REGISTRATION DOCUMENT 2010

Annual financial report

VEOLIA ENVIRONNEMENT

This is a free translation into English of Veolia Environnement's *document de référence* (the "registration document"), filed by Veolia Environnement with the French Regulatory Authority (*Autorité des marchés financiers* (AMF)) on March 30, 2011 under number D.11-0200, and is provided solely for the convenience of English-speaking readers. This document does not include the annexes to the French version of the registration document.

Veolia Environnement's Annual Report on Form 20-F, filed with the US Securities and Exchange Commission on April 18, 2011, contains substantially all of the information set forth in this registration document and certain additional information not included herein.

Pursuant to article 28 of European Regulation n° 809/2004, the following information is incorporated by reference in this registration document: (i) the consolidated financial statements and the corporate financial statements for the 2009 fiscal year and the corresponding statutory auditor's report, included in chapter 20, paragraphs 20.1 and 20.2, respectively, of Veolia Environnement's reference document for the 2009 fiscal year, filed with the French Regulatory Authority (AMF) financiers on March 30, 2010 under number D.10-0190, and (ii) the consolidated financial statements and the corporate financial statements for the 2008 fiscal year and the corresponding statutory auditor's report, included in chapter 20, paragraphs 20.1 and 20.2, respectively, of Veolia Environnement's reference document for the 2008 fiscal year, filed with the French Regulatory Authority (AMF) on March 30, 2009 under number D.09-0166.

AMF

This registration document was filed with the French Regulatory Authority (AMF) on March 30, 2011, 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* approved by the French Regulatory Authority (AMF). This document has been prepared by the issuer under the liability of the signatories.

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1 Persons assuming responsibility for the registration document

1.1 Person assuming responsibility for information contained herein

Mr Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement (hereafter, the « Company » or « Veolia Environnement »).

1.2 Certification

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 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. That letter contains no observation.

The Chairman and Chief Executive Officer

Antoine Frérot

2 Persons responsible for auditing the financial statements

2.1 Principal statutory auditors

KPMG SA

Commissaire aux comptes (Statutory Auditor), Member of the *Compagnie régionale de Versailles*

A company represented by Messrs. Jay NIRSIMLOO and Baudouin GRITON

1, Cours Valmy, 92923 Paris La Défense Cedex.

Company appointed by the combined general shareholders' meeting of May 10, 2007 in replacement of Salustro Reydel, for a period of 6 fiscal years, expiring at the end of the general shareholders' meeting called to approve the financial statements for the fiscal year ending December 31, 2012.

Ernst & Young et Autres

Commissaire aux comptes (Statutory Auditor), Member of the *Compagnie régionale de Versailles*

A company represented by Messrs. Pierre Hurstel and Nicolas Pfeuty

41, rue Ybry, 92576 Neuilly-sur-Seine Cedex.

Company appointed on December 23, 1999, with a term that was renewed at the general shareholders' meeting held on May 12, 2005 for a period of 6 fiscal years, expiring at the end of the general shareholders' meeting called to approve the financial statements for the fiscal year ending December 31, 2010.

2.2 Deputy statutory auditors

Mr Philippe Mathis

1, Cours Valmy, 92923 Paris La Défense Cedex.

Appointed by the combined general shareholders' meeting of May 10, 2007 for a period of 6 fiscal years, expiring at the end of the general shareholders' meeting called to approve the financial statements for the fiscal year ending December 31, 2012.

AUDITEX

Tour Ernst & Young, Faubourg de l'Arche, 92037 La Défense Cedex.

Appointed on May 12, 2005, for a term of 6 fiscal years, expiring at the end of the general shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2010.

3 Selected financial information [(1)]

Selected Consolidated financial statement figures presented in accordance with IFRS

	As of and for the year ended December 31,		
(€ million)	**2010**	**2009 (i)**	**2008 (i)**
Revenue	34,786.6	33,951.8	35,089.6
Operating cash flow before changes in working capital (iv)	3,741.5	3,577.7	3,788.1
Operating income	2,120.3	1,981.8	1,927.2
Net income attributable to owners of the Company	581.1	584.1	405.1
Net income attributable to owners of the Company per share – Diluted *(in euros)*	1.21	1.24	0.87
Net income attributable to owners of the Company per share – Basic *(in euros)*	1.21	1.24	0.88
Dividends paid (ii)	579.5	553.8	553.5
Dividend per share paid during the fiscal year *(in euros)*	1.21	1.21	1.21
Total assets	51,511.3	49,816.7	49,126.1
Total current assets (iii)	20,416.7	20,221.7	19,084.3
Total non-current assets	31,094.6	29,595.0	30,041.8
Equity attributable to owners of the Company	7,966.2	7,460.6	7,001.2
Equity attributable to non-controlling interests	2,928.5	2,670.1	2,530.5
Adjusted operating cash flow (iv)	3,653.8	3,513.6	3,636.2
Adjusted operating income	2,055.7	1,894.1	2,242.2
Adjusted net income attributable to owners of the Company	579.1	519.0	681.6
Net financial debt	15,218.0	15,127.7	16,528.2

(i) In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", the Income Statements of the Water Division's Dutch entities, divested in December 2010, the Waste-to-Energy entities in the Environmental Services Division, divested in August 2009, the freight entities in the Transportation Division, divested in December 2009, the German activities in the Energy Division, the activities in Gabon in the Water Division, the activities in Norway in the Environmental Services Division, and the transportation activities in United Kingdom, are grouped together in a separate line, "Net income from discontinued operations", in the 2010 financial statements and in fiscal years 2009 and 2008 presented for comparative purposes. Moreover, the Renewable Energies of which the divestiture process was interrupted in the end of 2010 are no longer presented in the income from discontinued operations.

(ii) Dividends paid by the Company.

(iii) Including assets classified as held for sale of €805.6 million as of December 31, 2010, €722.6 million as of December 31, 2009 and €203.0 million as of December 31, 2008.

(iv) Operating cash flow before changes in working capital, as presented 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 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. Pursuant to the new amendment specifying the conditions for implementing IAS 7 from January 1, 2010, the 2009 and 2008 adjusted operating cash flow was re-presented for replacement costs for respectively an amount of €360.9 million and €390.3 million.

(1) Definitions of the non-GAAP indicators appearing in the table are presented in Chapter 9, Section 9.2.1 below.

4 Risk factors

4.1 Risks relating to the issuer

4.1.1 Risks relating to the business environment in which Veolia Environnement operates

4.1.1.1 Competition and development

Competition

Due to the competitive nature of the Company's business, the Group needs to enhance its competitiveness and adapt its business model.

The Company's business is highly competitive and requires substantial human and capital resources and cutting-edge technical expertise in numerous areas.

Large international competitors and local niche companies serve each of the markets in which Veolia Environnement competes. Accordingly, the Company must make constant efforts to remain competitive and convince potential customers of the quality and value of its services. It may also need to develop new technologies and services in order to maintain or increase its competitive position, which could result in significant costs.

Within this framework, the Company performs a substantial portion of its business under contracts, often of a long-term nature, with public authorities and industrial and service sector customers. These contracts are often awarded through competitive bidding, at the end of which the Company may not be retained, even though it may have incurred significant expenses in order to prepare the bid.

Finally, the Company's contracts may not be renewed at the end of their term, which, in the case of major contracts, may require the Company to implement costly reorganization measures. The impact on Company results could be substantial, if the contract does not then provide for the transfer of the related assets and employees to the succeeding operator and/or appropriate compensation to cover Veolia Environnement's costs of termination.

Controlled growth

The Company has carried out and may continue carrying out external growth operations, particularly mergers or acquisitions whose impact on the business and profits could turn out to be less favorable than expected or be detrimental to its financial position.

As part of its external development strategy, the Company has conducted and may continue carrying out external growth operations, of any legal nature whatsoever, particularly through acquisitions of businesses, companies or mergers of varying sizes, some of which are significant at the Group level. These external growth operations involve numerous risks, including the following: (i) the assumptions underlying the business plans supporting the valuations may prove inaccurate, in particular with respect to synergies and expected commercial demand; (ii) the Company may fail to successfully integrate the companies acquired or merged and their technologies, products and personnel; (iii) the Company may fail to retain key employees, customers and suppliers of the companies acquired; (iv) the Company may be required or wish to terminate pre-existing contractual relationships, which could prove costly and/or be executed at unfavorable terms and conditions; and (v) the Company may increase its indebtedness to finance these external growth operations; and (vi) the Company may be forced to hive 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 anti-trust 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.

4.1.1.2 Market risks

Fluctuations in exchange and interest rates

In the course of its operational and financial activities, the Group is exposed to market risks. Fluctuations in interest rates, exchange rates and the liquidity risk must be anticipated in order to protect profits.

Veolia Environnement holds assets, earns income and incurs expenses and liabilities in a variety of currencies. The Group's financial statements are presented in euros. Accordingly, when it prepares its financial statements, the Group must translate its foreign currency-denominated assets, liabilities, income and expense items into euros at applicable exchange rates. Consequently, fluctuations in the exchange rate of the euro against these other currencies can affect the value of these items in the financial statements, even if their intrinsic value is unchanged in the original currency. For example, an increase in the value of the euro may result in a decrease in the reported value, in euro, of the Company's investments held in foreign currencies.

At the end of 2010, net financial debt excluding the fair value of hedging instruments was €15,218 million, of which 34.3% was floating-rate and 65.72% was fixed-rate, including 0% at capped floating rates (see Chapter 20, Section 20.1, Note 29.1.1 to the consolidated financial statements below). These fluctuations in interest rates may also affect the Company's future growth and investment strategy since a rise in interest rates may force Veolia Environnement to finance acquisitions or investments or refinance existing debt at a higher cost in the future.

For further information on the management of financial risks (interest rate risk, foreign exchange risk, equity risk, counterparty risk, derivative risk, commodity risk and liquidity risk), see also Section 4.2.3.2. below and Chapter 20, Section 20.1, Notes 28.1, 28.2 and 29 to the consolidated financial statements.

The Financing and Treasury Department is responsible for the short-term management of liquidity and financing. Similarly, the set-up and management of new major financing is centralized in order to optimize liquidity. For information on liquidity risk please refer to Section 4.2.3.1. below and the description of loan arrangements, as well as the tables in Chapter 20, Section 20.1, Note 29.3 to the consolidated financial statements.

Risks arising from the system of exchanging greenhouse gas emission allowances

As an operator of energy installations and, to a lesser extent, as a result of its management of final waste storage facilities, the Group is exposed to the inherent risks of the CO_2 allowance system introduced by the European Union and the Kyoto Protocol.

The rise in greenhouse gases in the atmosphere in fact led certain States and the international community to introduce regulatory provisions. The Kyoto Protocol, signed in December 1997, came into force in February 2005. Directive 2003/87/EC of October 13, 2003 implementing the Kyoto Protocol, created an emission allowance trading system within the European Union, known as ETS (*Emission Trading Scheme*). This system, which was set up in 2005, led to the creation of National Allowance Allocation Plans (NAAP).

These plans are being implemented in several phases. The pilot phase (NAAP 1), which aimed to set a price on carbon and put in place national registers, ran from January 1, 2005 to December 31, 2007. The current phase 2 (2008-2012) corresponds to the implementation of Kyoto. Allowances are granted free of charge to facilities. If a company exceeds its allowance then it must either adapt its facilities or purchase extra allowances, at market price, from a company that does not need them. Phase 3 (2013-2020) is a strengthening of the system with a view to reducing greenhouse gas emissions by 20% by 2020 (compared to 1990). As a consequence of this, from January 1, 2013, some of the allowances needed by the Group will have to be purchased (through an auction system), which will create extra expenses.

In all this, Veolia Environnement is exposed to a double-sided risk: Firstly, not being able to realize the reductions in emissions imposed by the system on a multi-year basis, which would mean the Group would have to incur extra expense to obtain the shortfall in allowances and, secondly, not being able to adjust its pricing policy so as to pass on the extra cost of purchasing allowances from January 1, 2013.

In addition the various cases of theft that hit the CO_2 allowances market in 2010 and which have continued into 2011, demonstrate that the Group is exposed to the risk of theft of the allowances it holds and the risk of receiving allowances that had previously been stolen. The Group is working to reinforce its control procedures and to draw up protective contract clauses so as to minimize this risk. At end 2010, the Group had not suffered any known thefts and has made sure that the allowances it holds do not figure on the list of stolen allowances.

4.1.1.3 Country risks

Business operations in some countries may be subject to political risks

While the Group's operations are concentrated mainly in Europe and North America (sales generated outside of these regions represented 14.5% of total Group revenue in 2010), the Group conducts business in markets around the world. The risks associated with conducting business in some countries can include the non-payment or slower payment of invoices (which is sometimes aggravated by the absence of legal recourse for non-payment), nationalization, employee-related risks, political and economic instability, increased foreign exchange risk and currency repatriation restrictions. The Company may not be able to insure or hedge against these risks. Furthermore, the Company may not be able to obtain sufficient financing for its operations in these countries. The setting of public utility fees and their structure may depend on political decisions that can impede any increase in fees for several years, such that they no longer cover service costs or provide appropriate compensation for a private operator.

Unfavorable events or circumstances in certain countries may lead the Company to record exceptional provisions, write-downs and/or impairments, which could have a material adverse effect on Veolia Environnement's results.

Geopolitical, criminal and terrorist risks

Water is a strategic resource that contributes to public health. Accordingly, the Group's activities must comply with laws and regulations that seek to safeguard water resources, production sites and water treatment facilities against criminal or terrorist acts. In the areas of waste management, energy services and public transportation the Company's installations and vehicles may become terrorist targets around the world. In addition, Veolia Environnement employees work and travel in countries where the risk of criminal acts, kidnapping or terrorism is either temporarily or permanently high. As a result, despite the preventive and safety measures implemented by the Company and the insurance policies subscribed, a criminal or terrorist attack could negatively affect the Company's reputation or operating results.

4.1.1.4 Risks arising from human resource management

Skills management

The Group transacts a variety of businesses requiring a wide range of continually evolving skills, so it can keep up with changes in its sector of the market, in particular its environment-related 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 does business creates a risk for the Group if it is not able to mobilize in a timely manner the skills required at all of its locations.

Diversity

The variety of human and professional profiles of staff at Veolia Environnement is an opportunity for the Group. Discrimination, non respect for equality of chances, the absence of a pro-active policy with regard to equality of handling in recruitment, induction and career development in the Company and access to training are factors of risk for the Company and which could reduce the Company's capabilities in facing up to the human challenges inherent in its business growth.

Employee health and safety

The labor-intensive requirements of the Group's businesses, their nature, the wide geographical disbursement of Veolia Environnement's employees in the field (in particular, on public roads and at customer sites), as well as difficult working conditions, make the management of employee health and safety particularly important. Despite the special attention paid by the Group to this issue (the question of risks related to human resource management is dealt with in more detail in paragraph 4.2.3.1, which sets out risk management steps taken), the increase in the frequency and severity of work accidents and the increasing incidence of work-related illnesses constitute a risk.

Industrial disputes could have a negative impact on the Company's image and its businesses

The Company's activity, which it carries on for the account of industrial concerns and local authorities, consists very often of essential services that always require human labor. The Company cannot rule out the occurrence of labor disputes (strikes, go slows or the destruction of property in extreme cases) that could cause disruption of business over a significant period of time. The Company has not taken out insurance to cover the risk of business interruption following labor disputes so such dispute could have a negative impact on the Company's financial position and image.

4.1.2 Operating risks arising from the Company's business activities

4.1.2.1 Financial risks

Some financial and commercial risks are directly related to the Company's business.

Changes in the prices of energy and other commodities or in the price of recycled materials may reduce the Company's profits

The prices of the Company's supplies of energy and other commodities can be subject to significant fluctuations and represent major operating expenses of the businesses. Although most of the Company's contracts include price adjustment provisions that are intended to pass on any changes in the price of Company supplies, using, in particular, price indexing formulas, certain events such as a time delay between fuel price increases and the moment when the Company is authorized to increase its prices to cover the additional costs or a mismatch between the price-increase formula and the cost structure (including taxes), may prevent the Company from being fully protected against such increases. To the extent that the Company is unable to increase its prices sufficiently to cover such additional costs, a sustained increase in supply costs and/or related taxes could undermine the Company's operations by increasing costs and reducing profitability (see Section 6.2.7 below). Nevertheless, the large number of price indexing formulae in its contracts limits the Group's net sensitivity to such variations. For information on the management of the commodity risk please refer to Chapter 20, Section 20.1, Note 29.1.3 below.

In addition, a substantial portion of the Company's Environmental Services Division's revenue is generated by its sorting-recycling and trading businesses, which are particularly sensitive to fluctuations in the price of secondary raw materials (paper and ferrous and non-ferrous metal). A significant and long-term drop in the price of recycled materials, combined with the impact of the current economic crisis on volumes, has affected and could continue affecting the Company's operating results.

For more details on the hedging of risks arising from the price of energy, commodities and raw materials and sensitivity to this, please also paragraph 4.2.3.2 and chapter 20, paragraph 20.1. note 28.3 below.

The Group's business can be affected by variations in weather conditions

Certain of the Company's businesses are subject to seasonal variations. For example, Dalkia generates the bulk of its operating results in the first and fourth quarters of the year, corresponding to periods in which heating is used in Europe, while in the water sector, household water consumption tends to be highest between May and September in the northern hemisphere. Accordingly, these two businesses may be affected by significant deviations from seasonal weather patterns. This risk is offset in certain cases, first by the variable compensation terms included in contracts, and second by the geographical coverage of the Group's businesses. The impact of weather conditions, together with the seasonal nature of the Group's businesses, may nonetheless affect the Company's results.

Changes in certain cogeneration contracts

Through its subsidiary Dalkia, the Group is marginally exposed to volatility in the electricity market, despite being a producer with installed power of approximately 7,151 MW.

Most production installations are operated under a purchase commitment regime (and particularly cogeneration plants in France), or under risk-free contracts (lead group or electrical systems service contract), not involving an open position on the market.

Only 73 MW of installed power (in the United Kingdom and Italy) is directly exposed to price risk on the electricity market.

It should be noted, however, that under certain of these contracts, representing installed power of approximately 2,000 MW (primarily in the United States and Central and Eastern European countries), revenue derived from electricity production may vary significantly year-on-year, as a result of changes in the local electricity market.

In France, certain cogeneration plants approaching the end of purchase commitment contracts could be operated market rates (representing installed power of approximately 736 MW between January 2011 and November 2013), which would increase exposure to corresponding risks (contract solutions with counterparties active in the markets will be favored to limit this exposure).

4.1.2.2 Legal, contractual and commercial risks

Contract performance

The fact that a major part of the Company's business is transacted within long-term contracts may limit its capacity to quickly and effectively react to general economic changes.

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

Certain operations of the Company are performed under contracts containing performance bonds that determine remuneration or could have a negative impact

Through Veolia Water Solutions & Technologies, the Company performs "turnkey" contracts for the design and construction of infrastructure in the water sector, which are remunerated on a non-revisable fixed price basis. In addition, the Company has entered into operating contracts, often of a long term nature (several decades for the Veolia Eau contracts in China). The Company's remuneration is often conditional on meeting performance criteria and the non-compliance with these indicators triggers penalties. The risks to which the Company is exposed under this type of contract are generally technical (design and choice of tailored versus tried-and-tested technology), operational (site management during the performance, acceptance and warranty phases or capability of using technology imposed by the customer), and economic (fluctuations in raw material prices, foreign exchange rates or commodities).In accordance with standard practice, to the extent possible the Company seeks to hedge this risk contractually. The Company may, however, encounter difficulties over which it has no control, relating, for example, to the complexity of certain infrastructure, climate or economic risks or construction contingencies, the purchasing and ordering of equipment and supplies of commodities, or changes in performance schedules for some work. In certain cases also, the Company must integrate existing information or studies provided by the customer that may prove inaccurate or inconsistent, or may be required to use existing infrastructure with poorly-adapted operating characteristics. These difficulties and hazards may result in non-compliance with performance indicators as well as additional expense that may, in certain cases, result in revenue reductions for the Company and/or the application of contract penalties. In connection with the performance of certain contracts, the Company may also be requested by its public or private customers to modify some contractual terms and conditions, regardless of whether such modifications are contemplated in the contract. These modifications may alter the services provided, required investments or billing terms under the contract.

While contracts generally include clauses providing for the payment of compensation should events such as those detailed above occur, the Company is exposed to the risk of not obtaining, or only obtaining at a later date, the amounts necessary to cover the resulting additional costs.

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

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

The Company may make significant investments in projects without being able to obtain the required approvals for the project

To engage in business, Veolia Environnement must in most cases obtain a contract and sometimes obtain, or renew, various permits and authorizations from regulatory authorities. The competition and/or negotiation process that must be followed in order to obtain such contracts is often long, costly, complex and hard to predict. The same applies to the authorization process for activities that may harm the environment, which are often preceded by increasingly complex studies and public investigations. The Company may invest significant resources in a project or public tender without obtaining the right to engage in the desired business or receiving sufficient compensation or indemnities to cover the cost of its investment. This could arise due to a failure to obtain necessary permits or authorizations, or a failure to obtain approval from antitrust authorities, or because authorizations are granted on the condition that the Company abandon certain of its development projects, for example. These risks increase the overall cost of the Company's activities and, if the cost of such failure is judged to be excessive, could potentially compel the Company to abandon certain projects. Should such situations become more frequent, the scope and profitability of the Company's business could be affected.

Significant litigation

Significant litigations involving the Company or its subsidiaries are described in Chapter 20, Section 20.4 below.

4.1.2.3 Operating risks

Some of the Company's activities could cause injury to persons, damage to property or to the environment

Some of Veolia Environnement's activities could cause injury to people (sickness, injury or death), business interruption or damage to movable property, real estate or the environment. 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. However, these precautions may prove to be insufficient and this could generate significant costs for the Company.

See below, for more information on liabilities arising from environmental and health risks.

The Company incurs significant costs of compliance with various environmental, health and safety laws and regulations

The Company has incurred and will continue incuring significant costs and other expenditures to comply with its environmental, health and safety obligations and to manage its sanitation-related risks. The Company is required on a permanent basis to incur expenditures to ensure that the installations that it operates comply with applicable legal, regulatory and administrative requirements (see Section 6.3.1 below), including specific precautionary and preventative measures, or to advise its customers so that they undertake the necessary compliance work themselves.

The cost of these industrial asset maintenance actions is included in industrial investments, which totaled €2,108 million overall in 2010 (compared to €2,132 million in 2009 after renewal expenditure). Industrial investments includes both maintenance investment of €1,075 million in 2010 and growth investment of €1,033 million in 2010.

Each of the Company's businesses, moreover, may become subject to stricter general or specific laws and regulations, and correspondingly incur greater compliance expenditures in the future. If the Company is unable to recover these expenditures through higher prices, this could adversely affect its operations and profitability. Moreover, the applicable scope of environmental, safety and sanitation risk laws and regulations is constantly increasing. These laws and regulations now govern all discharges in the natural environment, the collection, transportation and disposal of all types of waste, the rehabilitation of sites at the end of operations, as well as ongoing operations at new or existing facilities.

The REACH European Regulation of December 18, 2006 on the Registration, Evaluation, Authorization and Restriction of Chemicals, applicable since June 1, 2007 in Member States of the European Union and in Norway, Liechtenstein and Island, organizes and provides a framework for the registration of chemical substances manufactured, imported, marketed, recycled, enhanced or simply used (in their initial form or in preparations) when the quantity handled exceeds one ton per year and per legal entity. The application of this regulation creates constraints for the Group when using certain products and in connection with protection of workers. Furthermore, the adaptation of REACH in certain countries could force the Group to arbitrate between certain registrations and this could have financial and coherence implications.

For information on the management of environmental and health and safety risks, please refer to Section 4.2.3.2. below.

The Company's operations and activities may cause it to incur liability or otherwise compensate damages

The increasingly broad laws and regulations, under which the Company operates, expose it to greater risks of liability, in particular environmental liability, including liability related to assets that Veolia Environnement no longer owns and activities that have been discontinued. For example, the European Directive of April 21, 2004 on environmental liability introduces throughout the European Union a framework of environmental liability for serious environmental damage or threat of damage. This directive was enacted into French law by the Law of August 1, 2008 and extends the scope of liability, regardless of fault, for certain serious damage to the environment. With regard to the prevention of technological and environmental risks and the conduct of remediation activities, the French law of July 30, 2003 strengthens obligations to restore installations at the end of their operating life, making the recording of provisions mandatory in certain instances. In addition, the Company may be required to pay fines, repair damage or undertake improvement work, even when it has conducted its activities with care and in full compliance with operating permits. Regulatory authorities may also require Veolia Environnement to conduct specific investigations and undertake site restoration work for current or future operations or to suspend activities as a result, in particular, of an imminent threat of damage or a change in applicable regulations.

In addition, the Company often operates installations that do not belong to it, and therefore does not always have the power to make the investment decisions required to bring these installations into compliance. Where the customer on whose behalf these installations are operated refuses to make the required investments, the Company may be forced to terminate its operations.

Despite this restrictive trend towards increasing regulation and constant efforts to improve risk prevention, accidents or incidents may still occur and the Company could be the subject of legal action to compensate damage caused to individuals, property or the environment (including the ecosystem). In such instances, these potential liabilities may not be covered by the Company's insurance, or may be only partially covered. The obligation to take certain measures or compensate for such damage might have a material adverse effect on the Company's activities, its resources, or its profitability. Accordingly, the Group focuses considerable attention on controlling health risks, whether relating to the operation of its installations or resulting from environmental pollution which conventional treatment methods cannot fully correct. In particular, this may concern the development of air or water-borne bacteria, which are increasingly well identified, or the exposure of individuals (Company employees, third parties or customers) to chemical and/or dangerous products or substances.

For the management of these risks please see paragraph 4.2.3.1. below.

See also Chapter 6, Section 6.3.3 and Chapter 20, Section 20.1, Note 16 to the consolidated financial statements.

Specific measures are required in connection with technological risks

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 petroleum or chemical 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. In France, the Group operates installations with characteristics similar to those covered by the Seveso regime (only certain of which are classified as "AS" under the ICPE system).

The new system of registration applicable to Environmentally Classified Installations and which created a system of registration “half-way” between authorization and declaration (see 6.3.1. below) could have an impact on the Group’s businesses. This is due to the fact that some businesses in competition with those of the Group could benefit from a regulatory framework on the basis of a "lite” version of ICPE regulations which is more flexible than that with which the Group's businesses have to comply.

4.2 Risk management arrangements within Veolia Environnement

4.2.1 Risk management organization

4.2.1.1 Implementation of a coordinated risk management policy

Veolia Environnement’s has always built long-lasting relationships with its customers based on its capacity to manage risks delegated by them.

The Group faces this challenge, which is of fundamental importance to its development, by putting coordinated risk prevention and risk management systems into place. In order to strengthen its ability to foresee, analyze and weigh various risks and to ensure that the Group’s development and the management of these risks is coordinated, the Group created a Risk Department at the end of 2004.

The Risk Department has a cross-discipline servicing role, cutting across the Company’s various administrative divisions and its operating units. The department’s targets with regard to risk management are as follows:

- *Identify and foresee*: ensure ongoing oversight of the Group’s major risks in order to guarantee that no risk is overlooked or underestimated, and also to foresee changes in the nature or intensity of those risks;

- *Organize*: ensure that the main identified risks are addressed by the organization at the most appropriate level within the Group. Numerous operational risks are managed at subsidiary level, while others, which require specific expertise or are of a primarily transversal or strategic nature, are handled at Division and/or Veolia Environnement level;

- *Manage*: ensure that the structure and resources employed effectively reduce and monitor identified risks;

- *Inform*: the implementation of a coordinated risk management scheme is an important factor in corporate financial and extra-financial appraisals. Overall risk management enhances the Group’s development and the predictability of its results.

The Risk Department developed a process of identifying and ranking the events that may prevent the Group from reaching its objectives. To this end, since 2006, the Group and each of its divisions now have a detailed analysis and a summarized ranking of the main risks (risk map), drawn up on the basis of the main references available (COSO II, the ISO standard, the Australian ANZ and UK Turbull references and the methods used by audit firms).Each of the risks identified has been evaluated (in terms of impact and frequency) and then subjected to risk reduction measures. The risk “owners” are in charge of designing and implementing action plans in liaison with the risk managers of the divisions and Veolia Environnement, so as to limit and manage risk exposures.

The Risk department contributes to the definition of the corresponding action plans and drives the whole process. The Group Risk Committee monitors the roll-out of these action plans (for information on the Risk Committee please see 4.2.1.2 below).

The Group Risk department works closely with the Internal audit department and with the IT and administration department , who ensure internal monitoring:

- Internal monitoring in all its aspects is essential because it ensures monitoring at the lowest levels as to respect for the Group's rules on implementation of the procedures whether financial or operational. Responsibility for the definitiion of these procedures and the monitoring of them lies with the administrative and technical departments; the Group’s annual internal audit program is designed by reference to the map of the Group's major risks. The results of the audit show up, where applicable, those risks which have not been identified or not sufficiently so. The results also provide assurance that the risk management plans have been implemented and are effective;

In addition, an audit of risk management within the Group was undertaken during Q4 2010, just like previous years, by the Company’s internal audit department under the terms of the 2010 internal audit plan. The main objective is to make sure the Group has the right risk management tools (risk identification, implementation of action plans, updating of risk map, deployment of the risk management function throughout the Group).

The overall objective is to contribute to improving the Company’s technical, operational and in fine financial performance.

4.2.1.2 Risk Committee

The Group Risk Committee is the body responsible for validating and monitoring the action plans put in place to act on the major risks identified in risk mapping. The Committee is chaired by the Secretary General and directed by the Group Risk Manager. It brings together the managers of the different administrative departments at head office and in the divisions including the finance directors.

Each of the divisions has its own Risk Committee just like Veolia Environnement, so as to validate and monitor the deployment of action plans acting on the major risks identified during their own risk mapping.

The Group Risk Committee held five meetings in 2010. These meetings discussed, in particular, the implementation of REACH regulations at Group level, the latest regulatory developments with relation to risk management (ordinance of December 8, 2008), the restructuring and roll-out of the Group’s insurance program designed to improve coverage and premium levels.

4.2.1.3 Crisis management arrangements

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

The process begins with an alert system that functions 24/24 and is deployed across all the Company’s locations. This is designed to move information quickly up the line to divisional general management within Veolia Environnement on any critical or delicate situation. The alert arrangements have been in place since 2003 and are regularly updated so as to correspond as well as possible to geographical and organizational changes in the Company worldwide.

The system then moves into crisis management mode and, if the situation is critical enough, then operational cells can be quickly mobilized bringing together all the necessary functional skills and the divisions concerned. Predetermined objective criteria are used to assess the seriousness of the situation and determine whether the situation will be either managed at operating division level with information passed to head office or whether to bring together the crisis management team comprising representatives from the Company's general management departments and the division concerned. This process is constantly refined on the basis of feedback and post-crisis evaluations on each of the situation that have been managed.

As from 2005, in response to recommendations from the WHO (see 4.2.1. above), the Veolia Environnement Group has organized itself so as to be able to maintain its essential services in the face of a sanitation emergency.

Having drawn vital conclusions from the pandemic alert of 2008, Veolia Environnement has decided to extend its business continuity plan at head office essentially to take account of temporary unavailability of staff by drawing up a continuity plan to respond to the deterioration or unavailability of key material resources. The first stage of this process, begun in 2010, will be completed in 2011.

4.2.2 Audit and internal control

4.2.2.1 Internal control

The IT and administrative systems department, a branch of the Group Finance Department, is responsible for coordinating the work of functional departments in identifying, standardizing and making more reliable the key processes for producing the Group's financial information.

The IT and administrative systems department manages a network of internal control officers present in each Division and operating unit. It focuses its activities on three areas:

- formalizing and updating the key financial reporting processes in rolled-out and widely-distributed procedures;
- harmonizing financial management systems relating to their implementation;
- ensuring employees possess the skills required by the organization.

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

All aspects of internal control, and especially financial and operational aspects, are essential to Veolia Environnement. The Group's ongoing objective is to maintain the right balance between the decentralization that is necessary for its service activities, the highest level of operational and financial control, and the dissemination of expertise and best practices. Accordingly, the Veolia Environnement Finance Department launched the development of an integrated management system to replace the various accounting systems currently used by the subsidiaries. The roll-out of this system, developed around management and internal control rules, has already commenced in France, Benelux and the UK. Internal control will be put in place over the next five year in the four countries where the Group has major representation i.e. France, the UK, Germany and the US.

Finally, a permanent training program for Group financial officers has been set up in conjunction with the internal training departments.

4.2.2.2 Internal audit

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

The Internal Audit Department operates based on two main mechanisms:

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

In 2006, the Group Internal Audit Department was certified by the French Audit and Internal Control Institute. 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. In addition, several of our internal auditors have obtained the "Certified Internal Auditor" (CIA) diploma, the only internal audit qualification recognized around the world.

4.2.2.3 Regulatory context

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

Pursuant to the provisions of Article L.225-37 of the French Commercial Code (*Code de commerce*), as amended by the Law of July 3, 2008, 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 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 Executive Officer powers. 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 been adopted and the reasons for such rejection. Finally, it must detail any specific procedures governing the participation of shareholders in general meetings.

The report of the Chairman of the Board of Directors prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code will be presented to the Annual Shareholders' Meeting of May 17, 2011, together with the statutory auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code and is appended to this registration document.

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

As a French company listed in the United States, Veolia Environnement must comply with both sets of regulations.

In this context, Veolia Environnement launched a process in 2005, which enabled the Company to certify the efficiency of internal controls at Group level as of December 31, 2006. This assessment process has been repeated each year since then and is based primarily on the roll-out, in over 400 subsidiaries, of an electronic application composed of self-assessment questionnaires and tests, which allow the traceability of controls performed to be documented. Over 1,300 people contribute to this corporate project, while nearly 23,000 key controls are verified annually.

This task, managed by the Internal Audit Department, is implemented in concert with management of the Divisions concerned where necessary and in close collaboration with the statutory auditors, under the supervision of the Accounts and Audit Committee of Veolia Environnement.

This analysis was conducted based on the following criteria: potential impact on internal financial control and level of dissemination (percentage of entities indicating a risk and verification of the materiality of the entities concerned where appropriate).

On this basis, the implementation of action plans was continued in 2010 relating primarily to the segregation of duties in the purchase and sales processes and principally in small-sized entities.

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

4.2.3 Details on risk management measures

4.2.3.1 Risk exposures linked to the environment in which the Company operates

Management of the competition risk

Competitive advantages and innovation

Veolia Environnement today is a major international player in the market for environmental services, based on its technical, legal, financial and labor relations expertise and the sense of service of its operating staff and its positioning in terms of Research and Innovation (see also chapter 11 Research, Innovation, Patents and Licenses, below). Maintaining these key strengths is a major challenge. For this reason, in September 2006, the Company's Board of Directors created a Committee for Research, Innovation and Sustainable Development to continue improving these strengths (see Section 16.2.3 below).

Management of growth

The competitive situation of the market in which Veolia Environnement operates means it must be ever more selective in its growth and investments. Development projects where these involve investments in infrastructure or the acquisition of companies are subject to a complete review during which all the risks are studied and assessed. Financial profitability criteria and minimum return criteria, widely known and used throughout Veolia Environnement, are applied. The expected return is as a matter of course placed in the perspective of the risks assumed. Projects are validated at Investment Committee level both in the divisions and at Veolia Environnement. All aspects (strategic, technical, operational, financial, legal and human) of projects are examined based on comprehensive standardized formats.

Management of legal risks

Veolia Environnement 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 specific nature of Veolia Environnement's activities (management of local public services with operations in 77 countries and relationships with a variety of representatives and counterparties) has led Veolia Environnement 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 reporting of major litigation and large operating contracts, anti-trust law, ethics, sponsorship and patronage and commercial intermediaries. They are accompanied in certain instances by training programs. The rules also cover the Group's legal structure and notably the delegation of powers and monitoring thereof, and the selection of corporate officers.

As a company with shares listed on the Paris and New York Stock Exchanges, Veolia Environnement must also adhere to certain rules concerning:

- *Publications*: a Disclosure Committee supervises and controls the collection and communication of information included in the Company's French *document de reference* and U.S. Form 20-F (see Section 16.4.2. below);

- *Corporate Governance*: notably regarding the composition and activities of the Board of Directors and its committees, relations between these entities and management, the provision of information to shareholders and the proper application of regulations applicable to listed companies (see Chapter 16 below);

- *Insider Trading*: to help prevent insider trading, Veolia Environnement has adopted a code of conduct governing trading in the Company's shares, which is regularly updated. 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 and in general all persons possessing confidential information. The Company revised its code of conduct in 2006 to take into account new regulatory requirements applicable to issuers and their executives (including compilation of a list of named "insiders" and reporting trades in the Company's shares executed by certain members of management) and completed additional updates in 2007 and 2008.

The Legal Departments of Veolia Environnement and each Division help ensure, on a daily basis, the adequate management of Veolia Environnement's legal risks. This is performed in liaison with operating teams in the field and in compliance with the Group's overall risk management process.

Market risks

Exchange rate and interest rate fluctuations

As a result of its operational and financial activities, the Group is exposed to market risks, such as interest rate risk, foreign exchange risk and liquidity 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 of these measures. The Treasury Department is responsible for helping Divisions 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 Financial Services Department controls transactions and monitors limits, which ensures the security of transactions processed. Reports are produced daily, weekly and monthly, thus enabling Company's senior management to stay abreast of market trends and their effect on the Group's liquidity (current and forecast), the value of the Group's derivative portfolio and details of hedging transactions and their impact on the proportion of Group debt at fixed and floating rates.

The interest rate risk management policy is decided centrally. The Group uses interest rate risk management tools available on the market, including interest rate swaps and options (see chapter 20, section 20.1, notes 28.1 and 29.1.1, below).

Foreign exchange risk is linked to the international business of the Group, which is conducted in 77 countries, and which generates cash flows in numerous currencies. As both income and expenses are usually in the currency of the country where the Group conducts business, the Group's exposure to exchange rate risk from service activities is relatively low. This risk is hedged on a systematic basis when it is certain (using currency options) 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 receivable). For more information regarding foreign exchange risk see chapter 20, section 20.1, notes 28.2 and 29.1.2, below.

The liquidity of the Group is assured by Veolia Environnement. The implementation and management of significant new financing is centralized to optimize the management of present and future liquidity. The Group is financed through bank loans, commercial paper, international bond offerings and the international private placement markets (see chapter 20, section 20.1, note 29.3, below).

Raw materials risk is also covered in chapter 20, section 20.1.1, notes 28.3 (for hedges) and 29.1.3 (for risk management).

See also Chapter 20, Section 20.1, Note 29 to the consolidated financial statements.

Management of the risks associated with the system of exchanging greenhouse gas emission allowances

Very early on, Veolia Environnement embarked on actively managing its carbon emissions and the allowances it is granted, by putting in place the right organization and a dedicated arrangement of the purchase, sale and tracking of the various types of greenhouse gas credits.

In addition, through its subsidiary Dalkia, the Group designates a significant share of its investment to the reduction in volumes of its greenhouse gas emissions. In particular, these investments are designed to modernize the Group's plants, which today are mostly made up of gas burning facilities (France) or coal (central Europe), by moving over to facilities using biomass or combining biomass and gas, which emits very little CO_2.

Also, Dalkia makes every effort to negotiate pricing schemes with its customers that enable it to recover its entire production costs, including the purchase at market prices of greenhouse gas emission allowances. See chapter 20, para 20.1, notes 1 and 29 to the consolidated financial statements, below.

Country risks

Veolia Environnement management created a Security Watch Committee to address criminal and terrorist risks in 2003. The Committee is in charge of informing and protecting employees. It brings together security professionals and representatives from Group headquarters and the Divisions.

The Committee has four duties:

- *Information:* Each month, the Committee prepares a risk mapping for the countries in which Veolia Environnement operates and circulates it to all the entities of the Group.

- *Prevention:* The Group's human resources department must authorize or be informed of employee trips to high-risk countries. Advice on behavior and vigilance is circulated. In high-risk countries where Veolia Environnement has operating units, the Group has implemented security plans to ensure the safety of employees and their families.

- *Training* on behavior to adopt in dangerous situations.

- *Action in crisis situations.* Whenever necessary, the Group sets up a special security crisis unit. The role of these crisis units is to make all decisions necessary to ensure the safety of employees and their families.

In France, pursuant to anti-terrorism measures (the "*Vigipirate*" plan), a decree was enacted in 2006 to organize the security of economic activities considered to be of vital importance to the country. The aim is to respond to the risk of malicious acts, sabotage, and terrorism, and to avoid attacks on the Nation's military or economic potential or attacks which affect its ability to survive, as well as risks to the health of the population and the environment.

These measures enable the French State to ensure that all operators designated to be of vital importance take steps that are consistent with those ordered by the government or recommended at the national level. Two Veolia Environnement businesses are specifically concerned: water management and transportation. For each of these sectors, a national security directive (NSD) was developed in 2008 under the supervision of the coordinating minister at the Ministry of Ecology and Transport. The major operators in the relevant sectors have developed a security plan covering their activities, and have a maximum period of two years to develop a specific protection plan for each of their areas of vital importance – for the Company the deadline is 2011 first quarter).

The National Defense General Secretary chairs a national committee appointed by order of the French Prime Minister in October 2006 to oversee the sectors conducting activities of vital importance. This is a consultative body created to ensure coordination between the State, local elected officials, and operators. The committee's recommendations will then be implemented by a working group, composed of the Company's Risk Management Department and other operators, under the supervision of the French Government's Director of Protection and Security.

Risk exposures in HR management

Skills management

Given the aging of the working population and rapid development of technologies and working methods, Veolia Environnement has enhanced its forecasting capabilities with regard to skills management. The signature, on February 3, 2011 of the agreement on the forecasting of jobs and skills (GPEC in French) rounds off the 2004 agreement on "the development of skills and vocational training".

In this new agreement Veolia Environnement has focused its attention on the anticipation of developments in its businesses, support and encouragement for career development and offering the right training solutions.

To do this the GPEC agreement provides for the setting up of labor market surveillance groups run both by management and staff representatives in each division backed up a coordinating committee at Group level. The agreement also provides for improved job planning within the industrial relations framework and underscoring policies that favor job mobility and the skills development.

Prevention of discrimination risks and guaranteeing fair treatment of staff

Of all the risks inherent in any HR policy, discrimination has been the subject of particular attention by Veolia Environnement over the last few years, especially with the implementation of its "2008-2011 Diversity-Equal opportunities" action plan.

In order to guard against the risk of discrimination and to manage diversity in a meaningful way day by day, HR management procedures have been drawn up and circulated so as to ensure respect for equal treatment of individuals on hiring, in their career development, skills development and access to training. A common recruitment and internal mobility portal is in the course of deployment internationally. Furthermore the implementation and the monitoring of these action plans is ensured in France through a network of more than 60 diversity correspondents. Any discrimination issues brought up by staff are picked up by this network and so, in France, Veolia Environnement can deal with the complaints that are moved up the line and enlarge its understanding of such risks so as to put in place preventive measures. The Ethics Committee is also an independent body that is there to listen to the whole Group workforce.

In its combat against stereotypes and prejudices, Veolia Environnement has made efforts to make its own people aware of this by providing training and awareness sessions, especially in France. As part of this and in liaison with the Discrimination Surveillance arrangements, a self-evaluation pack on stereotypes and prejudices has been circulated to the diversity network, recruitment personnel, managers and staff representatives.

Training sessions on the concept of discrimination and its legal aspects, non-discriminatory recruitment and the management of such risks have been provided to recruitment personnel, the diversity network, industrial relations partners and staff representative bodies as well as to managers. More than 300 people were trained in this way in 2010. The guide “How to recruit in a non-discriminatory way” has been circulated to all those concerned.

All these actions and commitments to progress on the prevention of discrimination, on equal opportunities and the promotion of diversity have meant Veolia Environnement has been awarded the “Diversity Label” by the French government for a period of 3 years. See also chapter 17.1.5.

Health and safety of staff

Health, the prevention of work accidents and illnesses and security at the workplace are issues that the Group has designated as priorities.

The human values that are at the heart of Veolia Environnement’s sustainability strategy must be accompanied by a conviction held by all the men and women in the organization that their security in the workplace is the organization’s most precious asset and that it makes a positive contribution to the Group’s social and economic mission.

Every man and woman has the right to work in conditions of maximum justice, security and dignity.

This whole catalogue of values and principles has been formalized in the commitment signed by the Company’s general management in May 2010.

For many years efforts have been made, with great determination, in all the Company’s businesses, in the prevention of work accidents and illnesses and these efforts have undoubtedly borne fruit. All the indicators on these issues show constant improvement.

Prevention is backed up by “security” coordination arrangements at Group level, which were set up in 2008. Coordination is worldwide and brings together the prevention, health and safety officers of all four Group divisions. Its aim is to facilitate an exchange of best practices, increase the reliability of indicators and examine new ways to progress toward the target of zero accident.

This approach involves cross-discipline issues including computerized management of accident data, the reinforcement of training courses for local line managers, the deployment of security standards and the pro-active analysis of risks all conducted jointly with the Group’s research and innovation teams. It also involves the examination of issues specific to the activities carried on in each division.

The following initiatives exemplify all this:

- Water division: a network of around a hundred specialists in prevention, health and safety has been set up and seminars organized for exchanging information and building on best practices;

- Environmental services division: a health and safety assessment tool has been developed per activity and per each major process stage so as to identify the largest risks. This approach is complemented by a Safety Quiz (urban trash collection, industrial trash collection, sorting, incineration, storage, handling of dangerous waste, industrial cleaning and maintenance) aimed at increasing staff awareness and driving home to them, in a playful and interactive manner, the nature of the largest risks in environmental services and the rules to be followed to protect oneself;

- Energy division: the 5 best practices for managing health and safety in the field have been circulated in particular a new method for assessing accidents and incidents so as to bring out the deep-seated causes and thereby considerably increase the effectiveness of the resultant corrective and preventive measures.

- Transport division: the FACE safety campaign has begun in France and involves a three-prong approach:

    - The Basics, which are the indicators used for monitoring prevention, health and safety policy;

    - Ongoing improvement, which relies on qualitative and quantitative targets whose figures are deemed to be commitments on the part of each location;

    - Excellence, which is a forward-looking and anticipatory reflection of emerging risks.

A certification audit is carried out with the assistance of an authorized body and will lead to certification by a certifying committee. The target is that a minimum of 200 sites in France should have gone through this organized structuring process.

Prevention of the risk of labor disputes

Veolia Environnement attaches great importance to this aspect of its HR policy and has set itself the challenge of making industrial relations negotiations one of the major elements in staff cohesion and the Group’s organizational and economic performance.

Veolia Environnement’s industrial relations model aims first and foremost to create and maintain a relationship of confidence with its staff and their representatives via a policy of just and coherent remuneration, 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 this commitment / these commitments in a group-wide agreement signed with all of the trade unions representing staff: the December 2008 agreement on health, safety and accident prevention and the GPEC agreement of March 2011. These agreements both individually and collectively have been extended by a large number of local agreements signed at divisional and site levels.

In February 2010, with a view to improving industrial relations the Group signed an agreement on the quality and the development of industrial relations with all the trade unions representing staff. This agreement, which applies accordingly in each division, sets out the resources, actions and rules for the industrial relations dialogue.

In addition, after the merger of Veolia Transport and Transdev, the industrial relations partners of both entities, with the support of the two shareholders (Veolia Environnement and the Caisse des Depots et Consignations), have entered into an agreement on a common methodology for establishing industrial relations terms of reference. This commitment also translated, immediately after the "closing", into signature of an agreement on “Job Guarantees” by all the industrial relations partners of a new entity and together with renewed joint commitment on the part of the two shareholders (March 2011).

On a European level, in October 2010 Veolia Environnement also renegotiated, modernized and reinforced the resources and functioning of the European Works Council and industrial relations in Europe.

4.2.3.2 Operating risks linked to the Company's businesses

Management of financial and commercial risks

Management of risks inherent in fluctuations of energy and raw material prices.

Most of the contracts entered into by the Company include clauses aimed at passing on any fluctuations in energy and raw material prices to the Company's revenue sources, particularly by means of indexation formulae.

Furthermore, the supply of energy may, in certain countries and for certain energy sources, be the subject of long-term supply contracts. It should be noted that this risk management is non-speculative, i.e. the volumes purchased by these contracts corresponds to those sold on to customers.

For more information on the management of risks inherent in the price of energy and raw materials and, in particular, raw materials hedging instruments, please see chapter 20, para 20.1 notes 28 and 29 to the consolidated financial statements, below.

Management of operating risks

Management of health and environmental risks

The environment and health are at the heart of Veolia Environnement's concerns. Veolia Environnement is committed to providing full professional guarantees regarding the quality of its products and services, as well as compliance with security and environmental standards (especially relating to air emissions and legionella concentration). The risks facing the Group are particularly acute at the time it takes over installations given that the Group is not always responsible for the necessary investment and customers have varying levels of awareness of these issues. Given the nature of Veolia Environnement's business, regulatory compliance efforts involving installations and services mainly concern air pollution (including, for example, the control of exhaust fumes from transportation vehicles and smoke from heat generation plants and waste incineration facilities), water quality (relating to both to waste water treatment plants, the quality of drinking water and the disposal of wastewater and other effluents) and the protection of ground soil and biodiversity (by limiting waste produced and restricting the use of landfill sites) and health and safety support for staff.

In order to manage better its environmental risks, the Group, in coordination with its four Divisions implemented an "Environmental Management System" based on ISO 14001, which aims to constantly improve its environmental performance throughout the world. In this manner, quantifiable objectives relating to the monitoring of compliance of high-priority installations have been set.

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 economic responsibility for the installations. Accordingly, incineration facilities are subject to regular testing of atmospheric emissions and the level of dangerous substances such as dioxins, furans and heavy metals. When Veolia Environnement designs new installations, it strives to meet more stringent technical specifications 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. The Group has implemented a semi-continuous testing system for dioxins at the incineration facilities that it operates.

As regards the European REACH regulations, it turns out that very few substances produced by the Group have needed to be registered as a result of the systematic pre-registration process of substances that were potentially concerned and after the first registration deadline of November 30, 2010.

Management of technological risks and joint businesses

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 requirements while helping to ensure that customers do the same. In particular, when Veolia Environnement provides services at a "Seveso" facility or its foreign equivalent, Veolia Environnement actively participates in the implementation of safety and hygiene measures at these sites.

The application of more stringent regulatory standards for these sites (introduced in France by the Law of July 30, 2003 on the prevention of technological risks) requires Group employees to undergo specialized training, participate in hygiene and safety committee meetings on industrial customers' sites and comply with the Major Accident Prevention Policies (MAPP) implemented by its customers. Seveso facilities are also subject to specific internal control measures that seek to prevent accidents and protect employees, the public and the environment. In addition to policies for the prevention of major accidents, there are also disaster recovery and operational plans that apply to these facilities, as well as crisis intervention measures coordinated with public authorities in the event of an accident.

Based on its desire to apply safety protection rules and in anticipation of regulatory changes under consideration, the Company has decided to apply all or part of the Seveso regime at certain sites. This is the case at the hazardous waste incineration facility operated by SARP Industries (Veolia Environmental Services) in Limay in the Yvelines region of France.

Management of liabilities

However, believing that mere compliance with regulatory standards is not sufficient to ensure adequate control of health risks, Veolia Environnement has also voluntarily implemented a number of measures based on strict prevention and control procedures as part of a global health policy, particularly with respect to its multi-service contracts (for example, hazard studies and checkpoint controls and inspections).

Given the nature and potential seriousness of all of the risks mentioned above, the Group has implemented three principal types of actions to help control and manage these risks.

- Firstly, the prevention of accidents that may damage property and as a consequence cause harm to people or the environment necessitates the implementation of procedures aimed at ensuring the compliance of installations and monitoring their operation; this is the aim of the environmental management system which is accompanied by a certification and general appraisal approach (in particular ISO 14001, internal reference 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 4.5 below).

All of these actions are implemented by the Group's operating units in coordination with the Technical, Legal and Health Departments and the EMS. The Research, Development and Technologies Department also contributes to this effort, alongside the Legal Department and Veolia Environnement's office in Brussels which monitors changes in regulation.

The Environmental Performance Department's role is to roll-out the Group's environmental policy, notably through the compilation of good practice guidelines and the organization of a management system to appraise and optimize the environmental performance of Veolia Environnement Group and the implementation of Group guidelines.

The Environmental Performance Department works closely with the Sustainable Development Department to apply the Group's environmental policies and with the Risk Management Committee to address environmental risks (see Section 4.2.1.2. above).

Railway security management

Veolia Transportation is subject to operational risks (train circulation, security of persons, preventive maintenance and repair of assets) and employee and safety risks (criminal actions, assault, vandalism, sabotage). In 2004, the Group implemented a railway safety plan aimed at analyzing the various security measures undertaken in connection with security and hygiene procedures. In connection with this plan, an inventory of all legal requirements and a study of local management's understanding of regulatory texts were launched in the first quarter of 2005.

Security is managed at country Division level, with the implementation of a security management system (SMS) in compliance with national regulations.

In France, in the railway security sector, Veolia Transportation was awarded a security certificate by the Railway Security Public Authority (*Etablissement Public de Sécurité Ferroviaire*) based on the definition of a Security Management System (SGS). A National Railway Security Center was created to manage and control the proper implementation of SGS provisions and thereby guarantee a high level of railway security. Following the termination of the freight business, resources from this unit have been redeployed to the unit that is preparing the opening up of the railway markets in France.

Outside France, processes are underway to copy and adapt the control structure developed in France, while integrating the lessons learned from the international study performed.

In 2009, Veolia Transport's Executive Committee decided to implement an extended security policy encompassing all Veolia Transport activities, coordinated by a Head Office Security Director appointed in October.

This policy, which was communicated widely in 2010, is composed of three elements:

- a network of security officers set-up in each country and led by the Head Office Security Director;
- Security Management System (SMS) standards, consisting of a "fundamental" level and a rolled out in each Group railway business unit during 2010;
- performance indicators analyzed regularly by the Executive Committee.

4.2.3.3 Ethics and vigilance

Present in 77 countries around the world, Veolia Environnement is particularly attentive to compliance with values and principles relating to human and social rights set forth in international laws and treaties.

These principles must take into account the Company's cultural diversity and emphasize environmental protection, one of the Company's foremost concerns. In addition, they must integrate the Company's traditional values, which have a basis the close relationship with customers, consumers and civil society and the autonomy of each of the Company's operating entities.

For this purpose, the Company implemented the "Ethics, Commitment and Responsibility" program in February 2003, which was updated in late 2004 and early 2008. This corporate program seeks to guide the behavior of Veolia Environnement employees. In this context, and until 2008, an ethics officer was appointed in each Division. To improve the efficiency of the system, country-delegates now act as liaison officers with the Ethics Committee, which therefore benefits from officers with a strong local presence and a certain authority.

The program reaffirms the fundamental values shared by all Veolia Environnement employees, such as strict compliance with the laws of the different countries where Veolia Environnement operates, loyalty within the Company and to all stakeholders, social responsibility, risk control, quality information and effective corporate governance and a commitment to sustainable development.

In March 2004, Veolia Environnement set up an Ethics Committee to examine questions relating to the ethics program (see Chapter 16, Section 16.4. below), to which any employee may submit an ethics-related question or which may decide to review an issue independently. The role of the Ethics Committee is to issue recommendations concerning the fundamental values of Veolia Environnement, relating either to subjects it decides to examine or following questions brought to its attention. In this way it continued in 2009, the major review of the Group's employee standards commenced in 2008. This involved on-site visits in 2009, primarily in countries where employees have less protection. The Ethics Committee also receives and investigates warnings addressed by Group employees under the "whistle-blowing" system and reports on them to the Accounts and Audit Committee. The Ethics Committee must act independently and hold the information relating to the matters it treats as confidential. To improve the efficiency of this procedure, the Committee strengthened an internal communications program in 2009, aimed at increasing awareness of this alert procedure.

In 2004 and 2005, Veolia Environnement set up a program of awareness known as "Ethics and business life", which was rolled out to 400 senior managers in France and abroad.

The Ethics Committee attended all these seminars held to raise awareness of the "Ethics, Commitment and Responsibility" program, in order to gather the reactions and questions of the target audience.

Veolia Environnement continued these actions by developing and rolling out in 2008 and 2009 a training program on "compliance with antitrust laws", in France and abroad and which targeted more than 3,500 Group managers. This program consists of seminars, training handouts and e-learning. In December 2008, Veolia Environnement published and circulated within the Group in several languages, a Guide to Compliance with Antitrust Law, to accompany this program.

End 2009, Veolia Environnement drew up a training program on "prevention of the criminal law risk and awareness of the risk of corruption". This program was rolled out within the Group in France in 2010 with more than 800 managers and is in the course of being rolled out internationally from 2011. In December 2010 Veolia Environnement also published a "Guide to managing the business criminal law risk" and this has been circulated to more than 5,000 people to date.

The guide is available on the Company's Intranet site.

4.2.4 Insurance

4.2.4.1 Objectives

Veolia Environnement Group's insurance procurement policy, for all of its Divisions, has the following objectives:

- subscribing 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
- optimizing thresholds and the means for accessing the insurance or reinsurance markets through use of appropriate deductibles.

4.2.4.2 Implementation of the insurance policy

Insurance policy

The aim of Veolia Environnement's insurance policy is to (i) implement a global insurance coverage policy encompassing all Group businesses, based notably on the needs expressed by subsidiaries, (ii) select and sign policies with external providers (brokers, insurers, loss adjusters, etc.), (iii) manage consolidated subsidiaries specializing in insurance or reinsurance coverage, and (iv) manage and coordinate the network of insurance managers present in the main subsidiaries.

Implementation

The policy of covering risks through insurance is implemented in coordination with Veolia Environnement's global risk management process (see Section 4.2 above). Implementation takes into account the insurability of risks associated with Veolia Environnement's activities, the availability of insurance and reinsurance coverage on the market and the premiums proposed compared with the level of coverage, exclusions, limits, sub-limits and deductibles.

The main actions undertaken in 2010 primarily concerned:

- the continuation of efforts to identify, prevent and protect against risks, in particular through a rating system corresponding to the "property damage and business interruption" risk profile of Veolia Environnement's most important facilities throughout the world;
- the ongoing roll-out of Group programs;
- the organization of broker services for the placement and administration of Group insurance programs.

4.2.4.3 Main Group insurance policies

Third-party liability

The general third-party liability and environmental damage program was renegotiated on July 1, 2008, for the whole world (excluding the U.S. and Canada) for a period of three years. Initial coverage of up €100 million per claim and per year was subscribed. In the U.S. and Canada, several contracts cover third-party liability and environmental damage for Group subsidiaries, up to a maximum of U.S.$50 million per claim and per year.

For all Group subsidiaries worldwide, an insurance program provides excess coverage of up to €400 million per claim and per year, in addition to the basic coverage of €100 million outside the U.S. and Canada, and of €450 million in excess coverage over and above the basic coverage of U.S.$50 million in the U.S. and Canada. This program encompasses liability resulting from environmental damage sustained by third parties as a result of a sudden and accidental event.

Third-party liability coverage for terrorist acts is included in the general liability program set-up for three years on July 1, 2008, with coverage of up to €150 million per claim and per year, excluding the U.S. and Canada. Coverage for the U.S. and Canada is €100 million per claim and per year, in addition to coverage of U.S.$50 million.

Certain activities, such as a maritime transport, automobile and construction, have their own specific insurance policies.

Property damage and business interruption

All four Veolia Environnement Divisions are covered by property damage insurance policies, insuring the installations they own as well as those they operate on behalf of customers. The Group insurance program provides either "business interruption" coverage or "additional operating cost" coverage depending on each subsidiary's ability to use internal or external solutions to ensure service continuity. These policies contain standard insurance market terms.

The Group damage insurance program initially set-up on January 1, 2007 for a period of three years, were extended to January 1, 2012 to maintain existing competitive insurance coverage.

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 €300 million per claim. Some of this coverage includes additional sub-limits per claim or per year.

4.2.4.4 Self-insurance and retained risks

For any insured claim or loss, Veolia Environnement remains liable for the deductible amount set out in the policy. This amount may range from several thousand euros to more than one million euros.

The Group self-insurance system is entirely based on its reinsurance subsidiary, Veolia Environnement Services-Ré, which retains a self-insured risk of €1.5 million per loss for the coverage of the third-party liability risk and €2.5 million per loss for the coverage of property damage risks 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 the frequency risk ("stop loss"-type contracts).

The insurance policy described above is constantly changing 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.

5 Information relating to the issuer

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 Veolia 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 Euronext Paris since January 1, 2008.

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

From 2002 to 2004, Vivendi Universal, progressively decreased its stake in the Company through successive disposals and dilution and, by December 2004, held only 5.3% of the Company's shares. Since July 6, 2006, Vivendi no longer holds any shares in Veolia Environnement (see 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 in 2004 with the sale of various U.S. subsidiaries in the Water Division and 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 aimed at increasing consistency between the Divisions of the Group, the visibility of the Company and strengthening the identity and common culture of Veolia Environnement around its service values. The Water, Environmental Services and Transportation Divisions are now united under a single brand, "Veolia", which is linked to the name of their activity. The Energy Services Division primarily operates under the brand "Dalkia" (see Section 6.2.5 below).

5.1.2 General information regarding the Company

Corporate Name and Registered Office

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

The Company's registered office is located at 36/38, avenue Kléber, 75116 Paris. The telephone number is (33) 1 71 75 00 00.

Legal Form and Applicable Law

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

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. The Company's APE business code is 7010 Z.

5.2 Investment

Total Group industrial investments, financial investments (enterprise value), new operating financial assets and transactions with non-controlling interests (partial purchases where there is no change in control) amounted to €3,256 million in 2010, compared to €2,970 million in 2009 (re-presented for replacement costs) and €4,312 million in 2008 (re-presented for replacement costs).

In response to the economic climate, the Group adopted a selective investment policy in 2010, without jeopardizing industrial investments that are contractually required or necessary to maintain industrial equipment.

A detailed description of investments made in 2010, as well as their financing, is set forth in Chapter 9, Sections 9.1.3 (Acquisitions, divestitures and partnerships) and Chapter 20, Section 20.1, Note 5 (Concession Intangible Assets), Note 7 (Property, Plant and Equipment), Note 10 (Non-Current and Current Operating Financial Assets) and Note 41 (Reporting by operating segment) to the consolidated financial statements.

Veolia Environnement's investment strategy is focused on environmental activities, primarily in Europe, North America, and Northern Asia. These priority geographic zones have the following common characteristics: high urban concentration, legal stability and high level of client solvency. To these qualitative attributes can be added the quantitative profitability of the Group's investment choices (primarily profitability run rates, return on investment and capital intensity).The Group watches that the return on investment period be in general less than 7 years.

Veolia Environnement makes certain growth investments (financial investments 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, notably 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 is subject to budget authorizations.

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

- in 2010: acquisition of certain United Utilities Group businesses for €193 million in the Water Division and the New World Resources Energy Group for €97 million in the Energy Services Division;

- in 2009: no major external growth operations were performed;

- in 2008: acquisition of Bartin Recycling Group in France for €149 million and Praterm in Poland for €111 million.

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 is likely to have a material impact at Group level.

As of the date of this registration document, no material external growth transactions are planned.

6 Business overview

6.1 Main business activities

6.1.1 General description of Veolia Environnement

Veolia Environnement is a global reference in the environmental services sector(1), offering a comprehensive range of services and possessing the expertise necessary to define a service offer tailored to individual customer needs, such as the supply of water and wastewater recycling, waste collection, processing and recycling, the supply of heating and cooling services, and the optimization of industrial processes.

Veolia Environnement's operations are conducted through four Divisions, each specializing in a single business sector: Veolia Eau (Water), Veolia Energie (Dalkia, Energy Services), Veolia Propreté (Environmental Services) and Veolia Transport (Transportation). Through these Divisions, Veolia Environnement currently provides drinking water to more than 100 million people and treats wastewater for 71 million people in the world, processes nearly 63 million tons of waste, satisfies the energy requirements of hundreds of thousands of buildings for its industrial, public authority and private individual customers and transports more than 2.5 billion passengers each year. Veolia Environnement strives to develop service offers combining several Group businesses, either through several individual contracts or by combining services within a multi-service contract.

The following table breaks down Veolia Environnement 2010 consolidated revenue by geographical market and Division, after elimination of inter-division transactions.

2010 Revenues

(€ million)	**Water**	**Environmental Services**	**Energy Services**	**Transportation**	**Total consolidated**
Europe	**8,559.4**	**6,739.8**	**6,817.5**	**4,388.0**	**26,504.7**
of which France	4,789.3	3,257.3	3,665.2	2,326.0	14,037.8
of which Germany	1,434.6	1,104.5	2.4	602.8	3,144.3
of which United Kingdom	625.5	1,550.7	190.7	50.9	2,417.8
of which other European countries	1,710.0	827.3	2,959.2	1,408.3	6,904.8
United States	**686.2**	**1,267.4**	**326.6**	**963.4**	**3,243.6**
Rest of the world	**2,882.3**	**1,305.0**	**437.7**	**413.3**	**5,038.3**
of which Middle East	491.9	87.0	85.9	30.6	695.4
of which Oceania	262.3	606.4	41.0	183.1	1,092.8
of which Asia	1,330.6	256.3	80.4	91.3	1,758.6
of which Rest of the world	797.5	355.3	230.4	108.3	1,491.5
TOTAL	**12,127.9**	**9,312.2**	**7,581.8**	**5,764.7**	**34,786.6**

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

6.1.2 Strategy

6.1.2.1 Veolia Environnement's strategy

Veolia Environnement is the only global player in the environmental services sector. Its expertise is organized into four divisions – Water, Environmental Services, Energy Services and Transportation – at the service of our public authority, industrial and service-sector customers.

A substantial portion of our activities involve long-term contracts providing repeat business and visibility. Through tailored provisions reflecting the requirements of different markets, these contracts define a framework enabling economic and environmental performance efficiency gains to be realized across all technical, social and organizational aspects.

Founded on an asset base which has been largely renewed during the last decade, these operations generate substantial cash flows which, after maintenance-related investment and interest and tax charges, may be split among shareholders, lenders and the Company, enabling growth.

Over the last fifteen years, Veolia Environnement has adapted and developed a range of management models in several countries. This ability allows it to benefit fully from the considerable growth potential of the environmental services market through the world, by positioning itself in areas of high economic growth in countries which have already demonstrated their adoption of the outsourcing model and respect for contractual commitments.

Due to the long-term nature of its commitment, the extent of needs which also represent opportunities and the impact of its activities on the environment, Veolia Environnement aims for balanced and responsible growth in all aspects. It must take account of the long-term interests of all stakeholders – shareholders, lenders, employees, customers and local communities.

Veolia Environnement is the corporate reference for sustainable development and implements a growth policy that is focused, profitable and founded on strict financial discipline.

To this end, Veolia Environnement has established clear priorities for the allocation of its rare resources, both human and financial:

- target markets offering the best growth opportunities, in which demand is increasing rapidly and long-term and where the service offering is still inadequate or partial;
- use technological progress and expertise to propose innovative and discriminating technical and operational solutions;
- identify complex problems enabling business synergies to be generated between the Group's various areas of expertise or requiring understanding of unusual organizational processes;
- capitalize on economies of scale by grouping the entire service offering around major contracts, ensuring smaller contracts achieve the required level of efficiency.

In order to fully benefit from this potential, Veolia Environnement must be in a position to capitalize on new opportunities and remain flexible.

In recent years, Veolia Environnement has implemented a permanent profitability improvement policy, generating annual productivity gains and reducing the cost base. Several savings levers have been activated - introduction of a procurement policy, operational plans, reduction in commited costs and resource pooling, portfolio management contract and industrial assets – generating annual savings of €250 million at the time of the economic crisis. Beyond these efforts, which must be continued, the Group has launched an overhaul of its processes and organizational structure, with the implementation of a coherent management framework applicable to all its businesses and the operational assessment of its profit centers with systematic and comprehensive performance reviews covering all resources used. These new approaches seek to achieve annual gains of €300 million from 2013.

Veolia Environnement performed an in-depth review of its business portfolio. A portion of its assets, representing approximately 15% of long-term invested capital, or €4 billion, does not meet defined priorities and could be divested, in whole or in part, in the coming years. This divestiture program will generate financial resources which, in addition to operating cash flows, will also participate in the geographical concentration of the Group, rendering it more flexible and expanding its possibilities.

Given the large number of growth opportunities, Veolia Environnement can and must be selective.

Priority sectors have been identified in the four Divisions. In the Water Division, priority will be given to major concession arrangements in Europe and Asia and to large industrial projects in emerging countries. In the Environmental Services Division, the focus will be on hazardous waste processing in Europe, the United States and emerging countries, on integrated contracts adopting a variety of public-private partnership models and on the development of sorting and recycling activities in Europe and North America. In the Energy Services Division, priority will be given to local solutions for energy and particularly biomass fueled co-generation paired with heating networks and industrial platforms, as well as major local authority energy optimization contracts. Finally, in the Transportation Division, priority will be given to the ramp-up of regional rail services, tramway and metro demand in major cities on demand transport and intermodal passenger transport.

These different sectors have been broken down across our geographical areas, based on the regulatory and economic maturity of markets.

The Group's strong positions in France and, depending on the maturity of our operations, in the United Kingdom, Germany and the United States, generate stable and long-term resources and face major challenges such as the long-term downturn in volumes and competition from the public sector, in the form of public sector and former monopolies. These positions also enjoy real growth opportunities, as increased pressure on public finance and increasingly strict environmental regulations generate a need for greater efficiency. Several lines of development have been identified, offering a rapid return on investment and particularly low performance risks.

Several platforms developed in recent years will become our strong positions of tomorrow. In Central Europe, in the Water and Energy Services Divisions in particular, several opportunities may hook on to existing operations, in the form of new public-private partnerships or by accompanying industrial developments. In China, the Group has an installed base of over 40 million customers generating revenue in excess of €600 million, compared to only 11 million customers and revenue of €80 million in 2004. The ramp-up of these operations will continue in the coming years, accompanied by new opportunities particularly in the industrial sector.

Overall, Veolia Environnement may invest up to €8 billion over the next three years in implementing this profitable growth strategy. Investment will be focused on consolidating strong positions and on existing contracts of these strong positions and development platforms, while one-third of investment will be earmarked for new projects in Western Europe and North America as well as Central Europe and emerging countries.

This strategy underpins an objective of mid-term growth in operating income and an increase in ROCE (return on capital employed), while maintaining debt at a stable level.

6.1.2.2 Veolia Environnement's strategy by Division

Water

Veolia Environnement's Water Division intends to continue expanding its services around the world, while striving to ensure the quality and safety of the water it provides, the conservation of natural resources and the protection of the environment.

The growth potential of the international market for water services is enhanced by four main factors:

- population growth and higher urban density;
- the tightening of environmental standards and health regulations;
- the spread, which has slowed recently, of the delegated management model and public-private partnerships as alternatives to public management, and;
- the on-going refocusing by industrial customers on their core businesses.

Given this growth potential, Veolia Environnement will continue adopting a selective approach to optimize the allocation of resources, operating costs and profitability. Optimizing the allocation of resources in the countries where the Company enjoys strong positions and has mature contracts (France, United Kingdom, Germany), will lead to the implementation of defensive investment, that is supplementary investment aimed at improving the growth and profitability of these contracts. To take advantage of market opportunities, the Water Division capitalizes on its technical expertise, its experience in managing customer relations and the mobilization of local teams in order to anticipate the future needs of public authorities. It focuses, in particular, on developing employee skills so as to meet future challenges. Its technical expertise in areas such as desalination and wastewater recycling solutions represents a major effort to adapt to on-going changes in the market.

Environmental Services

Through its Environmental Services Division, Veolia Environnement intends to continue its expansion as the global benchmark in this sector.

Demand in this sector is rising, driven by growing environmental awareness, resulting in increased regulation and higher public expectations in a number of countries, and the dawn of a new age where raw materials and energy are rare, accelerating the transformation of waste treatment and recovery methods. As a result, experts who can provide long-term services under cost-effective conditions and in compliance with environmental regulations are highly sought after.

In this favorable market environment in Europe, the United States and Asia, Veolia Propreté will focus its efforts to:

- increase the profitability of its activities by renegotiating fees, maximizing the use of its production tools and reducing structural costs, while seeking, wherever possible, to generate economies of scale with the Group's other businesses;
- enhance its waste processing capabilities, by accompanying the transformation of waste processing methods and developing its recovery technologies;
- strengthen its competitive advantages and the added value offered by its services, while developing the technical content of its businesses and capitalizing on its command of the entire waste management chain, in order to offer industrial and municipal customers comprehensive waste management solutions.

In particular, the following growth sectors have been identified and prioritized:

- the processing and recycling of industrial hazardous waste in Europe, the United States and certain emerging countries;
- PFI (Private Finance Initiative) and PPP (Public-Private Partnership) integrated waste management contracts in Europe;
- sorting and recycling of non-hazardous waste in Europe and North America.

Energy Services

Through its Energy Services Division, Veolia Environnement is a global player in the management of energy consumption across all activity sectors: industry, residential, service-sector, buildings and public equipment.

Its strategy focuses on establishing itself as a leader in the roll-out of new solutions which will accompany the energy revolution of the coming decades towards a more sustainable world, less energy-hungry and more respectful of the environment and climate stability.

Opportunities already exist in this area and will increase significantly, driven by progressively rare raw materials, led by fossil fuels, the resulting rise in prices and increasing political and regulatory pressure in all regions of the world.

After the recession triggered by the recent economic crisis, 2010 witnessed a return of the factors underlying this trend: crude oil finished the year at nearly US$100 the barrel, pushed by renewed growth in global demand; Europe launched its third climate package and is preparing a new directive on energy efficiency; global investment in cleantechs enjoyed an upsurge; and the Cancun climate conference enabled substantial last-minute progress, opening up the way for the roll-out of solutions to fight greenhouse gas emissions, progressively coordinated at global level.

In this extremely favorable context, Dalkia's strategy focuses more-than-ever on the two main pillars of energy efficiency and renewable energies, with energy produced from biomass leading the charge.

The promotion of energy efficiency now calls on a new offering concept, the energy performance contract, which has been rolled-out across all activity sectors: industrial sites and all types of buildings.

The economics of this contract focus on the achievement of precise progress objectives with respect to energy consumption, obtained through both technological solutions and more intelligent management.

In the renewable energies sector, Dalkia favors the production of heat and/or electricity from biomass, applies its existing experience in geothermal energy and includes solar-energy solutions in its offering whenever appropriate.

Heating and cooling networks continue offering considerable growth opportunities and, with production plants which often also generate electricity, position Dalkia in the growth market of local energy production and distribution, with a significant green component thanks to the use of biomass.

The geographical development strategy of the Division breaks down as follows:

- continued growth in Europe across the entire business range, particularly for major heating infrastructures in Central Europe,
- strengthening of its presence in North America around the management of heating and cooling networks and a new biomass opportunity,
- development of large cooling networks and standard energy management services at sites in the Middle East,
- consolidation of its presence in China around major infrastructures, heating networks and serving industrial sites.

The Group's offering is based on significant Research and development activities, aimed at proposing the most-performing solutions and benefiting from the latest technological progress.

Transportation

Through its specialized subsidiary, Veolia Transport, Veolia Environnement aims to become a major transportation service provider on a worldwide scale.

Between 2000 and 2030, the proportion of the world population living in urban areas is expected to increase from 50% to 60%, and urban transportation needs are expected to increase by 50% by 2020 (source: International Association of Public Transport). These demographic changes raise concerns regarding the environment and urban congestion and help make public transportation services a major concern for local authorities and city dwellers. In addition, transportation is linked to the environmental performance of cities and regions, regional competiveness, development and growth, the identity and solidarity of citizens and quality of life.

The major challenges in this sector are tied to an ever-rising demand for transportation, with growing requirements in terms of fluidity and flexibility. Public transportation networks must also take account of environmental concerns and propose increasingly-performing solutions to improve the quality of city travel and reduce car congestion.

Veolia Transport’s strategy is to improve its performance in its core business of passenger transportation, with the following priorities:

- geographical priority to key markets and a number of target emerging geographical areas;
- constant improvement in business expertise in all local land transportation methods;
- continued efforts in marketing and innovation focusing on the development of new transportation services (e.g. bikes, car sharing, collective taxis) and new added-value services brought to customers thanks to information technology (ticketing, real-time information);
- Research and development of new sustainable development solutions (new green fuels, electric vehicles, etc.).

In 2011, Veolia Transport’s strategy will be implemented as part of the Veolia Transport - Transdev merger completed on March 3, 2011 (see Chapter 9, Section 9.1.3 below and Chapter 12, Section 12.2 below).

6.1.3 Description of Veolia Environnement's main businesses

6.1.3.1 Water

Veolia Environnement, through Veolia Eau-Compagnie Générale des Eaux, is the world's leading provider of water and wastewater services for public authorities and industrial companies[(1)]. In addition, Veolia Eau, through its subsidiary Veolia Water Solutions & Technologies, is one of the world leaders in the conception of technological solutions and the construction of structures for the performance of such services. Veolia Eau provides drinking water to more than 100 million people and supplies 71 million people with wastewater services.

As of December 31, 2010, Veolia Eau has 96,260 employees around the world[(2)]. The Water Division is present in sixty-seven countries, principally in France for historical reasons, but also in the United Kingdom, Germany, Italy, Belgium, the Czech Republic, Slovakia and Romania. The Asia-Pacific region (mainly China, Korea, Japan and Australia) also remains an important development objective, with the signing of a number of significant contracts with municipal and industrial customers over the past several years. Veolia Eau also has a presence in the United States through its contracts for the operation and maintenance of water and wastewater treatment plants, including its contract with the city of Milwaukee. Finally, Veolia Eau has established a presence in the Middle East and Africa, primarily in Morocco and Gabon. Thanks to its network of research centers in France and abroad coordinated by the Company, Veolia Eau has mastered numerous major technologies and tools within the water sector. Veolia Eau is therefore able to offer highly-skilled services in the areas of sanitary protection, spillage reduction, productivity enhancement of water networks and plants, and preservation of resources.

Combined with its strong local presence and more than 150 years of experience providing services to public authorities and industrial customers, Veolia Eau's technical expertise is a significant advantage in the extremely competitive water services market. Increased demand within the water services market has been substantially driven by customers seeking to optimize the management of their existing resources, whether they be public authorities seeking to respond to the trend towards urbanization, or industrial customers. New solutions, such as desalination of seawater, a sector where Veolia Eau recently excelled in the Middle East, or the re-use of treated water, may represent an appropriate response to specific situations.

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

Water*

(€ million)	**As of December 31, 2010**	**As of December 31, 2009 re-presented****	**Change 2010/2009**
Revenue	12,127.9	12,318.3	-1.5 %
Operating income	1,020.3	1,145.4	-10.9 %

* *Including Veolia Environnement's share in the results of the water activities of Proactiva, Veolia Environnement's joint venture with FCC and of the activities of Artelia.*

** *In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the Income Statements of Dutch activities in the Water Division (divested in the second half of 2010) and of activities in Gabon (in the course of divestiture) are grouped together in a separate line, Net income from discontinued operations.*

(1) *Source: Global Water Intelligence (GWI), November 2010 and Pinsent Masons Water Yearbook 2010-2011.*

(2) *Employees managed as of December 31, 2010, including employees allocated by Proactiva and Proxiserve to their water business.*

Overview of the Water business

Veolia Eau manages municipal drinking water and/or wastewater services on five continents through a geographical organization featuring a strong local presence. Contracts with public authorities are typically long-term and range from ten to twenty years in length and potentially up to fifty years under certain circumstances. These contracts take various forms, tailored to the needs and goals of the public authority, and may include outsourcing contracts, public-private partnerships, concessions, BOT (Build, Operate & Transfer) contracts, DBO (Design, Build & Operate) contracts and others. They are generally contracts that involve the operation, design or construction of installations, with the public authority usually remaining the owner of the assets (except in the United Kingdom) and retaining authority over water policy. Recent legislative changes have enabled Veolia Environnement to integrate more elaborate mechanisms into its contracts allowing it to share in the added value (productivity gains, improvement in the level of services, efficiency criteria, etc.). Public authorities often rely on Veolia Eau to manage customer relations and the Company is constantly improving the efficiency of its services and specific information systems. In certain countries where public authorities have sought to either implement new water and wastewater treatment systems or to improve the functioning of existing ones, Veolia Eau offers feasibility studies and technical assistance, which may include research plans, coordination and acceptance, network modeling and financial analysis. Outsourcing contracts with industrial and commercial customers generally have a term of three to ten years, although certain contracts have terms of up to twenty years.

