the distribution of scrip dividends during the year. The adjusted weighted average number of shares outstanding is 543.0 million (basic and diluted) in 2014, compared with 524.4 million shares in 2013.

Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year. Pursuant to IAS 33.9 and IAS 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

Diluted earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.

Net income and the number of shares used to calculate basic and diluted earnings per share are presented below for all activities.

	Year ended December 31, 2014	**Year ended December 31, 2013**
Weighted average number of ordinary shares *(in millions of shares)*	543.0	524.4
Weighted average number of ordinary shares for the calculation of basic earnings per share	543.0	524.4
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options	0	0
Weighted average number of ordinary shares for the calculation of diluted earnings per share *(in millions of shares)*	**543.0**	**524.4**
Net income (loss) attributable to owners of the Company per share *(in millions of euros)*		
Net income (loss) attributable to owners of the Company	178.1 *	(170.0)*
Net income (loss) attributable to owners of the Company per share:		
Basic	0.33	(0.32)
Diluted	0.33	(0.32)
Net income (loss) from discontinued operations attributable to owners of the Company per share *(in millions of euros)*		
Net income (loss) from discontinued operations attributable to owners of the Company	(11.9)	38.8
Net income (loss) from discontinued operations attributable to owners of the Company per share:		
Basic	(0.02)	0.07
Diluted	(0.02)	0.07
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE *(in millions of euros)*		
Net income (loss) from continuing operations attributable to owners of the Company	190.0	(208.8)
Net income (loss) from continuing operations attributable to owners of the Company per share:		
Basic	0.35	(0.39)
Diluted	0.35	(0.39)

* *Pursuant to IAS 33.9 and IAS 12, adjusted net income attributable to owners of the Company includes the cost of the coupon attributable to holders of deeply subordinated securities issued by Veolia Environnement (-€68 million in 2014 and -€16.6 million in 2013)*

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 31.

Note 29 Additional information on the fair value of financial assets and liabilities (excluding derivatives)

29.1 Financial assets

The following tables present the net carrying amount and fair value of Group financial assets as of December 31, 2014 and 2013, grouped together in accordance with IFRS 7 categories. Fair values are determined in accordance with the principles set out in Note 1.26.

		As of December 31, 2014							
		Net carrying amount	Financial assets at fair value			Fair value	Method for determining fair value		
(€ million)	Note	Total	Available-for-sale assets	Loans and receivables	Assets designated at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
Non-consolidated investments	12	54.7	54.7	-	-	54.7	-	54.7	-
Non-current and current operating financial assets	13	2,009.7	-	2,009.7	-	2,204.0	-	2,204.0	-
Other non-current financial assets	14	866.7	16.1	850.6	-	866.7	-	866.7	-
Trade receivables	16	6,583.1	-	6,583.1	-	6,583.1	-	6,583.1	-
Other current operating receivables	16	431.1	-	431.1	-	431.1	-	431.1	-
Other current financial assets	14	203.1	2.0	201.1	-	203.1	-	203.1	-
Cash and cash equivalents	17	3,148.6	-	-	3,148.6	3,148.6	1,842.2	1,306.4	-
TOTAL		**13,297.0**	**72.8**	**10,075.6**	**3,148.6**	**13,491.3**	**1,842.2**	**11,649.1**	**-**

		As of December 31, 2013							
		Net carrying amount	Financial assets at fair value			Fair value	Method for determining fair value		
(€ million)	Note	Total	Available-for-sale assets	Loans and receivables	Assets designated at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
Non-consolidated investments	12	40.5	40.5	-	-	40.5	-	40.5	-
Non-current and current operating financial assets	13	1,796.0	-	1,796.0	-	1,905.4	-	1,905.4	-
Other non-current financial assets	14	2,492.0	24.6	2,467.4	-	2,492.0	-	2,492.0	-
Trade receivables	16	5,361.0	-	5,361.0	-	5,361.0	-	5,361.0	-
Other current operating receivables	16	458.7	-	458.7	-	458.7	-	458.7	-
Other current financial assets	14	640.9	4.9	636	-	640.9	-	640.9	-
Cash and cash equivalents	17	4,282.4	-	-	4,282.4	4,282.4	3,054.2	1,228.2	-
TOTAL		**15,071.5**	**70.0**	**10,719.1**	**4,282.4**	**15,180.9**	**3,054.2**	**12,126.7**	**-**

Level 2 cash and cash equivalents mainly consist of negotiable debt instruments and term deposit accounts.

29.2 Financial liabilities

The following tables present the net carrying amount and fair value of Group financial liabilities as of December 31, 2014 and 2013, grouped together in accordance with IFRS 7 categories.

Financial liability fair values are determined pursuant to the measurement principles presented in Note 1.26.

		As of December 31, 2014							
		Net carrying amount	Financial liabilities at fair value			Fair value		Method for determining fair value	
(€ million)	Note	Total	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
• non-current bond issues	20	7 482.1	7,482.1	-	-	9,151.5	9,054.4	97.1	-
• other non-current borrowings	20	842.4	842.4	-	-	908.4	-	908.4	-
• current borrowings	20	3,003.1	3,003.1	-	-	3,003.1	-	3,003.1	-
• bank overdrafts and other cash position items	17	216.4	216.4	-	-	216.4	-	216.4	-
Trade payables	16	4,219.2	4,219.2	-	-	4,219.2	-	4,219.2	-
Other operating payables	16	3,803.5	3,803.5	-	-	3,803.5	-	3,803.5	-
TOTAL		**19,566.7**	**19,566.7**	**-**	**-**	**21,302.1**	**9,054.4**	**12,247.7**	**-**

		As of December 31, 2013							
		Net carrying amount	Financial liabilities at fair value			Fair value		Method for determining fair value	
(€ million)	Note	Total	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
• non-current bond issues	20	8,953.7	8,953.7	-	-	9,932.2	9,846.7	85.5	-
• other non-current borrowings	20	775.8	775.8	-	-	851.2	-	851.2	-
• current borrowings	20	2,950.5	2,950.5	-	-	2,950.5	-	2,950.5	-
• bank overdrafts and other cash position items	17	221.1	221.1	-	-	221.1	-	221.1	-
Trade payables	16	3,320.1	3,320.1	-	-	3,320.1	-	3,320.1	-
Other operating payables	16	3,546.0	3,546.0	-	-	3,546.0	-	3,546.0	-
TOTAL		**19,767.2**	**19,767.2**	**-**	**-**	**20,821.1**	**9,846.7**	**10,974.4**	**-**

29.3 Offsetting of financial assets and liabilities

As of December 31, 2014, derivatives managed under ISDA or EFET agreements are the only financial assets and/or liabilities covered by a legally enforceable master netting agreement. These instruments may only be offset in the event of default by one of the parties to the agreement. They are not therefore offset in the accounts.

Such derivatives are recognized in assets in the amount of €204.9 million and in liabilities in the amount of €241.0 million in the Consolidated Statement of Financial Position as of December 31, 2014.

Note 30 Derivative instruments and market risks

30.1 Group objectives and organization

The Group is exposed to the following financial risks in the course of its operating and financial activities:

- market risks presented in Note 30.2:
  - interest-rate risk, presented in Note 30.2.1 (interest-rate fair value hedges, cash flow hedges and derivatives not qualifying for hedge accounting),
  - foreign exchange risk, presented in Note 30.2.2 (hedges of a net investment in a foreign operation, hedges of balance sheet foreign exchange exposure by derivatives not qualifying for hedge accounting, embedded derivatives, overall foreign exchange risk exposure),
  - commodity risk, presented in Note 30.2.3 (fuel and electricity risks, greenhouse gas emission rights);
- equity risk, presented in Note 30.3;
- liquidity risk, presented in Note 30.4;
- credit risk, presented in Note 30.5.

30.2 Market risk management

The Group uses derivatives to manage and reduce its exposure to fluctuations in interest rates, exchange rates and commodity prices.

The fair value of derivatives in the Consolidated Statement of Financial Position breaks down as follows:

(€ million)	Note	As of December 31, 2014		As of December 31, 2013	
		Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	30.2.1	**125.4**	**26.1**	**235.6**	**45.6**
Fair value hedges		81.2	-	172.8	6.0
Cash flow hedges		39.7	16.2	58.4	32.4
Derivatives not qualifying for hedge accounting		4.5	9.9	4.4	7.2
Foreign currency derivatives	30.2.2	**71.9**	**161.7**	**73.9**	**85.1**
Net investment hedges		14.1	8.3	15.0	7.4
Fair value hedges		6.4	29.4	9.9	4.1
Cash flow hedges		5.6	2.6	4.8	0.3
Derivatives not qualifying for hedge accounting		45.8	121.4	44.2	73.3
Commodity derivatives	30.2.3	**7.6**	**53.2**	**9.5**	**51.2**
TOTAL DERIVATIVES		**204.9**	**241.0**	**319.0**	**181.9**
o/w non-current derivatives		**101.9**	**112.5**	**258.3**	**144.0**
o/w current derivatives		**103.0**	**128.5**	**60.7**	**37.9**

The fair value of derivatives recognized in the Consolidated Statement of Financial Position is determined (as described in Note 1.26) and breaks down as follows:

(€ million)	As of December 31, 2014		Level 2 (%)		Level 3 (%)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	**125.4**	**26.1**	100%	100%	-	-
Foreign currency derivatives	**71.9**	**161.7**	100%	100%	-	-
Commodity derivatives	**7.6**	**53.2**	5.8%	19.4%	94.2%	80.6%
TOTAL DERIVATIVES	**204.9**	**241.0**	**96.5%**	**82.2%**	**3.5%**	**17.8%**

Derivatives valued using internal models integrating certain non-observable data are primarily electricity derivatives (see Note 30.2.3.1) for which there are no quoted prices in an active market (mainly electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials), in particular for distant maturities. In such cases, data is estimated by Veolia experts.

(€ million)	As of December 31, 2013		Level 2 (%)		Level 3 (%)	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest-rate derivatives	235.6	45.6	100.0%	100.0%	-	-
Foreign currency derivatives	73.9	85.1	100.0%	100.0%	-	-
Commodity derivatives	9.5	51.2	33.4%	19.5%	66.6%	80.5%
TOTAL DERIVATIVES	**319.0**	**181.9**	**98.0%**	**77.4%**	**2.0%**	**22.6%**

30.2.1 Management of interest rate risk

The financing structure of the Group exposes it naturally to the risk of interest rate fluctuations. As such, the cash and cash equivalents position covers floating-rate debt which impacts future financial results according to fluctuations in interest rates.

Short-term debt is primarily indexed to short-term indexes (Eonia for the treasury note program and Euribor/Libor for the main short-term credit lines). Medium and long-term debt comprises both fixed and floating-rate debt.

The Group manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments.

These swaps may be classified as fair value hedges or cash flow hedges.

The following table shows the interest-rate exposure of gross debt (defined as the sum of non-current borrowings, current borrowings and bank overdrafts and other cash position items) before and after hedging.

(€ million)	As of December 31, 2014		As of December 31, 2013	
	Outstandings	**% total debt**	**Outstandings**	**% total debt**
Fixed rate	7,694.2	67.1%	9,089.8	71.4%
Floating rate	3,765.5	32.9%	3,636.8	28.6%
Gross debt before hedging	**11,459.7**	**100.0%**	**12,726.6**	**100.0%**
Fixed rate	7,088.8	61.4%	6,034.3	46.8%
Floating rate	4,455.2	38.6%	6,866.8	53.2%
Gross debt after hedging and fair value remeasurement of fixed-rate debt	**11,544.0**	**100.0%**	**12,901.1**	**100.0%**
Fair value adjustments to (asset)/liability hedging derivatives	**(84.3)**		**(174.5)**	
GROSS DEBT AT AMORTIZED COST	**11,459.7**		**12,726.6**	

Total gross debt as of December 31, 2014 after hedging is 61.4% fixed-rate and 38.6% floating-rate.

As of December 31, 2014, the Group has cash and cash equivalents of €3,148.6 million, the majority of which bears interest at floating rates.

Net financial debt totals €8,311.1 million and is 84% fixed-rate and 16% floating-rate.

30.2.1.1 Sensitivity of the Consolidated Income Statement and equity

The Group manages its exposure to interest rate fluctuations based on floating-rate gross debt net of cash.

The Group’s net floating rate position after hedging (liability position) is -€1,306.5 million, maturing -€122.5 million in less than one year, -€574.4 million in 1 to 5 years and -€609.6 million after 5 years.

The analysis of the sensitivity of finance costs to interest rate risk covers financial assets and liabilities and the derivative portfolio as of December 31, 2014. Given the net debt structure of the Group and its derivative portfolio, a change in interest rates would impact the Consolidated Income Statement via the cost of floating-rate debt (after hedging), the fair value of trading derivatives and Group investments.

The analysis of the sensitivity of equity to interest rate risk concerns the cash flow hedge reserve. This sensitivity corresponds to fair market value movements as a result of an instantaneous change in interest rates.

Assuming a constant net debt structure and management policy, an increase in the fair value of the effective portion of derivatives designated as cash flow hedges, following a 0.5% increase in interest rates at the year end, would not have a material impact on fair value reserves in equity. The impact on floating-rate debt and floating-rate payer swaps on fixed-rate debt would decrease net income by €5.9 million. A decrease in interest rates of 0.5% would have the opposite impact on net income. All other variables have been assumed to be constant for the purpose of this analysis and the change in net income and equity is attributable to a uniform change in all floating interest rates to which the Group is exposed.

30.2.1.2 Interest rate fair value hedges

The risk of volatility in the value of debt is hedged by fixed–rate receiver/floating-rate payer swaps which change bond issues to floating-rate debt (see Note 20).

Fair value hedging swaps represent a notional outstanding amount of €736.8 million as of December 31, 2014, compared with €3,279.4 million as of December 31, 2013, with a net fair value in the Consolidated Statement of Financial Position of €81.2 million, as follows:

Fixed-rate receiver / floating-rate payer swaps	**Notional contract amount by maturity**				**Fair value of derivatives**	
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
December 31, 2014	**736.8**	**64.2**	**192.6**	**480.0**	**81.2**	**-**
December 31, 2013	3,279.4	-	2,199.4	1,080.0	172.8	6.0

The decrease in the nominal value of the fair value hedging portfolio is mainly due to:

- the early termination of certain swaps hedging the euro EMTN issues maturing in 2017, 2018, 2019 and 2021 and the 2018 USD EMTN issue in the amount of €2,560 million;
- the impact of exchange rate fluctuations on the nominal amount of swaps denominated in pound sterling of +€17.0 million.

The decrease in the fair value of floating-rate payer swaps is mainly due to the early termination of part of the portfolio, partially offset by the decrease in euro and pound sterling interest rates on current transactions.

30.2.1.3 Interest rate cash flow hedges

Cash flow hedges comprise floating-rate receiver/fixed-rate payer swaps mainly on debt secured to finance BOT (Build, Operate, Transfer) contracts, to the extent the underlying assets generate fixed-rate flows.

Floating-rate receiver / fixed-rate payer swaps / purchase of caps	**Notional contract amount by maturity**				**Fair value of derivatives**	
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
December 31, 2014	**894.7**	**885.5**	**5.4**	**3.8**	**39.7**	**16.2**
December 31, 2013	899.6	0.1	895.7	3.8	58.4	32.4

An amount of -€61.6 million, net of tax, was recorded directly in equity attributable to owners of the Company in respect of cash flow hedge interest-rate derivatives as of December 31, 2014.

Contractual flows on interest rate swaps are paid at the same time as contractual flows on floating-rate borrowings and the amount recorded in other comprehensive income is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

The decrease in the fair value of fixed-rate payer swaps is mainly due to the decrease in the value of swaps hedging the inflation-indexed bond issue.

30.2.1.4 Interest-rate derivatives not qualifying for hedge accounting

A certain number of derivatives do not qualify as hedges under IAS 39. The Group does not, however, consider these transactions to be of a speculative nature and views them as necessary for the effective management of its exposure to interest rate risk.

	Notional amount as of December 31, 2014				**Fair value of derivatives**	
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Total firm financial instruments	**2,148.1**	2,078.3	8.3	61.5	4.5	9.9
Total optional financial instruments	**-**	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**2,148.1**	**2,078.3**	**8.3**	**61.5**	**4.5**	**9.9**

The increase in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2013 and 2014 is mainly due to:

- the expiry at maturity of financial instruments totaling approximately €958 million, including short-term transactions hedging cash investments of €795 million;
- the set-up of new transactions hedging cash investments in the amount of €2,073 million.

Recap: the breakdown as of **December 31, 2013** is as follows:

(€ million)	Notional amount as of December 31, 2013				Fair value of derivatives	
	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Total firm financial instruments	913.7	802.4	28.1	83.2	3.3	7.2
Total optional financial instruments	119.9	119.9	-	-	1.1	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**1,033.6**	**922.3**	**28.1**	**83.2**	**4.4**	**7.2**

30.2.2 Management of foreign exchange risk

The Group's international activities generate significant foreign currency flows.

The Group's central treasury department manages foreign exchange risk centrally within limits set by the Chief Finance Officer.

Foreign exchange risk, as defined by IFRS 7, mainly results from:

a) foreign currency-denominated purchases and sales of goods and services relating to operating activities and the related hedges (e.g. currency forwards). The Group has no significant exposure to foreign exchange transaction risk. The activities of the Group are performed by subsidiaries operating in their own country and their own currency. Exposure to foreign exchange risk is therefore naturally limited;

b) foreign currency-denominated financial assets and liabilities including foreign currency-denominated loans/borrowings and related hedges (e.g. forex swaps). With many operations worldwide, Veolia organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. In order to limit the impact of this risk, Veolia has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with intercompany receivables denominated in the same currency. The asset exposure hedging strategy primarily involves hedging certain net foreign investments and ensuring that Group companies do not have a material balance sheet foreign exchange position that could generate significant volatility in foreign exchange gains and losses (see Note 30.2.2);

c) investments in foreign subsidiaries reflected by the translation of accounts impacting the translation reserves (see Note 30.2.2.3).

30.2.2.1 Translation risk

Due to its international presence, the translation of the income statements of the Group's foreign subsidiaries is sensitive to exchange rate fluctuations.

The following table summarizes the sensitivity of certain Group Consolidated Income Statement aggregates to a 10% increase or decrease in foreign exchange rates against the euro, with regard to the translation of financial statements of foreign subsidiaries.

(€ million)	Contribution to the consolidated financial statements									Sensitivity to a change of:	
	Euro	Pound sterling	U.S. dollar	Polish zloty	Czech crown	Australian dollar	Chinese renminbi yuan	Other currencies	Total	+10%	-10%
Revenue	13,011.6	2,230.3	2,019.6	470.3	793.4	945.5	382.6	4,026.4	23,879.6	(936.5)	1,144.6
Operating income	847.8	119.6	128.0	(140.5)	84.2	48.7	(2.5)	(18.0)	1,067.2	(23.3)	28.5

30.2.2.2 Foreign exchange risk with regard to the net finance cost

With many operations worldwide, Veolia organizes financing in local currencies.

The foreign currency debt borne by the parent company, Veolia Environnement SA, is generally hedged using either derivative instruments or assets in the same currency.

The net finance cost of the Group, *i.e.* a euro-equivalent of €543.9 million in 2014, is primarily denominated in EUR (60%), USD (12%), GBP (11%), PLN (5%), MAD (3%) and CNY (3%).

A +10% increase in the main currencies to which the Group is exposed (GBP, USD, PLN, MAD and CNY) against the euro would result in a €20.6 million decrease in the net finance cost, while a 10% decrease in these currencies would result in a €16.9 million increase in the net finance cost.

30.2.2.3 Foreign exchange and translation risk in the Consolidated Statement of Financial Position

Due to its international presence, the Group's Consolidated Statement of Financial Position is exposed to exchange rate fluctuations. A fluctuation in the euro impacts the translation of subsidiary foreign currency denominated assets in the Consolidated Statement of Financial Position. For its most significant assets, the Group has issued debt in the relevant currencies.

The main net assets of the Group are located in the United States, the United Kingdom, China, Poland and the Czech Republic.

A 10% increase in the currencies of the above countries would increase net assets by €331 million, while a 10% decrease in these currencies would reduce net assets by €271 million.

30.2.2.4 Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

Financial instrument	**Notional amount as of December 31, 2014 by maturity**				**Fair value of derivatives**	
(€ million)	**Amount**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Currency payer swaps	**1,010.1**	957.5	-	52.6	7.2	5.6
Options	**410.5**	410.5	-	-	2.4	0.9
Embedded derivatives (forward sale)	**60.2**	19.0	41.2	-	-	1.4
Cross currency swaps	**172.5**	21.7	90.8	60.0	4.5	0.4
Total foreign currency derivatives	**1,653.3**	**1,408.7**	**132.0**	**112.6**	**14.1**	**8.3**
USD borrowings	**329.5**	-	-	329.5	N/A	N/A
Total financing	**329.5**	**-**	**-**	**329.5**	N/A	N/A
TOTAL	**1,982.8**	**1,408.7**	**132.0**	**442.1**	**14.1**	**8.3**

The above currency swaps are short-term but are generally renewed at maturity, until financing of an appropriate term is secured in the currency of the related country.

Fair value movements compared with December 31, 2013 are mainly due to:

- the increase in the fair value of euro/Chinese renminbi yuan cross currency swaps for €9.2 million;
- the decrease in the fair value of currency swaps for €3.5 million.
- the decrease in the fair value of the Korean won embedded derivative for €7.1 million.

Inter-company loans and receivables forming part of a foreign investment (IAS 21) are nearly systematically hedged by foreign currency external financing or foreign currency derivatives (cross currency swaps, currency forwards) meeting IAS 39 criteria for hedge accounting. Foreign exchange gains and losses recorded in foreign exchange translation reserves in respect of hedging instruments are systematically offset by foreign exchange gains and losses recognized in foreign exchange translation reserves on loans forming part of the net investment, unless:

- the inter-company loan forming part of the net investment in a foreign operation is not hedged;
- the hedge is partially ineffective due to a difference between the nominal amount of the hedge and the amount of the hedged net asset;
- only the net assets of the foreign subsidiary (excluding the loan forming part of the net investment) are hedged.

Net foreign exchange gains recorded in Group foreign exchange translation reserves as of December 31, 2014 of €100.4 million mainly comprise impacts of:

- US dollar (-€53.5 million);
- Hong-Kong dollar (-€13.2 million);
- Chinese yuan RenMinbi (-€6.2 million);
- Korean won (-€5.4 million).

Recap: the breakdown as of **December 31, 2013** is as follows:

Financial instrument	Notional amount as of December 31, 2013 by maturity				Fair value of derivatives	
(€ million)	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency payer swaps	809.6	757.0	-	52.6	8.6	1.9
Tunnel options	74.9	74.9	-	-	0.7	0.4
Embedded derivatives (forward sale)	74.8	17.8	57.0	-	5.7	-
Cross currency swaps: fixed-rate payer / fixed-rate receiver	60.0	-	-	60.0	-	5.1
Total foreign currency derivatives	**1,019.3**	**849.7**	**57.0**	**112.6**	**15.0**	**7.4**
USD borrowings	547.4	-	257.4	290.0	n/a	n/a
Total financing	**547.4**	**-**	**257.4**	**290.0**	**n/a**	**n/a**
TOTAL	**1,566.7**	**849.7**	**314.4**	**402.6**	**15.0**	**7.4**

30.2.2.5 Foreign currency fair value hedges

Financial instruments designated as fair value hedges break down as follows:

Financial instrument	Notional amount as of December 31, 2014 by maturity				Fair value of derivatives	
(€ million)	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	**154.8**	135.1	19.7	-	5.7	7.7
Forward sales	**364.0**	279.3	84.7	-	0.7	21.7
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE					**6.4**	**29.4**

The fair value hedges presented above mainly consist of foreign currency hedges in respect of construction contracts for water treatment plants and sludge incineration plants (Hong-Kong sludge contract).

Financial instrument	Notional amount as of December 31, 2013 by maturity				Fair value of derivatives	
(€ million)	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	36.2	30.1	6.1	-	-	1.2
Forward sales	311.8	218.6	93.2	-	9.9	2.9
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE					**9.9**	**4.1**

30.2.2.6 Foreign currency cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument	Notional amount as of December 31, 2014 by maturity				Fair value of derivatives	
(€ million)	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	**3.7**	0.6	3.1	-	1.7	0.6
Forward sales	**151.1**	60.2	90.9	-	3.9	2.0
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE					**5.6**	**2.6**

The cash flow hedges presented above mainly consist of forward purchases/sales of foreign currencies different from the functional currencies of the entities concerned, in connection with their own activities and particularly hedges entered into in respect of Private Finance Initiatives (PFI) in the United Kingdom and currency hedges in respect of commodity purchases and sales in the Czech Republic.

Financial instrument	Notional amount as of December 31, 2013 by maturity				Fair value of derivatives	
(€ million)	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	9.5	9.3	0.2	-	0.2	-
Forward sales	233.4	129.5	103.9	-	4.6	-
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE					**4.8**	**0.3**

30.2.2.7 Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting

Financial instrument	Notional amount as of December 31, 2014 by maturity				Fair value of derivatives	
(€ million)	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency receiver swaps and forward purchases	**1,169.3**	1,146.8	22.5	-	17.6	8.8
Currency payer swaps and forward sales	**5,475.0**	5,438.6	36.4	-	27.8	74.3
Currency options	**0.7**	0.7	-	-	-	-
Embedded derivatives	**108.2**	22.1	81.6	4.5	0.4	38.4
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING					**45.8**	**121.5**

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement to hedge its foreign currency-denominated net financial debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

Financial instrument	Notional amount as of December 31, 2013 by maturity				Fair value of derivatives	
(€ million)	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency receiver swaps and forward purchases	**1,644.8**	1,566.2	78.6	-	12.1	10.1
Currency payer swaps and forward sales	**(4,766.7)**	(4,690.5)	(76.2)	-	31.9	27.1
Currency options	**(64.5)**	(7.5)	(43.5)	(13.6)	0.2	-
Embedded derivatives	**(118.3)**	(20.5)	(74.9)	(22.9)	-	36.1
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING					**44.2**	**73.3**

30.2.3 Management of commodity risk

Fuel or electricity prices can be subject to significant fluctuations. Nonetheless, Veolia's activities have not been materially affected and should not be materially affected in the future by cost increases or the availability of fuel or other commodities. The long-term contracts entered into by Veolia generally include price review and/or indexation clauses which enable it to pass on the majority of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

Nonetheless, as part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities (see Note 35) and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

As of December 31, 2014, the fair value of commodity derivatives is recorded €7.6 million in assets and €53.2 million in liabilities. The €4.0 million decrease in fair value on December 31, 2013 is mainly due to the impact of:

- a €5.4 million decrease in the fair value of electricity instruments, due to a fall in electricity prices (see Note 30.2.3.1 below);
- a €1.9 million increase in the fair value of coal transactions, due to a fall in coal prices;
- a €0.5 million decrease in the fair value of gas/crude oil/metal transactions, due to the expiry of gas, crude oil and metal contracts.

(€ million)	As of December 31, 2014		As of December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**7.6**	**53.2**	**9.5**	**51.2**
Electricity	7.2	48.0	7.1	42.5
Petroleum products*	-	-	0.1	0.5
CO_2	-	-	0.3	0.3
Coal *	0.4	5.2	1.1	7.9
Other	-	-	0.9	-

* *Transactions concerning gas, coal or other petroleum products are primarily swaps maturing in 2015.*

These derivatives break down by hedge type as follows:

(€ million)	As of December 31, 2014		As of December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**7.6**	**53.2**	**9.5**	**51.2**
Fair value hedges	-	-	-	-
Cash flow hedges	0.4	4.7	2.0	8.1
Derivatives not qualifying for hedge accounting	7.2	48.5	7.5	43.1

30.2.3.1 Fuel, coal, gas and electricity risks

As part of its collection activities, the Group can use firm fuel purchase contracts (classified as "for own use") and derivatives.

The Group has also entered into long-term gas, coal, electricity and biomass purchase contracts in order to secure its supplies. The majority of these commitments are reciprocal; the third parties concerned are obliged to deliver the quantities negotiated in these contracts and the Group is obliged to take them.

As part of electricity sales activities on the wholesale market, the Group may be required to contract forward electricity sales contacts aimed at securing future production (with maturities not exceeding 3 years).

These purchase / sales contracts are generally recognized outside the scope of IAS 39 ("own use" exemption), except for certain specific transactions in coal and electricity. For these specific transactions, cash flow hedge accounting is systematically preferred. Certain electricity instruments in Germany do not however qualify for this classification (see Note 35 on off-balance sheet commitments).

(€ million)	Notional contract amount as of December 31, 2014 by maturity			
	Total	Less than 1 year	1 to 5 years	More than 5 years
Electricity purchase instruments:				
• in Gwh	**7,746**	769	2,825	4,152
• In € million	**423**	41	154	228
Electricity sales instruments:				
• in Gwh	**1,752**	876	876	-
• in € million	**64**	34	30	-

Electricity purchase instruments maturing between 2015 and 2025 have a market value of –€40 million (based on valuation assumptions at the year-end) and sales instruments maturing in 2015 have a net market value of -€0.5 million. These transactions are recorded in the Consolidated Statement of Financial Position at fair value based on the quoted price of commodities with similar maturities and using internal models integrating non-observable data in the absence of a liquid market.

A 10% increase or decrease in the price of electricity (all other things being equal) would have an impact on net income of +€2.7 million and -€3.7 million, respectively.

(€ million)	Notional contract amount as of December 31, 2013 by maturity			
	Total	Less than 1 year	1 to 5 years	More than 5 years
Electricity purchase instruments:				
• in Gwh	9,397	990	2,204	6,203
• in € million	523	48	122	353
Electricity sales instruments:				
• in Gwh	1,938	1,062	876	-
• in € million	78	44	34	-

30.3 Management of equity risk

As of December 31, 2014, Veolia Environnement holds 13,797,975 of its own shares, of which 8,389,059 are allocated to external growth operations and 5,408,916 were acquired for allocation to employees under employee savings plans, with a market value of €203.6 million, based on a share price of €14.755 and a net carrying amount of €436.7 million deducted from equity.

As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

The Group is also exposed to equity risk through the plan assets of certain of its pension plans (see Note 31, Employee benefit obligation).

30.4 Management of liquidity risk

The operational management of liquidity and financing is managed by the Treasury and Financing Department. This management involves the centralization of major financing in order to optimize liquidity and cash.

The Group secures financing on international bond markets, international private placement markets, the treasury note market and the bank lending market (see Note 20, Non-current and current borrowings).

30.4.1 Maturity of financial liabilities

As of December 31, 2014, **undiscounted contractual flows on net financial debt** (nominal value) break down by maturity date as follows:

(€ million)	As of December 31, 2014		Maturity of undiscounted contractual flows					
	Carrying amount	Total undiscounted contractual flows	2015	2016	2017	2018	2019	More than 5 years
Bond issues [1]	8,541.7	8,278.9	1,045.8	395.7	937.0	486.7	585.4	4,828.3
Other borrowings	3,002.3	2,779.9	2,159.6	112.4	131.5	91.4	90.3	194.7
Gross borrowings excluding the impact of amortized cost and hedging derivatives	**11,544.0**	**11,058.8**	**3,205.4**	**508.1**	**1,068.5**	**578.1**	**675.7**	**5,023.0**
Impact of derivatives hedging debt	(84.3)	(63.7)	(18.3)	(15.5)	(14.1)	(13.5)	(11.3)	9.0
Gross borrowings	**11,459.7**	**10,995.1**	**3,187.1**	**492.6**	**1,054.4**	**564.6**	**664.4**	**5,032.0**
Cash and cash equivalents	(3,148.6)	(3,148.6)	(3,148.6)	-	-	-	-	-
Net financial debt	**8,311.1**	**7,846.5**	**38.5**	**492.6**	**1,054.4**	**564.6**	**664.4**	**5,032.0**
Undiscounted contractual interest flows on outstanding debt	**-**	**4,829.0**	**426.3**	**401.7**	**380.3**	**330.7**	**300.6**	**2,989.4**
Undiscounted contractual flows – Other derivatives	**77.5**	**18.1**	**13.9**	**1,.3**	**0.9**	**0.8**	**0.3**	**0.9**
Total undiscounted contractual flows	**-**	**4,847.1**	**440.2**	**403.0**	**381.2**	**331.5**	**300.9**	**2,990.3**

(1) Excluding the impact of amortized cost and derivatives hedging debt.

As of December 31, 2014, the average maturity of net financial debt is 9.0 years, compared with 9.9 years as of December 31, 2013.

Most trade payables have a maturity of less than one year (see Note 16).

30.4.2 Net liquid asset positions

Net liquid assets of the Group as of December 31, 2014 break down as follows:

(€ million)	**As of December 31, 2014**	**As of December 31, 2013**
Veolia Environnement:		
Undrawn MT syndicated loan facility	2,962.5	3,000.0
Undrawn MT bilateral credit lines	350.0	975.0
Undrawn ST bilateral credit lines	625.0	-
Letters of credit facility	190.7	350.2
Cash and cash equivalents	2,302.0	3,670.4
Subsidiaries:		
Cash and cash equivalents	846.6	612.0
Total liquid assets	**7,276.8**	**8,607.6**
Current debts and bank overdrafts and other cash position items		
Current debt	3,003.1	2,950.5
Bank overdrafts and other cash position items	216.4	221.1
Total current debt and bank overdrafts and other cash position items	**3,219.5**	**3,171.6**
TOTAL LIQUID ASSETS NET OF CURRENT DEBT AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	**4,057.3**	**5,436.0**

As of December 31, 2014, Veolia had total liquid assets of €7.3 billion, including cash and cash equivalents of €3.1 billion.

As of December 31, 2014, cash equivalents were mainly held by Veolia Environnement in the amount of €2,201.8 million. They comprise monetary UCITS of €1,014.4 million and term deposit accounts of €1,187.4 million. These amounts include interest.

Veolia signed two syndicated loan facilities on April 7, 2011: a 5-year €2.5 billion multi-currency loan facility and a 3-year €500 million loan facility available for drawdown in Polish zloty, Czech crown and Hungarian forint (this facility has two one-year extension options that were exercised and accepted in the vast majority and is not drawn as of December 31, 2014).

Undrawn credit lines total €975 million as of December 31, 2014.

In the third quarter of 2014, Veolia reduced by USD 500 million the amount of the U.S. dollar letters of credit facility (syndicated facility) signed on November 22, 2010, initially for an amount of USD 1.25 billion and reduced by USD 400 million at the end of 2013. Two new facilities maturing in November 2017 and comprising two one-year extension options were set-up for a total amount of USD 150 million. As of December 31, 2014, the facilities are drawn USD 268.4 million in the form of letters of credit. The portion that may be drawn in cash is USD 231.6 million (€190.7 million euro equivalent). It is undrawn and recorded in the liquidity table above.

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

Undrawn confirmed credit lines mature as follows:

	As of December 31, 2014	**Maturity**				
(€ million)	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**
Undrawn syndicated loan facility	2,962.5	-	691.0	-	2,271.5	-
Credit lines	975.0	625.0	350.0	-	-	-
Letters of credit facility	190.7	127.7	-	63.0	-	-
TOTAL	**4,128.2**	**752.7**	**1,041.0**	**63.0**	**2,271.5**	**-**

30.4.3 Information on early debt repayment clauses

30.4.3.1 Veolia Environnement 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.

30.4.3.2 Subsidiary debt

Certain project financing or financing granted by multilateral development banks to the Group's subsidiaries contain financial covenants (as defined above).

Based on diligences performed within the subsidiaries, the Company considers that the covenants included in the documentation of material financing were satisfied (or had been waived by lenders) as of December 31, 2014.

30.5 Management of credit risk

The Group is exposed to counterparty risk in various areas: its operating activities, cash investment activities and derivatives.

30.5.1 Counterparty risk relating to operating activities

Credit risk must be considered separately with respect to operating financial assets and operating receivables. Credit risk on operating financial assets is appraised via the rating of primarily public customers. Credit risk on other operating receivables is appraised through an analysis of risk dilution and late payments for private customers and exceptionally, for public customers, by a credit analysis.

Group customer credit risk analysis may be broken down into the following four categories (Public customers - Delegating authority, Private customers - Individuals, Public customers - Other and Private customers - Companies):

		As of December 31, 2014			Breakdown by customer type			
(€ million)	**Note**	**Gross carrying amount**	**Impairment losses**	**Net carrying amount**	**Public customers – Delegating authority**	**Private customers – Individuals**	**Public customers – Other**	**Private customers – Companies**
Non-current and current operating financial assets	13	2,034.0	(24.3)	2,009.7	1,481.5	-	32.3	495.9
Trade receivables	16	7,314.6	(731.5)	6,583.1	767.9	1,382.5	1,473.4	2,959.3
Other current operating receivables	16	487.2	(56.1)	431.1	5.7	42.5	84.4	298.5
Other non-current financial assets in loans and receivables	14	920.5	(69.9)	850.6	38.7	9.3	8.0	794.6
Current financial assets in loans and receivables	14	246.8	(45.7)	201.1	45.1	7.5	11.0	137.5
LOANS AND RECEIVABLES		**11,003.1**	**(927.5)**	**10,075.6**	**2,338.9**	**1,441.8**	**1,609.1**	**4,685.8**
Other non-current financial assets	14	**45.0**	**(28.9)**	**16.1**	**0.7**	**1.4**	**0.1**	**13.9**
Other current financial assets	14	**2.0**	**-**	**2.0**	**0.2**	**1.4**	**-**	**0.4**
TOTAL		**11,050.1**	**(956.4)**	**10,093.7**	**2,339.8**	**1,444.6**	**1,609.2**	**4,700.1**

The analysis of Group customer credit risk as of **December 31, 2013** is as follows:

(€ million)	Note	As of December 31, 2013 represented			Breakdown by customer type			
		Gross carrying amount	Impairment losses	Net carrying amount	Public customers – Delegating authority	Private customers – Individuals	Public customers – Other	Private customers – Companies
Non-current and current operating financial assets	13	1,825.5	(29.5)	1,796.0	1,378.8	-	20.9	396.3
Trade receivables	16	5,883.9	(522.9)	5,361.0	778.6	1,290.9	1,072.4	2,219.1
Other current operating receivables	16	496.0	(37.3)	458.7	30.7	54.0	61.4	312.6
Other non-current financial assets in loans and receivables	14	2,533.4	(66.0)	2,467.4	44.3	27.6	3.2	2,392.3
Current financial assets in loans and receivables	14	646.2	(10.2)	636.0	26.1	1.6	40.7	567.6
LOANS AND RECEIVABLES		**11,385.0**	**(665.9)**	**10,719.1**	**2,258.5**	**1,374.1**	**1,198.6**	**5,887.9**
Other non-current financial assets	14	**50.6**	**(26.0)**	**24.6**	**0.4**	**-**	**0.6**	**23.6**
Other current financial assets	14	**4.9**	**-**	**4.9**	**2.9**	**1.4**	**-**	**0.6**
TOTAL		**11,440.5**	**(691.9)**	**10,748.6**	**2,261.8**	**1,375.5**	**1,199.2**	**5,912.1**

Assets past due and not impaired break down as follows:

(€ million)	Note	As of December 31, 2014				Assets past due but not impaired		
		Gross carrying amount	Impairment losses	Net carrying amount	Amount not yet due	0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	13	2,034.0	(24.3)	2,009.7	2,004.0	1.8	3.9	-
Trade receivables	16	7,314.6	(731.5)	6,583.1	4,777.9	1,368.1	181.4	255.7
Other current operating receivables	16	487.2	(56.1)	431.1	305.5	67.8	22.5	35.3
Other non-current financial assets in loans and receivables	14	920.5	(69.9)	850.6	850.6	-	-	-
Current financial assets in loans and receivables	14	246.8	(45.7)	201.1	161.3	22.1	1.0	16.7
LOANS AND RECEIVABLES		**11,003.1**	**(927.5)**	**10,075.6**	**8,099.3**	**1,459.8**	**208.8**	**307.7**
Other non-current financial assets	14	**45.0**	**(28.9)**	**16.1**	**16.1**	**-**	**-**	**-**
Other current financial assets	14	**2.0**	**-**	**2.0**	**2.0**	**-**	**-**	**-**

Assets past due over six months are mainly focused in Italy.

In Italy, net “trade receivables” of all Group subsidiaries total €129.3 million, as of December 31, 2014 (Dalkia International subsidiaries included), compared with €12.9 million as of December 31, 2013 for receivables past due over six months. Furthermore, in Italy, trade receivables consist of private customers, local authorities and state bodies for which the recovery period is long.

In France, net trade receivables past due over 6 months total €100.1 million at the end of 2014 (€86.0 million at the end of 2013), representing 3% of customer outstandings (including €55.5 million past due over one year). The majority of this balance concerns amounts invoiced on behalf of local authorities and public bodies, receivables on local authorities and public bodies and VAT.

Financial assets maturity schedule as of December 31, 2013:

(€ million)	Note	As of December 31, 2013				Assets past due but not impaired		
		Gross carrying amount	Impairment losses	Net carrying amount	Amount not yet due	0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	13	1,825.5	(29.5)	1,796.0	1,795.2	0.8	-	-
Trade receivables	16	5,883.9	(522.9)	5,361.0	3,960.6	1,096.3	124.9	179.2
Other current operating receivables	16	496.0	(37.3)	458.7	348.4	58.9	17.7	33.7
Other non-current financial assets in loans and receivables	14	2,533.4	(66.0)	2,467.4	2,467.4	-	-	-
Current financial assets in loans and receivables	14	646.2	(10.2)	636.0	599.9	14.8	-	21.3
LOANS AND RECEIVABLES		**11,385.0**	**(665.9)**	**10,719.1**	**9,171.5**	**1,170.8**	**142.6**	**234.2**
Other non-current financial assets	14	**50.6**	**(26.0)**	**24.6**	**24.6**	**-**	**-**	**-**
Other current financial assets	14	**4.9**	**-**	**4.9**	**1.4**	**-**	**-**	**3.5**

30.5.2 Counterparty risk relating to investment and hedging activities

The Group is exposed to credit risk relating to the investment of its surplus cash and its use of derivative instruments in order to manage interest rate and foreign exchange risk. Credit risk corresponds to the loss that the Group may incur should a counterparty default on its contractual obligations. In the case of derivative financial instruments, this risk corresponds to the fair value of all the instruments contracted with a counterparty insofar as this value is positive.

The Group minimizes counterparty risk through internal control procedures limiting the choice of banking counterparties to leading banks and financial institutions (banks and financial institutions with a minimum Moody’s, Standard & Poor's or Fitch's rating of A1/P1/F1 respectively for transactions with a term of less than one year and of A2/A/A respectively for transactions with a term of more than one year, unless justified). Limits are determined for each counterparty based primarily on the rating awarded by the rating agencies, the size of their equity and commitments given to the Group and are reviewed monthly. In addition, new derivative transactions must only be entered into with counterparties with whom the Group has an ISDA or FBF framework agreement.

Counterparty risk on financial transactions is monitored on an ongoing basis by the middle-office within the Group Finance Department. The Group is not exposed to any risk as a result of material concentration.

As of December 31, 2014, Veolia Environnement outstandings exposed to credit risk total €2,302.0 million with regard to investments and €44.4 million with regard to derivative instruments (sum of the fair values of assets and liabilities). These counterparties are investment grade for 100% of the total exposure.

Veolia Environnement cash surpluses (€2.3 billion as of December 31, 2014) are managed with a profitability objective close to that of the money market, avoiding exposure to capital risk and maintaining a low level of volatility.

They were injected into the following types of investment:

- non-dynamic monetary UCITS (with the AMF classification of short-term monetary or monetary) for €1,014.4 million;
- term deposit accounts classified as cash equivalents, mainly with leading international banks, with a short-term rating from Standard & Poor’s, Moody’s or Fitch of A1/P1/F1, for €1,187.4 million;

Note 31 Employee Benefit Obligation

31.1 Share-based compensation

31.1.1 Veolia Environnement share purchase and subscription option plans

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Current option plans at the end of 2014 were as follows:

	No. 8	No. 7
	2010	2007
Grant date	09/28/2010	07/17/2007
Number of options granted	2,462,800	2,490,400
Number of options not exercised	0**	467,900*
Plan term	8 years	8 years
Vesting conditions	4 years' service plus performance conditions	4 years' service plus performance conditions
Vesting method	After 4 years	After 4 years
Strike price *(in euros)*	22.50	57.05

* *Given the performance criteria, the number of options effectively exercisable was reduced by 1,742,650 in 2008.*

** *Given the failure to achieve performance criteria, validated by the Board of Directors' meeting of March 14, 2013. In the event of a public offering targeting the Company's shares, 2,127,400 options would become available for exercise.*

Plan No. 8

In 2010, Veolia Environnement granted 2,462,800 share options to members of the Executive Committee (excluding the Chief Executive Officer) and three employee groups. The first group comprised Group key management, including members of the Executive Committee. The second group comprised other Group management members and the third one included high-performing executive and non-executive employees. The estimated fair value of each option granted in 2010 was €1.86. This value was calculated using the Black and Scholes model, based on the following underlying assumptions: share price of €19.72, volatility of 26.6% based on share prices over a 6-year period in line with the estimated maturity of the plan, expected annual yield of 6.14%, risk-free interest rate of 1.97% and estimated exercise maturity of six years.

The options granted under the plan may only be exercised after a period of four years commencing the grant date, that is from September 29, 2014, provided the Group return on capital employed as of December 31, 2012 is at least equal to 8.4% (application of this performance criteria varies according to the employee category).

As this condition was not satisfied at the 2012 year-end, the Board of Directors' meeting of March 14, 2013 duly noted that the options cannot be exercised. In the event of a public offering targeting the Company's shares, 2,127,400 options would become available for exercise.

Plan No. 7

In 2007, Veolia Environnement granted 2,490,400 share options to two employee groups. The first group comprised the Group management, including members of the Executive Committee. The second group comprised senior managers of the Group companies and employees recognized for their excellent performance in 2006. The estimated fair value of each option granted in 2007 was €13.91. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €57.26, historical volatility of 21.75%, expected dividend yield of 2%, risk-free interest rate of 4.59% and estimated exercise maturity of 6 years.