Service contracts with Public Authorities and Industrial Customers

The main focus of Veolia Environnement's water business is on water and wastewater management services for public authorities and industrial customers. Veolia Eau provides integrated services that cover the entire water cycle. Its activities include the management and operation of large-scale, customized drinking water plants, wastewater decontamination and recycling plants, drinking water distribution networks and wastewater collection networks. Veolia Eau also manages customer relations, providing billing services and call centers. Veolia Eau and its subsidiaries have provided outsourced water services to public authorities in France and in the rest of the world for more than 150 years under long-term contracts tailored to local environments. Veolia Eau continues to develop its service offering for industrial customers, capitalizing on its local presence in many areas and an adapted organizational structure. As a result, it is active in this field in France, the United Kingdom, Germany and the Czech Republic, as well as in Asia (South Korea and China in particular) and the United States. Veolia Eau also contributes, through VE Industries, to the development of common service offerings of the Group, in particular in Europe.

Engineering and Technological Solutions for the Treatment of Water

Through Veolia Water Solutions & Technologies, Veolia Eau develops technological solutions and designs/builds the infrastructures necessary to provide water services on behalf of public authorities and industrial and service sector customers. In addition, Veolia Water Solutions & Technologies designs, assembles, manufactures, installs and operates modular standardized and semi-standardized equipment, which is both reliable and high-performing, designed to treat water for municipal and industrial uses. A local technical assistance network is available at all times for the upkeep, maintenance and customer service of these installations. Veolia Eau treats groundwater, surface water, brackish or seawater, wastewater and refined sludge. Thanks to the combination of physical, chemical and biological treatments, Veolia Eau has developed a comprehensive range of specific solutions for the purification of water or the reduction or elimination of impurities in effluents. The recycling/reuse systems installed by Veolia Eau provide customers with the ability to circulate part or all of their treated water back into plant processes, thereby reducing water consumption, operating costs and environmental damage. Through SADE, Veolia Eau also designs, builds, renews and recovers urban and industrial drinking water and wastewater networks and related infrastructures, in France and around the world. SADE's services cover each stage of the water cycle, from collection to release, and its public and industrial customers benefit from SADE's experience in this area.

Key factors

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

- The key factors potentially impacting the "service contracts with public authorities and industrial customers" business are, from an economic point of view, trends in volumes billed and the ability to obtain, within the planned time-period, price increases in line with Group objectives. From a technical point of view, the ability to satisfy service commitments negotiated with the customer or regulator and, from a commercial point of view, the ability to renew existing contracts under satisfactory terms and conditions in a highly competitive environment, are also essential;

- The 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, as trends in demand levels have a direct impact on the order book. Continued technological leadership in tender bids and the ability to manage constraints and master technical solutions in the performance of contracts, are determining factors. Finally, at a contractual level, rigor in the negotiation and performance of contracts are also key factors in this sector (particularly the ability to meet deadlines and cost budgets).

Description of activities in 2010

Veolia Eau activity levels in 2010, down slightly compared to 2009 (-1.5%), were marked by the near stability of operating activities in France, despite the loss of the Paris contract, the acquisition of certain United Utilities businesses in Europe and strong growth in Asia, and negatively by the weakness of the construction sector both in France and abroad.

In France, Veolia Eau provides approximately 24 million residents with drinking water and 17 million with wastewater services. Public service delegated management contracts renewed in 2010 (excluding the contract with SEDIF, the Ile de France region Water Authority) represent expected total cumulative revenue of almost €1,030 million. The main event of the year was however the renewal by SEDIF of its confidence in Veolia Eau, with the grant of a 12-year delegation contract for the production and distribution of drinking water, representing total cumulated revenue of approximately €3 billion. The other successes of the fiscal year include the 20-year concession arrangement to build and operate the Saint-Denis treatment plant in the Réunion, the renewal of the Fréjus – Saint-Raphaël, Saint-Jean Cap Ferrat, Quimper, Verdun and Vitré drinking water contracts and the renewal of the Forbach, Bergerac, Carhaix, Mandelieu-la-Napoule and Granville wastewater treatment contracts. In a highly competitive environment, Veolia Eau also lost some contracts and in particular the Saint Dizier drinking water contract and the Quimper and Strasbourg wastewater treatment contracts.

Veolia also continued its sustainable development policy launched in recent years, refining its contractual model with the help of specific offerings, in order to satisfy customer wishes and enable them to meet their sustainable development objectives (biodiversity, carbon footprint, etc.). Finally, as in 2009, the fall in unit consumption continued (1% fall in volume sold compared to 2009).

Activity rose significantly in Europe (4.1% increase in revenue at constant consolidation scope and exchange rates) mainly due to a rise in volumes observed by our German companies.

In Asia, 2010 was marked in China by the continued ramp-up of the Tianjin Shibei contract and the start of the Hong Kong sludge treatment contract and, in Australia, by the start of the Gold Coast operating contract and progress with the construction of the Rosehill-Camelia projects near Sydney.

In the United States, 2010 was marked by the signature of an agreement between the City of Indianapolis, Citizens Energy Group and Veolia Water North America, which, subject to the transaction being approved by the Indiana Utility Regulatory Commission (IURC), will lead to the early termination of the Indianapolis contract.

Major contracts

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
France					
SEDIF (Ile de France)	June	Renewal	12 years	3 billion	Public service delegation arrangement for the production and distribution of drinking water
Marquette-lez-Lille	October	New	4 + 6 years construction and operation	103 million	Contract to design and build a wastewater treatment plant
CINOR (Réunion)	May	New	20 years	270 million	Contract to design, build, finance and operate a wastewater treatment plant
Asia					
Hong Kong	October	New	37 months of construction and 15 years of operation	414 million for the construction and 20 million per year for the operation	Contract to design, build and operate a sludge treatment plant
Dongbu (Korea)	April	New	15 years	183 million	Acquisition and operation of wastewater and process water installations
Osaka (Japan)	October	Renewal	4 years	44 million	Meter reading
South America					
Petrobras (Brazil)	August	New	2 years	30 million	Contract to design and build a water treatment plant
North America					
New London (CT)	December	Renewal(1)	10 years	53 million	Operation and maintenance of drinking water and wastewater treatment services
Buffalo (NY)	July	New	10 years	38 million	Operation and maintenance of drinking water services
Fulton County (Georgia)	July	New	5 years	38 million	Operation and maintenance of wastewater treatment services

(1) Early renewal: the contract previously expired in 2017 and now expires in 2027.

Main acquisitions and divestitures in 2010

The main acquisition and divestitures during the year include:

- in France, following the Memorandum of Understanding signed with Lyonnaise des Eaux (LDE) on December 19, 2008, an agreement concerning the redistribution of the subsidiaries held jointly by LDE and Veolia Eau – Compagnie Générale des Eaux came into effect on March 2010 and resulted in:

  - the sale to LDE of Société des Eaux du Nord, Société Nancéienne des Eaux, Société des Eaux de Versailles et de Saint Cloud, Société Martiniquaise des Eaux, Société Guyanaise des Eaux, Société Stéphanoise des Eaux, SERAM and Société Provençale des Eaux,

  - the acquisition by Veolia Eau - Compagnie Générale des Eaux of additional interests in Société des Eaux d'Arles, Société des Eaux de Marseille and certain of its subsidiaries and in particular Société Industrielle du Littoral Méditerranéen and Bronzo Environnement. Veolia Eau - Compagnie Générale des Eaux now holds more than 97% of the share capital of these companies;

- in Europe, the acquisition in November 2010 of certain United Utilities Group businesses, including:

  - a 77.1% shareholding, via Veolia Voda, in Sofiyska Voda, which operates water supply and treatment services for the city of Sofia in Bulgaria,

  - a 33.2% shareholding, via Veolia Voda, in Aqua SA, which operates water supply and treatment services for the city of Biesko Biala in southern Poland,

  - a portfolio of construction and management contracts for water treatment plants in the United Kingdom.

- again in Europe, the acquisition of a 9.52% shareholding by the company International Finance Corporation (IFC) in Veolia Voda, reducing Veolia Eau – Compagnie Générale des Eaux's shareholding in Veolia Voda to 75.2%, the divestiture in December 2010 to Rabobank and Evides of a portion (29%) of our shareholding in Delfluent B.V, the company operating the Hague BOT contract, reducing our shareholding in this company to 11% and the buyout by Veolia Water Systems of the remaining 25% minority interests in SIBA Spa increasing our shareholding in Siciliacque (in Sicily) and Sorical (in Calabre) to 74.7% and 46.5%, respectively.

Following the creation, acquisition or consolidation of sixty-four companies in 2010 and the liquidation, divestiture or transfer of thirty-seven companies, the Water Division (excluding Proactiva) is comprised of 755 companies as of December 31, 2010 compared to 728 in 2009.

6.1.3.2 Environmental Services

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

As of December 31, 2010, Veolia Propreté employed 84,740 people[(2)] around the world, in approximately 33 countries.

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(1) Sources: internal studies and Eurostat

(2) Employees managed as of December 31, 2010, including 6,567 Proactiva employees allocated to its environmental services business.

Veolia Propreté is a partner of over 750,000 industrial and service-sector customers[3] and serves more than 75 million residents on behalf of public authorities.

As of December 31, 2010, Veolia Propreté managed approximately 817 waste processing units.

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

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

Environmental Services*

(€ million)	**2010**	**2009 re-presented****	**Change 2010/2009**
Revenue	9,312.2	8,731.5	6.7 %
Operating income	610.4	449.4	35.8 %

* *Including Veolia Environnement's share in the results of the environmental services activities of Proactiva, Veolia Environnement's joint venture with FCC.*

** *In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the Income Statements of the Waste-to-Energy entities in the Environmental Services Division (primarily divested in the second half of 2009, and at the beginning of 2010 for the Dade entity) and of Veolia Miljo (in the course of divestiture) are grouped together in a separate line, Net income from discontinued operations.*

Overview of Environmental Services

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

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

- sorts and processes waste in order to create new raw materials, otherwise referred to as recycling or material recovery;
- transforms organic material into compost to be returned to the soil, otherwise referred to as composting or agronomic 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 business sectors: environmental services and logistics for public sectors and industrial companies, sorting and recycling of materials and waste recovery, and processing through composting, incineration and landfilling.

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

Key factors

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

- A presence at all points of the waste value chain, from pre-collection through to processing and recovery, in an appropriate range of geographical areas at different stages of maturity, enabling the identification and control of innovative, tailored solutions for proposal to customers and setting the Company apart from the competition in the market;

- The management of risks relating to the protection of the environment and the safety of individuals and installations (see Section 4.2.3 above);

- The quality of employee management in sectors which are often labor-intensive (limiting absenteeism and industrial action, developing skills and training);

- The ability to innovate using new technologies (processing, rolling stock) and processes (sorting-recycling), founded on an effective technology, regulatory and competition watch system;

- Operating efficiency (purchases, sales, logistics, maintenance management) enabling the optimization of unit costs and the utilization rate of equipment, while ensuring the high level of quality required for products and services delivered;

- Investment management in certain capital-intensive activities (selectivity, risk analysis, installation size);

- The quality of contractual management for long-term contracts (major clauses, price review formulae, guarantees and deposits, etc.) (see Section 4.1.2.2 above);

- Management of economic and financial risks: volumes fluctuation, volatility of raw material prices (fuel, materials sold such as paper and metals), customer risk, foreign exchange and interest rate risk (see Section 4.2.3.2 above).

Environmental Services and Logistics for Public Sectors and Industrial Companies

Maintenance of Public Spaces and Urban Cleaning

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

Cleaning and Maintenance of Industrial Sites

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

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

Liquid Waste management

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

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

Soil Decontamination

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

Collection

In 2010, more than 75 million people around the world benefited from Veolia Propreté's waste collection services. Veolia Propreté collects household waste through door-to-door pickup or through pickup at designated drop-off sites, and collects commercial and non-hazardous industrial waste. It maintains the cleanliness of green areas and carries away "green" waste and also collects hazardous waste on behalf of its service sector and industrial customers, including hospital waste, laboratory waste and oil residue (ships, gas stations and drilling platforms) and diffused hazardous waste.

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

Transfer and Regrouping of Materials

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

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

Sorting and Recycling of Materials

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

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

Veolia Propreté recovers solid waste received at its 329 sorting and recycling centers. These specialized centers separate the different components of complex waste, such as electric and electronic products and fluorescent lamps. Veolia Propreté works upstream in partnership with industrial customers and with the Group's research center to develop new recycling activities. Recycled material is sold or distributed to intermediaries or directly to industrial customers.

Waste Recovery and Treatment through Composting, Incineration and Landfilling

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

Composting and Recovery of Organic Material from Fermentable Waste

Veolia Propreté and Veolia Eau work together to recover sludge from wastewater treatment plants. At its 127 composting units, Veolia Propreté processes urban and industrial sludge, part of which is then reintroduced into the agricultural cycle through land spreading, with a related tracking service.

Incineration and Waste-to-Energy Recovery

Veolia Propreté operates 64 waste-to-energy recovery and incineration plants, which process non-hazardous solid waste (mainly urban waste).

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

Landfilling and Waste-to-Energy Recovery

In 2010, Veolia Propreté had 137 non-hazardous waste landfill sites. Veolia Propreté has developed the expertise to process waste through methods that reduce emissions of liquid and gas pollutants. In addition, 92 landfill sites have recovery systems to transform biogas emissions into alternative energies.

Processing of Hazardous Waste

In 2010, Veolia Propreté had 24 incineration units for specialized industrial waste, 64 processing units using physico-chemical and stabilization methods, 15 class 1 landfill sites and 34 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 physico-chemical processing of inorganic liquid waste.

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

Description of activities in 2010

In 2010, at constant consolidation scope and exchange rates, the Environmental Services Division reported a 6.9% increase in revenue on 2009, driven by the rise in the price of recycled materials sold (particularly paper/cardboard and metals), which had dropped sharply in 2008/2009. Waste volumes collected and processed on behalf of companies recovered on 2009, although only moderately. Thanks to adaptation measures taken in 2009 and efficiency actions implemented in 2010, margins improved despite increased pressure on prices.

In France, revenue increased 7% (at constant consolidation scope). In addition to the positive impact of the rise in material prices, growth was driven by an increase in non-hazardous waste volumes incinerated and placed in landfills (thanks in particular to the policy of insourcing tonnage collected) and hazardous waste volumes processed. The contract renewal rate remained highly satisfactory, particularly with public authorities, while major contact wins were also recorded (collection services in Dijon and Mulhouse, incineration services in Beauvais, methanization in Angers and Pays de Caux). Finally, moderate price increases were achieved in a context of higher inflation (increase in fuel prices in particular).

In the United Kingdom, revenue increased 5.9% (at constant consolidation scope and exchange rates). Growth was primarily driven by the construction of installations under PFI (Private Finance Initiative) contracts, the full-year impact of the Merseyside contract and the increase in the price of recycled materials. This increase was achieved despite a difficult first six months due to the poor economic climate in the UK, resulting in a drop in non-hazardous waste volumes collected and placed in landfill before stabilizing in the second half of the year.

In Germany, revenue increased 9.8% (at constant consolidation scope), mainly due to the rise in the price of recycled materials (primarily paper/cardboard) and the increase in non-hazardous industrial waste volumes collected.

Revenue rose 4.2% in the rest of Europe (at constant consolidation scope and exchange rates). Growth was driven by the increase in the price of recycled materials and a moderate recovery in waste volumes collected and processed.

In North America, revenue increased 6% (at constant consolidation scope and exchange rates). This rise benefited in particular from a recovery in non-hazardous waste landfill volumes, mainly tied to one-off projects and a marked upturn in the industrial services and hazardous waste sectors.

The rest of the world reported a rise in revenue of 9.5% (at constant consolidation scope and exchange rates), primarily driven by growth in industrial services in Australia and the processing of hazardous waste in China.

Major Contracts in 2010

The following table shows the major contracts signed in 2010 with either public authorities or industrial or service sector companies[1] :

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
France					
SYMOVE waste disposal authority for the Oise Department	June	New	23 years*	347 million	Contract to design, build, finance and operate a multi-process recovery center for household and similar waste
Pays de Caux Waste Disposal Authority	September	New	23 years*	110 million	Contract to design, build, finance and operate a household waste processing plant and two non-hazardous waste landfill sites
South East Seine-et-Marne Household Waste Disposal Authority	June	New	10 years	47 million	Operation of the Montereau waste-to-energy center
Angers Loire Conurbation	April	New	6 years	44 million	Operation of the Biopole household waste recovery center
Greater Dijon Conurbation	August	New	5 years	44 million	Collection of household waste and equivalent
Flandre Morinie Authority	June	New	8 years	40 million	Operation of the Flamoval waste-to-energy center
City of Mandelieu-la-Napoule	June	Renewal	7 years	17 million	Collection of household waste and equivalent
Europe (excl. France)					
Staffordshire County Council (United Kingdom)	July	New	25 years	approx. 1 billion	Integrated comprehensive waste management contract
City of Westminster (United Kingdom)	September	Renewal	7 years (+ 7 years option)	302 million (excl. option)	Recycling and waste management contract
Medway Council (United Kingdom)	June	Renewal	7 years	91 million	Waste collection and recycling and town cleaning services
Medway Council (United Kingdom)	June	Renewal	25 years	150 million	Landfill disposal of residual waste
Abfallwirtschaftsgesellschaft Nordfriesland mbH (Germany)	October	Renewal	6 years	30 million	Collection of household waste and equivalent
North America					
City of Sanibel (Florida)	May	New	5 years	9 million	Collection of household waste and equivalent
City of Highland Park (Chicago)	July	Renewal	5 years	9 million	Collection of household waste and equivalent

** including an operating period of 20 years.*

(1) *Revenues expected under the contracts won in 2010 have been converted into euros at the closing exchange rate as of December 31, 2010 and represent the portion due to Veolia Propreté under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.*

Main acquisitions and divestitures in 2010

In February 2010, the operating contract for the Miami-Dade County waste-to-energy plant was transferred to the benefit of Covanta Holding Corporation. This final transaction completes the divestiture to Covanta Holding Corporation of the North American waste-to-energy contract portfolio, initially announced on July 6, 2009, in accordance with the scheduled financial terms and conditions.

This transaction represents the 2010 contribution to the multi-year divestiture program announced by the Group on March 6, 2009.

Following the creation, acquisition or consolidation of 25 companies in 2010 and the liquidation, divestiture or merger of 53 companies, the Environmental Services Division (excluding Proactiva) was composed of 647 companies as of December 31, 2010, compared to 675 in 2009.

6.1.3.3 Energy Services

Veolia Environnement conducts its energy service activities through Dalkia, a global provider of energy services to companies and public authorities. Dalkia provides services relating to heating and cooling networks, decentralized thermal and electrical energy production, thermal and multi-technical systems, industrial utilities, installation and maintenance of production equipment, integrated facilities management and electrical services on public streets and roads. The Company seizes opportunities offered by the development of the energy and greenhouse gas emission reduction markets. Dalkia joins forces with its customers, helping them optimize their energy purchases and improve the efficiency of their installations both in terms of cost and atmospheric emissions.

As of December 31, 2010, Dalkia had 53,457 employees in 42 countries around the world, particularly in Europe.

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

Energy Services*

(€ million)	**As of December 31, 2010**	**As of December 31, 2009 re-presented****	**Change 2010/2009**
Revenue	7,581.8	7,041.3	7.7 %
Operating income	549.0	400.5	37.1 %

* *Including the share in the results of industrial multi-service entities, of the activities of Artelia and of renewable energy activities.*

** *In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", the Income Statements of German activities in the Energy Services Division (in the course of divestiture) are grouped together in a separate line, Net income from discontinued operations.*

Overview of Energy Services

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

Dalkia's core business focuses on optimizing the use of all sources of energy at customer sites, industrial production sites, commercial sites and in all types of buildings. Dalkia has progressively set up a range of activities linked to energy management, including heating and cooling networks, decentralized energy production, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, integrated facilities global management and electrical services on public streets and roads. The health sector is also of strategic importance to Dalkia.

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

Dalkia proposes energy management solutions encompassing the entire conversion cycle from the purchase of energies entering the site (fuel, gas, coal) to the sale on the market of the electricity produced.

Dalkia has in this way developed expertise in the purchase and sale of energy in deregulated markets and is also active in the CO_2 allowance markets

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

Heating and Cooling Networks

Dalkia is one of Europe's leading operators of large urban heating and cooling networks. Dalkia currently manages 887 urban heating and cooling networks worldwide, particularly in France, the United Kingdom, Italy, Germany, Eastern and Central Europe and the Baltic states. Furthermore, Dalkia performs in the United States. The networks operated by Dalkia provide heating, sanitary 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.

Thermal and Multi-Technical Services

Thermal services consist of operating heating, sanitary hot water and air conditioning systems to provide comfortable living and working environments, as well as improving the operation of existing systems to optimize their efficiency. Dalkia provides public, industrial and service sector customers with integrated energy services including plant design, construction and improvement, energy supply, and plant management and maintenance. Dalkia provides customers with a wide range of technical services and implements new services to satisfy demands for improved energy efficiency. It manages more than 119,600 energy plants throughout the world.

Industrial Utilities, Installation and Maintenance of Production Equipment

Dalkia is a leading provider of industrial utilities services in Europe. It has developed expertise in the analysis of industrial processes, the enhancement of productivity and the operation, maintenance and repair of equipment.

Dalkia provides services at approximately 4,500 industrial sites.

Dalkia increasingly develops integrated solutions for its customers enabling a reduction in energy consumption and limiting greenhouse gas emissions. The re-use of lost energy and process by-products or co-products often contributes to these solutions.

Integrated Facilities Management

Facilities global management contracts combine a comprehensive range of services from the maintenance of thermal, electrical and mechanical equipment to logistics. Accordingly, the various needs of customers are satisfied by a single company. Dalkia provides facilities management services for industrial and service sector customers (business premises, corporate offices, health institutions, etc.), covering a total surface areas of over 90 million square meters.

Street lighting services

Citélum, a subsidiary of Dalkia, has earned a worldwide reputation for the management of urban street lighting, urban traffic signal lights, and the lighting of monuments and other structures. Citélum operates and maintains lighting in a number of cities in France and abroad, and provides artistic lighting services at important architectural works and sites.

Services to Individuals

Together with Veolia Eau, Dalkia provides residential services to private individuals and cooperative housing customers through Proxiserve, a joint subsidiary (energy/water services), including the maintenance of heating systems, plumbing and renewable energy, and meter-reading services.

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

- contract management, enabling the identification of risks borne by the Company and those borne by our customers. Contract management takes account of necessary regulatory developments, which are monitored by the Division, and the implementation of a Research and development program, enabling further improvements to our performance and competitive advantage;

- procurement management: primarily purchases of raw materials, to optimize costs and secure fuel supplies for the installations we manage;

- environmental protection: optimization of energy efficiency, control of atmospheric emissions and a renewable energies-based offering.

Description of activities in 2010

In 2010, the Energy Services Division reported activity growth of 6.2% at constant consolidation scope and exchange rates compared to 2009, mainly due to favorable weather conditions and construction work on the installation of solar parks in Southern Europe.

During 2010, the Division implemented asset arbitrage measures, leading to the entry of local investors into the share capital in the Czech Republic and the reorganization of the shareholders structure in Poland.

In France, despite a difficult commercial environment, Dalkia France renewed 80% of its contracts expiring during the year.

New business and the development of contracts in portfolio, at a rate nearly twice that of erosion, enabled the Division to report substantial revenue growth of €98 million on an annualized basis. The projects selected in the latest call for tenders for biomass-fired electricity production (CRE 3), alone accounted for estimated annualized revenue of €42 million. Overall, contracts not renewed in 2010 represented less than 1.5% of Dalkia revenue in France.

Major contracts lost in 2010 include the Soissons urban heating plant and the Daher Socata industrial contract in Tarbes.

The Smurfit project was completed and electricity production commenced during the year, within the framework of the previous call for tenders for biomass-fired electricity production (CRE 2). This represents one of the largest biomass-fired power plant in Western Europe.

In Central Europe, commercial activities performed well. New contracts signed during the year (representing approximately €46 million) enabled Dalkia to maintain growth at 2009 levels and offset the substantial drop in electricity prices, particularly in the Czech Republic. In addition, 90% of contracts expiring during the year were renewed, representing revenue of €45 million on an annualized basis.

Commercial development in Italy, in Spain and Latin America remained strong, with new contracts worth €118 million largely offsetting lost revenue of €48 million from contracts not renewed. This growth was primarily achieved in the Healthcare sector, through public-private partnerships in Brazil, Mexico and Spain.

In North America, the Division strengthened its position based on the platform acquired in 2007, with the takeover of the Baltimore cooling network and the Boston Medical Area network.

In the Middle East, the Division developed its presence with the new Saadiyat Island contract in Abu Dhabi for the construction and the management of a cooling network for the new neighborhood which will house the Guggenheim and Louvre museums.

Major Contracts in 2010

The following table shows the major contracts signed in 2010 with either public authorities or industrial or service sector companies*:

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
France					
Fort d'Issy, Issy-les-Moulineaux (92) Real Estate Developers	July	New	25 years	27 million	Heating network shallow-depth geothermal for eco-neighborhood
Villejust (91)	December	Renewal	24 years	60 million	Courtaboeuf heating network
Evreux (27)	July	Renewal	20 years	85 million	La Madeleine heating network
Sitpa (Nestlé) Rosières en Santerre (80)	December	New	10 years	31 million	Operation and maintenance of the industrial site biomass-fired heating plant
APH Marseille (13)	November	New	25 years	142 million	PPP for a hospital logistics hub
Clermont-Ferrand (63)	May 2010	Renewal	24 years	49 million	La Gauthière neighborhood's heating network Biomass-fired heating plant
CEA Marcoule (30)	September	New	10 years	52 million	Utilities management
Michelin Clermont-Ferrand (63)	November	New	12 years	35 million	Utilities management, renovation of installations, operation of cooling equipment
Metz-Thionville Regional Hospital (57)	March	New	20 years	42 million	PPP for the future energy plant for the new Metz hospital
PSA Peugeot Citroën Mulhouse (68)	June	Renewal	12 years	58 million	Supply of heating Installation of a new co-generation plant
Europe (excl. France)					
Dairy Crest Ltd (agri-food) Cornwall (United Kingdom)	April	New	10 years	29 million	Construction, operation and maintenance of a biomass-fired power plant
OKD (mines) North Moravia, (Czech Republic)	June	New	20 years	1,611 million	Sale of utilities
Tor Vegata University Campus Rome (Italy)	September	New	21 years	176 million	University campus facilities management
Latin America					
Suburbio Bahia Hospital (Brazil)	May	New	10+10 years	12 million	Hospital PPP
North America					
MATEP Boston (United States)	May	New	12 years	72 million	Operation of a plant supplying utilities to 6 Boston hospitals
Middle East					
Saadiyat Island Abu Dhabi	December	New	29 years	373 million	Engineering, construction and operation of 3 cooling plants

* *Revenues expected under the contracts won in 2010 have been converted into euros at the closing exchange rate as of December 31, 2010 and represent the portion due to Dalkia, including Veolia Energy North America Holding, under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.*

Main acquisitions and divestitures in 2010

The main acquisitions and divestitures in 2010 took place in Central Europe and North America.

Financial restructuring measures were implemented in Central Europe in 2010, targeting two major countries, the Czech Republic and Poland.

Accordingly in May 2010 in the Czech Republic, the Group purchased the company Endo and signed a 20-year contract for the sale of utilities to the country's leading mining group (OKD). At the same time, it transferred control of the company Usti, and local investors acquired 20% of its share capital.

Financial restructuring measures in Poland led to the acquisition by IFM of 28.74% of the share capital of Dalkia Polska in exchange for its shareholding in Dalkia Lodz, and concomitantly the withdrawal of the EBRD.

In total, over the course of 2010, the Energy Services Division consolidated or purchased 32 companies, and sold, liquidated or merged 9 companies. As a result, it held 558 consolidated companies, including 300 foreign companies, as of December 31, 2010, compared to a total of 535 consolidated companies as of December 31, 2009.

6.1.3.4 Transportation

Veolia Environnement, through its Transportation Division, Veolia Transport, is a leading private operator of public transportation in Europe(1). Veolia Transport operates passenger transportation services on behalf of national, regional and local authorities.

Veolia Transport has been managing and operating urban, regional and inter-regional road and rail networks and maritime transport for more than a century, having won its first tramway concessions at the end of the 19th century.

Veolia Transport estimates that the worldwide transportation market currently represents revenue of €334 billion, of which only 28%, or approximately €92 billion, is currently open to competition. Global growth in the market open to competition is approximately 5% per annum. This growth will primarily be concentrated in the rail transport sector, where annual growth of 6 to 7% is forecast. The main drivers are the liberalization of markets in Europe (pursuant to the 3rd rail package) and the multiplication of PPP (public-private partnership) projects in North America and Asia.

Moreover, the global trend towards greater urbanization automatically increases the need for mass transportation services, thus strengthening the market potential in areas that Veolia Transport seeks to service. The Company, alongside the other Divisions of the Group, represents a major and steady contributor to Veolia Environnement's integrated environmental services offering.

As of December 31, 2010, Veolia Transport had 80,756 employees around the world. It has a presence in more than twenty-seven countries and conducts its business mainly in Europe, North America and Asia. While continuing to strengthen its position in France, Veolia Transport also has a strong presence internationally, where it generates approximately more than 60% of its revenue. In 2010, Veolia Transport continued its growth in North America, Asia and Europe.

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

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(1) Sources: annual reports of main competitors and internal studies.

Transportation*

(€ million)	As of December 31, 2010	As of December 31, 2009	Change 2010/2009
Revenue	5,764.7	5,860.7	-1.6 %
Operating income*	119.7	152.9	-21.7 %

* *Adjusted operating income (see Chapter 9, Operating and Financial Review) totaled €145.8 million for the year ended December 31, 2010 compared to €158.3 million for the year ended December 31, 200, representing a drop of 7.9%.*

Overview of the Transportation Business

Veolia Transport 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 retains ownership of the infrastructures, particularly in urban areas). Contracts are awarded following public tenders.

Veolia Transport 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. The relationship between the public authority and the transportation company is governed by fixed-term contracts that determine the risks to be borne by each party and the remuneration of the transportation company. As the fares charged by Veolia Transport to passengers of its transportation networks are usually insufficient to cover costs, the public authority typically provides Veolia Transport with a payment or other compensation for services rendered. Moreover, in the case of certain contracts, and particularly for specialized school transportation services, Veolia Transport is paid a flat fee for its transportation services and consequently does not bear the risks associated with lower receipts or decreased passenger use (such contracts are referred to as “Public Market” contracts in France).

Management contracts generally have a term of two to twelve years, with the exception of “operating concessions,” which have an average term of thirty years.

Veolia Transport’s activities fall into four main categories:

- urban mass transportation (urban transport, urban beltway and other specific transportation services);
- Intercity and Regional Transportation;
- infrastructure management and airport services;
- transportation management (passenger information services, clearing-houses, call centers).

The activities of the Transportation Division are influenced by key factors of a technical, contractual and economic nature, primarily by:

- managing contractual risks: the Company carries on its activity under long-term contracts, which may hinder its ability to react rapidly and appropriately to new financially negative situations (see Section 4.1.2 above);
- managing the various sustainable development aspects, which are increasingly included in transportation authority requirements (see Sections 4.2.2.1 and 4.2.2.3, above);
- the ability to control contractual changes (see Section 4.1.2 above);
- the ability to carry out activities in dense, vast and increasingly complex territories: increasing operating complexity and greater inter-modality in particular.

Urban Mass Transportation

Veolia Transport operates a number of bus networks, suburban trains, tramways and metros, and provides customized transportation-on-demand services. Veolia Transport is either partially or fully responsible for designing, planning and operating services, managing personnel, providing drivers and ticket inspectors, marketing efforts and customer service, as well as the maintenance, cleanliness and security of vehicles and network stations.

In many urban areas, Veolia Transport provides interconnected bus, tramway, metro and train transportation services through a ticketing system coordinated by the principal transportation provider or transportation authority. Veolia Transport also offers services within networks managed by several different operators in urban areas, including, particularly, the Paris suburbs and Düsseldorf.

Veolia Transport also operates ferry services in tandem with its bus services in various urban areas. This is particularly the case for services provided in Toulon harbor, Thonon-les Bains and services to the Morbihan islands in France, and services provided in Norway, the Netherlands and Sweden.

Urban and Suburban Transportation

In France, Veolia Transport operates the tramway, bus and light rail networks in Rouen, Saint-Etienne, Nancy and Nice. In addition, Veolia Transport renewed a number of contacts in 2010, including the contract to operate the Béziers network. It operates bus networks in nearly seventy urban areas in France.

Veolia Transport has a strong presence in the Greater Paris region, where it operates numerous bus lines in the intermediate suburbs of Paris and the greater metropolitan area. It is the main private operator in the region, operating the bus networks of Melun, Rambouillet, Argenteuil, St. Germain-en-Laye and the Seine-Saint-Denis department and several highway express routes.

In Northern and Central Europe, Veolia Transport operates tramway, metro and light rail networks in Görlitz and Berlin (Germany), Dublin (Ireland), Trondheim (Norway) and Norrköping (Sweden). It also operates bus routes in Scandinavia, Switzerland, Belgium, the Czech Republic, Serbia, Croatia, Slovenia and several cities in Poland. In the Netherlands, Veolia Transport operates the regional transport in The Hague and the bus network serving this city's suburbs since 2009. Veolia Transport also operates all integrated (inter-modal) public transport networks in Limburg province (bus, transportation-on-demand, suburban rail transportation).

In Southern Europe, Veolia Transport operates the Bilbao urban bus network and, via its subsidiary FCC-CONNEX, a joint venture with the Spanish group FCC, manages urban transportation services in several other cities, including the Barcelona tramway.

In North America, Veolia Transport provides bus transportation services in 33 States and two Canadian provinces, and particularly in Las Vegas, New Orleans and part of the Washington DC area. Veolia Transport also manages suburban train services in Boston, San Diego and Miami.

In Australia, Veolia Transport operates the Sydney monorail and light rail network and bus services in Perth, Brisbane and Sydney. In New Zealand, Veolia Transport operates regional train services around the city of Auckland.

In Asia, Veolia Transport operates, the bus network of five cities in the Jiangsu and Anhui Chinese provinces, as well as the Hong Kong tramway.

In South-Korea, Veolia Transport operates the Seoul metro line 9 since July 2009.

In India, Veolia Transport launched the pre-operation phase of the Mumbai metro.

In the rest of the world, Veolia Transport operates, through partnerships with other operators, a high-frequency right-of-way bus system (BRT: Bus Rapid Transit) in Bogota (Colombia) and a network of bus lines in Santiago, Chile.

Other Transport Services (transportation-on-demand, para-transit, taxis, etc.)

Veolia Transport offers innovative transportation services in certain cities that supplement traditional transportation networks. For example, Veolia Transport offers Créabus, an on-demand minibus service that is tracked by a Global Positioning System, or GPS, which operates in Dieppe, Le Havre, Dunkirk, Aix-en-Provence, the Greater Paris region and Fairfax (United States).

Since 2009, transportation-on demand-services to Raleigh-Durham airport (North Carolina), student transportation to the Stanford University campus and transportation of Continental Airlines employees to Newark airport, further strengthened transportation-on-demand services in the United States.

Veolia Transport manages taxi services in the United States, in particular in Baltimore, Denver, Kansas City and Pittsburgh and in the Netherlands and Sweden.

It provides transport for persons with reduced mobility in Rouen, Le Mans, Le Havre and Tours and several other regions of France and in the United States (para-transit), and particularly California, Arizona, Nevada, Texas, Maryland, South Carolina, New Orleans and the Washington DC area.

In addition, via its specialized subsidiary, Veloway, Veolia Transport operates self-service bike rental systems in the city of Vannes and Greater Nice.

Intercity and Regional Transportation

Veolia Transport provides regional transportation services through the operation of road and rail networks. As with urban transportation services, Veolia Transport is responsible for designing, planning, operating and maintaining the network and stations and ensuring their security, as well as selling tickets and providing customer service.

In France, Veolia Transport has a strong presence in the intercity and school transportation markets. Veolia Transport is present in all regions and, in particular, saw the renewal of its intercity transportation contract in the Eure department.

Veolia Transport also operates a number of regional rail networks, covering approximately 300 kilometers, through contracts with regional public authorities (primarily in the Provence-Alpes-Côte d’Azur region) and through sub-contracts with the French national railroad company, SNCF (particularly in Brittany).

In Europe, Veolia Transport has a particularly strong presence in Germany, with over 2,500 kilometers of regional railway lines.

Through its subsidiary, Eurolines, Veolia Transport provides transport by motor coach on regular international routes serving over 600 cities throughout Europe. In Sweden, Veolia Transport operates a rail network between Stockholm and Malmö since the opening of this market to competition in 2009.

In the rail transportation sector in the United States, Veolia Transport operates suburban networks in Boston and Los Angeles, the Sprinter network in South Los Angeles and the Miami suburban network (Tri-Rail).

Veolia Transport continues to develop ferry transportation services in areas such as Finnmark and Norrland (Norway), Zeeland province (Netherlands) and Gothenburg (Sweden), as well as through its 66% shareholding in the Société Nationale Maritime Corse Méditerranée (SNCM), which manages passenger and freight maritime transportation services between Marseille, Nice, Corsica and North Africa.

Transportation Management

Growth in Veolia Transport's businesses also depends on increased use of public transportation networks, which is in turn closely linked to the quality of service provided by these networks.

Veolia Transport focuses its efforts on matching service offerings with demand for such services, and developing passenger information services. For this purpose, Veolia Transport developed "Optio", a comprehensive passenger information system (call center, Internet, text messages and WAP) covering all transportation networks in a region (regardless of the operator). This system currently operates in the French departments of Oise and Isère.

In addition, Veolia Transport has recently created several internet sites that allow users to prepare their itineraries using local transportation systems in France and Australia.

Description of activities in 2010

In 2010, the Transportation Division reported a fall in revenue of 1.6% compared to 2009 at current exchange rates and of -4.3% at constant consolidation scope and exchange rates.

In the urban transportation sector, Veolia Transport strengthened its presence by winning, in 2010, new contracts to operate the Sophia-Antipolis, Rochefort and Bayonne bus networks and by renewing its contracts for the Dieppe, Libourne, Brive, Saint Lô, Tulle, Lunéville, Thonon-Les-Bains, Soissons and Verdun networks.

As part of its intercity activities, Veolia Transport also renewed transportation contracts for Bezier and the Eure and Haute-Garonne departments.

In addition, Veolia Transport was awarded the remote ticketing contract by the Oise department.

Finally, Veolia Transport in a consortium with EDF, was awarded in December 2010 by the City of Nice, a 12-year contract to set-up and operate an electric vehicle car-sharing service (to be launched in March 2011).

Veolia Transport strengthened its position in the German rail market, particularly by winning a contract to operate short-distance rail links between Munich and Austria and Rosenheim.

Veolia Transport also renewed two regional line contracts with the Mecklemburg-Pomerania Lander and the Rhine-Westphalia Lander for two and four years, respectively, and negotiated a one-year contract extension with the city of Leipzig for services to eight regional cities.

Veolia Transport was also awarded operating contracts for part of the Frankfurt urban transportation network and the "Ostholstein" urban, suburban and school transport networks by the Schleswig-Holstein Lander.

In the Czech Republic, Veolia Transport was awarded a 12-year contact for the Prague suburban transportation network and rail links between Prague and Beroun and the west of the country.

In Sweden, Veolia Transport was awarded the bus link between Umea and Haparanda in 2010.

Veolia Transport strengthened its presence in the United States by winning and renewing several contracts, including the operating contracts for the Denver, Phoenix and Savannah bus lines.

Through its joint venture with RATP Développement, Veolia Transport continued its expansion in Asia, winning the operating contract for the Macau bus network. A technical assistance contract was also signed in China for maintenance services on the Wuhan metro line 1.

Veolia Transport renewed 78% of major contracts expiring in 2010, representing renewed average annual revenue of €373 million.

Major Contracts in 2010

The following table shows the major contracts signed in 2010 with either public authorities or industrial or service sector companies(1):

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
France					
Béziers	December	Renewal	8 years	87.4 million	Operation of the Béziers urban transportation network
***Europe* (excl. France)**					
Rosenheim (Germany)	December *(award letter, contract signed in 2011)*	New (plus 3 years at the customer's option)	12 years	1,092 million (excl. option)	Operation of 3 short-distance rail links between Munich and Austria and Rosenheim.
Eskilstuna (Sweden)	July	New	6 years	91.1 million	Operation of urban and inter-city bus lines in Eskilstuna and the surrounding region
North America					
Phoenix	March	New	5 years	290.9 million	Management, operation and maintenance of the entire Phoenix urban network
Denver	January	Renewal	3 years (+ 2 years at the customer's option)	50 million (excl. option)	Operation of regular bus lines and maintenance services in Denver
Australia					
Perth	March	Renewal	10 years	140 million	Operation of urban bus lines and school transportation services between Rockingham and Mandurah
Perth	November (*award letter, contract signed in 2011)*	Renewal	8 years	138.5 million	Operation of urban bus lines and school transportation services in the Joondalup region.

(1) *Revenues expected under the contracts won in 2010 have been converted into euros at the closing exchange rate as of December 31, 2010 and represent the portion due to Veolia Transport under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.*

Main acquisitions and divestitures in 2010

In Europe, after merging several entities, Veolia Transport continued to rationalize its structure in the Netherlands at the beginning of 2010, in order to focus activities on three sectors: public transportation, private transportation and transportation–on-demand taxi services.

Similarly, in a difficult competitive environment, Veolia Transport merged six operating companies in Poland into a single entity.

In Asia, Veolia Transport became the sole shareholder in the Hong-Kong tramway after acquiring the company's entire share capital.

Finally, Veolia Environnement continued its discussions with Caisse des Dépôts et Consignations regarding the merger of Veolia Transport and Transdev, to create one of the global leaders in collective passenger transportation and sustainable mobility.

As of December 31, 2010, Veolia Transport comprised 528 consolidated companies, compared to 521 as of December 31, 2009. During the year, 26 companies were consolidated for the first time, 13 were merged and 6 companies were liquidated or sold.

6.1.3.5 Development of synergies: Multi-service contracts to the benefit of industrial and service sector customers

Outsourcing and multi-service market

The position forged over several years by Veolia Environnement in the industrial services market and, more recently, the public and private service sector market, reflects the synergies that exist between the four Divisions, which enable it to provide management services covering a wide range of services. Growth in this market is primarily driven by the expansion of outsourcing, as industrial companies seek to confer the management of certain activities ancillary to their core businesses to third party service providers.

This outsourcing trend applies to several Veolia Environnement businesses, including energy services, management of the water cycle, waste processing and recovery and on-site logistics management. Veolia Environnement offers a "multi-service" alternative to its customers, which involves the provision of services by several of its Divisions under a single contract. This option enables Veolia Environnement to better satisfy the expectations of customers who wish to outsource a range of services to a single service provider.

From an operational standpoint, the customer relationship changes: the service provider becomes the customer's sole contact and a dialogue develops to seek solutions which satisfy the interests of both parties. This approach also allows for greater technical synergies, economies of scale and mutual commercial benefits.

Veolia Environnement's multi-service contract signed in 2003 with PSA Peugeot Citroën is a good example of these synergies. The subsidiary that was created to service this contract, Société d'Environnement et de Services de l'Est, manages all environmental services at Peugeot's sites in eastern France, which involves more than twenty different activities. By entrusting Veolia Environnement with such a broad range of activities, PSA Peugeot Citroën is able to ensure that its sites comply with regulations while achieving significant cost savings. These savings are mainly the result of an overhaul of the previous organization and work plan, the implementation of skills training programs, the assumption of management activities that were previously subcontracted, and the implementation of a new energy policy. In 2005, the economic and operational success of this partnership led the PSA group to seek the same scope of services from Veolia Environnement at its new facility in Trnava (Slovakia).

Veolia Environnement Organizational Structure for the Provision of Multi-services

In order to develop this multi-service activity, the Group set up a special purpose entity to coordinate these activities without replacing the Divisions, each of which remains responsible for the ultimate performance of services falling within its area of expertise.

The project structure Veolia Environnement Industries ("VEI") manages Veolia Environnement's bids for multiservice contracts, and a project manager from VEI is appointed for each multi-service contract. Commercial projects and bids are prepared in conjunction with Veolia Environnement's Divisions, and are then reviewed by a Commitments Committee before being submitted to the customer.

The contract is then performed by a special purpose entity managed in part by the Divisions involved in the project, especially when personnel is outsourced to the customer.

Multi-services Business Activity

The Group's activities in the multi-service market primarily consist of approximately fifteen major contracts, which together generate average annual revenue of more than €440 million and which are expected to generate cumulative revenue over their remaining term of around €2.4 billion. The weighted average term of these contracts is approximately 12 years.

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

Défense Environnement Services (DES) - a joint venture between Veolia Environnement Industries and DCNS, created in March 2009, in which Veolia holds a 51% stake – manages support and other services for the Defense sector (utilities management, water cycle management, maintenance of industrial and service buildings, maintenance of small tooling in workshops and hoisting equipment, transportation of individuals, logistics, cleaning services and waste management). Since its creation, DES has signed several contracts with DCNS, the Defense Ministry and the French atomic energy Commission (CEA), representing revenue of nearly €7 million in 2010 (51%) and cumulated revenue over the remaining term of the contracts of close to €100 million.

Following the contract awarded in 2009 by PSA Peugeot Citroën to the Eolfi Sense partnership for the construction of a car parking lot and the installation of solar panels at the Sochaux site, the most powerful car parking lot solar-panel roof in France was inaugurated on September 19 2010, with a nominal power of 1.4 MWc. This installation will feed approximately 1.2 million kWh per year into the French power grid, equivalent to the energy needs of nearly 400 households. The construction work, representing a cost of €5 million, was completed mid-2010.

In 2010, Eolfi also won a major contract with Réseau Ferré de France (RFF) under which RFF provides the joint venture AIREFSOL, created to carry this contract, with 300 hectares of land located throughout the whole of France. Initially, these real estate assets will enable the installation of photovoltaic solar panels representing an installed power of 100 MWc spread over around twenty sites. AIREFSOL plans to connect the first power plants to the electrical network in the second half of 2012. Subsequently, new plots of land not required for rail activities could be used to develop other clean energy sources such as wind or biomass.

In April 2008, Veolia Environnement signed a contract with Artenius, a subsidiary of the La Seda de Barcelona chemical group, for its new site in Sines, South of Lisbon, in Portugal. Veolia Environnement will build and then operate a production plant covering all utilities, including steam, electricity, demineralized water, industrial gas and effluent treatment. After a period during which the worksite was shut-down and the customer renegotiated its debt with its creditors, construction activities recommenced at the site in 2010. Utilities production (including a 40 megawatt co-generation electricity plant) is scheduled to commence in the last quarter of 2011. This contract is set to last nearly seventeen years and to generate cumulative revenue estimated at €950 million.

Renault chose Veolia as its partner to build the first vehicle bodywork-assembly plant setting new standards in environmental impact, with nil industrial wastewater and CO_2 emissions. The plant, built by Renault in Tangier, will be brought online in 2012 at a production rate of 170,000 vehicles, with an ultimate production target of 400,000 vehicles annually. This plant forms part of a partnership between Renault and the Kingdom of Morocco promoting sustainable development. A construction contract was signed with Renault in March 2010 for an amount of close to €22 million. The construction phase will be completed at the end of 2011 and the related operating contract is currently under negotiation.

In July 2010, Veolia Environnement Industrie Services (VEIS) signed a service agreement with the pharmaceutical company, Bristol Myers Squibb (BMS), covering a wide range of activities (general maintenance of buildings and roads, security, industrial cleaning, multi-technical services, waste management, mail services, management of meeting rooms, cleaning of premises, etc,). This five-year contract will generate annual revenue of approximately €21 million and concerns ten sites located in six countries (Germany, Belgium, Ireland, Italy, Spain and the United Kingdom). Fifty-two BMS employees were transferred to VEIS.

Multi-service contracts signed in 2010 [(1)]

Company	Location	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*	Services provided
DES	Ruelle Toulon IAM51	April October September	New	7 to 9 years	33.9 million	Multi-services – military base support services
BMS	Multiple sites in Europe	July	New	5 years	105 million	Multi-services
Renault	Tangier (Morocco)	March	New	2 years	22 million	Construction

6.2 Market overview

6.2.1 The market for environmental management services

Environmental management services include drinking-water treatment and distribution, wastewater treatment, passenger transportation and waste management as well as energy services (excluding the production, trading, and sale of electricity) and designing and building the necessary installations to supply such services. These services are provided to public authorities, industrial and service-sector companies and private individuals. The contractual terms governing the implementation of these services varies depending on the nature of the project and the customer. The set-up of public-private and private-private partnerships for the construction of installations based on comprehensive solutions and key environmental objectives such as waste recovery (cogeneration, etc.), energy savings, the re-use of water and reducing emissions of pollutants, enables the Company to demonstrate its expertise and market its technologies in synergy with its main businesses. Financing, such as that provided by European funds and the IBRD, enables these installations and projects at the cutting edge of technology in terms of environmental performance, to be undertaken in emerging countries: for example, in Serbia, a comprehensive soil decontamination project awarded by a public authority to enable the construction of a FIAT plant and, in Morocco, on behalf of Renault but within the framework of a financial agreement with the State, the construction of a production plant producing no wastewater or CO_2 emissions.

(1) Revenues expected under the contracts won in 2010 have been converted into euros at the closing exchange rate as of December 31, 2010. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.

The global environmental services market has been valued at €1,000 billion (Roland Berger study referred to in the UNEP 2008 report Green Jobs: Towards Sustainable Work in a Low-Carbon World produced by the Worldwatch Institute (Michael Renner) and the Cornell Labour Institute (Sean Sweeney, Jill Kubit)) and is expected to increase to €3,100 billion in 2020 (according to a second Roland Berger study published in May 2009).

The Company accompanies industrial companies abroad in the implementation of their projects, helping them to design and build their own plants or adapt existing sites, by including technology enabling the environmental impact of activities to be reduced while improving competitivity. These actions and services contribute to the preservation of the environment and respond to the growing concerns of customers to take concrete measures in this direction. Their implementation requires local expertise, with the cross-fertilization of techniques and practices. In this way, Veolia Environnement's expertise in energy efficiency, energy recovery, water treatment and increasingly, the beneficial re-use of by-products, including wastewater, is effectively harnessed, whether the client is a public authority or industrial company and irrespective of the primary service supplied.

It is now obvious to all, public and private decision-makers alike, that more must be done to limit damage to the environment and that new cost-efficient innovative solutions must be identified, perfected and implemented. While all the Company's customers are now aware of the environmental challenges facing us, our response must be tailored to the different requirements of each customer group.

Citizens and public contractors are setting increasingly strict environmental performance requirements for the management of public services and utilities. This increases public sector customer awareness of environmental requirements and of their responsibilities in this area and leads them to implement measures to improve respect for the environment, particularly in towns and cities. The Company actively participates in the rising number of studies and reviews focusing on this subject. Nonetheless, public sector management contracts continue being largely awarded on an individual service basis, in response to competition requirements as well as those of administrative and budgetary bodies.

Private sector customers seek to adopt a unified management policy for all these services and to call on a service provider grouping together all useful expertise and, where appropriate, able to assume the integrated management of outsourced environmental services. They seek innovative technical proposals producing resource savings, enabling the recovery of by-products and limiting the carbon footprint of their activities. Service offers must reflect their specific requirements, be adaptable, and tailored to closely match their expectations. They expect the organizational structure to generate productivity gains, to be shared by both parties. A transversal approach, encompassing several environmental management service families, could help satisfy this requirement by releasing synergies between services. These measures, now largely shared, have led to an increased demand for a range of environmental management services. This trend has accentuated with the international development of companies and the need for centralized management of these services, generating increased demand for specialist service providers offering a global presence able to satisfy the international requirements of their customers.

Veolia Environnement considers that the demand for outsourced and increasingly integrated environmental management services is likely to grow around the world for the following reasons:

- a global environmental services market enjoying sustained growth;
- our customers' need for increased competitivity;
- as innovative technical solutions favorable to the environment are developed, the Company's expertise is sought to identify, design, control, build and operate them;
- faced with increasingly strict environmental standards and requirements, public and private players do not always have the necessary technical or operational resources that specialist professionals can mobilize to deal with environmental problems effectively and at minimum cost; they also seek the legal security offered by an operator that accepts responsibility for the management of these activities. Expertise in environmental regulations is a determining factor in the choice of operators and an asset that sets Veolia Environnement apart from the competition;

- the need for the centralized management of services entrusted by companies to service providers for a range of sites spread across one or several continents;

- in addition, public demand, which now widely reflects a concern for sustainable development, must keep commitments made at international level and set exemplary standards. In a world that combines accelerated urbanization with demographic growth, major investments in environmental projects and services, as well as sustainable management, are needed in order to provide growing urban populations with adapted environmental services and replace existing environmental infrastructures.

Nonetheless, the financial difficulties that plague all economic players, whether they are public authorities or private companies, could lead to certain decisions being postponed, especially when they involve new investment.

However, these financial restrictions could also encourage public authorities and companies to seek the most cost efficient solutions and lead them to consider outsourcing a portion of their activities under complex, comprehensive long-term contracts. They often seek to simplify the contractual process by entrusting the performance of highly varied services to a single partner, who is able to commit to performance levels and, where appropriate, finance all or part of the investments necessary. This presents numerous opportunities for companies that are able to propose a wide range of integrated environmental management services. To this end, the European Commission, in a communication dated November 19, 2009, recommended the development of public-private partnerships in a bid to boost the economy and launch a long-term structural transformation (see Section 6.2.4. below)

Veolia Environnement believes that each of these trends, taken individually, offers significant opportunities and, taken as a whole, they enable the Veolia Environnement Group to provide high quality, innovative, and, depending on customer needs, integrated environmental management services in markets around the world. In order to seize these opportunities, the Company must, more than ever, strive to offer high-quality services, equipment and installations at competitive prices.

6.2.2 Customers

Veolia Environnement provides environmental management services to a wide range of public authorities, industrial and service sector customers and private individuals around the world.

Public authorities

Demand from public authorities (which are often small local authorities, that increasingly pool their resources) is focused more and more on the search for quality and innovative solutions and, with increasing urgency, on a desire for efficiency, resource savings (water), energy savings (across all services), the recovery of by-products and the best total cost (by integrating operating concerns from the design phase). They are convinced of their environmental responsibilities and duties and of the need to update their operating methods, particularly with respect to the management of water resources, air pollution, transportation management and energy consumption. These trends, combined with a movement towards greater urbanization, are increasing the need for essential services.

Veolia Environnement has the know-how to adapt to customer expectations and needs. It increasingly participates in upstream studies, helping public decision-makers to define policies for their cities or regions and make decisions based on their short- and long-term environmental impacts and their carbon footprint. It can propose a wide range of contract types, from a simple study or expertise contract to a tailored partnership enabling customers to benefit from the latest technology, and including design and build contracts for installations and contracts focused on measureable performances or objectives, such as energy efficiency contracts.

But the Company believes that its comprehensive contract model remains as relevant as ever, in that it gives the Company the ability to provide services tied to performance obligations and to design, build, and even finance necessary investments, depending on customer needs. This contributes to innovation and efficiency through mutual research efforts, stimulated by the periodic competitive tendering of contracts. This model takes on different legal forms depending on the traditions in each country. Certain countries, including those governed by European Union law, distinguish public markets from concessions (or other forms of Public Private Partnership, or PPP) based on whether operating rights are transferred and the extent of operating risks assumed by the Company and depending on whether the contract focuses on the service to be provided or the construction of infrastructure.

Since the mid-19th century, French public authorities have generally chosen to entrust the management of public services (water, sanitation, transportation, waste collection and processing, urban heating) to companies under contracts that were traditionally considered to be concessions (or operating contracts in the absence of an investment component) and which are now classified by law as public service delegation contracts, but which retain the label concessions under the European Union definition. They have frequently preferred, at least for certain public services, to retain control over the construction of installations, as well as their financing, while making them available to the service provider for the term of the contract.

In the last few years, a new trend has emerged whereby public authorities in all countries, including France, have asked companies to manage not only the design and construction of the necessary public infrastructures, installations and equipment (as varied as administrative and educational buildings, hospitals, transportation infrastructure, prisons, wastewater treatment facilities or household waste processing plants), but also their financing and long-term maintenance before recovering them at the end of the contract. Two main categories of contract have emerged, which, together, are often qualified as PPPs (public-private partnerships). The first case includes contracts belonging to the market category, where the resources intended to cover the cost and financing of infrastructure are similar to a price paid or guaranteed by the public authority and the service is provided to the public authority using the completed infrastructures. The second case includes contracts that are the equivalent of concessions as defined by the European Union and the resources are obtained through the commercial operation of the public service that is the main object of the contract (i.e. the public or general-interest service whose operation has been delegated), whereas the construction of infrastructure provides only the necessary means. Different IFRS accounting treatments apply in each case (recognition or not of a financial asset corresponding to a receivable from the public authority). We can also distinguish these PPPs based on the nature of the services entrusted, such as Build Operate Transfer (BOT) contract with financing, or Design, Build, Operate (DBO) contract, with design but excluding financing.

In France, the public authorities decided to encourage this type of comprehensive PPP contract in favor of authorities that settle the price, and to this end, the Order of June 17, 2004 created a new category of contracts classified as partnerships. In this way, it resolved the regulatory problem whereby public bodies were no longer authorized to enter into contracts governed by French ordinary law provisions comprising both construction and operating components or contracts including financing, where there was no concession or delegation of the operation of public interest services because users did not contribute to costs, even partially, by paying for the service rendered.

At EU level, on November 19, 2009, the Commission published a major communication recommending the development of public private partnerships (PPP). According to the Commission, this term encompasses all long-term contracts for the provision of construction, operating and financing services by a company, irrespective of whether it takes the legal form of a concession or a contract. It highlights the advantages, primarily economic, of PPPs which should provide a solution to current and future requirements for investment in public services. In addition, the Commission published the Single Market Act on October 22, 2010, comprising measures to boost the European economy. The measures presented for consultation include an initiative concerning the European legal regime governing service concessions. This initiative states that "*Clear and proportionate rules will improve market access for EU undertakings by ensuring transparency, equal treatment and a level playing field for economic operators. They will also promote public-private partnerships and boost the potential for delivery of better value for money for users of services and for contracting authorities.*"

We are closely monitoring the drafting of the proposed text. The objective of the Group is to secure and promote the use of concessions for services and construction work in other European Union countries, without assimilation of the public markets concession regime or calling into question French public service delegation legislation.

This contractual model between a public entity responsible for providing a general interest collective service and the company operating this service, whatever its legal form, is frequently used, but is not the only model available. The development of its use is often slowed by preconceived ideas entrenched in a country's history, which require the management of certain services to residents, such as water distribution, to be provided by public entities. The Company therefore offers its services to these entities. Conversely, public authorities may decide that they should not be directly involved in the provision of some of these public services, even general interest services. In such cases, they usually do not own the facilities or networks, and do not enter into contracts with preferred private operators; instead, they leave the provision of the public service to the market. Sometimes, however, they verify the competence of private operators by issuing operating licenses and regulating service conditions and prices, although they may limit their intervention to ensuring compliance with general regulations. This situation rarely arises with respect to water services, considered essential, but is more common for energy services, waste management and transportation. Public authorities may also demonstrate their interest in the services rendered by taking an ownership interest in the private operator. Veolia Environnement may seek to acquire a stake in such operators.

Services sold directly to Individuals

The Company also offers household services directly to private individuals through its specialized subsidiaries. These services include assistance and maintenance of privately-owned water installations (located on private property after the water meter) and heating and gas installations.

Industrial and Service Sector Companies

Veolia Environnement offers its industrial and service-sector customers a wide range of construction and/or operating services, to help them improve their environmental impact: improvements to installations, access to the utilities necessary for their industrial processes (steam, industrial heating and cooling, process water, demineralized water, compressed air, etc.), optimizing consumption, re-using process water and limiting and recovering by-products (treating effluents, recycling and recovering waste, and maintaining durable and efficient waste elimination channels).

Veolia Environnement offers customers innovative solutions tailored to the needs of each industrial site. It adopts a long-term partnership approach, entering into long-term contracts, which can require services to take account of changes in customer requirements or their business.

Veolia Environnement considers that the further development of its industrial customer base offers considerable growth potential. In particular, the importance of multi-service contracts with industrial customers is constantly increasing (see Section 6.1.3.5 above).

6.2.3 Competition

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

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

In the environmental services sector, Suez Environnement provides a range of services primarily concerning water and waste management. In the energy sector, the GDF-Suez merger does not significantly change Veolia Environnement's competitive position, despite the merger of Cofathech (GDF) and Elyo (Suez) to form Cofely. Certain players are originally from neighboring industrial sectors and are seeking to extend the scope of their business. This is the case for the subsidiaries of certain energy providers, notably in the heating network sector (Vattenfall, RWE). Companies specialized in electrical installations, such as Cegelec, have also expanded their environmental services offering. Finally, among new competitors, GE announced its intention to expand its business into the water sector. However, the vast majority of competitors do not offer the same range of technical expertise in environmental services as Veolia Environnement. Therefore, in certain cases, Veolia Environnement's competitors are required to set up special purpose entities to cover the service scope required by customers.

Veolia Environnement expects that competitors, currently operating in a single or national market, will seek to expand their activities to become integrated environmental management service providers, in the coming years. This change has been prompted by the desire of potential customers to outsource a larger portion of their business. The development of companies with worldwide capabilities focusing on multi-site and international calls for tenders has therefore been observed, such as Johnson Controls or Jones Lang Lasalle in facilities management. Industrial service providers are also moving towards greater consolidation by creating multi-service subsidiaries. This is the case of Voith in Germany.

A new form of competition has developed over the last few years due to the growing role of financial groups such as infrastructure funds (Macquarie Bank, etc.) or private equity funds. Although they are not global or strategic competitors, these players are often present in privatization tenders and asset sales and can occasionally compete with the Group for growth opportunities. The development of PPPs has also resulted in the emergence of new players from the construction sector that are able to manage the major construction and financing challenges required by these operations. Service providers such as Veolia Environnement may join forces with these companies as part of alliances formed to respond to tender offers. Such companies mainly include Bouygues, Vinci and Eiffage.

Finally, it is important to note that Veolia Environnement's main competitor is often the customer itself. Customers systematically compare the financial, technical and employee-related benefits and advantages of outsourcing with maintaining the status quo.

With regard to the provision of environmental services to public authorities, there has been a tendency in France in recent years towards a return to local government control, which has reduced the number of delegated management contracts available on the market. In Germany, public entities (Stadtwerke) play a leading role in the environmental services market (in the areas of water, waste management and energy services). In a number of countries in Eastern Europe, markets are slowly opening to competition, albeit partially. This trend nonetheless remains limited. Finally, new players from the construction and public works sectors could look to expand into the service market involving major and/or complex new investment, which subsequently require the provision of services (e.g. construction of a hospital which then requires operation and maintenance of common and technical services). These new players may provide services as part of a BOT or concession contract or, in France, as part of a “partnership contract” authorized by the regulation of June 2004. The emergence of such new players is a natural outgrowth of the development of a comprehensive service market integrating the construction and financing of the infrastructures necessary to the performance of services, which then revert to the customer at the end of a contract.

Water

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

In national and regional markets, Veolia Eau has a number of local competitors, including both public and mixed private-public operators.

Its main competitors in France are Lyonnaise des Eaux (Suez Environnement), Saur (Séché Environnement) and local public authorities.

In Spain, the Company’s main competitors are Suez Environnement (via Aguas de Barcelona; Suez Environnement completed the takeover of this company in June 2010 after several years as a major shareholder) and construction and public works companies such as Aqualia-FCC, ACS, Sacyr and Acciona, which more than ever are focusing on an international development strategy to offset the slack national market.

In the rest of Europe, aside from Suez Environnement, a number of companies operate outside their domestic market, such as the German companies Gelsenwasser or Remondis which continue their international expansion, while other companies are now concentrating on their national markets, such as Acea in Italy and RWE (which has refocused its activities on electricity and gas) in Germany.

2010 was also marked by the strategic refocusing of British players such as Biwater (which sold its international spearhead, Cascal) and United Utilities (which sold nearly all its non-rate regulated assets outside the United Kingdom).

In the United States, the purely American companies, American Water (which now develops its strategy alone, without RWE) and Aqua America, consolidated their positions through a number of small acquisitions. United Water (Suez) boosted its DBO business, while adopting a selective approach.

In the North Africa and Middle East markets, as well as in Latin America, Veolia Eau is in competition with Spanish companies (Acciona, Aqualia-FCC, ACS) and is facing the growth of Japanese trading companies (Mitsui, Marubeni, Mitsubishi, Sumitomo, etc.), which are seeking to establish a position in stable, long-term activities.

China is also a strategic development region for Suez Environnement and Asian companies, with increased competition from local companies, 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.

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(1) Sources: Global Water Intelligence (GWI) of November 2009 and Pinsent Masons Water Yearbook 2009/2010.

The global water market is also of interest to technology providers such as General Electric and Siemens, which are also targeting on India with a specific focus on the desalination and wastewater recycling sectors, as well as Doosan (South Korea), VA Tech Wabag (India) and IDE Technologies (Israel). The latter have emphasized their ambitions for international expansion and extending their areas of expertise.

Environmental Services

Veolia Environnement's main competitors in this sector are either regional players, or cover only part of the services offered by Veolia Propreté.

In Europe (including Central and Eastern Europe), where Veolia Propreté conducts the majority of its business, its principal competitors are Suez Environnement (acting through its subsidiary SITA), also present throughout the entire waste recovery chain, Remondis, a major player in Germany and Biffa, which developed its activities in the recycling sector in the United Kingdom through the acquisition of Greenstar UK.

North America is characterized by a highly-concentrated market and the presence of two major competitors, Waste Management Inc. and Republic Services Inc. (the new entity formed by the merger of Allied Waste Industries and Republic Services at the end of 2008).

Finally, in the Asia-Pacific region, the Company'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.

Energy Services

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

Only the Group formed by the GDF-Suez merger, primarily with Cofely, has the ability to offer a diversified and comprehensive range of services with a strong international presence that is comparable to Dalkia's own presence and services. Cofely represents a major competitor, mastering a range of expertise similar to that of Dalkia. This competition increased in 2010, particularly in France, with an aggressive policy to win market share.

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

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

In addition, the Company faces historical but growing competition from municipally- or publicly-run companies, principally in Central Europe, Germany, Austria and Italy.

Transportation

In the transportation sector, Veolia Environnement's principal competitors are large private operators, who are primarily French, American and British but also Asian, and public companies (national or local) that operate public monopolies.

2010 saw considerable market consolidation and the international expansion of historical competitors from the national railway sector (Deutsche Bahn, SNCF, TRENITALIA).

The main competitors on the global stage are the British groups FirstGroup, National Express and Stagecoach, the French group SNCF and its subsidiary Keolis, Deutsche Bahne and the Hong Kong company, MTR Corporation.

With regard to French groups, the Veolia Transport-Transdev merger project entered the final phase. The new entity will be a major player in the sector with an international presence in 30 countries. Following this merger, several French and international assets of Veolia Transport and Transdev will be transferred to RATP Développement. In 2009, the merger of Keolis, a 45.4% subsidiary of SNCF and the car parking lot management company, Effia, a wholly-owned subsidiary, provided SNCF with a 56.7% shareholding in the combined entity. In addition, SNCF Proximités, a specialist in local and regional mobility, is positioning itself in several business segments in France and abroad to export its know-how.

With the current trend towards consolidation in the mass transportation market, Deutsche Bahn (the national rail operator in Germany) acquired the Arriva group, which is present in 12 European countries. Following this acquisition, the new group should constitute the main European competitor of the Group formed by the Veolia and Transdev merger.

Finally, another public rail operator, Trenitalia (a wholly-owned subsidiary of the Italian state-owned group, FS), acting jointly with the Luxembourg investment fund, Cube, purchased the German assets of Arriva. Accordingly Trenitalia, which has already expressed interest in circulating its trains between France and Italy, is now a competitor in the German market.

In Asia, two players with growing international ambitions represent new competitors in the European and Asian markets. Of particular note is the Hong Kong suburb metro and train operator, MTR Corporation. This group, which merged with Kowloon-Canton Railway in 2007, has won a number of contracts including the concession for the Dexing metro line in Beijing, the operation of the Stockholm metro, and the Melbourne suburban rail network. In addition, MTR is present in numerous rail-bidding processes in China and Europe. The second largest Asian competitor is ComfortDelgro, the operator of the Singapore transportation network.

In the United States, Amtrak's persistent budget difficulties have opened the rail market to delegated private management. The competitive environment in the United States has changed with the arrival of new competitors such as Keolis, RATP Développement, and Go-Ahead.

In addition, several international groups are submitting bids to high-speed rail calls for tenders.

In conclusion, Veolia Transport is operating in an environment marked by increasingly intense competition between the major international groups and a move towards consolidation, leading to the formation of a few extremely large local passenger transportation groups.

6.2.4 Contracts

Contractual relationships with public authorities for the provision of general-interest services to the public or public services, for which the local authority is responsible, take a variety of forms depending on the level of involvement of the public authority. The public authority may decide merely to regulate the services, to delegate operating activities to a company acting on its behalf but under its supervision, or to provide these services itself with, or without, the assistance of a company.

Even when, as in certain countries and for certain services, public authorities choose to be involved as little as possible in the provision of public services to residents or be satisfied with more or less restrictive regulation of the relevant activities and customers must be sought directly among the local population, the Company is able to find its place, most often through acquisition of a private operator already serving a given area.

Generally, however, these so-called "general economic interest" services or public services are considered to be the responsibility of the competent public authority, which should not merely implement regulations and controls but also play an active role in their management, through one of the following approaches:

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

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

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

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

- the public authority chooses to manage and provide public services on its own (direct management), but has only limited means and therefore calls upon a private operator to provide certain limited services or work for which it pays a contractually-agreed price. It therefore enters into a variety of contracts for the supply of construction work and services;

- where new infrastructure is necessary for the provision of the services, the public authority may prefer a more comprehensive build/operate contract, which may include the financing of required infrastructure. These are known as public market contracts under EU law and also referred to as Build, Operate, Transfer (BOT) contracts, or since 2004 in France, as partnership contracts;

- the public authority entrusts a company with responsibility for the full provision of a public service, with the company assuming all or part of the operational risks. Generally, the provision of the service is then financed by the fees and charges paid by the end user of the service. The contractor thus has financial and operating responsibility for providing the service, but must do so in accordance with the terms set by the public authority encompassing needs to be satisfied, expected performance and prices charged to end users. This is the logic of "delegated management" contracts or "concession arrangements" under EU law (also known as a Public Private Partnerships – PPP), which transfer to the concession holder the "risks and perils" or "risks and benefits" of the activity, to the extent compensation is linked to operating results.

The historical traditions of the various countries in which Veolia Environnement operates tend to favor one of the above-mentioned contract types over the others. In France, for example, where there is a long tradition of granting concessions, delegated public service management is often the preferred approach.

Current practices in various countries are, however converging. Public authorities alternatively adopt one or other contract type depending on the situation. All contracts have, in most cases, the common feature of being long-term agreements. They increasingly comprise the building of infrastructure, or at least the upgrade of existing infrastructure and in all events its maintenance and may also comprise the financing thereof.

Veolia Environnement also enters into outsourcing contracts for the management of complex services with its industrial and service sector customers, which are similar to the above contracts. Such contracts take a variety of forms but are always tailored to customer expectations. Joint ventures may also be formed, such as the joint venture formed in Serbia with a major automobile company for soil decontamination.

Despite differences relating to the nature of customers, the services contracted and the nature of the legal systems in which Veolia Environnement operates, the expectations of Veolia Environnement's customers tend towards a demand for transparency during the bid process and during contract performance, formation of a real partnership in search of ways to improve productivity and performance and a desire for clear performance targets involving penalties or variable compensation depending on achievement.

Veolia Environnement is also very attentive to contractual provisions, in particular when Veolia Environnement must finance the investments required under a contract. Given the complexity of management agreements and their long-term nature, Veolia Environnement possesses skills in contract analysis and control and the content of its major bids is decided by Commitment Committees meeting at several levels. The legal and financial departments of Veolia Environnement's Divisions, and potentially Group head office, are involved in the negotiation and preparation of tender bids and then contracts, and verifications are made on the implementation of Veolia Environnement's main contracts. Each year, Veolia Environnement's Internal Audit Department includes a review of the contractual and financial risks inherent in Veolia Environnement's most significant contracts in its annual program.

6.2.5 Intellectual property – Company Dependence

Veolia Environnement owns a number of brands, including the "Veolia" brand. Since November 2005, the Group has adopted a new brand strategy aimed at uniting the Water, Environmental Services and Transportation Divisions under the Veolia banner. The three Divisions remain identifiable according to their business descriptions: "Water", "Environmental Services" or "Transportation", while the Veolia Energy Services Division is mainly known under the name "Dalkia". As a result, the companies at the head of the Water, Environmental Services and Transportation Divisions, as well as most companies in the countries and regions where the Group is based, are progressively modifying their corporate names in order to include "Veolia". This strategy, implemented by Company Executive Management, illustrates Veolia Environment's desire to increase the global consistency of its Divisions and the visibility of the Company, by strengthening the identity and global culture of Veolia Environnement based on its service values. Accordingly, the "Veolia" brand has become an international reference for trust, reliability and expertise in the environmental services sector.

Innovation is essential to the growth and profitability of Veolia Environnement and flows from the expertise and know-how of its businesses. The patent portfolio and developed expertise, sets Veolia Environnement apart from the competition and strengthens its position as a reference for environmental services. It capitalizes on this expertise primarily through the creation of technical and IT tools that the Company seeks to protect using tailored methods such as new information technologies.

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

6.2.6 Seasonality

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

6.2.7 Raw materials

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

Fuel prices (mainly gas and coal) can be subject to significant fluctuations. Energy prices have fluctuated widely in the past few years. In 2010, the price of a barrel of Brent crude continued the upward trend commenced at the beginning of 2009 (following its brutal collapse at the end of 2008). The average price of a barrel of Brent crude was US$79.6 in 2010, up US$17.7 on the average price in 2009. The rate of increase accelerated in the second six months, driven by renewed optimism surrounding the economic outlook, finishing the year at US$93.2 the barrel. This increase in the price of Brent crude oil not only had an effect on fuel prices, but also on gas prices (particularly in France, where changes in STS gas prices track petroleum prices with a three month lag). Thus, average 2010 French gas prices increased approximately €5/MWh compared to 2009 (increase of 18%).

The general consensus among energy product analysts is, however, that energy prices will continue increasing in the long-term, due to the increasing rarity of known oil reserves, a marked increase in extraction costs and the need to adopt new energy sources in response to growing environmental requirements. However, the timeline of this underlying trend is difficult to forecast, due to the limited visibility of market participants regarding economic growth. Therefore, the possibility of a drop in commodity prices cannot be excluded. In any event, as in recent years, energy prices should remain volatile in 2011.

In this context of volatile raw materials commodity markets, Veolia Environnement's businesses are not, and should not in the future, be materially affected in the long-term by an increase in costs, the availability of fuel or fluctuations in the price of other raw materials. The contracts entered into by Veolia Environnement generally include price review and/or indexation clauses, which enable it to pass on the majority of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

In the Transportation Division, numerous contracts contain indexing clauses that take fluctuations in fuel costs into account, significantly reducing the impact of a rise or fall in fuel prices. In certain contracts, especially contracts entered into in the United States, Veolia Environnement is entitled to full compensation in the event of a rise in fuel prices. Approximately 70% of costs are covered by contractual indexing clauses. For those contracts not containing indexing clauses, a fuel hedging policy was implemented in 2008 to manage fluctuations in fuel costs. The Group uses derivative instruments for this purpose, whose characteristics (notional amounts and maturity) are defined in accordance with forecast fuel requirements (based on firm orders or highly probable forecast flows). The majority of derivatives used are swaps.

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

In the Transportation and Environmental Services Divisions, the increase in fuel prices in 2010 compared to 2009 had a negative impact on fuel expenses of approximately €23 million in 2010, including the cost of swap hedging arrangements.

In the Energy Services Division, 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 zones in which Dalkia intervenes. At Energy Services Division level, the overall impact on revenue was +€21 million, reflecting a negative effect in Central Europe, more than offset by a positive impact in France.

A portion of Environmental Services Division revenue is generated by its sorting-recycling and trading businesses, which are particularly sensitive to fluctuations in the price of recycled materials (paper, cardboard, ferrous and non-ferrous metal). After the slump in prices which affected the Environmental Services Division in 2009, in a context of economic crisis and falling demand for recycled products, recycled material prices increased significantly in 2010. In France, 2010 annual averages for two representative price benchmarks ("Revipap 1.05" for recycled paper and "E40" for scrap metal) reported increases of over 150% for recycled paper and over 50% for scrap metal, compared to 2009 averages. Certain recycled materials attained prices levels at the end of 2010 close to those enjoyed prior to the economic crisis. The results of the Environmental Services Division were therefore impacted positively in 2010 by the substantial increase in the price of recycled materials compared to 2009.

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

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

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

For further information, please refer to Chapter 20 and particularly Notes 20.1, 29.1.3 and 36 to the consolidated financial statements.

6.3 Environmental regulation, policies, and compliance

6.3.1 Environmental regulation

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

With regard to reducing pollution, the Directive on Industrial Emissions of November 24, 2010, aims to overhaul the 1996 Integrated Pollution Prevention and Control Directive and six sector-based directives. Henceforth, the application scope encompasses new activities, administrative permits must be issued based on the use of "*Best Available Techniques*" (BAT) and new limits apply to air, water and soil emissions. Obligations to monitor emissions likely to contaminate soil and groundwater have been introduced. The directive also provides for the preparation of a "baseline report" on the state of the site before starting operation of the installation or before a permit for an installation is updated for this first time, and redefines site restoration obligations on the cessation of activities. Members States have two years to enact this directive into national legislation.

In addition, the REACH regulation on chemicals, which came into effect on June 1, 2007, establishes a new European methodology for the management of chemicals that is aimed at enhancing the knowledge of substances currently circulating within the European market. This regulation seeks to reduce the health and environmental risks associated with the manufacture and use of chemical substances. It introduces, across Europe, a range of procedures aimed at improving knowledge of the health and environmental risks associated with chemicals marketed, together with the management of these risks throughout the lifecycle of the chemicals, in order to ensure better health, safety and environmental protection. It implies in particular for the Group as a user of such substances, the strengthening of cooperation and exchange of information with suppliers and customers. It also involves improving risk management at all stages of the life cycle of chemicals and strengthening the prevention of chemical risks concerning Group employees.

The relevant legal entities are in compliance with the schedule set by the Reach Directive for the chemicals requiring registration within the Group. Currently, it is planned in particular to register activated carbons and regenerated solvents. Other chemicals produced by the Group may be governed by other regulations, such as biocides which fall within the scope of the Directive of February 16, 1998.

The Classification, Labeling, Packaging (CLP) regulation of December 16, 2008, which has the same end-purpose as the REACH regulation, came into effect on January 20, 2009. This regulation makes certain amendments to existing provisions concerning the classification, labeling and packaging of dangerous substances and defines new standards regarding labeling classifications and the packaging of chemical substances and mixtures.

This text seeks to provide a high level of protection for human health and the environment, while guaranteeing the free movement of chemicals. Henceforth, dangerous chemicals are identified and information on the dangers they represent provided based on new criteria defined by the General Harmonized System of classification and labeling of chemicals, enabling harmonization at global level.

In addition, the increase in greenhouse gases in the atmosphere has led certain countries, as well as the international community, to implement regulatory measures in order to limit this trend. At international level, the Kyoto Protocol came into force in February 2005 and gave the European Union the objective of reducing greenhouse gas emissions in the European Union by 8% over the period 2008-2012, compared with 1990 emission levels. Directive 2003/87/EC of October 13, 2003, created an emission allowance trading system within the European Union, known as ETS (Emission Trading Scheme). The resulting system operates in parallel with the Kyoto Protocol system, which came into operation in 2005 and led to the creation of National Allowance Allocation Plans (NAAP) for an initial period (2005-2007) followed by a second period (2008-2012), corresponding to the Kyoto Protocol commitment period. European Directive 2009/29/EC of April 26, 2009 amended the ETS Directive and extended the allowance trading system to cover a third period (2013-2020), which provides for a progressive reduction in allowances granted and new grant procedures. The European Regulation of November 12, 2010 clarifies procedures for auctioning greenhouse gas emission allowances for the period 2013-2020.

In May 2006, pursuant to the decisions made regarding the conclusions of the Convention on Biological Diversity, the European Commission implemented an action plan comprised of objectives aimed at halting the decline in biodiversity and measures enabling the achievement of objectives by the end of 2010. This action plan is based on an assessment of lost biodiversity in Europe and elsewhere in the world and measures already taken by the European Union to resolve this problem. In October 2009, the Conference of the Parties (COP) revised the strategic action plan of the Convention, setting new objectives for the period 2010-2020 which include primarily analyzing the services rendered by ecosystems to human well-being. At global level, the United Nations Convention on Biodiversity held in October 2010 in Nagoya (COP10), adopted the Nagoya protocol. This protocol provides, in particular, for the adoption of a strategic plan covering the period 2011-2020, an agreement to create the IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services) and the mobilization of the necessary human resources to implement the related strategy.

In France, the planning law aimed at implementing the "*Grenelle de l'environnement*" decisions, known as the "Grenelle 1 Law"[(1)] of August 3, 2009 was supplemented by a law comprising national environmental commitments, known as the "Grenelle 2 Law". These laws seek to implement six major projects, which have significant implications for each of the Group's Divisions. The construction, transportation, health and waste, water and energy sectors are all concerned, as is environmental governance and information transparency.

With regard to Facilities Classified in France for the Protection of the Environment (ICPE), the Order of June 11, 2009 created a new ICPE category: the "registration" regime, an intermediary regime between the authorization and reporting regimes. This Order was supplemented by two application decrees on April 13, 2010 and by six orders on April 15, 2010.

The main objective of this new regime is to simplify administrative procedures for facilities presenting risks and justifying an upstream project review by the Classified Facilities inspectorate, as the risks concerned may be limited by "standard" recommendations.

This new registration regime could impact the Group's current activities in the event of a significant modification to existing facilities, as well as future activities of the Group. Furthermore, certain activities which compete with those of the Group could benefit from a "simplified" administrative system under the ICPE regulations.

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(1) Grenelle de l'Environnement (France): talks between the French government and a wide variety of organizations in October 2007 to establish a roadmap for sustainable ecology, development and construction.

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 environmental protection expectations. The quality of drinking water and the treatment of wastewater are increasingly subject to regulation in developing countries, which are progressively adopting WHO standards in their internal regulations.

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

At European level, the quality of drinking water is strictly regulated by Directive 98/83/EC of November 3, 1998, on the quality of water intended for human consumption, which was enacted by EU member states and into French law by various provisions incorporated into the French Public Health Code. In addition to quality control measures, this directive introduces the concept of evaluating risks on an on-going basis. The collection, treatment and discharge of urban, industrial and commercial wastewater is governed by Directive 91/271/EC of May 21, 1991, the objectives of which were confirmed and extended by the water framework Directive 2000/60/EC of October 23, 2000, which concerns more generally the quality of water, whether above or below ground. Directive 2006/118/EC of December 12, 2006 (daughter directive of the framework directive) on the protection of groundwater provides for oversight of and restrictions on chemical substances in water by 2015. Directive 2008/105/EC of December 16, 2008 (another daughter directive of the framework directive) lays down environmental quality standards for 43 chemical substances presenting a major risk for the environment or public health in the water sector.

The treatment of wastewater is also directly impacted by Directive 2008/56/EC of June 17, 2008, known as the "Marine Strategy Framework Directive", which seeks to protect and conserve the marine environment and thereby conserve the ecosystem. It also seeks to establish marine protected areas in order to contribute to achieving the healthy ecological condition of the European Union marine environment by 2020. European Directive 2006/7/EC of February 15, 2006 concerning "bathing water", imposes new restrictions on the oversight and management of bathing water and information provided to the general public.

Public authorities also impose strict regulations concerning industrial wastewater likely to be discharged into collection systems, as well as processed wastewater and sludge originating from urban water treatment installations. In this respect, the waste framework directive of November 19, 2008 classifies land treatment using sludge produced by wastewater treatment plants as a recovery operation.

France has numerous laws and regulations concerning water pollution, as well as numerous administrative agencies involved in the enforcement of those laws and regulations. Certain discharges, disposals, and other actions with a potentially negative impact on the quality of surface or ground water sources require authorization or notification. For instance, public authorities must be notified of any facility that pumps groundwater in amounts that exceed specified volumes and French law prohibits or restricts release of certain substances in water. The law of December 30, 2006 on water and aquatic environments addresses EU requirements for high quality water and significantly modifies French legislation on water, also addressing EU water quality objectives for 2015. In addition to measures to preserve the quality and quantity of resources, the Planning Law no.2009-967 of August 3, 2009 aimed at implementing the *Grenelle de l'environnement* decisions, known as the "Grenelle 1 Law", provides for the implementation of a blue infrastructure to preserve the ecological continuity of surface water masses; this infrastructure must be taken into account in territorial planning, via "urbanism" 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 must be reduced by 2013. In the wastewater treatment sector, treatment plants must be brought up to standard by 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.

For the water sector in particular, the Grenelle 2 Law defines the documents which will implement the green and blue infrastructures and provides for the acquisition and restoration of 20,000 hectares of wetland by the water bodies. In addition, this law confirms the responsibilities of municipalities with regard to the distribution of drinking water and seeks to improve knowledge of networks and reduce network losses. A financial incentive system was introduced to underwrite these obligations.

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

Finally, priority is given to organic farming in certain drinking water catchment areas of particular importance to current or future supply.

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

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

Environmental Services

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

In addition, landfill sites must comply with a number of specific standards and incineration plants are usually subject to rules that limit the emission of pollutants. Waste may also be subject to various regulations depending on the type of waste. For example, sludge produced at wastewater treatment stations to be used in agriculture must comply with strict regulations relating to its content of organic materials and trace metals (heavy metals such as cadmium, mercury or lead). Moreover, the NFU 44-095 standard, implemented in 2002 and applicable in France since March 18, 2004, strictly regulates the composting of material produced by the treatment of wastewater.

In France, pursuant to the provisions of Articles L. 511-1 *et seq.* of the Environmental Code (*Code de l'environnement*) relating to facilities classified for the protection of the environment, several decrees and ministerial and administrative orders establish rules applicable to landfill sites for hazardous and non-hazardous waste. These orders govern the design and construction of waste processing centers, among other things. Hazardous waste is subject to strict monitoring at all stages of the processing cycle. It is tracked using a waste monitoring slip (*bordereau de suivi des déchets* - BSD). Waste-to-energy centers are subject to numerous restrictions, including in particular limits on pollutant emission levels: for example, Directive 2000/76/EC of December 4, 2000, on the incineration of waste sets emission thresholds for dioxins and NO_X in particular.

The Grenelle 2 Law provides, in particular, for a 7% reduction in household waste in 5 years, by encouraging actual waste tonnage to be taken into account in amounts charged to users. In addition, it is planned to reduce the use of landfill sites and incineration by limiting waste tonnage that may be received at such sites, while developing recovery sectors through sorting-at-source and the selective collection of organic waste. That law also seeks to strengthen and widen 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.

At European Union level, a new Waste Directive was adopted on November 19, 2008, setting up a hierarchy of different waste management measures and favoring (i) the prevention of production, primarily by requiring Member States to draft national programs, (ii) re-use, (iii) recycling, by defining new objectives to be attained by Member States by 2020, (iv) other forms of recovery and (v) safe disposal. It clarifies the concepts of recovery, elimination, end-of-waste status and by-products. The aim of this directive is to promote recycling, composting and waste-to-energy recovery of household waste.

With respect to the cross-border transportation of waste, the regulation of June 14, 2006 concerning the transportation of waste entered into force in July 2007. This text defines the conditions for the supervision and audit of waste transfers and simplifies and defines current procedures for the supervision of waste transfers for non-hazardous, recyclable waste.

Furthermore, through Directive 2003/87/EC of October 13, 2003, the European Union implemented an allowance system for greenhouse gas emissions, targeting carbon dioxide only. Veolia Environnement's environmental services business falls outside the scope of the first and second phases (2005-2007 and 2008-2012).

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

Energy Services

Veolia Environnement's energy-related activities in Europe (primarily the supply of energy services involving thermal and independent energy) are subject to directives and regulations that seek to control environmental impact and risks.

One such directive of October 23, 2001 sets emission limits for sulfur dioxide, nitrogen oxides and dust and regulates the construction of large combustion plants. It requires the implementation of national emission ceilings for certain atmospheric pollutants such as sulfur dioxide, nitrogen oxide and volatile organic compounds.

Following the repeal of European Regulation 2037/2000/EC, a new European regulation 1005/2009/EC of September 16, 2009 sets a timetable for the elimination of substances that destroy the ozone layer, in particular refrigerating fluids such as chlorofluorocarbon and hydro-chlorofluorocarbon that are used in cooling plants.

As a result of the Kyoto Protocol, European Regulation 842/2006/EC of May 17, 2006 requires stringent confinement and traceability measures for greenhouse gases, whether HFC refrigerating liquids or SF6 electrical insulators. Two European regulations clarify leakage control measures for refrigeration equipment containing hydro-fluorocarbons (European Regulation 1516/2007/EC of December 19, 2007) and fire protection systems (European Regulation 1497/2007/EC of December 18, 2007).

Energy services are concerned by European Directive 2003/87/EC of October 13, 2003 on greenhouse gases emission allowances, as amended by European Directive 2009/29/EC of April 26, 2009, and as the Group has combustion installations with thermal output greater than 20 MW, it is also concerned by EU member state national plans for the allocation of allowances.

European Directive 97/23/EC of May 29, 1997, aimed at harmonizing Member State legislation in the area of pressure equipment, imposes various security requirements for the design and manufacture of such equipment, and requires an inspection of the compliance of the units housing such equipment.

All of the directives and regulations mentioned are enacted by each Member State of the European Union.

In France, this primarily means compliance with the Law of July 19, 1976 on facilities classified for the protection of the environment, now included in the Environmental Code.

Under this law, Dalkia must obtain various permits and authorizations from regulatory authorities in order to operate its facilities, and ensure that its operations comply strictly with the terms of such permits. For large combustion installations (thermal output greater than 20 MW), new regulations were imposed in 2002 (for new installations) and in 2003 (for existing installations) with respect to emission limits, in application of European Directive 2001/80/EC of October 23, 2001 and by the increasingly systematic application of "Best Available Techniques" (BAT).

In addition, the national environmental commitment law of July 12, 2010 (Grenelle 2) will give added impetus to the development of energy efficiency and renewable energies. Numerous application texts are currently in preparation and are being closely monitored by the Group.

Finally, with respect to its production of sanitary hot water, Dalkia is directly affected by European Directive 98/83/EC of November 3, 1998, as enacted in numerous national texts, which addresses the quality of water intended for human consumption. Eighteen Member States, including France, have taken the position that this directive applies to cold and hot water and to all types of management systems for the production and distribution of hot and cold water.

Articles R.512-55 to R.512-66 of the Environmental Code also require periodic inspection of certain installations classified as subject to reporting requirements. All orders governing the performance of such periodic inspections were published in 2008.

Decree no. 2007/737 of May 7, 2007, also integrated into the Environmental Code, supplements Regulation 842/2006/EC of May 17, 2006, and regulates the conditions of the market release, use, recovery and destruction of substances used or intended for use as refrigerating fluid in refrigeration or air-conditioning equipment.

With regard to pressure equipment, Directive 97/23/EC of May 29, 1997 (applicable to equipment manufactured since 2002) also modifies the procedure and inspection regulatory frameworks of member states and has helped harmonize regulations governing the operation of all installations that use such equipment. In France, the decree of March 15, 2000, as amended by the more recent decree of March 30, 2005, enacts this directive into national law.

In relation to managing the risk of legionnaires' disease, the European Working Group for Legionella Infections (EWGLI), with the support and approval of the European Commission and based on the European Surveillance Scheme for Travel Associated Legionnaires' Disease (EWGLINET), has published European guidelines for the control and prevention of travel-associated legionnaires' disease (EWGLI 2005). In general, texts of varying reach are issued in Europe and around the world by public health authorities and associations for the protection of workers. Very often, these texts are presented in the form of preventive recommendations, which take into account the physico-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 sanitary hot water production facilities defines the management rules for such facilities.

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

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

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

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

In the United States, the Occupational Safety and Health Administration (OSHA) issues its own guidelines and action plans. The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) and the Cooling Technology Institute (CTI) have also issued recommendations.

Transportation

Veolia Environnement's transportation business is subject to a number of national and European regulations that seek, amongst other things, to limit the pollution caused by road vehicles.

The objectives set by the European Union for reducing greenhouse gas emissions and fighting climate change have led to research programs to improve the environmental impact of heat engines and integrate hybrid and electrical technologies in the bus market. A series of European regulations, replaced by Regulation (EC) No. 595/2009 of June 18, 2009, have also been drafted setting EURO standards. These impose maximum atmospheric pollutant emission levels for heat engines. All new vehicles currently manufactured in the European Union comply with "EURO 5" standards since September 1, 2009.

Regulation (EC) No. 595/2009 of June 18, 2009 also introduces requirements concerning emissions by spare parts used only in motorized vehicles. It also introduces measures to improve access to information on vehicle repairs and promote the rapid production of compliant vehicles.

This regulation was adopted in addition to Directive 2009/33/EC of April 23, 2009, generally known as the "Clean Vehicles Directive", which requires operators to take account in their procurement procedure for road transport vehicles used in the management or operation of a passenger transport public service, of the energy and environmental impacts of these vehicles over their lifetime.

This directive was enacted in French law by Law No. 2011-12 of January 5, 2011 and this new system was also inserted in Order No. 2005-649 of June 6, 2005, as amended, on contracts entered into by certain public or private persons not governed by the Public Procurement Code (*Code des marchés publics*). A decree and a ministerial order are necessary to implement this system and clarify the application conditions and the energy and environmental impacts to be taken into account, respectively, and also determine the methodology to be applied.

Since 2007, Veolia Transport monitors closely in France, through different professional federations (UTP, MEDEF), the so-called "*Grenelle de l'environnement*" laws. One of the objectives of the Grenelle 2 Law of July 12, 2010 is to improve coordination between transportation bodies and thereby facilitate the performance of the preparation work necessary to the development of transportation networks and the management of transportation services seeking greater inter-connection and inter-modality.

With respect to sustainable mobility, this law offers municipalities the opportunity to include self-service bike rental systems in their transportation offering. The law defines the car-sharing concept and creates a label, for which the conditions of grant and use will be defined by decree.

The Grenelle 2 Law also provides for the creation of a High Council for Land Transportation and Inter-modality (*Conseil supérieur des transports terrestres et de l'intermodalité*) which may be consulted by governmental authorities on questions relating to land transportation and inter-modality policies. This Council comprises five colleges, including one consisting of land transportation companies and institutions.

The Grenelle 2 Law also requires companies with more than 500 employees to produce a greenhouse gas emissions report. This report must be produced for December 31, 2012 and will be accompanied by a summary of proposed actions to reduce greenhouse gas emissions.

Finally, to favor the modal transfer of passengers, companies will be required to indicate on transport tickets from July 1, 2011, the CO_2 emissions of transportation services. This initiative is a one-year experiment and a parliamentary report will be produced on its completion.

A Transportation Code (*Code des transports*) was adopted by Order No. 2010-1307 of October 28, 2010 for the legislative section. This code satisfies the objectives of grouping together, planning and clarifying a wide range of disparate legal texts and reorganizing them within a framework that gives the necessary weight to the founding principles defined in the Internal Transportation Framework Act (*Loi d'Orientation des Transports Intérieurs*, LOTI) of December 30, 1982. Certain texts are, however, retained in their original format and in particular environmental protection provisions.

The majority of sites in France are subject to the regulations governing facilities classified for the protection of the environment (ICPE) resulting from Articles L. 511-1 *et seq.* of the Environmental Code, although generally only the simplified reporting system. Decrees and ministerial and administrative orders clarify the rules applicable to repair workshops and gas and petroleum product storage and distribution installations, where activities may present environmental impacts or risks. New provisions were adopted in 2010 in respect of petrol stations.

6.3.2 Environmental policies

Veolia Environnement strives to help enhance the quality of life and the environmental wherever it operates, and has placed the challenges of sustainable development at the heart of its strategy. For this purpose, Veolia Environnement focuses not only on the preservation of the environment and the protection of natural resources and biodiversity, but also assumes its economic and social responsibilities, particularly at a local level where Veolia Environnement is committed to stimulating progress. Further information concerning Veolia Environnement's commitment to sustainable development may be found in its Annual Report and Sustainable Development Report.

Veolia Environnement actions regarding greenhouse gases

The Group is active in the fight against greenhouse gas emissions at European Union level and internationally, as well as at the national level (see Chapter 20, Section 20.1, Note 42 and Section 20.2, Note 1, Section 1.25, below).

In the European Union, all large combustion installations with thermal output greater than 20MW, as well as oil refineries, coke-ovens, iron and steel plants and plants manufacturing cement, glass, lime, bricks, ceramics, paper pulp and paper are subject to the allowance trading system (ATS). For the Group, this primarily affects the Energy Services Division, which manages over 80,000 combustion installations in Europe, including nearly 250 installations concerned by emission allowances. Allowances awarded to Dalkia represent slightly less than 1% of total European allowances. Dalkia has adopted an active approach to managing carbon dioxide emissions and allowances, by implementing an appropriate structure and creating a special-purpose legal entity, VEETRA, to purchase, sell and price different types of greenhouse gas credits on behalf of the installations concerned. These initiatives have enabled it to be an early participant in the allowance trading market, in order to minimize the cost of carbon restrictions and in some cases finance new investments that help reduce greenhouse gas emissions.

Veolia Eau is also concerned in Germany, following its takeover of the energy supply activities of certain public authority contracts (via BS Energy).

Veolia Transport is also heavily involved in the fight against climate change. In order to reduce the greenhouse gas emissions generated by city transport, it is necessary to encourage modal transfer from private cars towards public transport and “soft” transportation methods. Veolia Transport takes part in international negotiations on the climate to defend the sustainable mobility approach. In 2008, Veolia Transport launched the initiative “Bridging the gap”: pathways for transport in the post Kyoto process” (www.transport2012.org), to enable carbon financing mechanisms to support low-carbon urban transportation projects. This initiative is the result of a partnership between Veolia Transport, UITP (International Association of Public Transportation), TRL (Transport Research Laboratory), GTZ (a German technical cooperation agency) and ITDP (Institute for Transportation and Development Policy). A number of seminars have been organized and several publications issued. For example, the five partners published an analysis of the Copenhagen climate conference. Veolia Transport has also given eight key commitments in a Sustainable Development Charter, issued in 18 languages and distributed to all its operations and setting out the objectives for 2011. Three commitments concern, in particular, the management of fossil fuel resources and fighting climate change. The first commitment seeks to fight climate change by proving the environmental performance of public transportation using the “Eco-Efficient Travel” calculator at a range of benchmark sites. The second commitment seeks to reduce the use of fossil fuels for example by having a fleet of so-called clean vehicles. The third commitment involves encouraging the preservation of resources, primarily fossil fuels, and increasing the awareness of our employees and customers of the environmental stakes of sustainable mobility, primarily by training drivers how to drive in a smooth and fuel-efficient manner.

In 2010, approximately 60.5% of drivers recruited in the last three years had received specific training in eco-driving.

In addition, Veolia Transport participated in the *Grenelle de l’environnement* by contributing to the “Fight against climate change and energy control” workgroup. Veolia Transport has since actively monitored the work of the Passenger Technical Committee of the Energy and Environment Observatory for Transport (*Observatoire Energie Environnement des Transports*, OEET), setup to establish a common methodology for reporting the greenhouse gas emissions of transportation services.

At international level (Kyoto Protocol), the Group seeks to generate emission credits that can be traded on the market, by participating in projects in partnership with other European or developing countries that help to reduce greenhouse gas emissions. Veolia Propreté has registered six projects adopting Clean Development Mechanisms (CDM): two in Brazil and one each in Egypt, Mexico, Argentina and Colombia. The experience gathered during these projects is now used for new projects under development. Approximately ten projects are currently under development at sites operated by Proactiva in Latin America and at Veolia Propreté sites in Asia and Africa. Faced with the diversification of trading systems and platforms, Veolia Propreté also became active in other regions. VES North America takes part in the CCX allowance trading system in the United States aimed at reducing greenhouse gas emissions by 1% per annum. In addition, where the regulatory context is not favorable, other mechanisms are used to incite and finance environmental investments such as the sale of credits or a voluntary market. For example, a Voluntary Carbon Standard (VCS) project has been launched in China and two Greenhouse Gas Friendly Program projects in Australia.

Veolia Energy has a Joint Implementation (JI) project currently in progress in Hungry. Veolia Propreté assesses CDM and JI project opportunities at all its sites. Dalkia focuses on the development of CDM in China, South America, the Middle East, Israel and North Africa with respect to heating networks, renewable energies and energy efficiency.

Veolia Eau studies opportunities to obtain carbon credits for wastewater and sludge treatment projects, and in particular projects integrating biogas recovery. Veolia Eau has a JI project in Bulgaria and several others are under review or in the course of development, primarily in Africa and Asia.

At national level, a number of countries have designed mechanisms to reduce greenhouse gas emissions, either in the form of a set of targeted incentives (such as the “Climate Plan” and “Domestic Projects” in France) or in the form of domestic markets already setup or under study (New Zealand, Canada, Australia, and some U.S. states), that allow certain domestic projects to benefit from emission credits. The Group’s teams are monitoring all of these developments and working on integrating them into their projects.

Direct and indirect greenhouse gas emissions (electricity and heat) at sites that the Group managed in 2010 totaled 47.4 million tons of CO_2 (carbon dioxide) equivalent.

Overall, the Group contributed to reducing greenhouse gas emissions, both through the daily management of sites that it operates and through the use of renewable and alternative energies (in particular biomass, landfill gas and geothermal energy) in the amount of 27.5 million tons of CO_2 equivalent in 2010, compared to 26.8 million tons of CO_2 equivalent in 2009*.

The Group is actively following regulatory developments that will undoubtedly become more restrictive in the future, viewing them as new opportunities to develop and market its environmental management skills.

Preserving ecological balance

Whether through limiting water wastage, enhancing the quality of discharges or optimizing energy consumption in connection with water distribution and treatment activities, using alternative energies across all businesses, recovering and processing biogas emissions at its landfill sites or using low-emission fuels in its fleet of public or private transport vehicles, Veolia Environnement is actively involved in the main environmental challenges currently facing our planet, applying its know-how and technological and innovative capabilities.

In order to contribute to the assessment of this ecological balance and the identification of levers essential to its maintenance, the Group has rolled-out an environmental footprint tool including, in addition to the carbon footprint, a “water footprint” applicable to both new contracts awarded and existing contracts. This tool will be supplemented by a biodiversity module.

The Group’s Biodiversity policy, which focuses on the management of impacts on ecosystems, preserving biodiversity, foreseeing needs and conserving remarkable biodiversity, will be rolled-out across all Group businesses, to preserve ecosystems, restore and foster urban biodiversity, protect remarkable ecological areas near our sites and improve understanding of the dynamics of ecosystems.

In France, numerous activities fall under the control of either the ICPE regime (facilities classified for environmental protection) or its equivalent.

Therefore, all business development is conducted in tandem with the preparation of environmental impact studies comprising a highly detailed section on animal and plant life. The management of these impacts is, accordingly, a constant concern for the operating staff of Veolia Environnement’s different businesses (waste processing, decontamination stations, combustion facilities, rolling stock depots, etc.).

Beyond the strict regulatory framework, the biodiversity policy is implemented at each of the Group’s sites as part of the roll-out of the Environmental Management System (EMS). In parallel, specific measures are performed and followed: the reasoned management of green (Veolia Eau: Braunschweig, Germany) or maritime (Golf Coast desalination plant, Australia) areas, the preservation of ecosystems and integration in site planning or nearly (Graulhet and Saint-Cyr-des-Gats hazardous waste landfill sites in France, which received the Noé Conservation label and the Marchwood incinerator in the UK).

In order to improve the awareness of all internal players, the Group introduced an Atlas of sustainable development responsibilities and opportunities, integrating in particular areas of biodiversity interest identified by Conservation International.

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* *adjusted value in 2010*

In 2008, the Company entered into a partnership with the French Committee of the International Union for Conservation of Nature (IUCN). The primary aim of this partnership is to assist the Group integrate biodiversity into its corporate strategy, strengthen its R&D strategic cap thanks to a network of recognized experts and participate in raising awareness among Company employees through training measures. IUCN France comprises 55 members (government ministries, public institutions and NGOs) and a network of approximately 250 experts. At the international level, IUCN has been a United Nations observer since 1999.

The Group has also participated in international studies, primarily through the work of the WBCSD (*Ecoystem Services Review* (ESR), *Corporate Ecosystem Valuation,* with a case study focusing on the Berlin site). 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 a communication thereon was issued during the COP 10 convention in Nagoya.

Finally, with the research work of Veolia Recherche et Innovation, enhancing the value of ecosystem services rendered is at the heart of Group concerns. Improving our understanding of ecological balance and sharing this knowledge by increasing awareness and communicating on biodiversity, are supplemented by the activities of the Veolia Environnement Foundation (see below).

Preserving economic and social balances

Veolia Environnement also considers the economic and social factors that underlie the course of development in the countries where it operates, and works to develop solutions that are adapted to local restrictions and to transfer know-how in the geographical areas where the Group Divisions have operational responsibilities. Veolia Environnement favors a partnership approach with non-governmental organizations (NGOs), local authorities and associations in the implementation of action plans for the populations of emerging countries, which permits the development of model plans that can be reproduced. In each of its projects, Veolia Environnement seeks to create a beneficial and educational dimension for the improvement of public health and the protection of the environment. The Group also tries to assist in the development of areas where it provides services.

In 2010, Veolia Environnement continued to develop its strategy of forming partnerships with international institutions, reflected by its active participation in the United Nation's Global Compact. The case studies highlighted on the dedicated internet site ("Communication on progress" page) show how Veolia Environnement's operating activities contribute to the implementation of the ten United Nations Global Compact principles. The Company further intensified its partnership in 2010, joining the Water Mandate think-tank.

In addition, Veolia Environnement contributed, with the agreement of the UN-Habitat agency, to the "operational" testing of international guidelines on access to basic services (water, sanitation, waste management, energy services and transportation). The guidelines were applied in the city of Aguascalientes in Mexico, in close conjunction with local authorities and using a methodology validated by stakeholders and capable of being copied in other areas and continents. This reflects Veolia Environnement's commitment over the last ten years to this major initiative, applying principles of non-discrimination in the field and enabling the poorest communities to access basic services.

At the World Urban Forum held in Rio de Janeiro (Brazil), Veolia Environnement joined the World Urban Campaign (WUC) launched by UNO-Habitat to help approximately 15 cities around the world in their search for harmonious urban development, more respectful of environmental challenges: the city of Rabat accompanied Veolia Environnement to present its projects and achievements.

In Asia, Veolia Environnement was asked by the United Nations Environment Program (UNEP) to present its expertise on heating networks and the management of domestic and industrial energy installations to the B4E (Business for Energy) annual meeting in Seoul, Korea.

Elsewhere, Veolia Environnement continued to participate in the UNITAR program for strengthening local governance, focusing on the management of urban services: in 2010, it met with over 500 public authority managers in Asia, Africa, South America and Central Europe during 12 work sessions.

In the climate change sector, pursuant to the framework agreement signed with the United Nations Development Programme (UNDP) to participate in the "Territorial Climate Plan" approach, Veolia Environnement was invited to the Sacramento Summit in California, where the twenty largest regions worldwide (federal states such as California, Spanish and Italian provinces, German landers and French regions) met as the "R20". Veolia Environnement's expertise in clean development mechanisms and energy efficiency was recognized by this group of regions and will be solicited for pilot studies.

Veolia Environnement partnership initiatives also lead to joint actions in France with associations and bodies committed to the development of regions and enhancing their value (for example, the Coastal Areas Conservatory (*Conservatoire du Littoral*) and Marine clusters (*pôles Mer*), etc.).

Since May 2004, Veolia Environnement has pursued a charity program through a corporate foundation called *Fondation d'Entreprise Veolia Environnement*. This initiative is part of a long-standing tradition of corporate charity work, while enabling improved coordination of actions and a greater involvement of employees in the areas of solidarity, occupational integration, and environmental protection. The Foundation was initially created for a period of five years and was extended in 2009 for a further five years. Since its creation, the Veolia Environnement Foundation has supported over 900 projects, each sponsored by a Group employee, in the areas of solidarity, occupational integration and the environment.

In 2008, the Foundation integrated the Group's humanitarian assistance and international cooperation departments, Veolia Waterforce and Veolia Waterdev, within a single structure, Veoliaforce. The Foundation calls on the expertise of the four Group Divisions for the purpose of its charity work and benefits from the support of all Group employees.

Among the projects selected in 2010, the Foundation launched 100 new projects while continuing those initiated in previous years. The larger projects include a number of major significance. For example, in the Camargue, the Foundation supports two projects essential to preserving and fostering biodiversity in the Regional National Park. One project consists in monitoring pink flamingoes and helping them reproduce, while the second project seeks to create a marine reserve in the Gulf of Beauduc, home to an extensive range of fish and invertebrate species, several of which are protected.

In the French Southern and Antarctic Lands, Veolia Environnement participates in an extensive program of actions to protect the remarkable natural habitat of the islands surrounding Madagascar. This program will enable existing ecosystems to be studied and the implementation by Veoliaforce volunteers of information processing systems and the communication of good waste management practices. A hazardous waste assessment has already been performed on Juan de Nova Island.

In Cuba, the Foundation is assisting a project undertaken by the National Institute of Hydraulic Resources (INRH) to protect Havana water resources, involving the rehabilitation and development of existing but faulty wastewater treatment systems in the Rio Ariguanabo river basin, west of the capital. In addition to providing financial assistance over three years, the Foundation offers the project the expertise of its Veoliaforce volunteers.

In Brazil, alongside the NGO, Conservation International, the Foundation has committed to preserving the Abrolhos coral reef, threatened by continental pollution and global warming. Conservation International is one of the largest environmental NGOs, known for having identified 34 areas for priority action or hotspots around the world.

For the International Year of Biodiversity, the Foundation backed the CNRS "Biodiversity" exhibition, which received 25,000 visitors in a temporary tent installed in the Trocadero Gardens in October.

Finally, the Foundation renewed its support for the Tara Océans expedition which, after navigating in the Mediterranean Sea, Red Sea and Indian Ocean in its first year, set cap for the Atlantic Ocean to continue its research into marine biodiversity and ecosystems. By the end of its three-year mission, the expedition will have explored all the seas and oceans of the globe. During its first year, Tara Océans covered 17,000 miles (over 30,000 kilometers), stopping at 32 ports of call. Onboard, the scientists, who were also the temporary crew for average periods of three weeks, performed multiple soundings and processed initial data, using cutting-edge technology largely financed by the Foundation.

In the areas of solidarity and occupational integration, the Foundation also supports major projects such as the assistance provided to micro-companies in France by ADIE (Association for the right to economic initiative). The continuation of this partnership, which has functioned successfully for the last three years, will primarily enable the opening of new Advice Centers in cities outside Paris and the launch of an online service facilitating the grant of micro-loans and the training of entrepreneurs.

The Foundation also supports a new program launched by the charity, *Secours Catholique*, focusing on the integration and employability of the poorest members of society through the activities of its local branches and particularly by developing access to and use of computers and the internet.

In Cameroon, the Foundation supports a new international solidarity program to consolidate the access to water of seven villages of the Bangangté commune, aimed at supplying 150,000 residents and guaranteeing them access to a basic wastewater treatment system. In addition to providing financial assistance over three years, the Foundation will contribute the expertise of Veoliaforce volunteers to this project.

The Foundation has also created two prizes. The Environmental Book Prize (*Prix du livre Environnement*) was created in 2006 and is awarded to writers and publishing houses that help raise public awareness of the environmental challenges facing the planet. The Student Solidarity Award (*Prix de la Solidarité étudiante*) created with Campus Veolia in 2009, seeks to support not-for-profit projects undertaken by associations of students pursuing their studies at master level at leading French and European schools and universities.

The Environmental Book Prize was awarded this year to Pierre Lambin for his book "*Une écologie du Bonheur"* (Happy Ecology) published by Le Pommier. The 2010 Student Solidarity Award was won by three associations: "Mission Potosi", an ESSEC association, for its project to assist Bolivian women create micro-companies; FAGE, a network of 2,000 student associations in French schools and universities, for its solidarity grocery store project aimed at poor students; and "*Un stage, et après*?" (An internship and then what?), a Science Po Paris association, aimed at helping junior and senior high school students from low-income suburbs make contact with companies.

In 2010, the network of Veoliaforce volunteer employees, which joined the Foundation in 2008, took part in several emergency humanitarian operations involving French and foreign volunteers.

First and foremost Haiti, where immediately after the earthquake in January 2010, over 30 volunteers helped in the field alongside Red Cross and Action Against Hunger emergency response teams. Over 35 tons of emergency equipment were transported on-site and more than 270,000 people were provided with drinking water thanks to the combined action of the Veolia Foundation and its partners. Today, the teams seek to continue their actions, helping local populations progressively achieve autonomy. The Foundation recently sent several experts to assist the French Red Cross in their efforts to halt the cholera epidemic which broke out mid-October.

The French Red Cross called on Veoliaforce to provide drinking water urgently to several refugee camps in the Central African Republic, in a region south of Bangui, along the Oubangui River, the natural border in the south of the country. A multi-ethnic conflict in the Democratic Republic of Congo sparked massive population movements, with between 80,000 and 100,000 people fleeing to Congo Brazzaville and the Central African Republic.

Following violent flooding in Pakistan this summer, Veoliaforce provided assistance to several of its partners. In Larkana, a city in Sindh province in the south of the country, it installed with *Première Urgence* a treatment plant supplying drinking water to over 30,000 people. In Penjab province, it equipped a French Red Cross mobile health center, providing medical assistance to disaster victims in the city of Multan.

In Kirghizstan, after inter-ethnic tension between people of Kirghiz and Ouzbek origin claimed numerous lives and displaced hundreds of thousands of individuals, Veoliaforce worked together with the NGO Acted to provide the camps setup around the city of Osh, in the south of the country, with access to water.

In addition, several technical assistance and development project follow-up missions were performed in Africa (in Mali, the Democratic Republic of Congo, Benin and Cameroon), as well as in India and Moldavia.

In Nigeria, the expertise and recommendations of our volunteers will allow UNICEF and its partner, the Blacksmith Institute NGO, to efficiently and sustainably decontaminate the topsoil of several villages in the Zamfara region, in the north of the country, where uncontrolled exploitation of open-air gold mines has polluted the ground and already led to the death of several hundred children.

At the same time, the Foundation continues to train volunteer outside France. In Chengdu, in China, 40 Veolia Water and Veolia Water Solutions & Technologies volunteers from eight countries in the region (China, Taiwan, New Zealand, South Korea, Malaysia, Australia, Singapore and Japan) learned to use emergency equipment and in particular the Aquaforce 5 000, enabling them to act rapidly in the event of a humanitarian disaster in Asia.

Similarly, in Ecuador, 30 employees of Interagua, a subsidiary of Proactiva, were trained in emergency intervention techniques and are now ready to act within Veoliaforce in South America.

During 2010, Veoliaforce mobilized in this way the expertise of Group employee volunteers, who spent over 1,300 days in the field.

The Veolia Environnement Institute: a scientific approach dedicated to prospective tools for the environment and sustainable development

Human management of the environment represents a major challenge that requires the mobilization of a large number of resources and the commitment of all stakeholders at local, national and international level. This strong conviction led Veolia Environnement to create the Veolia Environnement Institute (VEI) in 2001, to encourage forward-looking analysis of central themes: economic dimension of the environment, the link between health and the environment, climate change and lifestyles and the challenges of urban growth, society and the environment. This is achieved through exchanges with the academic world and civil society in order to develop autonomous scientific expertise to support Veolia Environnement's long-term vision and improve its ability to forward-plan. Through its work, VEI sheds light on the challenges that will mark the provision of environmental services over the coming decades.

Through its Foresight Committee, comprised entirely of individuals of international reputation and standing, VEI benefits from the contribution of leading outside expertise on different key subjects (including climate science, public health, the economy and human sciences) while remaining firmly anchored in the daily realities of Veolia Environnement's different businesses. This dual capability represents both the originality and the strength of VEI, which intends to be a leading figure in the main environmental debates and issues of the 21st century. For this purpose, the Institute calls on a network of multidisciplinary experts thereby collecting the most relevant ideas on global trends.

In 2010, VEI strengthened its international network of academic partners and developed its program of forward-looking and other studies focusing on urban issues. The actions implemented aim to capitalize on the results of completed programs and thereby contribute to current discussions and reviews (inclusion of the results of the comparative study of carbon inventory tools of European cities, in WRI, UNEP and UNO-Habitat recommendations). In addition, they allow new issues specific to developing cities to be considered.

Accordingly, a new initiative with TERI (India), IDDRI (France), Veolia Transport and TRL (United Kingdom) was entitled "*the future of carbon financing schemes for sustainable transport: Mumbai paves the way"*. This work, based on the case study of the first Mumbai metro line, focused on identifying the access barriers faced by developing cities when seeking comprehensive international funding for their integrated transportation projects and promoting solutions. After a launch meeting in September 2010 in Mumbai, India, in the presence of the city's Additional Transportation Commissioner, the project was transferred to a much larger arena with a dedicated event during the United Nations Framework Convention on Climate Change (UNFCCC), in Cancun, Mexico, on December 10, 2010.

At the same time, VEI continued its innovative scientific publication policy with two e-journals: SAPIENS (Surveys and Perspectives Integrating Environment and Society), a multidisciplinary review publishing articles from top specialists in order to set forth recent advances in the field of sustainable development and FACTS Reports, a journal dedicated to field work, which seeks to collect, circulate and capitalize on the knowledge and good practices of people in the field (NGOs, international organizations, etc.). In 2010, the publication of two special issues and the signature of new publishing partnerships enabled a larger number of disciplines to be covered, new communities to be reached and, thereby, the circulation and impact of the review to be improved.

The Veolia Environnement Institute also organizes a program of conferences on future environmental trends. Following the organization of the 5th "Trade, urbanization and the environment" conference in 2009 in Beijing, VEI launched a series of post-conference workshops in 2010 to continue the dialogue and strengthen ties with its Chinese partners in Beijing University, the Environment and Trade Ministries and the National Commission for Reform and Development. To this end, VEI calls on a group of academic and institutional experts. These meetings sought to bring together approximately 15 Chinese and international participants, to discuss their analysis of major issues for the development of China. The issues chosen were "Carbon tax" with an introduction by Ming Su from the Chinese Ministry of Finance, Research Institute for Fiscal Science; "Poverty and the environment", with an introduction by Zhong Wu from the International Poverty Reduction Center in China; and "Sustainable cities, with an introduction by Bharat Dahiya from UNO-Habitat. At the same time, VEI is preparing its 6th Conference jointly with the French Development Agency (*Agence Française de Développement*, AFD), to be held in Paris on June 27 and 28, 2011. The focus of this event will be "*Reconciling poverty eradication and quality of the environment: what are the innovative solutions?"*. The AFD is the financial institution at the heart of the French public assistance system in favor of poor countries. Together, AFD and VEI decided to associate their respective expertise to offer a high-level international forum, bringing together decision-makers, major international institutions, NGOs, scientists and companies active in the development sector. Christine Lagarde, the French Minister for the Economy, Finance and Industry, Amartya Sen, a Harvard University economist, Ismaïl Serageldin, Director of the Alexandria Library and Bjorn Stigson, President of the World Business Council for Sustainable Development, have already confirmed their participation. This conference is consistent with the international agenda, as it will take place midway between the UN Summit on the Millennium Development Goals held in New York in September 2010 and the Rio+20 Earth Summit in 2012. In addition, the issues covered will also reflect the priorities of the French presidency of the G8 and G20 in 2011.

Together, the work undertaken by VEI forms a discussion platform for exchanges on major environmental, economic and social issues that will be called on to satisfy the demands of civil society.

At the date of filing of this registration document, the VEI Foresight Committee had seven members: Hélène Ahrweiler, historian, President of the University of Europe and a social and human sciences expert advisor to UNESCO, Harvey Fineberg, President of the United States Institute of Medicine, Philippe Kourilsky, biologist, member of the Academy of Sciences and professor at the Collège de France, Pierre Marc Johnson, lawyer and physician and former prime minister of Quebec, a specialist in major environment challenges, Rajendra K. Pachauri, President of GIEC, 2007 Nobel Peace prize laureate and Director-General of TERI, Mamphela Ramphele, physician and anthropologist, former President of the University of Cape Town and former Director-General of the World Bank and Amartya Sen, economist,1998 Nobel prize laureate and professor of economics and philosophy at Harvard University.

6.3.3 Environmental information (Article 116 of the NRE Law)

As a specialist in environmental management services, Veolia Environnement is naturally concerned about the environmental consequences of each of its businesses, both in France and worldwide. In this respect, Veolia Environnement consistently endeavors to comply with applicable regulations, to meet the needs and demands of its customers and to optimize the techniques it implements.

Pursuant to the provisions of the NRE Law (law no. 2001-420 of May 15, 2001) and in addition to the description of the Company's businesses (see Section 6.1 above) and the financial statements (see Chapter 9 below), Veolia Environnement therefore considered it appropriate to highlight below some of the more significant environmental actions that it has undertaken without any regulatory or contractual obligation to do so. The information below should be read together with Veolia Environnement's 2010 Sustainable Development Report for further information on the Company's sustainable development policy and actions.

Use of water resources, raw materials and energy, measures implemented to improve energy efficiency and the use of renewable energies, conditions of use of ground soil, air, water and soil pollution, noise and olfactory pollution and waste:

Water

Use of Water Resources

Veolia Environnement preserves water resources by working to prevent wasteful usage in its own installations and in those of its customers. In this respect, the progressive roll-out of Veolia Environnement's environmental management system provides, in particular, for the monitoring of the quality of water for human consumption and water consumption in all of Veolia Environnement's activities. Action plans reflect two primary concerns: increased monitoring of the health quality of water intended for human consumption and the control of leaks in cold water distribution networks (raw or treated). During 2004, Veolia Environnement installed an indicator to monitor the quality and compliance with regulatory standards of its drinking water. Veolia Environnement's industrial water consumption (water consumption for the requirements of its activities) totaled 562.2 million cubic meters in 2010. Climate change in certain regions of the world heightens stress on water resources. To help preserve water resources, Veolia Environnement offers a wide range of solutions from optimizing existing resources (resource monitoring, long-term management of abstraction, reasoned use of resources) and protecting resources (identification of chronic sources of damage to resources, prevention of accidental pollution, establishment and supervision of protected areas), to developing alternative resources (re-use of water, recharging groundwater, sea water desalination). These developments are conducted in close association with local authorities, regulatory bodies and the scientific community.

Water pollution

- 98% of Veolia Propreté's landfill sites are equipped with treatment stations for leachate (water that percolates through stored waste).
- Our wastewater treatment efficiency in BOD5[*], measured at biological treatment stations with a capacity greater than 50,000 inhabitant equivalents, reached 92.8% in 2010.

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* *five-day biochemical oxygen demand.*

Energy efficiency and the use of renewable energies

Veolia Environnement contributes to the reduction of primarily energy consumption. Dalkia optimizes energy management for more than 119,600 energy installations worldwide, from urban heating networks to housing, commercial or industrial building boilers. Optimizing the energy efficiency of such thermal installations focuses on operating and maintenance quality and their modernization.

Heating networks that offer optimized energy performances by concentrating production on a single site and involving co–generation (the simultaneous production of thermal energy and electricity) represent strong growth areas for Dalkia. Efforts in the renewable energy field affect all of the Group's businesses. Veolia Environnement is not only developing biomass, geothermal and solar energy offerings, but is also capturing energy from incineration plants and biogas from landfill sites.

Veolia Transport continues to provide environmental performance training to its drivers, with as a result not only enhanced passenger comfort and reduced polluting emissions, but also significant fuel savings.

Veolia Environnement's total energy consumption amounted to 172.48 million MWh in 2010, as a result of the development of the Group's activities.

Use of soils

In 2003, Veolia Environnement integrated all activities relating to the treatment and recovery of sludge within a single entity, SEDE Environment. As a result, Veolia Environnement has a precise, global and integrated overview of sludge management options, allowing it to optimize its agricultural recovery in particular.

Veolia Environnement continues its efforts to manage the quality of waste in sewage networks and acts upstream to enhance the quality of sludge produced by implementing pollutant controls in Veolia Environnement's wastewater treatment networks (through its Actipol method). Veolia Eau has finalized certification guidelines defining requirements applicable to wastewater treatment systems for the production of quality sludge to be used in agriculture. Downstream, Veolia Environnement promotes the agricultural recovery of sludge through composting and engages an independent certifying body to audit its composting and agricultural recovery networks.

This recovery is conducted in conjunction with the agricultural recovery of the fermentable fraction of household waste. The Group produced 1,129.8 thousand tons of compost in 2010 and 47% of sludge produced was used in agricultural activities. The Group has initiated a quality enhancement program for organic material produced from organic waste and a program to assess its agricultural impact (the Quali-Agro program led by CRPE – Veolia Environnement's center for research for environmental and energy services - in coordination with INRA). The Group is also active in the rehabilitation of polluted soils. Using several processes, including thermal absorption, Veolia Propreté processes almost all the pollutants present in the soil at industrial sites.

Air pollution

Limiting Greenhouse Gas Emissions

Certain of Dalkia's activities (in particular its combustion installations with thermal output greater than 20 MW) are subject to the provisions of 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 dated April 26, 2009.

Measuring the production and emission of methane at waste landfill sites is an uncertain process (a variety of national and international methods currently exist). Within this context, the Group decided to further its knowledge of measuring methods, notably through participating in working groups organized by international authorities (WBCSD and WRI). Work on elaborating and attempting to reconcile the different methods led to the identification of a single method, which serves as a benchmark for all Veolia Propreté sites and enables uniform and comparable reporting.

Veolia Propreté continues to implement and optimize biogas collection systems at its landfill sites. 98 waste[*] landfill sites for which the Group controls investment are equipped with biogas collection and processing systems. In 2010, Group efforts contributed to a total decrease in emissions of 27.5 million tons of CO_2.

In general, the Group contributed to a reduction in greenhouse gas emissions, firstly by reducing its direct emissions and secondly by avoiding emissions which would have occurred without the intervention of Veolia Environnement's businesses. Direct emissions (including biogas generated at landfill sites) and indirect emissions (linked to energy use and heating purchases) at sites managed by the Group in 2010 amounted to 47.4 million tons of CO_2 (carbon dioxide) equivalent, due to the development of the Group's businesses (see Chapter 6, Section 6.3.2 above). Furthermore, the Group actively participates in the flexibility mechanisms outlined in the Kyoto protocol, which came into force on February 16, 2005 (see Chapter 6, Section 6.3.2 above).

Other Emissions

The Group is committed to reducing its emissions below regulatory requirements by (i) improving the treatment of air emissions and developing better technologies (treatment of incineration smoke by Veolia Propreté, reduction in vehicle emissions by Veolia Transport, low NO_X -emission combustion technologies in Dalkia) and (ii) reducing consumption and encouraging the use of cleaner fuels (low-sulfur fuel oil and coal, natural gas, LNG for combustion installations and vehicles and hybrid electric or bi-modal vehicles).

Installations, and primarily incineration installations, operated by Veolia Environnement mainly emit sulfur and nitrogen oxides (SO_X and NO_X), carbon monoxide (CO), volatile organic compounds and dust. Emissions of SO_X from waste incineration units (hazardous and non-hazardous waste) amounted to approximately 87 grams per ton of incinerated waste in 2010 as a result of our growth by acquisition of new installations whose performance is still in the process of being optimized.

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* *Non-hazardous waste (excluding inert waste).*

Veolia Transport continues its efforts to reduce polluting emissions (CO, HC, particles) from its fleet of passenger vehicles. A benchmark was defined, corresponding to 80% of the 2008 bus and coach fleet. Emission reduction targets were set for the end of 2011: 5% for carbon monoxide unit emissions (CO), 24% for hydrocarbons (HC) and 27% for particles, after adjustment of the targets set as of March 31, 2010. To this end, the Veolia Transport network vehicle pool is gradually being brought into compliance with the "EURO 5" standard as vehicles are replaced. This standard imposes even stricter requirements with respect to reducing polluting emissions than the "EURO 4" standard, applicable since 2006. Further, Veolia Transport is committed, as part of its environmental management system, to lowering its polluting emissions on a like-for-like basis and is preparing for new standards by testing and experimenting emission reduction systems (polluting emissions and greenhouse gases) which will subsequently be marketed, thereby reaffirming its role as expert and advisor to customer public authorities.

In France, Veolia Transport is pursuing research, in partnership with ADEME, into identifying and assessing the market systems best able to reduce NO_X emissions by its bus and coach fleet.

With regards to NO_X emissions, over the last few years Dalkia has carried out an evaluation program covering available technologies (low emissions fuel oil, recycling of fumes, air terracing, combustion modeling, etc.).

Veolia Propreté developed a semi-permanent dioxin emission control method during waste incineration, allowing for control of the flow of pollutants emitted throughout the year. Veolia Environnement offers this reliable and efficient measurement technique to all its customers.

Noise and olfactory pollution

Veolia Environnement has also developed new processing and storage techniques for odors, particularly in wastewater treatment plants and waste landfill sites. Veolia Environnement also uses new and more silent technologies in some of its installations, including special wall coatings, sound traps and exhaust gas exit silencers for cogeneration installations and transport vehicles.

Preserving biological balance, natural environments and protected animal and plant species (see also Section 6.3.2 above)

Veolia Environment integrated the protection of biodiversity into the first undertaking of its Sustainable Development Charter and since 2004 has developed an approach based on the nature of business impacts and the implementation of integrated management into the Environmental Management System.

To identify its impact, the Group calls on an internal expert who is primarily responsible for analyzing biological tools used to evaluate the ecological state of marine and land life. Moreover, the Group works with a number of universities and institutions in order to further its knowledge through innovative research programs covering the interaction of its activities and the functioning of ecosystems (see Section 6.3.2 above).

In order to improve the structure of its policies, the Group is currently working on defining a methodology enabling sites to carry out their own biodiversity appraisals and to implement appropriate action plans (see Section 6.3.2 above).

In France, numerous activities fall under the control of either the ICPE regime (Facilities Classified for Environmental Protection) or its equivalent. Therefore, all business development is conducted in tandem with the preparation of environmental impact studies comprising a highly detailed section on animal and plant life. The management of these impacts is, accordingly, a constant concern for the operating staff of Veolia Environnement's different businesses (waste processing, decontamination stations, combustion facilities, rolling stock depots, etc.).

Environmental evaluation or certification

Veolia Environnement's activities have been subject to environmental certification, both external (ISO) and internal, for some time. In 2008, based on a wider application scope encompassing Veolia Propreté's waste collection and cleaning businesses, Veolia Environnement undertook to implement an Environmental Management system in 85% of relevant activities by the end of 2011. In addition, the Group strengthened its internal environmental management requirements in 2009. Subject to the circumstances of each of the entities concerned, this voluntary approach leads to the general application of ISO 14001 certification standards. Some 26,086 Veolia Environnement sites are currently ISO 14001 certified.

Compliance of Company businesses with applicable legislation and regulations

Veolia Environnement's Environmental Management system includes, among other things, an environmental audit program that allows it to monitor the regulatory compliance of sites, as well as their compliance with contractual obligations and Group standards. Veolia Environnement has defined a general framework to ensure the consistency of the audit systems developed by its Divisions, each of which remains responsible for the definition and implementation of its own system. Based on this definition, the Company set an objective of attaining by the end of 2011, an environmental assessment rate for "priority installations" in the preceding five years of 95%. In 2010, the number of priority installations increased by 1% and the assessment rate was 85%.

Priority sites are drinking water production sites with a capacity of over 10,000 m^3/day and urban wastewater treatment plant with a capacity of over 50,000 eH, waste landfill sites (excluding inert waste), physico-chemical waste processing plants, hazardous waste recycling plants, Dalkia combustion installations with a thermal output greater than 20 MW and certain Veolia Transport transportation centers (sites with a fixed fuel installation of over 80,000 liters or managing or receiving over 120 vehicles at least once a year or with a compression station of over 200kW). These facilities are the most sensitive to environmental impacts.

Expenses incurred to preserve the environment from the impact of the Company's businesses

Given the nature of its services, a large majority of Veolia Environnement's expenditures and investments have a direct impact on the environment. Veolia Environnement industrial investment amounted to €2,108 million in 2010 (see Chapter 9, Section 9.3.3, below) and includes growth and compliance investments. The Company invested in employee training, certification programs and the implementation of the environmental management system. Its Research and Development budget was also renewed (see chapter 20.1, note 19, below).

The Group is implementing a selective investment policy while preserving industrial investments or investments called for by contractual commitments. The decrease in investments primarily concerns the Transportation Division.

Internal environmental management services, training and information for employees on the environment, methods for reducing environmental risks and the structure implemented to handle accidents with an impact beyond the confines of the Company

In addition to the measures described above for the reduction of environmental risks, such as research and development or employee training, Veolia Environnement has set up a Sustainable Development Department. One of this department's roles is the roll-out and management of the Environmental Management System, thereby encouraging consistent objectives and actions among the Divisions as well as information sharing and best practices. It heads an Environmental Management Committee, comprised of representatives of all Veolia Environnement Divisions and representatives from the Sustainable Development Department. An environmental steering committee, chaired by the Secretary General of the Group and led by the Sustainable Development Department, comprising an Executive Committee member from each Division and representatives from various departments (particularly the legal, risks and R&D departments), was formed to approve the strategic cap adopted for environmental management and report annually to the Veolia Environnement Executive Committee.

In addition, Veolia Environnement's risk department is responsible for identifying and assessing Group risks and ensuring they are under control. It relies in particular on the work of the Group Risk Committee (see Section 4.2.1 above).

Veolia Environnement has also implemented a warning procedure and a crisis management procedure, including for environmental issues. In particular, this encompasses Group Division on-call and alert systems at national and international levels, enabling any necessary measures to be taken on a timely basis and at an appropriate level (see Section 4.2.1 above).

Provisions and guarantees for environmental risks

As of December 31, 2010, provisions for site closure and post-closure costs (encompassing provisions for site restoration, the dismantling of installations and environmental risks) totaled €715.2 million.

Compensation paid in 2010 in execution of legal decisions concerning the environment and actions taken to repair environmental damage

Provisions for litigation used in 2010 totaled €147.2 million, including all types of litigation (tax, employment and other litigation).

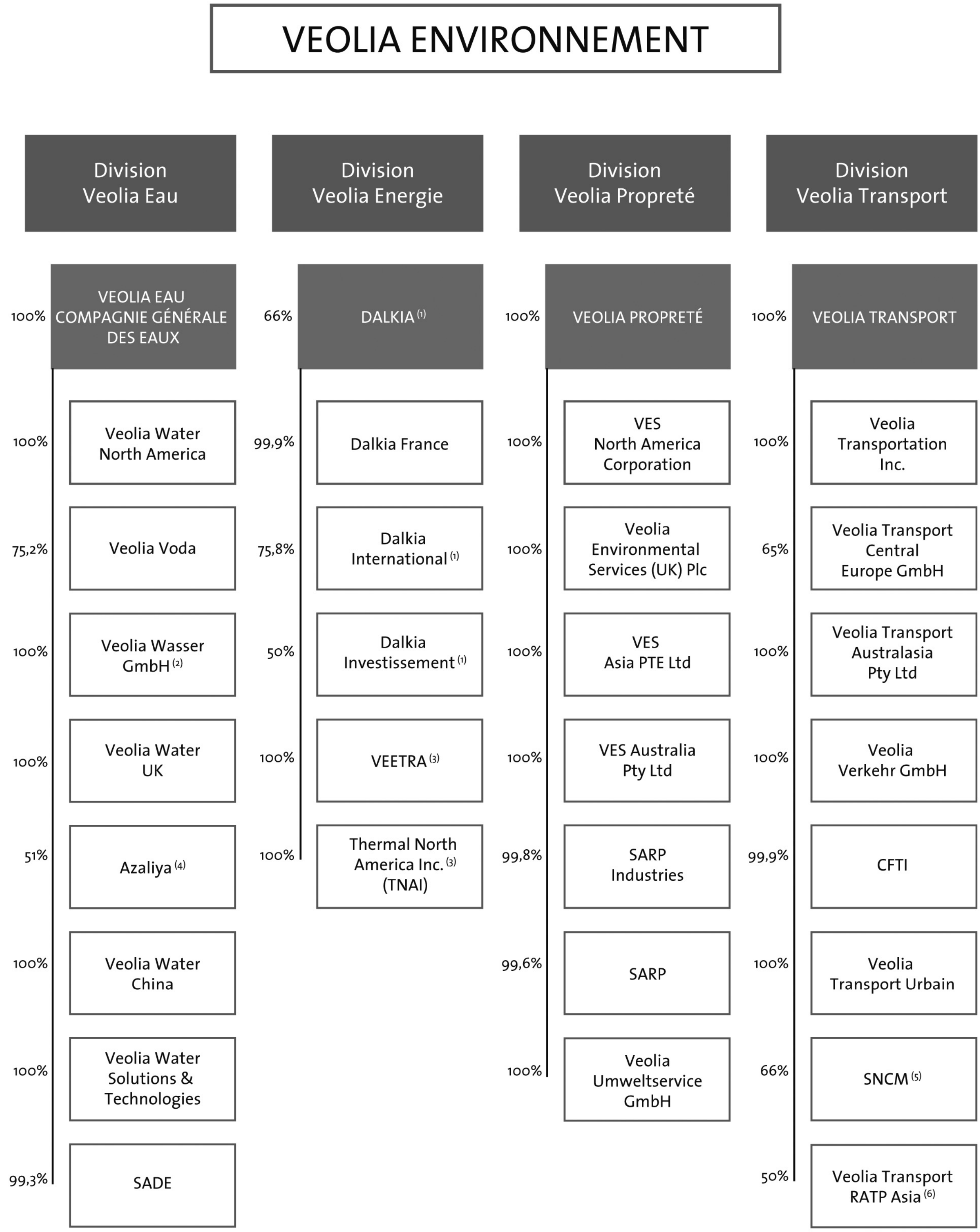
International environmental targets

The roll-out of the Environmental Management System described above continued in 2010 and now covers 81% of revenue of relevant activities.

7 Organizational chart

The following simplified organizational chart sets forth the principal operating companies by Division held directly or indirectly by Veolia Environnement as of December 31, 2010. Unless otherwise indicated, the ownership percentages below reflect both the percentage of voting rights and of share capital held by Veolia Environnement or by the Divisions.

The list of the principal companies integrated into the consolidated financial statements in 2010 appears in Chapter 20, paragraph 20.1, note 43 to the consolidated financial statements.



(1) The remaining capital of these companies is held by EDF.
(2) The Group's stake in Berlin Water (Berlinwasser) is held through this entity.
(3) Companies wholly owned by Veolia Environnement (directly or indirectly).
(4) Joint venture held by Veolia Eau-Compagnie Générale des Eaux (51%) and Mubadala Development Company (49%).
(5) The remaining capital of this company is held by the French State (25%) and the employees of the company (9%).
(6) Joint venture held by Veolia Transport (50%) and RATP Développement (50%).

Main financial flows between Veolia Environnement and its Divisions

The main financial flows between Veolia Environnement and its Divisions are described in the notes to the statutory financial statements set forth in Chapter 20, paragraph 20.2.

Veolia Environnement primarily finances its Divisions through loans and current accounts (net position of €7.1 billion as of December 31, 2010) and through equity; as a result it received €173.2 million in interest and €912.3 million in dividends in 2010. The Company has set up a system to centralize cash management in the main countries in which it operates and uses hedging, mainly at the Group level, in accordance with its risk management policy (see Chapter 20, paragraph 20.1, note 29 of the consolidated financial statements).

For the main financial flows between Veolia Environnement and the Divisions concerning operations, Veolia Environnement charged the Divisions a total of €206.2 million, mainly corresponding to the provision of services and trademark royalties and temporary out-placement of personnel. In addition, in connection with contractual commitments relating to the management of expenses for the renovation of facilities made available by delegating authorities, the Company received from its Water and Energy subsidiaries €206.4 million in renewal indemnities and paid to the Water and Energy subsidiaries €220.2 million in 2010.

In connection with operating activities, Veolia Environnement granted financial and operational guarantees worth €2,454 million as of December 31, 2010.

The EDF group directly holds 34% of Dalkia's capital and 24.2% of Dalkia International. Veolia Environnement has exclusive control over Dalkia and joint control with EDF over Dalkia International.

The table below details the consolidated amounts of certain line items from the balance sheet (non-current assets, financial debt, cash and cash equivalents), of net cash flows from operating activities and of the amount of dividends paid in 2010 and recovered by the Company, as of December 31, 2010, broken down between Veolia Environnement and its four Divisions.

Informations as of December 31, 2010

(in € million)	**Veolia Eau**	**Veolia Propreté**	**Dalkia(1)**	**Veolia Transport**	**Other subsidiaires(4)**	**Veolia Environnement**	**Total consolidated amount**
Non-current assets	5,568.3	5,917.3	3,933.0	1,962.2	873.2	12,840.6	31,094.6
Non-group financial debt(2)	(3,606.0)	(1,017.3)	(874.6)	(256.6)	(125.7)	(14,357.6)	(20,237.8)
Cash and cash equivalents less bank overdrafts(3)	515.2	168.2	325.7	199.0	229.1	3,582.6	5,019.8
Net cash flow from operating activities	1,341.1	1,137.9	509.9	298.9	108.2	60.6	3,456.6
Dividends paid during the period and attributable to Veolia Environnement	441.0	213.0	102.8	-	155.5	-	

(1) Including TNAI.
(2) Corresponds to long-term borrowings + short-term borrowings +/- readjustment of cash instruments.
(3) Corresponds to cash and cash equivalents less bank overdrafts and other cash position items.
(4) Including Proactiva and Artelia

8 Property, plant and equipment

Veolia Environnement uses various assets and equipment for the conduct of its activities, over which it exercises extremely diverse rights.

The total gross value of Veolia Environnement non-current assets (excluding other intangible assets) as of December 31, 2010 was €32,658 million (net value of €19,500 million as of December 31, 2010, representing 38% of total consolidated assets), compared to €30,824 million as of December 31, 2009 (net value of €18,659 million).

Under concession arrangements, Veolia Environnement provides public interest services (distribution of drinking water and heat, public transportation networks, household waste collection, etc.) to communities, in return for the payment of services rendered. These collective services (also referred to as general interest services, general economic interest services and public services) are usually managed by Veolia Environnement pursuant to contracts entered into at the request of public entities that maintain the control of the assets used to perform such collective services. Concession arrangements are characterized by the transfer of operating rights for a fixed term, under the supervision of a public authority and are performed using special-purpose installations built by Veolia Environment or that are placed at its disposal either free of charge or for consideration. Installations normally consist of pipelines, water treatment and purification plants, pumps, etc. in the Water Division, incineration plants in the Environmental Services Division, and urban heating networks and heating and co-generation plants in the Energy Services Division.

Veolia Environment is usually contractually bound to maintain and repair installation assets managed under public service contracts. When necessary, related repair and maintenance costs are provided for in contractual commitments in the event of delays in the performance of work. The nature and extent of the Group's rights and obligations under these different contracts vary by the type of public service rendered by the different Group businesses.

Under outsourcing contracts with industrial clients, BOT (Build, Operate, Transfer) contracts, or incineration or cogeneration contracts, the Group may grant customers the right to use a group of assets in return for rent included in the total contract remuneration. Pursuant to IFRIC 4, the Group thus becomes a lessor with respect to these customers. The corresponding assets are therefore recorded in the consolidated balance sheet as operating financial assets.

The Group is also the outright owner of industrial installations, in particular for activities undertaken outside comprehensive contracts in the Environmental Services Division (landfill sites and special waste processing plants), the Energy Services Division (co-generation plants) and the Transportation Division (buses, boats and trains). These assets are classified in the consolidated balance sheet as property, plant and equipment. Veolia Environnement property, plant and equipment are subject to certain charges, such as maintenance and repair costs and closure or post-closure costs.

There are relatively few real estate assets legally owned by the Group without any retrocession obligations. When possible, the Group does not own its office buildings.

Finally, assets purchased under finance leases fall into all three asset categories detailed above and represented a net amount of €712 million as of December 31, 2010 (see Chapter 20, paragraph 20.1, Note 17 to the consolidated financial statements).

The main insurance policies subscribed by the Company are described in Chapter 4, paragraph 4.2.4 of this registration document.

Environmental issues may also influence the Company's use of property, plant and equipment, as detailed in paragraph 6.3 of this registration document.

9 Operating and Financial Review

9.1 Results of operations in 2010

9.1.1 General context

Group consolidated revenue for the year ended December 31, 2010 totaled €34,786.6 million compared to €33,951.8 million in 2009 (re-presented), an increase of 2.5% (+1.3% at constant consolidation scope and exchange rates).

The return to growth, already evident in the third quarter, was confirmed in the fourth quarter due to:

- further substantial growth in the Environmental Services Division (+9.8% in Q4 following +9.1% in Q3, +7.3% in Q2 and +0.1% in Q1) mainly due to recycled raw material prices which remain high and more favorable volume trends despite a commercial policy which remains selective; as well as a reduced comparative basis effect as the sector recovery commenced in Q4 2009;

- renewed growth in the Water Division (+4.3% in Q4 following +1.1% in Q3, -4.2% in Q2 and -7.6% in Q1), with a turnaround in construction work trends;

- activity levels in the Energy Services Division, which benefited from a one-off contribution from the construction business and a favorable weather effect in the fourth quarter of 2010;

- the ramp-up of new contracts in the Transportation Division.

Conversely, Group activities were penalized by the non-renewal in 2009 of certain major contracts, primarily in the Transportation Division but also in the Water Division, as well as the completion of significant international construction contracts in the Water Division (Marafiq, Fujairah and Ras Laffan).

On December 12, 2010, Henri Proglio informed the Board of Directors of Veolia Environnement of his decision to resign from his position as Chairman of the Board of Directors. He remains a Director of the Company.

The Board of Directors decided, pursuant to the recommendations of its Nominations and Compensation Committee, to unite the functions of Chairman of the Board and Chief Executive Officer.

The Board of Directors therefore appointed Antoine Frérot as Chairman and Chief Executive Officer of Veolia Environnement, with effect from December 12, 2010.

9.1.2 Commercial overview

The Group continued to benefit from favorable market trends in 2010 and won or renewed several major contracts as presented below:

Division	Public authority or company and location thereof	Contract term	Estimated cumulative revenue (in €)	Services provided
Water	North Reunion Interdistrict Community (CINOR)	20 years	270 million	Concession arrangement to design, finance, build and operate the new wastewater treatment plant at Grand Prado, in the district of Sainte Marie.
Water	SEDIF Water Authority for the Ile de France region – France	12 years	3 billion	Public sector delegation contract for the production and distribution of drinking water. SEDIF is the largest water authority in France and one of the largest in the world in terms of the volume of water distributed and the number of people served.
Water	Lille City Conurbation – France	4 years construction + 6 years operation	75 million for construction work and 28 million for operating activities	Contract to rebuild and operate the Marquette-Lez-Lille wastewater treatment plant, the largest such plant in the North of France.
Environmental Services	Westminster – United Kingdom	7 years (+ extension option for a further 7 years)	298 million	Recycling and waste management contract
Environmental Services	Staffordshire County – United Kingdom	25 years	1.1 billion	PFI (Private Finance Initiative) contract for the treatment and disposal of residual waste
Water & Environ-mental Services	Hong Kong	37 months construction + 15 years operation	414 million for construction work and 20 million annually for operating activities	Contract won jointly by Veolia Eau and Veolia Propreté, to design, build and operate for a period of 15 years a state-of-the-art sludge treatment plant in Hong Kong.

Conversely, the Group terminated early its contract with the City of Indianapolis (United States): on October 20, 2010, the City of Indianapolis, Citizens Energy Group (CEG) and Veolia agreed to the terms of the early termination of the management contract between the City and Veolia and the transfer of management activities from Veolia to CEG, to which the City granted a water treatment concession. This agreement must be approved by the Indiana Utility Regulatory Commission (IURC). The date of effective transfer is not yet known as tied to the IURC authorization schedule. Pursuant to the agreement, it must be between March 31, 2011 and March 31, 2012, with September 2011 currently considered the most likely date. Termination compensation of USD 29 million (plus a potential additional amount of up to USD 5 million) covers the value of net assets and the loss suffered. This transaction had no impact on the financial statements for the year ended December 31, 2010.

Events after December 31, 2010:

A serious head-on collision occurred on Saturday, January 29, 2011 between a HarzElbeExpress passenger train operated by Veolia Verkehr Sachsen Anhalt GmbH, a Veolia Transport subsidiary, and a goods train, near Hordorf and Magdeburg in Saxony-Anhalt (Germany). Around fifty people were aboard the HarzElbeExpress train. The disaster claimed the lives of ten people, including the driver and the head conductor of the passenger train. Many serious injuries have been reported. A judicial involuntary manslaughter investigation is ongoing with respect to the driver of the goods train, who is alleged to have failed to stop for a red light. The initial results of the investigation would appear to exonerate our Company of any liability and the financial consequences would appear limited given the insurance policies held by the Group.

9.1.3 Acquisitions, divestitures and partnerships

Partnerships

Combination of Veolia Transport and Transdev

On May 5, 2010, the Caisse des Dépôts and Veolia Environnement announced the finalization of their agreement on the Transdev-Veolia Transport combination. With 2010 pro forma revenue of €8 billion (excluding the contribution of assets transferred to RATP), a presence in 30 countries and a workforce of about 117,000 employees, the new group will rank among world leaders in its sector. Adjusted operating cash flow is approximately €500 million. In line with the terms of the framework agreement announced on December 21, 2009, the new Veolia Transport-Transdev entity will be owned equally by Veolia Environnement (50%) and Caisse des Dépôts (50%). Prior to completing the transaction, Caisse des Dépôts will subscribe to a €200 million share capital increase by Transdev. Veolia Environnement will be the industrial operator of the new entity and Caisse des Dépôts a long-term strategic shareholder.

The buy-out of RATP's 25.6% share capital in Transdev will take the form of an exchange of selected French and international assets belonging to both Transdev and Veolia Transport. As a result, RATP will strengthen its international presence, primarily in Italy and Switzerland, as well as in France. The assets transferred to RATP in exchange for its 25.6% share capital in Transdev generated revenue of approximately €360 million in fiscal year 2010.

The objective of the two shareholders is to list the new group, subject to market conditions. The new group's IPO will take place through a share capital increase, aimed at providing adequate financial resources to pursue its growth strategy.

The combination of Veolia Transport and Transdev as well as RATP's exit from Transdev's share capital are subject to the usual conditions precedent for this type of transaction and particularly to the authorization by the relevant competition authorities and the approval by the Minister for the Economy of the privatization of Transdev.

The French competition authority authorized the RATP to take over the transportation networks in France belonging to Transdev and Veolia.

This combination was authorized by the competent anti-monopoly authorities on December 30, 2010 and the privatization of Transdev was approved by the Minister of the Economy on February 25th, 2011. This agreement was subject to asset sales and other commitments, and in particular the creation of a €6.5 million fund to encourage competition in France.

The terms of the draft shareholders' agreement as of December 31, 2010 were substantially changed in January and February 2011 and the final amendments led to the recognition of joint control by the two shareholders over the new entity pursuant to IAS/IFRS and no longer exclusive control by the Group.

The effective transaction completion date is March 3, 2011.

From this date, the Group loses control of Veolia Transport in exchange for a 50% investment in the Veolia-Transdev joint venture, regrouping the activities of Veolia Transport and Transdev. The definitive agreements will result in the proportionate consolidation of the new entity by the Veolia Group.

The new entity, owned 50% by Veolia Environnement and 50% by Caisse des dépôts would have contributed to Group key figures in 2010, on a full-year basis, some €4 billion in revenue and €250 million in adjusted operating cash flow.

Restructuring of our Energy Services activities in the Czech Republic

On May 12, 2010, Dalkia and CEZ, the leader in the Czech energy market, announced the approval by Czech competition authorities of transactions illustrating the new partnership signed in November 2009 between Dalkia Ceska Republika and CEZ.

Dalkia International sold 15% of Dalkia Ceska Republika share capital to CEZ and then 5% of Dalkia Ceska Republika to J&T Group for €126 million (Group share).

Simultaneously, Dalkia Ceska Republika sold 85% of its share capital in Dalkia Usti nad Labem to CEZ for €145 million (Group share), comprising a cogeneration (heat and electricity) plant and the primary district heating system for the city of Usti nad Labem, in northern Czech Republic.

On June 25, 2010, the Group announced the acquisition of New World Resources Energy (NWR Energy) from the NWR Group. This Ostrava-based company distributes electricity and produces heat, hot water and compressed air for the coal mines operated by OKD, the leading Czech mining group and a subsidiary of NWR. The €97 million deal (Group share and after the price adjustment), closed at the end of January 2010, has been approved by the competent anti-monopoly authorities. Dalkia Ceska Republika will take over the heat and compressed air facilities mainly dedicated to the mines in the Ostrava region, the electricity distribution installations located close to Dalkia sites, and two subsidiaries, CZECH-KARBON (a Czech electricity trading company), and NWR Energetyka PL Spólka (which changed its name to Dalkia Powerline in August 2010), a Polish company that buys and distributes electricity in Poland. New World Resources Energy (NWR Energy) changed its name to Dalkia Industry CZ.

Other partnership transactions impacting Group share ownership

On April 16, 2010, the Group and the Qatari Diar fund announced the signature of an agreement aimed at setting up a long-term strategic partnership, including the acquisition by Qatari Diar of a 5% interest in Veolia Environnement's share capital and voting rights. This acquisition reflects the groups' mutual ambition to work together on infrastructure and utilities projects in the Middle East and North Africa. The Qatari Diar fund gave an undertaking to the Group to hold its share capital and voting rights for a period of three years. The appointment of the Qatari Diar fund to the Board of Directors was approved by the Annual General Meeting of Shareholders of May 7, 2010 for a term of four years ending the Annual General Meeting of Shareholders held to adopt the financial statements for the year ended December 31, 2013. Qatari Diar Real Estate Investment Company has been represented on the Board by Dr. Mohd Alhamadi since June 1, 2010.

Divestitures

Overall, industrial and financial divestitures (including issues of share capital subscribed by the non-controlling interests and transactions with non-controlling interests where there is no change in control) totaled €1,241 million in the year-ended December 31, 2010.

Divestiture of the Miami-Dade Waste-to-Energy plant

On February 2, 2010, the Group announced the completion of the transfer to Covanta Holding Corporation of the operating contract for the Miami-Dade County Waste-to-Energy plant in the Environmental Services Division. The divestiture was performed for a consideration of U.S. $128 million (€93 million), in accordance with the announced financial terms.

With this final transaction, Veolia has now completed the transfer to Covanta Holding Corporation of the portfolio of contracts for Waste-to-Energy plants in North America, the divestiture of which was initially announced on July 6, 2009, for a total enterprise value, over fiscal years 2009 and 2010, of €313 million.

Redistribution of joint subsidiaries in the Water Division in France

The transactions performed pursuant to the protocol signed by Suez Environnement and Veolia Environnement on December 19, 2008 and setting out the rules for the redistribution of the joint subsidiaries, were completed on March 22, 2010. This redistribution of the joint subsidiaries consisted of:

- the acquisition of additional interests by the Group in primarily Société des Eaux de Marseille (SEM) and Société des Eaux d'Arles (SEA);

- the divestiture of interests held in Société Stéphanoise des Eaux (SSE), Société Provençale des Eaux (SPDE), Société des Eaux du Nord (SEN), Société Nancéienne des Eaux (SNE), Société des Eaux de Versailles et St Cloud (SEVESC), Société Martiniquaise des Eaux (SME), Société Guyanaise des Eaux (SGDE) and Société d'Exploitation du Réseau d'Assainissement de Marseille (SERAM).

Financial restructuring of our Energy Services activities in Poland

In August 2010, Dalkia bought-out the non-controlling interests previously held by the EBRD in certain of its Polish subsidiaries specializing in cogeneration and heating networks. This transaction increased Group indebtedness by €87 million.

On November 29, the Australian investment fund, IFM, purchased 11.26% of the Polish subsidiary, Dalkia Polska, for a consideration of €57 million and exchanged its 40.6% investment in Lodz for a 28.74% stake in Dalkia Polska, bringing its total investment in the Polish subsidiary, Dalkia Polska, to 40%.

Divestiture of Dutch activities in the Water Division

On December 1, 2010, VW Netherlands signed an agreement with Rabobank and Evides for the sale of 29% of its 40% shareholding in Delfluent BV. The sale was completed on December 22, 2010 after the conditions precedent were lifted, for an enterprise value of €118 million. The residual investment is equity accounted.

Acquisitions

Financial investments (including transactions with non-controlling interests where there is no change in control) totaled €653 million in the year ended December 31, 2010.

These investments mainly included:

- the acquisition of Dalkia Industry CZ, as detailed in the previous section, for a consideration of €97 million (Group share and after price adjustment);

- On November 9, 2010, the Water Division, via its Veolia Voda and Veolia Water Enterprise subsidiaries, acquired certain United Utilities Group businesses for an acquisition price (enterprise value) of €193 million, including:

  - in Central and Eastern Europe, primarily a 77.1% shareholding in Sofiyska Voda, which operates water supply and treatment services for the city of Sofia in Bulgaria, serving 1.3 million residents, and also a 33.2% shareholding in Aqua SA, which operates water supply and treatment services for the city of Bielsko Biala and the surrounding area in southern Poland, serving over 300,000 residents.

    These new developments in Central Europe, particularly with the city of Sofia, are carried by Veolia Voda, in which the EBRD has been a partner since 2007, and in which the IFC (International Finance Corporation) announced the acquisition of a 9.5% stake via a share capital issue in June 2010;

  - in the United Kingdom, acquisition of a portfolio of outsourcing, industrial engineering and infrastructure contracts. In addition to this portfolio, minority stakes were also acquired in three PFI (Private Finance Initiative) contracts in Scotland (the Tay, Moray and Highland wastewater treatment plants). The investments in the above PFI (Private Finance Initiative) contracts in the United Kingdom and Scotland were sold in December for a consideration of €69 million, with the Group retaining a minority stake in the Scottish PFI contracts.