In 2007, Veolia Environnement granted 333,700 free shares to employees recognized for their excellent performance in 2006. In France, rights vest after two years, followed by a two year lock-in period and are subject to performance conditions. Outside France, rights vest after four years subject to performance conditions. The estimated fair value of each free share granted in 2007 was €57.26, net of dividends not received during the vesting period and for shares granted to French employees, a discount for non-transferability.

Finally, in 2007 Veolia Environnement granted 205,200 stock appreciation rights (SAR) on ordinary shares to three employee groups: firstly, Group management, secondly senior managers of the Group companies and thirdly employees recognized for their excellent performance in 2006. Rights vest after four years subject to performance conditions. As of December 31, 2010, the estimated fair value of each option granted in 2007 was €0.03. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €21.86, historical volatility of 32.38%, expected dividend yield of 5.48%, risk-free interest rate of 1.12%, estimated exercise maturity of two years, subscription price of €57.20.

The performance condition determining the number of options granted under the three 2007 plans (share options, free shares and SAR) was the increase in net earnings per share between December 31, 2006 and December 31, 2008. This was taken into account in the calculation of the number of options vested and the compensation expense.

	Number of options	Weighted average strike price *(in euros)*
December 31, 2012	**3,581,095**	**46.02**
Granted	**-**	**-**
Exercised	-	-
Cancelled	(93,998)	45.51
Expired	-	-
December 31, 2013	**3,487,097**	**46.04**
Granted	-	-
Exercised	-	-
Cancelled	(70,050)	57.05
Expired	(2,949,147)	44.03
December 31, 2014	**467,900**	**57.05**

No options were exercised in 2014.

Details of Veolia Environnement share purchase and subscription options outstanding as of December 31, 2014 are as follows:

Strike price	Number of options outstanding	Weighted average strike price *(in euros)*	Average residual term *(in years)*	Number of options vested
55-60	467,900	57.05	0.54	467,900
Total	**467,900**	**57.05**	**0.54**	**467,900**

As of December 31, 2014, all these options were available for exercise.

31.1.2 Employee savings plans

Veolia Environnement has regularly set-up standard and leveraged savings plans which enable a large number of employees of Veolia Environnement and its subsidiaries to subscribe for Veolia Environnement shares. Shares subscribed by employees under these plans are subject to certain restrictions regarding their sale or transfer by employees.

No savings plans were set up in 2013 or 2014.

31.1.3 Management Incentive Plan

In October 2014, the Group introduced a long-term incentive plan, the “Management Incentive Plan” (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the company’s shares, accompanied by the grant, subject to performance conditions, of an “additional” share bonus financed by the Group (primarily through the grant of treasury shares held by the company).

The initial investment by the beneficiary gives rise to a limited guarantee representing 80% of the value of the investment (excluding any taxes or duties payable by the beneficiary), except for the Chief Executive Officer and Executive Committee members.

The share bonus, granted in three tranches, is tied to the achievement of performance criteria (increase in the share price compared with the acquisition price on initial investment and adjusted net income attributable to owners of the Company per share) determined at three dates (March 2016, March 2017 and March 2018) relating to the publication of the company’s 2015, 2016 and 2017 annual accounts. The three tranches do not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the beneficiaries concerned and the retention by them of the shares initially invested.

The estimated fair values of the instruments are €1.59, €1.86 and €2.01 for each of the three leveraged tranches. These values were calculated using the Black and Scholes model based on the following underlying assumptions: share price and strike price of €13.04, implicit volatility of 33.94%, expected annual yield of 5.37%, risk-free interest rate of between 0.14% and 0.31% and exercise maturity of 3.5 years.

The performance condition relating to the achievement of a given level of net income in 2015, 2016 and 2017 was taken into account in calculating the number of options vested and the compensation expense.

As of December 31, 2014, 439,495 shares are invested in this plan.

A compensation expense of €1.6 million is recognized in operating income in 2014 in respect of the MIP.

31.2 Pension plans and other post-employment benefits

The following disclosures concern pension plans offered by fully consolidated entities.

31.2.1 Description of plans

In accordance with the regulatory environment and collective agreements, the Group has established defined benefit and defined contribution pension plans (company or multi-employer) in favor of employees and other post-employment benefits.

Defined contribution plans

As described in Note 1.15, defined contribution plans are plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments. These obligations are expensed in the Consolidated Income Statement when due. Basic mandatory pension plans in the various countries where the Group operates are generally defined contribution plans.

Supplementary defined contribution plans have been set up in certain subsidiaries. Expenses incurred by the Group under these plans totaled €75 million for 2014 and €60 million for 2013. The increase in these expenses is mainly due to the full consolidation of Dalkia's international entities.

Defined benefit plans

Some Group companies have established defined benefit pension plans and/or offer other post-employment benefits (mainly retirement termination payments).

The tables in Note 31.2.3 present the obligations in respect of defined benefit pension plans (see Note 1.15) and other post-employment benefits.

The measurement of these obligations is reflected by the DBO (Defined Benefit Obligation). These future outflow commitments may be partially or fully funded ("plan assets").

The greatest obligations are located in the United Kingdom and France.

United Kingdom

The defined benefit obligation in the United Kingdom is €1,107.0 million as of December 31, 2014 (compared with €677.2 million as of December 2013) and is funded by plan assets of €1,041.6 million at this date (compared with €606.6 million as of December 31, 2013). The increase in the defined benefit obligation is presented in the table below in Note 31.2.3.

The average duration of these plans is approximately 19 years.

In the United Kingdom, defined benefit pension plans are mainly final salary plans. Most of these plans are closed to new employees and the majority are also closed to the accrual of new rights. These plans are financed by employer and employee contributions paid to an independent pension fund (the Trustee). Local regulations ensure the independence of the pension fund, which has 9 members (including 5 employer representatives, 3 representatives of active and retired employees and 1 independent member).

Plan rules authorize the employer to recover excess funds paid at the end of the plans.

These plans allow retirees to take part of the benefit as a lump-sum and the balance as a pension. In the case of a pension, the related risk is tied to the longevity of beneficiaries.

France

In France, the defined benefit obligation for all plans totaled €414 million as of December 31, 2014 (€487.5 million as of December 31, 2013) and is funded by plan assets of €103.3 million at this date (€106.3 million as of December 31, 2013). The decrease in the defined benefit obligation is presented in the table below in Note 31.2.3.

Nearly 82% of the obligation relates to retirement indemnities (legally required payments) paid in a lump sum. These indemnities represent a number of months' salary based on Group seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee's retirement. A portion of these obligations is covered by insurance contracts, but this funding is at the discretion of the employer. The average duration of these plans is approximately 12 years.

The risk associated with this type of plan is legislative risk, in terms of potential adjustments to redundancy payments to which retirement indemnities are linked in certain collective bargaining agreements. Furthermore, the renegotiation of collective bargaining agreements could also generate adjustments to indemnities granted.

The Board of Directors' meeting of March 11, 2014, having received a favorable opinion from the Works Council and at the recommendation of its Nominations and Compensation Committee, approved the closure to new beneficiaries of the defined benefit pension plan open to certain executive managers and the freezing of the rights of current beneficiaries at the level attained on June 30, 2014. The General Shareholders' Meeting of April 24, 2014 approved the resolution authorizing the change in this corporate officer's pension plan which is considered a regulated agreement. The closure and freezing of this pension plan resulted in a provision reversal of €15.3 million recorded in operating income for the year ended December 31, 2014.

Multi-employer plans

Under collective agreements, some Group companies participate in multi-employer defined benefit pension plans. However, these plans are unable to provide a consistent and reliable basis for the allocation of the obligation, assets and costs between the different participating entities. They are therefore recorded as defined contribution plans in accordance with IAS 19, revised. The multi-employer plans concern approximately 1,700 employees in 2014 and are mainly located in Germany, where such plans are generally funded by redistribution.

The corresponding expense recorded in the Consolidated Income Statement is equal to annual contributions and totals approximately €6 million in 2014.

31.2.2 Change in the funding status of post-employment benefit obligations and the provision

	As of December 31,							
	United Kingdom		France		Other countries		TOTAL	
(€ millions)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Defined benefit obligation at the year end (A)	1,107.0	677.2	414.0	487.5	440.1	226.3	1,961.1	1,391.0
Fair value of plan assets at the year end (B)	1,041.6	606.6	103.3	106.3	154.2	74.7	1,291.1	787.6
Funding status = (B) – (A)	**(65.4)**	**(70.6)**	**(310.7)**	**(381.2)**	**(285.9)**	**(151.6)**	**(662.0)**	**(603.4)**
Provisions	(83.1)	(87.5)	(310.8)	(381.5)	(285.9)	(151.6)	(679.8)	(620.6)
Prepaid benefits (regimes with a funding surplus)	17.7	16.9	0.1	0.3	-	-	17.8	17.2

Provisions for post-employment benefits total €679.8 million, compared with €620.6 million in 2013. In 2014, this amount includes in particular provisions of €5.5 million reclassified in the Consolidated Statement of Financial Position in Liabilities directly associated with assets held for sale, *i.e.* an amount of €674.3 million recorded in the Consolidated Statement of Financial Position.

31.2.3 Obligations in respect of defined benefit pension plans and other post-employment benefits

Actuarial assumptions

Actuarial assumptions used for calculation purposes vary depending on the country in which the plan is implemented.

The benefit obligation in respect of pension plans and post-employment benefits as of December 31, 2014 and 2013 is based on the following average assumptions:

	As of December 31, 2014	As of December 31, 2013
Discount rate	**3.07%**	**3.95%**
United Kingdom	*3.60%*	*4.60%*
Euro area	*1.75%*	*3.20%*
Expected rate of salary increase	**3.36%**	**3.41%**

Change in the Defined Benefit Obligation (DBO)

	As of December 31,							
Change in the DBO	**United Kingdom**		**France**		**Other countries**		**TOTAL**	
(€ million)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Defined benefit obligation at beginning of year	677.2	697.5	487.5	519.9	226.3	225.0	1,391.0	1,442.4
Current service cost	4.2	4.3	23.8	24.6	17.5	11.2	45.5	40.1
Plan amendments or new plans (contract wins)	-	2.0	(9.6)	(2.2)	0.5	1.4	(9.1)	1.2
Curtailments and liquidations *	-	(23.5)	(9.6)	(50.6)	(0.7)	(0.9)	(10.3)	(75.0)
Interest cost	37.3	28.3	12.6	14.6	11.1	6.9	61.0	49.8
Actuarial (gains) losses	96.0	2.4	57.3	7.7	30.9	(2.9)	184.2	7.2
o/w actuarial (gains) losses arising from experience adjustments	*(17.7)*	*(1.5)*	*(5.5)*	*0.6*	*(2.3)*	*0.4*	*(25.5)*	*(0.5)*
o/w actuarial (gains) losses arising from changes in demographic assumptions	*(2.8)*	*(4.7)*	*5.4*	*0.9*	*1.4*	*3.3*	*4.0*	*(0.5)*
o/w actuarial (gains) losses arising from changes in financial assumptions	*116.5*	*8.6*	*57.4*	*6.2*	*31.8*	*(6.6)*	*205.7*	*8.2*
Plan participants' contributions	0.8	0.8	-	-	1.4	0.8	2.2	1.6
Benefits paid	(28.6)	(19.7)	(21.6)	(25.5)	(19.9)	(10.9)	(70.1)	(56.1)
Benefit obligation assumed on acquisition of subsidiaries **	261.2	-	6.6	-	163.3	4.1	431.1	4.1
Benefit obligation transferred on divestiture of subsidiaries ***	-	-	(133.2)	(0.1)	(1.1)	-	(134.3)	(0.1)
Foreign exchange translation	59.0	(14.8)	-	-	8.1	(8.5)	67.1	(23.3)
Other	(0.1)	(0.1)	0.2	(0.9)	2.7	0.1	2.8	(0.9)
(A) Defined benefit obligation at end of year	**1,107.0**	**677.2**	**414.0**	**487.5**	**440.1**	**226.3**	**1,961.1**	**1,391.0**

* *In 2013, the decrease includes €40.3 million in respect of the closure of executive plans in France and €23.4 million in respect of a UK pension plan, following the divestiture of regulated Water activities in 2012 and the resulting transfer of the DBO relating to this plan to the buyer.*

** *In 2014, benefit obligations assumed on acquisition of subsidiaries mainly concern Dalkia international entities in the amount of €353.6 million.*

*** *In 2014, benefit obligations transferred on divestiture of subsidiaries mainly concern the divestiture of Dalkia France in the amount of €133.5 million.*

Sensitivity of the benefit obligation and the current service cost

The Group benefit obligation is especially sensitive to discount and inflation rates.

A 1% increase in the discount rate would decrease the benefit obligation by approximately €265 million and the current service cost of the next year by €7 million. A 1% decrease in the discount rate would increase the benefit obligation by €313 million and the current service cost of the next year by €8 million.

Conversely, a 1% increase in the inflation rate would increase the benefit obligation by approximately €240 million and the current service cost of the next year by €7 million. A 1% decrease in the inflation rate would decrease the benefit obligation by €210 million and the current service cost by €6 million.

31.2.4 Plan assets

Change in plan assets

The following table presents plan assets funding obligations in respect of defined benefit pension plans and other post-employment benefits.

	As of December 31,							
Change in plan assets	**United Kingdom**		**France**		**Other countries**		**TOTAL**	
(€ million)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Fair value of plan assets at beginning of year	**606.6**	**603.9**	**106.3**	**116.9**	**74.7**	**68.4**	**787.6**	**789.2**
Actual return on plan assets	150.5	38.0	2.9	3.3	13.1	5.6	166.5	46.9
o/w interest income	*34.1*	*24.8*	*3.3*	*3.7*	*3.3*	*1.5*	*40.7*	*30.0*
o/w return on plan assets excluding amounts included in interest income	*116.4*	*13.2*	*(0.4)*	*(0.4)*	*9.8*	*4.1*	*125.8*	*16.9*
Group contributions	16.3	13.6	-	0.2	4.3	3.2	20.6	17.0
Plan participants' contributions	0.8	0.8	-	-	1.4	0.8	2.2	1.6
Plan assets acquired on acquisition of subsidiaries *	246.5	-	-	-	63.4	-	309.9	-
Plan assets transferred on divestiture of subsidiaries **	-	-	-	-	-	-	-	-
Liquidations	(4.2)	(17.4)	(0.3)	(8.4)	(0.1)	-	(4.6)	(25.8)
Benefits paid	(28.6)	(19.6)	(5.6)	(5.7)	(6.7)	(1.9)	(40.9)	(27.2)
Administrative expenses paid by the fund	(0.5)	-	-	-	(0.2)	(0.1)	(0.7)	(0.1)
Foreign exchange translation	54.2	(12.5)	-	-	2.2	(1.7)	56.4	(14.2)
Other	-	(0.2)	-	-	2.1	0.4	2.1	0.2
(B) Fair value of plan assets at end of year	**1,041.6**	**606.6**	**103.3**	**106.3**	**154.2**	**74.7**	**1,299.1**	**787.6**

* *In 2014, plan assets acquired on acquisition of subsidiaries mainly concern Dalkia international entities in the amount of €251.8 million.*

** *In 2013, the transfer of the plan assets of a UK pension plan following the loss of a contract led to liquidations of €17.4 million. In France, employer contributions of €6.8 million were repaid following the closure of executive plans.*

In the United Kingdom, the investment policy is defined by the pension fund. Funding levels and the contribution payment schedule are negotiated by the employer and the Trustee, based on triennial actuarial valuations. Contributions include both the funding of the shortfall in relation to past rights and service costs for future years. In 2014, a triennial valuation was performed by three of the eight United Kingdom funds.

United Kingdom pension funds aim to attain 100% technical coverage of liabilities within 10 years, while maintaining a risk level considered as acceptable by all parties (Trustees and employers). In order to achieve that goal, plan assets are allocated within two portfolios:

- A Liability Driven Investment portfolio (where flows best match liabilities and the value of which fluctuates in line with the liability value). This portfolio mainly includes inflation-linked bonds issued or guaranteed by the UK government and derivatives with leading banking counterparties (rated A or higher), with which collateralization contracts have been signed in order to minimize counterparty risk.

- A portfolio of growth assets invested in a diverse range of asset classes (equities, bonds, diversified funds, etc.) and seeking to outperform the liabilities. For most of these asset classes, the investment is implemented through passive management funds with the objective of replicating a given index (the various FTSE indexes for the different global regions in the case of shares, etc.). Over the last few years, an asset class diversification policy has obtained a considerable reduction in the risk exposure of this growth portfolio, while maintaining expected return at a level allowing the deficit reduction objective to be achieved.

Throughout the year, a hedging policy covering some financial risks (particularly foreign exchange, inflation and interest rate) was implemented, in order to reduce the fund's exposure to these risks and therefore reduce the risk of increased contributions. These hedges were implemented using derivatives (currency forwards, total return swaps on gilts, interest rate swaps, etc.).

In France, the Group's assets are placed primarily with insurance companies and invested in the general insurance fund. The French General Insurance Code (*Code général des assurances*) requires insurance companies to provide a minimum rate of return on these funds, calculated primarily based on the rate offered by government bonds.

For the Group as a whole, the actual return on plan assets in 2014 and 2013 was 16.0% and 5.9% respectively and reflects market performance based on the asset investment profile. In 2014, the actual return on plan assets in the United Kingdom benefited from the fall in nominal and real British rates, combined with the impact of interest rate hedges (primarily synthetic purchases of gilt bonds) and the good performance of growth assets (shares and diversified investment funds).

The Group plans to make contributions of €23.6 million to defined benefit plans in 2014.

On average, Group pension plan assets were invested as follows as of December 31, 2014 and 2013:

	2014	2013
Unquoted assets	**18.6%**	**23.8%**
Liquid unquoted assets - Investment funds (general insurance fund)	8.4%	13.9%
Non-liquid unquoted assets - Investment funds *	9.3%	9.6%
Non-liquid unquoted assets - Other	0.9%	0.3%
Quoted assets (liquid)	**81.2%**	**75.6%**
Government bonds **	26.9%	22.5%
Corporate bonds	4.3%	3.6%
Shares	8.7%	9.7%
Diversified investment funds	41.1%	39.2%
Liquid quoted assets – Other	0.2%	0.6%
Liquid assets	**0.2%**	**0.6%**
TOTAL	**100.0%**	**100.0%**

* *The line “Non-liquid unquoted assets - Investment funds” consists of funds without guaranteed monthly liquidity (e.g. real estate funds, infrastructure funds).*

** *The portion of government bonds from high-risk countries is not material.*

Change in right to reimbursement

Right to reimbursement is recorded in assets as of December 31, 2014 at a value of €4.5 million, compared with €4.9 million as of December 31, 2013. Right to reimbursement concerns the portion of employee rights to post-employment benefits corresponding to periods during which the employee was employed by a previous employer or where the operating contract stipulates that employee entitlement to post-employment benefits is assumed by a third party.

31.2.5 Impact on Comprehensive Income

The net benefit cost breaks down as follows:

(€ million)	As of December 31							
	United Kingdom		France		Other countries		TOTAL	
	2014	2013 represented	2014	2013 represented	2014	2013 represented	2014	2013 represented
Service cost	8.4	0.3	13.4	(24.0)	17.8	11.5	39.6	(12.2)
o/w Current service cost	*4.2*	*4.3*	*23.8*	*24.6*	*17.5*	*11.2*	*45.5*	*40.1*
o/w Past service cost	*4.2*	*(4.0)*	*(10.4)*	*(48.6)*	*0.3*	*0.3*	*(5.9)*	*(52.3)*
Net interest expense	3.2	3.5	9.3	10.9	*7.8*	*5.4*	20.3	19.8
o/w Interest cost	*37.3*	*28.3*	*12.6*	*14.6*	*11.1*	*6.9*	*61.0*	*49.8*
o/w Interest income on plan assets	*(34.1)*	*(24.8)*	*(3.3)*	*(3.7)*	*(3.3)*	*(1.5)*	*(40.7)*	*(30.0)*
Interest income on right to reimbursement	-	-	(0.1)	(0.2)	0.1	-	-	(0.2)
Administrative expenses paid by the fund	0.5	-	-	-	0.2	(0.1)	0.7	(0.1)
Other	-	(0.1)	(0.4)	0.1	0.3	0.8	(0.1)	0.8
Net benefit cost recognized in the Consolidated Income Statement	**12.1**	**3.7**	**22.2**	**(13.2)**	**26.2**	**17.6**	**60.5**	**8.1**
Return on plan assets excluding amounts included in interest income	(116.4)	(13.2)	0.4	0.4	(9.8)	(4.1)	(125.8)	(16.9)
Actuarial gains (losses) arising from experience adjustments	(17.7)	(1.5)	(5.5)	0.6	(2.3)	0.4	(25.5)	(0.5)
Actuarial gains (losses) arising from changes in demographic assumptions	(2.8)	(4.7)	5.4	0.9	1.4	3.3	4.0	(0.5)
Actuarial gains (losses) arising from changes in financial assumptions	116.5	8.6	57.4	6.2	31.8	(6.6)	205.7	8.2
Net benefit cost recognized in other comprehensive income	**(20.4)**	**(10.8)**	**57.7**	**8.1**	**21.1**	**(7.0)**	**58.4**	**(9.7)**
Total net benefit cost	**(8.3)**	**(7.1)**	**79.9**	**(5.1)**	**47.3**	**10.6**	**118.9**	**(1.6)**

The costs expensed in the Consolidated Income Statement are recorded in operating income, except for the interest cost, recorded in net finance costs and the net benefit cost in the income statement of discontinued operations, recorded in net income (loss) from discontinued operations (€1.3 million in 2014).

Note 32 Construction contracts

As described in Note 1.22. the Group recognizes its construction contracts under the percentage of completion method. At each period end, a contract statement compares the amount of costs incurred, plus profits (including any provisions for losses to completion) with intermediary billings: “Construction contracts in progress / Assets” therefore represents contracts for which the costs incurred and profits recognized exceed amounts billed.

(€ million)	As of December 31, 2014	As of December 31, 2013
Construction contracts in progress / Assets (A)	698.2	537.2
Construction contracts in progress / Liabilities (B)	145.1	233.6
Construction contracts in progress, net (A) – (B)	**553.1**	**303.7**
Costs incurred plus income and losses recognized to date (C)	3,732.6	3,942.3
Amounts billed (D)	(3,179.5)	(3,638.6)
Construction contracts in progress, net (C) – (D)	**553.1**	**303.7**
Customer advances	**83.3**	**71.3**

Note 33 Operating leases

The Group enters into operating leases (mainly for vehicles and buildings).

Future minimum lease payments under operating leases amount to €1,478.9 million as of December 31, 2014, compared with €1,396.3 million as of December 31, 2013.

As of December 31, 2014, future minimum lease payments under these contracts were as follows:

(€ million)	**Operating lease**
2015	387.2
2016 & 2017	391.0
2018 & 2019	218.8
2020 and thereafter	481.9
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**1,478.9**

The €82.6 million increase in 2014 mainly concerns the Dalkia transaction between the Group and EDF in the amount of €104.9 million.

33.1 Lease payments for the period

(€ million)	**As of December 31, 2014**	**As of December 31, 2013**
Minimum lease payments expensed in the year	475.1	477.0
Contingent rent expensed in the year	3.5	4.7
TOTAL LEASE PAYMENTS FOR THE YEAR	**478.6**	**481.7**

Sub-lease revenue is not material.

33.2 Assets leased under operating leases

The value of assets concerned by operating leases within the Group is not material.

Note 34 Tax audits

In the normal course of their business, the Group entities in France and abroad are subjected to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37 criteria.

The tax authorities have carried out various tax audits in respect of both consolidated tax groups and individual entities. To date, none of these reviews have led to liabilities to the tax authorities materially in excess of amounts estimated during the review of tax risks.

In estimating the risk as of December 31, 2014, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

On March 10, 2010, Veolia through its subsidiary VENAO received notices of proposed adjustments ("NOPAs") from the U.S. Internal Revenue Service (IRS) relating to a number of tax positions concerning its U.S. subsidiaries, including primarily tax losses resulting from the reorganization of the former US Filter (Worthless Stock Deduction), in the amount of USD 4.5 billion (tax base). They also relate to certain other issues relating to tax losses for the 2004, 2005 and 2006 tax years, in an aggregate amount of a similar order of magnitude as the Worthless Stock Deduction. The NOPAs are preliminary assessments that do not reflect a definitive audit position and are subject to change. These NOPA's were received following the request by the Group for a pre-filing agreement from the IRS in order to validate the amount of tax losses as of December 31, 2006.

Since 2010, the Group continues to discuss these NOPAs with the IRS with a view to resolving or narrowing the issues and the issuance of a formal assessment notice for any unresolved issues, which could be appealed within the IRS or in court. As of December 31, 2014, the remaining NOPAs, before any penalties, relate to the Worthless Stock Deduction for USD 4.5 billion (tax base). As the NOPAs are still subject to the continuing IRS audit process, there is no requirement at this time for any payment of taxes. Based on information available to the Company at the year-end, Veolia has not recorded any provisions in its consolidated financial statements in respect of the NOPAs and has recorded a deferred tax asset in respect of a portion of these tax losses.

In the context of this audit, the IRS issued several summonses in reply to which VENAO submitted a number of documents. On January 5, 2013, considering the response to the summonses inadequate, the U.S. Department of Justice brought an action against VENAO before the U.S. District Court of the State of Delaware for enforcement of the summonses. This procedure is still ongoing.

Furthermore, the audit launched in 2011 in respect of fiscal years 2007 and 2008 for all of the Group's U.S. entities is still ongoing. No revised assessments have been notified to date. A new audit covering fiscal years 2009 to 2011 was launched by the IRS at the end of 2013. This audit is still ongoing and no revised assessments have been notified to date.

Note 35 Off-balance sheet commitments and collateral

35.1 Commitments relating to the Group and its subsidiaries

35.1.1 Commitments given

Off-balance sheet commitments given break down as follows:

(€ million)	As of December 31, 2013	As of December 31, 2014	Maturity		
			Less than 1 year	1 to 5 years	More than 5 years
Commitments relating to operating activities	**9,290.3**	**9,876.8**	**4,989.2**	**3,197.4**	**1,690.2**
Operational guarantees including performance bonds	9,242.9	9,639.6	4,890.3	3,064.2	1,685.1
Purchase commitments	47.4	237.2	98.9	133.2	5.1
Commitments relating to the consolidation scope	**1,322.1**	**1 039.2**	**96.1**	**309.5**	**633.6**
Vendor warranties	1,299.8	1 021.6	91.4	297.6	632.6
Purchase commitments	7.6	4.2	2.6	0.6	1.0
Sale commitments	0.3	0.3	0.3	-	-
Other commitments relating to the consolidation scope	14.4	13.1	1.8	11.3	-
Financing commitments	**813.4**	**655.7**	**438.2**	**139.2**	**78.3**
Letters of credit	451.9	464.8	382.9	76.5	5.4
Debt guarantees	361.5	190.9	55.3	62.7	72.9
TOTAL COMMITMENTS GIVEN	**11,425.8**	**11,571.7**	**5,523.5**	**3,646.1**	**2,402.1**

The fluctuation of commitments given between December 31, 2013 and 2014 (+€145.9 million) is mainly due to the fluctuations of commitments related to operating activities (+585.6 million), explained as follows :

- Exchange rate variances (+€647.3 million);
- The guarantee release related to the Marafiq contract (-€629.8 million);
- The integration of commitments provided by Dalkia International and its subsidiaries (+€905.7 million); and
- The divestment of Dalkia France (-€290.5 million).

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

35.1.1.1 Commitments given relating to operating activities

Operational guarantees: operational or operating guarantees encompass all commitments not relating to the financing of operations, required in respect of contracts and markets and generally given in respect of the operations and activities of Group companies. Such guarantees include bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

The main categories of commitments include:

- Commitments related to site rehabilitation:

  Pursuant to environmental texts and legislation concerning the operation of waste storage facilities, the Group is obliged to provide financial guarantees to local authorities/government agencies. These guarantees notably encompass the rehabilitation and supervision of the site during 30 years or more, depending on national legislation (currently 60 years in the United Kingdom), following its operation.

In this context, performance bonds and letters of credit are issued to local authorities and other public bodies.

Depending on the contract, these guarantees cover the costs necessary for the supervision and rehabilitation of all or part of the site.

These guarantees are quantified in accordance with legal or contractually-defined procedures. These guarantees, which are given in their total amount from the start of operations, expire at the end of the commitment (termination of rehabilitation work and site supervision).

Therefore, the amount of our commitment for the rehabilitation and supervision of waste storage facilities is in general different from the amount of the provision recorded in the Group accounts (see Note 1.13 and Note 19).

Provisions calculated by the Group are based on different valuations (based on internal policies regarding site security and designed for optimal environmental protection), which take into account the progressive nature of the obligation: operation of the storage facility results in progressive damage to the site and, as such, a related liability is recognized as the facility is operated.

If the amount of the commitment is less than the provision at the balance sheet date, an off-balance sheet commitment is not disclosed. Conversely, if the amount of the commitment is greater than the provision, an off-balance sheet commitment is disclosed in the amount not provided.

- Commitments related to engineering and construction activities:

  Total commitments given in respect of construction activities of Veolia Water Technologies amount to €3,319.2 million as of December 31, 2014, compared with €3,715.8 million as of December 31, 2013.

  Total commitments received (see below) in respect of these same activities amount to €593.7 million as of December 31, 2014, compared with €521.7 million as of December 31, 2013.

  Commitments given and received in respect of the three main contracts account for approximately 55.1% of total commitments.

- Commitments given in respect of concession arrangements:

  Pursuant to public service contracts with a public entity, the Group may be called on/obliged to invest in infrastructures that will then be operated and remunerated in accordance with contractual terms and conditions.

  The contractual commitment may concern both the financing of installations and infrastructures to be used in operations and also the maintenance and replacement of infrastructures necessary to operations.

  An analysis of the accounting treatment of these commitments is presented in Notes 1.13, 1.20 and 19.

  Expenditure relating to the replacement or rehabilitation of installations is monitored and recognized through any timing differences between the total contractual commitment over the contract term and its realization, in accordance with IAS 37 on Provisions.

  Expenditure relating to the construction, maintenance and restoration of concession assets is reviewed with respect to IFRIC 12 and detailed in Note 1.20.

- Firm commodity purchase commitments:

  As part of supply management and cost optimization, certain Group subsidiaries may be required, depending on their activities, to set-up derivatives to fix the cost of commodity supplies where the contracts do not offer appropriate protection or contract forward purchases or sales of commodities.

  Firm commodity purchase commitments, excluding derivatives, mainly concern:

  - Gas in the Energy Services activities (mainly in Central Europe) and in the Water activities. Most commitments mature in less than 5 years;
  - Electricity in the Energy Services activities (purchase commitments mature in less than 3 years due to poor liquidity in the electricity market);
  - Biomass and coal in the Energy Services activities.

  In parallel, firm electricity sales contracts, excluding derivatives, are entered into to secure selling prices over a period of less than 3 years. These commitments concern production activities exposed to the electricity wholesale market and primarily:

  - Waste Solutions activities in the United Kingdom (electricity produced by waste incineration);
  - Energy Services activities in Central Europe.

35.1.1.2 Commitments given relating to the consolidation scope

Vendor warranties: these mainly include:

- Warranties given in connection with the divestiture of the investment in Berlin Water in the amount of €484.0 million;
- Warranties linked to the sale in 2004 of Water activities in the United States in the amount of €103.0 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 €161.3 million;
- Warranties given in connection with the divestiture of solid waste activities in the amount of €78.2 million;
- Warranties given in connection with the divestiture of American and European wind energy activities in the amount of €35.7 million ;
- Warranties given to EDF linked to the redistribution transaction, estimated to €45.0 million.

Purchase commitments: these include commitments given by Group companies to purchase shares in other companies or to invest. As of December 31, 2014, these commitments total €4.2 million, compared with €7.6 million as of December 31, 2013.

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.

These agreements came to an end following the completion of the agreement on July 25, 2014 (see Note 3.1.2 and Note 4). In the same agreement, Veolia Environnement granted EDF a call option covering all its Dalkia International, renamed Veolia Energie International, shares exercisable should an EDF competitor take control of this company. Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia France shares, exercisable should a Veolia Environnement competitor take control.

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.

35.1.1.3 Financing commitments given

Debt guarantees: these relate to guarantees given to financial institutions in connection with the borrowings of non-consolidated companies and equity-accounted entities, when the commitment covers the entire amount.

Letters of credit: letters of credit delivered by financial institutions to Group creditors, customers and suppliers guaranteeing operating activities.

Commitments given break down by operating segment as follows:

(€ million)	**As of December 31, 2014**	**As of December 31, 2013**
France	182.3	132.0
Europe, excluding France	1,746.0	1,020.2
Rest of the world	1,412.9	1,235.5
Global Businesses	3,704.8	4,054.0
Other	4,525.7	4,984.1
TOTAL	**11,571.7**	**11,425.8**

Commitments on lease contracts entered into by the Group are analyzed in Notes 20 and 33.

35.1.1.4 Collateral guaranteeing borrowings

As of December 31, 2014, the Group has given €213.0 million of collateral guarantees in support of borrowings including €116.0 million in support of borrowings of its joint ventures.

The breakdown by type of asset is as follows (€ million):

Type of pledge / mortgage *(€ million)*	Amount pledged (a)	Total Consolidated Statement of Financial Position amount (b)	Corresponding % (a)/(b)
Intangible assets	2	990	0.2%
Property, plant and equipment	46	6,638	0.7%
Financial assets *	134		
TOTAL NON-CURRENT ASSETS	**182**		
Current assets	31	13,306	0.2%
TOTAL ASSETS	**213**		

* *As a majority of financial assets pledged as collateral are shares of consolidated subsidiaries and other financial assets, the ratio is not significant.*

The breakdown by maturity is as follows:

(€ million)	As of December 31, 2013	As of December 31, 2014	Maturity		
			Less than 1 year	1 to 5 years	More than 5 years
Intangible assets	**-**	**2**	**2**	-	-
Property, plant and equipment	**23**	**46**	**19**	**18**	**9**
Mortgage pledge	10	20	11	8	1
Other PP&E pledge (1)	13	26	8	10	8
Financial assets (2)	**139**	**134**	**18**	**66**	**50**
Current assets	**26**	**31**	**23**	**1**	**7**
Pledges on receivables	25	30	22	1	7
Pledges on inventories	1	1	1	-	-
TOTAL	**188**	**213**	**62**	**85**	**66**

(1) Mainly equipment and traveling systems.
(2) Including non-consolidated investments of €124.6 million and other financial assets (primarily operating financial assets) of €9.7 million as of December 31, 2014.

35.1.2 Commitments received

Off-balance sheet commitments received break down as follows:

(€ million)	As of December 31, 2014	As of December 31, 2013
Guarantees received	**1,518.4**	**1,456.4**
Operational guarantees	1,075.9	902.9
Guarantees relating to the consolidation scope	162.4	219.9
Financing guarantees	280.1	333.6

Commitments mainly consist of commitments received from our partners in respect of construction contracts.

The change in 2014 was mainly due to:

- an increase in operational guarantees (+€167.6 million);
- a decrease in undrawn credit facilities granted (-€59.3 million);
- a decrease in vendor warranties (-€60.8 million);
- changes in consolidation scope (+€99.9 million) including changes in commitments received from Dalkia International entities (+€131.6 million) and Dalkia France (-€36.7 million) related to the redistribution transaction between EDF and Veolia ;
- foreign exchange translation adjustments (+€113.4 million).

Commitments primarily include the portion of vendor warranties concerning Transdev Group given by Caisse des dépôts et consignations and still in effect, estimated at approximately €85.0 million.

In addition, the Group has undrawn medium and short-term credit lines and syndicated loan facilities in the amount of €3.9 billion.

35.2 Commitments relating to joint ventures

Group commitments given in respect of joint ventures (100%) are as follows:

(€ million)	**As of December 31, 2014**	**As of December 31, 2013**
Commitments relating to operating activities	757.4	571.5
Commitments relating to the consolidation scope	-	-
Financing commitments	200.3	471.2
Total commitments given	**957.7**	**1,042.7**

Commitments relating to operating activities as of December 31, 2014 mainly concern the Other segment in the amount of €482.5 million and in particular the Al Wathba VB Waste Water Co joint venture for €387.9 million and Global businesses for commitments given to Sharqiyah Desalinisation Company in the amount of €123.5 million.

Financing commitments as of December 31, 2014 mainly concern Veolia Environnement in the amount of €190.8 million and comprise lines of credit granted to Transdev Group for €190.8 million (including lines of credit totaling €180 million expiring December 2015).

Financing commitments fluctuations between December 31, 2013 and 2014 is mainly due to the full consolidation of Dalkia International subisdiaries, whose commitments amounted to €187.3 million, as of December 31, 2013.

Note 36 Contingent assets and liabilities

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income with respect to the following legal or arbitration proceedings as of December 31, 2014, due to the uncertain nature of their outcome.

The main contingent assets and liabilities relating to legal or arbitration proceedings are presented below:

Environmental Services – Italy

As a result of the severe economic imbalances in the concession contracts of its two principal subsidiaries, Termo Energia Calabria (“TEC”) and Termo Energia Versilia (“TEV”), and as a result of chronic late payments by the concession authorities to those companies, the group of companies Veolia Servizi Ambientali Tecnitalia S.p.A (“VSAT”), which specializes in waste incineration in Italy, filed on April 18, 2012 a request for an amicable settlement procedure, called *concordato preventivo di gruppo* (“CPG”) with the La Spezia Civil Court. On March 20, 2013, La Spezia Civil Court acknowledged that the majority of creditors, in number and in value, had voted in favor of the CPG. A hearing to discuss objections was held on May 20, 2013. On July 17, 2013, the Court overruled these objections, thereby closing the procedure in favor of the CPG. Several creditors appealed this ruling before the Genoa Court which reversed the decision on January 9, 2014.

On March 12, 2014, the judge of the Genoa Court of Appeals rejected the request to suspend the January 9, 2014 decision filed by the companies of the VSAT group. The March 12, 2014 ruling is contrary to established case law and to the position of the Italian Supreme Court; it represents an isolated decision and a reversal in case law.

In light of the foregoing, the companies of the VSAT group filed on May 19, 2014 a request for the opening of judicial liquidation proceedings (*fallimento*) with La Spezia Court, which decided on June 25, 2014 to place these companies under judicial liquidation in a single procedure and appointed two receivers. One creditor requested that the receivers and reporting judge appointed by La Spezia court be removed. A hearing took place before such court on August 29, 2014, which rejected the request on September 23, 2014. The creditor then lodged an appeal before the Genoa Court of Appeals, which also rejected the request on December 29, 2014. A hearing is set for March 4, 2015 before La Spezia Court to discuss the current liabilities of the companies of the VSAT group with the creditors of the group.

Additionally, on April 3, 2014, the Company was informed of a notice of the Reggio Calabria (Calabre) prosecutor’s office relating to the termination of the preliminary investigation with the indictment of some former TEC executives, some TEC site managers, the former Calabria extraordinary commissioner and deputy commissioners, and some transporters and managers of private landfills, as well as TEC as a legal entity. The alleged facts include fraud in the execution of the concession contract, illegal traffic of waste in an organized syndicate, and some allegations of corruption.

The events that have taken place since the beginning of 2014 have not had any impact on the consolidated accounts as at December 31, 2014.

Other segments – Société Nationale Maritime Corse Méditerranée (« SNCM »)

A number of legal proceedings have been initiated in relation to *Société Nationale Maritime Corse Méditerranée* ("SNCM"), a subsidiary of Transdev Ile de France.

Corsica Ferries Actions Relating to Public Service Delegation Agreements "PSD"

Corsica Ferries initiated a number of proceedings, beginning in June 2007, challenging the award to SNCM/CMN group of a contract (a public service delegation agreement) for marine service to Corsica for the period from 2007 to 2013. This request was denied by a judgment of the Bastia administrative court on January 24, 2008. A number of appeals procedures followed. On July 13, 2012, the French Administrative Supreme Court quashed the November 7, 2011 decision of the Marseille administrative court of appeals and remanded the matter back to that court. A procedural hearing took place on September 24, 2012. An order for the termination of the proceedings or notice of hearing from the Marseille administrative court of appeal is on hold.

The new public service delegation agreement, allocated to SNCM/CMN for a ten-year term from January 1, 2014, was signed on September 24, 2013. On November 15, 2013, Corsica Ferries brought an action before the Bastia administrative court for the cancellation of the new public service delegation agreement. In parallel, the European Commission is examining the validity of such agreement.

Action by Veolia Transport (now Transdev Ile de France) for Cancellation of Privatization MOU of May 16, 2006

The acquisition by Veolia Transport of an interest in SNCM from *Compagnie Générale Maritime et Financière* ("CGMF") in 2006 was conditioned on the concession authority maintaining the marine service to Corsica under a public service delegation agreement. On January 13, 2012, Veolia Transport notified CGMF of its decision to exercise the cancellation clause in the privatization Memorandum of Understanding subsequent to the decision of the Marseille administrative court of November 7, 2011 setting aside the 2007 deliberation allocating the public service delegation to the SNCM-CMN group. On January 25, 2012, CGMF contested the exercise of this cancellation clause. On May 11, 2012, Veolia Transport brought a legal action before the Paris commercial court against CGMF. The proceeding continues, and a hearing was held on February 9, 2015 for the regularization of Veolia Transport's reply brief. The next hearing is scheduled on March 23, 2015.

State Aid Actions

Corsica Ferries contested the validity of a European Commission decision of July 8, 2008, which held that certain payments by the French Government in connection with the SNCM privatization process did not constitute State aid within the meaning of article 107 of the Treaty on the Functioning of the European Union ("TFEU") and authorized other payments made by the French Government prior to the privatization. Under the TFEU, governments may only provide subsidies (known as "State aid") to commercial entities in specific circumstances, with the European Commission's prior authorization. On September 11, 2012, the General Court of the European Union partially overturned the European Commission decision of July 8, 2008. As a result, the reconsideration of the measures provided (which includes the measures provided within the context of the privatization process and part of the measures provided prior to the privatization) was remanded to the European Commission, which has opened a new investigation of the matter. On November 22, 2012, SNCM and the French Republic each appealed this judgment. The decision of the Court of Justice of the European Union dismissed the appeals on September 4, 2014. Before, on November 20, 2013, the European Commission rendered a new decision qualifying the measures adopted by the State in the context of the restructuring and privatization of SNCM as illegal state aid incompatible with the common market. Consequently, it ordered that SNCM return this illegal state aid (in an amount assessed by the Commission at approximately €220 million, excluding interest) to the French authorities. The French Authorities filed an appeal against this decision before the General Court of the European Union on January 31, 2014. As the decision was published on December 12, 2014, SNCM filed an application for the reversal of this decision before the General Court of the European Union on January 2, 2015.

In addition, on June 27, 2012, the European Commission announced that it had opened investigative proceedings aimed at determining whether subsidies received by SNCM and CMN for maritime service from Marseille to Corsica, in the context of the public service delegation for the 2007-2013 period, were in line with the European Union state aid rules. In a decision dated May 2, 2013, the Commission found the subsidies received for the "basic service" to be compatible with state aid rules but ordered France to recover certain incompatible aid received by SNCM for the "additional service." According to the Commission, this aid could amount to approximately €220 million, excluding interest. On July 12, 2013, the French state filed with the General Court of the European Union and with its president, respectively, an application for the reversal of the decision of the Commission and for stay of its implementation. On August 14, 2013, the Company was informed that the territorial collectivity of Corsica suspended the payment of the additional service subsidy to SNCM. On August 26, 2013, the Company also filed an application for reversal of the decision of the European Commission of May 2, 2013. On August 29, 2013, the motion for a stay of implementation filed by the French Republic was rejected on the ground of lack of urgency and on January 21, 2014, the State's appeal against the order of August 29, was rejected by the Court of Justice of the European Union. On November 20, 2013, the Commission announced its decision to initiate infringement proceedings against France for failure to recover the disputed amounts within the legal time limitations. The matter was formally referred to the Court of Justice on February 10, 2014. On November 7 and 19, 2014, the OTC issued against SNCM two orders to enforce the Commission's decision of May 2, 2013, one relating to the collection of the amount in principal of the subsidies paid to SNCM with respect to the "additional" service, assessed at €167,263,000, and the other in an amount of €30,533,576 relating to interest, *i.e.* a total of €197,796,576. On December 8, 2014, SNCM also filed an application with the Bastia administrative court for the annulment of such orders. On December 10, 2014, SNCM also filed a motion with the same court for the suspension of the enforceable character of such orders. On January 14, 2015, the Bastia administrative court dismissed this motion for a suspension, considering the motion as purposeless, and therefore inadmissible, since SNCM benefits from the provisional suspension of the proceedings. According to the court, on the merits, the Commission's decision is enforceable but the decision of the Marseille commercial court of November 28, 2014 placing SNCM under judicial receivership prevents the payment of the €197,796,576.

French Competition Council Action by Corsica Ferries

In an action before the French Competition Council, Corsica Ferries has contended that SNCM and CMN had formed an unjustified grouping that constituted an anti-competitive cartel, that this grouping constituted an abuse of a dominant position and, lastly, that presenting a bid requesting excessive subsidies (suggesting the existence of cross-subsidies) also constituted an abuse of a dominant position. On April 6, 2007, the French Competition Council dismissed the two claims concerning the grouping. Proceedings on the merits and the investigation of the French Competition Authority (the successor to the French Competition Council) on the claim of excessive subsidies are underway. The investigation is also focusing on the performance terms of the public service delegation agreement (monitoring the application of the guaranteed receipts clause and the corresponding changes in the amount of subsidies received by the parties being awarded the contract). No statement of objections has yet been served.

Financial situation of SNCM

As a result, and in particular in light of the two proceedings relating to State aid, a number of measures have been taken in relation to the difficult financial situation of SNCM.