Other transactions impacting Group share ownership

On March 12, 2010, Groupe Industriel Marcel Dassault (GIMD) reported it had exceeded the threshold of 5% of share capital and voting rights in Veolia Environnement and undertook to retain this holding for a period of five years. The Annual General Meeting of Shareholders of May 7, 2010 approved the nomination of GIMD, represented by Mr. Olivier Costa de Beauregard, as director for a term of four years ending the Annual General Meeting of Shareholders held to adopt the financial statements for the year ended December 31, 2013. The Board of Directors appointed GIMD, represented by Mr. Olivier Costa de Beauregard, as a member of the Nominations and Compensation Committee and of the Accounts and Audit Committee of Veolia Environnement. Similarly, Mr. Thierry Dassault was appointed censor on May 7, 2010 for a period of four years ending the Annual General Meeting of Shareholders held to adopt the financial statements for the year ended December 31, 2013.

9.2 Accounting and financial information

9.2.1 Definitions and accounting context

The consolidated financial statements for the year ended December 31, 2010 are prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and IFRS as published by the International Accounting Standards Board (IASB).

Comparative financial statements for fiscal years 2009 and 2008 are presented on the same basis.

The GAAP (Generally Accepted Accounting Principles) and non-GAAP indicators presented in this document are unchanged on prior years and are defined in the Appendix to the Operating and Financial Review.

Accounting context

The accounting policies adopted for the preparation of the 2010 financial statements are unchanged from the 2009 financial statements, with the exception of the application of new texts as of January 1, 2010.

Pursuant to IFRS 5:

- All assets and liabilities of the following balance sheet items were reclassified in assets and liabilities held for sale as of December 31, 2010:
    - Transportation activities in Switzerland and the United Kingdom;
    - Water Division operations in Gabon;
    - Environmental Services activities in Norway;
    - and cogeneration activities in the Czech Republic and German operations in the Energy Services Division.
- The 2009 and 2008 Income Statements were re-presented to include on the line “Net income from discontinued operations” the impact of:
    - the divestiture of Clemessy and Crystal in the Energy Services Division in December 2008;
    - the divestiture of Freight activities in the Transportation Division in November 2009;
    - the divestiture of Waste-to-Energy activities in the United States in the Environmental Services Division;
    - the divestiture of Water activities in the Netherlands in December 2010;
    - the reclassification in discontinued operations of Transportation activities in the United Kingdom, Water activities in Gabon, Environmental Services activities in Norway and German operations in the Energy Services Division.

Replacement costs

Replacement costs totaled -€364.0 million in 2010, compared to -€360.9 million in 2009.

As of January 1, 2010 pursuant to the amendment to IAS 7, replacement costs are no longer eliminated from operating depreciation, amortization, provisions and impairment losses. They are deducted from adjusted operating cash flow and reduce the amount of maintenance-related investments presented in the Statement of change in net financial debt. This amendment does not impact net financial debt, net income or equity.

9.2.2 Revenue

9.2.2.1 Overview

Year ended December 31, 2010 (€ million)	Year ended December 31, 2009 re-presented (*) (€ million)	% Change 2010/2009	Internal growth	External growth	Foreign exchange impact
34,786.6	33,951.8	2.5%	1.3%	-1.5%	2.7%

(*) A reconciliation of 2009 published and re-presented consolidated revenue may be found in the Appendix.

For the year ended December 31, 2010 Veolia Environnement consolidated revenue was €34,786.6 million, an increase of 2.5% compared to re-presented revenue of €33,951.8 million for the year ended December 31, 2009. At constant consolidation scope and exchange rates, consolidated revenue increased 1.3% during the same period.

Revenue in the fourth quarter of 2010 showed a significant increase, with +7.9% growth marking a clear inflexion after +4.9% growth in the third quarter, +1.5% growth in the second quarter and -4.3% revenue decline in the first quarter of 2010.

This improvement was also observed at constant consolidation scope and exchange rates: +4.7% in 4Q 2010, after +2.7% in 3Q 2010, +0.9% in 2Q 2010 and -3.3% in 1Q 2010, confirming a return to positive organic growth.

This evolution in revenue growth is explained principally by the progressive improvement of the global economic environment, the increase and maintenance of recycled raw material prices, and energy prices, a positive climate effect both within and outside of France, as well as the benefits of successful commercial development.

On the other hand, 2010 full year Group revenue was negatively impacted by the non-renewal of certain significant contracts in 2009, notably in the Transportation division (-€637 million impact compared to 2009), as well as the completion of certain large construction contracts outside of France (Marafiq, Fujairah, Ras Laffan) in the Water division (-€311 million impact compared to 2009).

In total, the decline in revenue resulting from net divestments completed in 2009 and 2010 amounted to -€495.6 million (-1.5% versus full year 2009) and is composed of: -€150.7 million in the Water division, -€312.4 million in the Environmental Services division (principally Veolia Propreté Nettoyage et Multiservices or VPNM), -€26.5 million in the Energy Services division and -€6.0 million in the Transportation division.

The share of revenue generated outside France for 2010 was €20,748.8 million, which is 59.6% of total revenue compared to 59.5% for full year 2009 on a re-presented basis.

The positive effect of the evolution of average exchange rates during 2010 was €911.8 million, reflecting essentially the appreciation compared to the euro of the Australian dollar for €194.6 million, the U.S. dollar for €154.0 million, the U.K. pound sterling for €82.9 million, Central European currencies for €97.4 million, Northern European currencies (Norway and Sweden) for €75.6 million.

9.2.2.2 Revenue by business

(€ million)	**Year ended December 31, 2010**	Year ended December 31, 2009 re-presented	% Change 2010/2009
Water	**12,127.9**	12,318.3	**-1.5%**
Environmental Services	**9,312.2**	8,731.5	**6.7%**
Energy Services	**7,581.8**	7,041.3	**7.7%**
Transportation	**5,764.7**	5,860.7	**-1.6%**
Revenue	**34,786.6**	33,951.8	**2.5%**
Revenue at 2009 exchange rates	**33,874.8**	**33,951.8**	**-0.2%**

Water

Year ended December 31, 2010 (€ million)	Year ended December 31, 2009 re-presented (€ million)	% Change 2010/2009	Internal growth	External growth	Foreign exchange impact
12,127.9	12,318.3	-1.5%	-2.9%	-1.2%	2.6%

The revenue decline in the Water division is due essentially to the decline in Works activities given the end of three large construction contracts (Marafiq, Fujairah, Ras Laffan). Excluding construction works, 2010 division revenue improved +0.5% at constant consolidation scope and exchange rates.

- In **France**, revenue at constant consolidation scope declined 0.9% due to a slowdown in Works activities, as well as a 1% decline in volumes of water sold compared to 2009 and the end of the contract with the city of Paris.
- **Outside France**, excluding Veolia Water Solutions & Technologies, revenue increased 2.4% (+1.8% at constant consolidation scope and exchange rates). In Europe, growth was 4.1% at constant consolidation scope and exchange rates, driven by Germany, the United Kingdom and Eastern Europe. Revenue in Asia increased 3.9% at constant consolidation scope and exchange rates due to the ramp-up of certain contracts in Central China and new contracts in Southern China. In the Pacific zone, revenue declined by 10.7% at constant consolidation scope and exchange rates, reflecting the completion of the construction of the Sydney, Australia desalination plant.

- **Veolia Water Solutions & Technologies** achieved €2,147.5 million in revenue, down 16.8% compared to 2009 at constant consolidation scope and exchange rates. The decline in VWST revenue reflects the completion of certain large "Design and Build" contracts outside of France. Excluding the impact of the end of the three large construction contracts in Fujairah, Marafiq and Ras Laffan, Veolia Water Solutions & Technologies revenue would have declined 0.5% compared to 2009.

  In addition, the division benefited from a recovery in industrial solutions activities, as well as "Design and Build" activities for industrial clients during the second half of 2010, notably during the fourth quarter. Finally, the backlog for VWST activities is slightly higher at the end of 2010 compared to the end of 2009, with an acceleration of business wins during the last quarter of 2010.

- Net divestments in the Water division in 2009 and 2010, had an impact on revenue of -1.2% (-€150.7 million for the full year 2010 compared to 2009).

Environmental services

Year ended December 31, 2010 (€ million)	Year ended December 31, 2009 re-presented (€ million)	% Change 2010/2009	Internal growth	External growth	Foreign exchange impact
9,312.2	8,731.5	6.7%	6.9%	-3.6%	3.4%

The positive movement in recycled raw materials prices (notably in France and Germany), the good progression of certain activities in the United States, and the ramp-up and growth of integrated contracts in the United Kingdom contributed to 6.9% organic revenue growth in the Environmental Services division in 2010. In addition, after a volume effect that was still marginally negative during the first quarter, the three remaining quarters of 2010 confirmed signs of volume recovery within certain division activities in many countries. Compared to the first three quarters of 2010, the fourth quarter of 2010 benefited from a less favorable base effect as the sector recovery commenced in the fourth quarter of 2009.

- In **France**, revenue increased 7.0% at constant consolidation scope (-1.2% at current consolidation scope due to the divestment of Veolia Propreté Nettoyage and Multi-Services in 2009) due principally to higher recycled raw material prices (paper/cardboard and metal). Volumes on a global basis were stable in 2010, despite strong commercial discipline maintained at contract renewals, due to a partial improvement in activity.

- **Outside France**, revenue grew 11.9% (+6.9% at constant consolidation scope and exchange rates). Revenue in Germany increased 9.8% at constant consolidation scope, and benefited from higher paper and cardboard prices, and since the third quarter, a rebound in activity in the commercial and industrial segment. Revenue in the United Kingdom increased 5.9% at constant consolidation scope and exchange rates due to the continued ramp and growth of integrated contracts and despite the continuing difficult economic environment which negatively impacted other division activities. In North America, 6.0% growth at constant consolidation scope and exchange rates was driven by the recovery of industrial services activities and special waste, and reinforced by one-time projects in solid waste. In Asia-Pacific, 10.7% revenue growth at constant consolidation scope and exchange rates benefited from the ramp and growth of our activities in China, notably in the treatment of special waste, as well as strength in industrial services activities in Australia.

- Net divestments in the Environmental Services division in 2009 and 2010, notably the activities of Veolia Propreté Nettoyage and Multi-Services in France in August 2009, had an impact on revenue of -3.6% (-€312.4 million for the full year 2010 compared to 2009).

Energy services

Year ended December 31, 2010 (€ million)	Year ended December 31, 2009 re-presented (€ million)	% Change 2010/2009	Internal growth	External growth	Foreign exchange impact
7,581.8	7,041.3	7.7%	6.2%	-0.4%	1.9%

Energy Services division revenue grew 6.2% at constant consolidation scope and exchange rates due to a positive climate effect both within and outside France, an increase in Works activities, and a moderate effect related to energy prices (+€20.8 million compared to 2009).

- In **France,** revenue increased 5.7% at constant consolidation scope due to a more favorable climate effect, an improvement in the fuel basket, with a rise in the price of domestic fuel and heavy fuel, as well as the beneficial contribution of new contracts.

- **Outside France**, revenue grew 5.9% at constant consolidation scope and exchange rates principally due to Works activities in Southern Europe; lower electricity prices in Central Europe were offset by a favorable climate effect.

Transportation

Year ended December 31, 2010 (€ million)	Year ended December 31, 2009 (€ million)	% Change 2010/2009	Internal growth	External growth	Foreign exchange impact
5,764.7	5,860.7	-1.6%	-4.3%	-0.1%	2.8%

Transportation division revenue declined 1.6% in 2010. Adjusted for the impact of the non-renewal of the Stockholm, Melbourne and Bordeaux contracts (-€637 million impact compared to 2009), revenue would have grown 9.2% compared to 2009.

- Revenue in **France** increased 2.1% at constant consolidation scope due to new contracts (notably Valenciennes and Bayonne). Revenue was also affected by lower activity in the airport and tourism businesses, primarily due to the economic environment.

- **Outside France**, revenue declined 4.1% (-8.4% at constant consolidation scope and exchange rates) despite the ramp up and growth of developments in North America, the Netherlands, in Asia and in Germany, due to the non-renewal of the Melbourne contract in December 2009 and the Stockholm contract in November 2009 (-€587 million in revenue compared to 2009 for these two contracts).

9.2.2.3 Revenue by geographical area

Breakdown of revenue by geographical area

Year ended December 31, 2010 (€ million)	France	Germany	United Kingdom	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Water	4,789.3	1,434.6	625.5	1,710.0	686.2	262.3	1,330.6	491.9	797.5	**12,127.9**
Environmental Services	3,257.3	1,104.5	1,550.7	827.3	1,267.4	606.4	256.3	87.0	355.3	**9,312.2**
Energy Services	3,665.2	2.4	190.7	2,959.2	326.6	41.0	80.4	85.9	230.4	**7,581.8**
Transportation	2,326.0	602.8	50.9	1,408.3	963.4	183.1	91.3	30.6	108.3	**5,764.7**
Revenue	**14,037.8**	**3,144.3**	**2,417.8**	**6,904.8**	**3,243.6**	**1,092.8**	**1,758.6**	**695.4**	**1,491.5**	34,786.6

Year ended December 31, 2009 re-presented (€ million)	France	Germany	United Kingdom	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Water	4,751.2	1,371.8	640.0	1,619.0	690.5	255.8	1,162.0	857.5	970.5	**12,318.3**
Environmental Services	3,294.2	1,011.3	1,446.0	774.6	1,142.6	441.4	209.4	75.0	337.0	**8,731.5**
Energy Services	3,445.5	2.3	342.4	2,633.7	270.4	42.2	67.7	62.5	174.6	**7,041.3**
Transportation	2,274.1	526.3	49.8	1,440.8	858.0	560.8	61.6	22.6	66.7	**5,860.7**
Revenue	**13,765.0**	**2,911.7**	**2,478.2**	**6,468.1**	**2,961.5**	**1,300.2**	**1,500.7**	**1,017.6**	**1,548.8**	33,951.8

Change (€ million)	France	Germany	United Kingdom	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Water	38.1	62.8	(14.5)	91.0	(4.3)	6.5	168.6	(365.6)	(173.0)	**(190.4)**
Environmental Services	(36.9)	93.2	104.7	52.7	124.8	165.0	46.9	12.0	18.3	**580.7**
Energy Services	219.7	0.1	(151.7)	325.5	56.2	(1.2)	12.7	23.4	55.8	**540.5**
Transportation	51.9	76.5	1.1	(32.5)	105.4	(377.7)	29.7	8.0	41.6	**(96.0)**
Revenue	**272.8**	**232.6**	**(60.4)**	**436.7**	**282.1**	**(207.4)**	**257.9**	**(322.2)**	**(57.3)**	**834.8**
Change (%)	**2.0%**	**8.0%**	**-2.4%**	**6.8%**	**9.5%**	**-16.0%**	**17.2%**	**-31.7%**	**-3.7%**	**2.5%**
Change at constant exchange rates (%)	**2.0%**	**8.0%**	**-5.8%**	**3.7%**	**4.3%**	**-31.5%**	**7.8%**	**-34.4%**	**-10.4%**	**-0.2%**

The impact of the economic climate on revenue can vary between geographical areas and depends in particular on the mix of different Group businesses.

France

Revenue increased 2.0% in 2010; activities in France in the Water Division reflected a slowdown in Works business, a drop in volumes sold of 1.0% compared to 2009 and the non-renewal of the Paris contract.

The slight downturn in activities in the Environmental Services Division in France was due to the sale of Veolia Propreté Multi-Services activities in August 2009, only partially offset by the increase in recycled raw material prices (paper/cardboard and metals).

The Energy Services Division benefited from more favorable weather conditions than in 2009. Finally, Transportation Division activities reported growth in 2010, with contract wins (primarily Valenciennes and Bayonne) offsetting the loss of the Bordeaux contract in May 2009.

Germany

Revenue increased 8.0% in 2010.

Environmental Services Division activities benefited from an increase in the price of paper and cardboard. Water Division activities also rose, in particular under the Braunschweig contract; the Transportation Division benefited from the ramp-up of recent developments in Germany.

United Kingdom

Revenue fell 5.8% in 2010, excluding exchange rate effects, primarily due to the sale of Facilities Management activities in the United Kingdom in the Energy Services Division in the second half of 2009. The ramp-up of new integrated contracts in the Environmental Services sector was partially offset by a decrease in volumes (collection and landfill sites) in an economic climate which remained difficult and a slight downturn in engineering and construction activities in the Water Division.

Other European countries

Revenue growth at constant exchange rates was 3.7%.

This was achieved thanks to the development of Energy Services businesses in the Baltic States and Central Europe (positive weather effect) and Southern Europe with a rebound in Works business (Solar). Water Division revenue also increased in Central and Eastern Europe, primarily thanks to an increase in prices and volumes, as well as the initial effects of the consolidation of United Utilities Group businesses in Sofia.

Conversely, growth in this area was affected by a decrease in Transportation Division activities (end of the Stockholm contract).

United States

Growth of 4.3% at constant exchange rates was impacted by increased business with the petroleum sector and the positive effect of increased recycled raw material prices in the Environmental Services Division.

In the other sectors, growth was attributable to the impact of new contracts in the Transportation Division, despite a slight downturn in the Water Division.

Oceania

The slump of 31.5% at constant exchange rates was due to the loss of the Melbourne contract in the Transportation Division, partially offset by a recovery in services to companies in the Environmental Services Division (mostly present in industrial services and waste) in Australia.

Asia

The growth of 7.8% at constant exchange rates is mainly attributable to the Water Division due to recent developments in China, and to a lesser extent the Environmental Services Division, with the start up of new contacts mainly in China (primarily the processing of special waste) and in Korea in the Transportation Division.

Rest of the world (including the Middle East)

The 19.9% drop at constant exchange rates was primarily due to the completion of certain major contracts in the Water Division in the Middle East.

9.2.3 Other income statement items

9.2.3.1 Operating income and adjusted operating cash flow

Total operating cash flow before changes in working capital for the year ended December 31, 2010 was €3,741.5 million compared to €3,577.7 million in 2009, a rise of 4.6%.

Adjusted operating cash flow:

Adjusted operating cash flow increased 4.0% (+0.9% at constant exchange rates) to €3,653.8 million for the year ended December 31, 2010, compared to €3,513.6 million for the year ended December 31, 2009 (re-presented for discontinued operations).

The improvement in adjusted operating cash flow during a continually challenging economic environment testifies to the Group's ability to adapt its cost structure in a competitive environment.

This progression is essentially due to the following factors in 2010:

- recycled raw material prices remaining at elevated levels;
- the positive effects of the adaptation plan related to the economic environment realized in 2009 and 2010; the efforts of the Group's Efficiency Plan contributed €265 million to adjusted operating cash flow growth, in line with the objective announced in March 2010;
- the positive contribution of CO_2 quota sales, as well as a significant positive climate effect in the Energy Services division.

On the other hand, adjusted operating cash flow growth was negatively impacted by:

- the loss, finalization or non-renewal of certain significant contracts, notably in the Water and Transportation divisions;
- margin pressure associated with contract renewal or contract wins, due to a competitive economic environment.

The adjusted operating cash flow margin improved 20 basis points from 10.3% in 2009 to 10.5% in 2010.

The positive impact of the evolution of average exchange rates on adjusted operating cash flow was €107.2 million, reflecting principally the appreciation of the Australian dollar for an impact of €19.2 million, the U.S. dollar for an impact of €18.5 million, the U.K. pound sterling for an impact of €14.8 million and the appreciation of the Central European currencies for an impact of €18.7 million for the year ended December 31, 2010.

Movements in adjusted operating cash flow were as follows:

	OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL			
	December 31, 2010	December 31, 2009 (*)	Change	
			Current exchange rates	Constant exchange rates
Water	1,478.7	1,545.4	-4.3%	-6.4%
Environmental Services	1,296.6	1,174.6	10.4%	6.4%
Energy Services	690.1	608.6	13.4%	10.6%
Transportation	329.2	327.0	0.7%	-3.0%
Holding companies	(140.8)	(142.0)	0.8%	0.8%
Adjusted operating cash flow	**3,653.8**	**3,513.6**	**4.0%**	
Adjusted operating cash flow at 2009 exchange rates	**3,546.6**	**3,513.6**		**0.9%**
Operating cash flow from financing activities	(18.3)	(1.4)		
Operating cash flow from discontinued operations	106.0	65.5		
Total operating cash flow before changes in working capital	**3,741.5**	**3,577.7**	**4.6%**	

(*) A reconciliation of 2009 published and re-presented adjusted operating cash flow may be found in the Appendix.

Adjusted operating cash flow reconciles to operating income as follows for the years ended December 31, 2010 and 2009:

December 31, 2010 (€ million)	**Adjusted operating cash flow**	**Net operating provisions**	**Net depreciation and amortization**	**Impairment losses on goodwill and negative goodwill**	**Capital gains (losses) on disposal of non-current assets**	**Others**	**Operating income**
Water	1,478.7	(15.2)	(491.2)	0.4	65.5	(17.9)	1,020.3
Environmental Services	1,296.6	(20.4)	(706.8)	(0.2)	41.8	(0.6)	610.4
Energy Services	690.1	(7.9)	(237.3)	-	99.7	4.4	549.0
Transportation	329.2	50.7	(252.7)	(26.1)	20.2	(1.6)	119.7
Holding companies	(140.8)	(1.9)	(29.3)	-	-	(7.1)	(179.1)
Total	**3,653.8**	**5.3**	**(1,717.3)**	**(25.9)**	**227.2**	**(22.8)**	**2,120.3**

December 31, 2009 re-presented (€ million)	**Adjusted operating cash flow**	Net operating provisions	Net depreciation and amortization	Impairment losses on goodwill and negative goodwill	Capital gains (losses) on disposal of non-current assets	Others	**Operating income**
Water	1,545.4	41.2	(473.3)	-	25.1	7.0	1,145.4
Environmental Services	1,174.6	(54.1)	(792.1)	-	123.7	(2.7)	449.4
Energy Services	608.6	(22.1)	(228.6)	(0.9)	43.5	-	400.5
Transportation	327.0	52.1	(242.4)	(5.4)	21.2	0.4	152.9
Holding companies	(142.0)	(8.3)	(12.9)	-	-	(3.2)	(166.4)
Total	**3,513.6**	**8.8**	**(1,749.3)**	**(6.3)**	**213.5**	**1.5**	**1,981.8**

Operating income:

- Operating income increased 7.0% (+3.8% at constant exchange rates) to €2,120.3 million for the year ended December 31, 2010, versus €1,981.8 million for the same period in 2009. 2010 operating income includes:

- net goodwill impairment of -€25.9 million;

- the effect of changes in discount rates associated with site rehabilitation provisions for €26 million for the year ended December 31, 2010, versus -€56 million for the year ended December 31, 2009

- €227.2 million in capital gains on industrial and financial asset divestments for the year ended December 31, 2010 versus €213.5 million for the same period in 2009. 2010 capital gains include a €89.0 million capital gain on the divestment of Usti Nad Labem in the Energy Services division, while 2009 figures include a €99.0 million capital gain related to the divestment of Veolia Propreté Nettoyage et Multi-Services (VPNM).

Adjusted operating income:

Adjusted operating income grew 8.5% to €2,055.7 million for the year ended December 31, 2010, compared to €1,894.1 million for the same period in 2009. 2010 adjusted operating income includes capital gains on industrial or financial asset divestments, totaling €138.2 million versus €114.5 million for the same period in 2009.

Adjusted operating income margin improved 30 basis points from 5.6% for the twelve months ended December 31, 2009 to 5.9% for the same period in 2010.

At Group level, net reversals of operating provisions totaled €5.3 million in 2010, compared to €8.8 million in 2009.

Net charges to operating depreciation and amortization totaled €1,717.3 million in 2010, compared to €1,749.3 million in 2009.

Cost of sales totaled €28,633.5 million for the year ended December 31, 2010 (i.e. 82.3% of total revenue) compared to €28,115.9 million for the year ended December 31, 2009, or 82.8% of total revenue.

Selling costs and general and administrative expenses for the year ended December 31, 2010 totaled €636.4 million and €3,584.4 million, respectively, compared to €597.7 million and €3,451.9 million for the year ended December 31, 2009. Selling costs and general and administrative expenses represented 12.1% of revenue in 2010, compared to 11.9% in 2009.

Changes in operating income and adjusted operating income break down as follows:

	Operating income				Adjusted operating income			
	Year ended December 31, 2010	Year ended December 31, 2009 represented (*)	% change	% change at constant exchange rates	**Year ended December 31, 2010**	Year ended December 31, 2009 re-presented	% change	% change at constant exchange rates
Water	1,020.3	1,145.4	-10.9%	-12.5%	1,019.9	1,145.4	-11.0%	-12.6%
Environmental Services	610.4	449.4	35.8%	29.7%	609.1	355.4	71.4%	63.6%
Energy Services	549.0	400.5	37.1%	33.5%	460.0	401.4	14.6%	12.0%
Transportation	119.7	152.9	-21.7%	-24.2%	145.8	158.3	-7.9%	-11.6%
Holding companies	(179.1)	(166.4)	-7.6%	-7.6%	(179.1)	(166.4)	-7.6%	-7.6%
Total	**2,120.3**	**1,981.8**	**7.0%**		**2,055.7**	**1,894.1**	**8.5%**	
Total at 2009 exchange rates	**2,056.4**	**1,981.8**		**3.8%**	**1,993.7**	**1,894.1**		**5.3%**

(*) A reconciliation of 2009 published and re-presented operating income may be found in the Appendix.

Operating income for the years ended December 31, 2010 and 2009 breaks down as follows:

Year ended December 31, 2010 (€ million)	Adjusted	Adjustments: Impairment losses (**)	Adjustments: Other(*)	Total
Water	1,019.9	-	0.4	1,020.3
Environmental Services	609.1	(0.2)	1.5	610.4
Energy Services	460.0	-	89.0	549.0
Transportation	145.8	(26.1)	-	119.7
Holding companies	(179.1)	-	-	(179.1)
Total	**2,055.7**	**(26.3)**	**90.9**	**2,120.3**

* *mainly capital gains realized on the divestiture of the 85% shareholding in Dalkia Usti nad Labem in the Energy Services Division.*
** *mainly the impairment of the goodwill of certain Transportation Division activities.*

Year ended December 31, 2009 re-presented (€ million)	Adjusted	Adjustments: Impairment losses	Adjustments: Other*	Total
Water	1,145.4	-	-	1,145.4
Environmental Services	355.4	-	94.0	449.4
Energy Services	401.4	(0.9)	-	400.5
Transportation	158.3	(5.4)	-	152.9
Holding companies	(166.4)	-	-	(166.4)
Total	**1,894.1**	**(6.3)**	**94.0**	**1,981.8**

* *mainly capital gains realized on the divestiture of Veolia Propreté Nettoyage et Multi-Services.*

Water

Adjusted operating cash flow declined 6.4% at constant exchange rates (-4.3% at current exchange rates) to €1,478.7 million for the year ended December 31, 2010, versus €1,545.4 million for the year ended December 31, 2009.

The adjusted operating cash flow margin (ratio of adjusted operating cash flow to revenue) moved from 12.5% for the year ended December 31, 2009 to 12.2% for the same period in 2010.

- **In France**, adjusted operating cash flow was negatively impacted by significant contract related events (end of the contract with the city of Paris), the decline in volumes of water sold and Works activities, and an increase in net replacement costs, notably with the end of the Vivendi indemnity payments. However, adjusted operating cash flow benefited from productivity gains which exceeded the portion of savings passed on to customers as part of day-to-day operations.

- **Outside France**, adjusted operating cash flow declined, in Europe with notably an increase in replacement and development costs in the United Kingdom, partially compensated by the favorable evolution of activities in China and the United States.

- Finally, the adjusted operating cash flow of **Veolia Water Solutions & Technologies** improved due to productivity efforts in the context of low activity levels.

The impact of the Efficiency Plan was €93 million during the year ended December 31, 2010.

Adjusted operating income declined 11.0% (-12.6% at constant exchange rates) to €1,019.9 million for the twelve months ended December 31, 2010, versus €1,145.4 million for the same period in 2009.

Other than the variation in adjusted operating cash flow, the Water division's adjusted operating income was affected by onerous contract provisions, while benefiting from an increase in results associated with the divestment of industrial and financial assets, which had a particularly favorable impact on 2010 results.

Net charges to operating provisions totaled €15.2 million for the year ended December 31, 2010, compared to a gain of €41.2 million for the year ended December 31, 2009.

Net charges to operating depreciation and amortization totaled €491.2 million for the year ended December 31, 2010, compared to €473.3 million for the year ended December 31, 2009.

In total, the adjusted operating income margin (adjusted operating income / revenue) declined from 9.3% for the year ended December 31, 2009 to 8.4% for the same period in 2010.

Environmental Services

Adjusted operating cash flow increased 10.4% (+6.4% at constant exchange rates) to €1,296.6 million for the year ended December 31, 2010, versus €1,174.6 million for the same period in 2009.

In the context of stabilized global volumes during 2010, with signs of recovery apparent during the year, this improvement is explained by:

- higher recycled raw materials prices (paper and metal) compared to 2009, which positively impacted operational performance in the division's principal countries (France, United Kingdom, Germany, United States) ;

- positive effects of the Efficiency Plan (€61 million) ;

- operational improvements, notably in Germany.

Adjusted operating cash flow margin increased from 13.5% for the year ended December 31, 2009 to 13.9% for the same period in 2010.

Adjusted operating income increased 71.4% (+63.6% at constant exchange rates) to €609.1 million for the year ended December 31, 2010 versus €355.4 million for the same period in 2009.

The variation of adjusted operating income reflects:

- an impairment charge of €35 million booked in 2009 on operating financial assets in Italy, which explains the net charges to operating provisions amounted to -€20.4 million for the year ended December 31, 2010 versus -€54.1 million for the same period in 2009;

- and the impact related to the change in discount rate utilized at December 31 each year used to calculate the provisions for site rehabilitation, for +€26 million at December 31, 2010 versus -€56 million at December 31, 2009.

Net charges to operating depreciation and amortization totaled €706.8 million for the year ended December 31, 2010, compared to €792.1 million for the year ended December 31, 2009.

The adjusted operating income margin increased from 4.1% for the year ended December 31, 2009 to 6.5% for the same period in 2010.

Energy services

Adjusted operating cash flow increased 13.4% (+10.6% at constant exchange rates) during the year ended December 31, 2010 to €690.1 million, versus €608.6 million for the same period in 2009. Energy Services division adjusted operating cash flow benefited from:

- a significant positive climate effect in France, as well as Central Europe and Baltic countries (€35 million compared to 2009) ;

- a CO_2 quota sales contribution that was higher than 2009 (€23 million compared to 2009) ;

- and finally a slightly positive energy price effect: the negative effect of lower electricity prices in the Czech Republic was totally offset by the favorable gas tariff impact in France.

The impact of the Efficiency Plan was €68 million during the year ended December 31, 2010.

The adjusted operating cash flow margin increased from 8.6% for the year ended December 31, 2009 to 9.1% for the same period in 2010.

Operating income was €549.0 million for the year ended December 31, 2010 compared to €400.5 million for the year ended December 31, 2009, representing a surge of 37.1% at current exchange rates (33.5% at constant exchange rates), with capital gains on disposal of €89 million relating to the sale of activities in the Czech Republic.

Adjusted operating income increased 14.6% (+12.0% at constant exchange rates) to €460.0 million for the year ended December 31, 2010, versus €401.4 million for the same period in 2009. Adjusted operating income for the year ended December 31, 2009 included a capital gain of €41 million related to the divestment of the Facilities Management business in the United Kingdom.

Net charges to operating provisions totaled €7.9 million for the year ended December 31, 2010, compared to €22.1 million for the year ended December 31, 2009.

Net charges to operating depreciation and amortization totaled €237.3 million for the year ended December 31, 2010, compared to €228.6 million for the year ended December 31, 2009.

In total the adjusted operating income margin increased from 5.7% for the year ended December 31, 2009 to 6.1% for the same period in 2010.

Transportation

Adjusted operating cash flow was largely stable (+0.7% at current exchange rates, -3.0% at constant exchange rates), and amounted to €329.2 million for the year ended December 31, 2010, versus €327.0 million for the same period in 2009.

The stability of adjusted operating cash flow was driven by the loss of the contribution from contracts that were not renewed, lower activity in the airport and tourism businesses, as well as the costs associated with the initial months of operation of the Rabat contract, which were offset by the improved profitability of operations that previously were insufficiently profitable (notably in Germany and the Netherlands), and the gain of new contracts in Germany, the United States and Asia.

The impact of the Efficiency Plan was €43 million for the year ended December 31, 2010.

The adjusted operating cash flow margin increased slightly from 5.6% for the year ended December 31, 2009 to 5.7% for the same period in 2010.

Adjusted operating income declined 7.9% (-11.6% at constant exchange rates) to €145.8 million for the year ended December 31, 2010, versus €158.3 million for the same period in 2009.

Net reversals of operating provisions totaled €50.7 million for the year ended December 31, 2010, compared to €52.1 million for the year ended December 31, 2009.

Net charges to operating depreciation and amortization totaled €252.7 million for the year ended December 31, 2010, compared to €242.4 million for the year ended December 31, 2009.

In total, the adjusted operating income margin moved from 2.7% for the year ended December 31, 2009 to 2.5% for the same period in 2010.

Holding companies

Adjusted operating cash flow of holding companies was stable, moving from -€142.0 million for the twelve months ended December 31, 2009, to -€140.8 million for the same period in 2010. The slight deterioration in cash outflows related to holding companies is due to higher amortization associated with the implementation of new centralized information systems.

9.2.3.2 Net finance costs

(€ million)	**Year ended December 31, 2010**	Year ended December 31, 2009 re-presented
Income	95.4	95.9
Expenses	(888.7)	(864.1)
Net finance costs	**(793.3)**	**(768.2)**
Other financial income and expenses	**(114.0)**	**(104.8)**

Net finance costs increased despite a decrease in average net financial debt from €16,466 million in 2009 to €15,566 million in 2010. This increase was the result of a rise in the financing rate (defined as the ratio of net finance costs, excluding fair value adjustments to instruments not qualifying for hedge accounting, to average monthly net financial debt for the period) from 4.76% in 2009 to 5.09% in 2010, primarily due to:

- the impact of inflation on CPI indexed borrowings;
- the increase in average low-yield cash investments in 2010 due to interest rate levels (cost of carry);
- partially offset by the decrease in short-term rates on the floating-rate portion of the debt.

Other financial income and expenses increased from a net expense of €104.8 million for the year ended December 31, 2009 to a net expense of €114.0 million for the year ended December 31, 2010.

This was mainly due to a decrease of €6.4 millions in net gains and losses on loans and receivables.

9.2.3.3 Income tax expense

The consolidated income tax expense for the year ended December 31, 2010 is €336.3 million, compared to €239.1 million for the year ended December 31, 2009.

As a percentage of net income from continuing activities restated for this income tax expense and the net income of associates, the effective tax rate was 27.7% in 2010, compared to 21.6% in 2009. The higher income tax rate resulted mainly from the impact of the preparation of the combination of Veolia Transport with Transdev, as well as limited deferred tax assets recognized related to tax losses carried forward within the French and U.S. tax groups.

The apparent tax rate remains moderate due to significant capital gains that were subject to limited tax charges.

9.2.3.4 Share of net income of associates

The share of net income of associates increased from a net loss of €0.9 million in 2009 to a net income of €18.5 million in 2010. This improvement was due to the divestiture of Compagnie Méridionale de Navigation in the Transportation Division in 2009.

9.2.3.5 Net income (loss) from discontinued operations

The net loss from discontinued operations totaled €23.6 million in 2010, compared to €26.9 million in 2009. The net income from these activities in 2010 principally relates to a capital gain on the February 2010 divestment of the operating contract for the Miami-Dade County waste-to-energy plant in the United States in the Environmental Services division, net of an impairment loss of -€89.6 million resulting from the fair value measurement of assets in the Transportation and Energy Services divisions.

It also includes, income from the following assets, recorded *pro rata* on the basis of ownership, which were in the process of divestment during 2010:

- United Kingdom operations in the Transportation division,
- German operations within the Energy Services division,
- A portion of Gabon operations in the Water division,
- Norwegian operations in the Environmental services division.

In 2009, net income from discontinued operations included a capital gain on the divestment of waste-to-energy operations in the United States in the Environmental Services division for €134.5 million net of taxes, and a loss related to the divestment of freight activities within the Transportation division.

9.2.3.6 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests was €290.5 million in 2010, compared to €257.8 million in 2009. This increase is mainly due to the share in capital gains on disposals attributable to minority shareholders in the Energy Services Division.

9.2.3.7 Net income attributable to owners of the Company

Net income for the year attributable to owners of the Company totaled €581.1 million in 2010, compared to €584.1 million in 2009. Adjusted net income attributable to owners of the Company totaled €579.1 million in 2010, compared to €519.0 million in 2009 re-presented for discontinued operations, representing an increase of 11.6% compared to 2009.

Given the weighted average number of shares outstanding of 481.2 million in 2010 and 471.7 million in 2009, earnings per share attributable to owners of the Company (basic) was €1.21 in 2010, compared to €1.24 in 2009. Adjusted net income per share attributable to owners of the Company (basic) was €1.20 in 2010, compared to €1.10 in 2009.

Adjusted net income for the year ended December 31, 2010 breaks down as follows:

Year ended December 31, 2010 (€ million)	Adjusted	Adjustments	Total
Operating income	2,055.7	64.6(*)	2,120.3
Net finance costs	(793.3)	-	(793.3)
Other financial income and expenses	(114.0)	-	(114.0)
Income tax expense	(319.1)	(17.2)	(336.3)
Share of net income of associates	18.5	-	18.5
Net income (loss) from discontinued operations	-	(23.6)	(23.6)
Non-controlling interests	(268.7)	(21.8)(**)	(290.5)
Net income attributable to owners of the Company	**579.1**	**2.0**	**581.1**

(*) *non-recurring items included in operating income are presented in Section 2.3.1.*

(**) *primarily the portion attributable to minority interests of capital gains arising on the divestiture of Energy Services activities in the Czech Republic.*

Adjusted net income for the year ended December 31, 2009 (re-presented) breaks down as follows:

Year ended December 31, 2009 re-presented (€ million)	Adjusted	Adjustments	Total
Operating income	1,894.1	87.7(*)	1,981.8
Net finance costs	(768.2)	-	(768.2)
Other financial income and expenses	(104.8)	-	(104.8)
Income tax expense	(239.1)	-	(239.1)
Share of net income of associates	(0.9)	-	(0.9)
Net income (loss) from discontinued operations	-	(26.9)	(26.9)
Non-controlling interests	(262.1)	4.3	(257.8)
Net income attributable to owners of the Company	**519.0**	**65.1**	**584.1**
Published net income attributable to owners of the Company	**538.1**	**46.0**	**584.1**

(*) *non-recurring items included in operating income are presented in Section 2.3.1.*

9.2.4 Veolia Environnement SA company financial statements

Please refer to Chapter 20.2 of this reference document.

9.3 Financing

The following table summarizes the Statement of change in net financial debt and the Consolidated cash flow statement and the reconciled amounts between both statements for 2010 and 2009.

Year ended December 31, 2010:

(€ million)	**Statement of change in net financial debt**	**Reconciling items**	**Consolidated cash flow statement**	**Notes**
Operating cash flow before changes in working capital	3,742	-	3,742	Note 3.1
Income taxes paid	(368)	-	(368)	
Changes in working capital	83	-	83	Note 3.3
Net cash from operating activities (A)	**3,457**	**-**	**3,457**	
Net cash used in investing activities (in the Statement of change in net financial debt) (B)	**(1,696)**	**(175)**	**N/A [(1)]**	Note 3.2
Dividends received (C)	13	-	13	
(Increase)/decrease in receivables and other financial assets (D)	41	-	41	Note 3.5.2
Net cash used in investing activities (in the Consolidated cash flow statement)	**N/A [(1)]**		**(1,817)**	Note 3.2.1
Net increase/(decrease) in current borrowings	-	(938)	(938)	Note 3.4
New non-current borrowings and other debt	-	538	538	Note 3.4
Principal payments on non-current borrowings and other debt	-	(149)	(149)	Note 3.4
Issue of share capital subscribed by the non-controlling interests [(2)] (E)	105	24	129	Note 3.4
Other share capital changes including issue of share capital by VE SA [(2)] (F)	32	(24)	8	Note 3.4
Dividends paid (G)	(735)	-	(735)	Note 3.5.2
Net interest paid [(3)] (H)	(808)	(14)	(822)	Note 3.4
Transactions with non-controlling interests: partial purchases	-	(92)	(92)	
Transactions with non-controlling interests: partial sales	-	184	184	
Net cash from (used in) financing activities	**(1,406)**	**(471)**	**(1,877)**	
FREE CASH FLOW = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)		**409**		
Effect of foreign exchange rate changes and other	(500)	598	98	
Change	**(91)**	**(48)**	**(139)**	
Net financial debt/Net cash at the beginning of the year	**(15,127)**	**-**	**5,159**	
Net financial debt/Net cash at the end of the year	**(15,218)**	**-**	**5,020**	

Year ended December 31, 2009:

(€ million)	**Statement of change in net financial debt**	**Reconciling items**	**Consolidated cash flow statement**
Operating cash flow before changes in working capital	3,578	-	3,578
Income taxes paid	(408)	-	(408)
Changes in working capital	432	-	432
Net cash from operating activities (A)	**3,602**	**-**	**3,602**
Net cash used in investing activities (in the Statement of change in net financial debt) (B)	**(1,362)**	**(168)**	**N/A (1)**
Dividends received (C)	15	-	15
(Increase)/decrease in receivables and other financial assets (D)	163	-	163
Net cash used in investing activities (in the Consolidated cash flow statement)	**N/A (1)**	**(168)**	**(1,352)**
Net increase/(decrease) in current borrowings	-	(1,324)	(1,324)
New non-current borrowings and other debt	-	3,301	3,301
Principal payments on non-current borrowings and other debt	-	(1,515)	(1,515)
Issue of share capital subscribed by the non-controlling interests (2) (E)	138	19	157
Other share capital changes including issue of share capital by VE SA (2) (F)	24	(19)	5
Dividends paid (G)	(434)	-	(434)
Net interest paid (3) (H)	(802)	72	(730)
Transactions with non-controlling interests: partial purchases	-	(9)	(9)
Transactions with non-controlling interests: partial sales	-	60	60
Net cash from (used in) financing activities	**(1,074)**	**585**	**(489)**
FREE CASH FLOW = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)	**1 344**		
Effect of foreign exchange rate changes and other	57	(43)	14
Change	**1,401**	**374**	**1,775**
Net financial debt/Net cash at the beginning of the year	**(16,528)**	**-**	**3,384**
Net financial debt/Net cash at the end of the year	**(15,127)**	**-**	**5,159**

(1) The symbol N/A denotes that this figure in the table does not correspond to the definition of net cash from (used in) investing activities in the Consolidated cash flow statement or the Statement of change in net financial debt. In 2010, net cash used in investing activities in the Consolidated cash flow statement and the Statement of change in net financial debt totaled €(1,817) million and €(1,696) million, respectively.
The reconciling items correspond to:

- *assets purchased under finance lease (not included in investments in the Consolidated cash flow statement pursuant to IAS 7) in the amount of €30 million in 2010 compared to €44 million in 2009;*
- *the Net Financial Debt of companies acquired or divested for financial investments and financial divestitures in the amount of €(113) million in 2010 compared to €(161) million in 2009;*
- *transactions with non-controlling interests where there is no change in control for a net amount of €92 million in 2010 and €51 million in 2009. Following application of an amendment to IAS 7, Cash Flow Statements, applicable from January 1, 2010, transactions with non-controlling interests where there is no change in control (partial purchases and sales) are presented in financing activities in the Consolidated cash flow statement (previously presented in investing activities), but remain presented in investing activities in the Statement of change in net financial debt.*

(2) The Consolidated cash flow statement includes all issues of share capital both by the non-controlling interests and the parent company Veolia Environnement, whereas the Statement of change in net financial debt includes only issues of share capital by the non-controlling interests.

(3) The reconciling items correspond to accrued interest on current and non-current borrowings.

9.3.1 Operating cash flow before changes in working capital

Operating cash flow before changes in working capital totaled €3,741.5 million in 2010 (see Section 2.3.1), including adjusted operating cash flow of €3,653.8 million (compared to €3,513.6 million in 2009, re-presented), operating cash flow used in financing activities of -€18.3 million (compared to -€1.4 million in 2009) and operating cash flow from discontinued operations of €106.0 million (compared to €65.5 million in 2009, re-presented).

9.3.2 Net investment flows

Net investment flows in the Consolidated cash flow statement and the Statement of change in net financial debt for the years ended December 31, 2010 and 2009 break down and reconcile as follows:

(€ million)	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Net cash from/(used in) investing activities in the Consolidated cash flow statement	**(1,817)**	**(1,352)**
New operating financial assets	(6)	(17)
Industrial investments net of grants	(24)	(27)
Financial investments	(135)	(151)
Transactions with non-controlling interests: partial purchases	(92)	(9)
Industrial and financial divestitures	248	312
Transactions with non-controlling interests: partial sales	184	60
Dividends received	(13)	(15)
Increase/(decrease) in receivables and other financial assets	(41)	(163)
Net cash from/(used in) investing activities in the Statement of change in net financial debt	**(1,696)**	**(1,362)**
Issue of share capital subscribed by the non-controlling interests	105	138
Total net investments	**(1,591)**	**(1,224)**

9.3.2.1 Net investments

Year ended December 31, 2010:

(€ million)	Water	Environmental Services	Energy Services	Transportation	Other	Total
Industrial investments (1)	713	647	355	339	54	2,108
Financial investments (2)	306	61	179	3	12	561
New operating financial assets	303	75	87	30	-	495
Transactions with non-controlling interests: partial purchases	-	-	90	1	1	92
Total Gross Investments	**1,322**	**783**	**711**	**373**	**67**	**3,256**
Industrial divestitures	(52)	(51)	(11)	(89)	(2)	(205)
Financial divestitures (3)	(398)	(181)	(161)	(7)	-	(747)
Transactions with non-controlling interests: partial sales	-	-	(183)	(1)	-	(184)
Issue of share capital subscribed by the non-controlling interests (4)	(96)	(4)	(3)	-	(2)	(105)
Total divestitures	**(546)**	**(236)**	**(358)**	**(97)**	**(4)**	**(1,241)**
Principal payments on operating financial assets	(192)	(43)	(156)	(33)	-	(424)
Total Net Investments	**584**	**504**	**197**	**243**	**63**	**1,591**

Year ended December 31, 2009:

(€ million)	Water	Environmental Services	Energy Services	Transportation	Other	Total
Industrial investments [1]	589	626	416	445	56	2,132
Financial investments [2]	160	6	97	58	8	329
New operating financial assets	279	74	121	26	0	500
Transactions with non-controlling interests: partial purchases	-	3	2	4	-	9
Total Gross Investments	**1,028**	**709**	**636**	**533**	**64**	**2,970**
Industrial divestitures	(45)	(40)	(14)	(158)	(2)	(259)
Financial divestitures [3]	(211)	(366)	(106)	(151)	-	(834)
Transactions with non-controlling interests: partial sales	(33)	-	(15)	(12)	-	(60)
Issue of share capital subscribed by the non-controlling interests [5]	(97)	(5)	(12)	(24)	-	(138)
Total divestitures	**(386)**	**(411)**	**(147)**	**(345)**	**(2)**	**(1,291)**
Principal payments on operating financial assets	(204)	(71)	(150)	(30)	-	(455)
Total Net Investments	**438**	**227**	**339**	**158**	**62**	**1,224**

(1) including assets purchased under finance leases.
(2) excluding net financial debt of companies acquired.
(3) excluding net financial debt of companies divested.
(4) including acquisition of a stake in Veolia Voda by IFC, by way of a €99 million share capital issue performed in June 2010 in the Water Division.
(5) including the divestiture of 6.88% of Veolia VODA's share capital to EBRD for €70 million in the Water Division.

The Group continues its restrictive investment policy, without putting into question industrial investments of a contractual nature or necessary for industrial activities.

(i) Industrial investments

Industrial investments (including assets purchased under finance leases) amounted to €2,108 million in 2010 compared to €2,132 million in 2009 and break down as follows:

- €713 million in the Water Division (up 21.1% compared to 2009), including €480 million in growth investments and €233 million in maintenance-related investments (€253 million in 2009 re-presented from replacement costs). Growth investments in 2010 mainly concerned concession assets in France, China and Morocco.

- €647 million in the Environmental Services Division (up 3.4% on 2009), including €176 million in growth investments and €471 million in maintenance-related investments (€496 million in 2009). The tight control over industrial investments reflects the ongoing adaptation of the Environmental Services Division to an economic environment which remains challenging.

- €355 million in the Energy Services Division (down 14.7% on 2009), including €248 million in growth investments and €107 million in maintenance-related investments (€120 million in 2009 re-presented from replacement costs). The drop in industrial investments mainly concerns Dalkia assets in the United Kingdom and the Czech Republic.

- €339 million in the Transportation Division (down 23.8% on 2009), including €95 million in growth investments and €244 million in maintenance-related investments (€377 million in 2009). Industrial investments in 2009 primarily included the acquisition of the Jean Nicoli 2 boat for €79 million.

Maintenance-related investments totaled €1,075 million in 2010 (3.1% of revenue), compared to €1,271 million in 2009 (3.7% of revenue).

(ii) Financial investments and transactions with non-controlling interests – partial purchases

Financial investments totaled €561 million in 2010, compared to €329 million in 2009. The main financial investments in 2010 concerned:

- the acquisition of certain United Utilities Group businesses in Europe by Veolia Eau for an enterprise value of €193 million;
- the acquisition of New World Resources Energy (which since changed its name to Dalkia Industry CZ) by Dalkia in the Czech Republic for an enterprise value of €97 million;
- the acquisition of shareholdings in certain companies jointly held with Suez Environnement following the transaction to redistribute shareholdings on March 22, 2010.

The main financial investment in 2009 was the acquisition of a cogeneration plant in Estonia (Digismart) in the Energy Services Division for €72 million.

Partial purchases totaled €92 million in 2010 and mainly concerned the acquisition by Dalkia of the EBRD's 26.29% shareholding in Dalkia Polska.

(iii) New operating financial assets (IFRIC 12 and IFRIC 4 receivables)

New operating financial assets totaled €495 million in 2010, compared to €500 million in 2009, and break down as follows:

- €303 million in the Water Division, mainly comprising new operating financial assets under the Berlin contract and certain investments in Asia (China and Korea) and the Middle East (Abu Dhabi);
- €75 million in the Environmental Services Division, comprising various investments in Europe (primarily the United Kingdom);
- €87 million in the Energy Services Division, representing a decrease of €34 million compared to 2009 mainly concerning France;
- €30 million in the Transportation Division, mainly comprising new operating financial assets under the Rhone Express contract.

(iv) Industrial and financial divestitures and transactions with non-controlling interests – partial sales

Industrial and financial divestitures amounted to €952 million, compared to €1,093 million in 2009, and break down as follows:

- industrial divestitures of €205 million, including €89 million in the Transportation Division and €52 million in the Water Division, mainly concerning real estate sales;
- financial divestitures of €747 million in enterprise value, including:
  - the Miami-Dade Waste-to-Energy contract in the United States in the Environmental Services Division for €93 million;
  - 85% of the investment in Dalkia Usti nad Labem for €145 million (group share);
  - certain Water Division activities in the Netherlands for €118 million;
  - three PFI contracts in Scotland, acquired as part of United Utilities acquisition transactions for €69 million.

Partial sales with non-controlling interests where there is no change in control totaled €184 million in 2010 and mainly concerned the reorganization of Group operations in the Czech Republic and Poland in the Energy Services Division.

(v) Principal payments on operating financial assets

Principal payments on operating financial assets amounted to €424 million in 2010 (including €192 million in the Water Division and €156 million in the Energy Services Division), compared to €455 million in 2009.

(vi) Issues of share capital subscribed by the non-controlling interests (minority interests)

Issues of share capital subscribed by the non-controlling interests totaled €105 million in 2010, compared to €138 million in 2009 and mainly concerned the Water Division, following the acquisition by IFC of an interest in Veolia Voda by way of a share capital issue performed in June 2010.

9.3.2.2 Free Cash Flow

The Group monitors the free cash flow indicator, as defined in Section 7.2. The calculation of this indicator for the year ended December 31, 2010 is presented in Section 3.

Free cash flow for the year ended December 31, 2010 (after payment of the dividend) is therefore €409 million, compared to €1,344 million in 2009.

This decrease between 2009 and 2010 was due to the following:

- a larger percentage of the dividend was paid in cash in 2010 compared to 2009: 86% of the dividend was paid in cash in 2010 compared to 42% in 2009;
- gross investments were higher this year while divestitures remained almost stable, reflecting a desire to finance internal growth through targeted acquisitions (primarily United Utilities assets in the Water Division);
- a smaller contribution from the change in working capital.

9.3.3 Working capital

The improvement in working capital requirements which totaled €83 million in 2009 was due to:

- targeted action plans for trade receivables in certain countries,
- an increase in activity in the Environmental Services and Energy Services Divisions,
- a reduction in activities in Veolia Water Solutions & Technologies due to the completion of seawater desalination contracts in the Middle East.

9.3.4 Net cash from (used in) financing activities

Net cash used in financing activities in the Statement of change in net financial debt for the years ended December 31, 2010 and 2009 breaks down as follows:

(€ million)	Year ended December 31, 2010	Year ended December 31, 2009	Change
Issue of share capital subscribed by the non-controlling interests	105	138	(33)
Other share capital changes including issue of share capital by VE SA	32	24	8
Dividends paid	(735)	(434)	(301)
Net interest paid	(808)	(802)	(6)
Net cash from (used in) financing activities	**(1,406)**	**(1,074)**	**(332)**

Net cash used in financing activities in the Statement of change in net financial debt totaled -€1,406 million in 2010, compared to -€1,074 million in 2009.

The main changes between 2010 and 2009 were due to:

- issues of share capital by non-controlling interests primarily in the Water Division, following the acquisition of an interest in Veolia Voda by IFC in June 2010,

- an increase in dividends paid, following the reduced take-up of payment of dividends in shares and an increase in the third party share of dividend distributions by subsidiaries.

Net cash used in financing activities in the Consolidated cash flow statement for the years ended December 31, 2010 and 2009 breaks down as follows:

(€ million)	Year ended December 31, 2010	Year ended December 31, 2009	Change
Net increase/(decrease) in current borrowings	(938)	(1,324)	386
New non-current borrowings and other debt	538	3 301	(2,763)
Principal payments on non-current borrowings and other debt	(149)	(1,515)	1 366
Issue of share capital subscribed by the non-controlling interests	129	157	(28)
Other share capital changes including issue of share capital by VE SA	8	5	3
Dividends paid	(735)	(434)	(301)
Net interest paid	(822)	(730)	(92)
Transactions with non-controlling interests: partial purchases	(92)	(9)	(83)
Transactions with non-controlling interests: partial sales	184	60	124
Net cash from (used in) financing activities	**(1,877)**	**(489)**	**(1,388)**

Net cash used in financing activities in the Consolidated cash flow statement totaled -€1,877 million in 2010, compared to -€489 million in 2009, representing a change of -€1,388 million.

This increase was mainly due to:

- a -€2,763 million decrease over the period in new non-current borrowings and other debts in the Consolidated cash flow statement. In 2009, Veolia Environnement performed new bond issues under its EMTN (Euro Medium Term Notes) program in the amount of €2,250 million, while no material issues were performed in 2010;

- a €1,366 million decrease in principal payments on non-current borrowings and other debt. In April 2009, €800 million was repaid on the euro syndicated loan;

- a -€301 million increase in dividends paid between 2009 and 2010.

For more details on the Group’s financial policy, refer to Section 3.6 “External financing."

9.3.5 Other changes

9.3.5.1 Change in receivables and other financial assets

The decrease of €41 million is mainly due to the reduction in the non-group share of loans to Dalkia International and its subsidiaries granted by the Group in 2010 and the pre-financing of trains in the Transportation Division.

9.3.5.2 Dividends paid

Dividends paid include dividends paid by the parent company of €501 million (€580 million net of the share dividend distribution of €79 million) and dividends paid to non-controlling interests of €234 million.

9.3.6 External financing

9.3.6.1 Rating agencies

As of December 31, 2010, Moody's and Standard & Poor's rated Veolia Environnement SA as follows:

	Short-term	Long-term	Outlook	Recent events
Moody's	P-2	A3	Negative	On July 8, 2010, Moody's confirmed the rating assigned to Veolia Environnement on June 27, 2005, maintaining the negative outlook assigned on March 26, 2009.
Standard and Poor's	A-2	BBB+	Stable	On April 21, 2010, Standard and Poor's confirmed the ratings assigned to Veolia Environnement on October 3, 2005 and upgraded the outlook from negative to stable.

9.3.6.2 Main events

On June 24, 2010, Veolia Environnement launched a bond exchange offer for Veolia Environnement 5.875% bonds maturing in February 2012 and Veolia Environnement 4.875% bonds maturing in May 2013. In exchange for the bonds presented, a new €835 million bond line maturing in January 2021 was issued on July, 6, 2010, paying a coupon of 4.247%.

The main borrowings maturing in 2010 or that were repaid or refinanced are as follows:

- the CZK600 million EMTN Series 9 bond issue (€23.6 million euro equivalent), which matured on April 23, 2010;
- the CZK6 billion tranche of the syndicated loan facility arranged by Komerčni Banka, Crédit Lyonnais, and ING Bank in favor of Veolia Environnement (€242.3 million euro equivalent), which matured on July 29, 2010;
- the Aquiris project debt (Brussels wastewater treatment plant), which was refinanced internally in full (€169 million) on May 17, 2010.

In addition, on November 22, 2010, Veolia Environnement signed a U.S.$1.25 billion letters of credit facility refinancing the U.S.$1.5 billion facility signed in December 2004. This five-year facility is available for Veolia Environnement SA and certain of its U.S. subsidiaries. It may be drawn in the form of letters of credit and partially in cash.

9.3.6.3 Liquidity position

Liquid assets of the Group as of December 31, 2010 break down as follows:

(€ million)	**As of December 31, 2010**	**As of December 31, 2009**
Veolia Environnement:		
Undrawn MT syndicated loan facility *	3,654.5	3,694.6
Undrawn MT bilateral credit lines	1,000.0	400.0
Undrawn ST bilateral credit lines	100.0	575.0
Letter of credit facility	467.7	0.0
Cash and cash equivalents	3,680.8	4,091.2
Subsidiaries:		
Cash and cash equivalents	1,726.0	1,523.2
Total liquid assets	**10,629.0**	**10,284.0**
Current debts and bank overdrafts and other cash position items		
Current debts	2,827.1	2,983.1
Bank overdrafts and other cash position items	387.0	454.9
Total current debts and bank overdrafts and other cash position items	**3,214.1**	**3,438.0**
Total liquid assets net of current debts and bank overdrafts and other cash position items	**7,414.9**	**6,846.0**

* *maturing April 20, 2012.*

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

Undrawn credit lines as of December 31, 2010 are as follows:

Bank	**Maturity**	**Amount** (€ million)
Société Générale	12/29/2015	150
Banco Santander	08/19/2015	100
Bank of Tokyo-Mitsubishi	10/01/2015	150
CM CIC	12/17/2013	100
Commerzbank	12/10/2013	100
CACIB	04/16/2013	100
NATIXIS	03/31/2012	150
BNP Paribas	03/02/2012	150
HSBC	06/30/2011	100
TOTAL		**1,100**

During 2010:

- three new credit lines were negotiated in the amount of €350 million:
  - €100 million with Banco Santander, maturing August 19, 2015,
  - €100 million with Commerzbank, maturing December 10, 2013, and
  - €150 million with Bank of Tokyo-Mitshubishi, maturing October 1, 2015;
- three credit lines were renewed for identical amounts but with different maturities for a total of €350 million:
  - €100 million with CACIB, with a new maturity of April 16, 2013,
  - €100 million with CM CIC, with a new maturity of December 17, 2013, and
  - €150 million with Société Générale, with a new maturity of December 29, 2015;
- the RBS lines (formerly ABN Amro) of €125 million maturing December 20, 2010 and the RBS line of €100 million maturing December 29, 2010 were not renewed.

The portion of the $1.25 billion U.S. letters of credit facility signed on November 22, 2010 that may be drawn in cash is capped at U.S.$625 million, i.e. half of the facility. As of December 31, 2010, the facility is drawn $545.5 million in the form of letters of credit. The portion that may be drawn in cash is $625 million (€467.7 million euro equivalent) and is recorded in the liquidity table.

Veolia Environnement SA cash surpluses (€3,680.8 million as of December 31, 2010) 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. The investment supports are mainly UCITS, negotiable debt securities (bank certificates of deposit and treasury notes) and related instruments.

9.3.6.4 Information on early debt repayment clauses

Veolia Environnement SA debt:

Bank financing:

The legal documentation for syndicated loans (particularly the €4 billion syndicated loan) and bilateral credit lines contracted by Veolia Environnement SA does not contain any financial covenants, i.e. obligations to comply with a debt coverage ratio or interest ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing.

Bond financing:

The private placement performed in the United States in 2003 (outstanding of €324.9 million as of December 31, 2010) is the only source of bond financing that contains financial covenants (debt coverage ratio < 5.3 and interest coverage ratio > 3.2). These covenants were complied with as of December 31, 2010.

The legal documentation for the notes issued by the Company under its EMTN program (outstanding of €11.4 billion as of December 31, 2010) does not contain any financial covenants.

Subsidiary debt:

The project financing borne by specific companies or the financing granted by multilateral development banks to the Group's subsidiaries may contain financial covenants.

As of December 31, 2010, the financing agreements containing such covenants and with outstanding amounting to more than €100 million (Group share) were as follows:

Financing (€ million)	**Outstandings as of December 31, 2010**	**Type of covenant**
Shenzhen (Veolia Eau – China)	110.7	Minimum reserve account
Redal (Veolia Eau - Morocco)	100.3	Working capital, equity/share capital, DSCR and minimum reserve account

As of December 31, 2010, the Group complied with all the covenants contained in the documentation of significant financing agreements.

The project debt for the Aquiris project (Brussels wastewater treatment plant) was refinanced in full (€169 million) using the Group treasury note program on May 17, 2010.

Financing for one project (€74 million as of December 31, 2010) did not comply with a covenant as of December 31, 2009. This was no longer the case as of December 31, 2010.

9.3.6.5 Net financial debt structure

The net financial debt structure as of December 31, 2010 is as follows:

(€ million)	**As of December 31, 2010**	As of December 31, **2009**
Non-current borrowings	17,896.1	17,647.3
Current borrowings	2,827.1	2,983.1
Bank overdrafts and other cash position items	387.0	454.9
Sub-total borrowings	**21,110.2**	**21,085.3**
Cash and cash equivalents	(5,406.8)	(5,614.4)
Fair value gains/losses on hedge derivatives	(485.4)	(343.2)
Net financial debt	**15,218.0**	**15,127.7**

9.3.6.6 Maturity of non-current borrowings

Group non-current borrowings fall due as follows as of December 31, 2010:

(€ million)	Amount	Maturing in		
		2 to 3 years	4 to 5 years	More than 5 years
Bonds	13,625.7	2,004.5	2,382.0	9,239.2
Bank borrowings	4,270.4	1,429.8	572.2	2,268.4
Non-current borrowings	**17,896.1**	**3,434.3**	**2,954.2**	**11,507.6**

9.3.6.7 Market risk

Please refer to Note 29 to the financial statements.

9.4 Return on capital employed (roce)

Veolia Environnement has adopted the performance indicator ROCE (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 2.1 above.

Net income from operations is calculated as follows:

(€ million)	**Year ended December 31, 2010**	Year ended December 31, 2009 **represented**
Adjusted operating income	2,055.7	1,894.1
+ Share of net income of associates	18.5	(0.9)
- Adjusted income tax expense (1)	(296.1)	(210.1)
- Revenue from operating financial assets	(388.0)	(383.9)
+ Income tax expense allocated to operating financial assets	84.1	77.1
Net income from operations	**1,474.2**	**1,376.3**

(1) *In 2004, the financial restructuring operations that followed the divestiture of the U.S. activities of the Water Division generated tax losses which were recognized in the consolidated balance sheet. Given its exceptional nature, the resulting credit of €138.4 million recognized in net income was eliminated from the calculation of ROCE. The utilization of these tax losses in 2009 and 2010 generated charges of €29.0 million and €23.1 million, respectively, which were similarly eliminated from the calculation of ROCE.*

Average capital employed during the year is defined as the average of opening and closing capital employed.

Capital employed is equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in associates, net operating and non-operating working capital requirements and net derivative instruments less provisions and other non-current debts.

Capital employed in 2010 includes the assets of companies classified as assets held for sale as of December 31, 2010.

Capital employed is calculated as follows:

(€ million)	As of December 31, 2010	As of December 31, 2009 re-presented	As of December 31, 2008 re-presented
Intangible assets and property, plant and equipment, net (1)	15,377.0	14,187.8	14,140.2
Goodwill, net of impairment	6,840.2	6,479.9	6,476.6
Investments in associates	311.7	267.7	309.1
Operating and non-operating working capital requirements, net (2)	(419.3)	(164.1)	131.0
Net derivative instruments and other (3)	(71.5)	(47.7)	32.6
Provisions	(3,003.7)	(2,929.4)	(2,813.8)
Assets and liabilities classified as held for sale	76.4	258.0	82.9
Capital employed	**19,110.8**	**18,052.2**	**18,358.6**
Energy Services Germany		**82.7**	**88.4**
Environmental Services Norway		**190.1**	**159.3**
Water Netherlands		**(16.9)**	**(16.1)**
Water Gabon		**80.9**	**89.3**
Renewable Energies		**(87.6)**	**(58.8)**
2009 published capital employed		**18,301.4**	**18,620.7**
Average capital employed	**18,581.5**	**18,205.4**	

(1) Including the investment in certain United Utilities businesses (Water Division) for €156 million in 2010 and a foreign exchange translation impact of €566 million.

(2) Including net deferred assets but excluding deferred taxes relating to U.S. divestitures and associated restructuring (nil in 2010, €23.1 million in 2009 and €52.0 million in 2008).

(3) Excluding debt fair value hedging derivatives for €531.4 million in 2010, €343.2 million in 2009 and €371.5 million in 2008.

The Group's return on capital employed (ROCE) is as follows:

(€ million)	Net income from operations	Average capital employed	ROCE after tax
2010	**1,474.2**	**18,581.5**	**7.9%**
2009	1,376.3	18,205.4	**7.6%**

Capital employed breaks down by Division and country as follows:

As of December 31, 2010 (€ million)	France	Germany	United Kingdom	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	Total
Water	1,101.1	595.3	1,284.6	1,430.3	196.0	14.2	1,633.9	14.5	295.7	**6,565.6**
Environmental Services	1,462.4	707.8	1,061.8	663.8	1,302.7	369.6	180.9	68.2	167.9	**5,985.1**
Energy Services	1,133.8	(0.6)	87.1	2,068.2	654.1	11.7	133.0	28.8	93.8	**4,209.9**
Transportation	639.5	63.0	(1.5)	506.7	261.2	58.8	41.4	14.4	79.1	**1,662.6**
Unallocated amounts (1)	135.6	-	(49.6)	173.4	342.3	-	-	(0.6)	86.5	**687.6**
Segment assets	**4,472.4**	**1,365.5**	**2,382.4**	**4,842.4**	**2,756.3**	**454.3**	**1,989.2**	**125.3**	**723.0**	**19,110.8**

As of December 31, 2009 re-presented (€ million)	France	Germany	United Kingdom	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	Total
Water	1,142.1	604.2	1,184.3	1,313.3	170.7	12.7	1,399.9	8.7	295.3	**6,131.2**
Environmental Services	1,656.5	734.3	1,058.6	618.5	1,194.1	282.9	162.5	55.4	152.0	**5,914.8**
Energy Services	1,044.4	3.6	80.1	2,007.0	589.0	10.6	108.1	16.0	75.8	**3,934.6**
Transportation	657.9	37.9	(1.0)	468.7	229.2	50.4	43.5	17.0	58.6	**1,562.2**
Unallocated amounts (1)	19.3	-	(67.6)	164.9	313.9	-	-	(0.5)	79.4	**509.4**
Segment assets	**4,520.2**	**1,380.0**	**2,254.4**	**4,572.4**	**2,496.9**	**356.6**	**1,714.0**	**96.6**	**661.1**	**18,052.2**

Change (€ million)	France	Germany	United Kingdom	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	Total
Water	(41.0)	(8.9)	100.3	117.0	25.3	1.5	234.0	5.8	0.4	**434.4**
Environmental Services	(194.1)	(26.5)	3.2	45.3	108.6	86.7	18.4	12.8	15.9	**70.3**
Energy Services	89.4	(4.2)	7.0	61.2	65.1	1.1	24.9	12.8	18.0	**275.3**
Transportation	(18.4)	25.1	(0.5)	38.0	32.0	8.4	(2.1)	(2.6)	20.5	**100.4**
Unallocated amounts (1)	116.3	-	18.0	8.5	28.4	-	-	(0.1)	7.1	**178.2**
Segment assets	**(47.7)**	**(14.5)**	**128.0**	**270.0**	**259.4**	**97.7**	**275.2**	**28.7**	**61.9**	**1,058.6**

(1) Including holding companies, other central entities and Proactiva.

9.5 Statutory auditors' fees

In 2009 and 2010, 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**			
(In € million)	Amount (excl. taxes)		Percentage		Amount (excl. taxes)		Percentage	
	2010	2009	2010	2009	2010	2009	2010	2009
Statutory audit, certification, audit of company and consolidated accounts (1)	15.0	14.8	89.8%	82.7%	15.1	14.9	83.9%	77.2%
- Veolia Environnement	1.2	1.2	7.2%	6.7%	1.0	1.0	5.6%	5.2%
- Fully-consolidated subsidiaries	13.8	13.6	82.6%	76.0%	14.1	13.9	78.3%	72.0%
Other diligences and services directly related to the statutory audit engagement (2)	1.7	3.1	10.2%	17.3%	2.9	4.4	16.1%	22.8%
- Veolia Environnement	0.4	0.7	2.4%	3.9%	0.6	1.4	3.3%	7.3%
- Fully-consolidated subsidiaries	1.3	2.4	7.8%	13.4%	2.3	3.0	12.8%	15.5%
Sub-total 1	**16.7**	**17.9**	**100%**	**100%**	**18.0**	**19.3**	**100%**	**100%**
Other services rendered by the networks to fully-consolidated subsidiaries (3)				0.0%				0.0%
- Legal, tax, employee-related				0.0%				0.0%
- Other				0.0%				0.0%
Sub-total 2				**0.0%**				**0.0%**
Total (1+2)	**16.7**	**17.9**	**100%**	**100%**	**18.0**	**19.3**	**100%**	**100%**

(1) Including services provided by independent experts and statutory auditor network members at the request of the statutory auditors for the purpose of the audit.

(2) Diligences and services rendered to Veolia Environnement or its subsidiaries by the statutory auditors or members of their networks.

(3) Non-audit services rendered by network members to Veolia Environnement subsidiaries.

9.6 Forward-looking Information and objectives

See Chapter 13 hereafter.

9.7 Appendices to the management report

9.7.1 Reconciliation of 2009 published and 2009 re-presented data (revenue, adjusted operating cash flow and operating income)

Reconciliation of 2009 published and 2009 re-presented consolidated revenue (€ million):

2009 published revenue	**34,551.0**
Reclassification in net loss from discontinued operations and sale of discontinued operations in the Water Division	(237.5)
Reclassification in net loss from discontinued operations of activities in the Environmental Services Division	(324.3)
Reclassification in net loss from discontinued operations and add-back to continuing operations of Renewable Energy activities in the Energy Services Division	(37.4)
Re-presented sub-total	(599.2)
2009 re-presented revenue	**33,951.8**

Reconciliation of 2009 published and 2009 re-presented consolidated adjusted operating cash flow (€ million):

2009 published consolidated adjusted operating cash	**3,955.8**
Reclassification in net loss from discontinued operations and sale of discontinued operations in the Water Division	(45.5)
Reclassification in net loss from discontinued operations of activities in the Environmental Services Division	(19.5)
Reclassification in net loss from discontinued operations and add-back to continuing operations of Renewable Energy activities in the Energy Services Division	(16.3)
Restatement of replacement costs	(360.9)
Re-presented sub-total	(442.2)
2009 re-presented consolidated adjusted operating cash	**3,513.6**

Reconciliation of 2009 published and 2009 re-presented consolidated operating income (€ million):

2009 published consolidated operating income	**2,020.1**
Reclassification in net loss from discontinued operations and sale of discontinued operations in the Water Division	(18.9)
Reclassification in net loss from discontinued operations of activities in the Environmental Services Division	(4.4)
Reclassification in net loss from discontinued operations and add-back to continuing operations of Renewable Energy activities in the Energy Services Division	(15.0)
Re-presented sub-total	(38.3)
2009 re-presented consolidated operating income	**1,981.8**

9.7.2 Accounting definitions

GAAP (Generally Accepted Accounting Principles) 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.

The operating income margin is defined as the operating income as a percentage of revenue from continuing operations.

Net finance costs represent the cost of gross debt, including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses sold or in the process of being sold, in accordance with IFRS 5.

Non-GAAP indicators

In addition, the Group uses non-GAAP indicators for management purposes. These are relevant indicators of the Group's operating and financial performance and can be defined as follows:

- The term "internal growth" (or "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;
  - the acquisition of operating assets allocated to a particular contract or project;
- The term "external growth" includes growth through acquisitions (performed in the period or which had only partial effect in the prior period), net of divestitures, of entities and/or assets deployed in different markets and/or containing a portfolio of more than one contract;
- The term "change at constant exchange rates" represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal;
- Net financial debt 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;

- The terms adjusted operating income and adjusted net income attributable to owners of the Company correspond respectively to operating income and net income attributable to owners of the Company adjusted for impairment of goodwill, negative goodwill recognized in net income and certain other items defined as non-recurring. An accounting item is non-recurring if it is unlikely to recur during each period and if it substantially changes the economics of one or more cash-generating units;

- The adjusted operating cash flow margin is defined as the ratio of adjusted operating cash flow to revenue from continuing operations;

- The adjusted operating income margin is defined as the adjusted operating income as a percentage of revenue from continuing operations;

- Free Cash Flow represents cash generated (sum of operating cash flow before changes in working capital and principal payments on operating financial assets) net of the cash component of the following items: (i) changes in working capital for operations, (ii) operations involving equity (share capital movements, dividends paid and received), (iii) investments net of divestitures (including the change in receivables and other financial assets), (iv) net financial interest paid and (v) tax paid;

- The term net investment, as presented in the Statement of change in net financial debt, includes industrial investments net of industrial asset disposals (purchases of intangible assets and property, plant and equipment net of disposals), financial investment net of financial divestitures (purchases of financial assets net of divestitures, including the net debt of companies entering or leaving the scope of consolidation), partial purchases net of sales resulting from transactions with non-controlling interests where there is no change in control, new operating financial assets 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,

  - capital employed excludes operating financial assets and net income from operations excludes the related income.

10 Cash flow and capital

Information on cash flows, working capital requirements and investments is set forth in Chapter 9, Sections 9.3.1 to 9.3.5 of this registration document and in Chapter 20, Section 20.1, Notes 13, 14 and 31 to the consolidated financial statements.

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 and Chapter 20, Section 20.1, Notes 14, 17, 20 and 21 to the consolidated financial statements.

The legal terms and conditions of the syndicated loans (particularly the €4 billion syndicated loan) and bilateral agreements entered into by Veolia Environnement do not include financial debt covenants, i.e. undertakings to comply with debt or financial costs hedges ratio or a minimum credit rating, where failure to do so could lead to a call for early repayment of the financing concerned.

Of the bond issuances undertaken by Veolia Environnement, the private placement performed in the United States in January 2003 (outstandings of €324.9 million as of December 31, 2010; see Chapter 20, Section 20.1, Note 17 to the consolidated financial statements) is the only Company's financing to contain financial covenants (debt coverage ratio < 5.3 and interest coverage ratio > 3.2). The Company complied with these ratios as of December 31, 2010 (see Chapter 20, Section 20.1, Note 29.3.3 to the consolidated financial statements).

Project financing carried by special purpose entities and financing granted by multilateral development organizations to certain Group subsidiaries may contain financial covenants.

As of December 31, 2010, the Group complied with the covenants included in the terms and conditions of these material financing arrangements.

11 Research and innovation, patents and licenses

11.1 Research and innovation

11.1.1 Research and Innovation: a priority for Veolia Environnement

Veolia Environnement's activities are at the crossroads of several major challenges facing the modern world: demographic explosion and urbanization, access to water, fighting climatic change. The solution to these challenges requires a global industrial and technological approach. This transversal approach lies at the core of Veolia Environnement's Research and Innovation (R&I) strategy.

With today's technologies, these challenges are already lost. It is therefore by focusing fully on the inventive-capacity of its research teams that the Group plans to rise to the environmental challenge, by proposing innovative solutions at an affordable cost.

The four-pronged approach of the R&I department comprises: (i) managing and preserving resources, (ii) limiting the impact on the environment, (iii) improving the quality of life of populations and (iv) developing renewable energies sources. Fighting against climate change also occupies a leading place in this framework. Research efforts are concentrated on optimizing energy consumption at Group installations, developing alternative energy sources (bioenergies, biomass, waste-to-energy, alternative fuels), the desalination of sea water and the improvement of treatment processes, the prevention of Legionnaires' disease, the recycling and recovery of waste and the optimization of urban transportation.

In each of these areas, the know-how and technologies of the Group are complementary. This is the case, for example, in the areas of sludge, biomass, biofuels, and prevention of Legionnaires' disease and the treatment of industrial effluents.

In addition, by mobilizing a network of international experts and implementing research programs at test sites around the world, Veolia Environnement benefits from solutions to specific local problems and contexts that may be applied to other regions of the world.

11.1.2 The organization of Research & Innovation activities

The organization of R&I activities seeks to break down barriers between research units and pool resources across transversal subjects. The scientific and technical teams of the four Divisions now report directly to a single management structure comprising seven departments representing the Group's main disciplines. Therefore, water and waste biologists work together directly. By organizing its teams by area of expertise, the R&I Department encourages new synergies and is better placed to develop outside partnerships.

Veolia Environnement's different activities are interacting more and more - water and waste, waste and energy, energy and transportation, etc. – leading to the implementation of a more unified approach to methods and the organization of research teams: improved information sharing, pooling of expertise, creation of transversal programs.

Organized into eight areas, the research programs reflect the eight major technological challenges facing the Group: Bioresources, Drinking water, Wastewater, Waste collection, sorting and recovery, Sustainable building and city management, Energy efficiency and Transportation.

These programs are carried out in a spirit of innovation, in close conjunction with the divisions.

This synergy and openness strengthens our ability to respond to current and future challenges facing the Group.

In addition, to give our experts sufficient time to concentrate on scientific aspects, a programs department is responsible for defining lines of research, monitoring each project and ensuring the roll-out of innovations in the field.

At the same time, the research system was strengthened both upstream and downstream, with the creation of a Watch and Innovation Department as part of the new organizational structure. This department is primarily charged with identifying new inventions in each division and promoting them within the Group. More generally, it is responsible for identifying innovations around the world, likely to be developed and integrated into Veolia Environnement's activities.

This organizational structure aims for greater efficiency in the selection of research topics and in matching them with the Group's businesses.

Each innovative solution must therefore lead to the creation of new services or an improvement in the quality of existing services: increased efficiency, yield or reliability or a decrease in impacts and costs. By intensifying its technology integration role, research activities also strengthen the difference between Veolia Environnement's offerings and those of the competition.

11.1.3 Veolia Environnement Research and Innovation Resources

Veolia Environnement's research activities are overseen by Veolia Environnement Recherche et Innovation (VERI). In 2010, these R&I activities involved nearly 900 experts worldwide (including 450 researchers and 450 on-site developers), with a total budget of approximately €87.4 million [(1)].

VERI works on behalf of all Group Divisions, as their needs are similar. In particular, all seek to solve environmental and health problems with the support of numerous tools, such as modeling and chemical and bacteriological analysis. In this way, VERI helps ensure better consistency of R&D activities with the Group's strategy.

Veolia Environnement has four main research centers in France in Rueil-Malmaison, Maisons-Laffitte, Limay and Saint-Maurice, which operate in a network and were merged within VERI this year. By simplifying its structures, the Group should achieve further efficiency gains. The centers work with related units and correspondents in France and abroad.

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(1) Research and development expenditure totaled €87.4 million for the fiscal year ended December 31, 2010 (see Chapter 20, Section 20.1, Note 19 below).

11.1.4 An international network of Research and Innovation officers

In 2003, Veolia Environnement set up an international network of R&I officers, to identify innovation needs in each region of the world and communicate research work. Certain research centers abroad have acquired specialized expertise and have partnered with centers in France. These research units have become showcases for Veolia Environnement's technological expertise. Locally, the Research & Innovation department provides the four Group divisions with a competitive advantage, by adapting their offerings to the specific requirements of each market. Globally, it groups together initiatives identified around the world in a pool of knowledge, enabling constant improvements in the Company's know-how and the identification of future business trends.

The management of water resources, the availability and quality of which can vary significantly, is a typical example of an area where innovation by the Research department enables technological solutions adapted to each local context to be proposed. In Germany, the Berlin Research Center (KWB) is working on hybrid solutions associating the natural environment (lake embankments) and technology (ozonation) for the production of drinking water or the refining of treated wastewater. In Australia, the Research unit is testing different procedures for optimizing the re-use of wastewater and desalination in response to water stress. In Milwaukee in the United States, the development of a Water Impact Index (Wii) enables a comprehensive assessment of the impact of city operations on water resources and the definition of action plans aimed at minimizing environmental pressure. In China, the majority of surface water is heavily polluted by industrial waste. The Research department recently joined forces with a leading Chinese university, the University of Tsinghua, to open a joint research centre and work on the treatment of this industrial effluent.

Innovation, is also improving existing solutions where this is preferable to their replacement. In Central Europe for example, where most heating requirements are met by coal boilers, work by the Research department contributes to the replacement of an increasing percentage of this fossil fuel by biomass, improving the carbon footprint of operations. In Germany, where solid recovered fuels (SRF) are booming, researchers have developed a measurement tool enabling a more detailed assessment of waste deposits for the production of SRF.

The Research department relies on its foreign units and has developed a network of over 200 international partners in order to stay tuned to emerging markets and technologies. In Israel, for example, it has formed a partnership with the Ruppin Institute in order to benefit from its expertise in genetics and marine biology. In Sweden, it joined with Anox-Kaldnes, now a subsidiary of the Group, to perfect a bio-polymer producing wastewater treatment plant. In the United States, the Research department is working with Californian companies and start-ups to bring into service quick-charge electric buses.

11.1.5 Innovation: a tried-and-tested approach

The research teams seek to provide innovative practical solutions within their areas of expertise, to improve the competitiveness of the Veolia Environnement Group. R&I is carried out as part of a tried-and-tested approach enabling technological risks to be controlled and enabling rapid progress and the creation of successful commercial applications that are both reliable and effective. The main steps in the innovation process are:

- Strict monitoring of regulations and technology, as well as the competition that enables the Group to foresee future needs and launch new research programs as quickly as possible;

- Laboratory or field tests to verify the feasibility of the research. At this stage, analytical modeling(1) may be carried out, depending on the circumstances (i.e. exploring functionality while containing costs);

- If the tests are successful, a prototype is built in the laboratory or on site in order to evaluate and refine the technology;

- The next phase is the development of a pre-industrial unit to be installed at an appropriate site and operated by personnel.

At each step in the innovation process, the collaboration of various parties (research teams, university or private laboratories) is necessary and determines the successful outcome of the research project.

Veolia Environnement's R&I teams are part of a network of researchers. They forge links with basic research teams, each drawing benefit from the expertise of colleagues. While this collaboration enriches the knowledge of the Group R&I department and keeps it informed of recent developments, it also provides effective outlets for scientific progress and feedback to our partners. R&I teams also work with several top universities and participate in research programs led by national and international institutions. They also share their technological knowledge with industrial players.

11.1.6 Main Research and Innovation challenges facing Veolia Environnement

The four main challenges at the core of Veolia Environnement's current Research and Innovation are:

Managing and preserving natural resources

The sector that will be most affected by climate change is water. Research into sea water desalination processes, collection of rain water and the re-use of wastewater after treatment, is aimed at meeting the expected increase in water requirements. In order to preserve natural resources, it is also essential to find solutions to decrease consumption. The mechanization and automation of sorting processes for used materials, as well as the design of recycling processes for end-of-life products or industrial effluents, encourage in this way the re-use and recovery of materials found in waste at a competitive cost.

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(1) *At each step of the innovation process, researchers implement sophisticated tools, such as digital fluid mechanics. This technology enables researchers to simulate the operation of installations and test a larger number of scenarios to improve efficiency. Over a shorter period, such software enables researchers to optimize test protocols for process development.*

Limiting environmental impacts

The improvement of treatment techniques for industrial effluents and hazardous waste makes it possible to limit the dispersion of pollutants in the environment and better respect biodiversity and public health. As a global reference in environmental services, the Veolia Environnement Group must set the example with regards to reducing the impact of its activities. Current efforts are therefore focused on reducing discharges from Veolia Environnement facilities, decreasing noise and olfactory pollution and developing even cleaner means of transportation.

Improving quality of life worldwide

The perfecting of wastewater depollution and waste management systems tailored to developing countries improves the environmental safety of non-Western cities and helps prevent epidemics from spreading on a worldwide scale. It also preserves the quality of water and thus the health of those who consume it. Along with the development of clean means of transportation, the organization of mass transportation reduces greenhouse gas emissions and atmospheric pollution. It also improves living conditions in major cities and encourages economic development in emerging countries.

Developing alternative energy sources

As carbon dioxide emissions continue exceeding the absorption capacity of the biosphere, the production of substitute fuels and biofuels, the recovery of biomass as energy, the development of industrial applications for fuel cells and the optimization of the performance of Group waste incineration plants help limit greenhouse gas emissions. These measures also help respond to the increasing global demand for energy and address the depletion of fossil fuel reserves by replacing them with clean energies.

A large majority of Veolia Environnement's research programs contribute to reducing greenhouse gas emissions, bearing witness to the Group's strong commitment to fighting climate change. Current processes seek to eliminate greenhouse gas emissions or, where this is not possible, reduce emission levels. To this end, R&I activities focus primarily on reducing emissions, improving processes and energetic efficiency and exploiting more renewable energy sources. At the same time, the Group is striving to implement processes to capture, store and recover CO_2 and foresee future constraints relating to climate change.

11.1.7 Progress in 2010

Launch of Veolia Innovation Accelerator program

In order to strengthen its cooperation with the best start-ups, Veolia Environnement launched an ambitious program in February 2010 entitled Veolia Innovation Accelerator.

The objective: more systematically detect all innovative ideas which could produce high-performing environmental solutions.

Priority target: start-ups and investors in the ecotechnology sector around the world.

This program was launched in San Francisco in February 2010. For the solutions selected, the Group offers start-ups:

- access to Group research resources;
- prototype testing of the innovations;
- assistance with the roll-out of innovations in the field.

A space was created on the Veolia Environnement website for exchanging with start-ups and a reactive timeline was implemented for answering queries.

A "Smart-grid" development project led by Veolia Environnement

Selected as part of the first "future investments program" announced by the French Prime Minister, François Fillon, on December 6, 2010, the "Réflexe" (*Réponse de Flexibilité Electrique*, Electrical Flexibility Response) project concerns the development of smart grids and electric systems. It brings together the expertise of the Veolia Environnement, Alstom Power and Sagemcom Groups, the Atomic Energy Commission and the Supelec engineering school.

Smart Grids respond to a number of major challenges, including rethinking how electric systems work and adapting to reduced safety of supply margins, considerable peaks in electricity demand during peak periods, and the increased use of decentralized generation sources (renewable energies and storage units).The different elements of the system are linked not only by physical means such as high-, medium- and low-voltage lines, but also by virtual means such as smart meters and other communication devices.

Led by Veolia Environnement Research and Innovation, the Réflexe project consists of implementing a Smart Grid pilot during three and a half years in France's Provence-Alpes-Côte d'Azur region. Its technical feasibility and advantages in terms of energy management and economic and environmental benefits will therefore be assessed on a relatively large scale.

The new electric grid will integrate many diverse and widespread sources of decentralized generation, storage and consumption. It will therefore have to manage considerable amounts of information in real time using a communication network in parallel.

As the link between electricity producers and consumers, "energy aggregators" will have the role of monitoring in real time all local installations in order to produce locally, store power and supply it to the grid as required.

These innovations will enable the connection of the various renewable energy sources to the grid (which was not previously the case), the better management of supply and demand, the management and storage of electricity and the integration of electric vehicles into the system.

The Réflexe project received the support of ADEME, the French environment and energy management agency, in October 2010.

Biomass boilers: total performance objective

Veolia Energie (Dalkia) currently operates around 135 biomass boilers in France (compared to only 55 in 2005), representing total power of 475 MW and a consumption of approximately 430,000 metric tons of biomass annually.

The advantages of biomass are numerous. It can be used to produce heat, cold and electricity. It provides urban heating networks with green energy. It has a neutral carbon footprint and its price is not affected by fluctuations in hydrocarbon and coal prices. It also encourages the creation of direct local jobs and numerous indirect jobs.

The Veolia Environnement Research department successfully anchored this sector in the long-term by enabling the secure use of all types of biomass with optimal efficiency. To achieve this, researchers took account of the entire biomass utilization chain in order to improve control: knowledge of fuels (quality, composition), assessment of fuels in the boiler, management of the best possible combustion, control and measurement of emissions and finally recovery of ash.

The results obtained cover the entire utilization chain and ensure Veolia Environnement is well placed to serve urban heating networks fed by biomass boilers.

The creation of a database of around one hundred fuels has enabled the Group to significantly increase its knowledge in this area. Fuel optimization trials and the implementation of good practices have demonstrated that, depending on the configuration, thermal efficiency can be improved by 3 points. Finally, the combustion ash produced is now redirected towards the most adapted re-use sectors.

This year, in partnership with Campus Veolia Environnement, nearly 60 operators were trained in optimal wood combustion management, the mechanisms leading to the formation of pollutants and good boiler setting practices, at the Limay thermal trials hall.

In the near future, a modeling tool will be developed to assess the environmental performance of the various biomass options (from collection to use in the boilers), together with a sensor made specifically for biomass installations to measure real time the efficiency of wood installations.

The Research department and Veolia Water unveil the Water Impact Index in the United States

The Water Impact Index, designed and implemented by Veolia Environnement Research & Innovation, is the first indicator enabling a comprehensive assessment of the impact of human activity on water resources. While previous tools concentrated solely on volumes, this index also takes account of other factors such as the quality of water (extracted and returned to the environment) and resource stress. Used for the first time in Milwaukee in July 2010, the study is accompanied by an analysis of the carbon footprint, which also enables the inclusion of resulting energy costs and various direct and indirect external factors. The Water Impact Index therefore provides decision-makers with an objective indicator of the comprehensive management of water in an urban environment.

Ecoliner, a quick-charge 100% electric bus

Veolia Transportation recently inaugurated near Los Angeles (Foothill Transit network), the ECOLINER, a fully electric bus equipped with revolutionary technology enabling it to recharge 85% in 10 minutes without interrupting service. Thanks in particular to the research efforts of our Californian partners, the US transportation branch developed a lighter structure and a Lithium-Titanate technology battery with a nominal capacity of 71kWh. The vehicle’s performance will be monitored by Veolia Environnement research teams in close conjunction with the local operator. Other applications should follow elsewhere, including in Europe.

New thermal hall in Limay

The new test hall recently installed at the Limay research center will enable the energy recovery process to be tested for a wide range of biomass materials, waste and even sludge.

The new prototypes in this hall will enable the Group to better understand the reaction mechanisms and develop innovative procedures, particularly with respect to methanization, combustion and thermal drying and also further downstream with respect to the processing of smoke and carbon deposits in the boilers.

New photovoltaic test platform in Limay

Covering approximately 5,000 square meters, the platform comprises test equipment for photovoltaic modules and systems. Connected to the electrical grid, this equipment will enable a number of media to be tested: fixed, mobile and integrated into the building and on the ground.

The benefits of this platform for the Group are numerous: assistance to operational teams (Technical and project departments, Procurement departments) for technical, economic and environmental qualification; a platform for technological and scientific exchange with national and international players and finally an internal/external communication tool demonstrating Veolia Environnement's interest and expertise in the photovoltaic sector.

11.2 Patents and licenses

See Chapter 6, Section 6.2.5 above (Intellectual property – Company Dependence).

12 Information on trends

12.1 Trends

The main trends relating to or affecting the Company's business are described in Chapters 6 and 9 above.

There has been no material adverse change in Veolia Environnement's outlook since the end of the 2010 fiscal year. The events or circumstances that could reasonably have a material effect on the Company's outlook for the current fiscal year were communicated by the Company during the presentation of its 2010 annual results on March 4, 2011 (see Section 12.2 below), following the approval of the Company accounts by the Board of Directors' meeting on March 3, 2011.

12.2 Recent developments

Veolia Environnement

The Company published a press release presenting its annual results for 2010 on March 4, 2011.

The Group's post-closure events are presented in Note 42 to the consolidated financial statements and address the Group's recent developments.

After consultation with the employee representative bodies of Veolia Transport and Transdev and approval by decree following the green light received from the French Commission on State Shareholdings and Transfers (*Commission des Participations et des Transferts*), Veolia Environnement and Caisse des Dépôts announced the birth of Veolia Transdev on March 3, 2011. Formed by the combination of their respective subsidiaries, Veolia Transport and Transdev, this company is one of the leaders private-sector group in sustainable mobility worldwide, with more than 110,000 employees in 28 countries.

Following completion of the transactions set out in the agreements signed in May 2010, Veolia Transdev is owned jointly by Veolia Environnement and the Caisse des Dépôts.

Now that the amendment to the shareholders' agreement, announced on February 7, has been approved by the relevant governing bodies after consultation with employee representative bodies, Veolia Transdev has a single Chief Executive Officer, Jérôme Gallot, with full operational responsibilities. The senior management team will implement the operational, geographic and modal synergies that have been identified and foster the rapid emergence of a common corporate culture focused on efficiency, business development, close ties with local communities and service quality.

The two shareholders confirmed their ambition to seek a stock market listing for the new company when market conditions permit.

In addition, the Board of Directors' meeting of March 24, 2010 decided to convene a Combined Shareholders' Meeting on May 17, 2011. Shareholders will be asked to renew the terms of office of four independent directors (Jean Azéma, Pierre-André de Chalendar, Baudoin Prot and Louis Schweitzer) and the term of office as principal statutory auditor of Ernst & Young et Autres and as deputy statutory auditor of AUDITEX (Ernst & Young network).

Veolia Eau

Thames Water recently awarded Vennsys Limited, a consortium led by Veolia Water UK, a contract to manage all its water metering services, encompassing meter installation, meter reading and the implementation of automatic meter reading by radio communication. This 10-year contract (January 2011 to March 2020) awarded to Vennsys represents total estimated revenue of approximately £240 million (€280 million euros). Vennsys will employ more than 200 people and is a joint-venture between Veolia Eau's UK subsidiary Veolia Water UK (51%), H2O Water Services (34%) and Mace (15%).

Veolia Propreté

Veolia Propreté was recently awarded the contract for comprehensive municipal waste collection services by the Loir-et-Sarthe waste management authority (SICTOM). This three-year contract came into effect on January 1, 2011, and includes an annual renewal option for a further period of three years. As a partner to the authority and a pioneer of incentive-pricing structures, Veolia Propreté will offer "à la carte" services that are adapted, rationalized and tailored to the specific needs of different types of waste producers.

The contract for street cleaning and waste collection and recycling for the Haringey district of London was awarded to Veolia Propreté. This 14-year contract commences in April 2011 and will generate cumulative revenue of over €270 million.

Dalkia

Dalkia will soon start operations at the Kursk heating network in Russia through its joint venture with Quadra.

It is also in the process of finalizing a financing project with the EBRD and the World Bank to expand its activities in the Baltic States and Russia.

In Canada, the joint venture with Gaz Metro which manages the Montreal network was awarded an extension to supply the future Montreal University Hospital.

In Poland, Dalkia plans to participate in the privatization process for the Warsaw network launched by the city at the beginning of February 2011.

Veolia Transport

As part of its expansion in Asia, and its joint venture with RATP Développement, Veolia Transport signed an operating contract for the Macau bus network in January 2011.

In addition, Veolia Transport, which continues to develop its passenger rail transport business, signed an agreement in principle at the end of 2010 for a strategic alliance with Trenitalia. This partnership will produce a new rail operator, a French-law company, held equally by the two groups. The new structure aims to provide an alternative service offering on a European scale, able to adapt to take advantage of market opportunities. At the end of 2011, overnight international services will be offered between France and Italy and other cross-border and regional services are planned from 2012.

The merger agreement signed by Veolia Environnement and Caisse des Dépôts et Consignations for the merger of the activities of Veolia Transport and Transdev was approved by European, French and Dutch competition authorities in 2010. This merger should produce the number one privately-owned public transportation group worldwide, generating annual revenue of €8 billion (2010 pro forma) and with 117,000 employees across 30 countries (see Section 9.1.3 above).

13 Objectives and outlook

In the current economic climate, Veolia Environnement is assuming that economic conditions will remain stable compared to fiscal year 2010.

For 2011, and in this context, the Group plans to continue its policy of improving profitability, placing once again the priority on cash generation and therefore forecasts a year of organic growth.

The Group undertakes to generate positive free cash flow after payment of the dividend in 2011 (see Chapter 9, Section 9.2.1 above) and furthermore forecasts an increase in adjusted operating income of 4% to 8%, excluding the impact of the Veolia Transport/Transdev merger[*] and growth in net income attributable to owners of the Company.

To attain this objective, the Group has increased its divestiture program to €1.3 billion for 2011 and will continue its cost-cutting program, increasing it to €250 million for 2011.

For the period 2011-2013, the Group aims to increase adjusted operating income by an annual average rate of 4% to 8%, depending on the economic climate. The Group divestiture program has been increased to €4 billion for the period 2011-2013 and the cost-cutting program has been extended to €300 million by 2013. Finally, the Group has set an after-tax ROCE (Return On Capital Employed) objective of between 9% and 10% in 2014 (see Chapter 9, Section 9.4 above).

The forward-looking information presented in this section is uncertain and is likely to change or be modified. It should not be used to prepare profit forecasts.

* *i.e. excluding transportation activities*

14 Board of Directors, Management and Supervisory Bodies and Executive Management

The Company has been a *société anonyme* (a French incorporated company) with a Board of Directors since the general shareholders' meeting (GM) of April 30, 2003. The Company's shares are listed on the Euronext Paris stock market and on the New York Stock Exchange (NYSE). The Company is subject to French laws and regulations, in particular relating to corporate governance, and to regulations applicable to foreign companies listed in the United States.

14.1 Board of directors of the Company

Composition of the Board of Directors and positions held by directors outside the Company

The Company's Board of Directors has seventeen directors and one non-voting member ("*censeur*") as of the date this registration document was filed.

*Name of the director/*censeur	*Date of appointment or first reappointment*	*Date of last reappointment*	*Term of office expires*(1)
Antoine Frérot, *Chairman and Chief Executive Officer*	May 7, 2010	–	2014 GM
Louis Schweitzer(*), *Vice-Chairman*	April 30, 2003	May 7, 2009	**2011 GM** (4)
Jean Azéma(*)	April 30, 2003	May 7, 2009	**2011 GM** (4)
Daniel Bouton(*)	May 11, 2006	May 7, 2010	2014 GM
Pierre-André de Chalendar(*)	May 7, 2009	–	**2011 GM** (4)
Jean-François Dehecq(*)	May 11, 2006	May 7, 2010	2012 GM (6)
Augustin de Romanet de Beaune	March 29, 2007 (2)	May 7, 2009	2013 GM
Paul-Louis Girardot(*)	May 11, 2006	May 7, 2010	2014 GM
Groupe Industriel Marcel Dassault(*), represented by Olivier Costa de Beauregard	May 7, 2010	–	2014 GM
Esther Koplowitz(*)	January 1, 2010 (5)	May 7, 2010	2012 GM (6)
Philippe Kourilsky	April 30, 2003	May 7, 2009	2013 GM
Serge Michel	May 11, 2006	May 7, 2010	2012 GM (6)
Henri Proglio	April 30, 2003	May 7, 2009	2013 GM
Baudouin Prot(*)	April 30, 2003	May 7, 2009	**2011 GM** (4)
Qatari Diar Real Estate Investment Company(*) represented by Dr. Mohd Alhamadi	May 7, 2010	–	2014 GM
Georges Ralli	May 11, 2006	May 7, 2010	2012 GM (6)
Paolo Scaroni(*)	December 12, 2006 (3)	May 7, 2009	2013 GM
Thierry Dassault, *censeur*	May 7, 2010	–	2014 GM

(1) The duration of the directors' term of office is 4 years since the adoption by the GM of May 7, 2010 of the resolution reducing the directors' term of office from 6 to 4 years (instantaneous implementation provision for running corporate offices).
(2) Co-opting by the Board of Directors meeting of March 29, 2007 ratified by the GM of May 10, 2007.
(3) Co-opting by the Board of Directors meeting of December 12, 2006 ratified by the GM of May 10, 2007.
(4) Duration of appointment reduced to 2 years following the Board of Directors meeting of May 7, 2009.
(5) Co-opting by the Board of Directors meeting of December 17, 2009 in replacement of Murray Stuart for the remainder of his term of office ratified by the GM of May 7, 2010.
(6) Duration of appointment reduced to 2 years following the Board of Directors meeting of August 5, 2010.
(*) Independent director.

The table below shows the names and ages of the members of the Board of Directors as of the date the registration document was filed, as well as the date of such persons' first appointment and reappointment, if applicable, and the expiration date of their terms of office. In addition, the table shows the principal position they hold outside the Company and corporate offices they have held with all companies during the last five years.

The corporate offices held by directors, as shown in the list below, are current as of December 31, 2010.

	Principal Positions Held Outside the Company – Other Corporate Offices	**Other Professional References and Activities During the Past Five Years**
Antoine Frérot Age: 52 Date of first appointment: May 7, 2010 Term of office expires: 2014 General Meeting ***Main duties exercised in the Company:*** Chairman and Chief Executive Officer of Veolia Environnement; Director of Veolia Environnement.	***In France :*** • General Manager of Veolia Eau – Compagnie Générale des Eaux; • Chairman of the Board of Directors of Veolia Water; • Member and Chairman of the Supervisory Board of Eolfi; • Director of Veolia Propreté; • Director of Veolia Transport; • Member of the Supervisory Board of Dalkia France; • Chairman of Campus Veolia Environnement; • Director of Dalkia International; • Director of Société des Eaux de Marseille; • Chairman of VE France Régions; • Member of the A and B Supervisory Boards of Dalkia; • Standing Representative of Veolia Eau – Compagnie Générale des Eaux and Director representing founding members to the Board of Directors of Fondation d'Entreprise VE ***Outside France:*** • Director of Veolia Environmental Services North America (USA).	• Director and Chairman of the Board of Directors of VWST until 12/07/2009; • Standing Representative of Sud Cars to the Board of Directors of VE Airport until 11/27/2010; • Chief Executive Officer of Veolia Water until 11/27/2009; • Standing Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Proxiserve Holding until 01/15/2010; • Director of SARP until 02/18/2010; • Director of Société Monégasque des Eaux until 04/07/2010; • Standing Representative of Veolia Eau – Compagnie Générale des Eaux to the Board of Directors of Société des Eaux de Marseille until 04/21/2010; • Member and Chairman of the Supervisory Board of CEO until 05/28/2010; • Member and Chairman of the Supervisory Board of SETDN until 05/28/2010; • Director of CEP Ports until 06/24/2010; • Director of Sade CGTH until 06/23/2010; • Chief Executive Officer of Veolia Environnement until 12/21/2010; • Member of the Supervisory Board of Louis Dreyfus BV until 02/03/2011; • Member of the Supervisory Board of Ponts Formation Edition until 03/01/2011.

Louis Schweitzer

Age: 68

Date of first appointment:
April 30, 2003

Reappointed:
May 7, 2009

Term of office expires:
2011 GM*

Principal position held within the Company:
Independent Director of Veolia Environnement;
Vice-Chairman of the Board of Directors since November 27, 2009;
Member of the Nominations and Compensation Committee since April 30, 2003

Principal position held outside the Company:
- Chairman of the Board of Directors of Astra Zeneca (United Kingdom).

Other corporate offices and positions held in any company:
In France:
- Director of BNP Paribas and of L'Oréal;
- Member of the Boards of the following institutions or public interest associations: The Quai Branly Museum, the National Political Science Foundation and the IFRI;
- Chairman of the Board of Directors: Société des Amis du Musée du Quai Branly, Festival d'Avignon, maison de la culture M.C 93.

Outside France:
- Chairman of the Board of Directors of AB Volvo (Sweden);
- Member of the Advisory Board of Allianz (Germany).
- Chairman of the Board of Directors of Renault;
- Director of Électricité de France;
- Vice-Chairman of the Supervisory Board of Philips (Netherlands);
- Member of the Board of Directors of the Musée du Louvre;
- Chairman of the National Authority against Discrimination and for Equality ("HALDE");
- Chairman of the Supervisory Board of the "Le Monde" group;
- Member of the Advisory Board of the Banque de France.

Jean Azéma

Age: 58

Date of first appointment:
April 30, 2003

Reappointed:
May 7, 2009

Term of office expires:
2011 GM*

Principal position held within the Company:
Independent Director of Veolia Environnement

Principal position held outside the Company:
- Chief Executive Officer of Groupama SA;

Other corporate offices and positions held in any company:
In France:
- Chief Executive Officer of Fédération Nationale Groupama;
- Chief Executive Officer of Groupama Holding and Groupama Holding 2;
- Director of Société Générale;
- Permanent Representative of Groupama SA to the Board of Directors of Bolloré;
- Vice-Chairman of the Board of Directors of Banque Postale Assurances IARD;
- Chairman of the Fédération Française des Sociétés d'Assurance Mutuelle (FFSAM);
- Vice-Chairman of the Fédération Française des Sociétés d'Assurance.

Outside France:
- Director of Mediobanca (Italy).

In France:
- Chairman of the Board of Directors of Groupama International;
- Permanent Representative of Groupama SA to SCI Groupama les Massues.

Outside France:
- Member of the Supervisory Board of Mediobanca (Italy).

Daniel Bouton

Age: 60

Date of first appointment:
April 30, 2003

Reappointed:
May 7, 2010

Term of office expires:
2014 GM

Principal position held within the Company:
Independent Director of Veolia Environnement;
Member of the Nominations and Compensation Committee since April 1, 2005;
Member of the Accounts and Audit Committee since November 2, 2009 and Chairman of this Committee since January 1, 2010.

Principal position held outside the Company:
- Chairman of DMJB Conseil;
- Senior Advisor of Rothschild & Cie Banque.

Other offices and positions held with any company:
- Director of Total SA.
- Chief Executive Officer and Chairman of the Board of Directors of Société Générale;
- Director of Schneider Electric SA.

Pierre-André de Chalendar

Age: 52

Date of first appointment:
May 7, 2009

Term of office expires:
2011 GM*

Principal position held within the Company:
Independent Director of Veolia Environnement;
Member of the Accounts and Audit Committee since May 7, 2009;
Member of the Research, Innovation and Sustainable Development Committee since May 7, 2010.

Principal position held outside the Company:
- Chairman and Chief Executive Officer of Compagnie de Saint-Gobain.

Other offices and positions held with any company:
In France:
none

Outside France:
- Director of Saint-Gobain Corporation (USA);
- Assistant Chief Executive Officer of Compagnie de Saint-Gobain;
- Director of SG Aldwych;
- Director of BPB;
- Director of SG Distribution Nordic AB.

Jean-François Dehecq
Age: 71

Date of first appointment:
May 11, 2006

Reappointed:
May 7, 2010

Term of office expires:
2012 GM

Principal position held within the Company:
Independent Director of Veolia Environnement

Principal position held outside the Company:
- Honorary Chairman of Sanofi-Aventis;
- Chairman of Fondation d'Entreprise Sanofi Espoir.

Other offices and positions held with any company:
In France:
- Chairman of the Strategic Investment Fund Orientation Committee;
- Director of Air France-KLM;
- Director of the National Research Agency;
- Director of Balmain;
- Member of the French Epilepsy Research Foundation;
- Chairman of the Board of Directors of ENSAM (École Nationale Supérieure des Arts et Métiers);
- Chairman of the National Committee of the General Assemblies of Industry;
- Vice-Chairman of the National Conference of Industry.

In France:
- Chairman of the Board of Directors of Sanofi-Aventis
- Chairman of the National Technical Research Association;
- Chairman of Conservatoire National des Arts et Métiers;
- Vice-Chairman of EFPIA (European Federation of Pharmaceutical Industries and Associations);
- Chairman and Chief Executive Officer of Sanofi-Aventis;
- Director of Finance et Management;
- Director of Société Financière des Laboratoires de Cosmétologie Yves Rocher;
- Member of the Supervisory Board of the Industrial Innovation Agency;
- Governor of the Board of the American Hospital in Paris.

Outside France:
- Member of the Board of the IFPMA (International Federation of Pharmaceutical Manufacturers Associations).

Augustin de Romanet de Beaune
Age: 49

Date of first appointment:
March 29, 2007

Reappointed:
May 7, 2009

Term of office expires:
2013 GM

Principal position held within the Company:
Director of Veolia Environnement

Principal position held outside the Company:
- Chief Executive Officer of Caisse des dépôts et consignations.

Other offices and positions held with any company:
In France:
- Chairman of the Board of Directors of the Strategic Investment Fund;
- Chairman of the Supervisory Board of SNI;
- Permanent Representative of Caisse des dépôts et consignations, Director of CNP and Icade ;
- Director of CDC Entreprises SAS, OSEO and FSI PME-Portefeuille;
- Member of the CNP Strategy Committee and Compensation and Nominations Committee.

Outside France:
- Director, Member of the Dexia Strategy Committee and Member of the Dexia Compensation and Nominations Committee (Belgium).

- Deputy Finance and Strategy Manager and Member of the Executive Committee of the Crédit Agricole SA Group;
- Deputy Secretary General of the Presidency of the Republic under Jacques Chirac;
- Permanent Representative of CDC, Member of the Supervisory Board of CNP;
- Director, Member of the Accor Strategy Committee and Compensation and Nominations Committee.

Paul-Louis Girardot Age: 77 Date of first appointment: April 30, 2003 Reappointed: May 7, 2010 Term of office expires: 2014 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement; Member of the Accounts and Audit Committee since April 1, 2005; Member of the Research, Innovation and Sustainable Development Committee since September 14, 2006.	***Principal position held outside the Company:*** • Chairman of the Supervisory Board of Veolia Eau – Compagnie Générale des Eaux. ***Other offices and positions held with any company:*** ***In France:*** • Chairman of the Supervisory Board of Compagnie des Eaux de Paris; • Member of the Supervisory Board of Dalkia France; • Member of the A and B Supervisory Boards of Dalkia; • Director of Veolia Transport; • Director of Veolia Propreté; • Director of Veolia Water; • Director of Société des Eaux de Marseille; • Member of the Supervisory Board of Compagnie des Eaux et de l'Ozone; • Vice-Chairman of the Basse-Seine – Normandie Committee.	none

Groupe Industriel Marcel Dassault Date of first appointment: May 7, 2010 Term of office expires: 2014 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement; Member of the Nominations and Compensation Committee since May 7, 2010; Member of the Accounts and Audit Committee since May 7, 2010.	***Principal position held outside the Company:*** • none ***Other offices and positions held with any company:*** • none	none
Olivier Costa de Beauregard Age: 51 ***Principal position held within the Company:*** Permanent Representative of Groupe Industriel Marcel Dassault to the Board of Directors of Veolia Environnement	***Principal position held outside the Company:*** • Deputy Chief Executive Officer of Groupe Industriel Marcel Dassault. ***Other offices and positions held with any company:*** • none	none

Esther Koplowitz First appointment: January 1, 2010 Reappointed: May 7, 2010 Term of office expires: 2012 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement	***Principal position held outside the Company:*** • President of the Esther Koplowitz Foundation. • Vice-Chairman of the Board of Directors of Fomento de Construcciones y Contratas SA (F.C.C.) (representing B-1998, SL) (Spain); ***Other offices and positions held with any company:*** • Chairman of the Strategic Committee of F.C.C (Spain); • Chairman of the Board of Directors of B-1998, SL (company owning 53,9% of the F.C.C.'s share capital) (Spain); • Vice-Chairman of the Board of Directors of Cementos Portland Valderrivas SA (Spain); • Member of the Board of Directors of Waste Recycling Group (United Kingdom); • Member of the Supervisory Board of ASA Abfall Service AG (Austria); • Member of the Supervisory Board of Alpine Holding GmbH (Austria).	

Philippe Kourilsky Age: 68 Date of first appointment: April 30, 2003 Reappointed: May 7, 2009 Term of office expires: 2013 GM ***Principal position held within the Company:*** Director of Veolia Environnement; Chairman of the Research, Innovation and Sustainable Development Committee since September 14, 2006	***Principal position held outside the Company:*** • Professor at the Collège de France; • Member of the Science Academy. ***Other offices and positions held with any company:*** ***In France:*** • Director of Fondation du Collège de France; • Counsel activities in several companies. ***Outside France:*** • Chairman of the Singapore Immunology Network.	• Member of the Board of Directors of École Polytechnique; • Member of the Board of Directors of the International College of Philosophy; • Member of Haut Conseil de la Science et de la Technologie.

Serge Michel
Age: 84

Date of first appointment:
April 30, 2003

Reappointed:
May 7, 2010

Term of office expires:
2012 GM

Principal position held within the Company:
Director of Veolia Environnement;
Chairman of the Nominations and Compensation Committee since April 30, 2003.

Principal position held outside the Company:
- President of Soficot SAS.

Other offices and positions held with any company:
In France:
- President of SAS CIAM;
- President of SAS Carré des Champs-Élysées;
- President of SAS Société Gastronomique de l'Étoile;
- President of SAS Groupe Epicure;
- Member of the Supervisory Board of Eolfi;
- Member of the Supervisory Board of Compagnie des Eaux de Paris;
- Director of SARP Industries;
- Permanent Representative of EDRIF to the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux;
- Member of the Supervisory Board of Société des Eaux de Trouville Deauville et Normandie;
- Permanent Representative of CEPH to the Board of Directors of SEDIBEX;
- Director of Orsay Finance 1;
- Director of Eiffage SA;
- Director of LCC SA;
- Director of Infonet Services.
- Director of VINCI;
- Permanent Representative of SARP to the Board of Directors of SARP Industries.

Henri Proglio

Age: 61

Date of first appointment:
April 30, 2003

Reappointed:
May 7, 2009

Term of office expires:
2013 GM

Principal position held within the Company:
Chairman of the Board of Directors of Veolia Environnement until December 12, 2010;
Director of Veolia Environnement.

Principal position held outside the Company:
- Chairman and Chief Executive Officer of Électricité de France (EDF).

Other offices and positions held with any company:
In France:
- Chairman of the Board of Directors of EDF International;
- Director of Natixis;
- Director of CNP Assurances;
- Director of Dassault Aviation;
- Director of Veolia Propreté;
- Member of the Supervisory Board of Veolia Eau – Compagnie Générale des Eaux;
- Member of the Atomic Energy Committee;
- Member of the High Committee for Transparency and Information on Nuclear Safety.

Outside France:
- Director of Fomento de Construcciones y Contratas SA (F.C.C.) (Spain);
- Director of Edison (Italy);
- Chairman of the Board of Directors of Transalpina di Energia (Italy);
- Chairman of the Board of Directors of EDF Energy Holdings (United Kingdom).

In France:
- Chairman and Chief Executive Officer of Veolia Environnement until 11/27/2009;
- Chairman of the Board of Directors of Veolia Propreté until 03/23/2011;
- Chairman of the Board of Directors of Veolia Transport until 03/23/2011;
- Member of the A and B Supervisory Boards of Dalkia until 03/23/2010;
- Chairman of the Board of Directors of Veolia Water until 11/27/2009;
- Chairman of Campus Veolia Environnement until 11/27/2009;
- Chairman and Member of the Supervisory Board of Eolfi until 11/27/2009;
- Chairman of the Supervisory Board of Dalkia France until 11/27/2009;
- Chairman and Director Representing Founding Members of Fondation d'Entreprise VE until 11/27/2009;
- Manager of Veolia Eau – Compagnie Générale des Eaux until 11/27/2009;
- Director of Société des Eaux de Marseille until 11/27/2009;
- Director of Dalkia International until 11/27/2009;
- Member of the Supervisory Board of Lagardère until 11/16/2009;
- Director of SARP Industries until 10/19/2009;

		• *Censeur* of the Supervisory Board of Caisse Nationale des Caisses d'Epargne until 07/31/2009; • Member of the Supervisory Board of Natixis until 04/29/2009; • Director of Casino Guichard Perrachon until 06/09/2008; • Member of the Supervisory Board of Elior until 03/29/2007; • Director of Thales until 02/12/2007; • Member of the Supervisory Board of CNP Assurances until 07/10/2007; • Director of SARP until 10/03/2006. ***Outside France:*** • Director of Veolia Environmental Services Australia (Australy) until 10/19/2009; • Director of Veolia Transport Australasia (Australy) until 09/30/2009; • Director of Veolia Environnement North America Operations Inc. (USA) until 09/13/2010; • Director of Veolia Environmental Services North America (USA) until 10/19/2009; • Director of Siram SPA (Italy) until 11/27/2009; • Chairman of EDF Energy UK (United Kingdom) until 11/26/2010; • Director of Veolia Environmental Services UK (United Kingdom) until 10/19/2009; • Director of Veolia Environnement UK Ltd (United Kingdom) until 11/27/2009; • Director of Veolia Environmental Services Asia (Singapour) until 07/19/2007; • Director of Veolia Transport Northern Europe (Sweden) until 09/02/2009.

Baudouin Prot Age 59 Date of first appointment: April 30, 2003 Reappointment: May 7, 2009 Term of office expires: 2011 GM* ***Principal position held within the Company:*** Independent Director of Veolia Environnement	***Principal position held outside the Company:*** • Chief Executive Officer and Director of BNP Paribas. ***Other offices and positions held with any company:*** ***In France:*** • Director of Pinault-Printemps-Redoute. ***Outside France:*** • Director of Pargesa Holding SA (Switzerland); • Director of Erbé SA (Belgium).	***In France:*** • Director of Accor. ***Outside France:*** • Director of BNL (Italy).

Qatari Diar Real Estate Investment Company
Date of first appointment:
May 7, 2010

Term of office expires:
2014 GM

Principal position held within the Company:
Independent Director of Veolia Environnement.

Principal position held outside the Company:
none

Other offices and positions held with any company:
none

none

Dr Mohd Alhamadi
Age: 48

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:
- Chief Corporate Improvement Officer of Qatari Diar Real Estate Investment Company.

Other offices and positions held with any company:
- Director of United Lybian Qatari Company (Qatar);
- Director of Al Lybia Al Qataria Company (Qatar);
- Director of Qatar Projects Company (Qatar).
- Director of Qatar Fuel Company (Qatar);
- Vice-Chairman of the Steering Committee of Qatar College of Technology (Qatar).

Georges Ralli
Age 62

Date of first appointment:
April 30, 2003

Reappointed:
May 7, 2010

Term of office expires:
2012 GM

Principal position held within the Company:
Director of Veolia Environnement

Principal positions held outside the Company:
In France:
- President of Maison Lazard SAS;
- President 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.

Outside France:
- Deputy Chairman and Managing Director of Lazard Group LLC (USA);
- Co-Chairman of the European Investment Banking Committee of Lazard (USA);
- Member of the European Advisory Board of Lazard (USA);
- Chief Executive of the European Investment Banking Business of Lazard (USA)

Other offices and positions held with any company:
In France:
- Director of Chargeurs;
- Director of Silic.

Outside France:
- Chairman of the Executive Committee of Lazard Fund Management GmbH (Germany);
- Director of Lazard AB (Belgium);
- Member of the Executive Committee of Lazard BV (Belgium);
- Director of Lazard Asesores Financieros SA (Spain);
- Director of LAZ-MD Holding LLC (USA);
- Member of LFCM Holdings LLC (USA);
- Director of Lazard & Co Srl (Italy);
- Director of Lazard Investments Srl (Italy);
- Chairman of the Advisory Board of Lazard GmbH (Switzerland).

In France:
- Director of VLGI;
- *Censeur* of Eurazeo;
- Member of the Supervisory Board of Bazile Telecom;
- Vice-President and Executive Director of Compagnie Financière Lazard Frères SAS;
- Vice-President and Executive Director of Lazard Frères SAS;
- Chairman, Chief Executive Officer and Director of Lazard Frères Banque;
- Director of Fonds Partenaires Gestion;
- Managing General Partner (associé commandité gérant) of Partena (SCS);
- Managing Partner of Maison Lazard SAS.

Outside France:
- Director of Crédit Agricole Lazard Financial Products Limited (United Kingdom);
- Director of Crédit Agricole Lazard Financial Products Bank (United Kingdom);
- Member of the Executive Committee of Lazard Strategic Coordination Company LLC (USA).

Paolo Scaroni Age 64 Date of first appointment: December 12, 2006 Reappointed: May 7, 2009 Term of office expires: 2013 GM ***Principal position held within the Company:*** Independent Director of Veolia Environnement	***Principal position held outside the Company:*** • Chief Executive Officer of ENI (Italy). ***Other offices and positions held with any company:*** ***Outside France:*** • Vice-Chairman of London Stock Exchange Plc (England); • Member of the Board of Directors of Columbia Business School (USA). • Member of the Board of Directors of Assicurazioni Generali (Italy); • Member of the Board of Directors of Fondazione Teatro alla Scala (Italy);	• Chairman of Alliance Unichem plc (England); • Chief Executive Officer of Pilkington plc (England); • Chief Executive Officer of Enel (Italy); • Member of the Board of Directors of Il Sole 24 Ore (Italy); • Member of the Supervisory Board of ABN Amro Bank NV (Netherlands).

Thierry Dassault Age 53 Date of first appointment: May 7, 2010 Term of office expires: 2014 GM ***Principal position held within the Company:*** *Censeur* of Veolia Environnement	***Principal position held outside the Company:*** • Chairman of Keynectis SA. ***Other offices and positions held with any company:*** ***In France:*** • Director of Groupe Industriel Marcel Dassault SAS; • Director of Socpresse SA; • Director of Société du Figaro; • Director of Gaumont SA ; • Member of the Supervisory Board of Particulier et Finances Editions SA; • Member of the Supervisory Board of Veolia Eau – Compagnie Générale des Eaux; • Member of the Managing Committee of I-Ces SAS; • Permanent Representative of SC TDH, Director of Halys SAS.	• Chairman of Dassault Multimedia.

GM = general shareholders' meeting convened to vote on the financial statements for the past year.

* *As part of the implementation of the reduction to four years of the directors' term of office, Baudouin Prot, Pierre-André de Chalendar, Jean Azéma and Louis Schweitzer, were appointed or reappointed for a term of office of four years during the general meeting of May 7, 2009, then selected randomly for resignation upon expiration of a term of office of only two years, i.e. until the close of the annual general meeting that votes on the financial statements for the 2010 fiscal year.*

The members of the Board of Directors may be contacted at the Company's head office, 36/38 Avenue Kléber, 75116 Paris, France.

Biographical Information about Directors

Born on June 3, 1958 in Fontainebleau (France), **Antoine Frérot** is a graduate of the École Polytechnique (year 1977), engineer at the Ponts et Chaussées corps and holds a doctorate from the École Nationale des Ponts et Chaussées.

He started his career in 1981 as an engineering researcher at the Central Research Office for French Overseas Departments and Territories. In 1983, he joined the Center of Study and Research of the École Nationale des Ponts et Chaussées as project manager and then become assistant director from 1984 to 1988. From 1988 to 1990, he was in charge of financial operations at Crédit National. In 1990, Antoine Frérot joined Compagnie Générale des Eaux as an official representative and, in 1995, became Chief Executive Officer of CGEA Transport. In 2000, he was appointed Chief Executive Officer of CONNEX, the Transport Division of Vivendi Environnement, and member of the Executive Committee of Vivendi Environnement. In January 2003, Antoine Frérot was appointed Chief Executive Officer of Veolia Eau, the Water Division of Veolia Environnement, and Senior Executive Vice President of Veolia Environnement. In November 2009, he was appointed Chief Executive Officer, and in December 2010 Chairman and Chief Executive Officer, of Veolia Environnement.

Louis Schweitzer is a graduate of the Institut d'Études Politiques (IEP) in Paris and of the École Nationale d'Administration (ENA) and was a financial controller in the Treasury department. 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 and then successively held the positions of director of planning and management control, Chief Financial Officer and Executive Vice-President. He was appointed Chief Executive Officer of Renault in December 1990, then Chairman and Chief Executive Officer in May 1992 until April 29, 2005, when he was appointed Chairman of the Board of Directors of Renault. Louis Schweitzer did not wish to seek the renewal of his term of office as Director of Renault during the annual general meeting held on May 6, 2009. He was appointed Vice-Chairman of the Veolia Environnement Board of Directors on November 27, 2009.

Jean Azéma holds an engineering degree from the École Supérieure d'Agriculture de Purpan (ESAP), as well as a degree from the Centre National d'Études Supérieures de Sécurité Sociale (CNESS). He began his career at Union Départementale de la Mutualité Agricole des Pyrénées Orientales in 1975, moved to the Centre National d'Études Supérieures de la Sécurité Sociale from 1978 to 1979, and to the Union Départementale de la Mutualité Agricole of Allier from 1979 to 1987. From 1987 to 1995, Mr. Azéma served as financial director of Groupama Vie, investments director for Groupama, account management and consolidation director at Caisse Centrale des Assurances Mutuelles Agricoles (CCAMA) and insurance director at CCAMA. In 1996, he was appointed Chief Executive Officer of Groupama Sud-Ouest, in 1998, Chief Executive Officer of Groupama Sud and in June 2000, Chief Executive Officer of Groupama. Jean Azéma is currently Chief Executive Officer of Groupama SA and of Fédération Nationale Groupama, Chairman of the Fédération Française des Sociétés d'Assurance Mutuelles and Deputy Chairman of Fédération Française des Sociétés d'Assurance.

Daniel Bouton holds a degree in political science, is a graduate of the École Nationale d'Administration (ENA) and was Inspector of Finance at the French Treasury. He has held a number of positions in the French Ministry of Economy, Finance and Industry, including that of budget director, between 1988 and 1991. In 1991, he began working at Société Générale, serving as Chief Executive Officer starting in 1993, and as Chairman and Chief Executive Officer starting in 1997. He was appointed to the position of Chairman of the Board of Directors of Société Générale in May 2008, then resigned from his duties of Director and Chairman of the bank in May 2009. In November 2009, Daniel Bouton incorporated a consulting company, DMJB Conseil, of which he is the Chairman.

Pierre-André de Chalendar is a graduate of ESSEC and the École Nationale d'Administration (ENA). He was Inspector of Finance at the French Treasury. In November 1989, he joined *Compagnie de Saint Gobain* where he held various positions, before being appointed Deputy Chief Executive Officer in May 2005, Director in June 2006 then Chief Executive Officer in June 2007, and he was appointed Chairman and Chief Executive Officer of *Compagnie de Saint Gobain* in June 2010.

Jean-François Dehecq is a graduate of the École Nationale des Arts et Métiers. After having been a mathematics teacher from 1964 to 1965 at the Saint-Vincent de Senlis Catholic high school, he became a scientific research intern in the army's nuclear propulsion department. In 1965, he joined the Compagnie Nationale des Pétroles d'Aquitaine (SNPA, which later became Elf Aquitaine). After four years in the economics department (1965 to 1969), he became executive assistant (1969 to 1970), and then operations engineer (1970 to 1971) at the Lacq plant, a major gas production site in France. In 1973, he became Chief Executive Officer of Sanofi, a major division of Elf Aquitaine. From 1982 to 1988, he was deputy Chairman and Chief Executive Officer of Sanofi before assuming full management authority in February 1988. In 1999, he became Chairman and Chief Executive Officer of Sanofi Synthelabo and, in 2004, organized the Sanofi-Aventis merger. From 2007 to 2010, Jean-François Dehecq was the Chairman of the Board of Directors of Sanofi-Aventis.

Augustin de Romanet de Beaune is a graduate of the Institut d'Études Politiques (IEP) in Paris and of the École Nationale d'Administration (ENA). He began his career in the budget department of the French Ministry of Economy and Finance. In 1990, he was a finance attaché with France's permanent mission to the European Community in Brussels, before returning to the budget department in 1993 as head of the budgetary analysis and policy office. In 1995, he became a technical advisor in the office of the Minister of the Economy and Finance, and then chief of staff to the junior Budget Minister. After having been a budgetary advisor to the deputy Budget Minister, government press secretary and project leader with the French Ministry of Economy and Finance from 1995 to 1997, Augustin de Romanet de Beaune became deputy director and project leader with the office of the budget director, then deputy director charged with the Transportation sector in the budget department. In 1999 and 2000, he was successively appointed manager of Oddo et Compagnie and managing partner of Oddo Pinatton Corporate. In 2002, Augustin de Romanet de Beaune was appointed to the position of chief of staff of the deputy Budget and Budgetary Reform Minister and deputy chief of staff of the Minister of the Economy, Finance and Industry. From 2004 to 2005, he held the positions of chief of staff of the Minister of Employment, Labor and Social Cohesion, deputy chief of staff of the Prime Minister and deputy Secretary General to the Presidency of the Republic. After having been finance and strategy vice-president and a member of the Executive Committee of the Crédit Agricole Group since October 2006, Augustin de Romanet de Beaune was appointed Chief Executive Officer of Caisse des Dépôts et Consignations in March 2007.

Paul-Louis Girardot was a director and Chief Executive Officer of Vivendi until 1998. He focused principally on developing the Veolia Environnement Group's utilities concessions, particularly in the water sector. In addition, he contributed significantly to Vivendi's activities in the telephone sector, in particular mobile telephones. He also worked to expand the Veolia Environnement Group's business in the energy services sector and in the decentralized production of electric power (cogeneration), through the Dalkia subsidiary. Paul-Louis Girardot has been Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux since 2001.

Groupe Industriel Marcel Dassault operates in the civil aeronautics and military sector and invests in various other industries. Its Permanent Representative to the Board of Directors of Veolia Environnement, **Olivier Costa de Beauregard**, passed the *agrégation* examination of History and is a graduate of the Institut d'Études Politiques (IEP) in Paris and of the École Nationale d'Administration (ENA) (1984-1986). He was Inspector of Finance at the French Treasury from 1986 to 1990 and became a project leader with the Chief Investment Officer of the Union des Assurances de Paris (UAP) in 1991. Mr. Costa de Beauregard was on the Prime Minister's staff from 1993 to 1995 as the Chief Technical Counsel of the Public Facilities, Accomodation and Transportation sectors and was appointed Chief Strategy Officer of AXA–UAP France in 1996. In 1998 he was appointed Executive Officer of Crédit Commercial de France. Mr. Costa de Beauregard joined in 2005 the Groupe Industriel Marcel Dassault of which he is the Deputy Chief Executive Officer.

Esther Koplowitz (Marquise de Casa Peñalver) is the majority shareholder (as well as Vice-Chairman of the Board of Directors and Chairman of the Strategic Committee) of the Spanish group Fomento de Construcciones y Contratas (F.C.C.) specializing in environmental services, renewable energies, infrastructures and cement. She is also Vice-Chairman of the Board of Directors of Cementos Portland Valderrivas. For several years now, Veolia Environnement and F.C.C. have jointly held a subsidiary, Proactiva Medio Ambiente S.A., present in Latin America. Member of the Supervisory Board of Veolia Environnement from 2000 to 2002, Mrs. Esther Koplowitz is the President of the Esther Koplowitz Foundation. In recognition, the Spanish business leader has won numerous awards, including the Grand Cross of Civil Merit.

Philippe Kourilsky is a graduate of the École Polytechnique, and holds a doctorate in sciences from the University of Paris. He has devoted his career to life sciences research. He has held numerous management positions in the public and private research sectors, and in particular was the Director of Research at the CNRS and Director General of the Institut Pasteur from 2000 to 2005. Philippe Kourilsky is currently a professor at the Collège de France, a member of the Académie des Sciences and holds honorary doctorates from several foreign universities.

Serge Michel has spent his entire career in the construction and public works sector. After having held the position of Executive Vice-President with the Compagnie de Saint-Gobain group and been Chairman of Socea, he chaired the SGE group until 1991 and the CISE group until 1997. He was Executive Vice-President of the Compagnie Générale des Eaux until 1992. He is currently President of Soficot, a business management and investment consulting company he founded in 1997.

Henri Proglio is a graduate of the École des Hautes Etudes Commerciales (HEC). He joined Compagnie Générale des Eaux in 1972 and was appointed Chairman and Chief Executive Officer of CGEA in 1990. He was appointed Executive Vice-President of Vivendi Universal and Chairman and Chief Executive Officer of Vivendi Water in 1999. He became Chairman of Veolia Environnement's Management Board in 2000 and Chairman of the Board of Directors and was Chief Executive Officer from April 2003 to November 27, 2009, on which date he was appointed Chairman of the Board of Directors of Veolia Environnement following his appointment as Chairman and Chief Executive Officer of Electricité de France (EDF) by decree of the President of the French Republic issued during the Ministerial Council meeting of November 25, 2009.

Baudouin Prot is a graduate of the École des Hautes Etudes Commerciales (HEC) and of the École Nationale d'Administration (ENA). From 1974 to 1983, he was successively the deputy to the prefect of the Franche-Comté region, Inspector of Finance at the French Treasury and deputy to the energy and raw materials director general in the Ministry of Industry. He joined Banque Nationale de Paris in 1983, where he held various positions before being appointed Executive Vice-President in 1992 and Chief Executive Officer in 1996. After having been appointed director and Executive Vice-President of BNP Paribas in March 2000, he has been a director and Chief Executive Officer of BNP Paribas since June 2003.

Qatari Diar 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, **Dr. Mohd A. Wahed Ali Alhamadi** is a Ph.D. and a B.Sc. from the Clarkson University (Potsdam, New York, USA) and a M.Sc. from the North Carolina Agricultural and Technical State University (Greensboro, North Carolina, USA). He began his career as a researcher and teacher at the Qatar College of Technology, of which he was Vice Dean from 1995 to 1997, Acting Dean from 1997 to 2000, and Director from 2001 to 2005. Subsequently, he was at the Qatar University, of which he was Director of the Office of Institutional Research & Planning from 2004 to 2007, and since 2007, Vice President for Institutional Planning & Development. He joined Qatari Diar Real Estate Investment Company in November 2008 as Deputy Chief Executive Officer for Corporate Development, and in March 2010 became its Chief Corporate Improvement Officer in charge of strategic development and planning. Over the past five years, he has served on the Boards of various companies throughout the world (Qatar Fuel Company up to 2008, and from 2009 until present, Qatar Projects Company, United Libyan Qatari Company and Al Libya Al Qataria Company). He has been a member of the Institute of Electrical and Electronics Engineering (USA) since 1987 and of the Association of Institutional Research (USA) since 2006.

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 of the Institut Commercial in Nancy. In 1970, he joined Crédit Lyonnais, where he held various management positions until 1981. In 1982, he served as secretary of the Savings Development and Protection Commission. From 1982 to 1985, he headed the financial negotiations department of Crédit du Nord. He joined Lazard in 1986, and became managing partner in 1993 and jointly headed the mergers and acquisitions department of Lazard LLC starting in 1999. Since 2000, Georges Ralli has been Deputy Chairman and Managing Director of the Executive Committee of Lazard LLC (United States) and since 2006 he has been the Co-Chairman of the European Investment Banking Committee of the Lazard Group LLC (United States) and a member of the European Advisory Board. He was head of the Maison française from 2006 to 2009. He currently manages the European M&A activities (President of Maison Lazard) and Asset Management activities (President of Lazard Frères Gestion).

Paolo Scaroni holds a degree in economics from Bocconi University in Milan and an MBA from Columbia Business School in New York. After having spent a year with McKinsey & Company following his MBA, between 1973 and 1985, he held various positions with Saint Gobain, ultimately heading the "flat glass" division. In 1985, Paolo Scaroni became Chief Executive Officer of Techint, while at the same time holding the positions of deputy Chairman of Falck and Executive Vice-President of SIV, a joint venture between Techint and Pilkington plc. He became Chief Executive Officer of Pilkington plc in 1996, a position he held until May 2002. He was Chief Executive Officer of Enel from 2002 to 2005 and in June 2005 became Chief Executive Officer of Eni, a position he still holds.

Thierry Dassault has been in charge of civil equipment at Électronique Serge Dassault in Brazil (1979-1981), Chief Executive Officer of an alarm systems company (1982-1984), and Associate Producer and Director of Advertising and Institutional Films at Claude Delon Productions (1985-1993). From 1994 to 2006 Mr. Dassault was President of Dassault Multimedia, which acquired shares in Infogrames, Gemplus, Infonie, BFM, CdandCo, Net2one, Emme and Welcome Real-time. In 2004, he led the foundation of Keynectis corporation (the French leader in digital certification), of which he is Chairman. At the end of 2006, Thierry Dassault established the investment company TDH, specialized in emerging technologies (and which holds shares in Aquarelle, Bernardaud, Keynectis, Halys, I-Ces, Oletis, youscribe.com). He is Vice-Chairman of Groupe Industriel Marcel Dassault, in charge of NTIC. He is Vice-Chairman of the Kidney Foundation (Fondation du rein) and is a member of the Boards of Gaumont, Groupe Industriel Marcel Dassault, Halys, I-Ces, Keynectis, Socpresse (Le Figaro), Particulier and Finances Éditions, Veolia Eau – Compagnie Générale des Eaux and Veolia Environnement as a *censeur*. He is President of the 58th National Session of the IHEDN, a French national defence academy and think tank. He is Chevalier de la Légion d'Honneur and is an air force Colonel of the French military reserve.

14.2 Convictions, bankruptcies, conflicts of interest and other information

On the basis of the representations made by the members of the Board of Directors to Veolia Environnement, to the Company's knowledge, there are no family ties among the members of the Company's Board of Directors and, during the last five years: (i) no member of the Board of Directors of Veolia Environnement has been convicted of fraud; (ii) no member of the Board of Directors has been involved in any bankruptcy, receivership or liquidation proceedings; (iii) no statutory or regulatory authority (including designated professional organizations) has made any official public accusation and/or imposed a sanction on these persons; and (iv) no director has been forbidden by a court from holding a position as a member of a Board of Directors or Management or Supervisory Body of a publicly held company or from participating in the management or business operations of a publicly held company.

To the Company's knowledge, there is no conflict of interest at the level of the Board of Directors or executive management of Veolia Environnement. In addition to the provisions of the French Commercial Code (*Code de Commerce*) concerning regulated agreements, the Board of Directors' internal rules and regulations provide that directors must inform the Board of Directors of any existing or potential conflict of interests and abstain from voting in any situation where such a conflict of interest exists. No service contract providing for benefits to be granted in the event such contract is terminated exists between a director or the Chief Executive Officer and the Company or its subsidiaries.

No arrangement or agreement has been concluded with the Company's principal shareholders, other than those concluded with the Groupe Industriel Marcel Dassault and Qatari Diar Real Estate Investment Company (see chapter 18.1, below) or with its customers or suppliers, pursuant to which a member of the Board of Directors thereof has been selected to act as a director or to hold an executive management position in the Company.

Lastly, to the Company's knowledge, the members of the Board of Directors have not agreed to any restrictions on their ability to transfer any interest they may hold in the capital of Veolia Environnement, with the exception of the provision in the Articles of Association requiring each director to own at least 750 registered shares of the Company, without prejudice to the agreements concluded with the Groupe Industriel Marcel Dassault and Qatari Diar Real Estate Investment Company (see chapter 18.1, below).

15 Compensation and benefits of corporate officers and directors

15.1 Compensation of executive corporate officers

Total compensation paid in the 2010 fiscal year to Executive Corporate Officers and other corporate officers by the Company and by controlled companies, within the meaning of Article L. 233-16 of the French Commercial Code, is detailed hereinafter.

At its meeting of January 7, 2009, the Board of Directors of Veolia Environnement became aware of the consolidated version of the AFEP-MEDEF code of December 2008 concerning *inter alia* the compensation of Executive Corporate Officers of listed companies. It confirmed that Veolia Environnement uses that corporate governance code as a reference. The 2010 registration document and, specifically, the tables in section 15.1 hereinafter and in Chapter 17, sections 17.3 and 17.4 below (stock subscription or purchase options and free shares) have been prepared in accordance with the format recommended by the AFEP-MEDEF consolidated code, as revised in April 2010, and the AMF's recommendation of December 22, 2008.

15.1.1 Rules and principles adopted by the Board to determine the compensation paid to executive corporate officers

Principles used to determine the compensation of executive corporate officers after the separation of the offices of Chairman of the Board and Chief Executive Officer (from November 27, 2009 to December 12, 2010)

The policy for determining the compensation of executive corporate officers was adapted in the 2009 and 2010 fiscal years to take account of the separation of the offices of Chairman of the Board and Chief Executive Officer on November 27, 2009.

At its meetings on December 17, 2009, and March 24, 2010, Veolia Environnement's Board of Directors, on a proposal from the Nominations and Compensation Committee, laid down the following principles and elements of compensation:

Chairman of the Board of Directors (until December 12, 2010):

At its meeting on December 17, 2009, the Board of Directors decided, following the recommendation made by the Nominations and Compensation Committee, to award Mr. Henri Proglio fixed annual compensation (without a variable element) of €450,000 in his capacity as Chairman of the Board of Directors and with effect from the date of his appointment, namely November 27, 2009. At that Board meeting, Mr. Henri Proglio decided that from then on, he would waive his directors' fees.

On January 21, 2010, Mr. Henri Proglio indicated that in the future, he would waive this fixed annual compensation.

Mr. Henri Proglio resigned from office as Chairman of the Board of Directors on December 12, 2010. At the meeting of the Board held on the same day, the Board decided once again to merge the offices of Chairman and Chief Executive Officer, and appointed Mr. Antoine Frérot as Chairman and Chief Executive Officer.

The terms of Mr. Antoine Frérot's compensation were not amended as a result of this appointment.

Chief Executive Officer (until December 12, 2010) and Chairman and Chief Executive Officer since that date

Fixed remuneration and benefits:

At its meeting on December 17, 2009, the Board of Directors decided, pursuant to a recommendation of the Nominations and Compensation Committee, to set the Chief Executive Officer's annual fixed compensation at €750,000 with effect from November 27, 2009, the date on which his appointment took effect (without any variable portion in that capacity for 2009). At its meeting on March 24, 2010, the Board of Directors decided, pursuant to a recommendation of the Nominations and Compensation Committee, to maintain the fixed portion of the compensation awarded to Mr. Antoine Frérot in his capacity as Chief Executive Officer of the Company, for the 2010 fiscal year, at the level set at its meeting on December 17, 2009, namely €750,000.

In addition to this compensation, the Chief Executive Officer is entitled to a company car and to social security benefits equivalent to those of employees (sickness, disability). Furthermore, he is eligible for the supplementary defined benefits group pension plan set up in 2006 for category 9 management employees and executive coporate officer of Veolia Environnement.

Variable compensation for the 2009 and 2010 fiscal years:

Variable portion of Mr. Henri Proglio in his capacity as Chairman and Chief Executive Officer: In accordance with the proposals of the Nominations and Compensation Committee the Board of Directors decided at its meeting on March 24, 2009 to modify the criteria that had been used in 2008 to determine the quantitative portion of the Chairman and Chief Executive Officer's variable compensation in order to take into account the Group's objectives and the economic climate. In line with the Group's objectives announced to the market, which were positive free cash flow and adjusted operating cash flow after deduction of net investments of €2 billion in 2009, the sole criterion retained was the Group's level of adjusted operating cash flow after investments, net of sales.

Applying these criteria, and having regard to the fact that the objectives announced for the 2009 fiscal year had been exceeded, the Board of Directors decided at its meeting on March 24, 2010 to award Mr. Henri Proglio an amount of €1,202,216 in respect of the quantitative and qualitative portions of his variable compensation for 2009.

Variable portion of Mr. Antoine Frérot, for 2009, in his capacity as Chief Executive Officer (with effect from November 27, 2009): At its meeting on December 17, 2009, the Board of Directors decided, pursuant to a recommendation of the Nominations and Compensation Committee, that the variable compensation of Mr. Antoine Frérot in respect of the 2009 fiscal year in his capacity as Chief Executive Officer would be the same as that in relation to his previous office as Chief Executive Officer of the Water Division, calculated over the entire 2009 fiscal year.

Variable portion of Mr. Antoine Frérot in his capacity as Chief Executive Officer: At its meeting on March 24, 2010, the Board of Directors decided, pursuant to the proposals made by the Nominations and Compensation Committee and for the purposes of fixing the variable portion of the Chief Executive Officer's compensation in respect of the 2010 fiscal year, to retain a quantitative portion of 70% and a qualitative portion of 30%. The criteria for the quantitative portion of the variable compensation of the Chief Executive Officer involve the achievement of the budgetary objectives relating, on the one hand, to adjusted operating cash flow after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements (weighted at 35%), and on the other hand, to the increase in Adjusted Operating Income (weighted at 35%).

These criteria were in line with the Group's objectives for 2010, which were positive free cash flow after payment of the dividend, and increasing adjusted operating income.

Applying these criteria, and having regard to the fact that the objectives announced for the 2010 fiscal year had been exceeded, the Board of Directors decided at its meeting on March 24, 2011 to award Mr. Antoine Frérot an amount of €754,063 in respect of the quantitative and qualitative portions of his variable compensation for 2010.

The methods used to calculate the variable portion of the Chairman and Chief Executive Officer's compensation for the 2011 fiscal year, which were adopted by the Board of Directors on March 24, 2011, are set out at the end of this section 15.1.1.

Total compensation paid to Mr. Henri Proglio in his capacity as Chairman of the Board of Directors

In the 2010 fiscal year, Mr. Henri Proglio was paid compensation totaling €1,334,415. Mr. Proglio thus received the pro rata amount of the fixed portion of his 2010 compensation in his capacity as Chairman of the Board of Directors (€67,857), as well as the variable portion of his compensation as Chairman and Chief Executive Officer for the 2009 fiscal year, which was paid in 2010 pursuant to a decision of the Board of Directors on March 24, 2010 (€1,202,216). Finally, he received directors' fees in respect of positions held with the Company and with other companies of the Group.

The following table contains a summary of compensation of all kinds. These are detailed in the following tables and, in the case of information relating to stock subscription or purchase options and performance shares, in Chapter 17, § 17.3.2 and 17.4 below.

Table summarizing the compensation, options and shares granted to Mr. Henri Proglio(*) for the 2009 and 2010 fiscal years

(in euros)	**2009 fiscal year**	**2010 Fiscal Year**
Total compensation owed for the fiscal year	2,231,790	82,914
Value of options granted during the fiscal year	0	0
Value of performance shares granted during the fiscal year	0	0
TOTAL	2,231,790	**82,914**

(*) Chairman of the Board of Directors until December 12, 2010.

Table summarizing the compensation paid to Mr. Henri Proglio

	2009 Fiscal Year		2010 Fiscal Year	
	Amounts owed for the fiscal year	Amounts paid during the fiscal year	Amounts owed for the fiscal year	Amounts paid during the fiscal year
Fixed compensation (in his capacity as Chairman and Chief Executive Officer)	892,077	892,077	na	na
Variable compensation (in his capacity as Chairman and Chief Executive Officer)	1,202,216 (1)	519,188	0	1,202,216 (1)
Fixed compensation (in his capacity as Chairman of the Board of Directors)	39 285	0	28,572	67,857
Extraordinary compensation	0	0	0	0
Directors' fees • Paid by Veolia Environnement	40,000 (2)	40,000 (2)	0	10,000 (2)
• Paid by controlled companies (3)	55,417 (2)	55,417 (2)	54 342 (2)	54,342 (2)
Benefits-in-kind (4)	2,795 (4)	2,795 (4)	0	0
TOTAL	**2,231,790**	**1,509,477**	**82,914**	**1,334,415**

na: not applicable

(1) Variable portion for 2009, paid in 2010.

(2) Directors' fees paid in respect of his position as director for the fourth quarter of the previous fiscal year and the first three quarters of the current fiscal year. Fees for the fourth quarter of the 2009 fiscal year were paid in January 2010.

(3) Directors' fees received for directorships in other companies of the Veolia Environnement Group, in France and abroad.

(4) Provision of a company car.

Total compensation paid to Mr. Antoine Frérot in his capacity as Chief Executive Officer of the Water Division and, with effect from November 27, 2009 and until December 12, 2010, as Chief Executive Officer of Veolia Environnement (after separation of the offices of Chairman and Chief Executive Officer), and, with effect from the latter date, as Chairman and Chief Executive Officer of Veolia Environnement

In the 2010 fiscal year, Mr. Antoine Frérot was paid compensation totaling €1,188,743. Mr. Frérot thus received the fixed amount of his 2010 compensation (€779,751, including arrears of compensation of €29,751 in respect of 2009, paid in 2010), together with the variable portion of his compensation in his capacity as Chief Executive Officer of the Water Division in respect of the 2009 fiscal year, paid in 2010 (€369,200). Finally, he received benefits-in-kind and directors' fees in respect of positions held with the Company and with other companies of the Group.

The following table contains a summary of compensation of all kinds. These are detailed in the following tables and, in the case of information relating to stock subscription or purchase options and performance shares, in Chapter 17, § 17.3.2 and § 17.4 below.

Table summarizing total compensation, options and shares granted to Mr. Antoine Frérot for the 2010 Fiscal Year

(in euros)	**2009 Fiscal Year**	**2010 Fiscal Year**
Total compensation owed for the fiscal year	858,970	1,552,255
Value of options granted during the fiscal year	0	0
Value of performance shares granted during the fiscal year	0	0
TOTAL	858,970	**1,552,255**

Table summarizing compensation paid to Mr. Antoine Frérot

	2009 Fiscal Year		**2010 Fiscal Year**	
	Amounts owed for the fiscal year	**Amounts paid during the fiscal year**	**Amounts owed for the fiscal year**	**Amounts paid during the fiscal year**
Fixed compensation (in his capacity as Chief Executive Officer of the Water Division)	389,193 (1)	425,000	na	na
Variable compensation (in his capacity as Chief Executive Officer of the Water Division)	369,200 (3)	184,500 (2)	na	369,200 (3)
Fixed compensation in his capacity as Chief Executive Officer of the Company (with effect from November 27, 2009)	68,453 (4)	0 (4)	750,000	779,751 (5)
Variable compensation in his capacity as Chief Executive Officer of the Company	na	na	754,063 (6)	Na
Extraordinary compensation	0	0	0	0
Directors' fees				
• Paid by Veolia Environnement	0	0	21,877	13,477 (8)
• Paid by controlled companies (7)	30,144 (8)	30,144 (8)	24,867 (8)	24,867 (8)
Benefits-in-kind (9)	1,980	1,980	1,448	1,448
TOTAL	**858,970**	**641,624**	**1,552,255**	**1,188,743**

na: not applicable

(1) For the period between January 1 and November 26, 2009 inclusive.

(2) Variable portion in respect of 2008, paid in 2009.

(3) Variable portion in respect of 2009, paid in 2010.

(4) For the period between November 27 and December 31, 2009, in his capacity as Chief Executive Officer.

(5) Includes compensation arrears of €29,751 in respect of 2009, paid in 2010.

(6) Variable portion in respect of 2010, paid in 2011.

(7) Directors' fees received for directorships in other companies of the Veolia Environnement Group, in France and abroad.

(8) Directors' fees paid in respect of his position as director for the fourth quarter of the previous fiscal year and the first three quarters of the current fiscal year

(9) Provision of a company car.

Compensation of Mr. Antoine Frérot, Chairman and Chief Executive Officer since December 12, 2010, and objectives for 2011

At its meeting on March 24, 2011 and following the recommendations of the Nominations and Compensation Committee, the Board of Directors decided to increase the fixed portion of Mr. Antoine Frérot's compensation to an amount of €900,000 for the 2011 fiscal year.

In reviewing the Chairman and Chief Executive Officer's compensation in this way, the Board of Directors took account, in particular, of the fact that he is not eligible to be granted stock options and performance shares, since the Company does not satisfy the legal requirements of Articles L. 225-186-1 and L. 225-197-6 of the French Commercial Code.

To determine the variable portion of the Chairman and Chief Executive Officer's compensation for the 2010 fiscal year, the Board of Directors decided to retain a quantitative portion of 70% and a qualitative portion of 30%.

In line with the Group's 2011 objectives, which were a positive free cash flow after payment of the dividend and increased adjusted operating income (excluding the effect of the Veolia Transport-Transdev merger) and an increase in net profits, the criteria applied to determine the quantitative portion of the Chairman and Chief Executive Officer' variable compensation involve the achievement of the budgetary objectives relating (i) on the one hand, to adjusted operating cash flow after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements (weighted at 35%), and (ii) on the other hand, to the increase in Operating Income (weighted at 35%).

The qualitative portion of 30% will be assessed having regard to the following qualitative criteria: individual and managerial performance, the implementation of Group projects creating synergies, and the promotion of actions taken in the area of safety.

Details of any stock subscription or purchase options granted to and exercised by the Chairman and Chief Executive Officer during the 2010 fiscal year, and of the Chairman and Chief Executive Officer's obligations to keep shares obtained by exercising subscription or purchase options, are described in Chapter 17, section 17.3 below.

15.1.2 Total Compensation paid to Directors[(1)]

Amount and distribution of directors' fees

Pursuant to a proposal of the Board of Directors, the general shareholders' meeting of May 7, 2009 increased the total amount of directors' fees to €825,000 (a sum calculated on the basis of fifteen directors). Taking into account the new composition of the Board and its committees, the Board applied a proportional and uniform reduction of 16% of the directors' fees awarded to Board members, to the Vice-Chairman and to the members and Chairmen of committees. Mr. Henri Proglio waived his directors' fees in respect of the 2010 fiscal year. Since 2010, provision has been made for an attendance fee: half of the amount of directors' fees due to a director is paid entirely in proportion to his or her recorded attendance (participation using telecommunication methods counting as attendance).

The Board of Directors has decided, in respect of the 2010 fiscal year, to distribute the amount of directors' fees in accordance with the following principles, on the basis of a full fiscal year, however applying a pro rata reduction in cases of nominations or terminations of office during the fiscal year:

- a total amount of €33,600 in respect of the office of director, comprising (a) a fixed amount of €16,800 and (b) a variable potential amount of €16,800 paid only in proportion to the rate of participation of the director concerned at meetings of the Board during the fiscal year;
- an additional amount of €8,400 in respect of the participation of a director as a member (and not as Chairman) of a Board committee;
- an additional amount of €84,000 for the Vice-Chairman of the Board;
- an additional amount of €67,200 for the Chairman of the Accounts and Audit Committee;
- an additional amount of €33,600 for the Chairman of the Nominations and Compensation Committee; and
- an additional amount of €16,800 for the Chairman of the Research, Innovation and Sustainable Development Committee.

In respect of the 2010 fiscal year, the *censeur* only receives half the amount of a director's fees, or €16,800 on an annual basis, half of which is only due in proportion to the rate of his or her participation in meetings of the Board.

(1) Non-management directors (mandataires sociaux non dirigeants).

Table of directors' fees received by directors (non-management directors)

The table below shows the amount of directors' fees paid in 2010 and 2009 to the members of Veolia Environnement's Board of Directors by the Company and by controlled companies. With the exception of those directors who also hold management positions, the members of the Board of Directors receive no compensation other than directors' fees from the Company and, if applicable, from controlled companies.

	Amounts paid during the 2010 fiscal year		**Amounts paid during the 2009 fiscal year**	
Director	**Paid by the Company**	**Paid by controlled companies**	**Paid by the Company**	**Paid by controlled companies**
Jean Azéma**	25,180	0	36,660	0
Daniel Bouton	94,400	0	50,000	0
Thierry Dassault, *Censeur*	6,738	0	n/a	n/a
Pierre-André de Chalendar	47,369	0	20,055	0
Jean-François Dehecq	35,200	0	40,000	0
Augustin de Romanet de Beaune**	35,200	0	40,000	0
Jean-Marc Espalioux*****	32,723	0	53,320	0
Paul-Louis Girardot	52,800	49,673	60,000	48,337
Groupe Industriel Marcel Dassault	20,215	0	n/a	n/a
Esther Koplowitz	25,200*	0	n/a	n/a
Philippe Kourilsky	52,800	0	60,000	0
Serge Michel	70,400	6,763	80,000	6,763
Baudouin Prot	35,200	0	30,000	0
Qatari Diar Real Estate Investment Company***	0	0	n/a	n/a
Georges Ralli	35,200	0	36,660	0
Paolo Scaroni	35,200*	0	40,000*	0
Louis Schweitzer	107,000	0	50,000	0
Murray Stuart****	30,000*	0	120,000*	0

N/A: Not applicable

* *Net amounts paid before withholding tax at source.*

** *Directors' fees are paid directly to the Caisse des Dépôts et Consignations and to Groupama SA, at the request of Augustin de Romanet de Beaune and Jean Azéma respectively.*

*** *Directors' fees due to Qatari Diar Real Estate Investment Company in respect of the 2010 fiscal year were the subject of a single payment made at the beginning of 2011 in an amount of €21,877, before withholding tax at source.*

**** *Murray Stuart resigned from office as director with effect from December 31, 2009. He was replaced by Esther Koplowitz, who was coopted by the Board of Directors on December 17, 2009, with effect from January 1, 2010.*

***** *Jean-Marc Espalioux's term of office as director expired on May 7, 2010.*

15.2 Compensation of executive managers who are not corporate officers (Executive Committee members)

All members of the Executive Committee in office on December 31, 2010 (see section 16.4.1 below), (excluding the Chairman and Chief Executive Officer), received gross compensation totaling €5,047,615 in 2010, compared with €4,746,062 in 2009.

The table below shows the global gross compensation paid to the members of the Company's Executive Committee in 2008, 2009 and 2010, with the exception of the Chairman and Chief Executive Officer. This amount includes fixed and variable compensation paid by Veolia Environnement, benefits-in-kind and directors' fees received by Executive Committee members in respect of directorships held in companies of the Veolia Environnement Group in France and abroad.

(in euros)	**Total fixed compensation**	**Total variable compensation**	**Directors' fees paid by Group companies**	**Benefits-in-kind**	**Total compensation**
Compensation paid in 2008	2,860,052	2,576,131 (1)	208,545	19,518	5,664,246
Compensation paid in 2009	3,326,648	1,238,406 (2)	158,600	22,408	4,746,062
Compensation paid in 2010	3,067,244	1,817,258 (3)	140,161	22,952	5,047,615

(1) Variable portion for the 2007 fiscal year, paid in 2008.
(2) Variable portion for the 2008 fiscal year, paid in 2009.
(3) Variable portion for the 2009 fiscal year, paid in 2010.