On December 31, 2013 the French Prime Minister promised a €30 million financial contribution to SNCM and asked for an adaptation of the long-term plan ("PLT"). Trade unions rejected this approach and led a 9-day strike from January 1, 2014 which blocked SNCM's activity. The strike came to an end thanks to the State's agreement to set up a working group of the *Caisse des Dépôts et Consignation* and the *Banque Publique d'Investissement* to study financing solutions for new ships in expectation of an order before June 30, 2014 as well as its promise to adopt a decree imposing the application of French Labour law to cabotage activities in French waters. On January 23, 2014, the State became a direct shareholder of SNCM. The State then granted SNCM two successive shareholder advances for a total of €20 million, due at the end of 2014. On September 2, 2014, SNCM's supervisory board approved an agreement allowing for the State to advance €10 million, corresponding to the last portion of the €30 million promised by the government. The amount was advanced on September 9, 2014.

The State, as shareholder, thus participates directly in the financing of SNCM and in the definition of its industrial strategy. During the meeting of the Supervisory Board on January 22, 2014, Transdev's representatives expressed that they no longer believed in SNCM's long-term plan, notably due to the numerous legal uncertainties and to certain commercial and financial assumptions deemed excessively optimistic.

After several meetings of SNCM's supervisory board between March and May 2014, where the decisions (signature of a letter of intent for the order for four ships, refusal to convene a general shareholders' meeting with a view to removing the chairman of the supervisory board) were made, with the support of the State as shareholder, against Transdev's position, the supervisory board meeting of May 12, 2014 decided not to renew the mandate of the Chairman of the management board which ended on May 31, 2014 and this with the agreement of the State as a shareholder. On May 28, 2014, the supervisory board appointed a new chairman of the management board. His assignment includes providing a comprehensive review of SNCM's situation and, together with the shareholders, identifying the solutions making it possible to solve the difficulties having arisen from a chronically unprofitable operation and the European Union's requests for reimbursement of State aid. During SNCM's supervisory board meeting of June 27, 2014, the two main shareholders, the State and Transdev, refused to participate in the vote on the extension of the letter of intent for the order of four ships, which rendered the letter null on June 30, 2014. On the same day, the supervisory board voted for the extension for one year (until June 30, 2015) of the maturity of the credit agreements granted by Transdev, Veolia Environnement and CGMF, subject to contractual provisions. During SNCM's general shareholders' meeting of July 3, 2014, the chairman of the supervisory board was removed and the current general secretary of Transdev became a member of the supervisory board and was elected chairman of the latter on July 23, 2014.

At the beginning of July 2014, the Secretary of State for Transport and the Prime Minister publically stated they were in favor of placing SNCM in judicial receivership in order to support the handling of the current difficulties it faces.

On June 24, 2014 the labor organizations initiated a strike, which they suspended on July 10, 2014, following decisions signed by the mediator of the Government and approved by Transdev with the authorization of a majority of its Board members. An agreement was reached providing for a moratorium on the initiation of insolvency reorganization procedures for four months, until October 31, 2014 (unless SNCM were to fail to pay creditors). As SNCM used part of the amounts under escrow (insurance compensation for the Napoléon Bonaparte) for purposes other than the payment of severance pay for the benefit of SNCM employees, Transdev and Veolia Environnement have accelerated their claims and declared them immediately payable by SNCM on November 3, 2014. The management of SNCM, in a situation of suspension of payments, officially filed for bankruptcy with the Marseille commercial court on November 4, 2014. On November 28, 2014, the Marseille commercial court opened judicial rehabilitation proceedings for the benefit of SNCM and appointed two receivers. The date of suspension of payments was provisionally set at November 4, 2014 and the end of the observation period at May 28, 2015. A hearing before the commercial court was held on January 28, 2015 to check the financial capacity of SNCM and rule on the continuation of the observation period or the potential conversion to judicial liquidation proceedings. The decision was adjourned for further deliberation on February 4, 2015 and the commercial court decided to extend the observation period, fixing on March 18, 2015 a new hearing to check the financial capacity of SNCM.

Discussions are under way between the State and the European Commission. According to a press release from the cabinet of the Secretary of State for Transport of December 17, 2014, it appears that the transfer of the public service delegation would be possible as soon as it is allocated. On December 19, 2014, the receivers initiated the process intended to identify potential acquirers of the various assets and activities of SNCM in the context of a disposal plan and published a call for tenders including the possibility to assume the public service delegation line by line, in accordance with the European Commission's request. While the receivers had set January 19, 2015 as the deadline to file an offer, a new deadline was set for February 2, 2015 to allow certain investors to finalize their project. The offers were received on February 2, 2015.

Furthermore, in a press release dated February 13, 2015, Transdev indicated it had informed the receivers that, on certain conditions, it could make a voluntary contribution to part of the funding of the compensatory and support measures under the SNCM redundancy plan ("*Plan de Sauvegarde de l'Emploi*"). Transdev specifies that this voluntary and partial financial contribution was elaborated in reference to the SeaFrance precedent. Transdev financial contribution is subject to the conclusion of a comprehensive agreement, settling definitively this file, under the authority of the commercial court of Marseille.

The Group is paying close attention to the developments of the judicial receivership proceedings.

In this context, the Group used the accounting treatment as described in note 3.2.2 above.

Other segments - Regional aid to passenger road transportation

Transdev Group was informed by a letter from the President of the Ile-de-France Regional Council dated March 3, 2014, that on June 4, 2013, the Paris Administrative Court had instructed the Ile-de-France Region to proceed with the recovery of subsidies granted to operators under the plan for the improvement of public transportation services. These subsidies were deemed to be illegal state aid by a decision of the Paris Administrative Court of Appeal of July 12, 2010, on the ground that no notification was made to the European Commission. According to the terms of the letter, this restitution obligation could affect certain of Transdev Group's subsidiaries which may have benefited from these subsidies, because the Paris Administrative Court rejected on December 31, 2013 the Ile-de-France region's request for a stay of implementation on the restitution injunction. The Region appealed the administrative court decision of June 4, 2013; this appeal does not have a suspensive effect.

This first notification was also sent to other regular line operators in the outer Paris suburbs. This request for repayment is a legal dispute between the Region and an occasional transportation company, and to which no subsidiary of the Transdev Group is a party. Although the Region mentions in its letter an estimated subsidized amount of approximately €98.7 million (not including interest) attributed to Transdev Group's subsidiaries, this estimate remains uncertain due to the complexity of the assessment resulting from, (i) the time the plan has existed, (ii) the number of operators that received the subsidies, a large number of which have since restructured/consolidated their activities~~,~~ and (iii) the guidelines of the plan, which involve local authorities with evolving scopes of responsibility and are either intermediaries (the sums paid by the Region passing through them) or economic beneficiaries under the plan.

If the Ile-de-France Region were to issue a recovery order, the Transdev Group or its concerned subsidiaries would challenge it before the administrative court. This challenge would most probably de facto suspend the recovery of the aid.

At this stage, Transdev Group maintains the position that the local authorities (departments, municipal associations, towns, among others), rather than Transdev Group and its subsidiaries, are the direct recipients of this financial aid because they benefit from contractual terms with reduced prices for transportation services billed to these local authorities.

Transdev Group, together with OPTILE (*Organisation Professionnelle des Transports d'Ile-de-France*, an association of all the private companies that operate regular lines in the Ile-de-France Transportation Plan), intends to contest any potential claims for repayment and intends to take legal action necessary to defend its interests.

Finally, in a press release dated March 11, 2014, the European Commission announced that, following a complaint filed in 2008, it is opening an in-depth investigation into the subsidies granted to companies that operate public transportation services in Ile-de-France. It also stated that the total amount of subsidies between 1994 and 2008 equaled €263 million and involved 235 recipients. In particular, the Commission will verify whether the recipients took on additional costs related to the obligation of public service, and, if so, whether or not their services were subject to overcompensation. Lastly, the Commission stated that its investigation will focus on a similar system of subsidies which may have continued after 2008. The opening of an in-depth investigation does not in any way affect the outcome of the ongoing investigation described above.

As this decision was published on May 9, 2014 in the Official Journal of the European Union, Transdev Group benefited from a time period expiring on June 9, 2014 to put forward its comments as an interested third party. By letter of May 27, Transdev Group requested a one-month time period to reply, which it obtained. On July 9, 2014, Transdev Ile-de-France filed, on its own behalf and on that of all the entities of the group active in Ile-de-France, additional observations to those filed by OPTILE in the interest of all its subscribers. These observations, accompanied by an economic expert's report, tend to demonstrate the total neutrality for the carriers of the disputed aid, which in reality benefits local communities, and the correlative impossibility to seek any restitution whatsoever from the companies.

In parallel, Transdev Ile-de-France (as well as OPTILE) will file before the Paris Administrative Court of Appeal an application as a third party against the decision rendered by the same court on July 12, 2010 that had stated that the subsidies in question were illegal, in which proceedings it was not a party. This application should be regularized no later than February 2015.

Note 37 Greenhouse gas emission rights

The process governing the grant and valuation of these rights is presented in Note 1.24, Greenhouse gas emission rights.

The position in **2014** is as follows:

Volumes *(in thousands of metric tons)*	**As of January 1, 2014**	**Changes in consolidation scope**	**Granted**	**Purchased/ Sold/ Cancelled**	**Used**	**As of December 31, 2014**
Total	**586**	**+2,649 ***	**+6,251**	**+1,565**	**(8,095)**	**2,956**

* *Exit of Dalkia France from the scope of consolidation and entry of Dalkia International.*

Free allocations still to be received in respect of phase III of the Emissions Trading Scheme covering the period 2015 to 2020 are estimated at €110 million for the Group, based on a valuation at the spot price as of December 31, 2014.

Note 38 Related party transactions

38.1 "Related party" concept

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures.

38.2 Compensation and related benefits of key management personnel

Group Executive Committee members and directors represent the key management personnel of the Group.

The following table summarizes amounts paid by the Group in respect of compensation and other benefits granted to members of the Company Executive Committee.

Short-term benefits include fixed and variable compensation, employee benefits and directors' fees. Variable compensation comprises amounts paid in fiscal year Y in respect of respect of fiscal year Y-1.

(€ million)	**Year-ended December 31, 2014**	**Year-ended December 31, 2013**
Short-term benefits, excluding employer contributions	7.4	6.2
Employer contributions	2.3	1.9
Post-employment benefits (1)	0.1	0.8
Other long-term benefits (2)	-	-
Share-based payments	0.4	-
Other	-	1.0
TOTAL	**10.2**	**9.9**

(1) Current service cost.
(2) Other compensation vested but payable in the long-term.

As of December 31, 2014, total pension obligations in respect of members of the Executive Committee amount to €2.4 million, compared with €3.0 million as of December 31, 2013.

With the exception of the Chairman and Chief Executive Officer, the members of the Board of Directors receive no compensation other than directors' fees from the Company and, if applicable, from controlled companies. The total gross amount of directors' fees (before withholding tax) paid by the Company and controlled companies to directors and the censor was €753,998 in 2014, compared with €729,899 in 2013.

Chapter 15 of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

38.3 Transactions with other related parties

38.3.1 Relations with joint ventures

The Group grants loans to joint ventures. These loans are recorded in assets in the Group Consolidated Statement of Financial Position (see Note 14, Other non-current and current financial assets).

As of December 31, 2014, current and non-current loans granted to these entities totaled €619.3 million, including loans of €479.6 million to Transdev Group and loans of €90.4 million to the Chinese Water concessions. On December 19, 2014, Veolia Environnement extended the maturity of the lines granted to Transdev Group from March 3, 2015 to March 3, 2016.

As of December 31, 2013, loans to joint ventures and associates included loans granted to Dalkia International and its subsidiaries in the amount of €1,944.4 million. Following completion of the transaction to redistribute Dalkia's activities between Veolia Environnement and EDF on July 25, 2014, Dalkia International and its subsidiaries are now fully consolidated and the loans were transferred to current accounts.

In addition, given the Group's activities, operating flows between companies are generally limited to companies operating in the same country. As such, the level of operating transactions between the Group and equity-accounted companies is not material.

However, certain contractual agreements in Water activities, particularly in Asia and Central Europe, impose the existence of a holding company (generally equity accounted or proportionately consolidated) and companies carrying the operating contract (generally fully consolidated). These complex legal arrangements generate "asset supply" flows between the companies generally jointly controlled or subject to significant influence and the companies controlled by the Group. Assets are generally supplied for a specific remuneration that may or may not include the maintenance of the installations in good working order or the technical improvement of the installations.

38.3.2 Relations with other related parties

Caisse des dépôts et consignations (8.64% shareholding as of December 31, 2014)

The Caisse des dépôts et consignations, considered a related party, sits on the Board of Directors of Veolia Environnement as a legal entity.

The financing agreements between the two groups bear interest at market conditions.

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

This combination was effectively completed on March 3, 2011. From this date and in accordance with IAS/IFRS, Veolia Environnement through its reduced 50% stake exercises joint control together with Caisse des dépôts et consignations over Veolia Transdev.

The combination gave rise on the same date to contract amendments and agreements resulting from the shareholders' agreement between Veolia Environnement and Caisse des dépôts et consignations.

This shareholders' agreement determines in particular the financing policy of the new entity and the terms and conditions of the call option granted to Caisse des dépôts et consignations over all shares in Veolia Transdev and its subsidiaries held by Veolia Environnement exercisable in the event of a change in control of this latter (see Note 35, Off-balance sheet commitments and collateral).

On March 3, 2011, in accordance with the financing policy set out in the shareholders' agreement, two loan agreements were signed between Transdev Group and Veolia Environnement and between Caisse des dépôts et consignations and Transdev Group, respectively, under the terms of which Veolia Environnement and Caisse des dépôts et consignations each undertook to make available to Transdev Group term loans of €900 million (the "shareholders' loans"). In order to provide Transdev Group with the financial flexibility necessary to its development and strengthen its balance sheet, Veolia Environnement and Caisse des dépôts et consignations extended the terms of their respective loans and concomitantly performed a share capital increase for a total amount of €560 million on December 18, 2013, by offset against shareholder loan receivables. In addition, on December 16, 2013, Veolia and Caisse des dépôts et consignations accepted to grant Transdev Group one-year liquidity lines of €180 million and €150 million respectively (the "liquidity lines"). As the shareholders' loans and liquidity lines expired on December 19, 2014, Transdev Group signed an agreement with Veolia Environnement and Caisse des dépôts et consignations, respectively, organizing (i) their extension for a period of one year, and (ii) the partial repayment of the shareholders' loans and their restructuring as a bullet loan (of €345 million per shareholder) and a loan facility (of €200 million per shareholder).

Relations with BNP Paribas, Groupama and Saint-Gobain

In 2014, these Groups and Veolia Environnement had common directors.

Any business relations, including financing and advisory relations, between these groups and Veolia were performed at normal market conditions.

Relations with Soficot

Soficot is a company providing services to Veolia Environnement and the Group. The company's Chairman is Serge Michel who sits on the Board of Directors of Veolia Environnement. The services provided by Soficot to Veolia Environnement in 2014 are described in the Special Auditors' Report on Regulated Agreements.

In addition, in 2014 Soficot provided services and assistance to Veolia Eau-compagnie générale des eaux (VE-CGE) for the Water France region. These services involved: (1) producing a diagnostic of the situation of Veolia Water France and drawing up a transformation and turnaround plan for that business, (2) restructuring and optimizing all its information systems and (3) providing systems management and online document management services, in particular for the company's contracts.

Soficot was paid €1,666,666 for those services in 2014.

Lastly, since 2010, Dalkia International (renamed Veolia Energie International at the end of July 2014) has used the services of Soficot to help it overcome its operational problems in Italy and more generally in its southern region.

To ensure the continuity of the recovery efforts in place since 2010, Dalkia International entrusted Soficot with the task of providing assistance and support to SIRAM 's new senior management team by making available a part-time manager to perform the functions of non-executive Chairman of the Board of Directors of that company. The amount invoiced under this new contract in 2014 was €250,000.

Note 39 Consolidated employees

Consolidated employees* break down as follows:

By operating segment	2014**	2013**
France	32,830	33,021
Europe, excluding France	44,445	35,148
Rest of the world	35,812	24,082
Global Businesses	28,659	26,070
Other	18,434	24,108
CONSOLIDATED EMPLOYEES*	**160,180**	**142,429**

By company	2014	2013
Fully-consolidated companies	160,128	142,226
Joint operations	52	203
CONSOLIDATED EMPLOYEES*	**160,180**	**142,429**

* *Consolidated employees, excluding employees of equity-accounted subsidiaries.*
** *The above figures include employees of discontinued operations of 2,864 in 2014 and 3,549 in 2013.*

The increase in the number of employees in 2014 is due to the combined effect of:

- The Dalkia transaction between the Group and EDF (see Note 3.1.2);
- The acquisition of Proactiva Medio Ambiente group at the end of 2013.

Note 40 Subsequent events

None.

Note 41 Main companies included in the consolidated financial statements

In 2014, Veolia Group consolidated or accounted for a total of 2,314 companies, of which the main companies are:

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Environnement SA 36-38, avenue Kléber – 75116 Paris	40 321 003 200 047	FC	100.00	100.00
FRANCE				
Water activities:				
Veolia Eau – Compagnie Générale des Eaux 163, avenue Georges Clémenceau 92000 Nanterre	57 202 552 600 029	FC	100.00	100.00
Veolia Water 163, avenue Georges Clémenceau 92000 Nanterre	42 134 504 200 012	FC	100.00	100.00
Compagnie des Eaux et de l'Ozone 163, avenue Georges Clémenceau 92000 Nanterre	77 566 736 301 597	FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Société Française de Distribution d'Eau 28 boulevard de Pesaro 92000 Nanterre	54 205 494 500 382	FC	99.56	99.56
Compagnie Fermière de Services Publics 6 rue Nathalie Sarraute 44100 Nantes	57 575 016 100 912	FC	99.87	99.87
Compagnie Méditerranéenne d'Exploitation des Services d'Eau – CMESE 12, boulevard René-Cassin 06100 Nice	78 015 329 200 112	FC	99.72	99.72
Société des Eaux de Melun Zone Industrielle – 198/398, rue Foch 77000 Vaux Le Pénil	78 575 105 800 047	FC	99.29	99.29
Société des Eaux de Marseille 25, rue Edouard-Delanglade 13000 Marseille	5 780 615 000 017	FC	97.76	97.74
Waste solutions :				
Veolia Propreté Parc des Fontaines – 163/169, avenue Georges Clemenceau 92000 Nanterre	57 222 103 400 778	FC	100.00	100.00
Routière de l'Est Parisien 28 boulevard de Pesaro 92000 NANTERRE	61 200 696 500 182	FC	100.00	100.00
ONYX Auvergne Rhône-Alpes 105 avenue du 8 mai 1945 69140 Rillieux-La-Pape	30 259 089 800 524	FC	100.00	100.00
Onyx Est ZI de la Hardt – Route de Haspelschiedt 57 230 Bitche	30 520 541 100 070	FC	95.00	95.00
Paul Grandjouan SACO 6 rue Nathalie Sarraute 44 200 Nantes	86 780 051 800 609	FC	100.00	100.00
OTUS 28 boulevard de Pesaro 92000 NANTERRE	62 205 759 400 385	FC	100.00	100.00
Bartin Recycling Group and its subsidiaries 5 rue Pleyel 93 200 Saint Denis	48 141 629 500 022	FC	100.00	100.00
OTHER EUROPEAN COUNTRIES				
Veolia Water UK Plc and its subsidiaries 210 Pentoville Road, London N1 9JY (United Kingdom)		FC	100.00	100.00
Veolia ES Holding Ltd and its subsidiaries 8th floor – 210 Pentonville Road London - N19JY (United Kingdom)		FC	100.00	100.00
Veolia Umweltservice GmbH and its subsidiaries Hammerbrookstrasse 69 20097 Hamburg (Germany)		FC	100.00	100.00
Veolia Wasser GmbH and its subsidiaries Lindencorso Unter den linden 21 10 117 Berlin (Germany)		FC	100.00	100.00
Braunschweiger Versorgungs- AG &Co.KG Taubenstrasse 7 38 106 Braunschweig (Germany)		FC	74.90	74.90
Aquiris SA Avenue de Vilvorde-450 1130 Brussels (Belgium)		FC	99.00	99.00
Apa Nova Bucuresti Srl Strada Aristide Demetriade nr 2, Sector 1 Bucharest (Romania)		FC	73.69	73.69
Veolia Voda and its subsidiaries 163, avenue Georges Clémenceau 92000 Nanterre	434 934 809 00016	FC	91.64	91.64
Prazske Vodovody A Kanalizace a.s. 11 Parizska 11 000 Prague 1 (Czech Republic)		FC	100.00	91.64

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Severoceske Vodovody A Kanalizace a.s. 1 689 Pritkovska 41 550 Teplice (Czech Republic)		FC	50.10	45.91
Sofiyska Voda AD Mladost region Mladost 4 Business Park Street Building 2a 1000 Sofia Sofia (Bulgaria)		FC	77.10	70.65
Dalkia PLC and its subsidiaries Elizabeth House – 56-60 London Road Staines TW18 4BQ (United Kingdom)		FC	100.00	99.95
Dalkia NV and its subsidiaries 52, quai Fernand-Demets 1070 – Anderlecht (Belgium)		FC	100.00	99.95
Siram SPA and its subsidiaries Via Bisceglie, 95 20152 Milan (Italy)		FC	100.00	99.95
Dalkia Espana and its subsidiaries Cl Juan Ignacio Luca De tgna, 4 28 027 Madrid (Spain)		FC	100.00	99.95
Dalkia SGPS SA and its subsidiaries Estrada de Paço d'Arcos 2770 129 Paco d'Arços (Portugal)		FC	100.00	99.95
Dalkia Polska Ul Mysia 5 00 496 Warsaw (Poland)		FC	60.00	59.97
Dalkia Term SA and its subsidiaries UL B.Czecha 36 04-555 Warszawa (Poloand)		FC	100.00	59.97
Dalkia Warszawa and its subsidiary UI Stefana Batorego 2 02-591 Warszawa (Poland)		FC	96.28	57.74
Dalkia AB and its subsidiaries Hälsingegatan 47 113 31 Stockholm (Sweden)		FC	100.00	99.95
UAB Vilnius Energija Joconiu St. 13 02300 Vilnius (Lithuania)		FC	100.00	99.95
Veolia Energia Zrt. and its subsidiaries Budafoki út 91-93 H-1117 Budapest (Hungary)		FC	99.97	99.92
Dalkia a.s and its subsidiaries Kutlíkova 17 – Technopol 851 02 Bratislava 5 (Slovakia)		FC	100.00	99.95
Dalkia Ceska Republika and its subsidiaries 28.Rijna 3123/152 709 74 Ostrava (Czech Republic)		FC	73.06	73.03
REST OF THE WORLD				
Veolia Water North America and its subsidiaries 101 W. Washington Street, Suite 1400E Indianapolis, IN 46204 (United States)		FC	100.00	100.00
Veolia Environmental Services North America Corp. 200 East Randolph Street – Suite 7900 Chicago IL 60601 (United States)		FC	100.00	100.00
VES Technical Solutions LLC Butterfield Center 700 East Butterfield Road, #201 Lombard IL 60148 (United States)		FC	100.00	100.00
Veolia ES Industrial Services, Inc. 2525 South Shore Blvd, Suite 410 League City 77573 Texas (United States)		FC	100.00	100.00
Veolia ES Canada Industrial Services Inc. 1705, 3ème avenue H1B 5M9 Montreal – Quebec (Canada)		FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
PROACTIVA Medio Ambiente SA Calle Cardenal Marcelo Spinola 8 – 3A 28016 Madrid (Spain)		FC	100.00	100.00
Thermal North America Inc. 99 summer street ; suite 900 Boston Massachusetts 02110 (United States)		FC	100.00	100.00
Shenzhen Water (Group) Co. Ltd and its subsidiaries 23 Floor, Wan De Building Shennan Zhong Road Shenzhen (China)		EA	45.00	25.00
Shanghai Pudong Veolia Water Corporation Ltd No. 703 Pujian Road, Pudong New District 200127 Shangai (China)		EA	50.00	50.00
Changzhou CGE Water Co Ltd No.12 Juqian Road, CHANGZHOU Municipality, Jiangsu Province 213000 (China)		EA	49.00	24.99
Kunming CGE Water Supply Co Ltd No.6 Siyuan Road, Kunming Municipality, Yunnan Province 650231 (China)		EA	49.00	24.99
Veolia Water Korea Investment Co Ltd and its subsidiaries East 16 F Signature Towers Building Chungyechou-ro 100 Jung-gu (South Korea)		FC	100.00	100.00
Veolia Water Australia and its subsidiaries Level 4, Bay Center, 65 Pirrama Road, Pyrmont NSW 2009 (Australia)		FC	100.00	100.00
Société d'Énergie et d'Eau du Gabon Avenue Felix Eboué BP 2082 – Libreville (Gabon)		FC	51.00	51.00
Veolia Water Middle East (Veolia Water MENA) and its subsidiaries 163, avenue Georges Clémenceau 92000 Nanterre	505 190 801 00017	FC	100.00	100.00
Veolia Water Middle East North Africa (Veolia Water MENA) and its subsidiaries 163, avenue Georges Clémenceau 92000 Nanterre	403 105 919 00019	FC	100.00	100.00
Amendis 23, rue Carnot 90 000 Tangiers (Morocco)		FC	100.00	100
REDAL SA 6 Zankat Al Hoceima, BP 161 10 000 Rabat (Morocco)		FC	100.00	100
Lanzhou Veolia Water (Group) Co LTD No. 2 Hua Gong Street, Xigu District, LANZHOU, Gansu Province (China)		EA	45.00	22.95
Sharqiyah Desalination Co. SAOC PO Box 685, PC 114 Jibroo, Sultanate of Oman	1 011 277	EA	35.75	35.75
Tianjin Jinbin Veolia Water Co No2 Xinxiang Road, Bridge 4 Jin Tang Expressway, Dongli District Tianjin Municipality (China)		EA	49.00	49.00
Changle Veolia Water Supply Co Ltd (N° 2 Water Plant) Pan Ye Village, Hang Cheng Jie Dao, Changle Municipality, Fujian Province (China)		EA	49.00	49.00
Veolia Water – Veolia Environmental Service (Hong Kong) - VW- VES (HK) Ltd Units 7601-03&06-13,76/F, The Center, 99 Queen's Road Central, Hong Kong		FC	100.00	100.00
Veolia Environmental Services Australia Pty Ltd Level 4, Bay Center – 65 Pirrama Road NSW 2009 – Pyrmont (Australia)		FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Environmental Services Asia Pte Ltd 5 Loyang Way 1-WMX Technologies Building 508706 Singapore		FC	100.00	100.00
Veolia Environmental Services China LTD Rm 4114 Sun Hung Kai Centre – 30 Harbour Road Wanchai – Hong Kong		FC	100.00	100.00
GLOBAL BUSINESSES				
Sade-Compagnie Générale de Travaux d'Hydraulique (CGTH-SADE) and its subsidiaries SADE – CGTH (S0401) 17-19 rue Laperouse 75016 Paris	56 207 750 302 576	FC	100.00	99.41
Veolia Water Technologies and its subsidiaries l'Aquarène 1, place Montgolfier 94417 St Maurice Cedex	41 498 621 600 037	FC	100.00	100.00
OTV l'Aquarène – 1 place Montgolfier 94417 St Maurice Cedex	433 998 473 000 14	FC	100.00	100.00
SARP Industries and its subsidiaries 427, route du Hazay – Zone Portuaire Limay-Porcheville 78520 Limay	30 377 298 200 029	FC	100.00	99.86
Société d'Assainissement Rationnel et de Pompage (SARP) and its subsidiaries 52 avenue des Champs Pierreux 92000 Nanterre	77 573 481 700 387	FC	100.00	99.67
Biothane Systems International B.V. Thanthofdreef 21 – PO BOX 5068 2623 EW Delft (Netherlands)	27267973	FC	100.00	100.00
Société Internationale de Dessalement (SIDEM) 20-22 rue de Clichy 75009 Paris	342 500 956 000 20	FC	100.00	100.00
OTHER				
Dalkia International 37, avenue du Mal-de-Lattre-de-Tassigny 59350 St André les Lille	43 353 956 600 011	FC	99.95	99.95
Including Transportation activities				
Transdev Group 32 boulevard Gallieni 92 130 Issy les Moulineaux	52 147 785 100 013	EA	50.00	50.00
Consolidation method. *FC: Full Consolidation – PC: Proportionate Consolidation – EA: Equity Associate*				

Note 42 Audit fees

Audit fees incurred by the Group, including fees related to subsidiaries accounted for under the equity method, during fiscal years 2014 and 2013 total €37.3 million and €42.7 million, respectively, including:

- €31.5 million in 2014 and €36.7 million in 2013 in respect of the statutory audit of the accounts; and
- €5.8 million in 2014 and €6.0 million in 2013 in respect of services falling within the scope of diligences directly related to the audit engagement.

Statutory Auditors’ report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Year ended December 31, 2014

To the Shareholders,

In compliance with the assignment entrusted to us at your Annual General Meetings, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of Veolia Environnement;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2014 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

2 Justification of our assessments

Accounting estimates underlying the preparation of the accounts were made in an uncertain economic and financial environment (volatile financial markets, government austerity measures, etc.) making economic forecasting more difficult.

Such is the context in which we made our own assessments and we bring to your attention the following matters in accordance with the requirements of article L.823-9 of the *Code de commerce* (French Commercial Code):

Management’s significant judgments and estimations, disclosed in Note 2 to the consolidated financial statements, are determined based on past experience and other factors considered as reasonable given the circumstances. As a result, those estimates may not accurately reflect reality.

These judgments and estimates relate principally to:

- Goodwill and other intangible assets with an indefinite useful life which are subject to regular annual impairment tests, or when a triggering event occurs as described in Notes 1-11 and 6 to the consolidated financial statements. We have analyzed the implementation procedures for these tests and the assumptions used to compute future cash flows and have verified that the information disclosed in Notes 6 and 8 to the financial statements is appropriate.
- Fixed assets and other intangible assets with a definite useful life (Notes 1-11, 1-20, 7, 8 and 9), financial assets (Notes 13 and 14), Operating receivables (Note 1-14, 16, 30), income taxes (Notes 1-19, 15 and 25), provisions and post-employment benefits (Notes 1-13, 1-15, 19 and 31), financial instruments (Notes 1-14, 1-26, 29 and 30) and the transaction, concerning Dalkia (Note 4), between Veolia and EDF. Our work consisted in assessing the financial information and assumptions underlying these judgments and estimates, reviewing, on a test basis, the calculations made by the Company and verifying that the information disclosed in the notes to the consolidated financial statements is appropriate.

- Assets and liabilities available for sale and methods of determining possible impairments are described in Notes 1.5.2 and 26 to the consolidated financial statements. We have analyzed the classification criteria and the valuation and have verified that the information disclosed in Note 26 to the financial statements is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Auditors

French original signed by

Paris-La Défense, March 17, 2015

KPMG Audit		**ERNST & YOUNG et Autres**	
A division of KPMG S.A.			
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

20.2 Company Financial Statements

BALANCE SHEET AS OF DECEMBER 31, 2014

ASSETS *(in € thousands)*	12/31/2014			12/31/2013
	GROSS	DEP., AMORT. & PROV.	NET	NET
Share capital subscribed but not called	-	-	-	-
Non-current assets:				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes, and software,				
rights and similar	3,006	1,757	1,250	26
Purchased goodwill (1)	448,088	-	448,088	-
Other intangibles	-	-	-	-
Intangible assets under construction	5,600	-	5,600	2,139
Property, plant and equipment				
Land	-	-	-	-
Buildings	-	-	-	-
Industrial and technical plant	-	-	-	-
Other plant and equipment	660	356	304	49
PP&E under construction	-	-	-	-
Payments on account - PP&E	-	-	-	-
Long-term loans and investments (2)				
Equity investments	14,757,299	3,793,116	10,964,183	11,913,303
Loans to equity investments	6,754,234	132,622	6,621,612	7,386,101
Long-term portfolio investments (TIAP)	-	-	-	-
Other long-term investment securities	2,145	-	2,145	2,217
Loans	744,568	-	744,568	762,490
Other long-term loans and investments	320,173	178,665	141,508	115,697
TOTAL (I)	**23,035,773**	**4,106,516**	**18,929,257**	**20,182,022**
Current assets				
Inventories and work-in-progress				
Raw materials & supplies	-	-	-	-
Work in process - goods and services	-	-	-	-
Semi-finished and finished goods	-	-	-	-
Bought-in goods	-	-	-	-
Payments on account – inventories	2,363	-	2,363	5,800
Receivables(3)				
Trade receivables				
Trade receivables and related accounts	207,962	6,491	201,471	149,848
Other receivables	4,970,322	24,024	4,946,298	1,576,672
Miscellaneous receivables				
Share capital subscribed and called but not paid in	-	-	-	-
Marketable securities				
Treasury shares	124,026	47,269	76,758	66,536
Other securities	1,014,003	-	1,014,003	2,533,713
Treasury instruments - Assets	157,418	-	157,418	176,169

ASSETS *(in € thousands)*	12/31/2014 GROSS	 DEP., AMORT. & PROV.	 NET	12/31/2013 NET
Cash at bank and in hand	564,129	-	564,129	393,215
Prepayments (4)	15,765	-	15,765	13,011
TOTAL (II)	**7,055,987**	**77,783**	**6,978,204**	**4,914,964**
Accrued income and deferred charges				
Deferred charges **(III)**	84,468	-	84,468	96,568
Bond redemption premiums **(IV)**	67,214	-	67,214	81,673
Unrealized foreign exchange losses **(V)**	195,618	-	195,618	165,257
GRAND TOTAL (I+II+III+IV+V)	**30,439,061**	**4,184,299**	**26,254,762**	**25,440,484**
(1) Of which leasehold rights			*-*	*-*
(2) Portion due in less than one year			*773,019*	*716,845*
(3) Portion due in more than one year			*163,101*	*51,871*
(4) Portion due in more than one year			*5,440*	*171*

EQUITY AND LIABILITIES	2014	2013
Shareholders' equity		
Share capital (of which paid in : 2,811,509)	2,811,509	2,744,379
Additional paid-in capital	6,978,299	7,663,824
Revaluation reserves	-	-
Equity accounting revaluation reserve	-	-
Reserves		
Reserve required by law	239,251	239,251
Reserves required under the bylaws or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	-	-
Retained earnings	-	-
Net income /(loss) for the period	468,647	(418,424)
Sub-total: shareholders' equity	**10,497,706**	**10,229,030**
INVESTMENT SUBSIDIES	-	-
TAX-DRIVEN PROVISIONS	1,067	55
TOTAL (I)	**10,498,773**	**10,229,085**
Equity equivalents		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other	-	-
TOTAL (I B)	**-**	**-**
Provisions		
Provisions for contingencies	294,325	209,111
Provisions for losses	3,849	2,762
TOTAL (II)	**298,174**	**211,873**
Liabilities (1)		
Convertible bonds	-	-
Other bond issues	8,319,109	9,359,386
Bank borrowings (2)	32,525	61,882
Other borrowings (3)	6,258,860	4,774,671
Payments received on account for work-in-progress		
Operating liabilities		
Trade payables and related accounts	151,271	102,970
Tax and employee-related liabilities	145,567	120,406

EQUITY AND LIABILITIES	2014	2013
Other operating liabilities	-	-
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	816	113
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	43,504	87,331
Treasury instruments – Liabilities	156,423	124,979
Accrued income and deferred charges		
Deferred income	264,574	282,977
TOTAL (III)	**15,372,649**	**14,914,715**
UNREALIZED FOREIGN EXCHANGE GAINS (IV)	**85,165**	**84,811**
GRAND TOTAL (I+II+III+IV)	**26,254,762**	**25,440,484**
(1) Portion due in more than one year	*8,861,363*	*10,323,292*
Portion due in less than one year	*6,511,287*	*4,584,978*
(2) Of which overdrafts and current bank facilities	*32,525*	*61,882*
(3) Of which equity equivalent loans	-	-

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

(in € thousands)	2014	2013
Operating revenue [1]		
Sales of bought-in goods	-	-
Sales of own goods and services	446,588	212,851
Net sales	446,588	212,851
Of which export sales		
Changes in inventory of own production of goods and services	-	-
Own production capitalized	4,320	2,301
Operating subsidies	171	3
Write-back of provisions (depreciation and amortization) and expense reclassifications	11,634	26,139
Other revenue	193,836	227,489
TOTAL (I)	**656,550**	**468,783**
Operating expenses [2]		
Purchases of bought-in goods	-	-
Change in inventories of bought-in goods	-	-
Purchases of raw materials and other supplies	-	-
Change in inventories of raw materials and other supplies	-	-
Other purchases and external charges*	257,830	171,465
Duties and taxes other than income tax	24,755	14,552
Wages and salaries	157,094	114,172
Social security contributions	58,478	41,819
Depreciation, amortization and charges to provisions		
On non-current assets: depreciation and amortization	12,584	13,682
On non-current assets: charges to provisions	-	-
On current assets: charges to provisions	6,081	1,479
For contingencies and losses: charges to provisions	11,800	25,228
Other expenses	206,015	226,851
TOTAL (II)	**734,637**	**609,248**

(in € thousands)	2014	2013
1. OPERATING LOSS (I – II)	**(78,087)**	**(140,465)**
Joint venture operations		
Profits transferred in or losses transferred out **(III)**	-	-
Profits transferred out or losses transferred in **(IV)**	-	-
* *Of which:*		
Equipment finance lease installments	-	-
Real estate finance lease installments	-	-
(1) Of which income relating to prior periods	-	-
(2) Of which expenses relating to prior periods	-	-

	2014	2013
Financial income (3)		
Financial income from equity investments	629,705	1,239,334
Financial income from other securities and long-term receivables	10,682	7,605
Other interest and similar income	274,029	315,181
Write-back of provisions and expense reclassifications	273,174	328,761
Foreign exchange gains	943,396	2,285,849
Net proceeds from sales of marketable securities	9,268	6,406
TOTAL (V)	**2,140,254**	**4,183,136**
Financial expenses		
Amortization and charges to provisions for financial items	345,460	1,492,678
Interest and similar expenses (4)	620,098	687,791
Foreign exchange losses	1,008,256	2,300,179
Net expenses on sales of marketable securities	-	-
TOTAL (VI)	**1,973,814**	**4,480,648**
2. NET FINANCIAL INCOME (EXPENSE) (V–VI)	**166,440**	**(297,512)**
3. NET INCOME/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	**88,352**	**(437,977)**
Exceptional income		
Exceptional income from non-capital transactions	75	6,977
Exceptional income from capital transactions	3,655,751	278,790
Write-back of provisions and expense reclassifications	-	3,551
TOTAL (VII)	**3,655,825**	**289,318**
Exceptional expenses		
Exceptional expenses on non-capital transactions	12,705	85
Exceptional expenses on capital transactions	3,343,919	398,245
Exceptional depreciation, amortization and charges to provisions	16,194	5,208
TOTAL (VIII)	**3,372,819**	**403,538**
4. NET EXCEPTIONAL ITEMS (VII–VIII)	283,007	(114,220)
STATUTORY EMPLOYEE PROFIT-SHARING (IX)	**-**	**-**
INCOME TAX EXPENSE (X)	**97,287**	**133,773**
TOTAL INCOME (I+III+V+VII)	**6,452,629**	**4,941,237**
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	**5,983,982**	**5,359,661**
NET INCOME / (LOSS)	**468,647**	**(418,424)**
(3) Of which income from related parties	*1,014,641*	*2,162,120*
(4) Of which interest charged by related parties	*27,157*	*24,116*

PROPOSED APPROPRIATION OF 2014 NET INCOME

(in euros)	**2014**
2014 net income	**468,647,473**
Prior year retained earnings	-
i.e. a total of	***468,647,473***
To be appropriated as follows[1]:	
to the reserve required by law (5% of net income for the year)	**23,432,373**
to dividends (€0.70 x 548,503,826 shares) [2]	**383,952,678**
to 2014 retained earnings	**61,262,421**
Shareholders' equity accounts after appropriation and distribution of the dividend	
Share capital	2,811,509,005
Additional paid-in capital	6,978,298,718
Reserve required by law	262,683,135
Other reserves	-
2014 retained earnings	**61,262,421**
TOTAL [3]	**10,113,753,279**

(1) Subject to the approval of the Shareholders' Meeting.
(2) The total dividend distribution presented in the above table is calculated based on 562,301,801 shares outstanding as of December 31, 2014, including 13,797,975 treasury shares and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date. Consequently, amounts deducted from "Additional paid-in capital" may change depending on the definitive dividend amount paid.
(3) After appropriation of the net income and distribution of the proposed dividend for 2014, the shareholders' equity of the Company shall be €10,113,753,279.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(in € thousands)	**2014**	**2013**
Source of funds:		
Operating cash before changes in working capital	164,890	751,199
Disposals or decreases in non-current assets:		
Disposals of intangible assets and PP&E	860	2,914
Disposals of equity investments [1]	3,654,064	275,874
Disposals of long-term investment securities	2,730	-
Repayment of financial receivables (long-term advances)	1,078,037	1,414,945
Repayment of other long-term loans and investments	20,266	350
Increase in shareholders' equity	-	-
New borrowings	-	1,862,669
TOTAL SOURCE OF FUNDS	**4,920,847**	**4,307,952**
Application of funds:		
Dividend distribution (including registration fees) [2]	199,971	128,300
Acquisitions or purchases of non-current assets:		
Intangible assets and PP&E	6,275	2,374
Long-term loans and investments:		
Equity investments	2,796,428	494,246
Long-term financial receivables	293,348	1,417,360
Other long-term loans and investments	90,809	509,201
Decrease in shareholders' equity	-	-
Principal payments on borrowings	1,073,379	2,579,722
TOTAL APPLICATION OF FUNDS	**4,460,210**	**5,131,203**
Increase / decrease in working capital requirements	460,637	(823,253)
TOTAL	**4,920,847**	**4,307,952**

(1) This primarily involves the sale price relating to the divestitures of Veolia Environnement Europe Services for €2,530 million, Dalkia France for €962 million and Dalkia Investissement for €138 million.
(2) Dividends paid in 2014 in respect of fiscal year 2013: €374,246 thousand, including dividends of €199,573 thousand paid in cash (excluding registration fees) and dividends of €174,673 thousand paid in shares.

Notes to the Company Financial Statements

Note 1 - Major events of the period

1.1. Company financing

1.1.1. Share capital increase resulting from the payment of the dividend for fiscal year 2014 in shares

Pursuant to the decision of the Combined General Shareholders' Meeting of April 24, 2014 in the fifth resolution, to offer shareholders the option of receiving payment of the dividend for fiscal year 2013 in new Veolia Environnement shares, the Board of Directors, meeting on the same day, sub-delegated to Chairman and Chief Executive Officer, the necessary powers to perform the share capital increase resulting from the exercise of this option. The option exercise period was set from April 30 to May 16, 2014 inclusive.

At the end of the option exercise period and based on a certificate of deposit prepared by Société Générale, the Chairman and Chief Executive Officer duly noted a share capital increase in the amount of €67,130,465 on May 26, 2014.

This led to the issue of 13,426,093 new shares with a par value of €5 each, representing an increase in the share capital of the Company of €67,130,465, and the recognition of additional paid-in capital of €107,543,004.93. The expenses relating to this transaction were deducted from additional paid-in capital for a net of tax amount of €397,737.63.

1.1.2. Events regarding bond issues and syndicated loan facilities

Early bond redemptions:

On February 3, 2014, Veolia Environnement partially bought back its USD-denominated bonds for a nominal amount of USD 21,914,000 for the USD EMTN bond line paying a coupon of 6% and maturing in 2018.

On November 24, 2014, Veolia Environnement performed partial buybacks of its euro notes maturing in 2016, 2017 and 2019 for a nominal amount of €224,996,000:

- €40,000,000 of the 4% EMTN maturing in 2016;
- €9,996,000 of the 4.375% EMTN maturing in 2017;
- €175,000,000 of the 6.75% EMTN maturing in 2019.

On December 19, 2014, Veolia bought back its 6% USD EMTN maturing in 2018 for a nominal amount of USD 408,294,000.

The exceptional income comprises a loss on the bond buybacks in the amount of €102.6 million.

Similarly, the Group performed two early reversals of its interest rate swap portfolios. The balancing cash payments by the banks totaled €113.8 million that was included in financial income.

Redemption of bonds maturing in 2014:

On April 24, 2014, Veolia Environnement redeemed a bond that had reached maturity for USD 575,408,000.

1.2. Subsidiary financing

1.2.1. Veolia Environnement Finance

On March 17, 2014, Veolia Environnement changed the corporate purpose and name of VIGIE 38 AS.

The purpose of this company incorporated under French law and renamed Veolia Environnement Finance is now to finance Veolia Group entities using loans, credit facilities or guarantees and centralize their cash flows.

At the launch of its new business, Veolia Environnement subscribed to the entire share capital increase of Veolia Environnement Finance (wholly-owned by Veolia Environnement) in the amount of €1,000 million.

1.2.2. Veolia Environnement Europe Services

At the end of the first quarter of 2014, Veolia Environnement Europe Services discontinued its treasury and financing activities for certain Veolia Group subsidiaries, but maintained its activities involving institutional representation. In this context, its principal shareholder Veolia Environnement withdrew completely from the Company's share capital.

On April 23, 2014, the shareholders of Veolia Environnement Europe Services decided to acquire, for the purpose of their immediate cancellation, all the shares representing the Company's share capital held by Veolia Environnement for a total amount of €2,529 million. The securities at Veolia Environnement had a gross value of €2,450 million. This withdrawal generated a capital gain of €79 million.

1.2.3. Restructuring of Transdev Group financing

On December 31, 2014, the maturity of the loan granted to Transdev Group in the amount of €465 million was extended from March 3, 2015 to March 3, 2016.

1.3 Dalkia

Following the framework agreement signed between Veolia Environnement and Electricité de France (EDF) on March 25, 2014 and its implementation protocol concluded on July 25, 2014, EDF took over all Dalkia's activities in France while Veolia took over its international business. On July 25, 2014, the activity redistribution resulted in the following main acquisitions and divestitures:

1.3.1. Veolia Services Energétiques (previously Dalkia)

On July 25, 2014, the activity redistribution resulted in the additional acquisition of Dalkia securities by Veolia Environnement from EDF in the amount of €1,121 million. The acquisition costs relating to these securities representing €3.4 million were capitalized and added to the value of the acquired securities.