Contrary to the previous fiscal year, no profit sharing was paid in 2009 in respect of 2008. Profit-sharing of €36,000 was paid in 2010 in respect of 2009.

15.3 Retirement pensions and other benefits

There is no contract between the members of the Board of Directors and the Company or its subsidiaries that provides for the payment of benefits or compensation owed or that may be owed in the event such member ceases or changes his employment with the Company or its subsidiaries, other than the compensation in the event of a termination of the Chief Executive Officer's office and than the supplementary defined benefits group pension plan described below.

Compensation in the event of termination as Chief Executive Officer

In accordance with the recommendations of the AFEP-MEDEF consolidated corporate governance code of December 2008, the Company's Board of Directors at its meeting of December 17, 2009 took note that, effective January 1, 2010, Mr. Antoine Frérot's employment contract, which was suspended on November 27, 2009 when he was appointed Chief Executive Officer of Veolia Environnement, would be terminated. It should be noted that the termination of Mr. Antoine Frérot's employment contract causes him to lose the right under the collective bargaining agreement to receive compensation for his seniority within the Group.

Pursuant to a proposal of the nominations and compensation committee, at its meeting held on December 17, 2009, the Board of Directors decided to award Mr. Antoine Frérot compensation in the event of his termination as Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L. 225-42-1 of the French Commercial Code). Such compensation is conditioned on compliance with performance requirements, and is excluded if he is entitled to a retirement pension under the supplementary defined benefits group pension plan set up for the members of the Company's Executive Committee or if he accepts another position within the Group. Payment of this compensation is limited to situations of dismissal, non-renewal of his position or "forced departure in connection with a change of control or strategy". In accordance with the AFEP-MEDEF consolidated corporate governance code, the maximum amount of this termination compensation is twice the amount of total annual gross compensation (excluding directors' fees and in-kind benefits), including the fixed portion of compensation for the last fiscal year ("Fixed Portion") and the average variable portion of compensation ("Variable Portion") paid or owed for the last three fiscal years ended before the termination of the Chief Executive Officer ("Reference Compensation"). The amount and the fixed and variable components of this termination compensation both depend on meeting the performance objectives applied to calculate his annual variable compensation. The amount of this termination compensation is equal to twice the sum of (1) the Variable Portion of his Reference Compensation (the average of the last three fiscal years) and (2) the Fixed Portion of his Reference Compensation (last fiscal year), adjusted by a "Performance Rate" equal to the average percentage of the target bonus (also called "base bonus" or meeting 100% of annual objectives) met over the last three fiscal years ended before the termination of his position. In the event that Mr. Antoine Frérot is terminated as Chief Executive Officer before it is possible to calculate the Reference Compensation or the average Performance Rate over the last three fiscal years ended, these indicators will be calculated over the last one or two fiscal years, as the case may be, ended before the date of Mr. Antoine Frérot's termination as Chief Executive Officer.

This compensation in the event of the termination of Mr. Antoine Frérot's office was approved by the shareholders' general meeting of the Company.

Supplementary defined premiums group pension plan

In the 2010 fiscal year, Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer of the Company and as a result of the termination of his employment contract effective January 1, 2010, ceased being a member of the plan, as of that date and, as a consequence, no new contribution was paid to him in 2010.

Supplementary defined benefits group pension plan

Starting in the 2006 fiscal year, the Company set up a supplementary defined benefits group pension plan for the members of the Company's Executive Committee (salaried category 9 management employees, including corporate officers who are parties to a suspended employment contract), in line with the practices of other groups included in the CAC 40.

This supplementary pension plan is a regulated agreement subject to the provisions of Article L. 225-42-1 of the French Commercial Code. Accordingly, it was presented for authorization and approved at the annual general shareholders' meeting of May 11, 2006.

The supplementary pension plan, whose financing is outsourced to an insurance company, has the following characteristics:

- A specific plan that takes into account the cancellation of the supplementary pension plan for the benefit of the Group's executive managers after the split-up of the Vivendi and Veolia Environnement groups and the loss of seniority they had acquired through December 31, 2002 as employees of the former principal shareholder (Compagnie Générale des Eaux, which became Vivendi Universal and was thereafter renamed Vivendi);

- An additional plan that is separate from other pensions, that is based on seniority (a minimum of five years' seniority and two years' seniority as a member of the Executive Committee) and that is capped at 25% of covered compensation (for 25 years' seniority);

- A limit on total retirement benefits received set at a maximum of 50% of covered compensation (the average of the last three periods of compensation);

- Salaried management employees and senior executive management acquire a potential right to an annual retirement pension calculated as a percentage of their reference compensation up to an amount equal to 60 times the annual Social Security maximum;

- In accordance with legal requirements, the benefits of this supplementary group pension plan are conditioned on the member's completion of his career, whether he is a salaried management employee or holds a senior executive management position in Veolia Environnement.

In March 2009 (approved by the general shareholders' meeting of May 7, 2009), the rules and regulations of this plan were amended following the Company's adoption of provisions bringing it into conformity with the provisions of the AFEP-MEDEF consolidated corporate governance code recommending the termination of the employment contract of the Chairman and Chief Executive Officer. To ensure that the termination of the employment contracts of senior executive management was not detrimental to them, it was decided to amend the rules and regulations governing this plan in order to clarify the eligibility requirements of this supplementary defined benefits group pension plan for senior executive management, whether or not parties to an employment contract.

After obtaining the opinion of the nominations and compensation committee, at its meetings held on October 21 and December 17, 2009, the Board of Directors decided to make additional amendments to the rules and regulations governing the supplementary defined benefits group pension plan in order *inter alia* to include as beneficiaries members who permanently end their professional career after the age of 55 without subsequently engaging in other professional activity in accordance with legal requirements, and to entitle the beneficiaries to choose to defer the payment date of their retirement pension after exercising their retirement rights and to choose between the payment of a survivor's pension to the surviving spouse and the payment of guaranteed annuities to any person of their choice. Lastly, the annual reference compensation is now based on the average of the three highest years of gross annual compensation from among the last ten years. However, this reference compensation is limited to 60 times the annual Social Security maximum.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code, on the basis of a special report prepared by the statutory auditors, the general shareholders' meeting to be held on May 7, 2010 approved these changes to the extent they concern senior executive management.

The amount booked as provisions (cost of services rendered) for this supplementary group pension plan for 2010 is equal to the amount shown as post-employment benefits in note 39 of the notes to the consolidated financial statements (see below).

Mr. Henri Proglio[1], the Chairman of the Board of Directors, is no longer a member of this group plan. He chose to exercise his retirement rights on November 1, 2009 after having acquired more than 37 years of seniority within the Group. Due to Henri Proglio's very lengthy period of service to the Company and the rights acquired as a result of this seniority, as of this date, the annual amount of his lifetime annuity is estimated to be 37% of his annual reference compensation.

In accordance with the recommendations of the AFEP-MEDEF consolidated corporate governance code, the value of the benefits provided by the supplementary pension plan is taken into account when setting the Chairman and Chief Executive Officer's total compensation. Furthermore, the group of potential beneficiaries is not limited only to senior executive management, but also includes salaried executive managers who are members of the Company's Executive Committee. Each year, the increase in potential rights is equal to only a limited percentage of the beneficiaries' compensation. Thus, in the case of the "specific" plan, which takes into account seniority acquired until December 31, 2002 with the company's principal shareholder (Compagnie Générale des Eaux, which became Vivendi Universal and was thereafter renamed Vivendi), potential rights represent 0.4% of the beneficiary's reference compensation per year of seniority. In the case of the "additional" plan, which takes into account seniority acquired after December 31, 2002, potential rights represent 10% of the beneficiary's reference compensation after five years' seniority, including at least two years' seniority as a member of the Company's Executive Committee, and then 0.75% of his reference compensation per additional year of seniority. The reference period used to calculate benefits is average compensation calculated over several years and excludes compensation paid at the time of employment termination or retirement, as well as any other type of extraordinary compensation. Lastly, provided he is still with the Company at the time of his departure or retirement in accordance with legal requirements, the annual amount of the lifetime annuity of Mr. Antoine Frérot, the Chairman and Chief Executive Officer, might be equal to 30% of his annual reference compensation when he has retired.

Summary of the Situation as of December 31, 2010

	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 covenant not to compete**	
Senior Executive Managers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Henri Proglio, Chairman of the Board of Directors Start date of term office: 2009 ordinary general shareholders' meeting - November 27, 2009 End date of term office as Chairman of the Board of Directors: December 12, 2010		X	X (1)			X		X
Antoine Frérot, Chairman and Chief Executive Officer Start date of term office as Chief Executive Officer: November 27, 2009 End date of term office as Chairman and Chief Executive Officer: 2014 ordinary general shareholders' meeting		X (2)	X (3)		X (4)			X

(1) Henri Proglio is no longer a member, but is still a beneficiary, of the supplementary defined benefits group pension plan set up for the members of Veolia Environnement's Executive Committee (see Chapter 15.3 above).

(2) 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 effective January 1, 2010.

(3) Antoine Frérot is a member of the supplementary defined benefits group pension plan set up for the members of Veolia Environnement's Executive Committee (see Chapter 15.3 above).

(4) Pursuant to a decision adopted by the Board of Directors on December 17, 2009, Antoine Frérot is entitled to compensation in the event of termination as Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L 225-42-1 of the French Commercial Code) and the AFEP-MEDEF consolidated corporate governance code (see Chapter 15.3 above).

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(1) Chairman of the Board of Directors until December 12, 2010.

16. Operation of management and supervisory bodies

16.1 Operation of the Board of Directors

16.1.1 Principles of Corporate Governance and AFEP-MEDEF Code

The Company applies a corporate governance code in accordance with the provisions of the French Commercial Code in connection with its stock listing on the Euronext Paris market, as well as the US corporate governance principles, especially under the Sarbanes-Oxley Act, since the Company has an ADR listing on the New York Stock Exchange.

On January 7, 2009, the Company's Board of Directors took note of the consolidated version of the AFEP-MEDEF Code of December 2008 and declared that it would use that Code as a reference. The Company adheres to that corporate governance code on a voluntary basis, especially with respect to the preparation of the Chairman of the Board's report called for under Article L. 225-37 of the French Commercial Code; its practices comply with the recommendations of the AFEP and MEDEF included in their corporate governance code, as amended in April 2010 (www.medef.fr, section "corporate governance"). The Company has not set aside any provision of that code.

On April 30, 2003, following the corporate governance report by a work group chaired by Daniel Bouton, the Company's Board of Directors adapted its internal regulations and created an Accounts and Auditing Committee and Nominations and Compensation Committee with their own internal regulations (cf. § 16.2, Operation and Work of the Committees of the Board of Directors).

16.1.2 Composition of the Board of Directors

Members of the Board of Directors

As of the date of filing of this registration document, the Board of Directors has seventeen directors and one non-voting member ("*censeur*"). The list of their names and the expiration dates of their terms of office, a brief *curriculum vitae* and the table of their terms of office, including outside the Group, is featured in Chapter 14 (§ 14.1 above) and their shareholdings in the Company are shown in Chapter 17 (§ 17.5 below).

The Board members are appointed by the ordinary general meeting at the proposal of the Board of Directors which, in turn, receives the proposals of the Nominations and Compensation Committee. The Board members may be removed at any time by decision of the general meeting. Each director must own at least 750 registered shares in the Company.

The Board of Directors may appoint one or more *censeurs* under Article 18 of the Articles of Association adopted by the mixed general meeting of May 7, 2010. On that date, Thierry Dassault was appointed to the office of *censeur* by the Board of Directors for a four-year term expiring at the close of the general meeting convened to vote on the 2013 financial statements. The *censeur*'s mission is to attend the Board of Directors' meetings in a non-voting advisory capacity, and the Board may freely ask the *censeur* for advice.

The Company's Board of Directors has no employee-elected members, but two members of the Company's Works Council attend the Board of Directors' meetings in a non-voting advisory capacity.

Renewal of the Board Members' Terms of Office

In accordance with the AFEP-MEDEF Code, Article 11 of the Company's Articles of Association provides for a four-year term of office for directors and annual renewal of the terms of one fourth of the Board members.

The mixed general meeting held on May 7, 2010 renewed the terms of office of five directors (Daniel Bouton, Jean-François Dehecq, Paul-Louis Girardot, Serge Michel and Georges Ralli), ratified the nomination of Esther Koplowitz, and appointed three new directors: Antoine Frérot and the companies Groupe Industriel Marcel Dassault and Qatari Diar Real Estate Investment Company. The terms of office of four of those directors, Jean-François Dehecq, Esther Koplowitz, Serge Michel and Georges Ralli will expire at the close of the general meeting convened to vote on the financial statements of the 2012 fiscal year; those members were selected by drawing lots as determined by the Board meeting held on August 5, 2010. The terms of office of four other directors, Jean Azéma, Pierre-André de Chalendar, Baudouin Prot and Louis Schweitzer will expire at the close of the general meeting of May 17, 2011.

Applying the principal of equal representation of men and women

The Nominations and Compensation Committee has taken note of the provisions of the Law of January 27, 2011 providing for equal representation for women and men on Boards of Directors. In accordance with that law and the AFEP-MEDEF Code as amended in April 2010, the Nominations and Compensation Committee shall make recommendations to the Board in order to propose the nomination of an increased number of women to the Board on the occasion of future annual general shareholders' meeting. As of the date of filing of this registration document, the Board has one woman among the directors, accounting for 5.9% of the total Board members.

Selection criteria for directors

The Board of Directors' Nominations and Compensation Committee advises the Board on the selection of candidates for the purpose of renewing the composition of the Board of Directors based on the following criteria, in particular: management skills acquired in major French and foreign international corporations, familiarity with its sector of activity, professional experience, financial and account expertise and sufficient availability. The Board is striving to diversify the profiles of its members, of both French and foreign nationality, particularly by increasing the number of women over the coming years, while making sure to bring about a balance among the various stakeholders in the Company. As of the date on which this registration document was filed, the Board had three directors of foreign nationality, accounting for 17.6% of the total (Esther Koplowitz is Spanish, Paolo Scaroni is Italian, and Dr. Mohd Alhamadi is Qatari).

16.1.3 Independence of the Directors

Criteria of independence of the directors

According to the terms of the internal regulations of the Board of Directors, members are considered independent if they have no relationship with the Company, its Group or its management that might compromise their ability to exercise their judgment objectively. According to the internal regulations, which adopt the criteria stipulated by the AFEP-MEDEF Code, an independent director must:

1. not be an employee or have been a member of the Company's Management Board, director or member of the executive management of its former parent corporation or of any of the companies that it consolidates, nor have held any such position within the past five years;

2. not be a director or executive officer of any company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such or a director or executive officer of the Company (now or within the past five years) holds or held a directorship;

3. not be a customer, supplier, investment banker or commercial banker that is material for the Company or its group or for which the Company or its group represents a significant part of the activity (nor be directly or indirectly linked with such a person);

4. not have any close family ties with a director or executive officer;

5. not have been an auditor of the Company within the past five years;

6. not have been a member of the Supervisory Board or director of the Company within 12 years before the date on which his current term of office was conferred.

In the case of directors holding ten percent or more of the Company's capital or voting rights or representing a juridical person with such shareholdings, the Board, based on a report from the Nominations and Compensation Committee, shall decide whether or not they are independent, taking into account the composition of the Company's capital and the existence of any potential conflicts of interest.

Those criteria are to be evaluated and weighed by the Board of Directors because it may decide that a director who does not meet the criteria defined in the internal regulations may nevertheless be characterized as independent in light of his particular situation or that of the Company, in light of its shareholding structure or any other reason, or vice-versa.

The internal regulations also stipulate that the Board of Directors shall proceed each year, before publishing the registration document, to the evaluation of the independence of each of its members based on the criteria set by said regulations, special circumstances, the situation of the person in question, of the Company and of the Group and the opinion of the Nominations and Compensation Committee.

Evaluation of the independence of the directors

The Board of Directors, in its meeting held on March 24, 2011, performed the annual review of the independence of the directors after hearing the opinion of the Nominations and Compensation Committee. The Board characterized the following members as independent: Jean Azéma, Daniel Bouton, Pierre-André de Chalendar, Jean-François Dehecq, Paul-Louis Girardot, Groupe Industriel Marcel Dassault represented by Olivier Costa de Beauregard, Baudouin Prot, Qatari Diar Real Estate Investment Company represented by Mohd Alhamadi, Paolo Scaroni, Louis Schweitzer and Esther Koplowitz.

With regard to the banking relationships between Veolia Environnement and BNP Paribas, of which Baudouin Prot is a director and Chief Executive Officer, the Board of Directors considered that Veolia Environnement's solid financial position, the fact that it does not rely on bank financing and the Company's limited stake in that bank's business activities enabled it to consider that Baudouin Prot is an independent director on the Company's Board. The Board characterized as independent Qatari Diar Real Estate Investment Company, represented by Dr. Mohd Alhamadi, since there have been no significant business relations between the Company and that director. That situation will be re-examined in 2012. The Board characterized Paul-Louis Girardot as an independent director because of the time that has elapsed since he ceased to exercise his duties as Chief Executive Officer of the former lead company of the Water Division.

The other directors deemed to be independent do not have any business relations with the Company, or do not have significant business relations that are likely to compromise their ability to exercise their judgment objectively.

Thus, as of the date this registration document was filed, the Company's Board of Directors had eleven independent members, accounting for 64.7% of the total, which is even higher than the percentage recommended by the AFEP-MEDEF Code.

16.1.4 Powers and Work of the Board of Directors

Powers of the Board of Directors

In accordance with the law, the Board of Directors establishes the policies concerning the Company's business and supervises the implementation thereof. Subject to the powers expressly granted by law to shareholders' meetings and within the limits of the corporate purpose, the Board of Directors has the authority to consider all issues concerning the proper operation of the Company and, by its deliberations, resolves matters which 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 (*président-directeur général*) be submitted for the Board of Directors' prior approval. These internal limitations of authority are described below (cf. § 16.3.2).

Frequency, duration and participation in the meetings

According to its internal regulations, the Company's Board of Directors must meet at least four times a year. In the 2010 fiscal year, it met eleven times (versus fourteen times in 2009), and the average duration of the Board meetings was 2 hours and 15 minutes (versus 2 hours in 2009). The average attendance rate of the Board members was 83.6% in 2010 (versus 85.9% in 2009). The option of participating by means of remote transmission was exercised on the occasion of nine meetings out of eleven in 2010 (versus ten meetings out of fourteen in 2009).

Work of the Board of Directors in 2010

The activities of the Board of Directors in 2010 were mainly divided among the following subject areas: review of the budget, annual and semi-annual financial statements, and reporting on the financial statements of the first and third quarters, as well as financial communications; proposed allocation of income and share-based dividend payments; convening and reports/resolutions to be submitted to the annual mixed general meeting; advising on the Company's policy concerning systems to motivate the Group's managers and executives (stock options, bonus shares) and a capital increase reserved for employees; granting of stock subscription options to senior management other than executive officers; presentation of the strategy (long-term plan) and human resources policy of the Group and review of the activities of the Environmental Services Division; reports by the chairpersons on the work of each of the committees; financial and legal authorizations granted to the Chairman and Chief Executive Officer (*président-directeur général*), and the renewal thereof. The Board examined the Group's significant guarantees and transactions and, where applicable, granted the corresponding authorizations.

On issues of corporate governance, the Board's work focused in 2010 on the policy and setting the compensation of the the Chief Executive Officer and the examination of the policy applicable to the Executive Committee, evaluating the independence of the directors, evaluating internal controls and approving the Chairman's report; renewing by the general meeting of part of the Board members and appointing additional directors, appointing a *censeur* and reviewing the internal regulations of the Board; changing the composition of the committees; distributing the directors' fees; reviewing the internal regulations of the Accounts and Audit Committee as recommended by the French Regulatory Authority (AMF) in 2010; re-combining the duties of Chairman of the Board and Chief Executive Officer.

In 2010, the Board of Directors was regularly informed of the changes in the merger between Veolia Transport and Transdev and the main commercial developments. The Board of Directors, thanks to a system of reporting to the Board and the reports from the Accounts and Audit Committee, was periodically informed of the changes in the body of shareholders, the Group's financial situation and cash position, the off-balance sheet commitments of the Company and of the Group, as well as significant litigation. The Chief Finance Officer, the Secretary General and the Legal Manager participated in the Board meetings in 2010.

Executive management strove to provide the directors more promptly with the documents concerning the Board meetings and all the significant information about the Group's activities, and to ensure the communication of any relevant information between the Board meetings. The directors receive a monthly report on the stock prices and the follow-up on the analysts' recommendations. Every six months, executive management provides the directors with in-depth documentation regarding the business activities, market trends and their context, and the actions undertaken by the Group.

Evaluation of the Board and of the actions of Executive Management

Once a year, the Board is required to include a matter of business on its agenda providing for an evaluation of its operations prepared by the Nominations and Compensation Committee and a discussion of its operations for the purpose of improving its efficiency, ensuring that important issues are adequately prepared and discussed during Board meetings and assessing the actual contributions of each member to the Board's work. In addition, the Board's internal regulations provide that a formal evaluation must be carried out every three years by an outside organization, under the direction of the Nominations and Compensation Committee for the purpose of ensuring that the Board complies with the principles governing its operations and studying proposals intended to improve its operations and efficiency. Each year, the Nominations and Compensation Committee provides the Board of Directors with a report evaluating the performances of the Chairman and of the directors, as well as the actions of executive management, which the Board discusses.

At the Board meeting of December 17, 2009, the Chairman of the Nominations and Compensation Committee reported on the conclusions of the informal evaluation performed as of that date: the directors considered that the organization and operating were satisfactory and that they had the necessary information to participate effectively. Approaches to possible improvements were proposed, however, which the Company followed up on Thus, the Company improved the reporting on major topics and systematized the Board's follow-up of decisions made and specific requests. In accordance with the requests formulated in the conclusions of that evaluation, one of the meetings in 2010 was devoted to an in-depth presentation of the strategy of executive management. The composition of the Board was deemed satisfactory by all the directors, provided that an independent female director was appointed: Esther Koplowitz was co-opted in accordance with the evaluation of 2009. The directors considered that the committees operated in a satisfactory manner. With respect to composition, the Board appointed in 2010 an additional member to the Accounts and Audit Committee and to the Nominations and Compensation Committee, in response to a request made in that informal evaluation.]

In accordance with the internal regulations, a formal evaluation by an external entity was initiated in late 2010 by the Chairman of the Nominations and Compensation Committee, and its conclusions were presented to the Board on March 24, 2011. The vast majority of the directors stated that they were generally satisfied with the operation of the Board, the conditions of preparation of the meetings and the conducting of the debates by the new Chairman of the Board. All of them approved reuniting the positions of Chairman and Chief Executive Officer in December 2010. Nevertheless, some approaches to improvements were suggested; at the proposal of the Nominations and Compensation Committee, after discussion, the Board reached the following main conclusions: first of all, once a year, starting in 2011, an in-depth session will be held in the form of a seminar, essentially devoted to Group strategy, with the participation of the Executive Committee. Secondly, the Nominations and Compensation Committee will present to the Board its thoughts and recommendations on the size and composition of the Board, providing, in particular, for an increase in the number of women directors and proposing, where applicable, more balanced representation of the various stakeholders of the Company. Thirdly, executive management shall develop the information given to the directors in terms of competition concerning the Company's activities and make sure to give periodic reports to the Board on the key issues raised during the "road shows". Lastly, concerning the committees, the Board wishes to be better informed of their annual work schedule at the beginning of the year as well as for there to be a heightening of the risk review by the Accounts Committee. Concerning the Research, Innovation and Sustainable Development Committee, it was decided to eliminate the word "strategic" from its name in order to clarify the purpose of the missions entrusted to it.

16.1.5 Role of the Chairman of the Board of Directors

The internal regulations of the Board clarify the role of the Chairman of the Board of Directors.

The Chairman of the Board of Directors organizes and directs the work of the Board and reports thereon to general shareholders' meetings. He is responsible for preparing reports on the organization of the Board's work, internal controls and risk management. He chairs general shareholders' meetings.

In general, the Chairman of the Board of Directors ensures the proper operation of the Company's corporate bodies and compliance with good governance principles and practices, in particular regarding the committees created within the Board. He ensures that the directors are in a position to perform their duties and that they are adequately informed. He devotes the time necessary to issues concerning the Group's future and, in particular, issues concerning the Group's strategy.

In accordance with the internal regulations, the directors and the Chief Executive Officer are required to promptly inform the Chairman and the Board of all conflicts of interest, even if only potential, and of all proposed agreements that may be made by the Company in which they may have a direct or indirect interest.

The Chairman of the Board chairs Board meetings and prepares and coordinates the Board's work. In this regard, he:

- convenes Board meetings in accordance with the schedule of meetings agreed upon with the directors and decides if it is necessary to convene Board meetings at any other time;
- prepares the agenda for meetings, supervises the preparation of documentation to be provided to the directors and ensures that the information therein is complete;
- ensures that certain subjects are discussed by the committees in preparation for Board meetings and ensures that the committees perform their duties of making recommendations to the Board;
- leads and directs the Board's discussions;

- ensures the directors' compliance with the provisions of the internal regulations of the Board and of the committees;

- monitors implementation of the Board's decisions;

- in conjunction with the Nominations and Compensation Committee, prepares and organizes the Board's periodic evaluation work.

The Chairman has the necessary means of performing his duties.

16.1.6 Vice-Chairman (Senior Independent Director)

Appointment of a Vice-Chairman (Senior Independent Director)

The Board elects one of its natural-person members as Chairman and another, if so desired, as Vice-Chairman, for a term not to exceed the duration of their terms of office as directors. On October 21, 2009, the Board of Directors decided to create the position of Vice-Chairman to assist the Chairman with his duties to ensure proper operation of the Company's governing bodies, on the British model of the "Senior Independent Director". In accordance with the internal regulations of the Board, the Senior Independent Director is chosen from among the directors characterized as independent for the duration of his term of office of independent director. The Board appointed the independent director Louis Schweitzer to assume that position of Vice-Chairman, effective November 27, 2009.

Role of the Vice-Chairman

The internal regulations of the Board specify the role of the Vice-Chairman of the Board of Directors.

In addition to the role conferred on him by the Company's Articles of Association, the Vice-Chairman's duties include helping the Chairman ensure that the Company's governing bodies run smoothly. In this regard, the Vice-Chairman examines, in particular, conflicts of interest, including potential conflicts of interest, that may involve the Chairman of the Board with regard to the interests of the Company, whether they arise in connection with operational projects, strategic policies or specific agreements. The Vice-Chairman submits his recommendations to the Chairman and the Board after any necessary consultation with the other independent directors.

The Vice-Chairman is informed of the concerns of major shareholders not represented on the Board regarding governance issues and ensures that such concerns are addressed. If necessary, and in agreement with the Chairman of the Board, the Vice-Chairman may also himself respond to questions of major shareholders or meet with them if the ordinary avenues for doing so (i.e., the Chairman, the Chief Executive Officer or the Chief Finance Officer) have been unable to handle such concern or if the nature itself of the matter renders these ordinary avenues inadequate or inappropriate.

In connection with the evaluation of the Board's operations pursuant to its internal regulations, the Vice-Chairman assists the Nominations and Compensation Committee in its work of evaluating the performance of the Chairman of the Board.

16.1.7 Securities trading by Directors and Executive Officers

Reporting Obligations, Prohibition of Securities Trading

According to the Board's internal regulations, every director or *censeur* must report to the AMF and to the Company all transactions performed with regard to the Company's securities and comply, in particular, with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the general regulations of the AMF. The members of the Board of Directors and the Company's management personnel or "high officers", and their close personal relations, shall report all acquisitions, sales, subscriptions or trades in the Company's securities and financial instruments to the AMF, within five trading days after completion.

Moreover, the directors and executive officers are subject to French and US regulations concerning the associated violations and the crime of insider trading and which stipulate that the use or disclosure of inside information is a punishable offence. In accordance with Article L. 621-18-4 of the French Monetary and Financial Code, 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 (cf. § 4.2.3.1 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 semi-annual financial statements, and the two-week period up to and including the date of publication of quarterly financial information, or even outside of those periods so long as they possess insider information. In order to prevent any difficulties related to applying the code of conduct, the individuals in question should consult with the Company's Secretary General.

Shareholding obligation of Directors and Executive Officers

In accordance with Article L. 225-185 of the French Commercial Code, the Company's Board of Directors decided on March 29, 2007, at the proposal of the Nominations and Compensation Committee, to apply a rule to require its Chairman and Chief Executive Officer to set up a Veolia Environnement share portfolio equal to 50% of the balance of the shares that result from exercising options after payment of tax (capital gains and mandatory social security withholdings) 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 to be set up and the tax). That rule has not been applied in practice, as the performance criterion set in the 2007 stock options plan has not been satisfied and considering that no options or performance shares have been awarded to the Company's directors and executive officers since that date. The rule may be reassessed by the Board in the future.

16.1.8 Other information about the operating of the Board

This section summarizes 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 obligations such as acting in the Company's best interests, informing the Board of any situation of conflict of interest, even if merely potential, refraining from voting on any decisions in which they may have a conflict of interests; exercising their duties in accordance with the statutory provisions, notably those concerning the limitations of terms of office, and to regularly attend the Board and committee meetings; being informed in order to be able to deal effectively with the agenda items; to maintain genuine professional secrecy and fulfill their obligations of loyalty; 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 made by an intermediary on their behalf.

Each director receives a periodically updated "Director's Guidebook" that mainly includes the following documents: the Company's Articles of Association, a summary of the Chief Executive Officer's powers, the internal regulations of the Board of Directors, of the Accounts and Audit Committee and of the Nominations and Compensation Committee, the Company's code of conduct with respect to securities transactions, with a summary of the rules applicable to the reporting obligations of directors and executive officers for transactions performed with regard to the Company's securities, and the "Ethics, Commitment and Responsibility" Charter.

Information Provided to Directors

The Chairman provides directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman constantly provides the members of the Board with all significant information concerning the Company. Each director receives and has the right to request all necessary information to perform his duties, and may also request additional training concerning the specificities of the Company and the Group.

In order to fulfill their duties, the directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

In the event that the Chairman's duties are separated from those of the Chief Executive Officer, the internal regulations of the Board of Directors provide that the non-director Chief Executive Officer is automatically invited to all Board meetings, unless the Chairman or the Board decides otherwise. At the request of the Chairman or of a director, the heads of the Group's divisions may be invited to any Board meeting devoted to the prospects and strategies of their business sector.

Participation by means of telecommunications

Directors may participate in the Board votes by videoconference or other means of telecommunications, under the conditions set out in Articles L. 225-37 and R. 225-21 of the French Commercial Code and as provided by the internal regulations of the Board of Directors. In such case, directors are deemed 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 2010 are stated in Chapter 15, § 15.1.2 above.

16.2 Operating and work of the Committees of the Board of Directors

Ever since the Company adopted a mode of governance as a joint stock company with a Board of directors (*société anonyme à conseil d'administration*) on April 30, 2003, the Company's Board of Directors has been assisted by an Accounts and Audit Committee and a Nominations and Compensation Committee, as well as a Committee for Research, Innovation and Sustainable Development since September 14, 2006.

16.2.1 The Accounts and Audit Committee

Operations and composition of the Committee

The Accounts and Audit Committee is held at the initiative of its own Chairman or at the request of the Chairman of the Board of Directors at least five times per year to review the periodic and annual financial statements before their submission to the Board of Directors. In 2010, the Accounts and Audit Committee met seven times (as in 2009). The average rate of attendance in 2010 was 100% (versus 92% in 2009).

The Accounts and Audit Committee has three to five members appointed by the Board of Directors from among the directors (excluding those directors in management positions) pursuant to a recommendation made by the Nominations and Compensation Committee. The Board appoints the Committee Chairman.

As of the date this registration document was filed, this committee has four independent members, as required by the internal regulations of the Board of Directors: Daniel Bouton (Chairman), Pierre-André de Chalendar, Paul-Louis Girardot and Groupe Industriel Marcel Dassault, represented by Olivier Costa de Beauregard.

Daniel Bouton has been chairing the Accounts and Audit Committee since January 1, 2010. On May 7, 2010, the Board of Directors appointed a new member of the Accounts and Audit Committee: Groupe Industriel Marcel Dassault, represented by Olivier Costa de Beauregard.

According to the internal regulations of the accounts and audit committee, its members are required to be chosen on the basis of their financial or accounting expertise and at least one committee member must have specific financial or accounting expertise and be independent under the criteria specified in the internal regulations of the Board of Directors. On March 24, 2011, the Board of Directors deemed all the committee members to be financial experts within the meaning of the U.S. Sarbanes-Oxley Act and applicable French legislation, on the grounds that they possessed the necessary expertise and experience. All of the committee's members are considered to be independent under the criteria set forth in the New York Stock Exchange Manual.

Duties of the Committee

The duties of the Accounts and Audit Committee, which had already taken into account U.S. laws and regulations concerning the assessment of internal controls of financial and accounting information, were changed by the Board of Directors on March 24, 2009, and then on November 9, 2010, to take into account the Order of December 8, 2008 implementing into French law the Eighth Directive on Statutory Audits of Corporate Financial Statements (Directive 2006/43/EC), which have been applicable to the Company since September 1, 2010, as well as the AMF recommendations of July 2010, arising out of the work group's conclusions.

In general, the Accounts and Audit Committee is responsible for monitoring issues concerning the preparation and control of accounting and financial information and, in particular, for monitoring (i) the integrity of the Group's financial statements and the process for preparing financial information; (ii) the effectiveness of internal control systems concerning financial and accounting information and the Group's risk management systems that are expressed in the accounting system or identified by executive management and that might affect the financial statements; (iii) the Group's compliance with statutory and regulatory requirements, to the extent relevant to financial reporting or internal control; (iv) evaluation of the auditors' skills and independence; and (v) the performance of their duties by the Group's internal audit department and the auditors with respect to auditing the individual and consolidated annual financial statements. In this regard, the duties of the Committee are:

a) Process of preparing accounting and financial information: (i) together with the auditors, reviewing the relevance and consistency of the accounting methods used to prepare the individual or consolidated financial statements, examining whether major transactions are adequately processed on a Group-wide level; (ii) reviewing the scope of the consolidated companies and the procedures of collecting financial and accounting information and interviews and seeking the explanations and comments of the auditors in this respect, where necessary; (iii) giving an opinion on the draft semi-annual and annual individual and consolidated financial statements prepared by executive management before those statements are presented to the Board; (iv) interviewing the 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) taking cognizance of and expressing an opinion on the process of preparing press releases on the occasion of publication of the annual or semiannual 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 semiannual financial statements, making sure that the presentation of this financial information to the market is consistent with the information in the financial statements, according to the information in its possession.

b) Internal Audit: (i) taking cognizance of the Company's audit charter; (ii) examining once a year the Group's annual internal audit program; (iii) periodically receiving information from the Company with regard to the progress in the program to audit and assess the internal control system (cf. section 404 of the Sarbanes-Oxley Act) and risk management, 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) hearing a report from the head of the internal audit department and giving its opinion on the organization of the work of his department.

c) Effectiveness of the internal control and risk management systems, within the framework in particular of the provisions of Section 404 of the Sarbanes-Oxley Act (evaluation of the effectiveness of the internal control procedures regarding the financial and accounting information) and Article L. 823-19 of the French Commercial Code (cf. Order of December 8, 2008 having implemented the Directive concerning the statutory auditing of the financial statements): *Concerning the monitoring of the effectiveness of the internal control systems:* (i) periodically receiving information from the Company about the organization and procedures of internal control with respect to the financial and accounting information; (ii) interviewing the head of the internal control department and giving its opinion on the organization of the work of his department; (iii) hearing an annual report from the Ethics Committee on the whistleblowing system available to employees with respect to accounting, finance, management audits and control; having significant matters referred to it by the Ethics Committee in said fields and ensuring the follow-up of those cases with it. Concerning monitoring of the effectiveness of the system of managing the risks expressed in the accounting statements or those identified by executive management that may have an effect on the financial statements: (iv) periodically examining the mapping of the main risks identified by executive management that might affect the financial statements; (v) taking cognizance of the main characteristics of the systems of managing those risks and the results of their operation, based in particular on the work of the risk management department, the internal audit department and the auditors in relation to the internal control procedures; and (vi) following up the implementation of corrective actions in relation to any identified weaknesses that might have an impact on the financial statements.

d) Auditors: (i) reviewing on an annual basis the auditors' planned work; (ii) interviewing the auditors and the officers in charge of finances, accounting and treasury, in certain cases, without the presence of the members of the Company's executive management; (iii) supervising the procedure for choosing auditors and making recommendations thereon; (iv) giving its opinion regarding the amount of fees requested by the auditors; (v) giving its prior approval to activities of the auditors that are strictly ancillary or directly complementary to the audit of the financial statements; and (vi) being informed of the fees that the Company and the Group pay to the audit firm and network and 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 auditors and reviewing together with the auditors any risks threatening their independence and the precautionary measures to be taken to reduce such risks.

Committee Activities in 2010

In 2010, 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 Chairman of the Committee to the Board of Directors. Moreover, the Committee Chairman reported on its activities for 2009 during the Board Meeting held on March 24, 2010.

The Accounts and Audit Committee proceeded to review the annual and semiannual financial statements and the associated business report, as well as the quarterly business reports and financial information. It reviewed the main accounting options and asset impairment tests. Pursuant to the provisions of Section 404 of the Sarbanes-Oxley Act, the Committee read the summary of the internal control activities and evaluation for the 2009 fiscal year, certified by the auditors, and examined the 20-F report for 2009. It examined the fraud reporting and reviewed the plan of action for fraud prevention, as well as the report on the activities of the Ethics Committee. The Accounts and Audit Committee then examined the summaries of the internal audit assignments performed in 2009 and the first half of 2010, and approved the internal audit program for 2011. The Committee periodically reviewed the plans of action for the evaluation of the internal control of 2010 and the progress of the activities implemented by the Company in 2010. The Committee approved the auditors' assignments and budget for the 2010 fiscal year, and reviewed the state of their terms of office and independence, the organization of their work and recommendations.

Moreover, together with the Company's managers, the Committee reviewed the key processes involved in its duties: risk management system, treasury and financing, investment, working capital, off-balance sheet commitments, taxes, lawyers reports on major disputes, and the IT systems. The Committee was presented with a report regarding the efficiency plan, the merger between Veolia Transport and Transdev, and proceeded to perform post-acquisition reviews. The Committee was also informed of the state of progress in the deployment of internal control software and of the review of the Company's annual reports by the French and US regulators. The Committee performed a financial review of the Transportation Division and the Energy Services Division and reviewed the high-risk contracts. The finance officers gave a presentation to the Committee regarding changes in accounting standards. The Committee proposed to the Board of Directors a partial amendment of its internal regulations pursuant to the Order (*ordonnance*) of December 8, 2008 and the AMF recommendations of July 2010.

The Committee may interview persons outside the Company if it deems such interviews of use to the performance of its duties. In addition, the committee may consult with outside experts. It may also interview the Company's financial officers or the auditors without the presence of the Chief Executive Officer. Accordingly, during the past fiscal year, the Chairman of the Accounts and Audit Committee and/or the committee members interviewed and met with the Chief Finance Officer, the financial services manager, the management process and systems manager, the Group's internal audit manager, the Secretary General, the legal director, the risk management manager, and the auditors. The committee did not call upon outside consultants in 2010.

16.2.2 The Nominations and Compensation Committee

Operations and composition of the Committee

The Nominations and Compensation Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors, and at least twice a year. In 2010, the Nominations and Compensation Committee met six times (compared to eight times in 2009). Its members' average attendance rate was100% (100% in 2009).

In accordance with its internal regulations, the Nominations and Compensation Committee has between three and five members, who are appointed by the Board of Directors pursuant to a proposal of the Nominations and Compensation Committee. The committee members are selected from among the directors who do not hold management positions. The Chairman of the Committee is appointed by the Board.

As of the date this registration document was filed, this committee has four members, three of whom are independent (*) on the basis of the criteria set forth in the Board's internal regulations: Serge Michel (Chairman), Daniel Bouton (*) and Louis Schweitzer (*), and Groupe Industriel Marcel Dassault, represented by Olivier Costa de Beauregard (*).

The Board of Directors appointed an additional member of the Nominations and Compensation Committee, Groupe Industriel Marcel Dassault, represented by Olivier Costa de Beauregard, effective on May 7, 2010.

(*) *Independent members.*

Duties of the Committee

The main duties of the Nominations and Compensation Committee are as follows:

a) Compensation: (i) studies and makes proposals regarding the overall compensation of the Company's directors and executive officers, in particular with regard to the rules and criteria governing the variable portion of compensation consistent with the annual evaluation of their performances and the medium-term strategy and performance of the Company and the Group, as well as regarding the granting of in-kind corporate benefits, stock purchase or subscription options and allocation of bonus shares, pension plans, termination compensation and any other benefits, ensuring that all such components are taken into account in evaluating and setting their overall compensation; (ii) proposes to the Board of Directors an overall amount of directors' fees to be paid to the directors, as well as the rules for the distribution thereof; (iii) gives the Board of Directors its opinion regarding the general policy and terms and conditions for granting stock purchase or subscription options, allocation of bonus shares and setting up employee stock ownership plans, as well as the provisions for sharing the performances of the Company or Group with employees; (iv) makes 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) makes proposals to the Board concerning the obligation of the Company's directors and executive officers to keep shares obtained by exercising stock purchase or subscription options or, if applicable, the allocation of bonus shares; and (vi) gives its opinion concerning the compensation policy with regard to the Company's key managers who are not also directors or executive officers of the Company or of other companies of the Group.

b) Nominations: the Committee is charged with making recommendations regarding the future composition of the Company's management bodies and, most importantly, is responsible for selecting the Company's directors and executive officers and a succession plan and it recommends the appointment of directors, as well as the members and Chairman of each committee of the Board, 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-a-vis any specific shareholder or group of shareholders. The committee gives its opinion on the succession plan for the Company's key managers who are not also directors or executive officers of the Company. The Nominations and Compensation Committee strives to ensure that at least (i) one-half of the directors on the Board of Directors, (ii) two-thirds of the members of the Accounts and Audit Committee and (iii) one-half of the members of the Nominations and Compensation Committee are independent directors. Each year, the Nominations and Compensation Committee conducts a case-by-case evaluation of each of the directors with regard to the independence criteria as set forth in the internal regulations of the Board of Directors and makes proposals to the Board of Directors for the Board's review of the situation of each director in question.

c) Evaluation: The Nominations and Compensation Committee assists the Board in its periodic evaluation work. It prepares the Board's annual evaluation of its organization and operations and leads the formal evaluation 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, which the Board discusses. Lastly, each year, the key managers who are not also directors or executive officers of the Company have a meeting and interview with each member of the committee.

Activities of the Committee in 2010

In 2010, the activities of the Nominations and Compensation Committee were devoted to recombining the duties of Chairman and Chief Executive Officer, appointing three new directors, appointing new members to the Accounts and Audit Committee, the Nominations and Compensation Committee and the Committee for Research, Innovation and Sustainable Development; preparing proposals and recommendations for the Board concerning the compensation of the Chief Executive Officer and Executive Committee (setting the variable portion for 2009 and the fixed portion for 2010, criteria for calculating the variable portion for 2010), examining the proposals with regard to the compensation of the Executive Committee members, stating its opinion on the policy with respect to awarding stock-options and employee stock ownership, issuing conclusions and follow-up on the informal evaluation of the operation of the Board of Directors and its committees, assessing the independence of the directors, distributing the directors' fees among the directors and reviewing those fees in light of the changes in the composition of the Board, as well as reviewing the Board's internal regulations.

16.2.3 Research, Innovation and Sustainable Development Committee

Operations and composition of the Committee

In accordance with its internal regulations, the Committee for Research, Innovation and Sustainable Development 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. During the 2010 fiscal year, the committee met six times (compared with seven times in 2009). Its members' average attendance rate was 100% (compared with 85.7% in 2009).

The Research, Innovation and Sustainable Development Committee has three to five members, who are appointed by the Board of Directors pursuant to recommendations made by the Nominations and Compensation Committee. The Chairman of the Committee is appointed by the Board of Directors on the basis of a proposal made by the Chairman of the Board.

As of the date this registration document was filed, this committee had three members, who were appointed by the Board of Directors on September 14, 2006, two of whom are independent [(*)]: Philippe Kourilsky (Chairman), Paul-Louis Girardot [(*)] and Pierre-André de Chalendar[(*)], whom the Board appointed a member of this Committee as from May 7, 2010.

Duties of the Committee

The duties of the Research, Innovation and Sustainable Development Committee are to assess the research and development and sustainable development strategies and policies proposed by the Company and the Group departments responsible officers and to state its opinion to the Board of Directors.

The Committee is informed of programs and priority actions undertaken and it evaluates the results thereof. In particular, it keeps abreast of the budgets and staff levels and gives its opinion regarding the allocation of means and resources and whether they are appropriate in light of strategic choices made.

The Committee's main contacts are the Company's Chairman of the Board of Directors, Executive Management and Executive Committee, the Group's research, innovation and development and sustainable development departments, as well as any other manager within the Company who has information or opinions that may be of use to the committee.

(*) Independent members.

The Committee may also interview persons outside the Company if it deems such interviews of use to the performance of its duties. In addition, the committee may consult outside experts.

Activities of the Committee in 2010

In 2010, the Research, Innovation and Sustainable Development Committee interviewed the heads of the Company's R&D subsidiary VERI (Veolia Environnement Recherche et Innovation), and of the Divisions (executive managers and technical and developmental managers). Each of those entities had completed a quantitative and qualitative questionnaire in advance. Following a consolidation meeting in the presence of the Chief Executive Officer, the Chairman of the Committee reported on the Committee's activities in 2010 at the Board of Directors' meeting on December 16, 2010. In 2010, the Committee reviewed, in particular, the human resources and budgets devoted to innovation and sustainable development, whose teams and duties were built up over the course of the year; the new matrix structure of R&D was assessed, along with the development of the oversight system, particularly through the Veolia Innovation Accelerator; and the process of the reporting of the field innovations and interfacing of the R&D projects with the Divisions or lines of business. The Committee also tackled the issue of cross-Divisional coordination regarding innovation and the deployment of the innovations and industrialization of the R&D findings, as well as more strategic brainstorming on the trend in the innovation and the Group's lines of business.

16.3 Executive Management

16.3.1 Method of exercise of executive management

As a French joint stock company (*société anonyme*) with a Board of Directors, the Company is legally entitled to opt for either a separation of the duties of the Chairman and of the Chief Executive Officer or to have a single person hold those positions. As mentioned in the AFEP-MEDEF corporate governance code, the law indicates no preference between those two options, and it is the Board of Directors' prerogative to choose between the two methods of executive management in accordance with their specific requirements.

The Company's Board of Directors decided to entrust the executive management of the Company to Antoine Frérot (cf. § 14.1), whose term of office began on November 27, 2009 and was extended on December 12, 2010 to the close of the general meeting convened to vote on the financial statements of 2013. At the same Board meeting of December 12, 2010, the Board took note of the resignation of Henri Proglio from the Chairmanship and decided, on the recommendation of the Nominations and Compensation Committee, to change the mode of exercise of the Company's executive management and voted in favor of combining the duties of Chairman of the Board with those of the Chief Executive Officer, for the following reasons:

- Henri Proglio held the combined duties of Chairman and Chief Executive Officer from 2003 to the end of 2009 and that mode of management proved to be perfectly effective at Veolia Environnement during that period;

- the changes in the Company's governance resulting from the appointment of Henri Proglio as Chairman and Chief Executive Officer of EDF had been the subject of an in-depth review by the Board in 2009. The Board had decided that it was in the interest of the Company and its shareholders to separate the duties of Chief Executive Officer from those of the Chairman of the Board of the Company in order to maintain the Company's continuity and stability vis-a-vis its customers and employees during a transition period;

- this combined mode of governance ensures unified management that is more suitable and effective within a decentralized group such as Veolia Environnement. It is also more tightly knit and responsive, since it simplifies the processes of decision-making and responsibility;

- the internal regulations of the Board of Directors and the presence of independent directors on the Board offer all the guarantees necessary for the exercise of the combined mode of management in accordance with the practices of good governance;

- finally, regarding the practices of CAC 40 companies, it is the preferred management system since most companies with a Board of Directors opted for that combined mode of management.

16.3.2 Limits on the Powers of the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer, who assumes the duties of executive management, is fully empowered to act in the name of the Company under any circumstances. He is required to act within the limits of the corporate purpose, subject to those powers that the law expressly confers on shareholders' meetings and the Board of Directors. He represents the Company in its relations with third parties.

The powers exercised by the Chief Executive Officer are limited by the internal regulations of the Board of Directors as an internal rule. Thus, according to the internal regulations of the Board of Directors, as amended on May 7, 2009, the following actions of the Chief Executive Officer require prior approval from the Board:

- Establishing the Group's strategic policies;

- Group transactions involving amounts in excess of €300 million per transaction, with the exception of financing transactions;

- Financing transactions, regardless of the terms and conditions thereof, involving amounts in excess of €1.5 billion per transaction if the transaction is carried out in a single tranche and €2.5 billion if the transaction is carried out in more than one tranche;

- Transactions in the Company shares representing an overall number in excess of 1% of the overall number of the Company's shares.

16.4 Bodies created by Executive Management

16.4.1 The Executive Committee

In accordance with the Company's principles of corporate governance and practices since April 30, 2003, the combined Chairman and Chief Executive Officer (previously the Chief Executive Officer) is surrounded by an Executive Committee featuring representatives, in particular, of each of the Company's four operating Divisions.

As of the date on which this registration document was filed, the Company's Executive Committee consists of nine members(1):

- Antoine Frérot (Chairman and Chief Executive Officer);
- Olivier Barbaroux (Senior Executive Vice-President in charge of the Energy Services Division);
- Jean-Pierre Frémont (Senior Executive Vice-President in charge of Public Entities and European Affairs);
- Jérôme Gallot (Chief Executive Officer of Veolia Transdev)(2);
- Denis Gasquet (Senior Executive Vice-President of the Company and Chief Executive Officer of Veolia Environmental Services);
- Jean-Michel Herrewyn (Senior Executive Vice-President in charge of the Water Division);
- Olivier Orsini (Senior Executive Vice-President, Secretary General);
- Pierre-François Riolacci (Chief Finance Officer);
- Véronique Rouzaud (Senior Executive Vice-President in charge of human resources).

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 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 includes the head of the Group division concerned by a particular project, the Chief Finance Officer and the Company's Secretary General.

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(1) Except for the replacement of Thomas Piquemal by Pierre-François Riolacci as Chief Finance Officer on February 11, 2010, the composition of the Company's Executive Commitee remained unchanged in the 2010 fiscal year.

(2) On March 3, 2011, Jérôme Gallot replaced Cyrille du Peloux on the Executive Committee.

16.4.2 The Disclosure Committee

The Disclosure Committee was created by the Chairman of the Executive Board and the Company's Chief Finance Officer on December 11, 2002, the date on which the proposal to create such committee was submitted to the Company's Executive Board. The meetings of the committee are chaired by the Chief Executive Officer.

In addition to the Chief Executive Officer, the Disclosure Committee is composed of the members of the Company's Executive Committee, the Company's Chief Finance Officer, the Secretary General, the financial managers of each division and the key managers of the Company's major centralized departments.

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 Form 20-F, that are to be filed with the French and U.S. stock exchange authorities, as well as the manner in which they are published, filed or registered.

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

The Disclosure Committee met twice in 2010. At its meeting of April 13, it reviewed, among other things, the procedures for preparing and approving Form 20-F before it was filed with the SEC on April 19, 2010, as well as the certificates required to be provided by the Chief Executive Officer and the Chief Finance Officer in accordance with U.S. stock exchange regulations. At its meeting of November 29, 2010, the Disclosure Committee mainly reviewed recent regulatory developments that could have an impact on the communication and publication of information intended for the market, in particular through the registration document and Form 20-F, and initiated the process of gathering information and drafting the annual reports for the 2010 fiscal year.

16.4.3 The Ethics Committee

An Ethics Committee was set up by the Executive Committee of Veolia Environnement in March 2004 (also see chapter 4, § 4.2.3.3 above). It has three to five members selected by the Company's Executive Committee. The Ethics Committee elects one of its members Chairman, without any special prerogatives over the other members, except that the Chairman has the casting vote in the case of a tie.

As of the date on which this registration document was filed, the Ethics Committee is made up of three incumbent members and one deputy member. Its members meet on all work days.

To be eligible to become an Ethics Committee member, it is necessary to be an employee, former employee or person outside the Company who is chosen from among the candidates, and be well acquainted with the Group's lines of business and has a career situation ensuring impartiality of judgment and objectivity.

The Ethics Committee shall adopt its decision by majority vote. Its members are under obligation to maintain strict confidentiality and are not authorized to disclose their personal position to the outside world. To ensure their freedom of judgment, they must not receive any instructions from the Company's executive management and are immune from revocation for the duration of their term of office (of four years, renewable).

As part of the appointment in 2009 of heads of the Company's geographical zones, the committee can now rely on the Group's delegates in every country or geographical zone.

In accordance with its internal regulations, it is incumbent on the Ethics Committee to present all recommendations concerning the fundamental values of Veolia Environnement, whether regarding issues that it tackles on its own initiative or issues that presented to it.

The Ethics Committee may make "visits for ethical purposes" in any of the Group's operating sites, whether in France or abroad. The purpose of such visits is to evaluate, through individual interviews with the most representative possible sample of the operating site visited, the degree of ethical maturity of the employees, their familiarity with the Group's values, the ethical problems with which they may be confronted, the training that they receive from their managers or give to their co-workers on that subject.

In 2010, the executive management decided that the enforcement and monitoring of the Group's ethical policy lies within the province of the Secretary General.

The Ethics Committee remains the body of last resort to receive alerts that cannot be expressed to the operations managers, regarding violations of the rules of conduct, particularly those related to the Group's "Ethics, Commitment and Responsibility" program, i.e., the "whistleblowing" system. The committee is fully empowered to exercise those duties and is therefore entitled to interview any of the Group's employees, auditors, or third parties. They may also rely on the internal audit department of Veolia Environnement or resort to the services of outside experts. They may visit any of the Group's sites or companies.

The Ethics Committee is also responsible for ensuring the good practices (the program and its derivatives) are accessible to all.

Although the progress has been continuous since the creation of the Ethics Committee, it wanted to increase its notoriety within the Group, particularly among the non-executives. That is why, in 2010, it made a comic strip, available in 4 languages, providing an entertaining description of its duties.

In 2010, as it does every year, the committee reported on its work to the accounts and auditing committee and to the Executive Committee.

17 Employees – Human Resources

17.1 Human resources policy

Veolia Environnement's industrial model puts its staff at the heart of the Group's success. Whether it be delegated public service management or industrial contracts, the men and women who deliver our environmental services are totally integrated into the local landscape. The efficiency and quality of their services create an essential competitive advantage.

Antoine Frérot has set out Veolia Environnement's triple human resources ambition as follows:

- To be an ever more human enterprise, caring about the situation of each of its staff members
- To be an enterprise that unites and federates its staff around strong values, and
- To prepare a future for our staff, our customers and our citizens.

Ensuring that new employees are integrated and retained and the detection of talents are major challenges for the Group.

This is why in 2010 Veolia Environnement continued rolling out its joint recruitment and mobility portal. The portal creates greater accessibility and readability for job offers both internal and external and increases the quality and traceability of the recruitment and mobility processes. In 2010, in a yet more fragile economic environment, Veolia Environnement recruited 57,000 new staff members worldwide and offered more than 16,000 job moves to its staff.

Veolia Environnement is continuing its policy of skills management and offers its staff, at all stages of their career, a wide range of training programs for them to develop their know-how so as to be able to offer better service quality to our customers and for staff to follow a meaningful career.

The Group's preoccupation with sharing its know-how and federating its people as early as possible is demonstrated also in its ambitious policy of recruiting on work-study schemes.

Veolia Environnement continues devoting the resources that are commensurate with its ambitions and in 2010 more than six million hours of training were delivered with more than two third of staff attending at least one training course and the Campus network was developed worldwide.

This policy of offering meaningful career paths facilitating mobility and access to training is also to be found in its labor-management policy especially with the signature on February 3, 2011 of an agreement on the management of job forecasting and skills as a supplement to the 2004 agreement on the development of skills and professional progression.

The fight against discrimination and the promotion of diversity are also part of Veolia Environnement's objectives. Furthermore, the Group's values of solidarity were reaffirmed in 2010 through the implementation of the Active Solidarity Plan aimed at the more fragile staff members.

Finally, the prime priority of Veolia Environnement's social policy is that of health and safety and, more generally, well-being at the workplace.

17.1.1 Understanding the corporate reality of the Group as a whole

A reliable and complete system of human resources data collection for all entities of the Group has been required in order to put life into Veolia Environnement's social project aimed at more than 317,000 staff members in over 77 countries where the Group does business.

A network of over 800 correspondents across the globe is used each year to collect human resources data from more than 1,200 entities. In total more than 200 indicators – staff numbers, staff joining, staff leaving, effects of company consolidations, remuneration, training, safety, labor-management relations - are collected on the basis of a precise, shared frame of reference.

Given the international dimension of the Group, this registration document was translated in 2010 into four languages: English, German, Spanish and Portuguese.

Veolia Environnement is one of the reference CAC 40[1] companies in terms of the completeness and quality of its human resources data and the challenges it faces this year are to:

- maintain quality for all stakeholders: investors, customers, labor-management partners, extra-financial rating agencies, NGO's, the media, etc;
- build up the use of data and topic studies carried out country by country, job by job so as to assess the progress made locally in situ and to ascertain ways for improvement;
- develop assistance to local operations in driving human resources: specific restitution, benchmarking practices concerning the appropriate scope for each group company, collection and circulation of best practices.

In particular, since 2008 the Veolia Environnement internal audit department has extended its remit to cover the human resources function in order to control the implementation of the policies laid down and the actions put in hand. Extended audit plans in France and abroad on the deployment of resources and specific actions are programmed each year.

17.1.2 Attract talent and increase employee loyalty

The initiative "Veolia Skills" was launched in 2005 with the aim of anticipating business growth and changes in qualification and through this the Group strives to attract and train the best employees in all the professions and in all countries where the Group is present.

The Group has put in place high performance cross-discipline tools for recruitment and training in order to deploy its policies in favor of employment and mobility. The "careers" portal is aimed at external candidates looking for a job or a training period and at Group staff looking for career advancement. It was rolled out in 2010 particularly in the USA, Australia and in the UK and will continue its roll-out abroad in Asia and in northern and eastern Europe in 2011.

The Group has entrusted the Veolia Environnement Campus network with the organization of an ambitious training program so as to develop the skills of staff in the ongoing context of changing work methods. This network consists of 6 members in France and 12 abroad covering all the main countries where the Group does business.

(1) Alpha Study issued on December 14, 2010 on the 2009 reports.

Recruiting and training tomorrow's talents

Veolia Environnement is anxious to identify and attract the talents of tomorrow from its partner schools and universities so as to recruit the men and women necessary for the life of the Group. It publicizes its jobs and builds up its attractiveness by participating in student fairs, forums and conferences as well as by organizing the Performance Trophies (13^{th} edition in 2010) awarded to the most innovative research dissertations in the area of environmental services. These actions, for example in France, have led to Veolia Environnement being designated the "2^{nd} most favorite" employer by engineering students in the "Universum Student" opinion poll conducted in 2010 amongst 20,000 students.

In addition, the Group has continued its active policy of recruitment using work-study schemes. Apprenticeship and professionalization contracts are offered for periods of nine to twenty-four months. In a continuingly difficult economic context Veolia Environnement has again this year confirmed its commitment to providing jobs for young people and the unemployed by continuing its support of work-study schemes. This resulted in the signing of 1,500 new contracts in France. In order to increase even more the percentage of work-study course candidates in total recruitment, the Group has made efforts to make staff aware through targeted actions of the need to share experience. A poster campaign featuring testimonials from key participants (human resources senior management, managers, tutors and work-study participants), the "Veolia Skills" newsletter and the "Work-study breakfast meetings" have been used throughout the year to emphasize the importance of work-study schemes to the regional managers and operational personnel.

Career paths diversified by mobility

In order to enrich its employees' professional paths throughout their careers, for a number of years Veolia Environnement has invested in internal mobility for its staff categories. In 2010, over 16,000 employees benefited from mobility.

As part of the "Veolia Skills" initiative candidates for internal mobility can benefit from "Skills Development Contracts", periods of professionalization or "Validation of Acquired Experience" schemes to facilitate their career development within the Group.

The challenge is to give each employee the possibility of developing their employability. Annual performance appreciation interviews define the requirements that are necessary for everyone to develop skills and improve career development prospects.

In order to strengthen management culture, particular attention is paid to the management of senior managers, in particular their leadership potential and their ability to propagate Veolia Environnement's social responsibility values. It is therefore essential for the Group to identify talents and to offer them specific training and development paths.

International development depends on executive mobility. Executives are corporate experts or managers who contribute to the start-up and development of new operations throughout the world, while facilitating the transfer of know-how and the publicizing of Group values. One of their challenges is to detect all talented employees and to develop them wherever they work. The 882 employees on expatriate contracts in 2010 came from 53 different nationalities. In France, efforts are continuing in the promotion of VIE (International Corporate Volunteer) contracts. There were 108 of these young graduates in 2010 and they represent a large reservoir for recruiting young managers.

17.1.3 Develop employee skills through on-the-job training

Veolia Environnement's responses to environmental challenges and to the growing demands of public sector and industrial undertakings depends to a large extent on the know-how of its staff and the performance of its social model. In the face of those challenges Veolia Environnement has adopted an ambitious training policy, which in particular features the deployment of Veolia Environnement Campus with its deep local roots. This worldwide network today federates 18 campuses and training centers located in 12 countries.

Training for everybody throughout their working lives

Veolia Environnement's training policy revolves around 3 objectives:

- increase the skills of staff in all the professions that the Group operates in;
- support commercial performance and development in the Group, and
- contribute to the development of the corporate culture

In 2010, more than 590,000 training sessions were held for a total volume of over 6 million hours. They were aimed not only at satisfying immediate needs, especially in the areas of health and safety prevention but also at anticipating the skills needs of tomorrow. All categories of staff are concerned throughout their career.

Veolia Environnement makes an effort for the less qualified people to receive training and to develop in their jobs. More than 80% of training is therefore directed at operators and technicians.

This training is accessible both to new staff as part of their education often as work-study periods and to Veolia Environnement staff as on-the-job training. In addition, the Group has adopted the enterprise diploma model and offers certificates and diplomas in all our professions and at all levels. In France 8 certificates, 3 technical baccalaureates, 2 bachelors and 1 master program are awarded within the Campus framework and 4 additional higher level courses.

The Veolia Environnement Campus network

Created in 1994, the Ile de France Campus, located in Jouy-le-Moutier, is a real shop window for the Group's activities. It is also a place that brings together every year several hundred young managers from all countries and from all of our businesses for the four days of integration known as JIVE. Over the last five years more than 4,100 new recruits (including 20% from abroad) have taken part in this integration course allowing them to discover the businesses conducted by our four Divisions, to get to know the Veolia Environnement culture and to meet the Group's leaders.

In response to the success of this model and in order to respond to the growth of our businesses, new Veolia Environnement training centers have progressively been set up. Today the Campus network covers more than two thirds of staff and has 6 locations in France and 12 others in Germany, Sweden, the Czech Republic, Slovakia, China, Egypt, Israel, Gabon, Morocco, the UK and the USA.

The Group catalogue contains 1,482 training programs. Offers of training are composed on demand in direct liaison with operational teams. This means that training sessions that are offered are constantly consistent with the realities of the job. 95 permanent trainers and 893 staff members are on call to deliver these trainings. Very often Veolia Environnement prefers to detach staff from group operations as trainers. These trainer/operators are the best placed to pass on professional skills. This approach is a cohesive factor within the Company.

17.1.4 A permanent requirement: employee health and safety

Health and safety prevention reaffirmed

Prevention, health and safety of Veolia Environnement employees are a continual concern given the very nature of our activities. Risk exposures come mainly from the following:

- working on public roads, at heights and in confined spaces;
- being faced with antisocial behavior in transport vehicles;
- working conditions on certain sites or the facilities of some corporate clients; and
- tasks that require a certain amount of physical labor.

Each Veolia Environnement Division subsidiary monitors the results of action plans especially by means of indicators of the frequency and severity of accidents.

Moreover, in view of Veolia Environnement's social and economic ambitions, the Group decided in 2008 to strengthen its action plans in this area. A group Health and Safety Prevention division was set up, cross-discipline management tools were created and a "Prevention of Work Risks, Health and Safety at Work" agreement was signed with the labor-management partners in December 2008.

During that same year, after the so-called "Safety Year", Veolia Environnement defined 7 priority action areas so as to tend at "Zero accidents":

- Passing information up the line. A common reporting and deep-rooted cause analysis tool was decided on for the Group. It was deployed abroad during 2010. More than two thirds of our locations are now using this tool;
- Broadcasting results. Apart from publishing work accident indicators annually, two presentations per year are made to the labor-management partners as part of the "Prevention of Work Risks, Health and Safety at Work" agreement;
- Management of health and safety prevention networks. Feedback on incidents has underscored for all of us the need to mobilize the whole management chain. Indeed, in May 2010, Antoine Frérot issued a reminder to all managers, staff and the labor-management partners on the indispensible need for their full involvement. In addition, he set a priority objective for the Group to reduce its accident frequency rate by 10% p.a. In response to this message to managers, Dalkia, for instance, organized a video-conference with 26 countries in which their Chairman presented a summary of results for the previous year and reminded people of the objectives. At the same time, safety seminars have been organized in various areas of the world by Veolia Eau. Finally at grass roots level, 3,149 dedicated health and safety units have been identified even in some countries where such an obligation does not exist, such as for example the initiative taken by Veolia Propreté in Switzerland;
- The drawing up and circulation of standards to be adhered to in matters of health and safety. Several hundred audits are carried out every year by a network of health and safety prevention experts to ensure that these standards are used in practice. The standards may be adapted to different job profiles. Veolia Transport has therefore developed its own standard in France and has begun an exhaustive audit of its sites which will last until 2013;
- Management of safety by drawing up and deploying road maps;

- Professionalization of staff through training. More than 190,000 staff were trained in safety in 2010;

- Keeping a watch on the needs and risks in the area of safety. Preventing risks well upstream involves identifying and evaluating these risks. For example, particular attention is paid to the risks linked to the use of chemicals, i.e., within the context of the European REACH Regulation. In 2010, in partnership with ANACT, a French agency for the improvement of working conditions, Veolia Environnement launched a study on inaptitude. In addition a study on absenteeism and its causes and costs has begun with the Ecole d'Economie in Paris under the direction of professor P. Askenazy.

This whole range of actions has brought down the frequency rate of work accidents across the whole Group by 13% over the last three years.

A policy of increased security throughout the world

International current affairs continually confirm the unstable, shifting nature of the environment in which Group employees are sometimes required to work. 2010 was marked by a succession of political crises in Africa, the intensification of drug-related crime in South America and by popular uprisings in South East Asia.

More than 30,000 Group staff work in countries classified as risk zones. About a thousand of these staff are there on short term assignments. Around 300 staff are there as expatriates. For this reason we are even more demanding as to the protection of staff members and their families residing in those countries.

In 2010, the security department monitored 2,000 assignments. The department analyzes the local security conditions for assignments, anticipates risks by producing a monthly map of at-risk countries, and organizes training to remind employees how to behave during assignments in these countries.

Risk prevention is paramount, both from a legal and human standpoint. The security department has set up responsive, coordinated internal networks at the Division's head offices as well as in the field. Fifteen countries have drawn up their own specific safety plan. In the event of an emergency, partnerships have been formed with global specialists in health and safety evacuations.

17.1.5 Build and maintain relationships of trust with employees

Quality labor-management dialogue to support the growth of the Group

The quality of the services provided by each of the Veolia Environnement companies is based largely on the cohesion of their teams and the sharing of best practices. It is for this reason that the labor-management dialogue is one of the most important elements in the Group's human resources policy at every level of the organization:

- the first level, that of the business or establishment, remains the natural negotiating venue;

- the second level, that of the country, which brings together joint committees for information and dialogue that cover all the national themes that go beyond an individual sector;

- the third level, which informs and consults employees internationally.

A social dialogue is created on the transfer and integration of employees

The social dialogue is created and organized on the transfer and integration of employees from entities that join the Group or as part of public service delegation contracts, for example, when personnel is seconded to teams working within Veolia Environnement.

The challenge is to propose a new corporate project based on the values of Veolia Environnement that is adapted to local contexts. This covers, for example, collective agreements, the training and career development policy, the capitalization of know-how and the transfer of competencies, the structures and the compensation levels or employee benefits.

Group Committees for France and Europe so as to hold a structured, strengthened labor-management dialogue

The structuring of dialogue venues was started in 2003 with the creation of the French group. Going beyond exchanges of information in plenary sessions, two agreements setting out the collective ambitions of Veolia Environnement have been signed with all the French labor union organizations: an agreement on “Skills development and on-the-job training” in 2004 and an agreement on “Prevention of Work Risks, Health and Safety at Work” in 2008. These agreements are there to be rolled out for the long term and go beyond the collective commitment symbolized by their signature.

On the basis of the model initiated in France, an agreement to set up a Europe Group was signed in October 2005 and revised in October 2010. This revision concentrated mainly on the following points:

- Alignment of the 2005 agreement with the new European social directives;
- Method of functioning;
- An increase in allocated resources;
- The thresholds for allocating seats on the Europe Group committee: 21 member countries of the European Union are represented, i.e. coverage of two thirds of Veolia Environnement staff;
- Where to position the “Country labor-management dialogue venues”, in addition to the Europe Group committee as part of a logic of mediation and sharing of information among countries. As part of this a new campaign of self-evaluation of the quality of dialogue was carried out in December 2010.

In order to consolidate the foundations of the Group’s commitment and its social policy, a new agreement specifically regarding the quality of the labor-management dialogue, was signed by the general management and all the labor union organizations in February 2010. Implementation of this agreement firstly translated into an allocation of resources to facilitate dialogue but also by the setting up of a partnership with IEP in Paris and the association "Dialogue". The aim of this partnership is to strengthen management of trade union career through training, which will take place throughout 2011.

In addition an agreement on "The projected management of jobs and skills" (in French GPEC) was signed on February 3, 2011. This agreement revises and completes the agreement on skills development and on-the-job training of October 4, 2004. In order to anticipate business trends, facilitate and accompany professional development and to propose the most relevant training, the agreement sets out the procedures and means for attaining those ambitions:

- the implementation of joint business segment observatories within each Division, complemented by a coordination committee at the Group level;
- the reinforcement of job management at Group level, within the terms of the labor-management dialogue;
- a restatement of policies in favor of job mobility and skills development.

In 2010, the France and Europe groups were also consulted on the projected merger with the Transdev group.

Finally, the labor-management dialogue venues are projected to extend progressively. As part of this Moroccan, Russian and Australian trade union representatives are regularly invited as observers to the Europe group committee.

Promote diversity and fight against discriminations

From the outset, the Company adopted diversity as a core value: cultural diversity, which is linked to the many different origins of its employees, with over a hundred nationalities represented; economic diversity, which is associated with having several business segments; social diversity, which is a result of being located in many different countries.

As of 2007, on the basis of Veolia Environnement's real diversity, an active program to promote diversity and combat discrimination has been undertaken. This culminated in "2008-2011 Diversity and Equal Opportunities Plan" that emphasizes three essential levers:

- the deployment of procedures to ensure equal treatment and non-discriminatory access to jobs, career progress and skills development;
- harmonious management of diversity on a day-to-day basis, which means respecting differences, fighting against prejudices, and raising the awareness of Group internal stakeholders through training programs;
- the compiling and circulation of group minimum labor standards among all the Group's companies, which go beyond the fundamental rights defined by international institutions, in order to guarantee socially responsible growth.

The deployment in France of the "2008-2011 Diversity and Equal Opportunities Plan" took the shape of a formalization and implementation of these general management commitments at the level of each Division and corporate entity. The setting up of a highly decentralized "Diversity Network" has facilitated putting life into these action plans and monitoring them. In addition, diversity correspondents have been nominated in each regional office so as to ensure that remarks on discrimination expressed by staff in all departments are heard. The diversity network is being rolled out to bolster practices in the pioneering countries in the fight against discrimination i.e. the English speaking countries and Northern Europe in particular. Finally, this policy is driven by a Group governance in the form of 3 bodies: a two monthly steering committee, a diversity committee (joint labor-management participation worldwide) and one Executive Committee meeting per year is devoted to this question. The Ethics Committee, moreover, ensures the guarantee of fundamental rights at Group level.

The following main achievements as part of the “2008-2011 Diversity and Equal Opportunities Plan” are worthy of note:

- the adoption and progressive roll-out internationally of a common recruitment portal, providing respect for non-discriminatory recruitment and mobility management;

- the use in France of an awareness and self-evaluation tool on stereotypes and prejudices, in partnership with the Discriminations Observatory;

- the creation and running in France of a unit for hearing and dealing with complaints relating to discrimination as well as training the “diversity correspondents” on these procedures;

- the training of recruiters, the diversity network, the labor-management partners, the IRPs and managers on the conceptual and legal framework of discrimination and on risk management;

- the addition of a chapter on trade union careers in the agreement signed in February 2010 on the labor-management dialogue in France;

- the cross-discipline management of seven units dealing with the accessibility of premises, the organization of work stations to help keep handicapped people in work and the development of sub-contracting to the sheltered sector;

- the signature in France of agreements on seniors.

In July 2010, Veolia Environnement’s commitments to progress in the prevention of discriminations, the equality of opportunities and the promotion of diversity were rewarded with a “Diversity Label” awarded by the French ministry of immigration, integration, the national identity and solidarity in development. This label was awarded for a period of three years to 130 companies in the Group in France including the head office of Veolia Environnement, the Campus network, the Environmental Services division and the Water division (these companies have also signed the Diversity Charter, which is accessible to our operations in Belgium, Italy, Spain, Germany, Sweden and Austria too). Going beyond just recognition, the Diversity Label has really meant the divisions have been able to integrate the human resources function into their quality management process.

The 6th international diversity meeting also provided an occasion for Veolia Environnement’s actions to be acknowledged through the award of two trophies, one for its own communication on diversity management and the other for the training programs put in place on these issues.

Prevention of situations of distress

In 2009, an Active Solidarity Plan was launched in consultation with the France Group committee, in order to support the more disadvantaged employees in a difficult economic context.

"*Allô Solidarité*", a center for advising and supporting employees was set up, with the support of an outside association. The initial pilot phase of the operation concerned the Ile-de-France Region, where 30,000 employees are based. A card with a toll free number and some explanations were attached to their salary slip. After one year of existence, more than 600 cases have been handled, primarily concerning housing and/or financial problems. 250 cases were considered to be urgent. On the basis of these results, the "*Allô Solidarité*" scheme was extended in late 2010 to three regions where housing problems are mainly concentrated, i.e. PACA, Rhone-Alps and Northern Normandy.

Veolia Environnement has also entered into a commitment each year to finance the association “Vivons solidaires” with the equivalent of 2 euros per French staff member, i.e. more than 200,000 euros in total. In this way the association provides financial assistance to workers in great difficulty when other institutional solutions have reached their limit. Since its creation in 2010 nearly 10 new cases have been handled every month.

17.1.6 A consistent, competitive compensation policy

Veolia Environnement applies a global compensation policy, which is consistent with the Company's results and includes the following components: salaries, social security and employee savings. This policy is based on the following principles:

- guarantee competitive compensation that is in line with Group practices;
- offer equitable compensation, which takes into account and rewards individual efforts;
- increase social security (health, disability and life insurance);
- minimize the risk associated with the existing systems for paying entitlements or pensions in the various countries where we do business;
- open access to employee savings.

The increase in life expectancy, the rise in healthcare costs and the retirement of the "baby boom" generation will have a lasting effect on the balance of social security systems. In certain countries, following the abandonment of public social security systems, economic stakeholders have a duty to provide health, benefit and pension cover for their employees.

As a result of its international dimension, the Company must take these factors into account and ensure that it:

- complies with local legislation and implements complementary social security systems in order to guarantee high quality coverage for all its employees;
- guarantees the competitiveness of the Company by limiting benefit obligations that fall within the scope of IAS 19;
- finances benefit systems by employer and employee contributions, so that each party assumes responsibility.

At December 31, 2010, Veolia Environnement's benefit obligations represented €2.26 billion, an increase of around 15% compared to the end of 2009, which is primarily due to changes in actuarial assumptions, currency exchange effects and Veolia Transport's winning the Phoenix contract in the USA. These obligations are mainly comprised of pension schemes with defined benefits (68%) and career-end indemnities (22%). The other obligations are mainly medical coverage for retirees, length of service reward payments and contract termination indemnities. These obligations exist in around 50 countries.

17.2 Human resources information ("NRE" law)[1]

The human resources information given below has been taken from the international database that Veolia Environnement has been developing since 2001. This database includes, for all Group companies that are fully or proportionally consolidated, and located in all the countries where the Group has employees, around 200 human resources indicators, i.e. more than 270,000 pieces of data per year sorted by company, country and geographical area, throughout the world.

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 requires more detailed analysis at the level of the geographical areas, countries or divisions concerned.

Total headcount

At December 31, 2010, the total headcount was 317,034 employees, compared to 312,590 at December 31, 2009, an increase of 4,444 (+1.42%).

The table below shows the breakdown of the headcounts managed by Veolia Environnement, by Division and by geographical area.

Area	Water *	Environmental Services *	Energy Services	Transportation	Total	%
Europe	57,895	53,420	39,652	56,539	209,327**	66.03%
of which France	29,186	23,327	15,480	31,026	100,840**	31.81%
North America	3,963	9,649	637	15,472	29,721	9.37%
South America	5,941	6,893	7,462	1,037	21,333	6.73%
Africa/Middle East	8,584	8,894	1,569	4,200	23,247	7.33%
Asia/Pacific	19,877	5,884	4,137	3,508	33,406	10.54%
TOTAL	**96,260**	**84,740**	**53,457**	**80,756**	**317,034****	**100%**
%	30%	27%	17%	26%	100%	

* *Proactiva's employees (11,470 persons) have been divided according to the activities of the companies concerned, between the Water (4,903 persons), and Environmental Services (6,567 persons) divisions.*

** *This number includes, for France, 1,821 persons who work at the Company headquarter departments (Veolia Environnement, VERI and VEIT), at the Centre d'Analyses Environnementales, at Veolia Environnement Campus, Defense Environnement Services, Seureca and OFIS.*

At December 31, 2010, 31.8% of the Veolia Environnement total headcount was located in France, 34.2% in the rest of Europe, 10.6% in the Asia/Pacific region and 23.4% in the rest of the world.

(1) *French New Economics Regulation law n° 2001.420 of May 15, 2001 ("NRE law").*

Headcount breakdown by type of contract and by category

Among the 317,034 employees managed by the Company at December 31, 2010, 294,638 (92.9%) held indefinite-term contracts and 22,369 held fixed-term contracts. During 2010, 5,803 fixed-term contracts were converted into indefinite-term contracts. Among the employees managed by Veolia Environnement at December 31, 2010, 29,084 (9.2%) were executives (*cadres*), and 287,950 were non-executives. The headcount comprised 63,362 women, representing 20% of the total number of employees.

In France, among the 101,088 employees managed at December 31, 2010, 95,932 (94.9%) held indefinite-term contracts and 5,156 held fixed-term contracts. During 2010, 1,856 fixed-term contracts were converted into indefinite-term contracts. Among the employees managed by Veolia Environnement, 13,346 (13.2%) were executives, and 87,742 were non-executives. The headcount comprised 19,809 women (19.6%).