1.3.2. Veolia Energie International (previously Dalkia International)

On July 25, 2014, the activity redistribution resulted in the additional acquisition of Dalkia International securities by Dalkia from EDF in the amount of €658 million, and from Dalkia France in the amount of €9.7 million. The acquisition costs relating to these securities representing €4 million were capitalized and added to the value of the acquired securities.

1.3.3. Divestment to EDF

On July 25, 2014, the activity redistribution resulted in the divestment of Dalkia France securities by Dalkia in the amount of €963 million, generating a capital gain of €384 million.

1.3.4. Divestments to Dalkia France

On July 25, 2014, the activity redistribution resulted in the divestment by Dalkia (renamed Veolia Services Energétiques) to Dalkia France of the following activities:

- Industelec Sud-Est in the amount of €9.7 million, generating a capital gain of €7.5 million;
- Industelec Services in the amount of €6.1 million, generating a capital gain of €5.8 million;
- Industelec Services Ile de France in the amount of €5.1 million, generating a capital gain of €3.7 million;
- Dalkia Atlantique Services in the amount of €3.1 million, generating a capital gain of €1 million.

1.3.5. Divestments to Dalkia Investissement

Dalkia Investissement bought back its own shares from Dalkia in the amount of €137.9 million, for the purpose of cancelling them. This sale generated a capital loss of €62 million.

1.3.6. Merger by absorption of Veolia Services Energétiques

A draft agreement for the merger by absorption of Veolia Services Energétiques by Veolia Environnement was signed on November 7, 2014, and published in the BODACC (Official Bulletin of Civil and Commercial Announcements) on November 26, 2014.

VSE is a holding company which, prior to the redistribution, owned virtually all the shares of Dalkia France (*i.e.* Dalkia Group activities in France) and 75.08% of Dalkia International (the holding company of all Dalkia Group international activities that was renamed Veolia Energie International after the redistribution).

The aim of this post-redistribution restructuring was therefore to:

- streamline the Veolia Group legal organization, by only maintaining Veolia Energie International as the holding company of the Dalkia Group international activities that were retained by Veolia Group under the aforementioned redistribution agreement;
- reduce the administrative costs of managing the companies heading the Energy Services scope of the VEOLIA Group.

VSE contributed to Veolia Environnement, by way of a simplified merger, all assets and liabilities, its rights, values and obligations, without exception or reservation, including the assets and liabilities arising from the transactions carried out since January 1, 2014, the effective date chosen to establish the terms and conditions of the transaction until the merger's final completion date.

From a tax and accounting perspective, this merger is retroactive to January 1, 2014.

The net asset value of the contribution was estimated at €1,317,303,912. The net value of the VSE securities, in the Veolia Environnement financial statements, *i.e.* €1,761,936,492, plus the costs of acquiring the securities in the amount of €3,455,398, generated a technical merger loss of €448,087,978. This technical loss was capitalized in the Veolia Environnement balance sheet.

1.3.7. Merger by absorption of Dalkia Valmy

A draft agreement for the merger by absorption of Dalkia Valmy by Veolia Environnement was signed on November 7, 2014, and published in the BODACC (Official Bulletin of Civil and Commercial Announcements) on November 26, 2014.

Dalkia Valmy is a holding company which, prior to the redistribution, held 0.073% of Dalkia France.

The aim of this post-redistribution restructuring was therefore to streamline the Veolia Group legal organization.

Dalkia Valmy contributed to Veolia Environnement, by way of a simplified merger, all assets and liabilities, its rights, values and obligations, without exception or reservation, including the assets and liabilities arising from the transactions carried out since January 1, 2014, the effective date chosen to establish the terms and conditions of the transaction until the merger's final completion date.

From a tax and accounting perspective, this merger is retroactive to January 1, 2014.

The net asset value of the contribution was estimated at €43,920. The net value of the Dalkia Valmy securities, in the Veolia Environnement financial statements, *i.e.* €1, generated a merger gain of €43,919. This gain was recorded in the Veolia Environnement income statement.

Following all the aforementioned transactions, Veolia Environnement held all Veolia Energie International (previously Dalkia International) shares in the amount of €1,136 million.

1.4 Other major events

1.4.1. Treasury shares

In 2014, due to the rise in its share price, Veolia Environnement recorded a movement in the treasury share impairment provision, resulting in a gain of €46 million, based on an average share price in December 2014 of €14.44, compared to €11.38 in December 2013.

The gross value of the 13,797,975 treasury shares held as of December 31, 2014 was €423.8 million, provided for in the amount of €225.9 million, and representing a net carrying amount of €197.9 million.

Note 2 - Accounting principles and methods

2.1 Basis of preparation

The company financial statements for the year ended December 31, 2014 are prepared and presented in accordance with legislative and regulatory provisions applicable in France.

Amounts recorded in the accounts are valued on a historical cost basis.

The accounting period ends on December 31, 2014 and has a duration of 12 months.

2.2 Main accounting policies

Non-current assets: On initial recognition in the accounts, non-current assets are recorded at acquisition cost if acquired for valuable consideration, at market value if acquired for nil consideration or at production cost if produced by the company.

Intangible assets: In the course of major IT projects, the company incurs project costs which it capitalizes when they satisfy certain criteria. These costs are not amortized prior to asset commissioning. At this date, capitalized project costs are transferred at their net carrying amount to Veolia Environnement Technologies France, which is then responsible for providing the corresponding service. Technical merger losses are recognized in intangible assets. They are subject to impairment testing and, where necessary, impaired.

Property, plant and equipment: Depreciation is calculated over the expected period of use. More specifically, fixtures and fittings and installations are depreciated on a straight-line basis over periods of six to ten years. Furniture and office equipment are depreciated on a straight-line basis over periods of between five and ten years. Finally, vehicles are depreciated on a straight-line basis over five years.

Equity investments: This heading records the acquisition cost of securities held by Veolia Environnement in companies over which it exercises control or significant influence, directly or indirectly.

At the date of entry into company assets, the gross value of "Equity investments" is their acquisition cost. The company has elected to capitalize costs relating to the acquisition of equity investments. At all other dates, equity investments are measured at their value in use to the company, determined based on criteria encompassing profitability, growth perspectives, net assets and the stock market value of securities held, where applicable. Where the net carrying amount of an equity investment exceeds its value in use, an impairment provision is recorded in the amount of the difference.

Pursuant to the change in tax regime applicable to equity investment acquisition costs introduced by Article 21 of the 2007 Finance Act and completed by Article 209 of the French General Tax Code and based on Opinion no. 2007-C of June 15, 2007 issued by the Urgent Issues Taskforce of the French National Accounting Institute (Conseil National de la Comptabilité), Veolia Environnement has recognized the tax deferral of security acquisition costs over a period of five years in the accelerated depreciation account since January 1, 2007.

Other long-term loans and investments: Treasury shares are recorded in long-term investment securities when earmarked for external growth operations. They are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Term accounts not classified as cash equivalents are recorded in Other long-term loans and investments.

Marketable securities: Marketable securities comprise treasury shares held in respect of Group savings plans and share option plans and other highly liquid investment securities. Treasury shares are classified as marketable securities when purchased for presentation to employees under share option plans and employee savings plans benefiting certain employees. Shares acquired and sold under the liquidity contract generate movements in the marketable securities account. The marketable securities account is subject to the movements of shares acquired and sold under the liquidity contract. Marketable securities are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Cash at bank and in hand: Term accounts classified as cash equivalents are recorded in Cash at bank and in hand.

Foreign currency-denominated transactions: During the year, foreign currency-denominated transactions are translated into euro at the daily exchange rate.

Liabilities, receivables and cash balances denominated in currencies other than the euro are recorded in the balance sheet at their euro equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign currency liabilities and receivables and related hedge transactions at year-end exchange rates are recorded in Unrealized foreign exchange gains and losses.

In accordance with Article 342-7 of the French General Chart of Accounts, unrealized foreign exchange gains and losses on foreign currency cash accounts are recognized directly in foreign exchange gains and losses. Similarly, foreign exchange gains and losses on subsidiary current accounts equivalent in nature to cash accounts are recognized directly in foreign exchange gains and losses.

Pursuant to Articles 372.2 and 342.6.I of the 1999 French General Chart of Accounts, Veolia Environnement applies hedge accounting to clearly identified and documented matching structural foreign exchange positions, which seek to perfectly hedge the consequences of currency fluctuations. Foreign exchange gains and losses arising on components of this matching exposure are recognized in order to offset the hedged item.

This approach is also applied to equity investments denominated in a foreign currency, hedged by borrowings or currency derivatives.

Other liabilities, receivables and currency derivatives not forming part of matching hedge relationships are included in the overall foreign exchange position per currency, as provided in Article 346 III of the French General Chart of Accounts.

Contingency provisions are recorded in respect of all unrealized foreign exchange losses identified on matching foreign exchange positions and overall foreign exchange positions by currency, in the amount of the total net loss.

Recognition of financial transactions: Financial transactions (loans, borrowings, derivatives, etc.) are recognized at the value date, with the exception of cash pooling transactions with subsidiaries which are recognized at the trade date.

Inflation-linked bond issue: the issue premium is fixed on issue and amortized on a time-apportioned basis over the bond term. The redemption premium, equal to the difference between the redemption value and the nominal value, is revalued based on the inflation ratio observed at each balance sheet date.

Deeply subordinated perpetual securities (TSSDI): These securities are classified in borrowings. The paid-in capital is recognized in balance sheet assets and the tax-deductible interest paid annually is recorded under finance cost in the income statement. The issue costs are amortized on a straight-line basis over a 5-year term.

Derivatives: Veolia Environnement manages its market risks resulting from fluctuations in interest rates and foreign exchange rates using derivatives and notably interest rate swaps, interest rate option contracts (caps and floors), currency forwards, currency swaps and currency options. These instruments are primarily used for hedging purposes.

The notional amounts of instruments are recorded in specific off-balance sheet accounts.

Interest-rate derivatives: Income and expenses relating to the use of these instruments are recognized in the income statement to match income and expenses on the hedged transactions. Certain transactions satisfying the criteria laid down in the Veolia Environnement hedging policy are not recognized as hedges for accounting purposes.

These transactions are recognized as follows:

- unrealized losses, calculated for each instrument traded over-the-counter (OTC), are provided in full;
- unrealized gains on OTC instruments are recognized in income on the unwinding of the transaction only;
- unrealized gains and losses on instruments traded on organized markets are recognized directly in profit or loss.

Currency derivatives: Firm currency financial instruments are valued by comparison with the closing exchange rate defined by the European Central Bank. The difference between the spot rate of the instrument and the closing rate is recognized in unrealized foreign exchange gains and losses and the difference between the forward rate and the spot rate of the instrument is recorded in a specific financial instruments account entitled “premium/discount”. This distinguishes the interest rate impact from the currency impact.

Currency derivatives hedge either an overall foreign exchange position or an identified structural foreign exchange position.

Valuation of provisions for contingencies and losses: These provisions are valued at the best estimate of the outflow of resources necessary to settle the obligation. When valuing a single obligation in the presence of several valuation assumptions concerning the outflow of resources necessary, the best estimate is the most probable assumption.

Valuation of provisions for incentive schemes

Under the current agreement, the unit amount of incentive payments is based on the following performance criteria:

- the increase in the Veolia Group adjusted operating cash flow at constant exchange rates;
- the increase in the Veolia Group adjusted net income;
- the decrease in the rate of workplace accidents, consolidated at Veolia Group level;
- the increase in purchase expenditure, excluding taxes, recorded for the sheltered employment sector and adapted for the France scope.

Based on the observed growth rate and other criteria, the level of incentive payments is determined using a contractually defined chart. The total amount of incentive payments provided is equal to the individual amount determined above multiplied by the number of beneficiaries communicated by the Human Resources Department.

Valuation of provisions for bonuses: This provision is determined based on the amount of bonuses awarded in the previous year multiplied by an estimated percentage increase and changes in employee numbers.

Concept of income from ordinary activities and exceptional items: Items concerning the ordinary activities of the company, even if exceptional in amount or frequency, are included in income from ordinary activities. Only those items that do not concern the ordinary activities of the company are recognized in exceptional items.

Valuation of employee-related commitments: Pursuant to Article L.123-13 of the French Commercial Code, Veolia Environnement has elected not to recognize a provision for retirement benefits and other employee commitments. This information is presented in off-balance sheet commitments in the notes to the financial statements.

Note 3 - Balance Sheet Assets

3.1 Non-current assets

Movements in gross values:

(in € thousands)	Opening balance	Mergers	Additions	Disposals	Closing balance	Notes
Intangible assets	3,474	450,745[(1)]	5,991	3,516	456,694	**3.1.1**
Property, plant and equipment	358	19	283	-	660	
Long-term loans and investments						
Equity investments	15,708,732	(513,328)[(2)]	2,796,427	3,234,531	14,757,299	**3.1.2**
Loans to equity investments	7,386,100	470,917	456,029	1,558,815	6,754,234	**3.1.3**
Other long-term investment securities	2,338	2,730	-	2,923	2,145	
Loans	762,490	-	722,378	740,301	744,567	**3.1.4**
Other long-term loans and investments	320,046	-	129	3	320,173	**3.1.5**
TOTAL	**24,183,538**	**411,083**	**3,981,237**	**5,540,089**	**23,035,773**	

(1) Of which €448,088 thousand for the technical loss arising from the merger with Veolia Services Energétiques (see Note 1.3.6. above)
(2) Of which the removal of Veolia Services Energétiques securities in the amount of €1,765 million and securities contributed in the amount of €1,252 million

Movements in depreciation, amortization and non-current asset provisions:

(in € thousands)	Opening balance	Mergers	Increase Charges	Decrease Removals and write-backs	Closing balance	Notes
Amortization of intangible assets	1,309	2,657	448	2,657	1,757	
Depreciation of property, plant and equipment	309	10	37	-	356	
Equity investment impairment provisions	3,795,550	63,230	169	65,833	3,793,116	**3.1.6**
Provisions for impairment of loans to investments	40,380	-	92,242	-	132,622	
Treasury share impairment provisions	204,349	-	-	25,685	178,665	**3.1.5**
TOTAL	**4,041,897**	**65,897**	**92,896**	**94,175**	**4,106,516**	
Nature of charges and write-backs:						
Operating Exploitation			485	2,657		
Financial Financier			92,411	91,518		
Exceptional			-	-		
Total			**92,896**	**94,175**		

3.1.1 Intangible assets

The increase was primarily due to the inclusion of a technical loss in the amount of €448,088 thousand following the merger of Veolia Services Energétiques (see Note 1.3.6. above).

3.1.2 Long-term loans and investments: Equity investments

Equity investments total €14,757.3 million as of December 31, 2014.

Movements recorded in 2014 break down as follows in € millions:

Gross value of equity investments as of 12/31/2013 *(in € millions)*	**15,709**
Contribution of Dalkia France securities	578
Contribution of Veolia Énergie International securities	464
Contribution of Dalkia Investissement securities	200
Removal of Veolia Services Energétiques securities in Veolia Environnement following the merger	(1,765)
Other	9
TOTAL CONTRIBUTIONS	**(513)**
Acquisition of Veolia Services Énergétiques securities	1,124
VE Finance share capital increase	1,000
Acquisition of Veolia Énergie International securities	672
TOTAL INCREASE	**2,796**
Decrease in Veolia Environnement Europe Services share capital	2,450
Disposal of Dalkia France securities and the other entities held by Dalkia France	584
Divestment of Dalkia Investissement securities	200
TOTAL DECREASE	**3,235**
Gross value of equity investments as of 12/31/2014	**14,757**

3.1.3 Long-term loans and investments: Loans to equity investments

The gross value of this heading was €6,754.2 million as of December 31, 2014.

Movements recorded in 2014 break down as follows:

(in € thousands)	**Opening balance**	**Merger**	**Increase**	**Decrease**	**Foreign exchange translation**	**Closing balance**
VE UK	1,099,529		105,510	-	73,819	1,278,858
Veolia Eau (Compagnie Générale des Eaux)	1,376,959		376	356,560	42,962	1,063,737
Veolia Propreté	1,355,223		16	320,072	10,761	1,045,928
Dalkia International	916,051	470,917	137,401	-	3,813	1,528,182
Dalkia France	194,393		-	194,393	-	-
Transdev Group	621,990		301	156,990	-	465,301
Veolia Water Solutions et Technologies	292,499		283	6,631	(2,195)	283,955
Collex PTY Ltd	110,877		88	-	4,324	115,289
Veolia Water	110,207		188	2,899	(40)	107,456
Artelia	106,722		5	-	-	106,727
VEIT (Veolia Environnement Informations et Technologies)	105,738		5	-	-	105,743
SARPI	104,129		357	3,310	(12)	101,164
Veolia Water China Ltd	83,281		133	4,999	8,568	86,983
Veolia Water South China Ltd	30,390		38,709	-	2,135	71,234
Veolia Water Resource Development Co Ltd	38,698		6	-	3,671	42,375
Veolia Water Mena	40,279		4	-	-	40,283
Veolia Water Japan K.K	39,529		-	3	(138)	39,388
VEI (Veolia Environnement Industries)	37,958		21	-	-	37,979
Bartin recycling	44,210		2	-	-	44,212
SARP	27,087		9	-	-	27,096
Campus Veolia	23,746		2,378	-	-	26,124
Campus Veolia Est	17,362		3,703	-	-	21,065

(in € thousands)	Opening balance	Merger	Increase	Decrease	Foreign exchange translation	Closing balance
VES China Ltd	11,685		1,569	-	1,278	14,532
SNCM	14,317		110	-	-	14,427
CGEA Israël	6,288		6,703	-	150	13,141
Veolia Water India Africa	11,457		16	-	-	11,473
Ecospace Ltd	8,066		21	-	1,090	9,177
Veolia Environnement Recherche et Innovation	8,029		9	-	-	8,038
Veolia Es Singapore Pte Ltd	7,243		32	-	611	7,886
Association Vecteur Pyrénées	6,947		252	624	-	6,575
COVES	4,422		29	-	476	4,927
Campus Veolia Sud-Ouest	2,793		2,129	-	-	4,922
Veolia Water Asia	3,812		1	-	515	4,328
Bartin Recycling Groupe	3,637		19	-	-	3,656
Veolia Water Middle East	3,136		9	-	424	3,569
VE Ingénierie (ex Vigie 32)	2,855		-	-	-	2,855
Campus Veolia Méditerranée	-		2,029	-	-	2,029
Société de logistique et de préparation pour la biomasse	1,505		9	-	-	1,514
Sade	728		1	-	99	828
SC VWS & Tchnologies Romania S.r.l	-		562	-	-	563
Dalkia Poznan Zec	-		311	-	-	312
Veolia ES Industrial Outsourcing Ltd	-		121	-	-	122
OTV	-		51	-	-	52
Campus Veolia Nord	22,038		-	21,995	-	43
CSP Lyon	174		-	168	-	6
Société des Eaux de Toulon	6,677		-	6,677	-	1
Centre d'Analyses Environnementales	4,918		-	4,917	-	1
Veolia Environnement France Régions	11,290		-	11,290	-	1
Dalkia Holding	467,229		57	467,287	-	-
Other	-		183	-	-	183
TOTAL	**7,386,101**	**470,917**	**303,718**	**1,558,815**	**152,311**	**6,754,234**

3.1.4 Long-term loans and investments: Loans

Loans total €744.6 million as of December 31, 2014.

Loans mainly include term accounts not classified as cash equivalents of €720.8 million (including accrued interest) and a guarantee deposit in respect of subsidiary financing arrangements of £18.5 million, or €23.8 million euro-equivalent (including accrued interest).

3.1.5 Other long-term loans and investments

This heading totals €141.5 million as of December 31, 2014 and primarily includes the net carrying amount of the 8,389,059 treasury shares held by Veolia Environnement in the amount of €121.1 million.

3.1.6 Long-term loans and investments: Financial impairment provisions

The provision for impairment of equity investments totals €3,793.1 million as of December 31, 2014. This provision was subject to a reversal in 2014 for €62 million following the divestment of Dalkia Investissement (see Note 6.1.3. below).

The provision for impairment of treasury shares totals €178.7 million as of December 31, 2014.

3.2 Trade receivables

Trade receivables total €208 million as of December 31, 2014 and primarily concern services billed to Veolia Environnement group subsidiaries.

3.3 Other receivables

Other receivables total €4,970.3 million and comprise the following balances:

(in € thousands)	**2014**	**2013**	**Notes**
Current accounts with Group subsidiaries	**4,684,337**	**1,476,086**	Note 1
Other receivables	**248,236**	**129,213**	
• Company tax credit	214,254	96,118	
• Financial receivables on derivatives	23,202	25,758	
• Receivables on non-current asset disposals	1,032	-	
• Accrued interest on current accounts	9,748	7,337	

Note 1: including current accounts with Veolia Environnement Finance in the amount of €1,500.2 million (see Note 1.2.1. above)

3.4 Marketable securities

3.4.1 Treasury shares

Veolia Environnement holds 13,797,975 treasury shares purchased under share purchase programs, including 8,389,059 shares recorded in Other long-term loans and investments (*see Note 3.1.6.*).

The remaining 5,408,916 shares recorded in marketable securities and earmarked for an employee savings plan have a gross carrying amount of €124 million and a net carrying amount of €76.8 million at the end of 2014.

The impairment provision of €47.2 million represents the difference between the purchase cost of the Veolia Environnement shares and the average stock market price during the twenty trading days preceding December 31, 2014. A provision write-back of €20.3 million was recorded in fiscal year 2014.

Liquidity contract

With effect from September 30, 2014 and for a period of 12 months renewable by tacit agreement, Veolia has entrusted Rothschild & Cie Banque with the implementation of a liquidity contract. To this end, an amount of €30 million was allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia General Shareholders' Meeting of April 24, 2014.

In 2014, total purchases involved 4,093,104 shares for a total amount of €56,394 thousand and a weighted average share price of €13.78. Total sales involved 4,093,104 shares, for a total amount of €56,439 thousand and a weighted average share price of €13.79. The capital gain generated under this contract totaled €45 thousand.

3.4.2 Other securities

Other securities total €1,014 million as of December 31, 2014 and comprise monetary mutual funds.

3.4.3 Treasury instruments

Treasury instruments total €157.4 million as of December 31, 2014 and break down as follows:

- Interest-rate derivative spreads: €51.1 million;
- Currency derivatives: €99.5 million;
- Premium/discount: €6.7 million.

3.5 Cash at bank and in hand

Liquid assets total €564.1 million as of December 31, 2014 and include term accounts classified as cash equivalents and related accrued interest in the amount of €466.5 million.

3.6 Prepayments

Prepaid expenses total €15.8 million and include balancing cash adjustments paid on interest rate swaps of €13.6 million, operating prepaid expenses of €1.8 million, particularly involving insurance costs and supplier rebates, and interest paid in advance on treasury notes of €0.3 million.

3.7 Accrued income and deferred charges

3.7.1 Deferred charges: bond issue costs

Bond issue costs are spread on a straight-line basis over the bond term. Net deferred charges as of December 31, 2014 total €81 million.

Other deferred charges total €3.5 million and mainly comprise credit line issue costs, amortized on a straight-line basis over the repayment term.

3.7.2 Bond redemption premiums

Unamortized bond redemption premiums total €67.2 million and are amortized on a straight-line basis over the bond term.

3.8 Foreign exchange gains and losses

Foreign exchange gains and losses result from hedges of matching foreign exchange structural positions and overall foreign exchange positions by currency.

(in € thousands)	**Unrealized foreign exchange losses**	**Unrealized foreign exchange gains**	**Notes**
Foreign exchange hedges of structural foreign exchange positions	144,514	51,102	3.8.1
Overall foreign exchange position	51,104	34,063	3.8.2
TOTAL	**195,618**	**85,165**	

The following tables present the foreign exchange positions for the main currencies determined at the balance sheet date.

3.8.1 Unrealized foreign exchange gains and losses on matching foreign exchange positions

Unrealized foreign exchange gains and losses detailed below include not only unrealized gains and losses, but also realized gains and losses neutralized by the application of matching foreign exchange position rules.

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	**Unrealized foreign exchange losses**	**Unrealized foreign exchange gains**	**Total net unrealized foreign exchange loss**	**Provision for contingencies**
Loans	5,660	13,569		
Borrowings	28,212	-		
Currency derivatives	1,348	9,427		
Total CZK	**35,220**	**22,996**	**12,224**	**12,224**
Borrowings	172,627	-		
Currency derivatives	12,671	53,008		
Total USD on matching positions*	**185,298**	**53,008**	**132,290**	
GRAND TOTAL	**220,518**	**76,004**	**144,514**	**12,224**

* *A provision was not booked in respect of the US dollar net unrealized foreign exchange loss on matching positions in the amount of USD 132.3 million, as it corresponds to a hedge of securities.*

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss
Borrowings	8,948	47,190	
Currency derivatives	54,875	16,632	
Total PLN	**63,823**	**63,822**	**0**
Borrowings	54,212	192,157	
Current accounts	46,641	-	
Currency derivatives	389,525	298,377	
Total GBP	**490,378**	**490,534**	**(156)**
Loans	36,225	55,552	
Borrowings	85,304	95,863	
Current accounts	5	21,636	
Currency derivatives	1,927	1,356	
Total USD on matching positions	**123,461**	**174,407**	**(50,946)**
GRAND TOTAL	**677,662**	**728,763**	**(51,102)**

3.8.2 Unrealized foreign exchange gains and losses on overall foreign exchange positions excluding matching foreign exchange positions

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Loans		1,172		
Currency derivatives	1,148			
Operating		30		
Total AED	**1,148**	**1,202**		**54**
Operating	31			
Total AMD	**31**		**31**	
Operating		3		
Total ARS		**3**		**3**
Loans	22,114	5,456		
Currency derivatives	1,438			
Operating	864	5		
Total AUD	**24,416**	**5,461**	**18,960**	**5**
Currency derivatives		1		
Total BGN		**1**		**1**
Currency derivatives	960			
Operating		2		
Total BHD	**960**	**2**	**960**	**2**
Loans	25			
Currency derivatives	52	12		
Total CAD	**77**	**12**	**65**	
Loans		74		
Currency derivatives	22			
Total CHF	**22**	**74**		**52**
Loans	722			
Currency derivatives	87			
Total CLP	**809**		**809**	

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	**Unrealized foreign exchange losses**	**Unrealized foreign exchange gains**	**Total net unrealized foreign exchange loss**	**Total net unrealized foreign exchange gain**
Loans		14,737		
Borrowings	3,748			
Currency derivatives	6,927			
Operating		32		
Total CNY	**10,675**	**14,769**		**4,094**
Loans	2,040			
Currency derivatives		1,113		
Total CZK	**2,040**	**1,113**	**927**	
Currency derivatives		5		
Total DKK		**5**		**5**
Loans		86,372		
Bank deposits	5,637			
Borrowings	69,714			
Currency derivatives	12,638			
Operating		15		
Total GBP	**87,989**	**86,387**	**1,617**	**15**

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	**Unrealized foreign exchange losses**	**Unrealized foreign exchange gains**	**Total net unrealized foreign exchange loss**	**Total net unrealized foreign exchange gain**
Loans		35,362		
Currency derivatives	22,689	1		
Operating		14		
Total HKD	**22,689**	**35,377**		**12,688**
Loans	5,800			
Currency derivatives		973		
Total HUF	**5,800**	**973**	**4,827**	
Loans	230	3,145		
Currency derivatives	4,262			
Total ILS	**4,492**	**3,145**	**1,347**	
Bank deposits		1,942		
Loans	20,234			
Currency derivatives		2,120		
Total JPY	**20,234**	**4,062**	**16,172**	
Loans		2,343		
Currency derivatives	704			
Total KRW	**704**	**2,343**		**1,639**
Loans		15		
Total LVL		**15**		**15**
Currency derivatives		218		
Total MXM		**218**		**218**
Currency derivatives		29		
Total NOK		**29**		**29**
Currency derivatives		150		
Total NZD		**150**		**150**

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	**Unrealized foreign exchange losses**	**Unrealized foreign exchange gains**	**Total net unrealized foreign exchange loss**	**Total net unrealized foreign exchange gain**
Currency derivatives		61		
Operating		5		
Total OMR		**66**		**66**
Loans	6,895	1,808		
Currency derivatives		13,177		
Total PLN	**6,895**	**14,985**		**8,090**
Currency derivatives	14			
Operating		2		
Total QAR	**14**	**2**	**14**	**2**
Loans	579			
Currency derivatives		124		
Total RON	**579**	**124**	**455**	
Currency derivatives		266		
Operating	23			
Total RUB	**23**	**266**	**23**	**266**
Loans	6,085			
Currency derivatives		1,481		
Total SEK	**6,085**	**1,481**	**4,604**	
Loans	39	1,454		
Currency derivatives	592			
Operating		9		
Total SGD	**631**	**1,463**		**832**
Operating	27			
Total UAH	**27**		**27**	
Loans		19,417		
Bank deposits	33	3,093		
Currency derivatives	5,105	2		
Borrowings	12,145			
Operating	21	606		
Total USD	**17,304**	**23,118**	**21**	**5,835**
Currency derivatives		2		
Total VND		**2**		**2**
Loans	57	77		
Currency derivatives	265			
Total ZAR	**322**	**77**	**245**	
GRAND TOTAL			**51,104**	**34,063**

Contingency provisions for foreign exchange risk, concerning the overall foreign exchange position in the amount of €204.1 million, are determined based on the foreign exchange position of each currency and year of maturity.

Note 4 - Balance sheet equity and liabilities

4.1 Share capital and reserves

(in € thousands)	Opening balance	Increase	Decrease	Closing balance
Share capital	2,744,379	67,130	-	2,811,509
Additional paid-in capital	3,532,147	107,543	793,068	2,846,623
Additional paid-in capital (2003 share capital reduction)	3,443,099			3,443,099
Additional paid-in capital in respect of contributions	3,971			3,971
Additional paid-in capital in respect of bonds convertible into shares	681,881			681,881
Additional paid-in capital in respect of share subscription warrants	2,725			2,725
Sub-total Additional paid-in capital	7,663,824	107,543	793,068	6,978,299
Reserve required by law	239,251			239,251
Other reserves	-			-
Retained earnings	0			0
Prior year net income/(loss)	(418,424)	418,424	-	0
Tax-driven provisions	55	1,013	-	1,067
TOTAL BEFORE NET INCOME FOR THE YEAR	**10,229,085**	**594,110**	**793,068**	**10,030,126**
Net income for the year		468,647		468,647
TOTAL AFTER NET INCOME FOR THE YEAR	**10,229,085**	**1,062,757**	**793,068**	**10,498,773**

The share capital comprises 562,301,801 shares with a par value of €5 each, compared with 548,875,708 shares of €5 par value each as of December 31, 2013.

The €67.1 million share capital increase is subsequent to the payment in 2014 of the 2013 dividend in shares (net of issue costs).

The €107.5 million increase in “Additional paid-in capital” is also attributable to this share capital increase.

The loss for 2013 in the amount of €418.4 million was appropriated to “Additional paid-in capital.”

The dividend for €374.2 million was financed by reducing “Additional paid-in capital.”

The €1 million increase in tax-driven provisions was attributable to the acquisition costs of Veolia Energie International securities.

Finally, share capital increase costs were offset against “Additional paid-in capital" for €0.5 million.

As stipulated in Article L.225-210 of the French Commercial Code (Code de Commerce), Veolia Environnement has reserves “other than the reserve required by law”, of an amount at least equal to treasury shares held. These frozen reserves are not recorded in a separate balance sheet account as authorized by the same article. Note that issue, contribution and merger additional paid-in capital, with the exception of revaluation gains and losses, all constitute reserves targeted by this obligation.

4.2 Provisions for contingencies and losses

Movements in provisions for contingencies and losses

(in € thousands)	Opening balance	Merger	Charges	Write-backs used	Write-backs not used	Closing balance
Provision for foreign exchange risk	160,997		216,329	160,997	-	216,329
Provisions for other contingencies	48,114	4,132	27,104	1,354	-	77,996
Provisions for losses	2,762		2,404	1,317	-	3,849
TOTAL	**211,873**	**4,132**	**245,837**	**163,668**	**-**	**298,174**
Nature of charges and write-backs:						
• Operating			11,800	2,624	-	
• Financial			218,856	161,044	-	
• Exceptional			15,181	-	-	
TOTAL			**245,837**	**163,668**	**-**	

4.3 Bond issues

(in € thousands)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bond issues	9,126,892	2,779	1,073,352	61,734	8,118,053
Accrued interest on other bond issues	232,494	201,055	232,494	-	201,055
TOTAL	**9,359,386**	**203,834**	**1,305,846**	**61,734**	**8,319,108**

The €1,073.4 million decrease breaks down as follows:

- The maturing on April 24, 2014 of the EUR bond line paying a coupon of 5.25% for €575.4 million;
- The buyback on February 3, 2014 of a portion of the USD SECUSD18 bond line paying a coupon of 6% and maturing on June 1, 2018 for €13.9 million;
- The buyback on November 24, 2014 of a portion of the EUR SERIE 17 bond line paying a coupon of 4% and maturing on February 12, 2016 for €40 million;
- The buyback on November 24, 2014 of a portion of the EUR bond line paying a coupon of 4.3750% and maturing on January 16, 2017 for €10 million;
- The buyback on November 24, 2014 of a portion of the EUR bond line paying a coupon of 6.750% and maturing on April 24, 2019 for €175 million;
- The buyback on December 19, 2014 of the USD SECUSD18 bond line paying a coupon of 6% and maturing on June 1, 2018 for €259.1 million.

4.4 Bank and other borrowings

Bank and other borrowings total €6,291.4 million and break down as follows:

(in € thousands)	2014	2013
Current accounts with Group subsidiaries	3,253,876	2,565,346
Treasury note outstandings	1,263,075	581,085
Deeply subordinated perpetual securities	1,562,795	1,527,878
Tax group current accounts	179,114	100,362
Bank accounts in overdraft	32,525	61,882
TOTAL	**6,291,385**	**4,836,553**

4.5 Operating liabilities

4.5.1 Tax and employee-related liabilities: €145.6 million

This heading includes:

- accrued expenses (performance bonuses and employee departures): €55.2 million;
- social welfare organizations: €26.9 million;
- VAT: €53.8 million;
- French State - accrued expenses: €9.5 million;
- tax liability: €0.2 million.

4.6 Miscellaneous liabilities

4.6.1 Treasury instruments – Liabilities: €156.4 million

This heading includes:

- interest-rate derivative spreads: €8.9 million;
- currency derivatives: €136.0 million;
- premium/discount: €11.5 million.

4.6.2 Deferred income: €264.6 million

Deferred income mainly concerns financial instruments:

- balancing payments on derivatives of €262.6 million;
- bond issue premiums for €0.7 million;
- deferred income relating to operating items for €1.3 million.

Note 5 - Receivables and debt maturity analysis

(in € thousands)	**Amount**	**Falling due in one year**	**Falling due in more than one year**
Non-current assets			
Loans to equity investments	6,754,234	52,243	6,701,991
Other long-term investment securities	2,145		2,145
Loans	744,568	720,776	23,792
Other long-term loans and investments	320,173		320,173
Current assets			
Payments on account – inventories	2,363	2,363	
Trade receivables and related accounts	207,962	207,962	
Group and associates	4,684,337	4,684,337	
Other receivables	285,985	122,884	163,100
Marketable securities	1,295,447	1,282,145	13,303
Cash at bank and in hand	564,129	564,129	
Prepayments	15,765	10,325	5,440
TOTAL RECEIVABLES	**14,877,108**	**7,647,164**	**7,229,944**

(in € thousands)	**Amount**	**Falling due in one year**	**Falling due in one to five years**	**Falling due after five years**
Liabilities				
Bond issues	8,319,109	1,237,692	2,351,743	4,729,673
Deeply subordinated perpetual securities	1,562,795			1,562,795
Other borrowings	1,263,075	1,263,075		
Group and associates	3,432,990	3,432,990		
Bank overdrafts	32,525	32,525		
Other	762,156	545,005	166,180	50,972
TOTAL LIABILITIES	**15,372,650**	**6,511,287**	**2,517,923**	**6,343,440**

Note 6 - Income Statement

6.1 Net income from ordinary activities

The net increase from ordinary activities before tax is €88.4 million.

6.1.1 Operating income

(in € millions)	2014	2013	Notes
Sales of services and other	446,588	212,851	Note 1
Own production capitalized	4,320	2,301	Note 2
Operating subsidies	171	3	
Write-back of provisions, depreciation and amortization and expense reclassifications	11,634	26,139	
Other revenue	193,836	227,489	Note 3
TOTAL	**656,550**	**468,783**	

Note 1: The rise in service sales was attributable to the impacts of new procedures for billing Group subsidiaries.

Note 2: Own production capitalized reflects major IT project costs billed to a group subsidiary.

Note 3: Other revenue includes indemnities in full and final settlement of repair and maintenance work (*see Note 7.2. below*).

6.1.2 Operating expenses

(in € millions)	2014	2013	Notes
Other purchases and external charges	257,830	171,465	Note 1
Taxes other than income tax	24,755	14,552	Note 1
Personnel costs (wages, salaries and social security contributions)	215,572	155,991	Note 1
Depreciation, amortization and charges to provisions	30,465	40,389	
Other expenses	206,016	226,851	Note 2
TOTAL	**734,637**	**609,248**	

Note 1: following the Group's reorganization, Veolia Environnement now bears all registered office overheads.

Note 2: Other expenses include €203.1 million in 2014 and €225.6 million in 2013 in respect of indemnities paid in respect of repair and maintenance work.

6.1.3 Financial income and expenses

(in € millions)	2014	2013	Notes
Expenses on long-term borrowings	**(523)**	**(597)**	
Income from other securities and long-term receivables	**11**	**8**	
Foreign exchange gains and losses	**(65)**	**(14)**	
Other financial income and expenses	177	224	
Amortization and charges to provisions for financial items	(345)	(1,493)	Note 1
Investment income	630	1,239	
Net gain/loss on sales of marketable securities	9	6	
Write-back of provisions and expense reclassifications	273	329	Note 2
Other financial income and expenses	**744**	**305**	
NET FINANCIAL INCOME (EXPENSE)	**166**	**(298)**	

Note 1: financial charges in 2014 break down as follows:

- a foreign exchange loss in the amount of €216.3 million in 2014, compared to €161 million in 2013;
- impairment of intra-group current accounts and loans for €109.2 million in 2014, compared to €41.7 million in 2013;
- amortization of redemption premiums for €17.2 million in 2014, compared to €29.2 million in 2013.

Note 2: provision write-backs in 2014 primarily break down as follows:

- write-back of provisions for foreign exchange losses for €161 million;
- write-back of provisions for equity investments for €65.8 million;
- write-back of provisions for treasury shares (financial assets and marketable securities) for €46 million.

6.2 Exceptional items

Exceptional items, representing a net income of €283 million, mainly comprised the following items:

(in € millions)	**2014**
Veolia Environnement Europe Services disposal gain	79
Dalkia France disposal gain	384
Dalkia Investissements disposal loss[1]	(62)
Loss on bond buybacks	(103)
Other	(15)
TOTAL	**283**

(1) This disposal loss was offset by a provision write-back for securities in the same amount, recognized in financial income.

6.3 Income tax and the consolidated tax group

Within the framework of a tax group agreement, Veolia Environnement forms a tax group with those subsidiaries at least 95% owned that have elected to adopt this regime. Veolia Environnement is liable for the full income tax charge due by the resulting tax group.

The income tax expense is allocated to the different entities comprising the tax group according to the "neutrality" method. Each subsidiary bears the tax charge to which it would have been liable if it were not a member of the tax group. The parent company records its own tax charge and the tax saving or additional charge resulting from application of the tax group regime.

The tax group election came into force on January 1, 2001 for a period of five years and benefits from tacit renewal failing explicit termination by Veolia Environnement at the end of this five-year period.

The application of the tax group regime in 2014 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries amounting to €105.2 million. The share of the group tax credit benefiting Veolia Environnement is €1.1 million for 2014.

The CICE Competiveness and Employment tax credit received by Veolia Environnement in respect of 2013 of €69 thousand enabled the Company to incur additional expenditure in support of employee training beyond minimum legal requirements.

In addition, a tax expense of €0.2 million concerns share capital increase costs deducted from the corresponding additional paid-in capital.

A charge of €6 million corresponding to the 3% contribution on the dividends paid was also recorded.

6.4 Net income

Veolia Environnement reported a net income of €468.6 million for 2014.

Note 7 - Other information

7.1 Off-balance sheet commitments

Commitments given by Veolia Environnement total €3,233.9 million as of December 2014, (including counter-guarantees) and primarily consist of financing and performance guarantees given on behalf of subsidiaries:

(in € thousands)	As of December 31, 2014	As of December 31, 2013	Notes
Commitments given			
Discounted notes not yet matured			
Endorsements and guarantees	3,183,350	2,887,169	**Note 1**
Equipment finance lease commitments	-	-	
Real estate finance lease commitments	-	-	
Pension obligations and related benefits	50,519	45,763	**Note 2**
TOTAL	**3,233,869**	**2,932,932**	**Note 3**
Commitments received			
Endorsements and guarantees	**184,691**	**253,623**	

Note 1 - Main endorsements and guarantees

Veolia Environnement is required to grant the following types of endorsement and guarantee:

- **Operational or operating guarantees:**

These are commitments not relating to the financing of operations, required in respect of contracts and markets and generally in respect of the operations and activities of Group companies (bid bonds accompanying tender offers, completion or performance bonds given on the signature of contracts or concession arrangements and counter-guarantees granted by Veolia Environnement to insurance companies that issue bonds on behalf of its subsidiaries). This type of guarantee also includes letters of credit delivered by financial institutions to Group creditors, customers and suppliers for their business requirements or to guarantee various commitments such as the payment of leases or reinsurance obligations.

- **Financial guarantees:** these primarily relate to guarantees given to financial institutions in connection with the borrowings of subsidiaries, including project financing, and Veolia Environnement's joint and several commitments regarding divestments by subsidiaries or direct VE warranties on asset divestitures.

Warranties mainly included:

- Warranties given in connection with the divestiture of the investment in Berlin Water in the amount of €485 million;
- Warranties linked to the divestment in 2004 of activities in the United States in the amount of €61.7 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 €161 million;
- Warranties given in connection with the divestiture of solid waste activities in 2012 in the amount of €78.2 million;
- Warranties given in connection with the divestiture of American and European wind energy activities in the amount of €35.7 million;
- Warranties granted to EDF in connection with the Dalkia redistribution, estimated at around €45 million.

The increase in guarantees (€296 million, taking into account the foreign exchange impact) in 2014 was primarily attributable to the issue of new letter of credit counter-guarantees, the foreign exchange impact and the new warranties relating to the Dalkia redistribution.

Note 2 - Pension obligations and related benefits

A breakdown of obligations, net of plan assets, is presented below (*in € thousands*):

Pension obligations pursuant to Article 14 of the Collective Agreement	32,850
Collective insurance contract in favor of Group executives (active and retired)	13,679
Insurance company contract in favor of Executive Committee members (retired)	3,990
TOTAL*	**50,519**

* *of which obligations for Executive Committee members as of December 31, 2014: €2.4 million.*

The Board of Directors' meeting of March 11, 2014, having received a favorable opinion from the Works Council and at the recommendation of its Nominations and Compensation Committee, approved the closure to new beneficiaries of the defined benefit pension plan open to certain executive managers and the freezing of the rights of current beneficiaries at the level attained on June 30, 2014. The General Shareholders' Meeting of April 24, 2014 approved the resolution authorizing the change in this corporate officer's pension plan which is considered a regulated agreement. The closure and freezing of this pension plan resulted in a provision write-back of €15.3 million recorded in operating income for the year ended December 31, 2014.

Note 3 – Other commitments given

In addition to commitments given of €3,233.9 million, Veolia Environnement also granted two commitments of unlimited amount, relating to operational performance bonds granted by certain Water and Waste subsidiaries, for a sludge incineration plant construction contract and waste processing contracts in Hong Kong.

These commitments, limited to the term of the contract, were previously approved by the Veolia Environnement Board of Directors.

Furthermore, in connection with the Dalkia redistribution, Veolia Environnement granted EDF an undertaking to sell regarding all Veolia Energie International (formerly DKI) securities, exercisable in the event of a direct or indirect takeover of Veolia Energie International by an EDF competitor.

7.2 Specific contractual commitments

The financial management of maintenance and repair costs for installations provided by delegating authorities, for the majority of French subsidiaries, was mutualized and centralized until December 31, 2003 within Veolia Environnement and, partially, since January 1, 2004 within Veolia Eau (Compagnie Générale des Eaux).

Therefore, Veolia Environnement, as an active partner of certain water and heating subsidiaries, has undertaken to repay all maintenance and repair costs resulting from contractual obligations to local authorities under public service delegation contracts. In return, the subsidiaries pay an indemnity in full and final settlement to Veolia Environnement, the amount of which is approved annually by the Supervisory Board of each subsidiary benefiting from this guarantee. This commitment for the heating subsidiaries (Dalkia France) ended as of July 25, 2014.

7.3 Derivative financial instruments and counterparty risk

Veolia Environnement is exposed to the following financial risks in the course of its business:

Market risk:

- interest rate risk (interest rate hedges, cash flow hedges).

  The financing structure of Veolia Environnement exposes it naturally to the risk of interest rate fluctuations. As such, floating-rate debt impacts future financial results in line with changes in interest rates. Veolia Environnement manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments;

- foreign exchange risk (hedges of balance sheet foreign exchange exposure and overall foreign exchange risk exposure).

  Foreign exchange risk is primarily managed using foreign-currency denominated financial assets and liabilities including foreign-currency denominated loans/borrowings and related hedges (e.g. currency swaps). With many offices worldwide, Veolia Environnement organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. To limit the impact of this risk, Veolia Environnement has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with intercompany receivables denominated in the same currency.

Equity risk: As of December 31, 2014, Veolia Environnement held 13,797,975 treasury shares, of which 8,389,059 were allocated to external growth operations and 5,408,916 were acquired for allocation to employees under employee savings plans. As part of its cash management strategy, Veolia Environnement holds UCITS shares. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

Liquidity risk: Liquidity management involves the centralization of financing in order to optimize liquidity and cash. Veolia Environnement secures financing on international bond markets, international private placement markets, the treasury note market and the bank lending market.

Credit risk: Veolia Environnement is exposed to credit risk on the investment of its surplus cash and on its use of derivative instruments to manage interest rate and foreign exchange risk. Credit risk reflects the loss that Veolia Environnement may incur should a counterparty default on its contractual obligations. Veolia Environnement minimizes counterparty risk through internal control procedures limiting the choice of counterparties to leading banks and financial institutions. Veolia Environnement does not expect the default of any counterparties which could have a material impact on transaction positions or results.

As of December 31, 2014, the main derivative products held primarily comprised:

- interest rate swaps;
- trading swaps;
- cross-currency swaps;
- forward purchases of currency;
- forward sales of currency;
- currency options.

The following table presents the net carrying amount of derivatives at the balance sheet date:

(in € thousands)	**Assets**	**Equity and liabilities**
Accrued interest on swaps	51,132	8,932
Interest rate option premiums	-	-
Stock option premiums	-	-
Currency derivatives	99,549	136,025
Equity derivatives	-	-
Premium/discount *	6,737	11,466
Prepayments	13,622	-
Deferred income	-	262,584
TOTAL	**171,040**	**419,007**

* *The premium/discount represents the difference between the spot rate and the forward rate of the instruments. It is amortized over the term of the financial instrument.*

The fair value of derivatives at the balance sheet date is presented below:

(in € thousands)	**Assets**	**Equity and liabilities**
Interest rate derivatives		
Hedging derivatives	131,034	24,561
Derivatives not qualifying for hedge accounting (trading)	172	383
Currency derivatives		
Hedging derivatives	93,451	125,305
Derivatives not qualifying for hedge accounting (trading)	8,856	13,217
TOTAL	**233,513**	**163,466**

The notional amounts of interest-rate swaps globally designated as interest rate hedges at the balance sheet date are presented in the following table:

(in € thousands)		**Foreign currency amount**	**€ equivalent**
Swaps hedging debt			
Fixed-rate payer/floating-rate receiver swaps	EUR	1,978,286	1,978,286
Fixed-rate payer/floating-rate receiver swaps	GBP	-	-
Fixed-rate payer/floating-rate receiver swaps	USD	-	-
Floating-rate payer/fixed-rate receiver swaps	EUR	878,581	878,581
Floating-rate payer/fixed-rate receiver swaps	GBP	200,000	256,772
Floating-rate payer/fixed-rate receiver swaps	USD	-	-
TOTAL			**3,113,639**
Trading swaps			
Fixed-rate receiver/floating-rate payer swaps	EUR	1,078,198	1,078,198
Fixed-rate payer/floating-rate receiver swaps	EUR	994,691	994,691
TOTAL			**2,072,889**

The notional amounts of cross-currency swaps, currency swaps and currency forwards at the balance sheet date are presented in the following table:

(in € thousands)	**Purchases**	**Sales**
Currency hedging instruments:		
Cross-currency swaps:		
EUR	60,000	215,005
CZK	90,139	0
CNY	148,576	83,362
TOTAL	**298,715**	**298,367**
Currency forwards:		
AED	34,278	3,386
AUD	590,275	81,774
BGN	12,958	5,225
BHD	33,626	0
BRL	34,350	34,350
CAD	182,714	139,989
CHF	15,385	31,379
CLP	57,194	53,064
CNY	384,827	193,910
COP	678	678
CZK	220,277	153,090
DKK	9,841	30,808
EUR	2,370,344	7,174,723
GBP	1,847,781	534,482
HKD	1,226,776	113,167
HUF	175,191	115,142
ILS	203,762	65,107
JPY	219,329	18,007
KRW	112,809	70,577
KWD	9,271	9,271
MXN	5,570	1,516
NOK	42,472	44,094
NZD	639	6,935
OMR	0	2,684
PEN	16,396	16,396
PHP	2,293	2,293
PLN	1,134,401	534,388
QAR	4,993	882
RON	74,129	18,071
RUB	4,822	0
SEK	137,841	26,414
SGD	63,334	2,829
THB	1,072	1,072
TWD	692	692
USD	1,037,200	740,326
VND	2,362	2,362
ZAR	15,246	677
Total	**10,285,128**	**10,229,760**

7.4 Average workforce

	2014		2013	
	Salaried employees	**Employees at the disposal of the company**	**Salaried employees**	**Employees at the disposal of the company**
Executives	1,005	1	572	39
Supervisors and technicians	31	8	16	-
Administrative employees	0	33	17	-
Workers	-	-	-	-
TOTAL	**1,036**	**42**	**605**	**39**

Following the Veolia Group's reorganization, the average workforce of Veolia Environnement SA increased sharply in 2014 due to the integration of the Group registered office teams and expatriate staff within Veolia Environnement.

The heading, "Employees at the disposal of the company," takes into account in 2014 employees from external firms present on the site.

7.5 Management compensation

Compensation granted to members of *(in euros)*	**Amount**
Management bodies	2,543,161

The above amount only includes compensation borne by the company.

Compensation paid by other entities is, therefore, excluded.

7.6 Specific information on individual training entitlement

Entitlement to individual training vested since the introduction of this measure up to December 31, 2014 represents 140,107 cumulative training hours. A training request has not yet been received in respect of 132,695 hours.

7.7 Deferred tax

Increases in the deferred tax liability *(in € thousands)*	**Amount**
Tax-driven provisions:	
Accelerated depreciation	1,067
Provisions for price increases	
Provisions for exchange rate fluctuations	
Other:	
Investment subsidy	
Income temporarily non-taxable	
Income deferred for accounting but not tax purposes	
Unrealized foreign exchange losses	195,618
TOTAL	**196,685**

Reductions in the deferred tax liability *(in € thousands)*	**Amount**
Provisions not deductible in the year recorded:	
Provisions for paid leave	
Statutory employee profit-sharing	
Provisions for contingencies and losses	
Other non-deductible provisions	263,462
Other:	
Taxed income not recognized	274,075
Difference between the NCA/tax value of treasury shares	72,168
• Amortization of option premiums	119
• Unrealized foreign exchange gains	84,811
TOTAL	**694,635**
Tax losses carried forward	2,905,708
Long-term capital losses	-

If the company were taxed separately, the impact of these timing differences on the financial statements would generate a theoretical net tax receivable of €1,182.7 million.

7.8 Transactions with related undertakings

Related undertakings are companies over which Veolia Environnement exercises:

- direct or indirect control through one or more intermediaries;
- significant influence;
- joint control.

The main transactions with related undertakings and amounts due to or from related undertakings are as follows:

(in € thousands)	**2014**	**2013**
Equity investments, net of provisions	10,964,183	11,913,302
Loans to equity investments	6,754,234	7,386,101
Other receivables	4,710,489	1,520,184
Trade receivables	188,265	123,718
Borrowings	3,927,502	2,665,708
Other liabilities	99,971	57,024
Operating income	619,627	411,371
Operating expenses	364,244	312,135
Financial income(1)	1,014,641	2,162,120
Financial expenses(1)	251,445	2,141,227
Exceptional income	3,655,625	(278,540)
Exceptional expenses	3,236,872	262,823

(1) Financial income and expenses include foreign exchange gains and losses on transactions with related undertakings provided in accordance with the overall foreign exchange position per currency principle.

7.9 Audit fees

Audit fees billed in respect of the statutory audit of the accounts and services falling within the scope of related diligence procedures are presented in the Veolia Environnement Group annual financial report.

7.10 Share-based payments

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Current option plans as of December 31, 2014 were as follows:

	No. 8 **2010**	**No. 7** **2007**
Grant date	09/28/2010	07/17/2007
Number of options granted	2,462,800	2,490,400
Number of options not exercised	0**	537,950*
Plan term	8 years	8 years
Vesting conditions	4 years' service plus performance conditions	4 years' service plus performance conditions
Vesting method	After 4 years	After 4 years
Strike price *(in euros)*	22.50	57.05

* *Given the performance criteria, the number of options effectively exercisable was reduced by 1,742,650 in 2008.*

** *Given the non-fulfillment of the performance criteria which was validated by the Board of Directors' meeting of March 14, 2013. In the case of a public offer on the Company's shares, 2,127,400 stock options would become exercisable.*

Management incentive plan

In October 2014, the Group introduced a long-term incentive plan, the "Management Incentive Plan" (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group.

The share bonus, granted in three tranches, is tied to the achievement of performance criteria relating to the publication of the company's 2015, 2016 and 2017 annual accounts. The three tranches do not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the beneficiaries concerned and the retention by them of the shares initially invested.

As of December 31, 2014, a total of 439,495 shares was invested in this plan.

The expense relating to the MIP recognized in operating income amounted to €1.6 million.

7.11 Subsequent events

In a letter dated January 14, 2015, Veolia Environnement received a tax audit notice from the French tax authorities regarding fiscal years 2012 and 2013.

7.12 Subsidiaries and equity investments

Investments

Investments within the meaning of Article L. 233-7 of the French Commercial Code (crossing of investment thresholds laid down by law):

SUBSIDIARIES AND EQUITY INVESTMENTS

Company	Number of shares held	Share capital(2)	Shareholders' equity other than share capital* (2)	% share capital held	Carrying amount of shares held		Loans and Advances granted by the company (gross)** (2)	Guarantees provided by the company(2)	2013 revenue(2)	2014 revenue(2)	2013 net income(2)	2014 net income(2)	Dividends recorded in the last fiscal year(2)	Year-end
					GROSS(2)	NET(2)								
Veolia Eau – Compagnie Générale des Eaux (1)	214,187,293	2,207,287	382,009	100.00%	8,300,000	5,316,473	2,009,194	-	2,670,391	2,470,117	190,281	(164,298)	199,194	Dec. 31, 2014
Veolia Propreté(1)	8,967,090	143,473	1,110,175	100.00%	1,929,898	1,929,898	(454,616)	-	1,346,954	675,816	732,560	423,216	139,707	Dec. 31, 2014
Veolia Energie International(1)	87,964,138	1,760,127	129,752	99.95%	1,136,417	1,136,417	926,310	-	267,515	288,363	66,030	189,799		Dec. 31, 2014
VE Finance	100,003,700	1,000,037	(21,742)	100.00%	1,000,037	1,000,037	1,486,309	-	0	0	(2)	(21,737)	-	Dec. 31, 2014
Veolia North America Inc(3)	198	1	819	13.44%	693,526	693,526	(91,629)	-	17,057	23	67,352	92	12,242	Dec. 31, 2014
Transdev Group	59,101,850	1,137,120	(11,191)	50.00%	971,019	410,001	399,132	-	149,895	144,988	(12,300)	789	-	Dec. 31, 2014
Cie de Chauffage Intercommunale de l'agglomeration Grenobloise	2,188	5,000	59,300	17.50%	2,849	2,849	0		73,232	67,585	880	1,965		Dec. 31, 2014
Veolia Environnement Energie et Valorisation	13,703,700	137,037	19,024	100.00%	137,037	137,037	(18,650)	-	13,237	18,050	13,013	18,035	12,333	Dec. 31, 2014
Proactiva Medio Ambiente S.A.U,	9,420	56,520	29,269	100.00%	270,219	270,219	(14,529)	-	19,364	36,652	5,525	24,595	-	Dec. 31, 2014
Veolia Environnement Services-RE	4,100,000	41,000	11,717	100.00%	41,000	39,130	0	-	43,005	38,549	8,781	13,599	-	Dec. 31, 2014
Codeve	3,000,000	3,000	19,845	100.00%	38,000	22,613	-	-	19,976	19,815	113	232	-	Dec. 31, 2014
Campus Veolia Environnement	2,449,650	26,130	(53,591)	93.75%	24,496	0	34,966	-	35,115	33,789	(9,615)	(25,899)	-	Dec. 31, 2014
Veolia Environnement Technologies France	1,170,000	11,700	(21,016)	100.00%	131,832	0	136,614	-	104,877	108,397	(24,362)	1,752	-	Dec. 31, 2014
Veolia Services Support France	3,700	37	(15,263)	100.00%	71,363	169	31,370	-	26,294	67,667	(13,912)	(15,396)	-	Dec. 31, 2014

Company	Number of shares held	Share capital(2)	Shareholders' equity other than share capital* (2)	% share capital held	Carrying amount of shares held		Loans and Advances granted by the company (gross)** (2)	Guarantees provided by the company(2)	2013 revenue (A)(2)	2014 revenue(2)	2013 net Income (E)(2)	2014 net income(2)	Dividends Recorded in the last fiscal year(2)	Year-end
					GROSS	NET								
VIGIE 9 AS	3,700	37	(11)	100.00%	1,453	37	(28)	-	0	0	(4)	(2)	-	Dec. 31, 2014
VIGIE 14 AS	3,700	349	16	100.00%	2,179	346	(365)	-	0	0	86	0	67	Dec. 31, 2014
Veolia environnement industries	33,334	500	6,515	100.00%	1,113	189	36,093	-	9,000	13,665	1,195	6,331	-	Dec. 31, 2014
SASLT 65	60,000	97	(2,188)	12.98%	300	0	-	-	4,440	4,292	143	(175)	-	Dec. 31, 2014
VIGIE 3 AS	41,829	251	27,754	100.00%	266	266	2,634	-	0	0	6,703	6,819	10,819	Dec. 31, 2014
Artelia Ambiente S.A.	9,996	50	(60,765)	100.00%	50	0	106,413	-	42,356	10,866	(13,802)	(47,766)	-	Dec. 31, 2014
VIGIE 1 AS	21,100	211	(6)	100.00%	238	238	1	-	0	0	(2)	(9)	-	Dec. 31, 2014
VIGIE 2	3,814	38	(6,088)	99.90%	38	0	6,606	-	0	0	(475)	(538)	-	Dec. 31, 2014
SIG 41	2,494	38	(23)	99.76%	38	38	(17)	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 28 AS	3,700	37	11	100.00%	37	37	(28)	-	0	0	4	3	-	Dec. 31, 2014
Innove	3,700	37	(438)	100.00%	37	0	516	-	2,092	3,911	237	253	-	Dec. 31, 2014
Veolia Environnement Ingenierie Conseil	3,700	37	(1,036)	100.00%	1,945	0	5,490	-	2,402	2,756	(1,527)	(595)	-	Dec. 31, 2014
VIGIE 45 AS	3,700	37	(5)	100.00%	37	37	0	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 33	3,694	37	(8)	99.84%	37	37	(30)	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 34	3,694	37	(9)	99.84%	37	37	(30)	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 37 AS	3,700	37	(8)	100.00%	37	37	0	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 39 AS	3,700	37	(7)	100.00%	37	37	0	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 40 AS	3,700	37	(7)	100.00%	37	37	0	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 41 AS	3,700	37	(7)	100.00%	37	37	0	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 42 AS	3,700	37	(7)	100.00%	37	37	0	-	0	0	(2)	(2)	-	Dec. 31, 2014
VIGIE 43 AS	3,700	37	(7)	100.00%	37	37	0	-	0	0	(2)	(2)	-	Dec. 31, 2014
G.I.E GECIR.	5	0	0	5.00%	35	35	0	-	0	0	(620)	56	-	Dec. 31, 2014
GIE du 36 avenue Kleber	2	0	0	66.67%	0	0	9,655	-	20,646	22,819	0	0	-	Dec. 31, 2014
Veolia Eau d'Ile de France	100	100	0	1.00%	1	1	0	-	387,017	399,403	10,525	21,165	24,408	Dec. 31, 2014
Sloveo AS	1	33	1,095	1.00%	0	0	0	-	10,502	11,031	243	171	2	Dec. 31, 2014
Veolia Support Services China	1	0	0	100.00%	0	0	0	-	-	0	-	0	-	Dec. 31, 2014
Veolia Support Services Deutschland	1	25	(2)	100.00%	25	25	0	-	-	0	-	(1)	-	Dec. 31, 2014
Veolia Support Services Sp. z o.o.	50	1	41	100.00%	1	1	0	-	632	3,333	10	32	-	Dec. 31, 2014

Company	Number of shares held	Share capital(2)	Shareholders' equity other than share capital* (2)	% share capital held	Carrying amount of shares held		Loans and Advances granted by the company (gross)** (2)	Guarantees provided by the company(2)	2013 revenue (A)(2)	2014 revenue(2)	2013 net Income (E)(2)	2014 net income(2)	Dividends Recorded in the last fiscal year(2)	Year-end
					GROSS	NET								
OTHER SUBSIDIARIES AND EQUITY INVESTMENTS (less than 1% of share capital)														
SANEDO PARTICIPACOES LTDA	1	41,428	(35,405)	NS	1	1	0	-	0	0	(2,418)	(3,518)	-	Dec. 31, 2014
VEOLIA ENVIRONNEMENT UK (4)	866,733	610,210	134,112	0.18%	1,387	1,387	1,286,313	-	2,911	4,636	1,046,050	209,367	-	Dec. 31, 2014
VIGEO	1,300	3,447	(472)	0.75%	130	25	-	-	8,124	6,883	0	(400)	-	Dec. 31, 2014
VESTALIA	1	37	5,224	0.03%	0	0	-	-	75,011	23,937	3,334	1,879	-	Dec. 31, 2014

* *Including net income for the year.*

** *Including partner current accounts.*

(1) Company which is primarily a holding company. The "Revenue" column includes operating revenue and financial income.

(2) In € thousands.

(3) The main activity of this company consists in being the head holding company of the US consolidated tax group.

(4) i.e. GBP 474,023,813 at December 31, 2014 exchange rates.

(5) 2014 net income provisional data

Statutory Auditors’ report on the financial statements

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors’ assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Year ended December 31, 2014

To the Shareholders,

In compliance with the assignment entrusted to us at your Annual General Meetings, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying financial statements of Veolia Environnement;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the *Code de commerce* (French Commercial Code) relating to the justification of our assessments, we bring to your attention the following matters:

As mentioned in Note 2.2 to the financial statements in respect of the accounting principles for financial investments, your Company recognizes provisions for impairment when the net carrying amount of a financial investment exceeds its value in use. The value in use for the investment is determined on criteria that include profitability and growth potential, net assets and the stock market value of the securities. Based on the current information available, we performed our assessment of the methods used by your Company, and reviewed, through audit sampling, their application.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the *Code de commerce* (French Commercial Code) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders have been properly disclosed in the management report.

The Auditors

French original signed by

Paris-La Défense, March 17, 2015

KPMG Audit		**ERNST & YOUNG et Autres**	
A division of KPMG S.A.			
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

Parent company results for the last five years and other information

PARENT COMPANY RESULTS FOR THE LAST FIVE YEARS

(in € thousands)	**2014**	**2013**	**2012**	**2011**	**2010**
Share capital at the end of the fiscal year					
Share capital	**2,811,509**	2,744,379	2,610,434	2,598,265	2,495,632
Number of shares issued	562,301,801	548,875,708	522,086,849	519,652,960	499,126,367
Transactions and results for the fiscal year					
Operating income	**656,550**	468,783	486,031	484,125,	435 816
Income before tax, depreciation, amortization and provisions	**486,613**	636,097	543,259	53,064	451,096
Income tax expense	**97,287**	133,773	84,812	(156,043)	(136,495)
Income after tax, depreciation, amortization and provisions	**468,647**	(418,424)	(352,913)	(1,417,507)	554,135
Amount of distributed income	**(1) 383,953**	(1) 374,246	(1) 355,494	353,791	586,793
Earnings per share *(in euros):*					
Income after tax, but before depreciation, amortization and provisions	**1.04**	1.40	1.20	0.4	1.18
Income after tax, depreciation, amortization and provisions	**0.83**	(0.76)	(0.68)	(2.73)	1.11
Dividend per share	**0.7**	0.70	0.70	0.70	1.21
Personnel:					
Number of employees (annual average)(2)	**1,078**	605	653	673	546
Total payroll	**157,094**	114,172	105,832	110,067	69,498
Welfare benefits paid (Social Security, benevolent works, etc.)	**58,478**	41,819	45,023	39,477	35,068

(1) The total dividend distribution presented in the above table is calculated based on 562,301,801 shares outstanding as of December 31, 2014, including 13,797,975 treasury shares held as of this date, and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date.

(2) Following the Group's reorganization, the average number of Veolia Environnement employees rose significantly in 2014 due to the integration of the Head Office teams and the Group's expatriate employees.

SUPPLIER PAYMENT PERIODS

Trade payables at the year-end break down as follows *(in € thousands):*

	2014	**2013**
Total trade payables	**46,087**	**22,717**
Breakdown by due date		
• Amounts not yet due:	12,153	9,413
• Amounts past due:		
• 0 to 30 days	4,150	4,032
• 31 to 60 days	26,753	6,772
• more than 60 days	3,031	2,500

All amounts not yet due fall due in 45 days from the end of the month or less. Therefore, pursuant to the French Law on the Modernization of the Economy (LME), Veolia Environnement complies with the new payment period obligations.

As of December 31, 2014, amounts past due more than 60 days include inter-company trade payables of €2,557 million.

INFORMATION CONCERNING EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES

Pursuant to Article 223 quarter of the French General Tax Code *(Code Général des Impôts)*, we inform you that expenses covered by Article 39-4 of this Code total **€706,589** (excess depreciation on vehicles and excess directors' fees).

20.3 Dividend policy

20.3.1 Dividends paid during the last five fiscal years

(in euros)	2009 dividend	2010 dividend	2011 dividend	2012 dividend	2013 dividend
Gross Dividend Per Share	1.21	1.21	0.7	0.7	0.7
Net Dividend Per Share	1.21*	1.21*	0.7*	0.7*	0.7*
Total Amount of Dividends Paid	**579,538,650**	**586,792,691**	**353,790,523**	**355,494,245**	**374,246,447**

* *Dividend eligible for 40% tax reduction*

A dividend payment of €0.70 per share for each of the Company's outstanding shares carrying dividend rights as of January 1, 2014 was approved at the combined general shareholders' meeting of April 24, 2014. The right to this dividend was detached from the share on April 30, 2014 (ex-dividend date) and was paid as of May 28, 2014.

As of December 31, 2013, the Company's capital was composed of 548,875,708 shares, including 14,237,927 treasury shares. The total distribution amount was adjusted based on the number of treasury shares held by Veolia Environnement on the date of payment. Treasury shares do not carry any dividend rights.

Pursuant to the fifth resolution adopted by the combined general shareholders' meeting held on April 24, 2014, which offered shareholders the option to receive payment of the dividend for fiscal year 2013 either in cash, in accordance with the terms described above, or in Veolia Environnement shares, the Board of Directors sub-delegated to the Chairman on that same date all powers to pay the dividend in shares and to carry out the capital increase ensuing from the exercise of that option. The option period during which shareholders could choose between payment of the dividend in cash or in shares ran from April 30 to May 16, 2014 inclusive.

At the end of this option period and on the basis of a depositary's certificate issued by Société Générale, the Chairman certified on May 26, 2014 that a capital increase in cash of a total amount of €174,673,469.93 had been carried out. This resulted in the issuance of 13,426,093 new shares with a par value of €5 each, thereby increasing the Company's stated capital by €67,130,465 par value.

A dividend of €0.70 per share for 2014, payable in cash, will be proposed at the Annual General Shareholders' Meeting on April 22, 2015. The ex-dividend date has been set as May 5, 2015. The 2014 dividend will be paid, in cash, from May 7, 2015. For 2016, for fiscal year 2015, the Board of Directors has indicated that dividend shall be at least equal to €0.70 per share.

For individual shareholders who are French tax residents, dividends, whether paid in cash or in shares, are automatically included in total income, which is taxed on a sliding scale.

As such, a mandatory levy of 21% will be deducted from dividends paid in 2015 as an 'on account' payment against the income tax due in 2016 on income for 2015. However, taxpayers whose 'reference' taxable income is less than €50,000 for single people and €75,000 for couples may request to be exempted from payment of this levy.

Whatever the mode of payment, dividends paid to French tax residents are eligible for an uncapped 40% reduction on the gross amount received. All shares of Veolia Environnement are eligible for this scheme.

Social security contributions and additional levies applicable to dividends paid to shareholders are subject to tax withholding by the paying agent at the rate of 15.5% (including 5.1% deductible social security contribution).

For beneficiaries who are not French tax residents, dividends are subject to withholding at the rate in force in the tax residence country.

20.3.2 Dividend policy

The Company's dividend policy is determined by the Board of Directors, which may consider a number of factors, such as the Company's net income and financial position, as well as the dividends paid by other French and international companies within the same sector.

20.3.3 Period during which dividend payments must be claimed

Dividends that are not claimed within five years from the date on which they are made available for payment revert to the French government.

20.4 Litigation

The most significant legal proceedings involving the Company or its subsidiaries are described hereinafter. In addition, tax audits and disputes are described in note 34 to the consolidated financial statements (see Chapter 20.1 above).

Other than as described below, there are no other current or threatened legal, governmental or arbitration proceedings involving the Company or its subsidiaries which, during the past twelve months, have had or, the Company believes, may in the future have a material adverse effect on the financial condition or profitability of the Company and/or the Group.

The aggregate consolidated amount of all of the reserves recorded for all of the Group's legal proceedings (see Chapter 20, 20.1, note 19 of the consolidated financial statements), including reserves for proceedings or disputes relating to tax or labor matters, covers a large number of individual disputes for which the amount at stake is individually insignificant. These reserves include all losses deemed probable relating to all disputes that Veolia Environnement faces in the conduct of its activities. The most significant reserve aside from disputes relating to tax and labor matters in the financial statements as at December 31, 2014 was in the amount of €11.1 million.

Water

Aquiris

Since 2001, Aquiris, a 99% subsidiary of the Company, has held a concession pursuant to which it is responsible for constructing and operating the Brussels-North wastewater treatment plant (the size of which is defined in the contract specifications as equivalent to 1,100,000 residents). As a result of extensive obstruction of the plant's security chambers following the arrival of what it deemed to be abnormal and extraordinary quantities of rubble and other solid waste through the public sewer lines, Aquiris decided to completely suspend operation of the plant from December 8 to December 19, 2009 due to significant safety risks to persons and to the plant. This suspension allowed for partial normalization of the activities of the plant.

At the end of December 2009, several disputes regarding liability for the disruption and the possible environmental consequences of the suspension in wastewater treatment services were initiated against Aquiris. In the course of these disputes, two expert reports were produced. The first report on the "causes" of the disruption was delivered on January 13, 2011. According to Acquiris, this report erroneously concludes that there was no legitimate reason to suspend operations at the station. During a September 17, 2012 hearing, the final version of the second report on the alleged environmental damage caused by the disruption was delivered. This report estimates the indemnifiable damages amount to €800,000. Aquiris contests both its civil liability as well as the existence of any environmental damage. At the beginning of May 2014, the Flemish Region, which claims it has been wronged, requested the determination of a schedule for the exchange of submissions. The case is scheduled to be heard on May 6, 2016.

In addition, during the course of 2010, Aquiris filed legal proceedings before the civil court of Brussels against SBGE, the concession authority, claiming that the Brussels-North treatment plant is faced with sizing issues that are attributable to the concession authority. Aquiris claims compensation for its losses and has requested confirmation that the significant upgrading costs that will be required should be borne by the concession authority. Aquiris and SBGE asked a panel of experts to render a technical opinion concerning these matters. The panel of experts delivered their "remedies" report on December 8, 2011. The experts concluded that contractual performance parameters were not satisfied because the characteristics of the wastewater received by Aquiris did not conform to specification (40% of water received did not meet specification). They also state they observe that certain structures were too small for the installation and made a series of technical recommendations, which included a variable allocation of costs between the parties depending on the measure recommended. Following this report, Aquiris and SBGE commenced negotiations on the final acceptance of the plant and a possible adaptation of the concession contract. These negotiations have not yielded an agreement to date. During this period, in order to comply with the European standards for wastewater treatment for a population of 1,290,000 inhabitants, Aquiris was forced to reduce the station's marginal hydraulic treatment capacity during periods of heavy rain. Furthermore, Aquiris is still facing additional operating costs. Aquiris and SBGE conducted guaranteed performance tests at the end of 2012. These tests were positive and recorded in minutes covering SBGE's performance. However SBGE refused the conclusive admission of such tests due to the station's marginally reduced hydraulic treatment capacity during heavy rain.

SBGE counterclaimed on June 12, 2012, and on May 31, 2013 for (i) compensation from Aquiris for the damages it allegedly suffered, primarily to its reputation, as a result of the disruption of the Brussels-North treatment plant from December 8 to December 19, 2009 and (ii) restoration of the overall capacity of the plant within 18 months from the date of judgment, subject to a daily fine of €10,000 per day for each day of delay. The case was pleaded between March 3 and May 12, 2014.

On October 24, 2014, the civil court of Brussels (i) determined that Aquiris' request is partially justified in that the effluent, as insufficiently defined in the scope statement, is one of the causes for the failture to meet the contract performance obligations, (ii) has asked for a new expert report in order to specify the scope of responsibilities of SBGE in the damages caused to Aquiris but (iii) rejected the compensation request from the latter in relation to the sand and debris and (iv) rejected the first counterclaim request by SBGE, the second being handled after the completion of the new expert mission.

The college of experts was put in place on February 9, 2015. It has 12 months to submit its report.

On May 29, 2012, Aquiris brought an action against SBGE before the Brussels commercial court seeking payment of outstanding amounts on several annuities. This case was to be argued on April 26, 2013. Upon agreement of the parties, the hearing was postponed until June 6, 2014, pending the judgment on the action brought by Aquiris before the civil court of Brussels against SBGE (see above). During the hearing of June 6, 2014, a new schedule for the exchanges of submissions was adopted and the date of the oral pleadings was set for June 26, 2015.

Based on the currently available information, the Company believes that these proceedings will not have a material impact on its financial position or results of operations.

Lastly, on June 17, 2009, SA Ondernemingen Jan de Nul ("Jan de Nul"), to which Aquiris entrusted the design and construction of the Brussels-North wastewater treatment plant, filed a complaint against Aquiris for indemnification of the increase in metal prices that Jan de Nul was unable to recover from the Brussels Capital-Region, the grantor authority. On December 8, 2011, the trial court ordered Aquiris to pay Jan de Nul €5 million plus legal costs and interest accrued after the date of filing (June 17, 2009). On March 9, 2012, Aquiris appealed the trial court's decision. The parties exchanged written briefs on June 2013. The case will be heard between March 2 and 23, 2015 and the decision of the court of appeal is not expected before May 2015.

Veolia Water North America Operating Services

Atlanta

In June 2006, Veolia Water North America Operating Services, LLC ("VWNAOS") initiated legal proceedings against the City of Atlanta (the "City"), a former municipal customer, alleging, among other things, unpaid invoices for services performed, withheld retainage, the call of a $9.5 million letter of credit, and breach of contract. The City filed counterclaims alleging VWNAOS failed to fulfill certain of its obligations under their contract and for alleged damage to City-owned property. After discovery and various procedural and legal issues addressed by the Court, trial of the matter commenced in United States District Court in Atlanta on October 4, 2010. The case was tried before the Judge without a jury. The last day of testimony was October 18, 2010, and the parties thereafter submitted proposed findings of fact and conclusions of law to the Judge. Closing arguments took place on December 22, 2010.

At trial, the City asserted damages against VWNAOS totaling $25.1 million. The City has acknowledged offsets (including the $9.5 million letter of credit it seized and various unpaid invoices) of $11.1 million, reducing the total amount allegedly due to the City by VWNAOS to $14 million, plus interest and attorney's fees. On the other hand, VWNAOS asserted damages totaling $30.8 million (plus interest from December 10, 2010 until paid). This amount consists of unpaid invoices in the amount of $17.8 million (including interest through December 10, 2010), and the $9.5 million letter of credit, plus interest on the letter of credit of $3.2 million. On June 3, 2011, the trial court issued an Order and Judgment, resulting in a net verdict of approximately $5 million in favor of VWNAOS. The court awarded VWNAOS $15,192,788.52 in damages and awarded the City $10,184,343.53 in damages. On July 1, 2011, VWNAOS filed a motion with the trial court challenging, as being contrary to applicable law, certain rulings in the Order and Judgment awarding damages in favor of the City and failing to award prejudgment interest to VWNAOS. On the same date, the City filed a motion with the trial court seeking a reduction in the amount awarded to VWNAOS asserting that the trial court miscalculated certain amounts the City had improperly deducted from VWNAOS' invoices and also seeking an as yet unstated amount for attorney's fees allegedly due to the City under the contract between the parties. The City also requested prejudgment interest on the amounts awarded in its favor.

On August 26, 2011, the trial court denied the motions of both parties, except that it granted the requests for prejudgment interest. As a result, it entered an Amended Judgment in favor of VWNAOS in the net amount of $10,001,991.58. Both sides have appealed the case to the United States Court of Appeals for the 11th Circuit. A decision was rendered in October 2013 amending the damages awarded to VWNAOS in three respects. First, the Court determined that the City had rightfully drawn on the letter of credit and that VWNAOS should not have been awarded interest on it. Consequently it reduced the net amount owed to VWNAOS by $3,804,763.62.

Second, the Court held that the City had to repay to VWNAOS the amount of bank interest earned on the proceeds of the letter of credit since the date of its drawdown. Failing so, the City would receive a double recovery (*i.e.* it would benefit from both the interest on the contractual damages awarded and the interest received on the proceeds of credit since drawdown in 2006).

Third, pursuant to Georgia law, the calculation of the City's damages requires that costs not incurred but that would have been incurred if the agreement had not been breached be taken into account. The Court noted that the City presented no evidence establishing these costs. The Court remanded to the District Court the determination of the amount not incurred by the City. Once it is determined, it will be taken into account in the calculation of the net amount of the damages owed to VWNAOS.

The parties are awaiting the scheduling of the hearing by the District Court on the remanded issues. The Court's decision will be subject to appeal.

While the outcome of this dispute cannot be determined with certainty, the Company does not believe its ultimate outcome will have a material adverse effect on its consolidated financial position or results of operations.

WASCO and Aqua Alliance Inc.

Several current and former indirect subsidiaries of Veolia Eau in the United States[1] are defendants in lawsuits in the United States in which the plaintiffs seek recovery for personal injuries and other damages allegedly due to exposure to asbestos, silica and other potentially hazardous substances. With respect to the lawsuits against Veolia Eau's former subsidiaries, certain of Veolia Eau's current subsidiaries retain liability and in certain cases manage the defense of the lawsuits. In addition, in certain instances, the acquirers of the former subsidiaries benefit from indemnification obligations provided by Veolia Eau or Veolia Environnement in respect of these lawsuits. These lawsuits typically allege that the plaintiffs' injuries resulted from the use of products manufactured or sold by Veolia Eau's current or former subsidiaries or their predecessors. There are generally numerous other defendants, in addition to Veolia Eau's current or former subsidiaries, which are accused of having contributed to the injuries alleged. Reserves have been booked for the possible liability of current subsidiaries in these cases, based on the nexus between the injuries claimed and the products manufactured or sold by these subsidiaries or their predecessors, the extent of the injuries allegedly sustained by the plaintiffs, the involvement of other defendants and the settlement history in similar cases. These reserves are booked at the time such liability becomes probable and can be reasonably assessed, and do not include reserves for possible liability in lawsuits that have not been initiated.

As of the date of the update of this document, a number of such claims have been resolved either through settlement or dismissal. To date, none of the claims has resulted in a finding of liability.

During the ten-year period ended December 31, 2014, the average annual costs that the Company has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been approximately USD1,145,000, after reimbursements by insurance companies. Although it is possible that these expenses may increase in the future, the Company currently has no reason to believe that any material increase is likely to occur, nor does it expect these claims to have a material adverse effect on its business, financial position or results of operations.

Energy

Siram/Polare

On April 3, 2012, the Italian Energy Services company, Siram, had its premises searched as part of a preliminary investigation of the research body, Polytechnic Laboratory of Research SCaRL ("Polare"), among others. Siram had in the past solicited research services from Polare which gave rise to research tax credits. The criminal proceedings are still ongoing and currently in the investigation stage.

During the summer of 2012, Siram applied for a partial tax clearance procedure in respect of such research tax credits for an amount of €5.6 million.

Within the framework of the tax audit, initiated in 2013, for the 2009 taxation year, the Italian authorities have reconsidered the amount of corporate taxes (IRES and IRAP), the recovery of VAT on Polare invoices and the research tax credits generated in 2009. Moreover, Siram compromised with the authorities in relation to VAT and revenue taxes for a total €5.8 million that it will pay over three years starting from 2015. Moreover, Siram will contest the €6.9 million recovery on research tax credits to the administrative judge.

Concomitantly, in August 2012, the Venice civil court issued against Siram an injunction of payment of €2.8 million to Polare for allegedly unpaid receivables and interim provisional enforcement. On August 29, 2012, Siram was granted a suspension of this provisional enforcement and counterclaimed for the repayment of substantially all of the advance payments made to Polare, which equal approximately €20 million (payments for services that were not provided).

Because of Polare's bankruptcy (*fallimento*), which was pronounced in July 2013, the proceedings relating to the objection to the payment injunction and those relating to Siram's counterclaim were separated and the latter has restarted ex novo in front of the Venice Bankruptcy Court; this Court set the hearing for the objection for July 15, 2015 while the one with respect to Siram's counterclaim is set for March 25, 2015 so that the parties may set forth their arguments.

In addition, within the framework of an ongoing preliminary investigation, the director of Polare and the former treasurer of the Italian party, Lega Nord, placed in pre-trial detention in April 2013, alleged that certain amounts paid by Siram to Polare benefitted individuals close to the Lombard League. Siram firmly challenged these allegations. No formal accusation on the part of the magistrates in charge of the investigation has, to date, been made against Siram.

(1) Subsidiaries of the Aqua Alliance group or of WASCO (formerly Water Applications & Systems Corporation and United States FIlter Corporation), the parent company of the former U.S. Filter group, most of whose businesses were sold to various buyers in 2003 and 2004.

Waste solutions

Italy

As a result of the severe economic imbalances in the concession contracts of its two principal subsidiaries, Termo Energia Calabria ("TEC") and Termo Energia Versilia ("TEV"), and as a result of chronic late payments by the concession authorities to those companies, the group of companies Veolia Servizi Ambientali Tecnitalia S.p.A ("VSAT"), which specializes in waste incineration in Italy, filed on April 18, 2012 a request for an amicable settlement procedure, called *concordato preventivo di gruppo* ("CPG") with the La Spezia Civil Court. On March 20, 2013, La Spezia Civil Court acknowledged that the majority of creditors had voted in favor of the CPG. On July 17, 2013, the Court approved the CPG. Several creditors appealed this ruling before the Genoa Court which reversed the decision on January 9, 2014.

On March 12, 2014, the judge of the Genoa Court of Appeals rejected the request to suspend the January 9, 2014 decision filed by the companies of the VSAT group. The March 12, 2014 ruling is contrary to established case law and to the position of the Italian Supreme Court; it represents an isolated decision and a reversal in case law.

In light of the foregoing, the companies of the VSAT group filed on May 19, 2014 a request for the opening of judicial liquidation proceedings (fallimento) with La Spezia Court, which decided on June 25, 2014 to place these companies under judicial liquidation in a single procedure and appointed two receivers. One creditor requested that the receivers and reporting judge appointed by La Spezia court be removed. A hearing took place before such court on August 29, 2014, which rejected the request on September 23, 2014. The creditor then lodged an appeal before the Genoa Court of Appeals, which also rejected the request on December 29, 2014. A first hearing was held on March 4, 2015 before La Spezia Court to discuss the current liabilities of the companies of the VSAT group with the creditors of the group. Three other hearings, on the same topics, are planned on April 8, April 29 and May 27, 2015. Additionally, on April 3, 2014, the Company was informed of a notice of the Reggio Calabria (Calabre) prosecutor's office relating to the conclusion of the preliminary investigation with the indictment of certain former TEC executives, certain TEC site managers, the former Calabria extraordinary commissioner and deputy commissioners, and certain transporters and managers of private landfills, as well as TEC as a legal entity. The alleged facts include fraud in the execution of the concession contract, illegal traffic of waste in an organized syndicate, and allegations of corruption.

Other sectors

DGCCRF – Veolia Transport (now Transdev Ile de France)

In 1998, the DGCCRF (a French administrative body with jurisdiction over competition matters) conducted an inspection and seized evidence on the premises of the Company's transportation subsidiary Connex (now Transdev Ile de France) and other companies in the public transportation market, for the purpose of obtaining proof relating to possible anti-competitive practices in this market. In September 2003, the French Competition Council served notice of two grievances on Transdev Ile de France alleging possible collusion among operators between 1994 and 1999 which may have limited competition at the local and national level in the public passenger transportation market for urban, inter-urban and school services.

In September 2004, the Competition Council served Transdev Ile de France with notice of additional grievances alleging the existence of an anticompetitive agreement at the European Union level. On July 5, 2005, the Competition Council issued a decision in which it partially validated the claims of the competition authorities, and ordered Transdev Ile de France to pay a fine of approximately €5 million, which the Company paid. The Paris Court of Appeals affirmed the decision of the Competition Council on February 7, 2006 and on March 7, 2006, Transdev Ile de France filed an appeal with the French Supreme Court. The French Supreme Court found in favor of certain arguments made by Transdev Ile de France and, in a decision dated October 9, 2007, reversed the decision of the Court of Appeals of Paris and remanded the case to a different panel of the same Court. On October 8, 2009, Transdev Ile de France brought the case before this new panel of the appellate Court.

In a decision rendered on June 15, 2010, and notwithstanding the French Supreme Court's decision, the Paris Court of Appeals upheld the principle and amount of a €5 million fine. Transdev Ile de France has therefore filed another appeal with the French Supreme Court. On November 15, 2011, the French Supreme Court reversed the decision of the Court of Appeals of Paris a second time, on the grounds that the same formation of the Court could not serve as both judge of the advisability of the investigation and judge on the merits of the case, without infringing the principle of impartiality guaranteed by the European Convention on Human Rights, and remanded the case to a different panel of the same court.

On June 29, 2012, Transdev Ile de France brought the case before this new panel of the appellate court contesting the French Competition Council's decision dated July 5, 2005 and the order authorizing the original search and seizures dated November 27, 1998.On July 3, 2012, the Paris Court of Appeals decided to treat both appeals separately.

In relation to Transdev Ile de France's appeal against the order authorizing the initial search and seizures, the hearing originally set for May 21, 2013, and postponed to December 3, 2013, has been brought forward to October 16, 2013. Subsequent to this hearing, and after the date of the judgment was postponed several times, the Paris Court of Appeals rendered on January 15, 2014, an interlocutory decision ordering the reopening of the debates due to the new exhibits produced in the file and scheduled a new hearing for April 2, 2014 .

By a statement dated January 20, 2014, Transdev Ile de France filed an appeal on points of law against the interlocutory decision of the Paris Court of Appeals dated January 15, 2014, along with a request for the immediate examination of such appeal on points of law by the Supreme Court. On February 24, 2014, Transdev Ile de France filed with the presiding judge of the criminal chamber of the Supreme Court a motion in support of the request for the immediate examination of such appeal on points of law. By order dated March 4, 2014, the presiding judge of the criminal chamber of the Supreme Court held that Transdev Ile de France's special appeal on points of law was inadmissible, considering "that the decision appealed contained only measures of judicial administration and did not fall within the category of decisions subject to the control of the Supreme Court".

By statement dated February 13, 2014, Transdev Ile de France also filed (given the uncertainty as to the Supreme Court having jurisdiction to rule upon the case) an appeal on points of law, in accordance with the rules of civil procedure, against the preliminary decision of the Paris Court of Appeal dated January 15, 2014. By a judgment dated March 3, 2015, the Commercial Chamber of the Supreme Court has stated that the appeal of Transdev Ile de France is inadmissible.

Given the appeal on points of law then pending before the commercial chamber of the Supreme Court, in a decision dated April 2, 2014, the Paris Court of Appeal had stayed the proceedings until the rendering of the decision of the Supreme Court and set a new procedural hearing for October 15, 2014. During this hearing, a new procedural hearing was set for May 6, 2015 in order to evaluate the status of the procedure. In relation to the appeal of the French Competition Council's decision, a hearing was initially set for June 20, 2013. This was cancelled awaiting a decision regarding the appeal of the order authorizing the initial search and seizures. A new procedural hearing was held on September 18, 2014. By court order dated November 4, 2014, a new procedural hearing date was set for June 4, 2015 to examine the status of the procedure and organize the next steps of the proceeding. . To date, no date for the oral argument has been set.

Société Nationale Maritime Corse Méditerranée (SNCM)

A number of legal proceedings have been initiated in relation to *Société Nationale Maritime Corse Méditerranée* ("SNCM"), a subsidiary of Transdev Ile de France.

Corsica Ferries Actions Relating to Public Service Delegation Agreements "PSD"

Corsica Ferries initiated a number of proceedings, beginning in June 2007, challenging the award to SNCM/CMN group of a contract (a public service delegation agreement) for marine service to Corsica for the period from 2007 to 2013. This request was denied by a judgment of the Bastia administrative court on January 24, 2008. A number of appeals procedures followed. On July 13, 2012, the French Administrative Supreme Court quashed the November 7, 2011 decision of the Marseille administrative court of appeals and remanded the matter back to that court. A procedural hearing took place on September 24, 2012. The Marseille administrative court of appeal is expected to issue an order for the termination of the proceedings or a notice for a hearing.

The new public service delegation agreement, allocated to SNCM/CMN for a ten-year term from January 1, 2014, was signed on September 24, 2013. On November 15, 2013, Corsica Ferries brought an action before the Bastia administrative court for the cancellation of the new public service delegation agreement. In parallel, the European Commission is examining the validity of such agreement.

Action by Veolia Transport (now Transdev Ile de France) for Cancellation of Privatization MOU of May 16, 2006

The acquisition by Veolia Transport of an interest in SNCM from *Compagnie Générale Maritime et Financière* ("CGMF") in 2006 was conditioned on the concession authority maintaining the marine service to Corsica under a public service delegation agreement. On January 13, 2012, Veolia Transport notified CGMF of its decision to exercise the cancellation clause in the privatization Memorandum of Understanding subsequent to the decision of the Marseille administrative court of November 7, 2011 setting aside the 2007 deliberation allocating the public service delegation to the SNCM-CMN group. On January 25, 2012, CGMF contested the exercise of this cancellation clause. On May 11, 2012, Veolia Transport brought a legal action before the Paris commercial court against CGMF. The proceeding continues, and a hearing was held on February 9, 2015 for the regularization of Veolia Transport's reply brief. The next hearing is scheduled to be held on March 23, 2015.