Weighted average annual headcount

This headcount corresponds to the equivalent number of employees Veolia Environnement would have if these employees had all worked full time throughout the year. It is calculated by weighting the total headcount against both the employment rate and the amount of time worked by each employee. In 2010, this headcount was 301,433.23 employees, of whom 282,856.62 (93.8%) held indefinite-term contracts.

In France, the weighted average annual headcount in 2010 was 98,234.3 employees, of whom 93,213.9 (94.9%) held indefinite-term contracts.

Consolidated, weighted average annual headcount

This figure is calculated by weighting the average annual headcount of the consolidated companies against their level of financial consolidation. In 2010, the consolidated, weighted average annual headcount was 287,043 employees.

Hires

In 2010, the consolidated number of hires was 62,752. In addition to the increase in contracts (3,723) and recruitment through internal mobility (1,636), 35,748 indefinite-term employees contract were hired from the job market by the Group and 21,645 under fixed-term contracts. Among the latter, 5,803 (26.8%) were transformed into indefinite term employment contracts during the year.

The percentage of the headcount employed under fixed-term contract, expressed as an average headcount on an equivalent full-time basis, represented 6.2% of the average headcount on an equivalent full-time basis of the entire personnel.

In France, in 2010, 16,356 employees were hired of which 5,627 were outside recruitments and 9,214 under fixed-term contracts, i.e. 56% of the total external hires. 1,856 fixed-term contracts were transformed during the year into indefinite-term contracts. In addition, among these outside recruitments, 1,027 applied to executives (*cadres*). After all this, the equivalent full-time headcount of all the employees who hold fixed-term contracts corresponds to 5.1% of the total.

Departures

In 2010, the total number of departures reached 58,072, including 9,686 individual dismissals and 722 as part of layoffs.

In France, the total number of departures in 2010 reached 16,307, including 1,812 individual dismissals and 4 as part of layoffs.

Overtime

The total number of overtime hours worked was 26,780,560 (+5.1% compared to 2009), or an average per employee of 84.5 hours of overtime per year. However, the definition of overtime 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, for example, to restore water supplies or heating within a reasonable period of time.

In France, the total number of overtime hours reached 3,799,616, which corresponds to an average of 37.6 overtime hours per employee, per year.

Labor from outside the Company

The headcount of temporary workers (full-time equivalent) in 2010 was 13,443.2, which represents 4.4% of the total full-time equivalent headcount.

In France, the headcount of temporary workers (full-time equivalent) was 5,649.2 (5.8% of the total full-time equivalent headcount).

Information on planned reductions in force and job protection schemes, redeployment efforts, rehires and support measures

Variations in Veolia Environnement's consolidation scope result in employees being transferred, without their contracts being terminated. The limited number of restructuring plans that were implemented in 2010 most often corresponded to losses of markets, or to reorganization that was vital for certain business units. These operations were always carried out not only in compliance with the legislation and in consultation with labor and management representatives, but also and for the most part by giving priority to internal redeployments within the Group.

Organization and duration of working time, absenteeism

The ways in which working time is organized depend on the companies concerned, the nature of their business, 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 equivalent daily 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 workweeks, and working time may be calculated over the year).

The average workweek is 38.9 hours (compared to 38.7 hours in 2009).

The headcount of part-time employees (full-time equivalent) was 13,743.3 in 2010, or 4.6% of the full-time equivalent headcount.

Employees with indefinite-term contracts were absent on a total of 4,377,067 calendar days in 2010, of which 2,937,715 days of absence were due to sickness (67.1% of the total). The remainder was due to occupational accidents and to absences for family events and maternity. In 2010, the absenteeism rate of employees in indefinite-term contracts was 4.73% (4.92% in 2009).

In France, the average workweek is 35.2 hours. The headcount of part-time employees (full-time equivalent) was 4,928.2 in 2010 (5% of the total full-time equivalent headcount). The total number of calendar days on which employees with indefinite-term contracts were absent reached 1,930,248 in 2010, including 1,301,406 days of absence for sickness (67.4% of the total). In 2010, the absenteeism rate was 6.57% (identical to 2009).

Compensation, social security charges and gender equality

The average annual gross compensation for all employees, throughout the world, was €27,222 in 2010.

These averages are only indicative and should be interpreted with caution, inasmuch as they correspond to a wide diversity of situations, due to the nature of the business conducted and work performed, as well as the geographical location of the employees.

Social security charges represented 30.6% of the total cost of employment (this rate was 30.5% in 2009). Gross average compensation paid to male employees was €27,940 (€27,341 in 2009) and that paid to female employees was €24,186 (€23,549 in 2009), i.e. a difference of €3,754 (13.4% of men's compensation). This difference is mainly due to the nature of the work performed and the demands of this work, as well as the differences in age, seniority and qualifications that are often observed between populations. Veolia Environnement's policy is to respect equality between men and women who have the same employment conditions and qualifications.

In France, the annual average gross compensation paid to all employees reached €32,014 in 2010. The average gross compensation paid to male employees was €32,370 and that paid to female employees was €30,476, a difference of €1,894 (5.9% of men's compensation). The rate of social security charges was 46.4% of total employment costs.

Ratio between average compensation and average minimum wages

This indicator makes it possible to perform an improved comparative evaluation of the levels of compensation compared to the minimum wages that are guaranteed or practiced in each country and, as a result, compared to the minimum level of resources of the employees in these countries. Last year this ratio was 2.39 and was slightly lower in 2010 in the nineteen countries studied where there is a statutory minimum wage and where two-thirds of Veolia Environnement employees work (their average weighted salary of €29,933 is equal to 2.37 times the average statutory minimum wage in these countries, i.e. €12,644).

Optional and mandatory profit-sharing

In France, in 2010, the total consolidated amount paid in respect of optional profit-sharing was €68,993,445 (€68,810,823 in 2009) and the amount paid in respect of mandatory profit-sharing was €62,107,636 (€64,616,872 in 2009).

The total amount of optional and mandatory profit-sharing represented €131,101,081 (€133,427,695 in 2009) or 4.2% of the total cost of employment before social security contributions in France.

Business relations and overview of labor-management agreements

- Number of labor-management agreements: 2,143 labor-management agreements were signed, including 1,190 agreements on compensation, 230 agreements on health, safety or working conditions, 286 agreements on labor-management dialogue and 437 agreements on other subjects or that regrouped several subjects.

- Number of employee representatives: 15,822.

- Number of labor-management agreements signed in France: 766 labor-management agreements were signed, including 456 agreements on compensation, 74 agreements on health, safety or working conditions, 92 agreements on labor-management dialogue and 144 agreements on other subjects or that regrouped other subjects.

- Number of employee representatives in France: 9,370.

Health and safety conditions

The definition of an industrial accident varies from country to country. Indeed, while in some countries only accidents that cause more than two or three days of absence from work, or even more in some cases, are deemed to be industrial accidents, the Group chose a common definition for all countries and all of its subsidiaries, namely all industrial accidents, not involving commutes, that caused at least one day of absence from work. In 2010, the number of industrial accidents, not involving commutes, resulting in at least one day of absence from work was 9,933 (-1.2% compared to 2009) and the number of calendar days lost due to industrial accidents was 395,572 (+3.5% compared to 2009).

The number of industrial accidents per million hours worked (or “frequency rate”) in one year decreased from 18.88 to 18.09 and the number of calendar days lost due to industrial accidents per thousand hours worked (or the “rate of severity”) was stable at 0.72.

In 2010, 192,144 employees attended safety training sessions (-4.1% over 2009). As evidence of the importance of these issues, 3,149 units throughout the world are dedicated to dealing with occupational health and safety issues.

In France, the frequency and severity of accidents are often greater than the worldwide average, however they are tracked much more closely than in certain countries where the regulations are not as strict. In 2010, the number of industrial accidents that caused at least one day of absence from work reached 4,585 and the number of calendar days lost due to industrial accidents was 244,913. The number of industrial accidents per million hours worked (or “frequency rate”) was 30.70 (compared to 31.27) and the number of calendar days lost due to occupational accidents per thousand hours worked (or the “rate of severity”) was 1.64 (compared to 1.63 in 2009). In 2010, 41,839 employees attended safety training and 631 units dedicated to occupational health and safety issues were identified.

Training

Veolia Environnement also attaches a great deal of importance to the development of its employees' skills, maintaining their employability and assisting them through training, mobility and building motivational career paths.

A particular effort has been made to develop training abroad:

- total number of training hours provided: 6,060,027 hours;
- percentage of training expenses in the total cost of employment: 2.24%;
- total number of persons taking part in training programs: 592,924 (+16.6% compared to 2009), including 64,955 executive participants and 527,969 non-executive participants; 89% of the persons who benefited from a training program were non-executive. 454,243 participants were men and 138,681 were women;
- average duration of training programs: 10.2 hours.

In France, in 2010:

- total number of training hours provided: 1,843,653 hours;
- percentage of training expenses in the total cost of employment: 3.2%;
- total number of persons taking part in training programs: 119,070 including 17,587 executive participants and 101,483 non-executive participants, divided into 99,566 men and 19,504 women;
- average duration of training programs: 15.5 hours.

Employment and integration of disabled workers

At December 31, 2010, there were 5,546 disabled employees (+12.4% compared to 2009). However, it is difficult to obtain information for this indicator in certain countries, due to the lack of a precise definition.

In France, there were 3,286 disabled employees at December 31, 2010 (+13.2% compared to 2009).

Social work

A consolidated total of €67,438,790 was provided as subsidies for social work in 2010, the total could not be obtained in numerous countries that do not record this amount. These subsidies do not include all the social or community work undertaken by the Group companies.

In France, the consolidated total amount of subsidies for social work was €47,354,758.

Outsourcing and procurement

Veolia Environnement sometimes chooses to outsource certain activities that are not part of its core business to companies, which, in the same way as Veolia Environnement, comply with the fundamental principles of the International Labor Organization (ILO).

The financial indicators that are currently available do not make it possible to have figures for the extent of outsourcing, which is incidentally difficult to measure at world level. With respect to matters specifically relating to procurement, some of which are similar to outsourcing, the charter signed by the Group concerns all procurement network players in all countries and sets forth all the principles and rules that must be adhered to, including ethical principles, such as all those adopted by the ILO relating to forced labor, child labor, equal opportunities and freedom of association. The undertakings made by suppliers in this regard must be laid down in a contractual clause that binds the supplier to Veolia Environnement.

Influence of business activities on regional development and local populations

This issue is discussed in Veolia Environnement's 2010 Sustainable Development Report.

17.3 Share subscription and purchase options, bonus shares

17.3.1 Company policy on the award of share subscription and purchase options, and on the award of bonus shares

Company policy during the 2010 fiscal year

At its meeting on March 24, 2010, in accordance with the recommendations made by the Nominations and Compensation Committee, the Board of Directors defined the Company policy on incentive schemes for the Group's managers and executive officers and decided to favor the award of stock options.

The Board decided that, should stock options be awarded during the fiscal year, the options would be reserved to the main executives and managers in the Group, except for the Chairman of the Board of Directors and for the Chief Executive Officer.

The Board of Directors also decided that the vesting of options would be contingent on terms and conditions to be defined, for all beneficiaries, and on attaining return on capital employed (ROCE) of at least 8.4% as of December 31, 2012.

In light of these policy decisions, the Board decided to propose that the general meeting of shareholders that was held on May 7, 2010 should vote to approve a resolution that authorized the Board to award employees of the Company and of companies that are affiliated to it, for a period of twenty-six months, share subscription or purchase options, with no discount, capped at 1% of the share capital on the date of the award decision.

The Board of Directors of the Company has exercised the authority granted by the General Meeting of May 7, 2010 relating to the issuance of share subscription or purchase options at no discount and a maximum of 1% of share capital(1) during fiscal 2010.

Subscription options

Pursuant to the authorization by the General Meeting of May 7, 2010, the Board of Directors meeting of September 28, 2010, upon proposal of the Nominations and Compensation Committee, granted 2,462,800 stock options, representing 0.50% of capital at the date of its decision at a strike price set at €22.50, which corresponds to the application of a premium of €2.90 compared to the average of opening prices during the first 20 quotations preceding the date of the meeting of the Board of Directors and which amounts to €19.60. The options are exercisable as of September 29, 2014.

Under the terms of the Board's decision, the options have been distributed to 1,221 beneficiaries breaking down as follows:

- Members of the Executive Committee: 285,000 options (of which no subscription options were allocated to the Chief Executive Officer) (i.e. 11.6% of total);
- Category 1 – principal senior managers of the Group outside the Executive Committee: 656,000 options (i.e. 26.6% of total)
- Category 2 – other Group senior managers: 823,000 options (i.e. 33.4% of total)
- Category 3 – managers and non-managers based on performance: 698,000 options (i.e. 28.4% of total).

Performance conditions

The acquisition of options granted to beneficiaries is subject to the condition that the return on capital employed (ROCE) is equal or superior at December, 31 2012 to 8.4% to be applied varyingly depending on the groups:

- For group 1 (principal senior managers of the Group including the Executive Committee) and group 2 (other Group senior managers) the stock options will accrue (i) at 50% if the ROCE is at least 8.4% or, if over that then pro rata on the rate of ROCE between 8.4% and 9% and (ii) at 100% if ROCE is at least 9%;
- For group 3 (highly performing staff), the stock options will accrue 100% if ROCE is at least 8.4%.

ROCE at 31/12/2012	<8.4%	≥8.4% and <9%	≥9%
Percentage allocated to group 1 including the Executive Committee	0%	Between 50% and 99% pro rata on rate of ROCE	100%
Percentage allocated to group 2	0%	Between 50% and 99% pro rata on rate of ROCE	100%
Percentage allocated to group 3	0%	100%	100%

(1) On the date of the allocation decision

Company human resources policy for 2011

The Board of Directors at its meeting on March 24, 2011 and following recommendations made by the Nominations and Compensation Committee, laid down the Company's general human resources policy with regard to incentive arrangements for managers and senior managers of the Group in 2011.

Consequently, the Board decided to give preference to the allocation of stock options.

The Board decided that in the event of an allocation of stock options during the year, these options would be allocated to senior managers, managers and highly performing Group staff members, but not to the Chief Executive Officer.

It was also decided that the allocation of options would be subject to procedures to be decided and, for all beneficiaries, subject to performance conditions in line with the Group's medium term objectives and forecasts as announced in its financial communications.

The option exercise price will be set by reference to the average of the twenty last stock exchange quotations for the Veolia Environnement shares (without discount).

On the basis of this policy orientation, the Board decided not to propose to the general meeting set for May 17, 2011 a vote on a new resolution concerning the allocation of stock options since the 26 month authorization granted by the general meeting of May 7, 2010 (1% of share capital on the date of allocation) was only half used up by the last allocation (stock option plan decided by the Board of Directors' meeting of September 28, 2010).

Table outlining share subscription or purchase option plans at December 31, 2010

As a result of the capital increase recorded on July 10, 2007 (cf. chapter 21, § 21.1.6 below), and in order to preserve the rights of the holders of share subscription or purchase options, the exercise parity of the options was adjusted pursuant to Article L. 225-181 of the French Commercial Code. These adjustments entered into force on July 11, 2007.

	Subscription options	**Subscription options**	**Subscription options**	**Subscription options**	**Subscription options**
	Plan No. 8	**Plan No. 7**	**Plan No. 6**	**Plan No. 5**	**Plan No. 4**
Date of shareholders' meeting	05/07/2010	5/11/2006	5/12/2005	5/12/2004	4/25/2002
Date of management Board meeting or Board of Directors' meeting	09/28/2010	7/17/2007	3/28/2006	12/24/2004	3/24/2003
Total number of options originally awarded	2,462,800	2,490,400	4,044,900	3,341,600	5,192,635
• *Of which total number of options awarded to corporate officers*	0	110,000	150,000	110,000	605,000
Number of corporate officers concerned originally	0	1	1	1	6
Number of employees concerned originally	1,221	557	1,378	1,087	1,740
Exercise start date	09/29/2014	7/18/2011	3/29/2010	12/25/2007	3/25/2006
Expiration date	09/28/2018	7/17/2015	3/28/2014	12/24/2012	3/24/2011
Exercise price*	€22.50	€57.05	€44.03	€24.32	€22.14
Number of options exercised at December 31, 2010	0	0	1,300	244,491	3,189,173
Total number of shares that could originally be subscribed for or purchased at December 31, 2010**	**2,462,800**	**592,900**	**3,448,416**	**3,064,287**	**1,544,240**

* *adjusted, where necessary, to take into account transactions having an effect of 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 situation of beneficiaries since each plan was set up.*

A share purchase option plan No. 1 was implemented pursuant to a Management Board decision on June 23, 2000. This plan expired on June 23, 2008. On the plan's expiration date, a total number of 457,962 shares had been acquired by Group executives and employees under this plan.

A share subscription option plan No. 2 was implemented on February 8, 2001, also pursuant to a Management Board decision. This plan expired on February 8, 2009. On the plan's expiration date, a total number of 1,989,853 shares had been subscribed by Group executives and employees under this plan.

A share subscription option plan No. 3 was set up on January 28, 2002, also on decision of the Management Board. This plan expired on January 28, 2010. On expiry date, 2,385,941 shares had been subscribed by Group executives and employees under the plan.

With respect to the potential dilution relating to the share subscription options and bonus shares, see chapter 21, § 21.1.5 below.

Retention obligation applicable to the corporate officers (Articles L. 225-185 and L. 225-197-1 of the French Commercial Code)

The Law of December 30, 2006 on the development of employee profit-sharing and shareholding introduced new provisions, which are now included in Article L. 225-185 of the French Commercial Code, concerning share subscription or purchase options awarded to corporate officers, according to which the Board of Directors must either decide that the options cannot be exercised by the persons concerned until they have left office, or determine the quantity of shares that result from exercising the options, which they are required to retain in registered form until they leave office. The same obligations apply to bonus shares awarded pursuant to Article L. 225-197-1 of the French Commercial Code. These provisions are applicable to plans that are drawn up and implemented subsequent to the law entering into force.

As soon as this law was published, the Nominations and Compensation Committee decided to reflect on the rules that could be applied when future share subscription or purchase options are awarded to corporate officers. The committee presented its findings to the Board of Directors on March 29, 2007.

In accordance with these recommendations, the Board decided to apply a rule to oblige its Chairman and Chief Executive Officer to set up a portfolio of Veolia Environnement shares equal to 50% of the balance of shares that result from exercising options, after the payment of the tax (taxation of the capital gain and mandatory social security withholdings) and the financing cost (number of options it is necessary to exercise through combined exercise and sale in order to finance the exercise price of the portfolio to be set up and the tax).

This rule has not been applied in practice, as the performance criterion set in the 2007 stock options plan has not been satisfied and considering that no options or bonus shares have been awarded to corporate officers since that plan.

17.3.2 Options and bonus shares awarded to corporate officers and exercised by them during the 2010 fiscal year

Share subscription or purchase options awarded during the fiscal year to corporate officers by Veolia Environnement and by any Group company

Name of corporate officers	Plan number and date	Nature of the options	Number of options awarded during the fiscal year	Valuation of the options	Exercise price *(in euros)*	Exercise period
Henri Proglio (Chairman of the Board of Directors)*	NA	NA	none	NA	NA	NA
Antoine Frérot (Chairman and Chief Executive Officer)	NA	NA	none	NA	NA	NA

NA = not applicable
* *until December 12, 2010*

Bonus shares awarded during the fiscal year to corporate officers by Veolia Environnement and by any Group company

Name of corporate officers	Plan number and date	Number of shares awarded during the fiscal year	Valuation of the shares	Availability date	Performance conditions
Henri Proglio (Chairman of the Board of Directors)*	NA	NA	none	NA	NA
Antoine Frérot (Chairman and Chief Executive Officer)	NA	NA	none	NA	NA

NA = not applicable
* *until December 12, 2010*

Share subscription or purchase options exercised during the fiscal year by the corporate officers

Name of corporate officers	Plan number and date	Number of options exercised during the fiscal year	Nature of the options	Exercise price *(in euros)*
Henri Proglio (Chairman of the Board of Directors)*	NA	none	NA	NA
Antoine Frérot (Chairman and Chief Executive Officer)	NA	none	NA	NA

NA = not applicable
* *until December 12, 2010*

Bonus shares that became available during the fiscal year for corporate officers

Name of the corporate officers	Plan number and date	Number of shares that became available during the fiscal year	Vesting conditions
Henri Proglio (Chairman of the Board of Directors)*	NA	none	NA
Antoine Frérot (Chairman and Chief Executive Officer)	NA	none	NA

NA = not applicable

* *until December 12, 2010*

Share subscription options held by Mr. Henri Proglio, Chairman of the Company's Board of Directors*, at December 31, 2010

Plan number and date	Exercise price *(in euros)*	Plan expiration	Number of options originally awarded	Number of shares remaining under option
Plan No. 1 – 2000	31.41	expired (06/24/2008)	60,000	0
Plan No. 2 – 2001	40.59	expired (02/08/2009)	208,000	0
Plan No. 3 – 2002	36.65	expired (01/28/2010)	220,000	0
Plan No. 4 – 2003	22.14	03/24/2011	220,000	0
Plan No. 5 – 2004	24.32	12/24/2012	110,000	111,810
Plan No. 6 – 2006	44.03	03/28/2014	150,000	152,453
Plan No. 7 – 2007	57.05	07/17/2015	110,000	0
Total			**1,078,000**	**264,263**

* *until December 12, 2010*

Mr. Proglio's options in force at December 31, 2010 represented 0.05% of the Company's potential share capital on this date. The exercise prices at this same date for these options were all higher than the stock market price for Veolia Environnement shares.

No bonus shares have been awarded to Mr. Proglio.

Share subscription options held by Mr. Antoine Frérot, the Company's Chairman and Chief Executive Officer, at December 31, 2010

Plan number and date	Exercise price *(in euros)*	Plan expiration	Number of options originally awarded	Number of shares remaining under option
Plan No. 1 – 2000	31.41	expired (06/24/2008)	40,000	0
Plan No. 2 - 2001	40.59	expired (02/08/2009)	41,600	0
Plan No. 3 - 2002	36.65	expired (01/28/2010)	45,000	0
Plan No. 4 - 2003	22.14	03/24/2011	70,000	0
Plan No. 5 - 2004	24.32	12/24/2012	40,000	40,658
Plan No. 6 - 2006	44.03	03/28/2014	60,000	60,982
Plan No. 7 - 2007	57.05	07/17/2015	40,000	0
Total			**336,600**	**101,640**

Mr. Frérot's options in force at December 31, 2010 represented 0.02% of the Company's potential share capital on this date. The exercise prices at this same date for these options were all higher than the stock market price for Veolia Environnement shares.

No bonus shares have been awarded to Mr. Frérot.

17.3.3 Options granted to the top ten employees who are not corporate officers during the 2010 fiscal year and options exercised during the fiscal year

Share subscription or purchase options granted to the top ten employees who are not corporate officers and exercised by them	Total number of options awarded / shares subscribed for or purchased	Average weighted price**	Plan number
Options awarded during the 2010 fiscal year by Veolia Environnement and any company within the option award perimeter, to the ten employees of Veolia Environnement and of any other company included within this perimeter, who were awarded the highest number of shares in this way	317,000	22.50	No. 8
Options held on Veolia Environnement and the companies referred to above, which were exercised during the 2010 fiscal year, by the ten employees of Veolia Environnement and of said companies, for whom the number of options thus exercised is the highest*	16,289	36.65	No. 3
	12,704	22.14	No. 4
	9,149	24.32	No. 5

* *This does not include options exercised by employees who have left the Group.*
** *Exercise price after legal adjustments.*

17.4 Employee profit-sharing

17.4.1 Optional and mandatory profit-sharing contracts

Given the nature of its business, the Company is unable to allocate funds to the mandatory profit-sharing reserve provided for by law, and therefore has not entered into any related profit-sharing contracts. However, an optional profit-sharing plan applies to all Company employees, which aims at aligning employees' interests with the results of the Group in terms of achieving specific growth objectives over a three-year period.

In general, the Group favors expanding optional profit-sharing plans in order for employees to have a vested interest in the progress made by the specific division to which they are assigned, on the basis of criteria that are specifically adapted to the business concerned.

17.4.2 Company savings plans and employee share ownership policy

Since 2002, Veolia Environnement employees have had the possibility of investing in various instruments in the Group Savings Plan (GSP), "Sequoia," including diversified funds and funds invested in Veolia Environnement shares.

After a first capital increase in 2002 reserved exclusively for French employees, Veolia Environnement decided in 2004 to offer its employees domiciled abroad the possibility of acquiring shares in the Company during reserved capital increases. The plan was progressively extended at international level (it has covered up to 29 countries, including France, all mechanisms combined).

Two shareholder plans are proposed: a “classic” plan, in which the employee is exposed to changes in listed share prices, and a “low-risk” plan (with or without leverage), which protects employees from a fall in the price of shares while giving them the possibility of benefiting from its increase.

Depending on local particularities, the shares in these two plans were subscribed either directly or through the FCPE (corporate mutual fund). Additional, *ad hoc* plans were put in place in the United Kingdom (Share Incentive Plan) and in China (synthetic formula that replicates the economic conditions of the low-risk shareholder plan) in order to circumvent certain constraints, such as tax and exchange rate regulations.

The most recent operation took place at the end of 2010 and resulted in the issue of 1,692,862 new shares, representing 0.34% of the Company’s share capital at the time the plan was set up. This capital increase, which was reserved for employees, was offered to 185,000 staff in twenty-four countries (excepted United Kingdom).

Around 56,500 employees of the Veolia Environnement Group now hold shares in the Group and, as of the filing date of this registration document, hold 1.91% of the Company’s capital.

In total, approximately 80,000 employees have opened an account in the Veolia Environnement Group Savings Plan.

17.5 Shares held by Corporate Officers and Executives and Transactions Involving Company Securities

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 Company officers or “senior managers”, or the persons who are closely linked 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 following the completion of the transaction.

In addition, executives and officers are subject to French and U.S. regulations on misfeasance (*manquement d’initié*) and insider trading (*délit d’initié*) sanctioning the use or disclosure of privileged information[1].

Finally, executives and officers are required to comply with the Company’s code of conduct governing trading in its securities (cf. § 4.2.3.1. and 16.1.7 above). Under the provisions of this code, the Company considers members of the Board of Directors and Executive Committee to be permanent insiders, who can only purchase or sell Company securities, directly or through an intermediary, under certain conditions and during specific, limited time periods, in particular after publication of the Company’s annual and half-year results.

(1) *Pursuant to Article L. 621-18-4 of the French Monetary and Financial Code, a list of permanent insiders has been prepared, which includes, in particular, the members of the Veolia Environnement Board of Directors and Executive Committee. This list has been made available to the AMF.*

17.5.1 Shares held by directors and the *censeur* and transactions involving Veolia Environnement securities

At December 31, 2010, to the knowledge of the Company, the members of the Company's Board of Directors and the "censeur" held a total of 26,936,747 Veolia Environnement shares, representing approximately 5.40% of the Company's capital on this date. The table below details the numbers of Veolia Environnement shares held individually by each of the Company's Directors and the "*censeur*":

	Number of shares held at 12/31/2010	**Number of shares held at 12/31/2009**
Jean Azéma	799	799
Daniel Bouton	3,065	2,000
Jean-Francois Dehecq	939	895
Pierre-André de Chalendar	750	750
Augustin de Romanet de Beaune	852	807
Antoine Frérot	750	Na
Paul-Louis Girardot	1,051	1,051
Groupe Industriel Marcel Dassault represented by Olivier Costa de Beauregard	26,650,851	Na
Esther Koplowitz	15,690	Na
Philippe Kourilsky	750	750
Serge Michel	3,094	3,094
Henri Proglio	248,077	248,077
Baudouin Prot	1,687	1,687
Oatari Diar Real Estate Investment Co. Represented by Dr Mohd Alhamadi	750*	Na
Georges Ralli	985	985
Paolo Scaroni	826	792
Louis Schweitzer	5,581	2,368
Thierry Dassault (censeur)	1,000	Na
TOTAL	**26,936,747****	**252,249**

Na: not applicable

* *On January 14, 2011 Qatari Diar Real Estate Investment Co. acquired 750 shares in the Company pursuant to the provisions of article 11 of the Company's Articles of Association.*

** *26,937,497 at the date of this registration document.*

The table below details transactions involving Veolia Environnement securities executed during the 2010 fiscal year by Company Directors [(1)]. To the best of the Company's knowledge, no other declaration of transactions involving the purchase or sale of Veolia Environnement securities by directors or any person who has close personal links therewith were made during the 2010 fiscal year:

Name of directors	**Financial instrument**	**Nature of the transaction**	**Date of the transaction**	**Unit price** *(in euros)*	**Total amount of the transaction** *(in euros)*
Jean-François Dehecq	shares	subscription*	June 9, 2010	21.24	934.56
Antoine Frérot	shares	subscription*	June 9, 2010	21.24	169.92
	shares	acquisition	July 8, 2010	19.93	12,190.75
Groupe Industriel Marcel Dassault	shares	acquisition	May 21, 2010	20.4927	5,273,960.29
	other financial instruments	acquisition	May 21, 2010	2.75	275,000
	other financial instruments	divestment	May 21, 2010	2.75	275,000
	shares	acquisition	May 26, 2010	20.2933	23,926,977.71
	other types of financial instruments	acquisition	June 28, 2010	3.183	318,300
	other types of financial instruments	divestment	June 28, 2010	3.378	337,800
	shares	acquisition	June 30, 2010	23.50	2,350,000
	other types of financial instruments	acquisition	July 6, 2010	3.89	194,500
	other types of financial instruments	acquisition	July 6, 2010	3.89	194,500
	other types of financial instruments	divestment	July 6, 2010	3.89	389,000
	shares	acquisition	July 7, 2010	22	1,100,000
	put options	acquisition	December 15, 2010	1.5359	153,590
	put options	divestment	December 15, 2010	1.9744	197,440
	put options	acquisition	December 16, 2010	0.9050	90,500
	put options	divestment	December 16, 2010	2.4081	240,810
	Call options	divestment	December 16, 2010	0.1337	13,370
	Call options	divestment	December 20, 2010	0.095	9,500
	call options	divestment	December 20, 2010	0.135	13,500
Esther Koplowitz	shares	subscription*	June 9, 2010	21.24	13,636.08
Paolo Scaroni	Shares	subscription*	June 9, 2010	21.24	722.16
Louis Schweitzer	Shares	acquisition	April 9, 2010	26.16	78,480
	Shares	subscription*	June 9, 2010	21.24	4,524.12

* *dividend paid in new shares.*

(1) *This table, which was prepared in accordance with the provisions of Article 223-26 of the AMF General Regulations, details the transactions declared to the AMF during the 2010 fiscal year by the Company's directors.*

17.5.2 Transactions by officers involving Veolia Environnement securities

The table below details transactions involving Veolia Environnement securities executed during the 2010 fiscal year by members of the Company's Executive Committee (cf. § 16.4.1 above)[(1)]. To the best of the Company's knowledge, no other declaration of transactions involving the purchase or sale of Veolia Environnement securities by these persons or any person who has close personal links therewith were made during the 2010 fiscal year:

Name of officer*	**Financial instrument**	**Nature of the transaction**	**Date of the transaction**	**Unit price** *(in euros)*	**Total amount of the transaction** *(in euros)*
Olivier Orsini	units in GSP	subscription**	December 15, 2010	17.74	5,934.24
Pierre-François Riolacci	units in GSP	subscription**	December 15, 2010	17.74	65,020.91
Véronique Rouzaud	units in GSP	subscription**	December 15, 2010	17.74	5,900

* *list excludes Antoine Frérot (see para 17.5.1 above)*

** *subscription for the capital increase within the scope of the GSP (Group Savings Plan)*

(1) *This table, which was prepared in accordance with the provisions of Article 223-26 of the AMF General Regulations, details the transactions declared to the AMF during the 2010 fiscal year by the Company's "senior managers" referred to in Article L. 621-18-2 of the French Monetary and Financial Code.*

18 Principal Shareholders

18.1 Shareholders of Veolia Environnement as of December 31, 2010

The table below shows the number of shares and the corresponding percentages of share capital and voting rights held as of December 31, 2010 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 Company's knowledge, as of the filing date 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 on December 31, 2010	Number of shares	Percentage of share capital	Number of voting rights	Percentage of voting rights ***
Caisse des Dépôts (1)	47,273,114	9.47	47,273,114	9.75
Groupe Industriel Marcel Dassault – GIMD (2)	29,150,851	5.84	29,150,851	6.01
Groupe Groupama (3)	28,396,438	5.69	28,396,438	5.86
Velo Investissement (Qatari Diar) (4)	24,681,519	4.95	24,681,519	5.09
EDF (5)	19,329,226	3.87	19,329,226	3.99
Veolia Environnement (6)	14,338,903	2.87	0**	0
Public and other investors	335,956,316	67.31	335,956,316	69.30
Total	**499,126,367***	**100.00**	**484,787,464***	**100.00**

* *This figure includes a capital increase of 71,113 shares pursuant to options exercised during the 2010 fiscal year and recorded on January 26, 2011, by the Chairman and Chief Executive Officer, acting under powers delegated to him by the Board of Directors meeting of March 24, 2010. Issuing 71,113 shares with a par value of €5 each resulted in a capital increase of €355,565. At the conclusion of this transaction, the Company's share capital had increased from €2,495,276,270 divided in 499,055,254 shares to €2,495,631,835 divided in 499,126,367 shares (see Chapter 21, § 21.1.6, Table of changes in capital below). It must be specified that the share capital may change over the fiscal year depending on exercise of stock options.*

** *As of December 31, 2010 and the date this registration document was filed, Veolia Environnement held 14,338,903 treasury shares.*

*** *Percentage of voting rights as a share of actual voting rights (Veolia Environnement treasury shares do not exercise voting rights).*

(1) According to the analysis of the Company's shareholders as of December 31, 2010. To the Company's knowledge, the most recent declaration of threshold crossing of Caisse des Dépôts 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, 2010 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2011. To the Company's knowledge, the most recent declaration of threshold crossing of Groupe Industriel Marcel Dassault (GIMD) was filed on March 11, 2010 (AMF Decision and Information no. 210C0246 dated March 15, 2010).

(3) According to the analysis of the Company's shareholders as of December 31, 2010. To the Company's knowledge, the most recent declaration of threshold crossing of Groupama was filed on December 20, 2004 (AMF Decision and Information no. 205C0030 dated January 7, 2005).

(4) According to the analysis of the Company's shareholders as of December 31, 2010. To the Company's knowledge, the most recent declaration of threshold crossing of Velo Investissement (Qatari Diar) was filed on April 15, 2010 (AMF Decision and Information no. 210C0335 dated April 15, 2010).

(5) According to the statement of registered shareholders as of December 31, 2010 prepared by Société Générale (the account manager) and according to the analysis of the Company's shareholders as of December 31, 2010. To the Company's knowledge, EDF's most recent declaration of threshold crossing was filed on December 30, 2002 (Euronext notice no. 2002-4424 dated December 31, 2002). In that declaration, EDF reported that on such date it held 16,155,492 Veolia Environnement shares. Furthermore, in the amendment dated November 24, 2002 to the agreement dated June 24, 2002 described in Chapter 18, §18.2, of this registration document, EDF stated that it would hold shares acquired in the Company as a financial investment, that it did not seek to influence the Company's management and that it would exercise its voting rights solely for the purpose of enhancing the value of its investment.

(6) Treasury shares without voting rights. This figure is included in the monthly report of transactions carried out by Veolia Environnement with respect to its own shares that was filed with the French Regulatory Authority (AMF) on March 2, 2011.

On March 12, 2010, Groupe Industriel Marcel Dassault (GIMD) reported it had acquired shares in excess of the 5% threshold of share capital and voting rights in Veolia Environnement and undertook to retain this holding for a period of five years. The General Shareholders' Meeting of May 7, 2010 approved the appointment of Mr. Olivier Costa de Beauregard, representing Groupe Industriel Marcel Dassault as director, for a term of four years ending on the date of the General Shareholders' Meeting held to adopt the financial statements for the year ended December 31, 2013.

On April 16, 2010, Veolia Environnement and the Qatari Diar fund announced the signature of an agreement aimed at setting up a long-term strategic partnership, including the acquisition by Qatari Diar of a 5% share capital in Veolia Environnement with full voting rights. This acquisition reflects the groups' mutual ambition to work together on infrastructure and utilities projects in the Middle East and North Africa. The Qatari Diar fund gave an undertaking to the Group to hold its share capital and voting rights for a period of three years. The appointment of the Qatari Diar fund to the Board of Directors was approved by the Annual General Meeting of Shareholders of May 7, 2010 for a term of four years ending the Annual General Meeting of Shareholders held to adopt the financial statements for the year ended December 31, 2013.

To 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 EDF described in Chapter 20, § 20.1 (notes 36 and 39.3 to the 2010 consolidated financial statements), and in Chapter 22 of this registration document.

No third party controls Veolia Environnement and, to the Company's knowledge, there is no agreement in existence that, if implemented, could at a subsequent date result in a change of control or takeover of the Company.

Table summarizing changes in the Company's principal shareholders (that directly or indirectly have held more than 4% of the Company's shares) over the last three fiscal years*

	Situation on December 31, 2010			Situation on December 31, 2009			Situation on December 31, 2008		
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	47,273,114	9.47	9.75	47,273,114	9.58	9.87	47,273,114	10.00	10.33
Groupe Industriel Marcel Dassault - GIMD	29,150,851	5.84	6.01	na	na	na	na	na	na
Groupe Groupama	28,396,438	5.69	5.86	28,234,444	5.72	5.89	26,221,588	5.55	5.73
Velo Investissement (Qatari Diar)	24,681,519	4.95	5.09	na	na	na	na	na	na
Capital Group Companies	na	na	na	22,252,765	4.51	4.65	43,690,699	9.25	9.55
EDF	19,329,226	3.87	3.99	18,287,428	3.70	3.82	18,287,428	3.87	4.00

* *Figures are taken from the 2010, 2009 and 2008 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.*

na: not applicable

18.2 Changes in the Company's Shareholders

- SNEGE, a wholly-owned subsidiary of Vivendi Universal, owned 99.99% of the Company's share capital from its incorporation until March 31, 1999. Between April 1 and April 9, 1999, Vivendi Universal acquired 100% of the Company's share capital at its par value.

- In July 2000, the Company's shares began trading on the Euronext Paris First Market, which led Vivendi Universal's equity stake in the Company to fall from 100% to 72.3%.

- In December 2001, Vivendi Universal made an over-the-counter block sale of 32.4 million of the Company's shares, representing 9.3% of the Company's total share capital, further reducing its stake in the Company to 63%.

- In July 2002, the Company carried out a capital increase without suspending preemptive subscription rights. This capital increase was completed on August 2, 2002. Pursuant to the terms of an agreement dated June 24, 2002, several financial investors, including Caisse des dépôts et consignations, Groupama, BNP Paribas, AGF, Société Générale, Dexia, Caisses d'Epargne, Crédit Lyonnais and Natexis Banques Populaires (the "Group of Declared Investors" or "GID 1"), acquired and exercised the preemptive subscription rights which had been granted to Vivendi Universal and subscribed for the remainder of the shares not subscribed by the public. Upon conclusion of the transaction, the GID 1 held 9.4% of the Company's share capital.

- On November 24, 2002, Vivendi Universal, the Company, the GID 1 and a group of new long-term investors including EDF, Caisse des dépôts et consignations, Groupama SA, AXA, Compagnie d'Investissement de Paris SAS, Eurazeo, Aurélec, Dexia Crédit Local, Caisse Nationale des Caisses d'Epargne, Assurances Générales de France Holding, CNP-Assurances, Crédit Agricole Indosuez (Suisse) SA (on its own behalf and on behalf of a client), CIC, Generali, Crédit Lyonnais, Médéric Prévoyance and Wasserstein Family Trust LLC ("New Investors"), signed an amendment to the June 24, 2002 agreement(1), pursuant to which on December 24, 2002 Vivendi Universal sold to the New Investors and to Veolia Environnement a total of 82,486,072 of the Company's shares (of which 3,624,844 were sold to the Company, which represented approximately 0.9% of its share capital at the time of sale). For each share purchased, the Company and the New Investors also received an option to purchase the Company's shares at a price of €26.50 per share, exercisable at any time between December 24, 2002 and December 23, 2004 inclusive. As of the expiration date of these options, i.e., December 23, 2004, none had been exercised.

- On December 31, 2002, the Company certified completion of a capital increase reserved to employees of the Company and the Group, which had been approved on June 27, 2002. The Sequoia employee investment fund subscribed for these shares in the name and on behalf of its beneficiaries. Upon conclusion of this transaction, 1,183,158 new shares with a par value of €13.50 each had been subscribed at a price of €26.50 per share, thereby increasing share capital by €15,972,633, which represented approximately 1.28% of the Company's share capital.

- On December 6, 2004, the Company certified completion of a share capital increase reserved to employees of the Company and the Group, which had been approved by the Board of Directors on September 16, 2004. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,351,468 new shares with a par value of €5 each had been subscribed for at a price of €18.71 per share, thereby increasing share capital by €6,757,340, which represented approximately 0.33% of the Company's share capital.

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(1) Provisions published by the Conseil des Marchés Financiers on January 27, 2003 under no. 203C0104

- On December 8 and December 9, 2004, Vivendi Universal disposed of 15% of the 20.36% stake it held in the Company's capital through (i) a private placement for investors involving 10% of the Company's capital; (ii) the conclusion of a derivative transaction with Société Générale involving 3% of the Company's capital; and (iii) a redemption by Veolia Environnement of its shares, involving 2% of the share capital, which was completed on December 29, 2004.

- On December 6, 2005, the Company certified completion of a capital increase reserved to employees of the Company and the Group, which had been approved by the Board of Directors on September 15, 2005. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,281,928 new shares with a par value of €5 per share had been subscribed at a price of €28.11 per share, thereby increasing share capital by €6,409,640, which represented approximately 0.3% of the Company's capital on the date completion was certified.

- On July 6, 2006, Vivendi (formerly Vivendi Universal) announced the completion of the sale of the 5.3% share of Veolia Environnement capital it still held, 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.(2)

- On December 15, 2006, the Company certified completion of a capital increase reserved to employees of the Company and the Group, which had been approved by the Board of Directors on September 14, 2006. Several employee investment funds acting in the name and on behalf of their beneficiaries subscribed for this capital increase. Upon conclusion of this transaction, 1,931,340 new shares with a par value of €5 each had been subscribed for at a price of €37.52 each, thereby increasing capital by €9,656,700, which represented approximately 0.47% of the Company's capital on the date completion was certified.

- On July 10, 2007, the Company certified completion of a capital increase for cash with maintenance of preemptive subscription rights, which had been approved by the Board of Directors on June 10, 2007. Upon conclusion of this transaction, 51,941,040 new shares with a par value of €5 each were issued, thereby increasing share capital by €259,705,200. The total amount of the capital increase, including the issue premium, was €2,581,469,688.

- On December 12, 2007, the Company certified completion of a capital increase consisting of (i) a capital increase reserved to current and retired employees of the Company and the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds; and (ii) a capital increase reserved for Sequoia Souscription International – SAR, a subsidiary of Calyon, acting pursuant to a structured share offer for employees from countries unable to participate in traditional employee shareholder plans. Upon completion of this transaction, 3,250,446 new shares with a par value of €5 each, which were subscribed for at a price of €48.18 and €60.23 (depending on the plan), were issued, thereby increasing share capital by €16,252,230, which represented approximately 0.7% of the Company's share capital on the date completion was certified.

- On June 4, 2009, the Company certified completion of a capital increase for cash for a total amount of €322,993,629, which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the combined general shareholders' meeting held on 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 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.

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(2) *Following the transfer, Vivendi reported that as of July 11, 2006 it held less than 5% of the 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 August 5, 2009, the Company recorded completion of a capital increase reserved to current and retired employees of the Company and the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds. Upon completion of this transaction, 911,014 new shares with a par value of €5 each had been issued, which were subscribed for at a price of €21.28, and which increased the Company's capital by €4,555,070, which represented approximately 0.18% of the Company's capital on the date completion was recorded.

- On March 4, 2010, the Company recorded completion of a capital increase pursuant to options exercised during the 2009 fiscal year. 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 capital had been increased to €2,468,151,870, divided into 493,630,374 shares with a par value of €5 each.

- On June 7, 2010, the Company certified completion of a capital increase for cash for a total amount of €79,268,062.32, which was carried out in order to pay a share dividend in accordance with the fifth resolution adopted by the combined general shareholders' meeting held on 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 capital of €18,660,090. Upon completion of this transaction, the Company's share capital had been increased from €2,468,151,870 divided into 493,630,374 shares to €2,486,811,960 divided into 497,362,392 shares wuth a par value of €5 each.

- On December 15, 2010, the Company recorded completion of a capital increase reserved to current and retired employees of the Company and the Group, in France and abroad, the subscription for which was carried out directly and through several employee investment funds. This transaction resulted in the issuance of 1,692,862 new shares with a par value of €5 each, which were subscribed for at a price of €17.74, and which increased the Company's nominal share capital by €8,464,310, which represented approximately 0.34% of the Company's capital on the date completion was recorded. Upon completion of this transaction, the Company's share capital had been increased to €2,495,276,270 divided into 499,055,254 shares with a par value of €5 each.

  Following this transaction, the share of the Company's capital held by employees was, on that date, approximatively 2%(1) .

- On January 26, 2010, the Company recorded completion of a capital increase pursuant to options exercised during the 2010 fiscal year. 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 capital had been increased to €2,495,631,835, divided into 499,126,367 shares with a par value of €5 each.

(1) *As of December 31, 2010, the Company's emplyees held 1.91% of its share capital.*

19. Related-party transactions

Information concerning transactions with related parties in 2010 is included in the statutory auditors' special report concerning regulated agreements and commitments concluded in 2010 (Schedule 1 to this registration document, and in chapter 20, paragraph 20.1, note 39 to the consolidated financial statements.

See also the statutory auditors' reports concerning regulated agreements for the 2008 and 2009 fiscal years, which are included as Schedules to Veolia Environnement's 2008 and 2009 registration documents.

20 Financial information concerning the assets, financial condition and results of the issuer

20.1 Consolidated Financial Statements

Consolidated Statement of financial position

Assets

(€ million)	Notes	As of December 31		
		2010	**2009**	**2008**
Goodwill	4	**6,840.2**	6,624.6	6,723.3
Concession intangible assets	5	**4,164.6**	3,624.8	3,637.7
Other intangible assets	6	**1,505.8**	1,437.8	1,535.2
Property, plant and equipment	7	**9,706.6**	9,382.4	9,427.1
Investments in associates	8	**311.7**	268.5	311.6
Non-consolidated investments	9	**130.7**	174.6	202.8
Non-current operating financial assets	10	**5,255.3**	5,275.2	5,298.9
Non–current derivative instruments - Assets	28	**621.1**	431.9	508.4
Other non-current financial assets	11	**773.1**	753.9	817.3
Deferred tax assets	12	**1,785.5**	1,621.3	1,579.5
Non-current assets		**31,094.6**	**29,595.0**	**30,041.8**
Inventories and work-in-progress	13	**1,160.8**	997.3	1,022.0
Operating receivables	13	**12,503.3**	12,247.5	13,093.2
Current operating financial assets	10	**373.3**	376.6	452.3
Other current financial assets	11	**132.3**	217.7	321.4
Current derivative instruments – Assets	0	**34.6**	45.6	142.8
Cash and cash equivalents	14	**5,406.8**	5,614.4	3,849.6
Assets classified as held for sale	24	**805.6**	722.6	203.0
Current assets		**20,416.7**	**20,221.7**	**19,084.3**
Total assets		**51,511.3**	**49,816.7**	**49,126.1**

Equity and liabilities

(€ million)	Notes	As of December 31		
		2010	**2009**	**2008**
Share Capital		**2,495.6**	2,468.2	2,362.9
Additional paid-in capital		**9,514.9**	9,433.2	9,197.5
Reserves and retained earnings attributable to owners of the Company	15	**(4,044.3)**	(4,440.8)	(4,559.2)
Total equity attributable to owners of the Company		**7,966.2**	**7,460.6**	**7,001.2**
Total equity attributable to non-controlling interests		**2,928.5**	2,670.1	2,530.5
Equity	**15**	**10,894.7**	**10,130.7**	**9,531.7**
Non-current provisions	16	**2,313.9**	2,291.1	2,160.2
Non-current borrowings	17	**17,896.1**	17,647.3	17,063.9
Non–current derivative instruments – Liabilities	0	**195.1**	139.3	159.9
Deferred tax liabilities	12	**2,101.4**	1,951.2	1,936.0
Non-current liabilities		**22,506.5**	**22,028.9**	**21,320.0**
Operating payables	13	**13,767.6**	13,075.7	13,591.8
Current provisions	16	**689.9**	749.2	773.1
Current borrowings	17	**2,827.1**	2,983.1	3,219.7
Current derivative instruments – Liabilities	0	**51.7**	84.8	125.9
Bank overdrafts and other cash position items	14	**387.0**	454.9	465.7
Liabilities directly associated with assets classified as held for sale	24	**386.8**	309.4	98.2
Current liabilities		**18,110.1**	**17,657.1**	**18,274.4**
Total equity and liabilities		**51,511.3**	**49,816.7**	**49,126.1**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated income statement

(€ million)	Notes	Year ended December 31		
		2010	**2009(1) (2)**	**2008 (1) (2)**
Revenue	**18**	**34,786.6**	**33,951.8**	**35,089.6**
o/w Revenue from operating financial assets		388.0	384.0	387.7
Cost of sales		(28,633.5)	(28,115.9)	(29,280.1)
Selling costs		(636.4)	(597.7)	(610.5)
General and administrative expenses		(3,584.4)	(3,451.9)	(3,321.2)
Other operating revenue and expenses		188.0	195.5	49.4
Operating income	**19**	**2,120.3**	**1,981.8**	**1,927.2**
Finance costs	20	(888.7)	(864.1)	(1,089.6)
Income from cash and cash equivalents	20	95.4	95.9	202.0
Other financial income and expenses	21	(114.0)	(104.8)	(36.6)
Income tax expense	22	(336.3)	(239.1)	(460.5)
Share of net income of associates	8 & 23	18.5	(0.9)	18.2
Net income from continuing operations		**895.2**	**868.8**	**560.7**
Net income from discontinued operations	24	(23.6)	(26.9)	148.5
Net income for the year		**871.6**	**841.9**	**709.2**
Non-controlling interests	25	290.5	257.8	304.1
Attributable to owners of the Company		**581.1**	**584.1**	**405.1**

(in euros)				
Net income attributable to owners of the Company per share (3)	**26**			
Diluted		1.21	1.24	0.87
Basic		1.21	1.24	0.88
Net income from continuing operations attributable to owners of the Company per share (3)	**0**			
Diluted		1.24	1.29	0.69
Basic		1.24	1.29	0.70

(1) In 2008 and 2009, as part of ongoing efficiency measures, the Group reclassified certain expenses from cost of sales to selling costs and general and administrative expenses. These reclassifications had no impact on operating income (see Note 19, Operating income).

(2) In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the Income Statements of:

- *the Clemessy and Crystal entities in the Energy Services Division, divested in December 2008;*
- *the entities of the U.S. incineration activity in Environmental Services (Montenay International) and Freight activities (primarily in France, Germany and the Netherlands) divested in the second half of 2009;*
- *Water activities in the Netherlands, divested in December 2010;*
- *Transportation activities in the UK, Water activities in Gabon, Environmental Services activities in Norway and German operations in the Energy Services Division, in the process of divestiture at the year end;*

are presented in a separate line, "Net income from discontinued operations," for the years ended December 31, 2009 and 2008. Furthermore, as the divestiture process for Renewable Energy activities was interrupted at the end of 2010, these activities are no longer presented in Net income from discontinued operations.

(3) The weighted average number of shares outstanding at December 31, 2010 is 481.2 million (basic and diluted) (see Note 26, Earnings per share).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(€ million)	Year ended December 31		
	2010	**2009**	**2008**
Net income for the year	**871.6**	**841.9**	**709.2**
Actuarial gains or losses on pension obligations	(72.9)	(67.8)	(138.1)
Related income tax expense	16.9	14.3	34.1
Amount net of tax	(56.0)	(53.5)	(104.0)
Fair value adjustments on available-for-sale assets	(1.8)	(3.3)	(18.2)
Related income tax expense	(0.1)	(0.6)	(0.2)
Amount net of tax	(1.9)	(3.9)	(18.4)
Fair value adjustments on cash flow hedge derivatives	27.3	46.2	(112.8)
Related income tax expense	(9.7)	(5.8)	24.2
Amount net of tax	17.6	40.4	(88.6)
Foreign exchange gains and losses - on the translation of the financial statements of subsidiaries drawn up in a foreign currency	592.2	65.2	(279.8)
Amount net of tax	592.2	65.2	(279.8)
- on the net financing of foreign operations	(165.2)	2.2	(31.8)
- related income tax expense	52.6	3.8	15.9
Amount net of tax	(112.6)	6.0	(15.9)
Other comprehensive income	**439.3**	**54.2**	**(506.7)**
Total comprehensive income for the year	**1,310.9**	**896.1**	**202.5**
- Attributable to owners of the Company	911.8	657.1	(84.4)
- Attributable to non-controlling interests	399.1	239.0	286.9

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(€ million)	Notes	Year ended December 31		
		2010	**2009[(1)]**	**2008[(1)]**
Net income for the year attributable to owners of the Company		581.1	584.1	405.1
Net income for the year attributable to non-controlling interests	25	290.5	257.8	304.1
Operating depreciation, amortization, provisions and impairment losses	19	1,884.4	1,869.5	1,911.3
Financial amortization and impairment losses		18.6	7.2	19.5
Gains/losses on disposal and dilution	19	(277.2)	(306.1)	(292.7)
Share of net income of associates	8	(18.4)	0.9	(18.5)
Dividends received	21	(6.9)	(8.7)	(8.4)
Finance costs and finance income	20	811.2	792.0	922.8
Income tax expense	22	362.4	311.9	470.9
Other items		95.8	69.1	74.0
Operating cash flow before changes in working capital		**3,741.5**	**3,577.7**	**3,788.1**
Changes in working capital	13	83.0	432.1	(80.9)
Income taxes paid		(367.9)	(408.5)	(347.5)
Net cash from operating activities		**3,456.6**	**3,601.3**	**3,359.7**
Industrial investments	41	(2,083.7)	(2,104.8)	(2,390.3)
Proceeds on disposal of intangible assets and property, plant and equipment		205.2	258.7	329.8
Purchases of investments		(426.3)	(177.9)	(745.7)
Proceeds on disposal of financial assets		498.6	522.3	286.1
Operating financial assets:				
- New operating financial assets	10	(489.1)	(483.1)	(507.0)
- Principal payments on operating financial assets	10	424.1	455.2	358.2
Dividends received	8 & 21	12.9	14.8	15.8
New non-current loans granted		(59.8)	(43.8)	(252.7)
Principal payments on non-current loans		31.8	65.8	30.0
Net decrease/increase in current loans		69.1	140.9	(89.0)
Net cash used in investing activities		**(1,817.2)**	**(1,351.9)**	**(2,964.8)**
Net increase/decrease in current borrowings	17	(938.2)	(1,323.9)	(1,437.0)
New non-current borrowings and other debts	17	537.6	3,301.2	3,590.2
Principal payments on non-current borrowings and other debts	17	(148.8)	(1,514.8)	(184.8)
Proceeds on issue of shares		128.8	157.1	51.0
Share capital reduction				(131.0)
Transactions with non-controlling interest: partial purchases and sales		91.8	50.9	20.0
Purchases of/proceeds from treasury shares		7.9	4.9	3.2
Dividends paid		(735.6)	(434.0)	(754.4)
Interest paid		(821.9)	(729.8)	(847.6)
Net cash from/(used in) financing activities		**(1,878.4)**	**(488.4)**	**309.6**
Net cash at the beginning of the year		**5,159.5**	**3,383.9**	**2,656.2**
Effect of foreign exchange rate changes and other		99.3	14.6	23.2
Net cash at the end of the year		**5,019.8**	**5,159.5**	**3,383.9**
Cash and cash equivalents	14	5,406.8	5,614.4	3,849.6
Bank overdrafts and other cash position items	14	387.0	454.9	465.7
Net cash at the end of the year		**5,019.8**	**5,159.5**	**3,383.9**

(1) Figures for the years ended December 31, 2009 and 2008 have been adjusted for the application of the amendments to IAS 7 as follows:

- *replacement costs are now included in Net cash from operating activities: the impact of this reclassification between "Operating depreciation, amortization, provisions and impairment losses" in cash flows from operating activities and "Industrial investments" in investing activities is -€360.9 million in the year ended December 31, 2009 and -€390.3 million in the year ended December 31, 2008.*
- *transactions between shareholders without a change in control are now recorded in cash flows from financing activities: the impact of this reclassification between "Proceeds on disposals of financial assets" in investing flows and "Transactions with non-controlling interests: partial purchases and sales" in financing flows is €50.9 million in the year ended December 31, 2009 and €20 million in the year ended December 31, 2008.*

Net cash flows attributable to discontinued operations as defined in IFRS 5 contributed €66.4 million, €29.4 million and €109.2 million to net cash from operating activities, €48.1 million, €252.3 million and €53.8 million to net cash from investing activities and -€21.0 million, -€34.1 million and -€58.9 million to net cash from financing activities in 2010, 2009 and 2008, respectively.

Discontinued operations are presented in Note 24.

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	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, 2008	**471,762,756**	**2,358.8**	**9,179.5**	**(460.7)**	**(3,367.2)**	**(119.1)**	**21.6**	**7,612.9**	**2,577.8**	**10,190.7**
Issues of share capital of the parent company	813,910	4.1	17.9					22.0		22.0
Elimination of treasury shares				3.2	2.3			5.5		5.5
Share purchase and subscription options					5.5			5.5		5.5
Third party share in share capital increases of subsidiaries and changes in consolidated scope									(129.0)	(129.0)
Parent company dividend distribution					(553.5)			(553.5)		(553.5)
Third party share in dividend distributions by subsidiaries									(200.8)	(200.8)
Foreign exchange translation						(591.9)		(591.9)	(1.9)	(593.8)
Fair value adjustments						298.1	(101.6)	196.5	(10.5)	186.0
Actuarial gains and losses on pension obligations					(94.8)			(94.8)	(9.2)	(104.0)
Net income for the year					405.1			405.1	304.1	709.2
Other changes					13.1	(20.0)	0.8	(6.1)		(6.1)
As of December 31, 2008	**472,576,666**	**2,362.9**	**9,197.4**	**(457.5)**	**(3,589.5)**	**(432.9)**	**(79.2)**	**7,001.2**	**2,530.5**	**9,531.7**

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of December 31, 2008	**472,576,666**	**2,362.9**	**9,197.4**	**(457.5)**	**(3,589.5)**	**(432.9)**	**(79.2)**	**7,001.2**	**2,530.5**	**9,531.7**
Issues of share capital of the parent company	21,053,708	105.3	235.8					341.1		341.1
Elimination of treasury shares				4.9				4.9		4.9
Share purchase and subscription options					10.3			10.3		10.3
Third party share in share capital increases of subsidiaries									149.8	149.8
Third party share in changes in consolidation scope									(45.0)	(45.0)
Parent company dividend distribution					(553.8)			(553.8)		(553.8)
Third party share in dividend distributions by subsidiaries								0.0	(202.0)	(202.0)
Foreign exchange translation						*82.4*		82.4	(17.2)	65.2
Net foreign investments						*82.0*		82.0	(0.1)	81.9
Actuarial gains and losses on pension obligations					*(51.2)*			(51.2)	(2.3)	(53.5)
Fair value adjustments on cash flow hedge derivatives						*(75.9)*	*35.6*	(40.3)	4.8	(35.5)
Fair value adjustments on AFS assets							*0.1*	0.1	(4.0)	(3.9)
Total other comprehensive income					(51.2)	88.5	35.7	73.0	(18.8)	54.2
Net income for the year					584.1			584.1	257.8	841.9
Other changes					(0.2)			(0.2)	(2.2)	(2.4)
As of December 31, 2009	**493,630,374**	**2,468.2**	**9,433.2**	**(452.6)**	**(3,600.3)**	**(344.4)**	**(43.5)**	**7,460.6**	**2,670.1**	**10,130.7**

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of December 31, 2009	**493,630,374**	**2,468.2**	**9,433.2**	**(452.6)**	**(3,600.3)**	**(344.4)**	**(43.5)**	**7,460.6**	**2,670.1**	**10,130.7**
Issues of share capital of the parent company	5,495,933	27.4	81.7					109.1	–	109.1
Parent company dividend distribution					(579.5)			(579.5)	–	(579.5)
Elimination of treasury shares				7.9				7.9	–	7.9
Share purchase and subscription options					6.2			6.2	–	6.2
Third party share in share capital increases of subsidiaries								–	104.8	104.8
Third party share in dividend distributions by subsidiaries								–	(233.5)	(233.5)
Transactions between shareholders					60.2			60.2	(9.9)	50.3
Transactions between shareholders	**5,495,993**	**27.4**	**81.7**	**7.9**	**(513.1)**	**–**	**–**	**(396.1)**	**(138.6)**	**(534.7)**
Foreign exchange translation						*483.2*		483.2	109.0	592.2
Net foreign investments						*(112.3)*		(112.3)	(2.5)	(114.8)
Actuarial gains and losses on pension obligations					*(52.0)*			(52.0)	(4.0)	(56.0)
Fair value adjustments on cash flow hedge derivatives						*2.5*	*13.6*	16.1	3.7	19.8
Fair value adjustments on AFS assets							*(4.3)*	(4.3)	2.4	(1.9)
Total other comprehensive income					*(52.0)*	373.4	9.3	330.7	108.6	439.3
Net income for the year					581.1			581.1	290.5	871.6
Total other comprehensive income					**529.1**	**373.4**	**9.3**	**911.8**	**399.1**	**1,310.9**
Other changes					(10.1)			(10.1)	(2.1)	(12.2)
As of December 31, 2010	**499,126,367**	**2,495.6**	**9,514.9**	**(444.7)**	**(3,594.4)**	**29.0**	**(34.2)**	**7,966.2**	**2,928.5**	**10,894.7**

The dividend distribution per share was €1.21 for the last three fiscal years.

A dividend distribution of €1.21 per share is proposed to the Annual General Meeting of Shareholders of May 17, 2011.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €735 million, €434 million and €755 million for the years ended December 31, 2010, 2009 and 2008, respectively, includes:

(€ million)	**Year ended December 31, 2010**	Year ended December 31, 2009	Year ended December 31, 2008
Parent company dividend distribution	(580)	(554)	(554)
Third party share in dividend distributions of subsidiaries	(234)	(202)	(201)
Scrip dividend (1)	79	322	-
Total dividend paid	**(735)**	**(434)**	**(755)**

(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.

1 Accounting principles and methods

1.1 Accounting standards framework

1.1.1 Basis underlying the preparation of the financial information

Pursuant to Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation no. 297/2008 of March 11, 2008, the consolidated financial statements for the year ended December 31, 2010 are presented in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and IFRS as published by the International Accounting Standards Board (IASB). These standards may be consulted at the following European Union website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

These financial statements are accompanied, for comparative purposes, by financial statements for fiscal years 2009 and 2008 drawn up in accordance with the same standards framework.

In the absence of IFRS standards or interpretations and in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Veolia Environnement refers to other IFRS dealing with similar or related issues and the conceptual framework. Where appropriate, the Group may use other standard references and in particular U.S. standards.

1.1.2 Standards, standard amendments and interpretations applicable from fiscal year 2010

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2010 are identical to those applied by the Group as of December 31, 2009, with the exception of the following standards, standard amendments and interpretations which came into mandatory effect as of January 1, 2010:

- IFRS 3, Business Combinations and IAS 27, Consolidated and Separate Financial Statements, revised.

  The revision of these two standards led the Group to account for business combinations performed after January 1, 2010 in accordance with the provisions of IFRS 3 revised, and in particular to value the consideration transferred (including any contingent consideration) at the fair value of assets transferred, equity instruments issued and liabilities incurred at the date of acquisition of control. Identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date. From now on, costs directly attributable to business combinations are recorded in operating expenses in the period incurred. Changes to the standard include:

  - the option for the Group to elect on an individual transaction basis, at the acquisition date, for measurement of 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;

  - acquisitions of non-controlling interests and disposals without loss of control are considered as equity transactions and are recognized directly in equity without impacting goodwill.

  The Group also applies since January 1, 2010, the amendments to IAS 28, IAS 31 and other standards following the revision of IFRS 3 and IAS 27.

Among these amendments, the amendment to IAS 7 concerning transactions with non-controlling interests has an impact on the presentation of the financial statements and led the Group to reclassify flows relating to transactions with non-controlling interests in the Cash Flow Statement. These transaction flows, recorded in investing activities until 2009, are now presented in financing activities.

- Amendment to IFRS 2, Share-based Payment - Group cash-settled share-based payment transactions
- Amendment to IFRS 5 resulting from the 2006-2008 annual improvement process and regarding the classification of non-current assets (and disposal groups) as held for sale or discontinued
- Amendment to IAS 39, Financial instruments: Disclosures: eligible hedged items
- IFRIC 17, Distributions of Non-Cash assets to Owners

The first-time application of these standards, interpretations and amendments did not have a material impact.

- Amendments resulting from the 2007-2009 annual improvement process

  Among the standards amended as part of the IASB annual improvement process, the following changes were identified as having a potential impact on the presentation of the Group's financial statements:

  - pursuant to the new amendment clarifying application guidance for IAS 7, the Group includes since January 1, 2010, in "Net cash from operating activities" in the Consolidated Cash Flow Statement, the replacement costs referred to in Note 19 to the Consolidated Financial Statements for the year ended December 31, 2009. Consequently, when adjusting "Net income attributable to owners of the Company" to obtain "Net cash from operating activities," replacement costs are no longer eliminated under "Operating depreciation, amortization, provisions and impairment losses." This amendment has no impact on net income or equity;
  - the amendment to IAS 17 concerning the classification of leases of land: a lease of land may now be classified as a finance lease even if there is no transfer of title at the end of the lease, provided the provisions of IAS 17 governing the identification of a finance lease are satisfied. This amendment did not have a material impact on the accounts of the Group for the year ended December 31, 2010.

- Since fiscal year 2006, the Group has accounted for its concession business in accordance with the principles set out in IFRIC 12, *Service Concession Arrangements*, published by the IASB on November 30, 2006 and adopted by the European Union on March 26, 2009. The prospective application of IFRIC 18 (*Transfers of Assets from Customers)* from July 1, 2009, did not have a material impact on the financial statements as:

  - concession arrangements within the application scope of IFRIC 12 are excluded from the provisions of IFRIC 18, thereby excluding the majority of Group arrangements,
  - the accounting treatment applied to contracts prior to July 1, 2009, similar to contracts within the application scope of IFRIC 18, was generally identical to the provisions proposed by this interpretation.

1.1.3 Texts which enter into mandatory effect after December 31, 2010, and which have not been adopted early

Veolia Environnement has not elected for early adoption of the following standards, standard amendments and interpretations published as of December 31, 2010 (adopted or in the course of being adopted by the European Union):

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.
- Amendment to IAS 32, Financial Instruments: Disclosures: Classification of rights issues.
- IAS 24 Revised, Related Party Disclosures.
- Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement.
- Amendments resulting from the 2008-2010 annual improvement process.
- IFRS 9, Financial Instruments, Classification and Measurement (not adopted by the European Union).
- Amendments to IFRS 7, Financial Instruments – Disclosures, Transfers of Financial Assets.

Subject to their definitive adoption by the European Union, these standards, standard amendments and interpretations are of mandatory application from July 1, 2010 or later, that is from January 1, 2011 or later for the Group. The Group is currently assessing the potential impact of the first-time application of these new 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 the basis of historical cost, with the exception of 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, 2010 were adopted by the Board of Directors on March 3, 2011 and will be presented for approval to the Annual General Meeting of Shareholders on May 17, 2011.

1.3 Basis of presentation as of December 31, 2010

The consolidated financial statements are presented in millions of euro, unless stated otherwise.

The consolidated financial statements comprise the financial statements of Veolia Environnement SA and its subsidiaries. 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, 2010, in accordance with uniform accounting policies and methods.

All inter-company balances and transactions, together with all income and expense items and unrealized gains and losses included in the net carrying amount of assets, resulting from internal transactions, are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, which is the date on which the Group obtains control, up to the date on which it ceases to exercise control.

Non-controlling interests represent the equity in a subsidiary that is not directly or indirectly attributable to the Group. These interests are presented separately in the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position.

1.4 Principles of Consolidation

Veolia Environnement fully consolidates all entities over which it exercises control. Control is defined as the ability to govern, directly or indirectly, the financial and operating policies of an entity in order to obtain the benefit of its activities.

Pursuant to the provisions of IAS 28, *Investments in Associates*, Veolia Environnement accounts for associates using the equity method where it exercises significant influence over financial and operating policies. Significant influence is presumed to exist where the Group holds at least 20% of share capital or voting rights.

Companies over which Veolia Environnement exercises joint control as a result of a contractual agreement between partners are consolidated using the proportionate method in accordance with IAS 31, *Interests in Joint Ventures*.

Pursuant to SIC 12, *Consolidation - Special Purpose Entities*, special-purpose entities (SPEs) are consolidated when the substance of the relationship between the SPE and Veolia Environnement or its subsidiaries indicates that the SPE is controlled by Veolia Environnement. Control may arise through the predetermination of the activities of the SPE or through the fact that, in substance, the financial and operating policies are defined by Veolia Environnement or Veolia Environnement benefits from the majority of the economic advantages and/or assumes the majority of the economic risks related to the activity of the SPE.

Pursuant to IAS 27, *Consolidated and Separate Financial Statements*, potential voting rights available for exercise attached to financial instruments which, if exercised, would confer voting rights on Veolia Environnement and its subsidiaries, are taken into account where necessary in assessing the level of control or significant influence exercised.

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.

1.5.2 Transactions between shareholders

Dilution and accretion transactions in entities controlled by the Group are recognized as transactions in equity, as they are transactions performed by the owners of the company acting in this capacity.

Pursuant to the provisions of IAS 27 and IAS 32, *Financial Instruments: Presentation*, 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 Cash Flow Statement.

1.5.3 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.

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 geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale.

Therefore, as of December 31, 2010, the results of operations sold or in the course of being sold in 2010 must also be adjusted in the comparative financial statements as of December 31, 2008 and 2009. The 2009 and 2008 comparative income statements therefore differ from those published previously.

The impact of these operations on cash flows from operating, investing and financing activities is presented at the foot of the Consolidated Cash Flow Statement for the year ended December 31, 2010 and comparative periods.

The 2009 and 2008 Consolidated Statements of Financial Position are unchanged.

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, 2010**	**As of December 31, 2009**	**As of December 31, 2008**
U.S. Dollar	0 .7484	0.6942	0.7185
Pound Sterling	1.1618	1.1260	1.0499
Czech Crown	0.0399	0.0378	0.0372

Average annual exchange rate (one foreign currency unit = €xx)	**Average annual rate 2010**	**Average annual rate 2009**	**Average annual rate 2008**
U.S. Dollar	0.7537	0.7177	0.6782
Pound Sterling	1.1652	1.1222	1.2433
Czech Crown	0.0395	0.0378	0.0399

1.7 Foreign currency transactions

Foreign currency transactions are translated into euro at the exchange rate prevailing at the transaction date. At the year end, foreign currency-denominated monetary assets and liabilities are remeasured in euro at year-end exchange rates. The resulting foreign exchange gains and losses are recorded in net income for the period.

Loans to a foreign subsidiary, the settlement of which is neither planned nor probable in the foreseeable future represent, in substance, a portion of the Group's net investment in this foreign operation. Foreign exchange gains and losses on monetary items forming part of a net investment are recognized directly in other comprehensive income in foreign exchange translation adjustments and are released to income on the disposal of the net investment.

Exchange gains and losses on foreign currency-denominated borrowings or on currency derivatives that qualify as hedges of a net investment in a foreign operation, are recognized directly in other comprehensive income as foreign exchange translation adjustments. Amounts recognized in other comprehensive income are released to income on the sale date of the relevant investment.

Foreign currency-denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency-denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

1.8 Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost to the Group, less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life.

Useful lives are as follows:

	Range of useful lives in number of years *
Buildings	20 to 50
Technical systems	7 to 24
Vehicles	3 to 25
Other plant and equipment	3 to 12

* *The range of useful lives is due to the diversity of property, plant and equipment concerned.*

Property, plant and equipment are primarily depreciated on a straight-line basis, unless another systematic depreciation basis better reflects the rate of consumption of the asset.

Borrowing costs attributable to the acquisition or construction of identified installations, incurred during the construction period, are included in the cost of those assets in accordance with IAS 23, *Borrowing costs*.

A finance lease contract is a contract that transfers to the Group substantially all the risks and rewards related to the ownership of an asset.

Pursuant to IAS 17, assets financed by finance lease are initially recorded at the lower of fair value and the present value of future minimum lease payments. Subsequently, the Group does not apply the remeasurement model but the cost model as authorized by IAS 16 and IAS 38.

These assets are depreciated over the shorter of the expected useful life of the asset and the lease term, unless it is reasonably certain that the asset will become the property of the lessee at the end of the contract. This accounting policy complies with IAS 17 and Group accounting methods regarding the recognition and measurement of intangible assets and property, plant and equipment.

Given the nature of the Group's businesses, the subsidiaries do not own investment property in the normal course of their operations.

1.9 Government grants

1.9.1 Investment grants for property, plant and equipment

In accordance with the option offered by IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, investment grants are deducted from the gross carrying amount of property, plant and equipment to which they relate.

They are recognized as a reduction in the depreciation charge over the useful life of the depreciable asset.

When the construction of an asset covers more than one period, the portion of the grant not yet used is recorded in “Other liabilities” in the Consolidated Statement of Financial Position.

1.9.2 Investment grants relating to concession arrangements

Investment grants received in respect of concession arrangements (see Note 1.20) are generally definitively earned and, therefore, are not repayable.

In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets or financial assets depending on the applicable model following an analysis of each concession arrangement (IFRIC 12).

Under the intangible asset model, the grant reduces the amortization charge in respect of the concession intangible asset over the residual term of the concession arrangement.

Under the financial asset model, investment grants are equated to a means of repaying the operating financial asset.

1.9.3 Operating grants

Operating grants concern, by definition, operating items.

Where operating grants are intended to offset costs incurred, they are recognized as a deduction from the cost of goods sold over the period that matches them with related costs.

Where operating grants represent additional contractual remuneration of a recurring nature, such as contributions or compensation for inadequate revenue provided under certain public service delegation contracts, they are recognized in revenue.

1.10 Intangible assets excluding goodwill

Intangible assets are identifiable non-monetary assets without physical substance. They are recorded at acquisition cost less accumulated amortization and any accumulated impairment losses.

Intangible assets mainly consist of certain assets recognized in respect of concession arrangements (IFRIC 12), entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations, 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 *
Fees paid to local authorities	3 to 80
Purchased contractual commitments	3 to 34
Purchased software	3 to 10
Other intangible assets	1 to 28

* *The range of useful lives is due to the diversity of intangible assets concerned.*

1.11 Impairment of intangible assets, property, plant and equipment and non-financial assets

The net carrying amount of non-financial assets, other than inventory and deferred tax assets is reviewed at each period-end in order to assess the existence of any indication of loss in value. Where such indication exists, the recoverable amount of the asset or group of assets (equal to the higher of fair value less costs to sell and value in use) is estimated.

The net carrying amount of an asset or group of assets is reduced to its recoverable amount (equal to the higher of fair value less costs to sell and value in use), where this is lower.

Impairment losses can be reversed, with the exception of those relating to goodwill.

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

Group Management prepares cash flow forecasts based on the most recent long-term plan, prepared in June 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.

The value in use is determined by discounting the future cash flows expected to be derived from the asset, CGU or group of CGUs considered, taking into account, where appropriate, the residual value. Given the Group’s activities, the cash-generating units are below operating segments in the organizational structure and generally represent a country in each Division. Future cash flows are taken for the first six years from the long-term plan validated by the Board of Directors on November 9, 2010. The terminal value is calculated based on discounted forecast flows for the last year (2016). These flows are determined based on a perpetual growth rate which takes account of factors such as inflation.

The general assumptions, defined at Group level and included in the calculation of the value in use of each cash-generating unit are the discount rate and the perpetual growth rate. The other assumptions are specific to each CGU.

A discount rate (weighted average cost of capital) is determined for each asset, CGU or group of CGUs: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks. The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the cash-generating unit is exposed, with the other risks reflected in the expected future cash flows from the assets.
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.

Pursuant to the provisions of IAS 36, investments included in estimates of 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. In addition, estimates of future cash flows do not take account of restructuring plans to which the Group is not committed.

As Water activities in China follow a specific economic model, with extremely long contract terms (up to fifty years) and high investment flows during the initial contract years, fiscal year 2016 may not be considered a standard year. Therefore, exceptionally, the business plan was extended to 2025 for the “Water–China” cash-generating unit, in order to identify standard flows for the calculation of the terminal value. The perpetual growth rate set out in Note 4 applies from this year.

1.12 Inventories

In accordance with IAS 2, *Inventories*, inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.13 Provisions

Pursuant to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

As part of its obligations under public services contracts, Veolia Environnement generally assumes responsibility for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

In the case of provisions for rehabilitation of landfill facilities, Veolia Environnement accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component and taking into account inflation and the date on which expenses will be incurred (discounting). The asset is amortized based on its depletion.

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

1.14 Financial instruments

1.14.1 Financial assets and liabilities

Financial assets include assets classified as available-for-sale and held-to maturity, assets at fair value through the Consolidated Income Statement, asset derivative instruments, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing and bank overdrafts, liability derivative instruments and operating payables.

The recognition and measurement of financial assets and liabilities is governed by IAS 39.

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:

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 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.

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 relevant investment. 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 disposal.

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 client 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.

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 in order to realize a capital gain, 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 flows exchanged and the change in the value of the instrument.

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. Cash and cash equivalents include all cash balances, deposits with a maturity of less than 3 months when initially recorded in the Consolidated Statement of Financial Position, negotiable debt instruments and monetary UCITS. UCITS classified in “cash equivalents” comply with Directive 2009/65/EC of the European Commission of July 13, 2009 and constitute monetary UCITS pursuant to the AMF classification. Monetary UCITS (AMF classification) 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, thereby satisfying the requirements of IAS 7. 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 (between 0 and 0.5). The regularity of performance trends does not expose them to a material risk of change in value.

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 cash flow statement.

1.14.4 Recognition and measurement 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 IAS 27, 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 Recognition and measurement 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 flows exchanged 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 (notably 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. This amount is then discounted to present value and unamortized past service costs and the fair value of plan assets are 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 and the amount of unamortized past service costs. The plan surplus is recognized in non-current financial assets.

Certain obligations of the Group or Group entities may enjoy repayment entitlement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. Repayment entitlement is recognized in non-current financial assets.

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 zone. 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 offset against other comprehensive income and are not amortized in the Consolidated Income Statement.

1.16 Share-based payments

Pursuant to IFRS 2, *Share-based Payment*, an expense is recorded in respect of share purchase or subscription plans and other share-based compensation granted by the Group to its employees. The fair value of these plans at grant date is expensed in the Consolidated Income Statement and recognized directly in equity in the period in which the benefit is vested and the service is rendered.

The fair value of purchase and subscription options is calculated using the Black and Scholes model, taking into account the expected life of the options, the risk-free interest rate, expected volatility, determined based on observed volatility in the past and dividends expected on the shares.

The compensation expense in respect of employee saving plans corresponds to the difference between the subscription price and the average share price at each subscription date, less a discount for non-transferability and to the Company's contribution to subscribers.