State Aid Actions

Corsica Ferries contested the validity of a European Commission decision of July 8, 2008, which held that certain payments by the French Government in connection with the SNCM privatization process did not constitute State aid within the meaning of article 107 of the Treaty on the Functioning of the European Union ("TFEU") and authorized other payments made by the French Government prior to the privatization. Under the TFEU, governments may only provide subsidies (known as "State aid") to commercial entities in specific circumstances, with the European Commission's prior authorization. On September 11, 2012, the General Court of the European Union partially overturned the European Commission decision of July 8, 2008. As a result, the reconsideration of the measures provided (which includes the measures provided within the context of the privatization process and part of the measures provided prior to the privatization) was remanded to the European Commission, which has opened a new investigation of the matter. On November 22, 2012, SNCM and the French Republic each appealed this judgment. The decision of the Court of Justice of the European Union dismissed the appeals on September 4, 2014. Before, on November 20, 2013, the European Commission rendered a new decision qualifying the measures adopted by the State in the context of the restructuring and privatization of SNCM as illegal state aid incompatible with the common market. Consequently, it ordered that SNCM return this illegal state aid (in an amount assessed by the Commission at approximately €220 million, excluding interest) to the French authorities. The French authorities filed an appeal against this decision before the General Court of the

European Union on January 31, 2014. As the decision was published on December 12, 2014, SNCM filed an application for the reversal of this decision before the General Court of the European Union on January 2, 2015.

In addition, on June 27, 2012, the European Commission announced that it had opened investigative proceedings aimed at determining whether subsidies received by SNCM and CMN for maritime service from Marseille to Corsica, in the context of the public service delegation for the 2007-2013 period, were in line with the European Union state aid rules. In a decision dated May 2, 2013, the Commission found the subsidies received for the “basic service” to be compatible with state aid rules but ordered France to recover certain incompatible aid received by SNCM for the “additional service.” According to the Commission, this aid could amount to approximately €220 million, excluding interest. On July 12, 2013, the French state filed with the General Court of the European Union and with its president, respectively, an application for the reversal of the decision of the Commission and for stay of its implementation. On August 14, 2013, the Company was informed that the territorial collectivity of Corsica suspended the payment of the additional service subsidy to SNCM. On August 26, 2013, the Company also filed an application for reversal of the decision of the European Commission of May 2, 2013. On August 29, 2013, the motion for a stay of implementation filed by the French Republic was rejected on the ground of lack of urgency and on January 21, 2014, the State’s appeal against the order of August 29 was rejected by the Court of Justice of the European Union. On November 20, 2013, the Commission announced its decision to initiate infringement proceedings against France for failure to recover the disputed amounts within the legal time limitations. The matter was formally referred to the Court of Justice on February 10, 2014. On November 7 and 19, 2014, the OTC issued two orders against SNCM to enforce the Commission’s decision of May 2, 2013, one relating to the collection of the amount in principal of the subsidies paid to SNCM with respect to the “additional” service, assessed at €167,263,000, and the other in an amount of €30,533,576 relating to interest, i.e. a total of €197,796,576. On December 8, 2014, SNCM also filed an application with the Bastia administrative court for the annulment of such orders. On December 10, 2014, SNCM also filed a motion with the same court for the suspension of the enforceable character of such orders. On January 14, 2015, the Bastia administrative court dismissed this motion for a suspension, considering the motion as purposeless, and therefore inadmissible, since SNCM benefits from the provisional suspension of the proceedings. According to the court, on the merits, the Commission’s decision is enforceable but the decision of the Marseille commercial court of November 28, 2014 placing SNCM under judicial receivership prevents the payment of the €197,796,576.

French Competition Council Action by Corsica Ferries

In an action before the French Competition Council, Corsica Ferries has contended that SNCM and CMN had formed an unjustified grouping that constituted an anti-competitive cartel, that this grouping constituted an abuse of a dominant position and, lastly, that presenting a bid requesting excessive subsidies (suggesting the existence of cross-subsidies) also constituted an abuse of a dominant position. On April 6, 2007, the French Competition Council dismissed the two claims concerning the grouping. Proceedings on the merits and the investigation of the French Competition Authority (the successor to the French Competition Council) on the claim of excessive subsidies are underway. The investigation is also focusing on the performance terms of the public service delegation agreement (monitoring the application of the guaranteed receipts clause and the corresponding changes in the amount of subsidies received by the parties being awarded the contract). No statement of objections has yet been served.

Financial situation of SNCM

As a result, and in particular in light of the two proceedings relating to State aid, a number of measures have been taken in relation to the difficult financial situation of SNCM.

On December 31, 2013 the French Prime Minister promised a €30 million financial contribution to SNCM and asked for an adaptation of the long-term plan (“PLT”). Trade unions rejected this approach and led a 9-day strike from January 1, 2014 which blocked SNCM’s activity. The strike came to an end thanks to the State’s agreement to set up a working group of the *Caisse des Dépôts et Consignation* and the *Banque Publique d’Investissement* to study financing solutions for new ships in expectation of an order before June 30, 2014 as well as its promise to adopt a decree imposing the application of French Labour law to cabotage activities in French waters. On January 23, 2014, the State became a direct shareholder of SNCM. The State then granted SNCM two successive shareholder advances for a total of €20 million, due at the end of 2014. On September 2, 2014, SNCM’s supervisory board approved an agreement allowing for the State to advance €10 million, corresponding to the last portion of the €30 million promised by the government. This amount was advanced on September 9, 2014.

The State, as shareholder, thus participates directly in the financing of SNCM and in the definition of its industrial strategy. During the meeting of the Supervisory Board on January 22, 2014, Transdev’s representatives expressed that they no longer believed in SNCM’s long-term plan, notably due to the numerous legal uncertainties and to certain commercial and financial assumptions deemed excessively optimistic.

After several meetings of SNCM’s supervisory board between March and May 2014, where the decisions (signature of a letter of intent for the order for four ships, refusal to convene a general shareholders’ meeting with a view to removing the chairman of the supervisory board) were made, with the support of the State as shareholder, against Transdev’s position, the supervisory board meeting of May 12, 2014 decided not to renew the mandate of the Chairman of the management board which ended on May 31, 2014, and this with the agreement of the State as a shareholder. On May 28, 2014, the supervisory board appointed a new chairman of the management board. His assignment includes providing a comprehensive review of SNCM’s situation and, together with the shareholders, identifying solutions that may make it possible to solve the difficulties having arisen from a chronically unprofitable operation and the European Union’s requests for reimbursement of State aid. During SNCM’s supervisory board meeting of June 27, 2014, the two main shareholders, the State and Transdev, refused to participate in the vote on the extension of the letter of intent for the order of four ships, which rendered the letter null on June 30, 2014. On the same day, the supervisory board voted for the extension for one year (until June 30, 2015) of the maturity of the credit agreements granted by Transdev, Veolia Environnement and CGMF, subject to contractual provisions. During SNCM's general shareholders' meeting of July 3, 2014, the chairman of the supervisory board was removed and the current general secretary of Transdev became a member of the supervisory board and was elected chairman of the latter on July 23, 2014.

At the beginning of July 2014, the Secretary of State for Transport and the Prime Minister publically stated they were in favor of placing SNCM in judicial receivership in order to support the handling of the current difficulties it faces.

On June 24, 2014 the labor organizations initiated a strike, which they suspended on July 10, 2014, following decisions signed by the mediator of the Government and approved by Transdev with the authorization of a majority of its Board members. An agreement was reached providing for a moratorium on the initiation of insolvency reorganization procedures for four months, until October 31, 2014 (unless SNCM were to fail to pay creditors).

As SNCM used part of the amounts under escrow (insurance compensation for the Napoléon Bonaparte) for purposes other than the payment of severance pay for the benefit of SNCM employees, on November 3, 2014, Transdev and Veolia Environnement accelerated their claims and declared them immediately payable by SNCM. The management of SNCM, in a situation of suspension of payments, officially filed for bankruptcy with the Marseille commercial court on November 4, 2014. On November 28, 2014, the Marseille commercial court opened judicial rehabilitation proceedings for the benefit of SNCM and appointed two receivers. The date of suspension of payments was provisionally set at November 4, 2014 and the end of the observation period at May 28, 2015. A hearing before the commercial court was held on January 28, 2015 to check the financial capacity of SNCM and rule on the continuation of the observation period or the potential conversion to judicial liquidation proceedings. The decision was adjourned for further deliberation on February 4, 2015 and the commercial court decided to extend the observation period, setting March 18, 2015 as the date for a new hearing on the financial condition of SNCM.

Discussions are under way between the State and the European Commission. According to a press release from the cabinet of the Secretary of State for Transport of December 17, 2014, it appears that the transfer of the public service delegation would be possible as soon as it is allocated. On December 19, 2014, the receivers initiated the process intended to identify potential acquirers of the various assets and activities of SNCM in the context of a disposal plan and published a call for tenders including the possibility to assume the public service delegation line by line, in accordance with the European Commission's request. While the receivers had set January 19, 2015 as the deadline to file an offer, a new deadline was set for February 2, 2015 to allow certain investors to finalize their project. The offers were received on February 2, 2015.

Furthermore, in a press release dated February 13, 2015, Transdev indicated it had informed the receivers that, on certain conditions, it could make a voluntary contribution to part of the funding of the compensatory and support measures under the SNCM redundancy plan ("*Plan de Sauvegarde de l'Emploi*"). Transdev specifies that this voluntary and partial financial contribution was elaborated in reference to the SeaFrance precedent. Transdev has conditioned its financial contribution on the conclusion of a comprehensive agreement, settling definitively this file, under the authority of the commercial court of Marseille.

The Group is paying close attention to the developments of the judicial receivership proceedings.

Other sectors – Regional aids for road transport of passengers

Transdev Group was informed by a letter from the President of the Ile-de-France Regional Council dated March 3, 2014, that on June 4, 2013, the Paris Administrative Court had instructed the Ile-de-France Region to proceed with the recovery of subsidies granted to operators under the plan for the improvement of public transportation services. These subsidies were deemed to be illegal state aid by a decision of the Paris Administrative Court of Appeal of July 12, 2010, on the ground that no notification was made to the European Commission. According to the terms of the letter, this restitution obligation could affect certain of Transdev Group's subsidiaries that may have benefited from these subsidies, because the Paris Administrative Court rejected on December 31, 2013 the Ile-de-France region's request for a stay of implementation on the restitution injunction. The Region appealed the administrative court decision of June 4, 2013; this appeal does not stay the injunction.

This first notification was also sent to other regular line operators in the outer Paris suburbs. This request for repayment is a legal dispute between the Region and an occasional transportation company, and no subsidiary of the Transdev Group is a party to it. Although the Region mentions in its letter an estimated subsidized amount of approximately €98.7 million (not including interest) attributed to Transdev Group's subsidiaries, this estimate remains uncertain due to the complexity of the assessment resulting from, (i) the time the plan has existed, (ii) the number of operators that received the subsidies, a large number of which have since restructured/consolidated their activities, and (iii) the guidelines of the plan, which involve local authorities with evolving scopes of responsibility and are either intermediaries (the sums paid by the Region passing through them) or economic beneficiaries under the plan.

If the Ile-de-France Region were to issue a recovery order, the Transdev Group or its concerned subsidiaries would challenge it before the administrative court. At this stage, Transdev Group maintains the position that the local authorities (departments, municipal associations, towns,, among others), rather than Transdev Group and its subsidiaries, are the direct recipients of this financial aid because they benefit from contractual terms with reduced prices for transportation services billed to these local authorities.

Transdev Group, together with OPTILE (*Organisation Professionnelle des Transports d'Ile-de-France*, an association of all the private companies that operate regular lines in the Ile-de-France Transportation Plan), intends to contest any potential claims for repayment and intends to take legal action necessary to defend its interests.

Finally, in a press release dated March 11, 2014, the European Commission announced that, following a complaint filed in 2008, it is opening an in-depth investigation into the subsidies granted to companies that operate public transportation services in Ile-de-France. It also stated that the total amount of subsidies between 1994 and 2008 equaled €263 million and involved 253 recipients. In particular, the Commission will verify whether the recipients took on additional costs related to the obligation of public service, and, if so, whether or not their services were subject to overcompensation. Lastly, the Commission stated that its investigation will focus on a similar system of subsidies that may have continued after 2008. The opening of an in-depth investigation does not in any way affect the outcome of the ongoing investigation described above.

As this decision was published on May 9, 2014 in the Official Journal of the European Union, Transdev Group had until June 9, 2014 to submit its comments as an interested third party. By letter of May 27, Transdev Group requested a one-month time period to reply, which it obtained. On July 9, 2014, Transdev Ile-de-France filed, on its own behalf and on that of all the entities of the group active in Ile-de-France, observations in addition to those filed by OPTILE in the interest of all its members. These observations, accompanied by an economic expert's report, tend to demonstrate the total neutrality for the carriers of the disputed aid, which in reality benefits local communities, and the corresponding impossibility to seek any restitution whatsoever from the companies.

In parallel, Transdev Ile-de-France (as well as OPTILE) filed on February 27, 2015 before the Paris Administrative Court of Appeal:

- an application as a third party against the decision rendered by the same court on July 12, 2010 that had stated that the subsidies in question were illegal, in which proceedings it was not a party.
- voluntary intervention, before the same Court, in the context of the appeal filed before the Ile-de-France Region against the decision of the Paris Administrative Court on June 4, 2013, asking that the Ile-de-France Region issue, as a consequence of the procedure cited above, the enforceable titles allowing the recovery of the aid at issue.

Connex Railroad

On October 17, 2012, several insurance companies that contributed to the compensation fund for victims of the September 2008 rail accident in Chatsworth, California, launched proceedings before the courts of Los Angeles County, California, against Connex Railroad LLCand Veolia Transportation, Inc., representing the rights of Connex North America, Inc., seeking repayment of an amount of $132.5 million. The Company considers this claim unfounded and the defendant subsidiaries are seeking its dismissal. The case is still pending and no date has been set for the trial yet.

On January 23, 2015, the largest contributors to the victim compensation fund, which are also the most important claimants in the procedure, have withdrawn from their action against Connex Railroad LLC and Veolia Transportation, Inc. so that the repayment amount of $132.5 million claimed in 2012 has now been reduced to around $56.5 million.

The procedure will continue for several months.

There are ongoing discussions on the guarantee with the insurance companies AXA and AIG within the framework of the Veolia group's insurance program, from which Connex Railroad LLC and Veolia Transportation, Inc. benefit, in the event of a potential sentencing within the framework of the ongoing proceedings in the United States.

At this point, the Company is not able to determine whether the results of this proceeding are likely to have a significant effect on its financial position or results of operations.

20.5 Material changes in financial position or commercial situation

There has been no material change in the financial position or commercial situation of the Company since the close of its 2014 fiscal year. The events that could reasonably be expected to have a material effect on the business and outlook of Veolia Environnement for the current fiscal year are described in Chapters 6, 9 and 12 above and were communicated by the Company during the presentation of its annual results for 2014 on February 26, 2015.

21 ADDITIONAL INFORMATION ON SHARE CAPITAL AFR

21.1 Information on share capital

21.1.1 Share capital

As of December 31, 2014, Veolia Environnement's share capital was €2,811,509,005, divided into 562,301,801 fully paid-up shares, all of the same class, with a par value of €5 each (see Chapter 21, Section 21.1.6 "Changes in share capital" below).

As the filing date of the Registration Document, the Company's share capital is still the same.

21.1.2 Market for the Company's shares

The Company's shares have been admitted to trading on the Euronext Paris regulated market (Compartment A) since July 20, 2000, under ISIN code FR 0000124141-VIE, Reuters code VIE. PA and Bloomberg code VIE. FP. Veolia Environnement securities are eligible for the *Service de règlement différé* (deferred settlement service or "SRD").

Company shares have been included in the CAC 40, the main share index published by Euronext Paris, since August 8, 2001.

On December 1, 2014, Veolia Environnement announced its decision to request the voluntary delisting of its American Depository Receipts (ADRs) from the New York Stock Exchange (NYSE) and the termination of its registration with the U.S. Securities and Exchange Commission (SEC), in accordance with U.S. law.

Following its press releases of December 1 and December 12, 2014, the Company filed a Form 25 with the SEC on December 12, 2014, terminating its listing on the NYSE. The final listing of the ADRs on the NYSE occurred on December 22, 2014. The ADRs are traded today on the US over-the-counter market under the code VEOEY.

In addition, on December 12, 2014, Veolia Environnement announced the continuation of its ADR program, managed by The Bank of New York Mellon as a sponsored level 1 facility. ADR holders may thus choose to retain their ADRs following the delisting from the NYSE and the Company's deregistration.

On December 23, 2014, following the effective delisting from the NYSE, Veolia Environnement filed a Form 15F with the SEC to terminate its registration and its reporting requirements under the Securities Exchange Act of 1934.

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

The tables below describe the highest and lowest listed prices and the volume of Veolia Environnement securities traded on the Euronext Paris regulated market and the New York Stock Exchange over the past eighteen months.

Euronext Paris

Year *(month/quarter)*	**Share price** *(in €)*		**Trading Volume** *(in number of securities)*
	Highest	**Lowest**	
2014			
Fourth quarter	*15.000*	*11.990*	*150,768,666*
December	15.000	13.540	49,001,118
November	14.720	13.165	44,417,875
October	14.195	11.990	57,349,673
Third quarter	*14.495*	*12.165*	*117,655,345*
September	14.495	13.315	37,983,482
August	14.100	12.165	36,859,707
July	14.210	12.770	42,812,156
Second quarter	*14.845*	*12.770*	*131,838,242*
June	14.845	13.880	42,599,917
May	14.115	12.770	49,428,320
April	14.840	13.355	39,810,005
First quarter	*14.675*	*11.490*	*153,149,114*
March	14.675	13.375	50,355,970
February	13.855	11.590	57,789,002
January	12.600	11.490	45,004,142
2013			
Fourth quarter	*13.945*	*11.085*	*159,280,863*
December	11.935	11.085	39,568,074
November	13.170	11.795	58,691,247
October	13.945	12.320	61,021,542
Third quarter	*13.305*	*8.512*	*190,516,475*
September	13.305	11.730	53,042,476
August	12.000	10.100	68,796,881
July	10.180	8.512	68,677,118
Source: Bloomberg.			

New York Stock Exchange

Year *(month/quarter)*	**Share price** *(in USD)*		**Trading Volume** *(in number of securities)*
	Highest	**Lowest**	
2014			
Fourth quarter	*18.350*	*15.420*	*3,164,226*
December	18.220	16.970	1,775,370
November	18.350	16.550	763,685
October	17.650	15.420	625,171
Third quarter	*19.380*	*16.390*	*2,605,116*
September	18.780	17.160	617,967
August	18.480	16.390	754,369
July	19.380	17.250	1,232,780
Second quarter	*20.310*	*17.830*	*1,781,175*
June	20.050	18.960	551,523
May	19.240	17.830	543,379

Year *(month/quarter)*	Share price *(in USD)* Highest	Lowest	Trading Volume *(in number of securities)*
April	20.310	18.580	686,273
First quarter	*20.200*	*15.600*	*3,355,095*
March	20.200	18.340	1,364,412
February	18.990	15.720	976,120
January	17.040	15.600	1,014,563
2013			
Fourth quarter	*18.800*	*15.220*	*3,378,966*
December	16.390	15.220	1,113,093
November	17.050	15.990	1,037,102
October	18.800	16.980	1,228,771
Third quarter	*17.950*	*10.990*	*4,125,566*
September	17.950	15.520	1,490,296
August	15.860	13.300	1,722,021
July	13.430	10.990	913,249
Source: Bloomberg.			

21.1.3 Purchase of treasury shares by the Company(1)

21.1.3.1 Repurchase plan in effect as of the date of the filing of this Registration Document (plan authorized by the Combined Shareholders' Meeting of April 24, 2014)

During the Combined General Shareholders' Meeting of April 24, 2014, the Company's shareholders authorized a share repurchase plan that allows the Company to purchase, sell or transfer its shares at any time, **except during a public offer**, within the limits authorized by provisions set forth by law and regulations in force, and by any means, on regulated markets, on multilateral trading systems, with systematic internalizers or over the counter, including through block sales or purchases (with no limit as to the proportion of the share repurchase plan that may be implemented by this method), via public purchase, or exchange offers, or by the use of options or other financial futures that are traded on regulated markets, on multilateral trading systems, with systematic internalizers or over the counter or by the delivery of shares following the issue of securities that grant access to the Company's share capital by means of conversion, exchange, redemption, exercise of warrants or in any other way, either directly or indirectly via the intermediary of an investment services provider.

The share purchases may be for a number of shares such that the number of shares that the Company purchases throughout the term of the repurchase plan does not exceed at any time whatsoever 10% of the shares that make up the Company's share capital, and such that the number of shares that the Company holds at any given time does not exceed 10% of the shares that make up the Company's share capital.

This authorization allows the Company to trade in its own shares with the following objectives: (i) implementing all Company stock option plans or any similar plan; (ii) awarding bonus shares; (iii) awarding or selling shares to employees in respect of their profit-sharing plan or the implementation of any company savings plan; (iv) delivering shares when rights are exercised that are attached to securities that grant access to the capital via redemption, conversion, exchange, presentation of a warrant or in any other way; (v) delivering shares within the scope of external growth transactions, mergers, spin-offs or contributions; (vi) stimulating the secondary market for or the liquidity of Veolia Environnement shares through an investment services provider, within the scope of a liquidity contract, which complies with the ethics charter recognized by the AMF; or (vii) retiring all or some of the shares thus repurchased.

The General Shareholders' Meeting of April 24, 2014 set the maximum share purchase price at €20 per share and set the maximum amount that the Company may allocate to the share repurchase plan at €600 million. The General Shareholders' Meeting granted full powers to the Board of Directors, with the option of sub-delegation under the conditions laid down by law, in order to decide on and implement this authorization.

The authorization described above, which is in force as of the date of the filing of this Registration Document, will expire no later than eighteen months from the time of the Combined General Shareholders' Meeting of April 24, 2014, *i.e.*, on October 24, 2015, unless a new plan is authorized at the next General Shareholders' Meeting.

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(1) This section includes the information that should be included in the plan description pursuant to Article 241-2 of the General Regulations of the French Financial Markets Authority, and the information that is required pursuant to the provisions of Article L. 225-211 of the French Commercial Code.

21.1.3.2 Summary of transactions completed by Veolia Environnement on its own securities during the 2014 fiscal year

Percentage of the Company's share capital held as treasury shares as of December 31, 2014	2.45%
Number of treasury shares held as of December 31, 2014	13,797,975
Carrying value of the portfolio as of December 31, 2014*	€423,808,668
Market value of the portfolio as of December 31, 2014**	€203,589,121
Number of shares retired over the last 24 months	0

* *Carrying value excluding provisions.*
** *Based on the closing price as of December 31, 2014 (€14.755).*

It is understood that Veolia Environnement signed a 12-month, renewable liquidity agreement taking effect on September 30, 2014, to be implemented by Rothschild & Cie. An amount of €30 million was allocated to the operation of the liquidity account. The table below details transactions by the Company in treasury shares during fiscal year 2014 under the program authorized by the Combined General Shareholders' Meeting of April 24, 2014:

	Cumulative gross flows as of December 31, 2014		Uncovered positions as of December 31, 2014			
	Purchases(1)	Sales/ Transfers(2)	Uncovered purchases		Uncovered sales	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	4,093,104	4,533,056	None	None	None	None
Average transaction price *(in €)*	13.78	13.72	n/a	n/a	n/a	n/a
Average exercise price *(in €)*	n/a	n/a	n/a	n/a	n/a	n/a
Amounts *(in €)*	56,393,833	62,176,162	n/a	n/a	n/a	n/a

n/a: not applicable
(1) Actual flows under the liquidity agreement.
(2) Actual flows under the liquidity agreement or the Management Incentive Plan.

21.1.3.3 Objectives of transactions carried out in 2014 and allocation of the treasury shares held

As of December 31, 2014, Veolia Environnement held a total of 13,797,975 treasury shares, representing 2.45% of the Company's share capital, and no shares were held directly or indirectly by subsidiaries of Veolia Environnement. On this date, the portfolio of treasury shares was allocated as follows:

- 5,408,916 shares were allocated to cover stock option programs or other share award programs to Group employees; in October 2014, 439,952 of these shares were sold at market price to management personnel of the Group under the Management Incentive Plan (see Chapter 17, Section 17.5 above);
- 8,389,059 shares were allocated to external growth transactions.

As of December 31, 2014, Veolia Environnement did not hold any shares under the liquidity agreement established on September 30, 2014.

21.1.3.4 Description of the program submitted to the General Shareholders' Meeting of April 22, 2015 for authorization

The authorization for share repurchases described in Section 21.1.3.1 above will expire on October 24, 2015 at the latest, unless the Combined General Shareholders' Meeting of April 22, 2015 approves the resolution adopted in accordance with the provisions of Articles L. 225-209 *et seq*. of the French Commercial Code and set out below.

This resolution, in consideration of the report by the Board of Directors, authorizes the Company to implement a new plan to repurchase shares under the following conditions:

- This authorization would be intended to allow the Company to trade in its own shares with the following objectives: (i) implementing all Company stock option plans within the scope of the provisions of Articles L. 225-177 *et seq*. of the French Commercial Code, or any similar plan; (ii) awarding or selling shares to employees in respect of their profit-sharing plan, or the implementation of any company or group savings plan (or equivalent plan) under the conditions provided for by law, in particular Articles L. 3332-1 *et seq*. of the French Labor Code; (iii) awarding bonus shares under the provisions of Articles L. 225-197-1 *et seq*. of the French Commercial Code; (iv) in general, honoring commitments relating to stock option plans or other plans involving shares awarded to the employees of the issuer or affiliated companies; (v) delivering shares when rights are exercised that are attached to securities granting access to the share capital via redemption, conversion, exchange, presentation of a warrant, or in any other way; (vi) retiring all or a part of the shares thus repurchased, pursuant to the fifteenth resolution adopted by the Combined General Shareholders' Meeting of April 24, 2014, or to any resolution of the same nature that may follow said resolution during the period of validity of the present authorization; (vii) delivering shares (as exchange, payment or otherwise) within the scope of external growth transactions, mergers, spin-offs or contributions; (viii) stimulating the secondary market for, or the liquidity of, Veolia Environnement shares through an investment services provider, as part of a liquidity contract that complies with the ethics charter recognized by the AMF.

This program is also intended to enable the implementation of all market practices that shall come to be permitted by the AMF and, in general, the completion of all other transactions that comply with the regulations in force. In such a case, the Company will inform its shareholders by way of a press release.

- Purchases of Company shares may be for a number of shares such that:
  - the number of shares that the Company purchases throughout the term of the share repurchase plan, at any time whatsoever, does not exceed 10% of the shares that make up the Company's share capital (this percentage will apply to the share capital, as adjusted in light of transactions that affect it after this General Shareholders' Meeting), *i.e.*, 54,806,387 shares as of the date of the filing of this Registration Document, it being specified that (i) the number of shares acquired with a view to being retained and subsequently delivered as part of a merger, spin-off, or contribution cannot exceed 5% of its share capital; and (ii) when shares are repurchased in order to encourage liquidity under the conditions defined by the AMF General Regulations, the number of shares taken into account to calculate the 10% limit provided for in the first paragraph corresponds to the number of shares purchased, less the number of shares resold during the authorization period;
  - the number of shares that the Company holds at any given time whatsoever does not exceed 10% of the shares that make up the Company's share capital on the date in question;
- Shares may be sold, bought or transferred at any time, within the limits authorized by the legal and regulatory provisions in force, **but not during a public offer, and by any method**, on regulated markets, multilateral trading systems, with systematic internalizers or over the counter, including by block purchases or sales (without limiting the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other financial futures traded on regulated markets, multilateral trading systems, with systematic internalizers or concluded over the counter or through delivery of shares following the issue of securities that grant access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider;
- The maximum purchase price of the shares under this resolution will be €25 per share (or the counter-value of said amount on the same date in any other currency); said maximum price is only applicable to acquisitions decided as from the date of the Combined General Shareholders' Meeting of April 22, 2015 and not to future transactions concluded pursuant to an authorization granted by a previous General Shareholders' Meeting that provides for acquisitions of shares subsequent to the date of said meeting.

In the event of a change in the par value of shares, a capital increase via capitalization of reserves, award of bonus shares, division or regrouping of securities, distribution of reserves or of any other assets, redemption of capital or any other transaction concerning the shareholders' equity, the General Shareholders' Meeting delegates to the Board of Directors the power to adjust the maximum aforementioned purchase price in order to take into account the impact on the share value of said transactions.

The total amount allocated to the share repurchase plan authorized above may not exceed €1 billion.

This authorization would, as from the day of the Combined General Shareholders' Meeting of April 22, 2015, cancel any as yet unused portion of any prior authorization granted to the Board of Directors to trade in the Company's shares. Said authorization is granted for a period of eighteen months from the date of said Combined General Shareholders' Meeting.

The General Shareholders' Meeting would grant full powers to the Board of Directors, including the option of sub-delegation under the conditions provided for by law, to decide on and implement this authorization, to specify, if necessary, the terms thereof and decide on the conditions thereof, to carry out the purchase plan, and, in particular, to place all stock market orders, enter into all agreements, allocate or reallocate the shares acquired to the desired objectives under the applicable statutory and regulatory provisions, determine the terms and conditions under which, if applicable, the rights of holders of securities or options will be protected, in compliance with the statutory, regulatory and contractual provisions, make all declarations to the AMF and to all competent authorities, carry out all other formalities and, in general, do what is necessary.

21.1.4 Share capital authorized but not issued

21.1.4.1 Authorizations adopted at the General Shareholders' Meeting of April 24, 2014

Status of authorizations adopted at the Combined General Shareholders' Meeting of April 24, 2014

Securities/transactions concerned	Term of authorization and expiration date	Upper limits for use of the authorizations *(in millions of euros and/or as a percentage)*
Share repurchase program Use excluded during any tender offer period (resolution 15)	18 months October 24, 2015	€20 per share, up to a limit of 53,463,778 shares and €600 million; the Company may not hold more than 10% of its share capital
Issuances with preferential subscription rights (PSR)* Issuance of all types of securities (resolution 16)	26 months June 24, 2016	€1.09 billion (nominal value) representing approximately 40% of the capital on the date of the General Shareholders' Meeting (counting towards the overall maximum nominal amount limit of €1.09 billion (hereinafter, the "overall cap"))
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities by a public offering – mandatory priority subscription period (resolution 17)	26 months June 24, 2016	€274 million (nominal value) representing approximately 10% of the share capital on the date of the General Shareholders' Meeting (counting towards the overall cap)
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities, by way of private placement (resolution 18)	26 months June 24, 2016	€274 million (nominal value) representing approximately 10% of the share capital on the date of the General Shareholders' Meeting (counting towards the nominal upper limit of €274 million for capital increases without PSR and towards the overall cap)
Issuances of securities as payment for contributions in kind* (resolution 19)	26 months June 24, 2016	10% of share capital (counting towards the nominal upper limit of €274 million for capital increases without PSR and towards the overall cap)
Increase in the number of securities in the event of capital increases with or without preferential subscription rights (green shoe option)* (resolution 20)	26 months June 24, 2016	Expansion by no more than 15% of a capital increase made with or without PSR (additional issuance counting towards the upper limit of the relevant resolution with or without PSR and towards the overall cap, and where applicable, towards the nominal upper limit of €274 million for capital increases without PSR)
Increase in capital through the capitalization of premiums, reserves, profits or other items* (resolution 21)	26 months June 24, 2016	€400 million (nominal value) representing approximately 14.6% of the share capital on the date of the General Shareholders' Meeting (this nominal maximum amount counts towards the overall cap)
Share issues reserved for members of employee savings plans without preferential subscription rights* Capital increase by issuing shares or securities that provide access to the Company's share capital (resolution 22)	26 months June 24, 2016	€54,887,570 (nominal value) representing approximately 2% of the share capital on the date of the General Shareholders' Meeting (this amount counts towards the overall cap)
Share issues reserved for employees without preferential subscription rights */** Capital increase reserved for one category of beneficiaries (resolution 23)	18 months November 24, 2014	€5,488,757 (nominal value) representing approximately 0.2% of the share capital on the date of the General Shareholders' Meeting (this amount counts towards the overall cap)

Securities/transactions concerned	Term of authorization and expiration date	Upper limits for use of the authorizations *(in millions of euros and/or as a percentage)*
Cancellation of treasury shares (resolution 24)	26 months June 24, 2016	10% of the share capital within any 24-month period

* *The nominal total amount of capital increases that may be carried out pursuant to this resolution will count towards the overall cap of €1.09 billion set forth in the 16th resolution of the Combined General Shareholders' Meeting of April 24, 2014.*

** *Capital increase reserved for (i) employees and corporate officers of affiliated companies as provided under Article L. 225-180 of the French Commercial Code and Articles L. 3341-1 and L. 3344-2 of the French Labor Code and/or (ii) share ownership funds (UCITS or similar) invested in the Company's shares and whose share capital is held by the employees and corporate officers referred to in (i), and/or (iii) of any lending institution (or subsidiary of such an institution) acting at the request of Veolia Environnement in order to set up a structured offering of shares to employees and corporate officers of affiliated companies having their registered office in countries where, for regulatory reasons or otherwise, employees may not participate in the usual employee shareholding mechanisms (share issues reserved for employees who are members of savings plans).*

21.1.4.2 Authorizations submitted for voting at the Combined General Shareholders' Meeting of April 22, 2015

Securities/transactions concerned	Term of authorization and expiration date	Upper limits for use of the authorizations *(in millions of euros and/or as a percentage)*
Share repurchase program Use excluded during any tender offer period (resolution 15)	18 months October 22, 2016	€25 per share, up to a limit of 54,850,382 shares and €1 billion; the Company may not hold more than 10% of its share capital

21.1.5 Other securities that grant access to the capital

Potential dilutive effect of stock options and warrants(1)

As of December 31, 2014, the Company had granted a total of 4,953,200 subscription options granting the right to subscribe to 467,900 Company shares, after adjustments and exercise (see Chapter 17, Section 17.3.1 above).

As of December 31, 2014, the Company had 562,301,801 shares. As of this date, if all the subscription options (plans 7 to 8) had been exercised, 467,900 new shares would have been created, representing a dilution ratio of 0.08%.

21.1.6 Changes in share capital as of December 31, 2014

The table below shows the changes in the Veolia Environnement share capital since the start of fiscal year 2010:

Meeting date	Transaction	Number of shares issued	Par value of the shares *(in euros)*	Nominal amount of the capital increase *(in euros)*	Issue or contribution premium *(in euros)*	Total amount of the capital	Total number of shares
06/21/2000 04/25/2002 05/12/2004 (recorded by the Board of Directors on 03/04/2010)	Exercise of stock options	31,011	5	155,055	508,755	2,468,151,870	493,630,374
05/07/2010 (recorded by the Chairman of the Board of Directors on 06/07/2010)	Capital increase resulting from payment of the dividend in shares	3,732,018	5	18,660,090	60,607,972.32	2,486,811,960	497,362,392

(1) *Due to the non-fulfillment of the performance condition, the beneficiaries of stock options under Plan No. 8 cannot exercise their rights unless there is a tender offer for the shares of the Company (see Chapter 17, Section 17.3.1 above).*

Meeting date	Transaction	Number of shares issued	Par value of the shares *(in euros)*	Nominal amount of the capital increase *(in euros)*	Issue or contribution premium *(in euros)*	Total amount of the capital	Total number of shares
05/07/2010 (recorded by the Chairman and Chief Executive Officer on 12/15/2010)	Capital increase reserved for employees (Group savings plans)	1,692,862	5	8,464,310	21,567,061.88	2,495,276,270	499,055,254
06/21/2000 04/25/2002 05/12/2004 (recorded by the Chairman and Chief Executive Officer on 01/26/2011)	Exercise of stock options	71,113	5	355,565	1,239,807.13	2,495,631,835	499,126,367
05/17/2011 (recorded by the Chairman and Chief Executive Officer on 06/15/2011)	Capital increase resulting from payment of the dividend in shares	20,462,396	5	102,311,980	281,153,321.04	2,597,943,815	519,588,763
04/25/2002 (recorded by the Board of Directors on 08/03/2011)	Exercise of stock options	64,197	5	320,985	862,347.57	2,598,264,800	519,652,960
05/16/2012 (recorded by the Chairman and Chief Executive Officer on 06/14/2012)	Capital increase resulting from payment of the dividend in shares	2,433,889	5	12,169,445	12,047,750.55	2,610,434,245	522,086,849
05/14/2013 (recorded by the Chairman and Chief Executive Officer on 06/12/2013)	Capital increase resulting from payment of the dividend in shares	26,788,859	5	133,944,295	94,028,895.09	2,744,378,540	548,875,708
04/24/2014 (recorded by the Chairman and Chief Executive Officer on 05/26/2014)	Capital increase resulting from payment of the dividend in shares	13,426,093	5	67,130,465	107,543,004.93	2,811,509,005	562,301,801

21.1.7 Non-equity securities

EMTN program

In June 2001, a Euro Medium Term Note (EMTN) program was implemented for a maximum amount of €4 billion.

On June 26, 2002, this limit was raised to €8 billion, to €12 billion on June 9, 2006, and to €16 billion on July 13, 2009.

The main issuances that make up the outstanding amounts of this program as of December 31, 2014 are as follows:

Issue date	Nominal issue amount	Complementary drawdowns/partial repurchases	Nominal amount outstanding as of Dec. 31, 2014	Rate	Maturity
May 28, 2003	€750 million				
March 2012		(€130 million)			
June 2013		(€129 million)			
December 2013		(€19 million)	€472 million	5.375%	May 28, 2018
November 25, 2003	€700 million		€700 million	6.125%	November 25, 2033
June 17, 2005	€600 million				
April 1, 2008		€275 million	€875 million	1.75% + the eurozone inflation rate (excluding tobacco)	June 17, 2015
December 12, 2005	€900 million				
December 2012		(€341 million)			
June 2013		(€103 million)			
December 2013		(€33 million)			
November 2014		(€40 million)	€382 million	4.00%	February 12, 2016
December 12, 2005	€600 million				
June 2013		(€109 million)			
December 2013		(€60 million)	€431 million	4.375%	December 11, 2020
November 24, 2006	€1 billion				
March 14, 2008		€140 million			
March 2012		(€140 million)			
December 2012		(€256 million)			
June 2013		(€86 million)			
December 2013		(€42 million)			
November 2014		(€10 million)	€606 million	4.375%	January 16, 2017
May 24, 2007	€1 billion				
December 2013		(€150 million)	€850 million	5.125%	May 24, 2022
October 29, 2007	£500 million				
January 7, 2008		£150 million	£650 million	6.125%	October 29, 2037
April 24, 2009	€750 million				
November 2014		(€175 million)	€575 million	6.75%	April 24, 2019
June 29, 2009	€250 million		€250 million	5.70%	June 29, 2017
July 6, 2010	€834 million		€834 million	4.247%	January 6, 2021
March 30, 2012	€750 million		€750 million	4.625%	March 30, 2027
June 28, 2012	CNY 500 million		CNY 500 million	4.50%	June 28, 2017

On November 24, 2014, Veolia Environnement made partial buybacks of its bond lines: €40 million of the euro-denominated bond line paying a coupon of 4% and maturing in February 2016; €10 million of the euro-denominated bond line paying a coupon of 4.375% and maturing in January 2017; and €175 million of the euro-denominated bond line paying a coupon of 6.75% and maturing in April 2019.

As of December 31, 2014, the nominal amount outstanding under the EMTN program was €7,625 million, €6,750 million of which will mature in more than one year.

Public issue on the US market

On May 28, 2008, Veolia Environnement issued bonds registered with the US Securities and Exchange Commission for an amount of $1.8 billion, at a fixed rate and in three tranches: The first tranche of the 5.25% coupon matured on June 3, 2013. In early February 2014, Veolia Environnement made a partial buyback of $22 million on the second tranche of the 6.00% coupon maturing in June 2018 and, on December 19, 2014, made early repayment of the outstanding balance of that tranche ($408 million). The issue comprising the outstanding balance is thus as follows:

Issue date	Nominal amount of the issue	Complementary drawdowns/ partial repurchases	Nominal amount outstanding as of Dec. 31, 2014	Rate	Maturity
May 21, 2008	$400 million		$400 million	6.75%	June 1, 2038

As of December 31, 2014, the nominal outstanding amount of this loan was $400 million (329 million euro-equivalent), all of which will mature in more than one year.

Commercial paper

As of December 31, 2014, the outstanding amount of the commercial paper issued by the Company was €1,263 million.

21.2 Provisions of the Articles of Association

Please refer to the information set out in Chapter 5, Section 5.1.2 (General information concerning the Company).

21.2.1 Corporate purpose

Pursuant to Article 3 of the Company's Articles of Association, Veolia Environnement's corporate purpose, directly and indirectly, in France and in all other countries, involves:

- conducting all service activities, for private, professional and public customers, that are related to the environment, in particular, water, wastewater, energy, transportation and waste management;
- the acquisition, use and exploitation of all patents, licenses, trademarks and models that are directly or indirectly related to corporate activities;
- the acquisition of all participating interests, in the form of subscriptions, purchases, contributions, exchanges or by any other means, and the acquisition of shares, bonds and all other securities in existing or future enterprises, groupings or companies, and the option of disposing of such interests;
- in general, all commercial, industrial, financial or non-trading transactions, whether in personal or real property, that are directly or indirectly related to the aforementioned corporate purpose, and, in particular, the issue of all guarantees, first-demand guarantees, sureties and other security interests, in particular for the benefit of all groupings, enterprises or companies in which the Company holds a participating interest within the scope of its business activities, as well as the financing or refinancing of its business activities.

21.2.2 Fiscal year

The Company's fiscal year starts on January 1 and closes on December 31 of each calendar year.

21.2.3 Appropriation of income under the Articles of Association

Each share grants entitlement to an amount of the profit in proportion to the percentage of the capital that such share represents.

The distributable profit is made up of the net profit for the fiscal year, minus any deferred losses and the various deductions provided for by law, plus the deferred profit.

The Shareholders' Meeting may decide to distribute amounts drawn from the reserves of which it may freely dispose, by expressly stating the reserve items from which the amounts are drawn.

After approving the financial statements and recording the existence of amounts that are eligible for distribution (including the distributable profit and, if any, the amounts drawn from reserves referred to above), the Shareholders' Meeting may decide to distribute all or part of such amounts to the shareholders as dividends, to allocate them to reserve items, or to carry them forward.

The Shareholders' Meeting has the option of granting the shareholders, for all or part of the dividends paid out or interim dividends, an option of payment in cash or payment in shares under the conditions laid down by the law. Furthermore, the Shareholders' Meeting may decide, for all or part of the dividend, interim dividends, distributed reserves or premiums, or for any capital reduction, that such distribution or such capital reduction will be carried out in kind by delivery of Company assets.

The Board of Directors has the option of distributing interim dividends prior to the approval of the annual financial statements, under the conditions provided for by law.

21.2.4 Changes to the Articles of Association, the share capital, and the rights attached to shares

All changes to the Articles of Association, the capital or the voting rights attached to the securities that make up the capital are subject to the requirements of the law, as the Articles of Association do not contain any specific provisions.

21.2.5 Shareholders' Meetings

21.2.5.1 Convening notices to meetings

General meetings are convened and deliberate under the conditions provided for by law. Meetings are held at the Company's registered office or at any other location stated in the convening notice.

Shareholders' decisions are taken in ordinary, extraordinary, special or combined meetings, depending on the nature of the decisions that shareholders are called upon to make.

21.2.5.2 Attendance at Meetings

Conditions

All shareholders, regardless of the number of shares they hold, are entitled to attend meetings in accordance with the laws and regulations in force, either by attending them in person, by being represented at them, by voting by post, or by giving proxy to the Chairman of the meeting.

In accordance with Article R. 225-85 of the French Commercial Code, the only shareholders permitted to attend meetings are those who can provide proof of their status through the securities being registered in the accounts in their name, or in the name of the intermediary registered as acting on their behalf, no later than the second business day prior to the meeting at midnight, Paris time (hereafter, D-2), either in the registered securities accounts, or in bearer securities accounts held by their authorized intermediary.

With regard to registered shareholders, this accounting recognition in the registered securities accounts on D-2 is sufficient for them to be able to attend.

With regard to holders of bearer shares, it is the responsibility of the authorized intermediaries that hold the bearer securities accounts to provide proof of their position as a shareholder on their clients' behalf to the clearing institution for the meeting appointed by Veolia Environnement, by providing evidence of a certificate of shareholding which they append to the postal voting form or proxy form or to the admission card request drawn up in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Procedures

Shareholders wishing to attend the Shareholders' Meeting in person must apply for an admission card:

- registered shareholders should apply directly to the clearing institution for the Meeting appointed by Veolia Environnement (hereinafter "the clearing institution");
- holders of bearer shares should apply to their financial intermediary.

If a holder of bearer shares wishing to attend the meeting in person has not received their admission card by D-2, they must submit a request to their financial intermediary to issue them with a certificate of shareholding enabling them to provide evidence of their position as a shareholder as of D-2 in order to be admitted.

A notice of the meeting, including a postal voting, proxy or admission card request form, is automatically sent to all registered shareholders. Holders of bearer shares must contact the financial intermediary with whom their shares are registered in order to obtain the postal voting, proxy or admission card request form.

Remote voting

Shareholders who are unable to attend the Shareholders' Meeting in person may choose from one of the following three options:

- give a written proxy to another shareholder, to their spouse or partner or any other natural or legal person of their choice;
- give a proxy to the Chairman of the meeting;
- vote by post.

Votes made by post or by proxy can only be taken into account if the forms, duly filled in and signed (and accompanied by the certificate of shareholding for bearer shares) are received by the clearing institution no later than the third business day prior to the meeting.

In accordance with the provisions of Article R. 225-79 of the French Commercial Code, notification of the appointment and dismissal of a proxy holder may also be made by electronic means.

Only notifications of appointment to or dismissal from positions duly signed, completed and received no later than two days before the date of the meeting may be taken into account.

In accordance with the provisions of Article R. 225-85 of the French Commercial Code, any shareholder who has already voted by post, or sent a proxy or an admission card request is no longer able to choose another method of participation in the meeting, but may nonetheless sell all or some of their shares. However, if the sale takes place before D-2, the Company will cancel or amend accordingly, as appropriate, the remote vote cast, the proxy, the admission card or the certificate of shareholding. To this end, the authorized intermediary holding the account notifies the Company or its proxy holder of the sale and provides it with the necessary information. No sale or any other transaction made after D-2, regardless of the method used, is notified by the authorized intermediary holding the account or taken into consideration by the Company, notwithstanding any agreement to the contrary. It is noted that if a shareholder does not name a proxy holder in a proxy form, the Chairman of the Shareholders' Meeting shall register a vote in favor of adopting draft resolutions submitted or approved by the Board of Directors, and shall register a vote against the adoption of all other draft resolutions. In order to issue any other vote, the shareholder must choose a proxy holder who agrees to vote as directed by the shareholder.

Under the terms of Article 22, paragraph 4 of the Company's Articles of Association, the Board of Directors may decide that shareholders may attend the Shareholders' Meeting via videoconference or by means of telecommunication or electronically, including via the Internet, under the conditions provided for by the applicable regulations at the time of use. In this case, these shareholders are regarded as being present when calculating the quorum and the majority for the meeting. This option has not yet been used by the Company as of the date of the filing of this Registration Document.

21.2.5.3 Key powers and quorum required for Shareholders' Meetings

Ordinary General Meeting

The Ordinary Shareholders' Meeting is called to take all decisions which do not make changes to the Articles of Association. It is held at least once a year, within six months of the close of each financial year, in order to present its observations on the accounts for that financial year. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one fifth of the shares with voting rights. When it is convened for the second time, no quorum is required. The resolutions of the Ordinary Shareholders' Meeting are passed by a majority of the votes of the shareholders present, represented or having voted remotely.

Extraordinary General Meeting

The Extraordinary Shareholders' Meeting is the only meeting authorized to make changes to the provisions of the Articles of Association. It may not, however, increase the commitments of shareholders, subject to transactions resulting from a grouping together of shares, duly and properly carried out. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one quarter, and, when it is convened for the second time, one fifth of the shares with voting rights. The deliberations of the Extraordinary Shareholders' Meeting are taken by a majority of two-thirds of the votes of the shareholders present, represented or having voted remotely.

21.2.5.4 Shareholders' rights

Inclusion of points or draft resolutions on the agenda

Requests for the inclusion of points or draft resolutions on the agenda must reach the Company's registered office (Veolia Environnement, Office of the Company Secretary, 36/38, avenue Kléber, 75116 Paris, France) by registered letter with acknowledgment of receipt or by e-mail to AGveoliaenvironnement.ve@veolia.com, no later than twenty-five days prior to the date of the meeting, and may not be sent more than twenty days after publication of the notice of the meeting in the "*Bulletin des Annonces Légales et Obligatoires*" (BALO).

The request for the inclusion of a point on the agenda must be justified. The request for the inclusion of draft resolutions must be accompanied by the text of the draft resolutions, which may be accompanied by a brief explanatory statement. Such requests from shareholders must be accompanied by a certificate providing proof of their status as shareholders, either in the registered securities accounts or in the bearer securities accounts held by a financial intermediary, as well as the percentage of share capital required by the regulations. Examination of the point or draft resolution filed in line with the regulations is subject to the submission, by the authors of the request, of a new certificate evidencing the accounting recognition of the securities in the same accounts by D-2.

Written questions

In accordance with the provisions of Article R. 225-84 of the French Commercial Code, any shareholder wishing to ask written questions must address them to the Chairman of the Board of Directors, via the Company's registered office (Veolia Environnement, Office of the Company Secretary, 36/38, avenue Kléber, 75116 Paris, France) by registered letter with acknowledgment of receipt, no later than four business days prior to the meeting; in order to be taken into account, it is imperative that these questions are accompanied by a share registration certificate. It is understood that the answers to the written questions may be published directly on the Company's website (www.finance.veolia.com) in the "Shareholders' Meetings" section.

Consultation of the documents made available

Documents and information relating to Shareholders' Meetings are made available to shareholders in accordance with the laws and regulations in force and, in particular, the information referred to in Article R. 225-73-1 of the French Commercial Code is published on the Company's website (www.finance.veolia.com) in the "Shareholders' Meetings" section, no later than twenty-one days prior to the meeting.

Voting rights

The voting rights attached to shares are proportional to the percentage of share capital that such shares represent, and each share carries the right to cast one vote. There are no double voting rights.

The voting right attached to shares subject to beneficial ownership is exercised by the income beneficiary in Ordinary Shareholders' Meetings and by the bare title owner in Extraordinary Shareholders' Meetings.

21.2.6 Identification of shareholders

When shares are fully paid up, they may be in registered or bearer form, at the discretion of the shareholder, subject to provisions of the laws and regulations in force and the Company's Articles of Association. Until the shares are fully paid up, they must be in registered form.

Company shares are registered in an account under the conditions and in accordance with the terms provided for by the law and regulations in force. However, where the owner of the shares does not reside in France or French Overseas Territories, within the meaning of Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner, in accordance with the provisions of Article L. 228-1 of the French Commercial Code.

Furthermore, the Company's Articles of Association provide that the Company may seek to identify all holders of securities that grant an immediate or deferred right to vote in its meetings, in accordance with the procedures set forth in Articles L. 228-2 *et seq*. of the French Commercial Code. Pursuant to these provisions, the Company reviews its share ownership four times per year on average.

Failure by the holders of securities or their intermediaries to comply with their data disclosure obligations as set forth in Articles L. 228-2 *et seq*. of the French Commercial Code results, under the conditions provided for by law, in the temporary deprival of voting rights and, under certain circumstances, the suspension of the right to the dividend payments t attached to the shares.

21.2.7 Crossing of shareholding thresholds

In addition to the thresholds provided by the law and the regulations in force, the Company's Articles of Association provide that all individuals or legal entities, acting alone or in concert with others, that enter into possession of or that no longer hold, either directly or indirectly, a fraction of the share capital, voting rights or securities granting future access to 1% or more or any multiple of 1% of the Company's share capital, must inform the Company, by registered letter with return receipt requested, within fifteen days of exceeding one of such thresholds, of their identity and the identity of the person(s) with whom they are acting in concert, as well as the total number of shares, voting rights and securities granting future access to the Company's share capital that they hold on their own, directly or indirectly, or in concert with others.

Failure to comply with the above provisions will be penalized by the withdrawal of voting rights for the shares that exceed the threshold that should have been declared, for all shareholders' meetings that are held until the expiration of a two-year period following the date on which the aforementioned notification is brought into compliance, if the application of this penalty is requested by one or more shareholders who together hold at least 1% of the Company's share.

22 SIGNIFICANT CONTRACTS AFR

Impact of a change in control of Veolia Environnement [1]

In many countries, including France, local authorities can terminate contracts entered into with subsidiaries of the Veolia Environnement Group (see Chapter 4, Section 4.1.2.5 above). The acquisition of Veolia Environnement could also affect the validity of contracts entered into by Group companies that include a change of control clause.

Under the agreements signed with Caisse des Depôts et Consignations on May 4, 2010, Veolia Environnement granted Caisse des Depôts et Consignations the right to purchase all of the Transdev Group shares held by the Company in the event of a change in control of the Company (see Chapter 20, Section 20.1, Notes 35 and 38 to the consolidated financial statements above).

Finally, the stock option plans implemented by the Company which are currently in force (See Chapter 17, Section 17.3.1 above) provide that options become immediately exercisable without condition in the event that a public tender offer is launched for the Company.

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

(1) Article L. 225-100-3 of the French Commercial Code.

23 THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATION OF INTERESTS

Not applicable.

24 DOCUMENTS AVAILABLE TO THE PUBLIC

The Company's press releases, annual registration documents (including historical financial information relating to the Company filed with the AMF and any related updates), and the Company's Form 20-F filed annually with the U.S. Securities and Exchange Commission, are available on the Company's website at www.finance.veolia.com. Copies of these documents may also be obtained from the Company's registered office at 36/38, avenue Kléber, 75116 Paris, France.

All of the information disclosed to the public by the Company during the preceding twelve months in France, other EU member states, and in the United States pursuant to any securities regulation applicable to the Company is available on the Company's website at the address indicated above, as well as on the AMF's website at www.amf-france.org.

All of the regulated information published by the Company, pursuant to article 221-1 *et seq.,* in the AMF's general regulation, is available on Veolia Environnement's website at the following address: www.finance.veolia.com in the "Regulated Information" section.

Finally, the Company's Articles of Association, as well as the minutes of general shareholders' meetings, the Statutory Auditors' reports and all other corporate documents, may be viewed at the Company's registered office.

25 INFORMATION REGARDING COMPANY INTERESTS

Information concerning companies in which Veolia Environnement holds a portion of the share capital likely to have a material impact on its assets, financial condition or results of operations is set forth in Chapter 6, Section 6.1.3 above and in Chapter 20, Section 20.1, Note 41 to the consolidated financial statements above.

A. APPENDICES

A1. SPECIAL REPORT OF THE STATUTORY AUDITORS ON THE REGULATED AGREEMENTS AND COMMITMENTS

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

General Shareholders' Meeting to approve the accounts for the year ended December 31, 2014

Dear Shareholders,

In our capacity as statutory auditors for your company, we hereby present our report on the regulated agreements and commitments.

It falls to us to report on, on the basis of the information provided to us, the essential characteristics and terms of the agreements and commitments of which we have been advised or which we have uncovered in the course of our work, without having to express an opinion as to their usefulness or appropriateness nor ascertain the existence of other agreements and commitments. It falls to you, in accordance with the terms of Article R. 225-31 of the French Commercial Code, to assess the interest attached to the conclusion of these agreements and commitments with a view to their approval.

Furthermore, it falls to us, if appropriate, to report on the information set out in Article R. 225-31 of the French Commercial Code relating to the execution, during the previous fiscal year, of the agreements and commitments already approved by the General Shareholders' Meeting.

In carrying out our work, we have taken the steps that we considered necessary with regard to the professional standards of the National Association of auditors. These steps consisted of ensuring that the information with which we were provided tallied with the reference documents from which it was derived.

1 AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL SHAREHOLDERS’ MEETING

1.1. Agreements and commitments authorized during the previous fiscal year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments that were subject to the prior authorization of your Board of Directors

1.1.1. Agreement concerning the redistribution of shareholdings in the Dalkia group by the Company and EDF

Board of Directors’ meeting of March 25, 2014

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Member of the A and B Supervisory Board of Dalkia SAS and Dalkia France SCA – Director of Dalkia International
- Mr. Paul Louis Girardot, Non-voting Board Member – Member of the A and B Supervisory Board of Dalkia SAS and Dalkia France SCA

In the context of and pursuant to the terms and conditions of the framework agreement (“Framework Agreement”) authorized by the Board of Directors on March 25, 2014 and signed the same day between your company, EDF and Dalkia SAS relating to the redistribution of shareholdings in the Dalkia group by your company and EDF, various agreements and amendments were concluded and finalized on July 25, 2014 following the authorization of the transaction by the European Commission and the lifting of other conditions precedent. Under the terms of this agreement, the EDF group has taken over all the activities of the Dalkia group in France (including Citelum), while the activities of Dalkia International have been taken over by your Company.

Besides the Framework Agreement itself, these regulated agreements primarily concerned:

- an agreement concerning the transformation of the SCA/SNC between your Company, Dalkia SAS and EDF (the “SCA/SNC Agreement”);
- a transfer agreement concerning Ficpros securities (a company incorporated by Spanish law) held by Dalkia France between your Company and Dalkia France;
- a transfer agreement concerning Dalkia International securities held by Dalkia France between your Company and Dalkia France;
- a mandate for the recovery from Dalkia Investissement of the redemption price of its own securities given to your Company by Dalkia SAS;
- a license agreement for the brands, logos and associated rights granted by Dalkia France to your Company and Dalkia International, in the presence of EDF;
- a patent licensing agreement between Dalkia France and your Company and/or Dalkia International depending on the patent concerned;
- the transfer by EDF to your Company of 7,200,000 bonds or open-ended super subordinated securities (“SSS”) issued by Dalkia International representing 24% of the said SSS.

These agreements came into effect at the time of the implementation of the redistribution of shareholdings on July 25, 2014, and were executed on this date.

1.1.2. Long-term incentive compensation plan (“Management Incentive Plan”)

Board of Directors’ meeting of August 27, 2014

Person concerned: Mr. Antoine Frérot, Chairman and Chief Executive Officer

The Board of Directors, at its meeting of August 27, 2014, authorized the implementation (in October 2014) of a long-term incentive compensation plan entitled “Management Incentive Plan (MIP)” with the following main characteristics:

- beneficiaries: Limited population of around 300 executives, including the Chairman and Chief Executive Officer;
- personal investment and acquisition of Veolia Environnement shares (at market price, *i.e.* €13.04) for an amount between €5,000 (minimum) and three months of gross remuneration (maximum) inclusive. This investment confers entitlement, subject to attendance and financial performance conditions, to the awarding of a bonus in additional shares at the end of the Plan in April 2018. This bonus in shares is financed by the Company through the allocation of treasury shares. It is vested in three tranches, on the basis of the financial performance recorded for the years 2015, 2016 and 2017 on publication of the annual financial statements. For each of the three tranches, the bonus equates to a multiple of five times the increase in the Veolia Environnement share over the initial acquisition price weighted by the degree to which the objectives to increase Group income have been achieved (indicator used: net recurring income, Group share);
- the up to 80% investment protection granted to plan beneficiaries does not apply to the Executive Director or to members of the executive committee.

Following the establishment of the MIP in October 2014, your Chairman and Chief Executive Officer acquired 24,403 shares at the unit price of €13.04.

1.1.3. Brand License

Board of Directors’ meeting of November 5, 2014.

Agreement signed between your company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding).

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Manager of Veolia Eau-Compagnie Générale des Eaux;
- Mr. Paul Louis Girardot, Non-voting Board Member – Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux.

Your group has launched a transformation plan to simplify, structure and integrate its organizational set-up by country. This integration is reflected in particular by the use of a single “Veolia” brand (and a single logo) for the whole group to ensure better convergence and readability of the customer offers and to ensure their cross-cutting nature.

In order to take into account this new organizational set-up and the deployment of the single “Veolia” brand, your Board of Directors authorized the signature, with the “head” entities denoted by country or general area and with *Veolia Eau-Compagnie Générale des Eaux* in particular (it is their responsibility to decline these contracts locally), of a new usage license for the “Veolia” brands in accordance with the following key conditions:

- One-year term automatically renewable for one or several annual periods with retroactive effect as of January 1, 2014;
- Royalty fee set at 0.3% of the revenue of each of the license holders (or sub-license holders);

During 2014, the Company recorded income of €9,258,300 from royalty fees to the company Veolia Eau-Compagnie Générale des Eaux.

2. AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

2.1 Agreements and commitments approved during previous fiscal years

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the execution of the following agreements and commitments, already approved by the General Shareholders' Meeting during previous fiscal years, continued in the course of the previous fiscal year.

2.1.1 Agreements concerning remuneration for guarantees issued by your company for the benefit of its subsidiaries

Board of Directors' meeting of May 17, 2011

Contracts signed between your company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding).

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Manager of Veolia Eau-Compagnie Générale des Eaux;
- Mr. Paul Louis Girardot, Non-voting Board Member – Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux.

The parties have agreed on the need to ensure that the company Veolia Environnement is fairly remunerated for the service rendered to the subsidiaries of Veolia Eau-Compagnie Générale des Eaux through the issue of endorsements and guarantees of any nature whatsoever, granted to any third party.

The remuneration due depends on the country in which the guarantee operates, the nature and the term of the guarantee issued as well as the amount of the commitment given.

These contracts have been concluded for an indefinite term.

On this basis, and for the fiscal year 2014, your company has recorded income of €2,785,032 in respect of commitments issued for the benefit of the subsidiaries of Veolia Eau-Compagnie Générale des Eaux.

Following the merger by absorption of Veolia Services Energétiques (previously Dalkia SAS) by Veolia Environnement SA, the old agreement concerning remuneration for guarantees for the benefit of Dalkia SAS and its subsidiaries, for which your company has not recorded any income for the year 2014, becomes null and void.

2.1.2 Agreements within the scope of the merger of the companies Veolia Transport and Transdev

Board of Directors' meetings of March 24, 2010 and February 23, 2011

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer; Director of Transdev Group, entity owned on a 50/50 basis by Veolia Environnement and Caisse des Dépôts et Consignations;
- Caisse des Dépôts et Consignations, Director and legal entity with a 8.64% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse.

Within the scope of the merger between the companies Veolia Transport and Transdev, the conclusion of various agreements and amendments between your company, the Caisse des Dépôts et Consignations (CDC) and Transdev Group (previously called Veolia Transdev) was authorized by your Board of Directors on March 24, 2010 and February 23, 2011. These agreements were concluded on May 4, 2010 and March 3, 2011 with the merger actually taking place on March 3, 2011.

The following agreements continued to be effective in the course of the fiscal year 2014:

- the shareholders' agreement between your company and CDC concluded on May 4, 2010 and amended on March 3, 2011;
- the reciprocal guarantee agreements between your company, CDC and Transdev Group;
- the counter-guarantee agreement between your company and CDC;
- the brand license agreement between your company and the company Transdev Group, for which the conditions are as follows:
    - the initial term expires on December 31, 2014 and the agreement will be automatically renewed for periods of one year,
    - the royalty fee is set at 0.3% of the revenue of each company using the brands.

Following the change of brand and name of Transdev Group in April 2013, the amount that Transdev Group shall be invoiced for the fiscal year 2014 is nil.

- the agreement concerning remuneration for endorsements and guarantees between your company and the company Transdev Group:
    - the parties have agreed on the need to ensure that the company Veolia Environnement is fairly remunerated for the service rendered through the issue of endorsements and guarantees of any nature whatsoever, granted to any third party;
    - the remuneration due depends on the country in which the guarantee operates, the nature and the term of the guarantee issued as well as the amount of the commitment given.

On this basis and for the fiscal year 2014, your company has not recorded income in respect of commitments issued for the benefit of the company Transdev Group but only for commitments issued directly for the benefit of certain subsidiaries of Transdev Group.

2.1.3 Agreement regarding the new Veolia Environnement registered office at Aubervilliers

Board of Directors' meeting of October 22, 2012

Agreement concluded with Icade SA, subsidiary of the Caisse des Dépôts et Consignations, the latter being both a Director and legal entity of the company Icade and of Veolia Environnement.

Person concerned: Caisse des Dépôts et Consignations, legal entity and Director represented by Mr. Olivier Mareuse.

Within the scope of the establishment of the new Veolia Environnement registered office at Aubervilliers, the parties have agreed to continue the exclusive partnership concluded on June 17, 2011 and to conclude an agreement which was signed on October 31, 2012.

The purpose of this agreement was:

- to record the changes to the scope of the real-estate and to the initial project concept concerning the grouping of the registered offices of the group located in Ile de France into a single office;
- to determine the terms of cooperation of the Parties during the definition phase of the modified project and the principles that will preside over the negotiation of their agreements;
- to permanently stop the sums due between the parties due to the modification of the initial project.

Upon the conclusion of these negotiations, two concurrent acts setting out the terms for the compensation of Icade in the event of Veolia Environnement withdrawing from this project and the terms of a firm lease in the event of future completion (BEFA) for a term of nine years were signed on January 31, 2013. This lease would take effect upon the delivery of the building planned for mid-2016.

The two concurrent acts concluded on January 31, 2013 were not required to be executed during the fiscal year 2014.

2.2 Agreements and commitments approved during the previous fiscal year

We have also been informed of the execution, during the previous fiscal year, of the following agreements and commitments, already approved by the General Shareholders' Meeting of April 24, 2014, on the special report of the statutory auditors of March 18, 2014.

2.2.1 Service provision agreements with the company Soficot

Board of Directors' meeting of March 11, 2014

Agreement concluded with Soficot SAS, represented by its Chairman Mr. Serge Michel.

Person concerned: Mr. Serge Michel, Director

Your Board of Directors authorized the signature of an agreement for a term of three years from January 1, 2014 between your company and the company Soficot under the terms of which the latter guarantees to undertake an assignment to assist your company in defining and establishing a company strategy particularly in terms of development and/or divestment in the countries of the European Union. This assignment includes:

- assisting in the selection of opportunities or targets;
- building relationships with potential decision-makers, players or partners who are able to help or participate in the development or the implementation of your company strategy;
- advising your company in the context of its restructuring operations or the turnaround of activities in difficulty particularly by drawing up proposals concerning reorganization measures and actions plans;
- assisting your company in its approaches and negotiations with its stakeholders and particularly its partners or customers (public or private).

This agreement anticipates a set remuneration from the company Soficot of €600,000 per annum updated in accordance with the SYNTEC index and without "success fees".

This agreement has given rise to a remuneration of €600,000 from the company Soficot for the fiscal year 2014.

2.2.2 Maintenance of additional health and accident coverage for the benefit of the Executive Director

Board of Directors' meeting of March 11, 2014

Person concerned: Mr. Antoine Frérot, Chairman and Chief Executive Officer

In the context of the termination of the employment contract of the Chairman and Chief Executive Officer effective as of January 1, 2010, the Board of Directors' meeting of December 17, 2009 authorized the Chairman and Chief Executive Officer to continue to benefit, after the date of the termination of his employment contract, from the maintenance of the additional health and accident coverage intended for all company personnel. The Board of Directors, at its meeting of March 11, 2014, renewed this authorization.

For the fiscal year 2014, the cost of maintaining this plan for the benefit of the Chairman and Chief Executive Officer amounted to €11,151.

2.2.3 Closure of the supplementary defined benefits group pension plan and amendment of the supplementary defined contributions group pension plan

Board of Directors' meeting of March 11, 2014

Person concerned: Mr. Antoine Frérot, Chairman and Chief Executive Officer;

In accordance with the commitments made at its meeting on March 14, 2013 and after a favorable opinion of the Works Council and the Nominations and Compensation Committee, the Board of Directors, decided, at their meeting held on March 11 2014, upon a motion by the Chairman and Chief Executive Officer:

- to proceed to the closure of the defined benefits pension plan for category 8 and higher executives (including the Chairman and Chief Executive Officer not party to an employment contract) with effect from June 30, 2014 with a freeze on entitlements at the level they have reached on this date and closure of the plan to new members;
- and to amend, effective July 1, 2014, the existing supplementary defined contributions group pension plan. The main characteristics of this amended plan are as follows:
  - category of beneficiaries: The executives within the meaning of Article 4 of the national collective agreement of AGIRC, whose compensation is greater than or equal to three times the annual social security ceiling. 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 executives),
  - 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.

For the fiscal year 2014, the value of employer contributions for the benefit of the Chairman and Chief Executive Officer amounted to €18,474.

2.2.4 Compensation in the event of termination of office (TEPA Act) for the Chairman and Chief Executive Officer

Board of Directors' meeting of March 11, 2014

Person concerned: Mr. Antoine Frérot, Chairman and Chief Executive Officer

The Board of Directors decided at its meeting of March 11, 2014, on the proposal of its appointments and remuneration committee, to provide for, for the benefit of Mr. Antoine Frérot, compensation for the termination of office of the Chief Executive Officer, which shall be subject to compliance, duly acknowledged by the Board of Directors at the time of or after the termination of the said term of office, with conditions linked to the performance of Mr. Antoine Frérot assessed in relation to that of your company.

The maximum compensation amount due shall be equivalent to twice the total gross annual remuneration of Mr. Antoine Frérot in his capacity as Chief Executive Officer (excluding Directors' fees and benefits in kind) including the sum of the fixed part of his compensation for the last fiscal year ended prior to the termination date of his term of office as Chief Executive Officer ("Fixed Part") and of the average of the variable part of his remuneration in respect of the last three fiscal years ("Variable Part") ended prior to the termination date of his term of office (this annual remuneration being defined hereinafter as "Reference Remuneration"). The calculation methods are outlined in the 2014 management report.

The amount of this compensation shall be equal to twice the sum (i) of the Variable Part of the Reference Remuneration and (ii) of the Fixed Part of the Reference Remuneration adjusted by a performance rate ("Performance Rate") corresponding to the average percentage of the target bonus achieved (also called "base bonus" and assuming that 100% of the annual objectives are met) in respect of the last three fiscal years ended prior to the termination date of his term of office.

The Performance Rate (applicable to the Fixed Part) is defined as the relationship between (i) the average variable remuneration paid or due in respect of the last three financial years ended prior to the termination date of the term of office of the Chief Executive Officer (numerator) and (ii) the average target variable remuneration ("target bonus" corresponding to the achievement of 100% of the annual objectives) in respect of these same fiscal years (denominator).

The severance pay, paid in the event of early termination or non-renewal of the term of office of the Chief Executive Officer or departure related to a change of control or strategy, shall not be due in the event of serious misconduct, or if the Chief Executive Officer leaves the company on his own initiative, changes role within the group or is able to assert his rights to a full pension.

Furthermore, all stock options and performance shares as well as all investment schemes in shares of your company and/or long-term compensation schemes that could be established by your company and that could be assigned on this date to Mr. Antoine Frérot, regardless of whether they are not yet exercisable or not yet definitively acquired, shall be retained for him, if appropriate, subject to compliance with set performance conditions in the regulations of the plans concerned.

This commitment was not required to be executed during the fiscal year 2014.

2.2.5 Contract relating to the Vector application

Contract relating to the Vector application between Veolia Environnement, Veolia Environnement Technologies France and Transdev Group.

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer; Director of Transdev Group, entity owned on a 50/50 basis by Veolia Environnement and Caisse des Dépôts et Consignations
- Caisse des Dépôts et Consignations, Director and legal entity with a 8.64% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse

On July 22, 2013, a contract relating to the Vector IT application, a consolidation and financial reporting tool for the Veolia Environnement group, developed and configured on the basis of the SAP BFC software (Magnitude), was concluded between your company, Veolia Environnement Technologies France ("Veolia" combined) and Transdev Group. This contract provides for:

- in order that Transdev Group can, on the one hand, use the Vector application autonomously and, on the other hand, carry out all the necessary configuration in a context of self-management and distinct from that of the Veolia Environnement group:
  - the right to use the Vector application granted by Veolia to Transdev Group,
  - the transfer by Veolia to Transdev Group of the databases contained in the Vector application and used by Transdev Group,
  - the delivery by Veolia to Transdev Group of any elements necessary for the realization of the self-managed project and distinct from the application,

  Remuneration is set at €1,500,000 including €150,000 following the anticipated date of it being placed into service in April 2014. For the fiscal year 2014, the company Veolia Environnement Technologies France recorded an income of €150,000;
- The continuation by Veolia of the service provision in the current configuration for the production of the Transdev Group consolidated accounts planned for April 2014.

For the fiscal year 2014, the company Veolia Environnement Technologies France recorded an income of €500,000.

The Auditors

French original signed by

Paris-La Défense, March 17, 2015

KPMG Audit		**ERNST & YOUNG et Autres**	
A division of KPMG S.A.			
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

A2. REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE

In accordance with Article L. 225-37 of the French Commercial Code, the Chairman's report for the 2014 financial year includes information on the composition of the Board of Directors and the application of the principle of balanced gender representation, as well as on the preparation and organization of its activities, any limits that the Board places on the powers of the Chairman and Chief Executive Officer, and the internal control and risk management procedures implemented by the Company, particularly those relating to the preparation and processing of accounting and financial information. The report also confirms that the Company voluntarily adheres to a corporate governance code, details specific procedures governing the attendance of shareholders at Shareholders' Meetings and sets out the principles and rules adopted by the Board of Directors to determine the compensation and other benefits awarded to corporate officers. Finally, it details the publication of information provided for by Article L. 225-100-3 of the French Commercial Code.

Contributions to the report

The Chairman's report, as required under Article L. 225-37 of the French Commercial Code, was prepared based on contributions from several departments, including the Group's finance, legal, risk management and audit teams. The Group's internal control departments also actively contributed to the self-assessment of internal control procedures included in the report. These contributions were outlined in a summary presented to the Company's Accounts and Audit Committee on February 20, 2015. The report was written by the Group's audit, risk management, legal and finance departments and was approved by Executive Management. The Chairman's report was approved by the Board of Directors at the Board meeting held on March 10, 2015.

The report is based on the five components of the internal control framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), namely the control environment, risk management, control activities, information and communication, and monitoring activities. This internationally recognized framework serves as the Group's benchmark with regard to control.

The Company's 2014 registration document includes all the information from the Chairman's report as required under Article L. 225-37 of the French Commercial Code. Please find below references to the sections of the registration document corresponding to the different sections of the Chairman's report as approved by the Board of Directors at the Board meeting held on March 10, 2015.

	Chapters/sections of the registration document	Pages
Composition of the Board of Directors, the application of the principle of balanced gender representation and the preparation and organization of the Board's activities	14.1, 16.1 and 16.2	142, 163 and 172
Limits on the powers of the Chairman and Chief Executive Officer	16.3.2	177
Internal control and risk management procedures implemented by the Company	4.2, 4.3 and 4.4	19, 28 and 31
Reference to the corporate governance code	16.1.1	163
Specific procedures governing the attendance of shareholders at Shareholders' Meetings	21.2.5	378
Principles and rules adopted by the Board of Directors to determine the compensation and other benefits awarded to the Chief Executive Officer	15.1 and 15.3	153 and 160
Information provided for by Article L. 225-100-3 of the French Commercial Code	22	381

A3. REPORT OF THE STATUTORY AUDITORS, PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY VEOLIA ENVIRONNEMENT

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2014

Dear Shareholders,

In our capacity as statutory auditors of the company Veolia Environnement and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the fiscal year ended December 31, 2014.

It falls to the Chairman to prepare and submit for the approval of the Board of Directors a report detailing the internal control and risk management procedures put in place within the company and providing the other information required by Article L. 225-37 of the French Commercial Code relating in particular to the provision in terms of corporate governance.

It falls to us:

- to report on any observations on the information set out in the Chairman's Report, concerning the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- to confirm that this report includes the other information required by Article L. 225-37 of the French Commercial Code, it being understood that it does not fall to us to verify the accuracy of such other information.

We have carried out our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information

Professional standards require the implementation of steps to assess the accuracy of the information concerning the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the Chairman's Report.

These steps consist in particular of:

- gaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information underlying the information presented in the Chairman's Report as well as of the existing documentation;
- gaining an understanding of the work undertaken to prepare this information and the existing documentation;
- determining whether any major shortcomings in terms of internal controls relating to the preparation and processing of the accounting and financial information that we have identified in the course of our work are suitably explained in the Chairman's Report.

On the basis of this work, we have no comment to make on the information concerning the internal control and risk management procedures of the company relating to the preparation and processing of the accounting and financial information contained in the Report of the Chairman of the Board of Directors, pursuant to the provisions of Article L. 225-37 of the French Commercial Code.

Other information

We confirm that the Report of the Chairman of the Board of Directors includes the other information required by Article L. 225-37 of the French Commercial Code.

The Auditors

French original signed by

Paris-La Défense, March 17, 2015

KPMG Audit		ERNST & YOUNG et Autres	
A division of KPMG S.A.			
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

A4. SHAREHOLDERS' GENERAL MEETING (COMBINED ANNUAL ORDINARY AND EXTRAORDINARY) OF APRIL 22, 2015

1. AGENDA

Ordinary business

1. Approval of the company accounts for fiscal year 2014;
2. Approval of the consolidated financial statements for fiscal year 2014;
3. Approval of the expenses and charges referred to in Article 39.4 of the General Tax Code;
4. Appropriation of the results for fiscal year 2014 and payment of the dividend;
5. Approval of related-party agreements except modification of agreements with respect to Mr. Antoine Frérot;
6. Approval of an agreement and related-party agreement with respect to Mr. Antoine Frérot;
7. Renewal of the directorship of Mrs. Maryse Aulagnon as a Director;
8. Renewal of the directorship of Mr. Baudouin Prot as a Director;
9. Renewal of the directorship of Mr. Louis Schweitzer as a Director;
10. Appointment of Mrs. Homaira Akbari as a Director;
11. Appointment of Mrs. Clara Gaymard as a Director;
12. Ratification of the co-optation of Mr. George Ralli as a Director;
13. Opinion on the remuneration due or attributed for the fiscal year 2014 and the 2015 remuneration policy with reference to Mr. Antoine Frérot;
14. Setting of the yearly amount of Directors' fees attributed to the Members of the Board of Directors;
15. Authorization to be given to the Board of Directors to deal in the Company's shares.

Extraordinary business

16. Modification of Article 22 of the Articles of Association regarding shareholders' participation in the Meetings;

A. Modification of Article 10 of the Articles of Association to not grant double voting rights ***(resolution not approved by the Board of Directors).***

Ordinary and extraordinary business

17. Powers to carry out formalities.

2. REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS SUBMITTED TO THE GENERAL MEETING

On the ordinary business of the General Meeting

Approval of the annual financial statements

(Resolutions 1, 2 and 3)

These resolutions relate to the approval of the annual financial statements (parent company and consolidated) and of expenses
and charges not deductible for tax purposes. The management report in respect of fiscal year 2012 is included in the Company's reference document available on the Company's website (www.finance.veolia.com, 'Regulated Information' section). The statutory auditors' reports on the annual parent company and consolidated financial statements are found in chapter 20 of this registration document.

Appropriation of the fiscal year's income and payment of the dividend

(Resolution 4)

In the **fourth resolution**, it is proposed that you set the dividend for fiscal year 2014 at **€0.70 euro per share**, *i.e.* a total amount of €383,952,678 calculated on the basis of the number of 562,301,801 shares comprising the share capital at December 31, 2014, of which 13,797,975 were held as treasury shares on that date, although this amount might fluctuate according to changes in the number of shares entitled to dividends until the date on which they go ex-dividend.

The shares will go ex-dividend on **May 5, 2015** the **dividends will be paid** from **May 7, 2015**. In the case of individual beneficiaries resident for tax purposes in France, the dividend will automatically be taken into account for the purposes of determining their overall income subject to income tax on the sliding scale, and will be eligible for an allowance of 40% of the gross amount received (Article 158 §3 2° of the French General Tax Code).

For the record, the following dividends were paid out in the three fiscal years preceding fiscal year 2014:

Fiscal year	Number of shares receiving a dividend	Dividend per share *(in €)*	Total *(in €)*
2013	534,637,781	0.70	374,246,447
2012	507,848,922	0.70	355,494,245
2011	505,415,033	0.70	353,790,523

All the amounts stipulated in the "Dividend per share" column of this table were eligible for the aforementioned 40% allowance.

Approval of related-party agreements and undertakings

(Resolutions 5 and 6)

These resolutions submit to your approval the transactions relating to fiscal year 2014 described in the statutory auditors' special report and not approved by the Shareholders Meeting of April 24, 2014.

In this regard, we propose that you approve two separate resolutions:

- the **fifth resolution** relates to the regulated agreements described by the statutory auditors' special report (excluding commitments and agreements relating to Mr. Antoine Frérot). The two agreements and commitments submitted to the approval of the Shareholders Meeting consist (i) those relating to **the agreement splitting the French and international activities of Dalkia group by the Company and EDF** and (ii) a **revision of the "Veolia" brand licensing agreement between VE and its Veolia Water subsidiary -Compagnie Générale des Eaux**;
- the **sixth resolution** relates to the **"Management Incentive Plan" (MIP)** authorized by the Board on August 27, 2014 and implemented in October 2014. The MIP's main characteristics are as follows:
  - the plan has been opened to the Group's **three hundred top executives, including Mr. Antoine Frérot** and the members of the Executive Board,

- this Plan is based on a **co-investment approach with the beneficiary personally acquiring** Veolia Environnement shares at their market price for an amount ranging between €**5,000 (minimum) and three months of gross compensation (maximum),**
- this investment gives right, **subject to continued employment and financial performance (Company's performance and stock market price of the share) criteria**, to the granting of a **bonus in additional shares** at the end of the Plan, **namely in April 2018**. This **bonus** in shares is funded by the Group by **the allocation of Treasury shares (no dilution impact)**. It is to be allocated in **three tranches** on the basis of the **financial performances** recorded in fiscal years 2015, 2016 and 2017, when annual financial statements are released, and **acquired only when the plan expires in April 2018**, provided that the beneficiary's continued employment is confirmed as well as the fact that he/she has kept the shares initially invested in. For each of the three tranches, this **bonus** is calculated by **multiplying five times** the rise in the **Veolia Environnement share** in comparison with the initial acquisition price weighted by the extent to which the objectives set for the increase in the Group's income have been met (**indicator drawn on: adjusted net income attributable to owners of the Company**),
- the 80% **protection of the investment** granted to Plan beneficiaries **does not apply to either Mr. Antoine Frérot or the members of the Executive Board.**

Please note that under this plan, Mr. Antoine Frérot acquired 24,403 Company shares at their market price of €13.04 per share on October 22, 2014.

Renewal and appointment of directors

(Resolutions 7 to 11)

The terms of office of four directors, Mrs. Maryse Aulagnon, Mr. Pierre-André de Chalendar, Mr. Baudouin Prot and Mr. Louis

Schweitzer will expire at the end of the Shareholders Meeting of April 22, 2015. Mr. Pierre-André de Chalendar has let it be known that he would not request the renewal of his term of office.

Your Board proposes to the Shareholders Meeting, on the recommendation of its Appointments Committee, by the 7th, 8th, 9th, 10th and 11th resolutions, to renew the terms of office of Mrs. Maryse Aulagnon, Mr. Baudouin Prot and Mr. Louis Schweitzer and to elect, as new directors, Mrs. Homaira Akbari and Mrs. Clara Gaymard. They would be renewed or elected for a four-year period completed at the end of the Shareholders Meeting convened to approve the financial statements of the fiscal year ended on December 31, 2018.

After these renewals, the appointment of Mrs. Homaira Akbari and Clara Gaymard, and the ratification of Mr. Georges Ralli's cooptation under the twelfth resolution, the Board of Directors would be composed of **seventeen members**, including **two directors representing employees** and **five women** (or **33.33%**), and two *censeurs* (non-voting directors).

Ratification of the co-optation of a director

(Resolutions 12)

It is proposed to your general meeting to ratify the co-optation decided by the Board of Directors at its meeting of March 10, 2015 of **Mr. Georges Ralli,** as a director, in replacement of Groupama SA after its resignation, for this company's remaining part of the term of office until the Ordinary Shareholders Meeting convened to approve the financial statements of the fiscal year ended on December 31, 2015.

Opinion on the compensation due or allocated with respect to the fiscal year 2014 and the 2015 compensation policy relating to Mr. Antoine Frérot, Chairman and Chief Executive Officer

(Resolution 13)

In compliance with the recommendations of the AFEP-MEDEF Code revised in June 2013 (Article 24.3), a code the Company refers to in application of Article L. 225-37 of the French Commercial Code, the **thirteenth resolution** submits to the approval of the Shareholders Meeting the compensation due or allocated with respect to 2014 to Mr. Antoine Frérot, a Senior Executive of the Company (note that all these items are described in detail in the 2014 registration document– chapter 15) as well as the Company's 2015 compensation policy.

By consequence, you are asked, in the thirteenth resolution, to vote in favor of the following items of the compensation due or allocated with respect to the previous fiscal year and the 2015 compensation policy relating to Mr. Antoine Frérot, Chairman and Chief Executive Officer:

Items of the compensation due or allocated with respect to 2014 and the 2015 compensation policy submitted to the opinion of shareholders relating to Mr. Antoine Frérot, Chairman and Chief Executive Officer:

Compensation items	Amounts	Comments
Fixed compensation	€900,000	Gross fixed compensation with respect to 2014 decided by the Board of Directors at its March 11, 2014 meeting following the recommendations of the Appointments and Compensation Committee*. This fixed compensation has remained unchanged since 2011.
Variable compensation	€1,207,113	At its March 10, 2015 meeting, the Board of Directors, on a recommendation of the Compensation Committee set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantitative and qualitative components) with respect to 2014 at €1,207,113. On the basis of unchanged weightings for the quantitative (70%) and qualitative (30%) components of the la base bonus target (set at 125% of the fixed component, or €1,125,000 if the annual targets are 100% met) and in view of the quantitative and qualitative components set by the Board at is March 11, 2014 meeting, the amount of the variable component for 2014 was determined as follows: • with respect to quantitative criteria: Achieving the budget objectives relating to (i) operating cash flow ("Operating cash flow") after deducting investments net of divestments adjusted by the positive or negative change in Working Capital Requirement (WCR) (35% weighting), and (ii) the increase in recurring adjusted operating income (35% weighting). These criteria fitted into the Group's 2 major objectives announced in 2014, *i.e.* deleveraging and substantial income growth. The calculation of the quantitative variable component leads to: €869,613, or 110.4% of the target quantitative component of variable component ("quantitative base bonus") and reflets a rate of 120% on the achievement of the operating cash flow criterion and of 100.8% on the achievement of the operating income criterion; • with respect to qualitative criteria, the Board of Directors at its March 10, 2015 meeting decides to allocate 337,500 € to Mr. Antoine Frérot as his qualitative variable 2014 compensation, or 100% of his target remuneration qualitative variable component ("qualitative base bonus") in view, in particular of the results recorded by the transformation plan and the improvements made in the quality of the Board's work, in particular in the annual seminar dedicated to the Group's strategy. Mr. Antoine Frérot's variable compensation (quantitative and qualitative components) with respect to 2014 therefore totals €1,207,113, or 107.29% of his target variable component with respect to 2014. The cap on the variable component with respect to 2014 stood at 114% of his target base bonus, or €1,282,500.
Multi-year variable compensation	No payment	Mr. Antoine Frérot did not benefit in 2014 from any payment under multi-year variable compensation.
Exceptional compensation	N/A	Mr. Antoine Frérot does not benefit from any exceptional compensation.
Launch of a long-term incentivizing compensation plan called "Management Incentive Plan" (MIP)	No payment	The Group launched in October 2014 a long-term incentivizing compensation plan called "Management Incentive Plan" (MIP) authorized by the Board at its August 27, 2014 meeting with the following main characteristics: • beneficiaries: Restricted category of staff of around 300 executives, including the Chairman and Chief Executive Officer, Mr. Antoine Frérot; • personal investment via the acquisition of Veolia Environnement shares (at market prices) for an amount ranging between €5,000 (minimum) and three months of gross compensation (maximum). This investment gives right, subject to continued employment and financial performance (Company's performance and share price), to the allocation of additional shares at the expiry of the Plan, namely in April 2018. This bonus in shares is funded by the Company via the allocation of Treasury shares (no dilution). It is to be allocated in three tranches on the basis of the financial performances recorded in fiscal years 2015, 2016, 2017, when annual financial statements are released, and acquired only when the plan expires in April 2018, provided that the beneficiary's continued employment is confirmed as well as the fact that he/she has kept the shares initially invested in. For each of the three tranches, this bonus is calculated by multiplying five times the rise in the Veolia Environnement share in comparison with the initial acquisition price weighted by the extent to which the objectives set for the increase in the Group's net income have been met (indicator drawn on: Net adjusted income attributable to owners of the Company) • the 80% protection of the investment granted to Plan beneficiaries does not apply to either Mr. Antoine Frérot or the members of the Executive Board. Under this plan, Mr. Antoine Frérot acquired 24,403 Company shares at their market price of €13.04 per share on October 22, 2014.

Directors' fees	N/A	Mr. Antoine Frérot has waived his right to receive directors' fees as Chairman of the Board of Directors of Veolia Environnement and under the mandates he holds in Group companies.
Allocation of stock options and/or of performance shares	No allocation	Since his appointment as Chief Executive Officer of the Company (November 27, 2009) and throughout 2014, Mr. Antoine Frérot was not allocated any stock options and/or performance shares.
Severance payment	No payment	Mr. Antoine Frérot benefits from a severance payment in the case of the termination of his employment contract as Chief Executive Officer. It is applicable solely in the event of a "forced departure owing to a change of control or strategy". In accordance with the AFEP-MEDEF corporate governance code, the maximum amount of this severance payment is capped at twice the CEO's total gross annual compensation (excluding directors' fees and benefits in kind) including the sum of the fixed component of his compensation for the previous fiscal year ("Fixed Component") and the average of the variable component ("Variable Component") paid or due with respect to the last 3 fiscal years closed before the termination of service of the Chief Executive Officer ("Reference Compensation"). The amount of said severance payments and its fixed and variable components depends in both cases on the extent to which performance conditions have been fulfilled. Indeed, the calculation of the severance payment is equal to twice the sum of (1) the Variable Component of his Reference Compensation (average over the previous 3 fiscal years) and of (2) the Fixed Component of his Reference Compensation (last fiscal year) corrected by a "Performance Rate" corresponding to the average percentage at which the target bonus (also called " base bonus" or when annual objectives are 100% met) with respect to the last 3 fiscal years closed before the end of his duties. Note that Mr. Antoine Frérot terminated his employment contract as of January 1, 2010 and that the termination of his employment contract caused him to lose the right under the collective bargaining agreement to receive severance compensation related to his years of service within the Group (over 19 years as of that date). Pursuant to the procedure relating to regulated agreements and undertakings, this commitment was authorized by the Board at its March 11, 2014 meeting and ratified by the Shareholders Meeting of April 24, 2014 (13th resolution).

Supplementary pension plan	No payment	The Board of Directors meeting on March 11, 2014 decided, on a proposal of its Chairman and Chief Executive Officer and after a favorable opinion was given by the Works Council and the Appointments and Compensation Committee*, to:
		• close down the supplementary defined benefits group pension plan for category 8 and higher management employees (including the Chairman and Chief Executive Officer who does not hold an employment contract) with a freeze on entitlements and closure of the plan to new members, effective June 30, 2014;
		• change effective July 1, 2014 the existing supplementary defined benefits group pension plan with the following main characteristics:
		  • this plan is open to all executives of category 8 and higher (including the Chairman and Chief Executive Officer),
		  • its funding is ensured by contributions to the plan equal to a percentage of the compensation of the relevant employees,
		  • payment of these breaks down as follows: 1.25% employer share for tranches A, B and C; 4.50% employer share above tranche C; 2.50% employee share above tranche C,
		  • 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.
		The Shareholders Meeting of April 24, 2014 approved these changes made in the supplementary defined benefits pension plan insofar as they relate to the Chairman and Chief Executive on the basis of the special report drawn up by the statutory auditors.
		Provided he is still working for the Company when he leaves or is retired in accordance with legal conditions, the amount of this life annuity from the defined benefits pension plan will depend on Mr. Antoine Frérot's retirement age, amount of contributions paid, and possible optional individual payments under the supplementary defined benefits pension plan. Note that this theoretical annuity will be superseded as soon as the rights acquired under the defined contributions plan will provide a larger annuity. Should the Chairman and Chief Executive Officer retire at the age of 62 and on the basis of a level of a total annual compensation ranging between €1.5 million and €2 million, his potential annuity under all the pension plans (including the basic Social Security scheme, additional plans and the supplementary defined benefits group pension plan) could amount to a theoretical payment of around 10% of his annual compensation.

Collective		Mr. Antoine Frérot benefits from the collective healthcare and insurance plan in force

healthcare and insurance plans		within the Company under the same conditions as those applicable for the category of employees with which he is assimilated in terms of setting social benefits and other ancillary components of his compensation.
Benefits in kind	€2,033	Mr. Antoine Frérot enjoys the use of a company car.
2015 compensation policy		
2015 fixed compensation	€950,000	Increase by 5.5% of the gross fixed remuneration *per annum* as determined by the Board of Directors' decision on March 10, 2015 after a favorable opinion given by the Compensation Committee. This increase was granted in consideration of the good 2014 results. It is pointed out that this fixed compensation has remained unchanged since 2011.
2015 variable compensation		In view of the Group's objectives and Mr. Antoine Frérot's 2015 variable compensation, the Board of Directors at its March 10, 2015 meeting decided to review the amount of his base bonus target that will total €1,187,500 with respect to 2015 (if targets are 100% met), as well as its weightings relative to the variable quantitative component (70%) that can rise to 120% of the target, and the qualitative component (30%) capped at 100% of the target. The criteria and the practical aspects used to determine the quantitative component of his variable component are adjusted to be in line with the Company's budget and 2015 objectives relating to growth (i) in the Group's "free cash flow before financial investments and financial divestments and dividends" (35% weighting) and (ii) in Current Operating Income that replaces Adjusted Operating Income (35% weighting). The choice of these new indicators seeks to improve our financial communication by making the Group's financial statements easier to understand as well as compare with those of peers. Furthermore, the 30% qualitative component will be raised according to the Chairman and Chief Executive Officer's performances in terms of carrying out the Group's strategic transformation plan (20%) and with performances respect to a Health and Safety criterion, related to the decline in the frequency rate of accidents at work (10%). The cap on 2015 variable compensation stands at €1,353,750, or 114% of target variable compensation.

* *This Committee was split into two separate Committees following the Board of Directors' decision at its March 25, 2014 meeting.*

Setting the amount of directors' fees allocated to the Board of Directors

(Resolution 14)

Bear in mind that the budget allocated for directors' fees was changed at the Shareholders Meeting held on April 24, 2014 (when it was raised 13.1%). A review of the budget earmarked for directors' fees is requested in 2015 for the following reasons: this review takes into account, in particular, (i) the appointment of two directors representing employees on October 15, 2014; (ii) the appointment of an additional director who is a US national and resident, proposed to this Shareholders' Meeting; (iii) the appointment of an additional non-voting director *(censeur)* who is a Canadian national resident in Canada; (iv) the arrangement of an increase in directors' fees for the directors and non-voting director resident in another continent (€2,000 per meeting attended physically by the director or nonvoting director concerned; and (v) a possible reorganization of the committees of the Board of Directors and of the frequency of their meetings.

You are accordingly asked, under Article L. 225-45 of the French Commercial Code, **to increase by 10.2% the annual budget allocated to directors' fees to be distributed among the members of the Board of Directors, by lifting it from €980,000 to €1,080,000 as of 2015**.

Authorization to be given to the Board of Directors to deal in the Company's shares

(Resolution 15)

You are requested to extend for another eighteen-month period the authorization granted by the Annual Shareholders Meeting held on April 24, 2014 that will expire on October 24, 2015.

This authorization would enable the Board of Directors, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, to buy Company shares at a **maximum price of €25 per share**, with an unchanged cap set at **€1 billion (expressed in purchase prices on the market)**.

This share buyback program would enable the Company to deal in its own shares (including through the use of derivative financial instruments), except during **a takeover bid period**, in the context of the objectives authorized by applicable regulations, referred to in the first paragraph of the thirteenth resolution, *i.e.* in particular in order to:

- implement any stock option plan pursuant to the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan; or
- allocate or sell shares to employees in order to allow them to participate in the Company's expansion, or to implement any Comp any, or Group (or assimilated) savings plan under the conditions set out by the legislation and especially Articles L. 3332-1 *et seq.* of the French Labor Code; or
- grant bonus shares in accordance with the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code; or
- in general, honor of obligations associated with stock option programs or other employee share allocations of the issuer or of an associated company; or
- deliver shares upon the exercise of rights attached to negotiable securities convertible into shares by way of repayment, conversion, exchange, exercise of a warrant or in any other manner of obligations linked to stock option programs or other allocations of shares granted to employees by the issuer or an associated company; or
- cancel all or part of the repurchased shares; or
- deliver shares (by way of exchange, payment or otherwise) in the context of acquisitions, mergers, split-offs or tendering deals;
- engage in market making activities with respect to Veolia Environnement shares through an investment services provider, in the context of a liquidity contract conforming to the professional rules approved by the *Autorité des Marchés Financiers*.

This program would also enable the Company to deal in its shares for any market practice that might in the future be authorized by the Autorité des Marchés Financiers, and more generally speaking, carrying out any other transaction in compliance with the regulation in force.

Every time a share buyback is carried out, the total number of shares thus repurchased by the Company since the beginning of the share buyback program (including the ones repurchased on such an occasion) shall not exceed 10% of the shares composing the Company's share capital at that date, with this percentage being applied to the capital as adjusted following changes in the share capital occurring after this General Meeting, or, **on an indicative basis at December 31, 2014, a cap on such buybacks of 54,850,382 shares**.

Pursuant to regulations, **the number of shares that the Company holds at any time shall not exceed 10% of the share capital on the date in question**. The number of shares to be held for subsequent delivery in the context of mergers, split-offs or contributions may not exceed 5% of the share capital. At December 31, 2014, the existing authorization had not been used by the Company to acquire new securities, apart from the setting up, effective September 30, 2014, of a liquidity contract for which €30 million was allocated to run the liquidity account.

At December 31, 2014, the percentage of Treasury shares held by the Company amounted to 2.45%.

On the extraordinary business of the General Meeting

Change in Article 22 of the Articles of Association relating to shareholders attending Meetings

(Resolution 16)

In compliance with the provisions of Article L. 225-96 of the French Commercial Code, the **sixteenth resolution** submits to the approval of the Shareholders Meeting **an amendment in the Company's Articles of Association** aimed at upgrading them to ensure compliance with the new provisions of Article R. 225-85 of the French Commercial Code relating to shareholders attending Meetings. Thus, the decree dated December 8, 2014 modified Article R. 225-85 of the French Commercial Code and set the minimum deadline for registering shares in order to be able to attend Meetings on the second trading day prior to the Meeting at midnight (instead of midnight on the 3 trading day preceding the Meeting).

By consequence, you are asked in this **sixteenth resolution** to vote in favor of the amendment, as described above in substance, in points 3 and 4 of Article 22 of the Company's Articles of Association.

Change in Article 10 aimed at not granting double voting right *(a resolution not authorized by the Board of Directors)*

(Resolution A)

The law aimed at boosting the real economy, promulgated on March 29, 2014, the so-called "Florange Act", generalized the **double voting right** for all listed companies on a regulated market, provided that the Company does not prohibit double voting rights in its Articles of Association. Note that the Florange Act stipulates that **double voting rights are automatically acquired** to any shares held **in a registered form by the same shareholder for at least two years.** The two-year holding period triggering the automatic acquisition of double voting rights started on the entry into force of the

Act (April 1, 2014) unless the acquisition of these double voting rights has been opted out by the Articles of Association amended before March 31, 2016.

Your Board of Directors has decided to submit to the approval of the Shareholders Meeting decision to amend the Articles of Association in order to opt out the double voting rights for the benefit of shareholders and keep the “one share – one vote principle”. While leaving the decision to the Shareholders Meeting, **your Board however does not approve this resolution** and recommends **voting against** such an amendment in Article 10.1 of your Company’s Articles of Association as it considers that these legal provisions with respect to double voting rights are in the interest of the Company **by bolstering its long-term shareholding structure**.

Summary of financial authorizations relating to the share capital submitted to the Combined Shareholders Meeting of April 22, 2015

Transactions/securities concerned	**Term of the authorization and expiry date**	**Cap on utilization** *(in euros and/or as a percentage)*
Share buyback program Except in a takeover bid period (resolution 15)	18 months October 22, 2016	€25 per share, within the €1 billion cap; as the Company may not hold more than 10% of its share stock

3. DRAFT RESOLUTIONS SUBMITTED TO THE GENERAL MEETING

Ordinary business

First Resolution

Approval of the company accounts for fiscal year 2014

The General Shareholders' Meeting, after reading the report of the Chairman of the Board of Directors, referred to in Art. L. 225-37 of the French Commercial Code, the management report of the Board of Directors and the reports of the auditors, approves the presented accounts for 2014 comprising the balance sheet, the income statement and the appendices, as well as the operations referred to in these accounts and summarized in these reports.

Second resolution

Approval of the consolidated financial statements for fiscal year 2014

The General Shareholders' Meeting, after reading the report of the Chairman of the Board of Directors, referred to in Art. L. 225-37 of the French Commercial Code, the management report of the Board of Directors and the reports of the auditors, approves the presented consolidated accounts for 2014 comprising the balance sheet, the income statement and the appendices, as well as the operations referred to in these accounts and summarized in the reports.

Third resolution

Approval of the expenses and charges referred to in Article 39.4 of the French General Tax Code

Pursuant to Article 223 (c) of the French General Tax Code, the General Shareholders' Meeting approves the expenses and charges accounted for by the Company and referred to in Article 39.4 of the said Code, which amount to a total sum of €706,589 and which, taking the tax loss into account, have reduced the tax losses carried forward by the same amount.

Fourth resolution

Appropriation of the income for fiscal year 2014 and payment of the dividend

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, notes that the financial statements for the year ended December 31, 2014 approved by this meeting show income of €468,647,473 and resolves to appropriate it as follows:

(in euros)	**2014**
Net income 2014	**468,647,473**
Previous retained earnings/losses	**-**
I.e. a total amount of	**468,647,473**
To be allocated as follows[1]:	
• legal reserve (5% of the profit for the fiscal year)	**23,432,373**
• dividends (€0.70 x 548,503,826 shares)[2]	**383,952,678**
• 2014 retained earnings/losses	**61,262,421**
For information, shareholders' equity after appropriation and distribution of the dividend	
Capital	2,811,509,005
Issue, merger and transfer premiums	6,978,298,718
Legal reserve	262,683,135
Other reserves	-
2014 retained earnings/losses	61,262,421
TOTAL[3]	**10,113,753,279**

(1) Subject to approval by the General Shareholders' Meeting
(2) The total amount of the distribution indicated in the above table is calculated on the basis of the 562,301,801 shares comprising the authorized share capital on December 31, 2014, reduced by the number of treasury shares (13,797,975) held on that date, and may vary depending on changes in the number of shares conferring entitlement to dividends up to the ex-dividend date. Consequently, the deduction from "2014 retained earnings/losses" may change depending on the final total amount paid in respect of the dividend.
(3) After appropriation of income and distribution of the proposed dividend for 2014, the Company's shareholders' equity will be €10,113,753,279.

The dividend is set at €0.70 per share for each of the shares entitled to the dividend. In accordance with Art. 243a of the French Tax Code for individual beneficiaries resident for tax purposes in France, this dividend will automatically be taken into account for the purposes of determining their overall income subject to income tax at the sliding rate, and will be eligible for an allowance of 40% of the gross amount received (Article No. 158-3-2 of the General Tax Code).

In accordance with the legal provisions, the General Shareholders' Meeting notes that in the three fiscal years preceding fiscal year 2014, the following dividends were distributed:

Fiscal year	**Number of shares remunerated**	**Dividend per share** *(in €)*	**Total** *(in €)*
2013	534,637,781	0.70	374,246,447
2012	507,848,922	0.70	355,494,245
2011	505,415,033	0.70	353,790,523

All the sums mentioned in the column "dividend per share" in the above table were eligible for the allowance of 40%.

The shares will go ex-dividend on May 5, 2015 and the dividend will be paid with effect from May 7, 2015. In the event that, when these dividends are paid, the Company owns some of its own shares, the amount of the dividends not paid in respect of those shares will be appropriated to the retained earnings/losses account.

Fifth resolution

Approval of related-party agreements (except modification of agreements with respect to Mr. Antoine Frérot)

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, after taking note of the report of the Board of Directors and the special report of the Statutory Auditors on the agreements submitted under Art. L. 225-38 and L. 225-40 to L. 225-42 of the French Commercial Code, approves this report in all its terms as well as any new agreement(s) stated, approved by the Board of

Directors during the year ended December 31, 2014, and takes note of the information relating to the agreements concluded and commitments given during previous fiscal years.

Sixth resolution

Approval of an agreement and related-party agreement with respect to Mr. Antoine Frérot

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, after taking note of the report of the Board of Directors and the special report drawn up by the Statutory Auditors pursuant to Article L. 225-38 of the French Commercial Code, approves the agreements and commitments with respect to Mr. Antoine Frérot referred to this report under the terms of Article L. 225-40 of the said Code (establishment of a long-term incentive remuneration plan, the "Management Incentive Plan").

Seventh resolution

Renewal of the directorship of Mrs. Maryse Aulagnon as a Director

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to the recommendation of the Board of Directors and after consultation with the Nominations Committee, decides to renew the mandate of **Mrs. Maryse Aulagnon** for a period of four years, which will end after the Ordinary General Shareholders' Meeting called upon to decide on the accounts for the fiscal year ending December 31, 2018.

Eighth resolution

Renewal of the directorship of Mr. Baudouin Prot as a Director

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to the recommendation of the Board of Directors and after consultation with the Nominations Committee, decides to renew the mandate of **Mr. Baudouin Prot** for a period of four years, which will end after the Ordinary General Shareholders' Meeting called upon to decide on the accounts for the fiscal year ending December 31, 2018.

Ninth resolution

Renewal of the directorship of Mr. Louis Schweitzer as a Director

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to the recommendation of the Board of Directors and after consultation with the Nominations Committee, decides to renew the mandate of **Mr. Louis Schweitzer** for a period of four years, which will end after the Ordinary General Shareholders' Meeting called upon to decide on the accounts for the fiscal year ending December 31, 2018.

Tenth resolution

Appointment of Mrs. Homaira Akbari as a Director

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to the recommendation of the Board of Directors and after consultation with the Nominations Committee, decides to appoint **Mrs. Homaira Akbari** as a director for a period of four years, which will end after the Ordinary General Shareholders' Meeting called upon to decide on the accounts for the fiscal year ending December 31, 2018.

Eleventh resolution

Appointment of Mrs. Clara Gaymard as a Director

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to the recommendation of the Board of Directors and after consultation with the Nominations Committee, decides to appoint **Mrs. Clara Gaymard** as a director for a period of four years, which will end after the Ordinary General Shareholders' Meeting called upon to decide on the accounts for the fiscal year ending December 31, 2018.

Twelfth resolution

Ratification of the co-optation of Mr. George Ralli as a Director

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, ratifies the co-optation, resolved by the Board of Directors on March 10, 2015, of **Mr. George Ralli** as a Director, with immediate effect, replacing Groupama SA, which has resigned, for the remaining term of office of his predecessor until the Ordinary General Shareholders' Meeting called upon to decide on the financial statements for the fiscal year ending December 31, 2015.

Thirteenth resolution

Opinion on the remuneration due or attributed for the fiscal year 2014 and the 2015 remuneration policy with reference to Mr. Antoine Frérot

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings and having considered the report of the Board of Directors, issued a favorable opinion on the remuneration due or attributed for the year ended December 31, 2014 and on the 2015 remuneration policy with reference to Mr. Antoine Frérot, Chief Executive Officer, as set forth in Chapter 15.1.1 of the reference document for 2014 and repeated in the report of the Board of Directors.

Fourteenth resolution

Setting of the yearly amount of Directors' fees attributed to the members of the Board of Directors

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, decides on € 1,080,000 as total fees to be distributed among the Members of the Board of Directors for the fiscal year ending December 31, 2015, an amount which shall be repeated every year unless changed by another decision of the General Shareholders' Meeting.

In case of naming new directors or non-renewal of directors by the General Shareholders' Meeting, or in case of resignation of a director, this total amount will be attributed *prorata temporis* based on the duration of the function of member of the Board of Directors concerned during the year in question.

Fifteenth resolution

Authorization to be given to the Board of Directors to deal in the Company's shares

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, after taking note of the report of the Board of Directors, authorizes the Board of Directors, with the power to sub-delegate and under the conditions established by law, in accordance with Art. L. 225-209 *et seq.* of the French Commercial Code, to buy or arrange the purchase of shares of the Company, with a view to:

- implementing all Company stock option plans within the scope of the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan; or
- awarding or selling shares to employees in respect of their association with the benefits of the Company's expansion and the implementation of any company or group savings plan (or equivalent plan) under the conditions provided for by law, in particular Articles L. 3332-1 et *seq.* of the French Labor Code; or

- awarding bonus shares within the scope of the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code; or
- in general, honoring obligations associated with stock option programs or other share allocations to employees or corporate officers of the issuer or of an associated company; or
- the delivery of shares upon the exercise of rights attached to securities giving access to the capital by way of reimbursement, conversion, exchange, presentation of a coupon or in any other way; or
- the cancellation of all or part of the securities so bought; or
- the delivery of shares (by way of exchange, payment or otherwise) in the context of acquisition, merger, spin-off or contributions; or
- engaging in secondary market making/liquidity activities with respect to Veolia Environnement shares through an investment service provider in the context of a liquidity contract in accordance with the professional code of conduct recognized by the French Financial Markets Authority.

This program is also intended to allow the use of any market practice that might be accepted by the Financial Markets Authority, and more generally, the completion of any other operation in accordance with the regulations in force. In such a case, the Company will inform its shareholders by way of a press release.

Purchases of the Company's shares may relate to a number of shares such that:

- **on the date of each buyback, the total number of shares so purchased by the Company since the start of the share buyback program (including those forming part of said buyback) may not exceed 10% of the shares comprising the Company's capital on that date**; this percentage is applied to the capital according to operations that affect it after this General Shareholders' Meeting, or **for information purposes, on December 31, 2014 a maximum buyback ceiling of 54,850,382 shares**, it being specified that (i) the number of shares purchased for their conservation and their subsequent sale as part of a merger, spin-off or contribution may not exceed 5% of its share capital; and (ii) when shares are bought to increase liquidity under the conditions defined by the General Regulations of the AMF (the French Financial Markets Authority), the total number of shares taken into account for the calculation of the aforementioned limit of 10% corresponds to the number of shares bought, after deduction of the number of shares sold during the period of the authorization;
- the number of shares the Company holds at any given time does not exceed 10% of the shares comprising the Company's capital on the date in question.

The purchase, sale or transfer of shares can be effected at any time within the limits authorized under the legal and regulatory provisions applicable except in periods of public offerings and by any means, on regulated markets, multilateral trading facilities, with systematic internalizers or over the counter, including by purchase or sale of blocks (without limiting the portion of the buyback program being realized by this method), by public purchase or exchange offer, or by using options or other forward financial instruments traded on regulated markets, multilateral trading facilities, with systematic internalizers or over the counter, or through delivery of shares following the issuing of securities giving access to the capital of the Company via conversion, swaps, repayment, use of a warrant or in any other way either directly or indirectly via an investment service provider.

The maximum purchase price of the shares in the context of this resolution will be €25 per share (or the exchange value of that amount on the same date in any other currency), this maximum price only being applicable to purchases decided upon with effect from the date of this Meeting and not to forward transactions concluded pursuant to an authorization given by a previous Shareholders' Meeting and providing for purchases of shares after the date of this Meeting.

The General Shareholders' Meeting delegates to the Board of Directors, in the event of a change in the nominal value of the shares, to increase the capital by the capitalization of reserves, allocation of free shares, stock split or reverse stock split, distribution of reserves or of any other assets, redemption of the capital, or any other operation relating to the capital or shareholders' equity, the power to adjust the maximum purchase price referred to above in order to take account of the impact of such operations on the value of the shares.

The total amount allocated to the share buyback program authorized above may not exceed €1 billion.

With effect from the date hereof, this authorization cancels any as yet unused part of any previous authorization granted to the Board of Directors. **This authorization is given for a period of eighteen months with effect from the date hereof.**

The General Shareholders' Meeting confers all necessary powers on the Board of Directors, including the power to sub-delegate under the conditions provided by law, to make decisions pursuant to this authorization and to implement it, and, if necessary, to specify and determine the terms and conditions of such implementation, to carry out the buyback program, and in particular to place any stock market orders, conclude any agreement, allocate or reallocate the shares purchased to the objectives pursued in accordance with the applicable legal and regulatory conditions, to determine the manner in which the rights of holders of securities or options will be preserved, if necessary, in accordance with the legal, regulatory or contractual provisions, to make any declarations to the French Financial Markets Authority and to any other competent authority, to complete any other formalities, and, in general, to do whatever is necessary.

Extraordinary business

Sixteenth resolution

Modification of Article 22 of the Articles of Association regarding shareholders' participation in the Meetings

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Extraordinary General Shareholders' Meetings, decides, pursuant to Article R. 225-85 of the French Commercial Code, which provides that the right to participate in meetings is subject to shareholders' shares being registered in their name or in the name of the intermediary acting on their behalf on the second business day preceding the date of the Meeting at 0.00 a.m., Paris time, to modify points 3 and 4 of Article 22, *"General Shareholders' Meetings",* of the Articles of Association of the Company as follows:

(The parts added to the Articles of Association are indicated in bold. The deleted provisions, which are indicated with a strike-out, will no longer appear in future Articles of Association):

3 - *The right to participate in Meetings is subject to the* ***registration of the shares*** *in the name of the shareholder or in the name of the intermediary acting on their behalf ~~on the third business day preceding the date of the meeting, at 0.00 a.m., Paris time,~~* ***within the periods and under the conditions set forth in the legal and regulatory provisions in force****, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorized intermediary.*

Registration of the shares in bearer share accounts kept by the authorized intermediary must be evidenced by a certificate of participation issued by such intermediary, attached to the postal ballot or proxy ballot form or to a request for an admission card in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to any shareholder who wishes to attend the Meeting in person and has not received an admission card ~~by the third business day prior to the Meeting, at 0.00 a.m., Paris time~~ ***by the date on which the right to participate in the Meetings must be proven in conformance with the legal and regulatory provisions in force.***

4 – Pursuant to a decision of the Board of Directors, shareholders may take part in General Shareholders' Meetings via videoconference or by means of telecommunication or electronic transmission, including the Internet, under the conditions provided by the regulations applicable at the time of their use. Notice of such decision will be given in the announcement of the Meeting and/or in the notice convening the Meeting. In this case, the shareholders concerned will be deemed to be present for the purposes of calculating the quorum and majority at the Meeting in question.

Shareholders may vote by post or appoint a proxy in accordance ~~with the law and regulations~~ ***the legal and regulatory provisions in force****. Under the conditions laid down by the current regulations, shareholders may send in their postal voting forms for any General Shareholders' Meeting either on paper, or, pursuant to a decision of the Board of Directors published in the announcement of the Meeting and/or in the notice convening the Meeting, by electronic transmission under the conditions provided by the said notice. Notice of the appointment of a proxy, and notice of the cancellation of a proxy, may be given by way of a form completed on paper or electronically.*

Pursuant to a prior decision of the Board of Directors, the completion and signature of electronic forms may take place using a reliable identification process satisfying the conditions provided by the first sentence of the second paragraph of Article 1316-4 of the French Civil Code, which may consist of a user name and password, or any other method provided by the regulations in force. Proxies or votes expressed in this way before the Meeting using such electronic means, and the receipt given for such proxies or votes, will be deemed to be in writing, authentically signed and universally enforceable, on the understanding that in the event ~~of shares being sold~~ ***that a transfer of property takes place*** *before ~~0.00 a.m., Paris time, on the third business day preceding the Meeting,~~* ***the date on which the right to participate in the Meetings must be proven in conformance with the legal and regulatory provisions in force****, the Company will invalidate the proxy or vote expressed before that date and time, or will make the necessary amendments to it, as the case may be*.

An attendance register will be certified as correct by the officers of the Meeting, in accordance with the regulations in force. (...)"

Resolution A – Modification of Article 10 of the Articles of Incorporation to not grant double voting rights *(resolution not approved by the Board of Directors)*

The Board of Directors, at their meeting on March 10, 2015, planned to submit the following resolution to the General Shareholders' Meeting but resolved not to approve it in order to encourage long-term share ownership.

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Extraordinary General Shareholders' Meetings, decides, under the powers provided by Paragraph 3 of Article L. 225-123 of the French Commercial Code, to not grant a double voting right and, consequently, to modify, as follows, Article 10, *"Rights and obligations attached to shares"* of the Articles of Association of the Company:

(The parts added to the Articles of Association are indicated in bold. The deleted provisions, which are indicated with a strike-out, will no longer appear in future Articles of Association):

"1 – Each share shall confer the right to a portion of the profits or capital proportional to the amount of the capital which it represents and shall confer ~~voting~~ rights ***to one vote*** *and to be represented in the General Shareholders' Meetings, in accordance with the conditions laid down by the French Commercial Code and these Articles of Association.*

The Company's registered shares, including the Company's shares that may be allocated freely under an increase by incorporation of reserves, profits, or issue premiums do not carry double voting rights, contrary to the last paragraph of Article L. 225-123 of the French Commercial Code.

Every shareholder shall have the right to be informed about the course of the Company's business and to have certain business documents communicated at the times and subject to the conditions laid down by the French Commercial Code and these Articles of Association."

Ordinary and extraordinary business

Seventeenth resolution

Powers to carry out formalities

The General Shareholders' Meeting, acting in accordance with the quorum and majority criteria required for Extraordinary General Shareholders' Meetings, grants all powers to the holder of an original, copy or extract of the minutes of its deliberations to carry out any filings and formalities required by law.

A5. REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED LABOUR, ENVIRONMENTAL AND SOCIAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

This is a free translation into English of the Statutory Auditor's report issued in French and it is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 December 2014

Veolia Environnement S.A.

To the Shareholders,

In our capacity as Statutory Auditor of Veolia Environnement, appointed as Independent Third Party, accredited by the COFRAC under number 3-1049(1), we hereby present our report on the company's consolidated labour, environmental and social information (hereinafter the "CSR Information") for the year ended 31 December 2014, presented in the management report. This report has been prepared in accordance with Article L.225-102-1 of the French Commercial Code.

Responsibility of the company

The Board of Directors is responsible for preparing the company's management report including CSR Information in accordance with the provisions of Article R.225-105-1 of the French Commercial Code and with the guidelines used by the company (hereinafter the "Guidelines"), summarized in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulations, the French code of ethics governing the audit profession and the provisions of Article L.822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable law and regulations.

Responsibility of the Statutory Auditor

On the basis of our work, it is our responsibility to:

- attest that the required CSR Information is presented in the management report or, in the event that any CSR Information is missing, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is presented fairly, in all material respects, in accordance with the Guidelines (Opinion on the fair presentation of CSR Information);
- at the request of the company, express reasonable assurance, that information selected by the Group and identified by the symbol √ in the chapters 6.3.2 and 17.2 of the management report is fairly presented, in all material respects, in accordance with the Guidelines (Reasonable assurance on a selection of CSR information).

Our work was performed by a team of nine people between November 2014 and February 2015 over a thirty-week period. We were assisted by our CSR specialists.

We performed the procedures below in accordance with professional auditing standards applicable in France, the decree dated 13 May 2013 determining the manner in which independent third parties perform their work, and ISAE 3000(2) concerning our opinion on the fair presentation of CSR Information.

(1) Scope available on the website www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

1. Statement of completeness of CSR Information

On the basis of interviews with individuals in charge of the relevant departments, we reviewed the company's sustainable development strategy with respect to the social and environmental impact of its activities and its social commitments and, where applicable, any initiatives or programmes it has implemented as a result.

We compared the CSR Information presented in the management report with the list provided for in Article R.225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that the explanations provided comply with the provisions of Article R.225-105 paragraph 3 of the French Commercial Code.

We verified that CSR Information covers the consolidation scope, *i.e.* the company and its subsidiaries, as defined by Article L.233-1 and the entities it controls as defined by Article L.233-3 of the French Commercial Code, within the limitations set out in methodological information presented in the paragraphs 6.3.2, 6.3.3 and 17.2 of the management report.

Based on these procedures and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Opinion on the fair presentation of CSR Information

Nature and scope of the work

We conducted seven interviews with the people responsible for preparing CSR Information in the departments in charge of collecting the information and, where appropriate, with those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, impartiality and understandability, taking into account best practices, where appropriate;
- verify that a data-collection, compilation, processing and control process has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures followed to prepare the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information, given the characteristics of the company, the social and environmental challenges of its activities, its sustainable development strategy and industry best practices.

With regard to the CSR Information that in our view is the most important, presented in Appendix 1:

- at consolidation level, including the parent company, subsidiaries and controlled entities, we consulted documentation and conducted interviews to substantiate the qualitative information (organization, policy, action), we performed analytical procedures on the quantitative information and used sampling techniques to verify the calculations and data consolidation. We also verified that the data was consistent by cross-checking it with other information in the management report;
- at the entity level for a representative sample of entities selected, presented in Appendix 2, on the basis of their activity, their contribution to the consolidated indicators, their location and risk analysis, we conducted interviews to verify that procedures were followed correctly and to identify any undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents on average 48% of quantitative labour information, between 19% and 59% of quantitative environmental information and on average 100% of quantitative societal information.

For the other consolidated CSR information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, based on our professional judgement, were sufficient to enable us to provide limited assurance; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to information and internal control systems, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on our work, we did not identify any material anomalies likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly in accordance with the Guidelines.

3. Reasonable assurance on a selection of CSR Information

Nature and scope of the work

For the information selected by the Group and identified by the symbol √, presented in Appendix 1, our audit consisted of work of the same nature as described in paragraph 2 above for CSR information considered the most important, but in more depth, particularly regarding the number of tests.

The selected sample represents on average 48% of quantitative labour information and between 50% and 68% of quantitative environmental information identified by the symbol √.

We consider that this work enables us to express a conclusion of reasonable assurance for the information selected by the Group and identified by the symbol √.

Conclusion

In our opinion, the information selected by the Group and identified by the symbol √ is fairly presented, in all material respects, in compliance with the Guidelines.

The Auditors

French original signed by:

Paris La Défense, 17 March 2015

KPMG S.A.

Philippe Arnaud	Karine Dupré
Partner	*Partner*
Climate Change & Sustainability Services	

Appendix 1

Quantitative labour information	Level of assurance
Headcount at 31/12, breakdown by age, gender, geographical area and work category	
Frequency rate of work accidents with sick leave (excluding the journey to and from work)	
Severity rate of work accidents with sick leave (excluding the journey to and from work)	
Number of work accidents with sick leave (excluding the journey to and from work)	
Work days lost due to work accidents (excluding the journey to and from work) (long term and fixed term contracts)	
Total annual headcount – full time equivalent (FTE)	
Absenteeism in calendar days	
Weekly work time (in hours)	
Number of overtime hours paid	
Annual amount of working days per employee	
Average number of working days per week for a full time employee	
Absenteeism rate	
Number of collective agreements signed	
Of which number of collective agreements related to health, safety or work conditions	
Total number of staff representatives	
Managers engagement rate	
Coverage by collective bargaining agreements	Reasonable
Total number of departures	
Of which number of individual and collective redundancies (unlimited term contract)	
Hours of training	
Average annual gross remuneration by gender	Limited

Quantitative environmental information	Level of assurance
% of relevant revenue covered by an EMS (ISO 14001 certified facilities or internal EMS)	
Total direct greenhouse gases emissions	
Total indirect greenhouse gases emissions	
Total energy consumption (thermal)	
Total energy consumption (electrical)	
Consumption of renewable or alternative energies	
Total energy production (thermal)	
Total energy production (electrical)	
Renewable or alternative energy production	Reasonable
Average concentration of emissions (CO, NO_x, SO_2, HCl, dust, dioxins) from hazardous and non-hazardous waste incinerators	
Material recovery rate of treated waste	
Yield treatment in BOD5 of WWTPs with a treatment capacity >= 50 000 resident equivalent	
Volume of leaks of drinking water distribution networks	Limited

Quantitative social information	Level of assurance
Number of approved suppliers assessed on their CSR performance	
Percentage of contracts integrating sustainable development requirements	
Amount of purchasing in France made with the protected and adapted work sector	
Percentage of purchasing made in France to the SME / mid-tier firms	Limited

Qualitative information	
Labour topics	Policies implemented regarding training Organization of social dialogue including information procedures, consultation and negotiation with the employees Measures implemented to promote gender equality
Environmental topics	The company’s systems for dealing with environmental issues and, if appropriate, the assessment and certification process for environmental issues Measures of prevention, reduction or repair of discharges into the atmosphere, water and soil, impacting severely the environment Consideration of noise and of any other activity specific pollution Water consumption and water supply adapted to local constraints Consumption of raw materials and measures implemented to improve efficiency in their use Energy consumption and measures implemented to improve energy efficiency and renewable energy use Land usage Adaptation to consequences of climate change Measures implemented to protect and conserve the biodiversity
Social topics	Territorial, economic and social impact of the company activity on the local populations Actions of partnership and sponsorship Integration of social and environmental issues in the compay procurement policy Importance of subcontracting and consideration in the relationship with subcontractors and suppliers of their social and environmental responsibility

Appendix 2

Sample of selected entities	
Labour and environmental topics	Shenzhen Water Group Co Ltd (China) Veolia Australia Veolia Energy Czech Republic Veolia Spain Veolia Propreté Centre Ouest (France) Veolia Propreté Nord-Normandie (France) Veolia Romania Veolia United-Kingdom
Labour topics	Dalkia NV (Belgium) MAF Dalkia (United Arab Emirates) SADE (France) SARP (France) Société des Eaux de Marseille (France) Onyx ARA (France) Proactiva Colombia Proactiva Ecuador Interagua UES Générale des Eaux (France) Veolia Water Bulgaria Veolia Water China Veolia Water Slovakia Veolia Water Czech Republic Veolia United States Veolia Propreté Ile-de-France (France) Veolia Umweltservice (Germany)
Environmental topics	BS|ENERGY – Energy Activity (Germany) OEWA – Water activity (Germany) SARPI France Veolia Water Centre-Est (France) Veolia Energy China Veolia Energy Hungary Veolia Energy Lithuania (Vilnius) Veolia Energy Poland Veolia Propreté Rhin-Rhône (France) Veolia Propreté Méditerranée (France)
Social topics	Veolia Headquarter (France)

B. CONCORDANCE TABLES

Annual Financial Report

To assist in the reading of this registration document, the concordance table below identifies the information included in the annual financial report that must be published by listed companies pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the general regulations of the French financial markets authority (*Autorité des marchés financiers*).

	Chapters/ sections of the registration document	Pages
1 – Consolidated financial statements	20.1	204
2 – Financial statements	20.2	323
3 – Management report	see concordance table below	n/a
4 – Statement by the person responsible for the annual financial report	1	9
5 – Statutory Auditors’ report on the consolidated financial statements and the financial statements	20.1/20.2	321 and 356
6 – Disclosure regarding the Statutory Auditors’ fees	9.6	124
7 – Report from the Chairman of the Board of Directors on corporate governance and internal control (Article L. 225-37 of the French Commercial Code)	Appendix A2	394
8 – Statutory Auditors’ report on the report from the Chairman of the Board of Directors on internal control (Article L. 225-37 of the French Commercial Code)	Appendix A3	395

Management Report from the Board of Directors

This registration document includes all the information from the management report from the Board of Directors of the Company as required, particularly by Articles L. 225-100 *et seq*. and L.232-1II of the French Commercial Code. Please find below references to the sections of the registration document corresponding to the sections of the management report as adopted by the Board of Directors of the Company.

	Chapters/ sections of the registration document	Pages
1 – Activity		
Position and activity of the Company and, as applicable, its subsidiaries and controlled companies by business division during the previous fiscal year and of all the companies within the scope of consolidation.	6 and 9	37 and 98
Income from the Company’s activity, subsidiaries, and controlled companies by business division (summary analysis of accounting documents, for the most significant items at least: Revenues, operating costs, income from ordinary activities, net income, etc.).	9 and 20.1	98 and 204
Objective and exhaustive analysis of business development, income and financial position of the Company and, specifically, its debt position in terms of business volume.	6, 9, 10 and 20.1	37, 98, 130 and 204
Analysis of key non-financial performance indicators relating to the Company’s specific activity and, particularly, information relating to environmental or employee-related issues.	6, 9, 17 and 20.1	37, 98 179 and 204
Description of the main risks and uncertainties facing the Company as well as indications regarding the use of financial instruments, when this is relevant to changes in assets and liabilities, the financial position and the Company’s profit and loss.	4.1 and 4.2	13 and 19
Price, credit, liquidity and cash flow risk, risk of exchange rate fluctuations, risks incurred in the event of interest rate fluctuations and lower exchange rates: information on the reasons for trading on the market in question.	4.1.1.1 and 4.1.2.1 and 20.1 Note 30	13,15 and 284
Research and development activities.	11	131

	Chapters/ sections of the registration document	Pages
Foreseeable development of the Company's situation, the status of all companies making up the scope of consolidation, and future outlook.	13	140
Important events that occurred between the closing date of the fiscal year and publication of the report and between the closing date of the fiscal year and the date on which the consolidated financial statements were prepared.	12.2 and 20.1 Note 40	139 and 316
2 - Accounting and financial information		
Changes made to the presentation of the annual financial statements or the valuation methods used.	20.1 and 20.2	204 and 323
Amount of non-tax deductible expenses.	20.2 and Appendices	323
Overall amount of sumptuary expenditure and the corresponding tax (Article 223 of the French General Tax Code).	20.2 and Appendices	323
Reintegration into taxable income of certain general expenses by overall figures and expense category.	20.2 and Appendices	323
Income for the fiscal year and proposed allocation of that income.	20.3	359
Reminder of total dividends paid during the last three fiscal years.	20.3	359
3 - Information regarding subsidiaries and equity investments		
Status of equity investments in companies whose headquarters are on French soil and accounting for more than 1/20, 1/10, 1/5, 1/3, 1/2, or 1/3 of the share capital or voting rights of those companies.	20.2	323
Status of controlling interests in companies whose headquarters are on French soil.	5.2, 9.1.1 and 20.1 Note 41	36, 98 and 316
4 – Information regarding share capital, reciprocal shareholdings and treasury shares		
Name of the companies controlled and proportion of the share capital held by the latter in the Company (treasury shares).	18.1 and 20.1, Note 41	199 and 316
Identity of individuals or corporate entities owning more than 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3, 18/20 or 19/20 of the share capital or voting rights at shareholders' meetings.	18	199
5 – Employee profit-sharing in the share capital as of the last day of the fiscal year		
Percentage of the Company's share capital held by employees.	17.4	195
Status of employee profit-sharing in the share capital of the Company as of the last day of the fiscal year.	18	199
Statement of the proportion of share capital represented by shares held by employees of the Company and employees of related companies.	17.4	195
Agreements among shareholders that may result in a reduction in the transfer of shares and the exercise of voting rights.	22	381
6 - Stock options and bonus share allocations		
Stock options and bonus share allocations.	17.3 and 21.1	192 and 368
7 - Information regarding corporate officers		
List of offices and positions held in all Companies by every corporate officer.	14.1	142
Choices regarding the method of exercise of executive management	16.3.1	176
Status of corporate officers: appointment, renewal and notification of cooptation.	14.1	142
Transactions in Company shares by Executive Committee members.	17.6.2	198
Obligation of corporate officers to retain bonus shares and/or stock options allocated to them.	17.3	192
Corporate officers' compensation and benefits:	15	153
• total compensation and benefits of any kind awarded to corporate officers;		
• description of the fixed, variable and exceptional components of compensation and benefits, as well as the criteria pursuant to which they were calculated or the circumstances under which they were established;		
• detail of commitments of any kind made by the Company to its corporate officers and, particularly, any component of compensation, indemnities or benefits payable or likely to be payable upon taking, leaving or changing such positions or subsequent to that event;		

	Chapters/ sections of the registration document	Pages
• further details on the mechanisms for determining such commitments and their amounts, if included in the agreements.		
Total attendance fees received by members of the Board of Directors over the past fiscal year.	15.1.2	157
8 – Miscellaneous information		
Agreements concluded between a corporate officer or a shareholder holding more than 10% of voting rights and a subsidiary (excluding current agreements)	20.1 Note 38	314
Summary of resolutions submitted at the shareholders' meeting.	Appendices	
Factors likely to have an impact in the event of a public offer.	22	381
Information on facilities classified as high risk: • policy for preventing the risk of technological accident implemented by the Company; • ability of the Company to cover third-party liability to property and persons resulting from the operation of said facilities; • means implemented by the Company to ensure the management of victim indemnification in the event of a technological accident for which the Company is liable	4.1.2.4 4.2.2.2.4 and 4.2.3	17, 25 and 27
9 – Statutory audit		
Terms of office of the Statutory Auditors.	2	10
10 - Documents to be attached as an appendix to the management report and/or to be disseminated to shareholders		
Income statement for the last five fiscal years.	20.2	323
Information on supplier terms of payment	20.2	323
• Report from the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code.		
• Report from the Statutory Auditors on the report from the Chairman of the Board of Directors. • Report from the Statutory Auditors on the annual financial statements, including the latter's certification of the accuracy and fair presentation of the information contained in the management report on the compensation of corporate officers. • Additional reports on the transactions carried out by the Company relating to stock options and allocations of bonus shares.	Appendices	
• Inventory of marketable securities held in portfolios at the end of the fiscal year.	20.2	323
Summary table: • on the status of valid delegations of authority and powers granted to the Board of Directors or to the Management Board by the Shareholders' Meeting in respect of capital increases; • on the use of that delegation in the past fiscal year.	21.1.4	373
Report on share purchase transactions pre-approved by the Shareholders' Meeting under a buyback program.	21.1.3	370

Workforce-related and environmental information and information on corporate sustainable development commitments (Articles L. 225-102 and R. 225-105 of the French Commercial Code)

	Chapters/sections of the Registration Document	Pages
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b) Organization of work: • organization of working time; • absenteeism;	17.2	188
c) Employee relations: • organization of dialogue with employees, particularly information-sharing procedures and consultation and negotiation with personnel; • an overview of collective bargaining agreements;	17.1.5 and 17.2	185 and 188
d) Health and safety: • health and safety conditions at work; • an overview of the agreements signed with labor unions and employee representatives in relation to health and safety at work; • workplace accidents, including their frequency and severity, as well as occupational diseases;	17.1.2 and 17.2	180 and 188
e) Training: • training-related policies put in place; • the total number of hours of training;	17.1.3 and 17.2	182 and 188
f) Equal treatment: • measures taken to promote gender equality; • measures taken to promote the recruitment and integration of disabled people; • the policy on combating discrimination;	17.1.4 and 17.2	183 and 188
g) Promoting and complying with the provisions of the International Labor Organization's fundamental conventions on: • respect for freedom of association and the right to collective bargaining; • the elimination of discrimination in respect of employment and occupation; • the elimination of forced or compulsory labor; • the effective abolition of child labor;	17.1.4, 17.1.5 and 17.2	183, 185 and 188
2 - Environmental information:		
a) General environmental policy: • organizing the company to take into account environmental issues and, where applicable, evaluation and certification procedures relating to such issues; • action to train and inform employees about environmental protection; • resources dedicated to the prevention of environmental risks and pollution; • the amount of contingency guarantees and reserves relating to environmental issues, on condition that this information is not liable to be detrimental to the company's interests in an ongoing dispute;	6.3.2.1	72
b) Pollution and waste management: • measures to prevent, reduce or compensate for air, water or soil pollution that has a severe environmental impact; • measures to prevent, recycle and eliminate waste; • taking into account noise pollution and any other form of pollution specific to a particular activity;	6.3.2.2.2	78

	Chapters/sections of the Registration Document	Pages
c) Sustainable use of resources: • consumption and supply of water in accordance with local restrictions; • consumption of raw materials and measures taken to make more efficient use of these materials; • energy consumption, measures taken to improve energy efficiency and the use of renewable energy; • use of soils;	6.3.2.2.1	74
d) Climate change: • greenhouse gas emissions; • adapting to the consequences of climate change;	6.3.2.3	82
e) Protecting biodiversity: • measures taken to preserve or develop biodiversity;	6.3.2.4	84
3 - Information on corporate sustainable development commitments		
a) Regional, local, economic and social impact of the Company's activities: • with respect to employment and regional development; • on neighboring and local populations;	6.3.3.3 and 6.3.3.4	90 and 92
b) Relations with individuals or organizations that have an interest in the Company's activities, including organizations that support people into work, teaching institutions, environmental protection associations, consumer groups and local residents: • the conditions for dialogue with these individuals or organizations; • partnership and corporate patronage initiatives;	6.3.3.2 6.3.3.1/Organization + 6.3.3.3/Foundation Actions + 6.3.3.4/Foundation	87 85 90 92
c) Outsourcing and suppliers: • taking social and environmental factors into account in the procurement policy; • the importance of outsourcing and factoring suppliers' and subcontractors' social and environmental commitments into relations with them;	6.3.3.2/Outsourcing and suppliers	87-89
d) Fair practice: • measures taken to safeguard against corruption; • consumer health and safety measures;	6.3.3.2/Dialogue with authorities + 6.3.3.5 6.3.3.4	87 94 92
e) Other actions taken under this heading (3) to promote human rights.	6.3.3.6	94

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