1.17 Revenue

Revenue represents sales of goods and services measured at the fair value of the counterparty received or receivable.

Revenue from the sale of goods or services is recognized when the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- the significant risks and rewards of ownership of the goods have been transferred to the buyer, in the case of sales of goods;
- the stage of completion of the transaction at the year-end may be reasonably determined in the case of sales of services;
- the recovery of the counterparty is considered probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17.1 Sales of goods

Sales of goods mainly concern the sale of technological procedures and solutions relating to the treatment of water (drinking water and wastewater treatment) in the Water Division and sales of products related to recycling activities in the Environmental Services Division.

Revenue relating to these sales is recognized on physical delivery of the goods, which represents the transfer of the inherent risks of ownership of these goods.

1.17.2 Sales of services

The provision of services represents the majority of Group businesses such as the processing of waste, water distribution and related services, network operation and passenger transport and energy services (heat distribution, thermal services and public lighting).

Revenue from these activities is recognized when the service is rendered and it is probable that the economic benefits will flow to Group entities.

These activities involve the performance of a service agreed contractually (nature, price) with a public sector or industrial customer, within a set period. Billing is therefore based on the waste tonnage processed/ incinerated, the volume of water distributed, the thermal power delivered or the number of passengers transported, multiplied by the contractually agreed price.

It should be noted that fees and taxes collected on behalf of local authorities are excluded from Revenue when the Group does not bear the risk of payment default by third parties.

1.17.3 Construction contracts (excluding service concession arrangements)

Construction contracts primarily concern the design and construction of the infrastructures necessary for water treatment/distribution and wastewater treatment activities.

The related revenue is recognized in accordance with IAS 11, *Construction Contracts* (see Note 1.22).

1.17.4 IFRIC 4 Contracts

Contracts falling within the scope of IFRIC 4, *Determining Whether an Arrangement Contains a Lease* (see Note 1.20), 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 client 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 (credit) includes the current tax charge (credit) and the deferred tax charge (credit).

Deferred tax assets are recognized on deductible timing differences and/or tax loss carry forward.

Deferred tax assets arising from timing differences are only recognized when it is probable that:

- there are sufficient taxable temporary 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 temporary differences or in the periods where the differed 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.

Deferred tax assets are impaired to the extent that it is no longer probable that sufficient taxable profits will be available.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

1.20 Description of Group concession activities

In the course of its business, Veolia Environnement provides collective services (distribution of drinking water and heating, passenger transport network, household waste collection, etc.) to local authorities in return for a remuneration based on services rendered.

These collective services (also known as services of general interest or general economic interest or public services) are generally managed by Veolia Environnement under contracts entered into at the request of public bodies which retain control thereof.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated installations built by Veolia Environnement, or made available to it for a fee or nil consideration:

- These contracts define "public service obligations" in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term;

- Veolia Environnement can, in certain cases, be responsible for a given service as it holds the service support network (water/heat distribution network, water treatment network). Such situations are the result of full or partial privatizations. Provisions impose public service obligations and the means by which the local authority may recover control of the concession holder.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where appropriate, a provision for contractual commitments is recorded in respect of commitments resulting from delays in the performance of work.

The nature and extent of the Group's rights and obligations under these different contracts differ according to the public services rendered by the different Group divisions.

The accounting treatment is disclosed in Notes 5 and 10.

Water

Veolia Environnement manages municipal drinking water and/or waste water services. These services encompass all or part of the water cycle (extraction from natural sources, treatment, storage and distribution followed by collection and treatment of waste water and release into the environment).

In France, these services are primarily rendered under public service delegation "affermage" contracts with a term of 8 to 20 years. They concern the production and distribution of drinking water and/or the collection and treatment of waste water. They use specific assets, such as distribution or wastewater treatment networks and drinking water or wastewater treatment plants, which are generally provided by the concession grantor and returned to it at the end of the contract.

Abroad, Veolia Environnement renders its services under contracts which reflect local legislation, the economic situation of the country and the investment needs of each partner.

These contracts are generally concession arrangements, service contracts or O&M (Operate & Manage) and BOT contracts with an average term of between 7 and 40 years, and sometimes longer.

Contracts can also be entered into with public entities in which Veolia Environnement purchased an interest on their partial privatization. The profitability of these contracts is not fundamentally different from other contracts, but operations are based on a partnership agreement with the local authority.

Environmental Services

Both in France and abroad, the main concession arrangements entered into by Veolia Environnement concern the treatment and recovery of waste in sorting units, storage and incineration. These contracts have an average term of 18 to 30 years.

Energy Services

Veolia Environnement has developed a range of energy management activities: heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, integration services for the comprehensive management of buildings and electrical services on public roadways.

The main contracts concern the management of heating and air-conditioning networks under urban concessions or on behalf of local authorities.

In Eastern Europe, Veolia Environnement's Energy Services Division provides services under mixed partial privatizations or through public-private partnerships with local authorities responsible for the production and distribution of thermal energy.

Transportation

Veolia Environnement's Transportation Division provides passenger transport services on behalf of local, regional and national public authorities.

Veolia Environnement primarily provides these services in France and abroad under service contracts comprising public service obligations (as per EU terminology), with terms of 7 to 15 years.

Accounting for service concession arrangements

Concession arrangements are recognized in accordance with IFRIC 12, *Service Concession Arrangements*, published in November 2006. IFRIC 12 was approved by the European Union on March 26, 2009.

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.

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.

Under the intangible asset model, Revenue includes:

- revenue recorded on a completion basis for assets and infrastructure under construction (in accordance with IAS 11);
- service remuneration.

1.20.3 Mixed or bifurcation model

The choice of the financial asset or intangible asset model depends on the existence of payment guarantees granted by the concession grantor.

However, certain contracts may include a payment commitment on the part of the concession grantor covering only part of the investment, with the balance covered by royalties charged to users.

Where this is the case, the investment amount guaranteed by the concession grantor is recognized under the financial asset model and the residual balance is recognized under the intangible asset model.

1.21 Finance leases

IFRIC 4 seeks to identify the contractual terms and conditions of agreements which, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract remuneration. It identifies in such agreements a lease contract which is then analyzed and accounted for in accordance with the criteria laid down in IAS 17, based on the allocation of the risks and rewards of ownership.

The contract operator therefore becomes the lessor of its customers. Where the lease transfers the risks and rewards of ownership of the asset in accordance with IAS 17 criteria, the operator recognizes a financial asset to reflect the corresponding financing, rather than an item of property, plant and equipment.

These financial assets are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets". They are initially recorded at the lower of fair value and total future flows and subsequently at amortized cost using the effective interest rate of the contract.

The portion falling due within less than one year is presented in "Current operating financial assets," while the portion falling due within more than one year is presented in the non-current heading.

Contracts falling within the scope of IFRIC 4 are either outsourcing contracts with industrial customers, BOT (Build, Operate and Transfer) contracts, or incineration or cogeneration contracts under which, notably, demand or volume risk is, in substance, transferred to the prime contractor.

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue in the Consolidated Income Statement, in accordance with the percentage completion method laid down in IAS 11 on construction contracts.

The financial receivables resulting from this analysis are initially measured at the fair value of lease payments receivable and then amortized using the effective interest method.

After a review of the contract and its financing, the implied interest rate on the financial receivable is based on either the Group financing rate and /or the borrowing rate associated with the contract.

1.22 Construction contracts

Veolia Environnement recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts as defined by IAS 11.

Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably.

The percentage of completion is determined by comparing costs incurred at the period-end with total estimated costs under the contract. Costs incurred comprise costs directly attributable to the contract and borrowing costs incurred up to completion of the work. However administrative and selling costs are expensed in the period incurred.

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

Incidentally to their operations, certain Veolia Environnement subsidiaries are required to purchase or sell electricity on the market, in order to manage supplies and optimize costs.

Revenue

After analysis of contractual terms and conditions, the net margin on trading activity transactions is recognized in "Revenue".

Financial instruments

Certain subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IAS 39.

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.

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 28).

1.24 Greenhouse gas emission rights

Faced with increased greenhouse gas emissions into the atmosphere, the International Community introduced a regulatory system within the framework of the Kyoto protocol, aimed at reducing such emissions. This system was finalized in 1997 and came into effect in February 2005 and seeks to achieve a reduction in emission levels of at least 5% compared to 1990, over the commitment period 2008-2012 for industrialized countries. Emissions are capped through the allocation of emission rights (AAU: Assigned Amount Units) to each country, which must be surrendered in 2014 based on actual emissions during the period 2008-2012. Developing countries have no reduction objectives under the Kyoto protocol, but emission credits (CER: Certified Emission Reduction) may be presented to companies or States that contribute to investments enabling a reduction in greenhouse gas emissions in these countries.

At a European level, the European Union decided to implement, via Directive 2003/87/EC of October 13, 2003, an internal trading system for emission rights (EUA: EU Allowance). This system has been in effect since January 1, 2005. The “Project” Directive 2004/101/EC established a link between the Kyoto system and the European system, enabling the operators concerned to use CER, up to an agreed maximum, to satisfy their surrender obligations in the place of EUA.

Directive 2009/29/EC of April 26, 2009 amended the ETS Directive and extended the allowance trading system beyond the second period (2008-2012). It covers the period 2013-2020 and provides for a progressive reduction in allowances allocated and new allocation procedures.

The European Regulation of November 12, 2010 established a scheme for auctioning greenhouse gas allowances for the period 2013-2020. The Group is currently assessing the potential effects of these grant conditions on a site-by-site basis.

In this context, the Group (primarily the Energy Services Division) was allocated free of charge by the different States of the European Union, a certain number of emission rights (EUA) for an initial period 2005-2007 (EUA I) and then for a second period 2008-2012 (EUA II). 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;
- at 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 recorded at market value at the period-end. Fair value gains and losses on financial instruments relating to these forward transactions are recognized in other comprehensive income or net income depending on whether they qualify as cash flow hedges in accordance with IAS 39.

1.25 Segment reporting

Since January 1, 2009, the Group has identified and presented segment reporting in accordance with IFRS 8, *Operating segments*.

The information presented for each operating segment is identical to that presented to the Group’s Chief Operating Decision Maker (Chief Executive Officer) for decision making purposes. This information is based on the internal organization of the Group’s activities and corresponds to the Group’s four business segments, that is, Water, Environmental Services, Energy Services and Transportation.

The Chief Operating Decision Maker receives summary information by division, which he uses to measure the performance of each business.

Budget objectives set for each division head comprise objectives based on revenue, operating net income, investment and other key ratios. These objectives are set for each division as a whole.

The variable compensation of Executive Committee members is based on the performance of the Group or of each Division (including, in particular, adjusted operating cash flow; a reconciliation between adjusted operating cash flow and operating income is shown note 41).

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements.

1.26 Fair value determination principles

The fair value of all financial assets and liabilities is determined at the period-end, either for recognition in the accounts or disclosure in the notes to the financial statements (see Note 27).

Fair value is determined:

i. based on quoted prices in an active market (level 1) or;

ii. using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of Veolia Group or the counterparty (level 2) or;

iii. using internal valuation techniques integrating parameters estimated by the Group in the absence of observable market data (level 3).

Quoted prices in 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.

Fair values determined using models integrating observable market data (level 2)

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Veolia Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Veolia Group credit risk.

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.

2 Use of management estimates in the application of group accounting standards

Veolia Environnement may be required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Future results may be different from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered as reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change.

Notes 1.5.1 and 4 on goodwill and business combinations present the methods adopted for the fair value measurement of identifiable assets acquired and liabilities assumed in business combinations. Allocations are based on future cash flow assumptions and discount rates.

Notes 1.11, 4 and 6 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.

Note 1.14 describes the principles adopted for the determination of financial instrument fair values.

Note 28 on derivative instruments describes the accounting treatment of derivative instruments. Veolia Environnement valued these derivative instruments, allocated them and tested their effectiveness where necessary.

Notes 16 and 30 on provisions and employee commitments detail the provisions recognized by Veolia Environnement. Veolia Environnement determined these provisions based on best estimates of these obligations.

Note 22 on the income tax expense presents the tax position of the Group and is primarily based 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.

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 calculation methodology for discount rates adopted as of December 31, 2008 was analyzed with respect to the financial crisis. Following the stabilization of the financial context in 2009 and 2010, these rates were analyzed again taking account of current conditions and using the following procedures:

- Application of IAS 36, *Impairment of assets*: in accordance with Group practice, the discount rates used correspond to the weighted-average cost of capital, calculated annually at the end of the first half-year. A review of these rates as of December 31, 2010 did not call into question this practice;

- 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. The adjustment applied to this risk premium in December 2008 to limit market volatility in this period, was not considered necessary at the 2010 or 2009 year-ends;

- Application of IAS 19, *Employee Benefits*: the exclusive use of market indices and, in particular, the iboxx index in those countries where this index exists, was suspended as of December 31, 2008 due to the highly volatile nature of these indices. Commitments were once again measured using a range of market indices and, in particular the iboxx index, at the December 31, 2010 and 2009 year-ends.

3 Significant events

- As was the case in 2009, 2010 was marked by a progressive though disparate improvement in the economic climate:

  - overall, the economy stabilized, with a more marked recovery in certain countries;

  - significant exchange rate fluctuations;

  - a substantial increase in prices for recycled raw materials;

  - the ongoing difficult financial position of industry economic players and, to a lesser extent, public players which weighed on the completion of certain growth projects and the solvency of some customers.

  In accordance with the decision of the Annual General Meeting of Shareholders of May 7, 2010, the Group offered its shareholders a share or cash option with respect to the dividend payment. The share payment option was partially taken-up, resulting in the creation of 3.7 million shares representing a little over 0.75% of share capital and 0.77% of voting rights.

- On February 2, 2010, the Group announced the completion of the transfer to Covanta Holding Corporation of the operating contract for the Miami-Dade County Waste-to-Energy plant in the Environmental Services Division. The divestiture was performed for a consideration of U.S. $128 million (€93 million), in accordance with the announced financial terms.

  With this final transaction, Veolia has now completed the transfer to Covanta Holding Corporation of the portfolio of contracts for Waste-to-Energy plants in North America, the divestiture of which was initially announced on July 6, 2009, for a total enterprise value, over fiscal years 2009 and 2010, of €313 million.

- The transactions performed pursuant to the protocol signed by Suez Environnement and Veolia Environnement on December 19, 2008 and setting out the rules for the redistribution of the joint subsidiaries, were completed on March 22, 2010. This redistribution of the joint subsidiaries consisted of:

  - the acquisition of additional interests by the Group in primarily Société des Eaux de Marseille (SEM) and Société des Eaux d'Arles (SEA);

  - the divestiture of interests held in Société Stéphanoise des Eaux (SSE), Société Provençale des Eaux (SPDE), Société des Eaux du Nord (SEN), Société Nancéienne des Eaux (SNE), Société des Eaux de Versailles et St Cloud (SEVESC), Société Martiniquaise des Eaux (SME), Société Guyanaise des Eaux (SGDE) and Société d'Exploitation du Réseau d'Assainissement de Marseille (SERAM).

- On May 12, 2010, Dalkia and CEZ, the leader in the Czech energy market, announced the approval by Czech competition authorities of two transactions illustrating the new partnership signed in November 2009 between Dalkia Ceska Republika and CEZ. Dalkia International sold 15% of Dalkia Ceska Republika share capital to CEZ and then 5% of Dalkia Ceska Republika to J&T Group for €126 million (Group share). Simultaneously, Dalkia Ceska Republika sold 85% of its share capital in Dalkia Usti nad Labem to CEZ for €145 million (Group share), comprising a cogeneration (heat and electricity) plant and the primary district heating system for the city of Usti nad Labem, in northern Czech Republic.

- On June 25, 2010, the Group announced the acquisition of New World Resources Energy (NWR Energy) from the NWR Group. This Ostrava-based company distributes electricity and produces heat, hot water and compressed air for the coal mines operated by OKD, the leading Czech mining group and a subsidiary of NWR. The €97 million deal (Group share and after price adjustment), closed at the end of January 2010, has been approved by the competent anti-monopoly authorities. Dalkia Ceska Republika will take over the heat and compressed air facilities mainly dedicated to the mines in the Ostrava region, the electricity distribution installations located close to Dalkia sites, and two subsidiaries, CZECH-KARBON (a Czech electricity trading company), and NWR Energetyka PL Spólka (which changed its name to Dalkia Powerline in August 2010), a Polish company that buys and distributes electricity in Poland. New World Resources Energy changed its name to Dalkia Industry CZ.

- On May 5, 2010, the Caisse des Dépôts and Veolia Environnement announced the finalization of their agreement on the Transdev-Veolia Transport combination. The new group will rank among world leaders in its sector, with a presence in 30 countries and close to 117,000 employees. In line with the terms of the framework agreement announced on December 21, 2009, the new Veolia Transport-Transdev entity will be owned equally by Veolia Environnement (50%) and Caisse des Dépôts (50%). Prior to completing the transaction, Caisse des Dépôts will subscribe to a €200 million share capital increase by Transdev. Veolia Environnement will be the industrial operator of the new entity and Caisse des Dépôts a long-term strategic shareholder.

  The buy-out of RATP's 25.6% share capital in Transdev will take the form of an exchange of selected French and international assets belonging to both Transdev and Veolia Transport. As a result, RATP will strengthen its international presence, primarily in Italy, Switzerland, as well as in France.

  The objective of the two shareholders is to list the new group. The new group's IPO will take place through a share capital increase, aimed at providing adequate financial resources to pursue its growth strategy.

  The combination of Veolia Transport and Transdev as well as RATP's exit from Transdev's share capital were subject to the usual conditions precedent for this type of transaction and particularly authorization by the relevant anti-monopoly authorities and approval by the Minister for the Economy of the privatization of Transdev. The French competition authority authorized the RATP to take over the transportation networks belonging to Transdev and Veolia.

  This combination was authorized by the competent anti-monopoly authorities on December 30, 2010 and the privatization of Transdev was approved by the Minister of the Economy on February 25, 2011. This agreement was subject to asset sales and other commitments, and in particular the creation of a €6.5 million fund to encourage competition in France.

  The effective transaction completion date is March 3, 2011.

  From this date, the Group loses control of Veolia Transport in exchange for a 50% investment in the Veolia-Transdev joint venture, regrouping the activities of Veolia Transport and Transdev. The definitive agreements will result in the proportionate consolidation of the new entity by the Veolia Group.(see Note 42 “Post-balance sheet events”)

- On November 9, 2010, the Water Division, via its Veolia Voda and Veolia Water Enterprise subsidiaries, acquired certain United Utilities Group businesses for an enterprise value of €193 million, including:

  - in Central and Eastern Europe, primarily a 77.1% shareholding, via Veolia Voda, in Sofiyska Voda, which operates water supply and treatment services for the city of Sofia in Bulgaria, serving 1.3 million residents, and also a 33.2% shareholding in Aqua SA, which operates water supply and treatment services for the city of Bielsko Biala and the surrounding area in southern Poland, serving over 300,000 residents.

    These new developments in Central Europe, particularly with the city of Sofia, are carried by Veolia Voda, in which the EBRD has been a partner since 2007, and in which the IFC (International Financial Corporation) announced the acquisition of a 9.5% stake via a share capital issue in June 2010.

  - in the United Kingdom, acquisition of a portfolio of outsourcing, industrial engineering and infrastructure contracts. In addition to this portfolio, minority stakes were also acquired in three PFI (Private Finance Initiative) contracts in Scotland (the Tay, Moray and Highland wastewater treatment plants). The investments in the above PFI contracts in the United Kingdom and Scotland were sold in December for a consideration of €69 million, with the Group retaining a minority stake in the Scottish PFI contracts.

- In August 2010, Dalkia bought-out the non-controlling interests previously held by the EBRD in certain of its Polish subsidiaries specializing in cogeneration and heating networks. This transaction generated Group additional indebtedness of €87 million. On November 29, the Australian investment fund, IFM, purchased 11.26% of the Polish subsidiary, Dalkia Polska, for a consideration of €57 million and exchanged its 40.6% investment in Lodz for a 28.74% stake in Dalkia Polska, bringing its total investment in the Polish subsidiary, Dalkia Polska, to 40%.

- On December 1, 2010, VW Netherlands signed an agreement with Rabobank and Evides for the sale of 29% of its 40% shareholding in Delfluent BV. The sale was completed on December 22, 2010 after the conditions precedent were lifted, for an enterprise value of €118 million. The residual investment is equity accounted.

- On March 12, 2010, Groupe Industriel Marcel Dassault (GIMD) reported it had exceeded the threshold of 5% of share capital and voting rights in Veolia Environnement and undertook to retain this holding for a period of five years. The Annual General Meeting of Shareholders of May 7, 2010 approved the nomination of GIMD, represented by Mr. Olivier Costa de Beauregard, as director for a term of four years ending the Annual General Meeting of Shareholders held to adopt the financial statements for the year ended December 31, 2013. The Board of Directors appointed GIMD, represented by Mr. Olivier Costa de Beauregard, as a member of the Nominations and Compensation Committee and of the Accounts and Audit Committee of Veolia Environnement. Similarly, Mr. Thierry Dassault was appointed censor on May 7, 2010 for a period of four years ending the Annual General Meeting of Shareholders held to adopt the financial statements for the year ended December 31, 2013.

- On April 16, 2010, the Group and the Qatari Diar fund announced the signature of an agreement aimed at setting up a long-term strategic partnership, including the acquisition by Qatari Diar of a 5% interest in Veolia Environnement's share capital and voting rights. This acquisition reflects the groups' mutual ambition to work together on infrastructure and utilities projects in the Middle East and North Africa. The Qatari Diar fund gave an undertaking to the Group to hold its share capital and voting rights for a period of three years. The appointment of the Qatari Diar fund to the Board of Directors was approved by the general shareholders' meeting of May 7, 2010 for a term of four years ending the general shareholders' meeting held to adopt the financial statements for the year ended December 31, 2013. Qatari Diar Real Estate Investment Company is represented on the Board by Dr. Mohd Alhamadi since June 1, 2010.

- On June 24, 2010, Veolia Environnement launched a bond exchange offer for Veolia Environnement 5.875% bonds maturing in February 2012 and Veolia Environnement 4.875% bonds maturing in May 2013. In exchange for the bonds presented, a new €835 million bond line maturing in January 2021 was issued paying a coupon of 4.247%. The offer became irrevocable and was closed on July 1, 2010.

- On December 12, 2010, Henri Proglio informed the Board of Directors of Veolia Environnement of his decision to resign from his position as Chairman of the Board of Directors. He remains a director of the Company.

  The Board of Directors decided, pursuant to the recommendations of its Nominations and Compensation Committee, to unite the functions of Chairman of the Board and Chief Executive Officer.

  The Board of Directors therefore appointed Antoine Frérot as Chairman and Chief Executive Officer of Veolia Environnement, with effect from December 12, 2010.

4 Goodwill

Goodwill breaks down as follows:

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Gross	**7,362.8**	7,104.9	7,211.2
Impairment losses	**(522.6)**	(480.3)	(487.9)
Net	**6,840.2**	**6,624.6**	**6,723.3**

The main goodwill balances in net carrying amount by cash-generating unit (amounts in excess of €100 million as of December 31, 2010) are as follows:

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Water – Distribution France	865.4	743.3	743.2
Environmental Services – United Kingdom	712.0	690.0	644.3
Environmental Services North America Solid Waste	635.6	591.3	610.8
Environmental Services – Germany	402.1	402.1	397.8
Dalkia France	337.8	337.8	338.5
Water Solutions & Technologies	293.9	280.3	245.8
Water – China	268.0	240.4	247.5
Water – United Kingdom	239.6	222.7	197.4
Environmental Services France Solid Waste	235.6	238.5	272.4
Water – Czech Republic	230.5	219.1	216.4
Dalkia Italy	185.2	185.2	184.9
Transportation – United States	181.0	165.5	175.3
Veolia Energy Services – United States	159.5	147.4	152.6
Transportation – Passenger services France	143.7	143.7	136.2
Water Germany (excl. Berlin)	137.7	137.7	137.7
Water – Berlin	134.4	134.4	134.4
Veolia Energy Services – Poland	117.7	114.5	111.5
Environmental Services - Marius Pedersen	105.9	102.2	100.9
Transportation Sweden, Norway, Finland	104.8	114.4	104.8
Goodwill balances > €100 million as of December 31, 2010	**5,490.4**	**5,210.5**	**5,152.4**
Goodwill < €100 million	1,349.8	1,414.1	1,570.9
Total Goodwill	**6,840.2**	**6,624.6**	**6,723.3**

Goodwill balances of less than €100 million break down by division as follows:

Goodwill balances < €100 million) (€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Water	238.4	275.5	325.3
Environmental Services	600.1	654.2	710.5
Energy Services	361.4	362.9	343.6
Transportation	119.5	114.0	135.0
Other	30.4	7.5	56.5
Total	**1,349.8**	**1,414.1**	**1,570.9**

As of December 31, 2010, accumulated impairment losses totaled €522.6 million and mainly concerned goodwill of the “Environmental Services – Germany” cash-generating unit (€343.4 million) and the “Transportation Sweden, Norway, Finland” cash-generating unit (€95.5 million).

Movements in the net carrying amount of goodwill by division are as follows:

(€ million)	As of December 31, **2009**	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other	**As of December 31, 2010**
Water	**2,253.3**	89.5	72.7	0.4	(13.0)	5.1	**2,408.0**
Environmental Services	**2,678.4**	(2.9)	104.0	(0.2)	(84.8)	(3.3)	**2,691.2**
Energy Services	**1,147.9**	17.5	25.2	-	(28.9)	(0.1)	**1,161.6**
Transportation	**537.6**	7.9	33.0	(26.1)	(3.3)	(0.1)	**549.0**
Other	**7.4**	-	0.6	-	32.2	(9.8)	**30.4**
Goodwill	**6,624.6**	**112.0**	**235.5**	**(25.9)**	**(97.8)**	**(8.2)**	**6,840.2**

Changes in consolidation scope primarily concern the following acquisitions and sales:

- Water Division: the redistribution of companies previously held jointly with Suez Environnement (€64.3 million) and the acquisition of certain United Utilities Group businesses (€16 million)

- Energy Services Division: acquisition of New World Resources Energy (NWR Energy) (€24.1 million)

Acquisitions during the year are presented in Note 31, Main acquisitions.

Foreign exchange translation gains and losses are primarily due to the appreciation of the U.S. dollar, the pound sterling, the Chinese renminbi yuan and the Australian dollar against the euro in the amount of €80.8 million, €30.9 million, €29.4 million and €22.6 million, respectively.

Transfers to Assets classified as held for sale mainly concern Environmental Services Division assets in Norway classified as held for sale in the amount of -€84.5 million and the impact of the interruption of the divestiture process for Renewable Energy activities in the amount of €32.2 million.

Impairment losses recognized in the year total €25.9 million mainly concern Transportation Division.

Impairment tests as of December 31, 2010:

Veolia Environnement performs systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life. More frequent tests are performed where there is indication of loss in value in accordance with the procedures set out in Note 1.11.

Veolia Environnement Group has 120 cash-generating units as of December 31, 2010, including 41 cash-generating units with allocated goodwill in excess of €20 million.

Discount rates used in 2010 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 discount rates for the main geographical areas in 2010 were as follows:

• France :	6.6%	• United Kingdom:	7.2%
• United States:	7.0%	• China:	7.7%
• Germany:	6.6%		

Similarly, perpetual growth rates used in 2010 to determine terminal values reflect the country or geographical area of the cash-generating unit, in accordance with the criteria set out in Note 1.11. Average perpetual growth rates for the main geographical areas in 2010 were as follows:

• France :	1.9%	• United Kingdom:	2.0%
• United States:	2.2%	• China:	2.8%
• Germany:	1.9%		

As in 2009, impairment tests were performed based on the 2011 budget for all Group cash-generating units: a reduction in cash flows in the 2011 budget prepared at the end of 2010, of over 10% compared with 2011 figures in the long-term plan, or any other indication of loss in value relating to the operating activities of the CGU, led the Group to review its business plans for the following cash-generating units: United States in the Water Division, Italy and Pacific in the Environmental Services Division, United States, Italy, Spain and Citelum in the Energy Services Division, Sweden and Spain in the Transportation Division and Renewable Energy.

Impairment tests led to the recognition of impairments of €25.9 million in 2010 in respect of cash-generating units in the Transportation Division.

Sensitivity of impairment tests:

A sensitivity analysis was performed on impairment tests, assuming a 1% increase in the discount rate and a 1% decrease in the perpetual growth rate.

For a certain number of cash-generating units, the above changes in the discount rate and the perpetual growth rate led to the identification of recoverable values lower than the invested capital amount.

The cash-generating units concerned, with a net carrying amount of goodwill in excess of €100 million, are presented below:

(€ million)	Veolia Energy Services – United States	Dalkia Italy	Other	Total
Difference between the recoverable value and the net carrying amount	31	-	88	119
Difference between the recoverable value and the net carrying amount, with an increase in the discount rate (1%)	(112)	(103)	(98)	(313)
Difference between the recoverable value and the net carrying amount, with a decrease in the perpetual growth rate (1%)	(88)	(47)	(49)	(184)

These cash-generating units are considered material and sensitive by the Group and, as such, were subject to additional sensitivity tests focusing on changes in operating cash flows, the main operating assumption considered by the Group when analyzing the recoverable value of goodwill.

The changes in operating cash flows taken into account for the purpose of these sensitivity tests include adjusted operating cash flows as defined in Note 41, less investments as defined in Note 1.11, plus changes in working capital.

A 5% decrease in operating cash flows over the period of the long-term plan would generate a decrease in the recoverable value of €36 million for the Veolia Energy Services – United States CGU and €30 million for the Dalkia Italy CGU.

The following table presents the percentage change in each of the key assumptions taken individually, which enables the estimated recoverable value to equal the net carrying amount of the cash-generating units.

(in %)	Veolia Energy Services - United States	Dalkia Italy (1)
Discount rate	0.2	-
Perpetual growth rate	(0.2)	-
Operating cash flows	(4.3)	-

(1) the changes are without impact as the net carrying amount is equal to the recoverable value.

Recap: Movements in the net carrying amount of goodwill during **2009** are as follows:

(€ million)	As of December 31, **2008**	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Other	As of December 31, **2009**
Water	**2,247.7**	10.0	14.4		(18.8)	**2,253.3**
Environmental Services	**2,736.7**	(84.1)	49.2		(23.4)	**2,678.4**
Energy Services	**1,131.1**	12.8	5.0	(1.0)	-	**1,147.9**
Transportation	**551.3**	(16.5)	11.6	(5.5)	(3.3)	**537.6**
Other	**56.5**	(16.3)	(0.6)	-	(32.2)	**7.4**
Goodwill	**6,723.3**	(94.1)	79.6	(6.5)	(77.7)	**6,624.6**

Changes in the consolidation scope primarily concern divestitures in **2009** (Dalkia UK in the Energy Services Division, VPNM in the Environmental Services Division and Freight activities in the Transportation Division) and the acquisition of Digismart in the Energy Services Division.

Foreign exchange translation gains and losses are primarily due to the depreciation of the U.S. dollar and the appreciation of the pound sterling against the euro in the amount of -€37.2 million and €65.5 million, respectively.

Other movements primarily consist of the transfer of goodwill to "Assets classified as held for sale" in the amount of -€77.7 million, primarily in the Environmental Services Division, the Renewable Energy sector and certain French subsidiaries under joint control in the Water Division.

Recap: Movements in the net carrying amount of goodwill during **2008** are as follows:

(€ million)	As of December 31, **2007**	Changes in consolidation scope	Foreign exchange translation	Impairment losses and negative goodwill	Other	**As of December 31, 2008**
Water	2,208.2	140.9	(42.6)	-	(58.8)	**2,247.7**
Environmental Services	3,049.5	211.3	(182.4)	(343.0)	1.3	**2,736.7**
Energy Services	1,098.1	58.4	(25.4)	-	-	**1,131.1**
Transportation	556.7	67.2	(17.5)	(55.3)	0.2	**551.3**
Other	0.7	53.2	2.6	-	-	**56.5**
Goodwill	**6,913.2**	**531.0**	**(265.3)**	**(398.3)**	**(57.3)**	**6,723.3**

5 Concession intangible assets

Movements in the net carrying amount of concession intangible assets during **2010** are as follows:

(€ million)	As of December 31, **2009**	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, 2010**
Concession intangible assets, gross	**5,129.1**	497.4	(17.3)	-	-	223.8	193.9	(302.9)	127.0	**5,851.0**
Amortization and impairment losses	**(1,504.3)**	-	11.0	(6.5)	(256.6)	(35.8)	(16.8)	123.3	(0.7)	**(1,686.4)**
Concession intangible assets, net	**3,624.8**	**497.4**	**(6.3)**	**(6.5)**	**(256.6)**	**188.0**	**177.1**	**(179.6)**	**126.3**	**4,164.6**

Additions concern the Water Division in the amount of €339.0 million, the Energy Services Division in the amount of €71.8 million and the Environmental Services Division in the amount of €53.5 million.

Changes in consolidations scope mainly concern external growth transactions in the Water Division with the acquisition of certain United Utilities Group businesses in the amount of €101.8 million and the unwinding of companies previously held jointly with Suez Environnement in the amount of €50.6 million.

Foreign exchange translation gains and losses are primarily due to the appreciation of the Chinese renminbi yuan against the euro in the amount of €158.3 million.

Concession intangible assets break down by division as follows:

	As of December 31, 2010				
(€ million)	Gross carrying amount	Amortization and impairment losses	Net carrying amount	As of December 31, **2009**	As of December 31, **2008**
Water	4,222.4	(1,025.6)	**3,196.8**	2,844.8	2,892.0
Environmental Services	607.3	(221.8)	**385.5**	263.2	259.1
Energy Services	927.1	(414.0)	**513.1**	480.0	453.6
Transportation	17.3	(2.9)	**14.4**	-	-
Other	76.9	(22.1)	**54.8**	36.8	33.0
Concession intangible assets	**5,851.0**	**(1,686.4)**	**4,164.6**	**3,624.8**	**3,637.7**

Recap: Movements in the net carrying amount of concession intangible assets during **2009** are as follows:

(€ million)	As of December 31, **2008**	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2009
Concession intangible assets, gross	4,983.9	373.9	(32.6)	-	-	(146.1)	(40.7)	(9.3)	**5,129.1**
Amortization and impairment losses	(1,346.2)	-	30.8	(14.2)	(243.5)	29.4	3.9	35.5	**(1,504.3)**
Concession intangible assets, net	**3,637.7**	**373.9**	**(1.8)**	**(14.2)**	**(243.5)**	**(116.7)**	**(36.8)**	**26.2**	**3,624.8**

Additions concern the Water Division in the amount of €286.4 million, the Energy Services Division in the amount of €57.7 million and the Environmental Services Division in the amount of €21.6 million.

Changes in consolidation scope are mainly the result of a change in consolidation method (from full to proportionate consolidation) of the Water Division in North Africa and the Middle East for -€195.6 million and the entry of several entities into the consolidation scope under the Shenzhen contract in the Water Division in China for €41.9 million.

Foreign exchange translation gains and losses are primarily due to the depreciation of the Chinese renminbi yuan and the appreciation of the pound sterling against the euro in the amount of -€46.8 million and €16.8 million, respectively.

Other movements primarily consist of the reclassification of non-current operating financial assets following the extension of a concession arrangement in the Water Division in the amount of €21.1 million and the transfer of the assets of certain French subsidiaries under joint control in the Water Division to "Assets classified as held for sale" in the amount of -€15.4 million.

6 Other intangible assets

Other intangible assets break down as follows:

(€ million)	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
Intangible assets with an indefinite useful life, net	**76.2**	**70.0**	**99.5**
Intangible assets with an definite useful life, gross	3,549.4	3,271.5	3,203.9
Amortization and impairment losses	(2,119.8)	(1,903.7)	(1,768.2)
Intangible assets with an definite useful life, net	**1,429.6**	**1,367.8**	**1,435.7**
Intangible assets, net	**1,505.8**	**1,437.8**	**1,535.2**

Movements in the net carrying amount of other intangible assets during **2010** are as follows:

(€ million)	As of December 31, **2009**	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Other	**As of December 31, 2010**
Intangible assets with an indefinite useful life, net	**70.0**	**0.4**	**-**	**(0.8)**	**-**	**-**	**6.0**	**0.6**	**76.2**
Fees paid to local authorities	501.7	8.5	(1.0)	(4.3)	(58.7)	11.1	11.5	(17.5)	**451.3**
Purchased contractual rights	322.6	0.4	-	-	(47.2)	79.4	11.6	15.5	**382.3**
Purchased software	142.2	42.6	-	0.1	(52.2)	1.8	5.9	(1.5)	**138.9**
Purchased customer portfolios	65.3	-	-	-	(9.4)	9.5	9.5	0.3	**75.2**
Other purchased intangible assets	188.0	24.3	(1.1)	(5.8)	(27.5)	3.9	6.6	(0.2)	**188.2**
Other internally-developed intangible assets	148.0	52.0	(0.6)	(0.6)	(27.2)	-	1.5	20.6	**193.7**
Intangible assets with an definite useful life, net	**1,367.8**	**127.8**	**(2.7)**	**(10.6)**	**(222.2)**	**105.7**	**46.6**	**17.2**	**1,429.6**
Other intangible assets	**1,437.8**	**128.2**	**(2.7)**	**(11.4)**	**(222.2)**	**105.7**	**52.6**	**17.8**	**1,505.8**

Intangible assets with an indefinite useful life are primarily trademarks.

Fees paid to local authorities in respect of public service contracts totaled €451.3 million as of December 31, 2010, including €445.9 million for the Water Division. The amortization of fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€58.7 million in 2010, including -€58.1 million for the Water Division.

Changes in consolidation scope impacting "Purchased contractual rights" primarily concern external growth in the Water Division (€39.2 million) and the Energy Services Division (€39.1 million).

Other movements in "Purchased contractual rights" consist of the transfer of the assets of Renewable Energy activities from "Assets classified as held for sale" following the decision to interrupt the divestiture process launched in 2009; other movements in "Fees paid to local authorities" consist of the transfer of certain Water Division assets to "Assets classified as held for sale" in the amount of -€10.3 million.

Recap: Movements in the net carrying amount of other intangible assets during **2009** are as follows:

(€ million)	As of December 31, **2008**	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, **2009**
Intangible assets with an indefinite useful life, net	**99.5**	**1.4**	**(0.0)**	**(1.1)**	**-**	**12.6**	**(1.7)**	**(40.7)**	**70.0**
Fees paid to local authorities	576.5	13.8	(0.4)	(1.3)	(58.9)	(13.2)	(3.1)	(11.7)	501.7
Purchased contractual rights	398.9	0.1	(0.0)	(12.5)	(51.6)	(1.4)	3.6	(14.5)	322.6
Purchased software	143.9	45.4	(0.4)	(0.4)	(52.8)	(1.0)	3.1	4.4	142.2
Purchased customer portfolios	78.2	-	-	-	(10.8)	(3.4)	1.3	(0.0)	65.3
Other purchased intangible assets	203.1	18.8	(1.3)	(6.7)	(24.6)	5.7	1.5	(8.5)	188.0
Other internally-developed intangible assets	35.1	56.4	(0.1)	(0.1)	(10.7)	(0.9)	0.2	68.1	148.0
Intangible assets with an definite useful life, net	**1,435.7**	**134.5**	**(2.2)**	**(21.0)**	**(209.4)**	**(14.2)**	**6.6**	**37.8**	**1,367.8**
Other intangible assets	**1,535.2**	**135.9**	**(2.2)**	**(22.1)**	**(209.4)**	**(1.6)**	**4.9**	**(2.9)**	**1,437.8**

Fees paid to local authorities in respect of public service contracts totaled €501.7 million as of December 31, 2009, including €494.8 million for the Water Division. The amortization of fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€58.9 million in 2009, including -€55.8 million for the Water Division.

Other movements primarily consist of the transfer of the assets of Renewable Energy activities and of certain French subsidiaries under joint control in the Water Division to “Assets classified as held for sale” in the amount of -€29.2 million.

7 Property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during **2010** are as follows:

(€ million)	As of December 31, **2009**	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, 2010**
Property, plant and equipment, gross	19,990.2	1,568.3	(809.6)	-	-	155.8	670.9	(468.9)	9.4	**21,116.1**
Depreciation and impairment losses	(10,607.8)	-	655.3	(19.8)	(1,293.5)	(51.7)	(328.6)	297.5	(60.9)	**(11,409.5)**
Property, plant and equipment, net	**9,382.4**	**1,568.3**	**(154.3)**	**(19.8)**	**(1,293.5)**	**104.1**	**342.3**	**(171.4)**	**(51.5)**	**9,706.6**

Additions concern the Water Division in the amount of €343.8 million, the Environmental Services Division in the amount of €571.4 million, the Energy Services Division in the amount of €264.7 million and the Transportation Division in the amount of €339.5 million.

Disposals net of impairment losses and depreciation of €154.3 million, mainly concern the Water Division in the amount of €29.3 million, the Environmental Services Division in the amount of €39.5 million and the Transportation Division in the amount of €76.2 million.

Changes in consolidation scope mainly concern, in the Energy Services Division, the acquisition of New World Resources Energy (NWR Energy) (€21 million), the acquisition of the Baltimore network in the United States (€24.8 million) and the redistrinution of companies previously held jointly with Suez Environnement (€47.5 million).

Foreign exchange translation gains and losses are primarily due to the appreciation against the euro of the pound sterling in the amount of €53.5 million, the appreciation of the Australian dollar in the amount of €56.7 million and the appreciation of the U.S. dollar in the amount of €103.3 million.

Transfers to assets classified as held for sale mainly concern Environmental Services assets in Norway (€88.5 million).

Property, plant and equipment break down by division as follows:

	As of December 31, 2010				
(€ million)	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	As of December 31, **2009**	As of December 31, **2008**
Water	4,690.0	(2,400.4)	**2,289.6**	2,130.4	2,024.4
Environmental Services	9,052.1	(5,442.2)	**3,609.9**	3,653.9	3,838.7
Energy Services	3,397.2	(1,373.7)	**2,023.5**	1,909.0	1,816.6
Transportation	3,647.7	(2,023.5)	**1,624.2**	1,562.0	1,631.8
Other	329.1	(169.7)	**159.4**	127.1	115.6
Property, plant and equipment	**21,116.1**	**(11,409.5)**	**9,706.6**	**9,382.4**	**9,427.1**

The breakdown of property, plant and equipment by class of assets is as follows:

(€ million)	As of December 31, 2010 Gross carrying amount	Depreciation and impairment losses	Net carrying amount	As of December 31, 2009	As of December 31, 2008
Land	1,718.7	(804.0)	**914.7**	884.1	901.0
Buildings	3,145.5	(1,500.1)	**1,645.4**	1,620.4	1,543.9
Technical installations, plant and equipment	8,873.6	(4,690.8)	**4,182.8**	3,728.3	3,638.9
Travelling systems and other vehicles	5,002.4	(3,045.9)	**1,956.5**	1,939.0	2,041.3
Other property, plant and equipment	1,909.8	(1,364.2)	**545.6**	636.2	643.5
Property, plant and equipment in progress	466.1	(4.5)	**461.6**	574.4	658.5
Property plant and equipment	**21,116.1**	**(11,409.5)**	**9,706.6**	**9,382.4**	**9,427.1**

Recap: Movements in the net carrying amount of property, plant and equipment during 2009 are as follows:

(€ million)	As of December 31, 2008	Additions	Disposals	Impairment losses	Depreciation	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2009
Property, plant and equipment, gross	19,491.5	1,598.7	(823.8)	-	-	(173.1)	315.6	(418.7)	19,990.2
Depreciation	(10,064.4)	-	602.5	(14.2)	(1,362.6)	126.6	(157.5)	261.8	(10,607.8)
Property, plant and equipment, net	**9,427.1**	**1,598.7**	**(221.3)**	**(14.2)**	**(1,362.6)**	**(46.5)**	**158.1**	**(156.9)**	**9,382.4**

Additions concern the Water Division in the amount of €330.4 million, the Environmental Services Division in the amount of €486.4 million, the Energy Services Division in the amount of €326.5 million and the Transportation Division in the amount of €423 million.

Disposals net of impairment losses and depreciation of €221.3 million, mainly concern the Water Division in the amount of €30.2 million, the Environmental Services Division in the amount of €30.9 million and the Transportation Division in the amount of €144.1 million.

Changes in consolidation scope mainly concern the Energy Services Division following the acquisition of Digismart in Estonia (+€47.3 million) and the Transportation Division following the divestiture of the Freight activity (-€124.7 million).

Foreign exchange translation gains and losses are primarily due to the appreciation of the pound sterling against the euro in the amount of €111.4 million, the appreciation of the Australian dollar against the euro in the amount of €53.3 million and the depreciation of the U.S. dollar against the euro in the amount of -€46.5 million.

Other movements consist of the transfer of assets, and primarily the assets of Dalkia Usti activities (Czech Republic), to "Assets classified as held for sale" in the amount of -€175.6 million.

8 Investments in associates

The principal investments in associates with a value of greater than €10 million as of December 31, 2010 are as follows:

	As of December 31								
	% control			Share in equity			Share of net income		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Fovarosi Csatomazasi Muvek	25.00%	25.00%	25.00%	89.6	91.1	92.3	1.0	0.1	1.3
Regaz (Gaz de Bordeaux)	24.00%	24.00%		27.0	23.8	-	4.1	4.0	-
Cie Méridionale de Navigation (2)			45.00%	-	-	42.8	-	(10.2)	7.9
Mayflower	10.00%			26.7			0.4		
Doshion VWS	30.00%	30.00%	30.00%	19.2	16.8	15.8	0.4	0.4	-
TIRU	24.00%	24.00%	24.00%	15.0	13.0	11.4	1.5	1.1	0.1
Cie Méridionale de Participations (2)			45.00%	-	-	12.5	-	(0.0)	-
Berlinwasser China Holding (BWI)	49.00%	49.00%	49.00%	13.3	12.0	6.2	0.7	0.2	(0.3)
Stadtereinigung Holtmeyer G mbH (4)		40.00%	40.00%	-	11.9	12.3	-	(0.4)	1.0
Stadtreinigung Dresden GmbH (3)			49.00%	-	-	10.1	-	-	1.3
CIACG	41.97%	41.97%	41.97%	10.1	8.7	6.9	1.8	(2.5)	1.6
Other amounts < €10 million in 2010				110.8	91.2	101.3	8.6	6.4	5.6
Investments in associates				**311.7**	**268.5**	**311.6**	**18.5**	**(0.9)**	**18.5 (1)**

(1) Pursuant to IFRS 5, this net income was transferred from "Share of net income of associates" to "Net income from discontinued operations" in the amount of €0.3 million in 2008.
(2) Companies sold in 2009.
(3) Change in consolidation method (from equity accounting to proportionate consolidation).
(4) Companies sold in 2010.

Movements in investments in associates during **2010** are as follows:

(€ million)	% control as of December 31, 2010	**2009**	Net income	Dividend distribution	Foreign exchange translation	Changes in consolidation scope	**Other**	**2010**
Fovarosi Csatomazasi Muvek	25.00%	91.1	1.0	-	(2.5)	-	-	89.6
Regaz (Gaz de Bordeaux)	24.00%	23.8	4.1	(1.0)	-	-	-	26.9
Mayflower	10.00%		0.4	-	(2.5)	28.8	-	26.7
Doshion VWS	30.00%	16.8	0.4	-	2.0	-	-	19.2
Stadtereinigung Holtmeyer Gmbh	-	11.9	-	-	-	(11.9)	-	-
Berlinwasser ChinaHolding(BWI)	49.00%	12.0	0.7	(0.8)	1.4	-	-	13.3
TIRU	24.00%	13.0	1.5	-	0.5	-	-	15.0
CIACG	41.97%	8.7	1.8	(0.4)	-	-	-	10.1
Other amounts < €10 million in 2010		91.2	8.6	(3.8)	6.5	13.2	(4.8)	110.9
Investments in associates		**268.5**	**18.5**	**(6.0)**	**5.4**	**30.1**	**(4.8)**	**311.7**

No material amounts were transferred to Assets classified as held for sale in 2008, 2009 or 2010.

Summarized financial information for the main investments in associates is as follows (100% of amounts):

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Non-current assets	908.9	767.6	696.1
Current assets	720.4	438.2	328.1
Total assets	**1,629.3**	**1,205.8**	**1,024.2**
Equity attributable to owners of the Company	878.3	581.5	559.4
Equity attributable to non-controlling interests	16.3	14.5	(1.1)
Non-current liabilities	283.8	223.3	244.2
Current liabilities	450.9	386.5	221.7
Total equity and liabilities	**1,629.3**	**1,205.8**	**1,024.2**
Consolidated Income Statement			
Revenue	777.8	431.4	456.5
Operating income	74.2	25.8	52.6
Net income for the year	40.7	7.1	34.7

Recap: Movements in investments in associates during **2009** are as follows:

(€ million)	% control as of December 31, **2009**	2008	Net income	Dividend distribution	Foreign exchange translation	Changes in consolidation scope	Other	**2009**
Fovarosi Csatomazasi Muvek	25.00%	92.2	0.1	-	(1.2)	-	-	91.1
Cie Méridionale de Navigation		42.8	(10.2)	-	-	(32.6)	-	-
Doshion VWS	30.00%	15.8	0.4	-	0.3	0.3	-	16.8
Cie Méridionale de Participations		12.5	(0.0)	-	-	(12.5)	-	-
Stadtereinigung Holtmeyer Gmbh	40.00%	12.3	(0.4)	-	-	(0.0)	-	11.9
Berlinwasser ChinaHolding(BWI)	49.00%	6.2	0.2	(0.6)	(1.1)	7.3	-	12.0
TIRU	24.00%	11.4	1.1	-	0.5	-	-	13.0
Regaz (Gaz de Bordeaux)	24.00%	-	4.0	-	-	19.8	-	23.8
Stadtreinigung Dresden Gmbh		10.1	-	-	-	(10.1)	-	-
Other amounts < €10 million in 2008 and 2009		108.2	3.9	(5.4)	(0.3)	(4.9)	(1.6)	99.9
Investments in associates		**311.6**	**(0.9)**	**(6.0)**	**(1.8)**	**(32.7)**	**(1.6)**	**268.5**

9 Non-consolidated investments

Pursuant to IAS 39, non-consolidated investments are recognized at fair value. Unrealized gains and losses are taken directly to other comprehensive income, except for unrealized losses considered long-term or material which are expensed in the Consolidated Income Statement recorded in “other financial income and expenses” (see note 21).

Movements in non-consolidated investments during **2010** are as follows:

(€ million)	As of December 31, **2009**	Additions	Disposals	Changes in consolidation scope	Fair value adjustments	Impairment losses	Foreign exchange translation	Other	**As of December 31, 2010**
Non-consolidated investments	**174.6**	**20.5**	**(29.8)**	**(18.2)**	**(9.7)**	**(10.9)**	**2.5**	**1.7**	**130.7**

The investment in Méditerranea delle Acque was sold during 2010. The Group did not hold any investment lines in excess of €20 million as of December 31, 2010.

Recap: Movements in non-consolidated investments during **2009** are as follows:

(€ million)	As of December 31, **2008**	Additions	Disposals	Changes in consolidation scope	Fair value adjustments	Impairment losses	Other	As of December 31, **2009**
Non-consolidated investments	**202.8**	**14.0**	**(8.4)**	**(46.3)**	**9.4**	**(2.5)**	**5.6**	**174.6**

10 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 Note 1.20).

Movements in the net carrying amount of non-current and current operating financial assets during **2010** are as follows:

(€ million)	As of December 31, **2009**	New 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, 2010**
Gross	5,325.0	485.8	(27.6)	-	(79.7)	117.9	(479.1)	(20.4)	(4.6)	5,317.3
Impairment losses	(49.8)	-	-	(11.4)	-	(0.8)	-	-	-	(62.0)
Non-current operating financial assets	**5,275.2**	**485.8**	**(27.6)**	**(11.4)**	**(79.7)**	**117.1**	**(479.1)**	**(20.4)**	**(4.6)**	**5,255.3**
Gross	380.0	1.6	(396.5)	-	(4.3)	5.9	479.1	(0.3)	(92.2)	373.3
Impairment losses	(3.4)	-	-	-	-	-	-	-	3.4	-
Current operating financial assets	**376.6**	**1.6**	**(396.5)**	**-**	**(4.3)**	**5.9**	**479.1**	**(0.3)**	**(88.8)**	**373.3**
Non-current and current operating financial assets	**5,651.8**	**487.4**	**(424.1)**	**(11.4)**	**(84.0)**	**123.0**	**-**	**(20.7)**	**(93.4)**	**5,628.6**

(1) Impairment losses are recorded in operating income.

The principal **new operating financial assets** in 2010 mainly concern:

- the Water Division and in particular projects in Berlin (€124.0 million);
- the Energy Services Division and in particular cogeneration plants (€59.7 million);
- the Environmental Services Division and in particular new Private Finance Initiative (PFI) contracts for the processing and disposal of residual waste in the United Kingdom (€62.3 million).

The principal **repayments of operating financial assets** in 2010 concern:

- the Water Division and in particular projects in Berlin (-€141.7 million);
- the Energy Services Division and in particular cogeneration plants (-€118.0 million).

Foreign exchange translation gains and losses on non-current operating financial assets mainly concern the Water Division (€94.0 million), primarily due to the appreciation of the Chinese renminbi yuan and the Korean won against the euro.

Non-current/current reclassifications mainly concern:

- the Water Division and in particular projects in Berlin (€142.3 million);
- the Energy Services Division and in particular cogeneration plants (€95.2 million).

Changes in consolidation scope are mainly due to the partial sale of activities in the Netherlands in the Water Division for -€125.9 million.

The breakdown of operating financial assets by division is as follows:

	As of December 31								
	Non-current			Current			Total		
(€ million)	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Water	**3,889.2**	3,870.3	3,851.0	**197.7**	188.8	232.2	**4,086.9**	4,059.1	4,083.2
Environmental Services	**698.0**	711.8	768.4	**47.2**	42.8	68.6	**745.2**	754.6	837.0
Energy Services	**488.3**	528.4	562.0	**110.0**	126.0	117.4	**598.3**	654.4	679.4
Transportation	**89.7**	86.7	71.6	**17.2**	18.7	33.9	**106.9**	105.4	105.5
Other	**90.1**	78.0	45.9	**1.2**	0.3	0.2	**91.3**	78.3	46.1
Operating financial assets	**5,255.3**	**5,275.2**	**5,298.9**	**373.3**	**376.6**	**452.3**	**5,628.6**	**5,651.8**	**5,751.2**

IFRIC 12 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	**Total**
Water	169.4	364.7	390.8	2,701.5	**3,626.4**
Environmental Services	45.4	108.4	96.1	467.1	**717.0**
Energy Services	6.8	29.8	7.5	30.3	**74.4**
Transportation	17.2	17.5	16.3	55.9	**106.9**
Other	0.4	1.1	0.6	3.4	**5.5**
Total	**239.2**	**521.5**	**511.3**	**3,258.2**	**4,530.2**

IFRIC 4 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	**Total**
Water	28.3	70.2	82.8	279.3	**460.6**
Environmental Services	1.9	4.3	5.3	16.6	**28.1**
Energy Services	103.2	145.0	81.4	194.3	**523.9**
Transportation	-	-	-	-	**-**
Other	0.6	5.5	6.6	73.1	**85.8**
Total	**134.0**	**225.0**	**176.1**	**563.3**	**1,098.4**

Recap: Movements in the net carrying amount of non-current and current operating financial assets during **2009** are as follows:

(€ million)	As of December 31, **2008**	New financial assets	Repayments / disposals	Impairment losses (1)	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, **2009**
Gross	5,311.5	467.7	(7.4)	-	(94.9)	34.6	(365.4)	(21.1)	5,325.0
Impairment losses	(12.6)	-	-	(37.4)	-	0.2	-	-	(49.8)
Non-current operating financial assets	**5,298.9**	**467.7**	**(7.4)**	**(37.4)**	**(94.9)**	**34.8**	**(365.4)**	**(21.1)**	**5,275.2**
Gross	452.3	7.8	(447.8)	-	(6.0)	3.5	365.4	4.8	380.0
Impairment losses	-	-	-	(3.4)	-	-	-	-	(3.4)
Current operating financial assets	**452.3**	**7.8**	**(447.8)**	**(3.4)**	**(6.0)**	**3.5**	**365.4**	**4.8**	**376.6**
Non-current and current operating financial assets	**5,751.2**	**475.5**	**(455.2)**	**(40.8)**	**(100.9)**	**38.3**	**-**	**(16.3)**	**5,651.8**

(1) Impairment losses are recorded in operating income.

The principal new operating financial assets in 2009 mainly concern:

- the Water Division and in particular projects in Berlin (€119.6 million);
- the Energy Services Division and in particular cogeneration plants (€73.9 million).

The principal repayments of operating financial assets in 2009 concern:

- the Water Division and in particular projects in Berlin (-€ 140.1 million);
- the Energy Services Division and in particular cogeneration plants (-€132.7 million).

Foreign exchange translation gains and losses on non-current operating financial assets mainly concern the Environmental Services Division (€18.6 million) and the Water Division (€8.7 million), following the appreciation of the pound sterling and the Korean won against the euro.

Changes in consolidation scope mainly concern the sale of incineration activities in the United States by the Environmental Services Division in the amount of -€41.3 million and changes in consolidation method (from full to proportionate consolidation) of the Water Division in North Africa and the Middle East in the amount of -€59.1 million.

Impairment losses mainly concern the Environmental Services Division following the impairment of a contract in Italy in the amount of €38.6 million (including €35.2 million in non-current).

11 Other non-current and current financial assets

	As of December 31								
	Non-current			Current			Total		
(€ million)	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Gross	787.0	774.8	803.0	134.8	195.8	283.3	921.8	970.6	1 086.3
Impairment losses	(72.3)	(73.5)	(63.4)	(31.6)	(31.9)	(27.9)	(103.9)	(105.4)	(91.2)
Financial assets in loans and receivables	**714.7**	**701.3**	**739.6**	**103.2**	**163.9**	**255.4**	**817.9**	**865.2**	**995.0**
Other financial assets	**58.4**	**52.6**	**77.7**	**29.1**	**53.8**	**66.0**	**87.5**	**106.4**	**143.7**
Total Other financial assets, net	**773.1**	**753.9**	**817.3**	**132.3**	**217.7**	**321.4**	**905.4**	**971.6**	**1,138.7**

11.1 Movements in other non-current financial assets

Movements in the value of other non-current financial assets during **2010** are as follows:

(€ million)	As of December 31, **2009**	Additions	Repayments / disposals	Changes in consolidation scope	Impairment losses [(1)]	Foreign exchange translation	Non-current / current reclassification	Other	**As of December 31, 2010**
Gross	774.8	59.9	(43.8)	6.7	-	19.6	(16.6)	(13.6)	787.0
Impairment losses	(73.5)	-	-	-	3.8	(5.8)	-	3.2	(72.3)
Non-current financial assets in loans and receivables	**701.3**	**59.9**	**(43.8)**	**6.7**	**3.8**	**13.8**	**(16.6)**	**(10.4)**	**714.7**
Other non-current financial assets	**52.6**	**30.8**	**(2.5)**	**(20.6)**	**(1.2)**	**(1.6)**	**(1.8)**	**2.7**	**58.4**
Total Other non-current financial assets, net	**753.9**	**90.7**	**(46.3)**	**(13.9)**	**2.6**	**12.2**	**(18.4)**	**(7.7)**	**773.1**

(1) Impairment losses are recorded in financial income and expenses.

Non-current financial assets in loans and receivables

As of December 31, 2010, the principal non-current financial assets in loans and receivables primarily correspond to the non-Group portion of loans granted to companies consolidated on a proportionate basis for €428.2 million (mainly Dalkia International and its subsidiaries).

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.

Recap: movements in the value of other non-current financial assets during **2009** are as follows:

(€ million)	As of December 31, **2008**	Additions	Repayments / disposals	Changes in consolidation scope	Impairment losses (1)	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, **2009**
Gross	803.0	50.7	(68.6)	31.2	-	3.2	(14.7)	(30.0)	774.8
Impairment losses	(63.4)	-	-	(0.1)	(9.9)	2.0	0.1	(2.2)	(73.5)
Non-current financial assets in loans and receivables	**739.6**	**50.7**	**(68.6)**	**31.1**	**(9.9)**	**5.2**	**(14.6)**	**(32.2)**	**701.3**
Other non-current financial assets	**77.7**	**10.9**	**(4.5)**	**(8.2)**	**(0.5)**	**2.0**	**(3.2)**	**(21.6)**	**52.6**
Total Other non-current financial assets, net	**817.3**	**61.6**	**(73.1)**	**22.9**	**(10.4)**	**7.2**	**(17.8)**	**(53.8)**	**753.9**

(1) Impairment losses are recorded in financial income and expenses.

Non-current financial assets in loans and receivables

Repayments mainly correspond to the change in the non-Group portion of the loan to Dalkia International for €43 million.

Changes in consolidation scope are mainly the result of a change in consolidation method (from full to proportionate consolidation) of the Water Division in North Africa and the Middle East for €48.4 million.

Other movements concern the reclassification of balances to "Assets classified as held for sale" in the amount of -€15.4 million, mainly in the Transportation Division.

As of December 31, 2009, the principal non-current financial assets in loans and receivables primarily correspond to the non-Group portion of loans granted to companies consolidated on a proportionate basis for €450.4 million (mainly Dalkia International and its subsidiaries).

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 movements mainly concern the transfer of financial assets hedging pension obligations to the new operator, following the loss of a contract in Melbourne by the Transportation Division.

11.2 Movements in other current financial assets

Movements in other current financial assets during **2010** are as follows:

(€ million)	As of December 31, **2009**	Changes in business	Changes in consolidation scope	Fair value adjustments	Impairment losses [1]	Foreign exchange translation	Non-current / current reclassification	Other	**As of December 31, 2010**
Gross	195.8	(70.1)	(5.3)	-	-	4.9	16.6	(7.1)	134.8
Impairment losses	(31.9)	-	7.0	-	(2.8)	(0.5)	-	(3.4)	(31.6)
Current financial assets in loans and receivables	**163.9**	**(70.1)**	**1.7**	**-**	**(2.8)**	**4.4**	**16.6**	**(10.5)**	**103.2**
Other current financial assets	**53.8**	**(3.8)**	**(4.6)**	**-**	**3.2**	**1.0**	**1.8**	**(22.3)**	**29.1**
Total other current financial assets, net	**217.7**	**(73.9)**	**(2.9)**	**-**	**0.4**	**5.4**	**18.4**	**(32.8)**	**132.3**

(1) Impairment losses are recorded in financial income and expenses.

The accounting treatment of other current financial assets in loans and receivables complies with the required treatment of loans and receivables as defined by IAS 39.

Other financial assets are classified as available-for-sale assets applying accounting principles described in note 1.14.2.

Repayments during the year mainly concern the repayment of asset pre-financing in the Transportation Division and financial receivables.

Recap: movements in other current financial assets during **2009** are as follows:

(€ million)	As of December 31, **2008**	Changes in business	Changes in consolidation scope	Fair value adjustments	Impairment losses [1]	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, **2009**
Gross	283.3	(141.3)	15.0	-	-	0.1	14.6	24.1	195.8
Impairment losses	(27.9)	-	0.1	-	(6.1)	0.1	(0.2)	2.1	(31.9)
Current financial assets in loans and receivables	**255.4**	**(141.3)**	**15.1**	**-**	**(6.1)**	**0.2**	**14.4**	**26.2**	**163.9**
Other current financial assets	**66.0**	**3.7**	**(0.7)**	**(0.2)**	**(0.4)**	**(0.5)**	**3.2**	**(17.3)**	**53.8**
Total other current financial assets, net	**321.4**	**(137.6)**	**14.4**	**(0.2)**	**(6.5)**	**(0.3)**	**17.6**	**8.9**	**217.7**

(1) Impairment losses are recorded in financial income and expenses.

Other net current financial assets as of December 31, 2009 of €217.7 million primarily comprise the pre-financing of assets in the Transportation Divisions for €62.3 million.

12 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities during **2010** are as follows:

(€ million)	As of December 31, **2009**	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Other	**As of December 31, 2010**
Deferred tax assets, gross	2,323.4	179.5	9.7	14.5	135.4	(0.3)	2,662.2
Deferred tax assets not recognized	(702.1)	(145.3)	(1.0)	4.2	(24.7)	(7.8)	(876.7)
Deferred tax assets, net	**1,621.3**	**34.2**	**8.7**	**18.7**	**110.7**	**(8.1)**	**1,785.5**
Deferred tax liabilities	**1,951.2**	**5.5**	**(2.6)**	**69.5**	**66.9**	**10.9**	**2,101.4**

As of December 31, 2010, deferred tax assets not recognized totaled -€876.7 million, including -€715.6 million on tax losses and -€161.1 million on timing differences. As of December 31, 2009, such deferred tax assets totaled -€702.1 million, including -€557.5 million on tax losses and -€144.6 million on timing differences.

Moreover, as of December 31, 2010, the tax group in the United States has ordinary tax losses carried forward, relating to the restructuring of Water businesses in 2006 and associated with losses incurred by the former activities of U.S. Filter. These tax losses, which may exceed U.S.$4 billion, are currently being reviewed by the U.S. tax authorities (see Note 35). A deferred tax asset of U.S.$417 million (€311 million) is recognized in the Consolidated Statement of Financial Position in respect of these tax losses as of December 31, 2010, compared to U.S.$407 million (€283 million) as of December 31, 2009.

The French tax group capitalized deferred tax assets of €41 million tax basis on 2010 year tax losses of €297 million.

Changes in business through equity mainly include the tax effect of fair value adjustments and actuarial gains and losses.

Changes in consolidation scope mainly concern the Water Division.

Foreign exchange translation gains and losses are mainly due to fluctuations in the U.S. dollar, the Australian dollar and the Japanese yen against the euro.

Deferred tax assets and liabilities **break down by nature** as follows:

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Deferred tax assets			
Tax losses	1181.2	976.2	895.3
Provisions and impairment losses	434.7	401.6	368.4
Employee benefits	265.1	219.3	187.0
Financial instruments	182.6	159.0	142.5
Operating financial assets	105.3	112.5	106.1
Fair value remeasurement of asset purchased	65.9	65.8	79.3
Foreign exchange translation	23.7	8.5	17.9
Finance leases	30.8	34.5	34.2
Intangible assets and Property, plant and equipment	22.7	28.7	21.8
Other	350.2	317.3	297.7
Deferred tax assets, gross	**2,662.2**	**2,323.4**	**2,150.2**
Deferred tax assets not recognized	**(876.7)**	**(702.1)**	**(570.7)**
Recognized deferred tax assets	**1,785.5**	**1,621.3**	**1,579.5**

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Deferred tax liabilities			
Intangible assets and Property, plant and equipment	852.8	799.2	676.6
Fair value remeasurement of asset purchased	283.4	245.2	276.4
Operating financial assets	214.1	192.5	191.5
Financial instruments	89.6	91.2	89.2
Finance leases	96.1	88.9	76.1
Provisions	49.7	47.1	56.8
Foreign exchange translation	38.6	11.7	38.9
Employee benefits	43.5	36.9	19.0
Other	433.6	438.5	511.5
Deferred tax liabilities	**2,101.4**	**1,951.2**	**1,936.0**

The breakdown by **main tax groups** as of December 31, 2010 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**
French tax groups	**14.1**	**462.7**	**(316.5)**	**160.3**
France Veolia Environnement tax group	*14.0*	*341.0*	*(162.7)*	*192.3*
Dalkia France tax group	*0.1*	*71.1*	*(69.7)*	*1.5*
France Veolia Transport tax group	-	*50.6*	*(84.1)*	*(33.5)*
United States tax group	**311.0**	**185.3**	**(283.0)**	**213.3**
United Kingdom tax group	**-**	**121.1**	**(414.8)**	**(293.7)**
Total	**325.1**	**769.1**	**(1,014.3)**	**79.9**

The **timing schedule for the reversal** of the net deferred tax position on timing differences and the deferred tax asset position on tax losses of the France Veolia Environnement tax group and the United States tax group is as follows:

(€ million)	Deferred tax asset on tax losses			Net deferred tax on timing differences			TOTAL		
	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
Veolia Environnement tax group	14.0	-	14.0	149.3	29.0	178.3	163.3	29.0	192.3
United States tax group	311.0	-	311.0	10.6	(108.3)	(97.7)	321.6	(108.3)	213.3

The **expiry schedule** for tax losses recognized and not recognized as of December 31, 2010 is as follows:

(€ million)	Expiry			**Total**
	5 years or less	More than 5 years	Unlimited	
Recognized tax losses	**14.1**	**341.6**	**109.9**	**465.6**
o/w French tax groups	-	-	14.1	14.1
o/w United States tax group	-	311.0	-	311.0
o/w United Kingdom tax group	-	-	-	-
Tax losses not recognized	**(51.1)**	**(116.6)**	**(547.9)**	**(715.6)**
o/w French tax groups	-	-	(88.0)	(88.0)
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, **2010**	As of December 31, **2009**	As of December 31, **2008**
Deferred tax assets, net			
Deferred tax assets on net income	1,566.4	1,471.4	1,433.8
Deferred tax assets on reserves	219.1	149.9	145.7
Deferred tax assets, net	**1,785.5**	**1,621.3**	**1,579.5**
Deferred tax liabilities			
Deferred tax liabilities on net income	2,060.4	1,900.5	1,876.8
Deferred tax liabilities on reserves	41.0	50.7	59.2
Deferred tax liabilities	**2,101.4**	**1,951.2**	**1,936.0**

Recap: Movements in deferred tax assets and liabilities during **2009** are as follows:

(€ million)	As of December 31, **2008**	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, **2009**
Deferred tax assets, gross	2,150.2	165.3	9.2	(30.8)	3.2	26.3	2,323.4
Deferred tax assets not recognized	(570.7)	(71.7)	2.5	25.7	(6.5)	(81.4)	(702.1)
Deferred tax assets, net	**1,579.5**	**93.6**	**11.7**	**(5.1)**	**(3.3)**	**(55.1)**	**1,621.3**
Deferred tax liabilities	**1,936.0**	**30.4**	**(0.1)**	**(15.3)**	**20.2**	**(20.0)**	**1,951.2**

13 Working capital

Movements in net working capital during **2010** are as follows:

(€ million)	As of December 31, **2009**	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, 2010**
Inventories and work-in-progress, net	997.3	125.5	(6.9)	4.1	33.0	(0.8)	8.6	1,160.8
Operating receivables, net	12,247.5	333.2	(30.3)	161.3	260.1	(116.8)	(351.7)	12,503.3
Operating payables	13,075.7	600.7	-	205.8	294.1	(119.4)	(289.3)	13,767.6
Net working capital	**169.1**	**(142.0)**	**(37.2)**	**(40.4)**	**(1.0)**	**1.8**	**(53.8)**	**(103.5)**

Amounts transferred to "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" primarily concern Environmental Services activities in Norway (-€32.9 million) and Water activities in Gabon (+€21.0 million). These amounts also include the impact of the interruption of the Renewable Energy divestiture process (+€30.1 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 investment). Movements in each of these working capital categories in 2010 are as follows:

(€ million)	As of December 31, **2009**	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, 2010**
Inventories and work-in-progress, net	997.3	125.5	(6.9)	4.1	33.0	(0.8)	8.6	1,160.8
Operating receivables (including tax receivables other than current tax)	12,046.8	282.4	(30.3)	160.1	255.8	(117.3)	(295.0)	12,302.5
Operating payables (including tax payables other than current tax)	(12,500.5)	(453.7)	-	(195.3)	(268.5)	115.5	173.6	(13,128.9)
Operating working capital (1)	**543.6**	**(45.8)**	**(37.2)**	**(31.1)**	**20.3**	**(2.6)**	**(112.8)**	**334.4**
Tax receivables (current tax)	189.7	37.8	-	1.2	4.0	-	(56.1)	176.6
Tax payables (current tax)	(220.8)	(67.3)	-	(3.9)	(8.4)	5.3	74.1	(221.0)
Tax working capital	**(31.1)**	**(29.5)**	**-**	**(2.7)**	**(4.4)**	**5.3**	**18.0**	**(44.4)**
Receivables on non-current asset disposals	11.0	13.0	-	-	0.3	0.5	(0.6)	24.2
Industrial investment payables	(354.4)	(79.7)	-	(6.6)	(17.2)	(1.4)	41.6	(417.7)
Investment working capital	**(343.4)**	**(66.7)**	**-**	**(6.6)**	**(16.9)**	**(0.9)**	**41.0**	**(393.5)**
Net working capital	**169.1**	**(142.0)**	**(37.2)**	**(40.4)**	**(1.0)**	**1.8**	**(53.8)**	**(103.5)**

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and impairment losses presented above.

Movements in inventories during **2010** are as follows:

<u>**Inventories**</u> (€ million)	As of December 31, **2009**	Changes in business	Impairment losses	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/ liabilities classified as held for sale	Other	**As of December 31, 2010**
Raw materials and supplies	630.9	19.8	-	-	3.5	19.0	(34.8)	(14.9)	623.5
Work-in-progress	287.1	107.0	-	-	0.9	9.1	45.3	14.2	463.6
Other inventories [(1)]	154.2	(1.3)	-	-	-	6.1	(13.1)	7.8	153.7
Inventories and work-in-progress, gross	**1,072.2**	**125.5**	**-**	**-**	**4.4**	**34.2**	**(2.6)**	**7.1**	**1,240.8**
Impairment losses on inventories and work-in-progress	**(74.9)**	**-**	**(44.5)**	**37.6**	**(0.3)**	**(1.2)**	**1.8**	**1.5**	**(80.0)**
Inventories and work-in-progress, net	**997.3**	**125.5**	**(44.5)**	**37.6**	**4.1**	**33.0**	**(0.8)**	**8.6**	**1,160.8**

(1) Including CO_2 inventories.

Inventories mainly concern the Water Division in the amount of €315.9 million and the Energy Services Division in the amount of €502.1 million.

Movements in operating receivables during **2010** are as follows:

<u>**Operating receivables**</u> (€ million)	As of December 31, **2009**	Changes in business	Impairment losses [(1)]	Reversal of impairment losses [(1)]	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/ liabilities classified as held for sale	Other	**As of December 31, 2010**
Trade receivables	9,641.6	*268.3*	-	-	*136.8*	*191.6*	*(115.6)*	*(267.1)*	*9,855.6*
Impairment losses on trade receivables	(560.3)	-	*(150.6)*	*116.4*	*(23.4)*	*(9.8)*	*15.1*	*12.2*	*(600.4)*
Trade receivables, net [(2)]	**9,081.3**	268.3	(150.6)	116.4	113.4	181.8	(100.5)	(254.9)	9,255.2
Other operating receivables	1,178.0	*(0.9)*	-	-	*34.9*	*29.7*	*(11.0)*	*(43.2)*	*1,187.5*
Impairment losses on other operating receivables	(76.8)	-	*(15.1)*	*18.9*	*0.8*	*(0.6)*	*0.6*	*(5.7)*	*(77.9)*
Other operating receivables, net [(2)]	**1,101.2**	(0.9)	(15.1)	18.9	35.7	29.1	(10.4)	(48.9)	1,109.6
Other receivables [(3)]	731.3	21.6	-	0.1	5.8	39.9	5.3	7.9	811.9
Tax receivables	1,333.7	44.2	-	-	6.4	9.3	(11.2)	(55.8)	1,326.6
Operating receivables, net	**12,247.5**	**333.2**	**(165.7)**	**135.4**	**161.3**	**260.1**	**(116.8)**	**(351.7)**	**12,503.3**

(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.

Operating receivables are recognized as loans and receivables for accounting purposes. 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 consolidated scope mainly concern acquisitions and divestitures in the **Water Division** for €139.1 million, including €70.1 million relating to the acquisition of certain United Utilities Group businesses and €71.8 million following the redisribution of certain companies previously jointly held with Suez Environnement.

Foreign exchange translation gains and losses are primarily due to the appreciation of the Australian dollar, the U.S. dollar and the Chinese renminbi yuan against the euro.

Securitization of receivables in France

Securitized debts total €487.1 million as of December 31, 2010 compared to €499.7 million at the end of December 31, 2009 and €496.6 million as of December 31, 2008.

These receivables are retained in assets and the financing secured is recorded in "Current borrowings" (see Note 17, Current borrowings).

Assignment of receivables

Receivables definitively assigned to third parties in the Energy Services Division totaled €281 million as of December 31, 2010, including €63 million in France and €205 million in Italy. This assignment of receivables totaled €178 million as of December 31, 2009 and €69.4 million as of December 31, 2008 and was in Italy.

Movements in operating payables during **2010** are as follows:

Operating payables (€ million)	As of December 31, **2009**	Changes in business	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/liabilities classified as held for sale	Other	**As of December 31, 2010**
Trade payables (1)	5,311.0	267.2	56.1	137.9	(25.1)	(218.1)	5,529.0
Other operating payables (1)	4,933.4	226.6	122.0	113.0	(74.5)	11.5	5,332.0
Other liabilities (2)	1,324.4	(2.4)	17.0	25.0	(13.9)	(9.9)	1,340.2
Tax and employee-related liabilities	1,506.9	109.3	10.7	18.2	(5.9)	(72.8)	1,566.4
Operating payables	**13,075.7**	**600.7**	**205.8**	**294.1**	**(119.4)**	**(289.3)**	**13,767.6**

(1) *Financial liabilities as defined by IAS 39, measured at amortized cost.*

(2) *Primarily deferred income.*

Trade payables are recognized as liabilities at amortized cost in accordance with IAS 39 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Changes in consolidated scope mainly concern acquisitions and divestitures in the **Water Division** for €184.3 million, including €101.8 million relating to the acquisition of certain United Utilities Group businesses and €75.7 million following the takeover of certain companies previously jointly held with Suez Environnement.

Foreign exchange translation gains and losses are primarily due to the appreciation of the Australian dollar, the U.S. dollar and the Chinese renminbi yuan against the euro.

Recap: Movements in net working capital during **2009** are as follows:

(€ million)	As of December 31, **2008**	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, **2009**
Inventories and work-in-progress, net	1,022.0	16.2	6.1	(3.6)	4.4	(53.5)	5.7	997.3
Operating receivables, net	13,093.2	(407.7)	(82.3)	(219.8)	95.5	(107.6)	(123.8)	12,247.5
Operating payables, net	13,591.8	(99.7)	-	(227.9)	105.3	(174.7)	(119.1)	13,075.7
Net working capital	**523.4**	**(291.8)**	**(76.2)**	**4.5**	**(5.4)**	**13.6**	**1.0**	**169.1**

(€ million)	As of December 31, **2008**	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, **2009**
Inventories and work-in-progress, net	1,022.0	16.2	6.1	(3.6)	4.4	(53.5)	5.7	997.3
Operating receivables (including tax receivables other than current tax)	12,844.4	(434.7)	(82.5)	(217.1)	89.0	(92.7)	(59.6)	12,046.8
Operating payables (including tax payables other than current tax)	(12,791.9)	62.7	-	207.2	(94.3)	73.5	42.3	(12,500.5)
Operating working capital (1)	**1,074.5**	**(355.8)**	**(76.4)**	**(13.5)**	**(0.9)**	**(72.7)**	**(11.6)**	**543.6**
Tax receivables (current tax)	227.0	31.4	-	(2.7)	6.5	(13.3)	(59.2)	189.7
Tax payables (current tax)	(324.7)	(19.0)	-	(1.7)	(12.3)	72.1	64.8	(220.8)
Tax working capital	**(97.7)**	**12.4**	**-**	**(4.4)**	**(5.8)**	**58.8**	**5.6**	**(31.1)**
Receivables on non-current asset disposals	21.8	(4.4)	0.2	-	-	(1.6)	(5.0)	11.0
Industrial investment payables	(475.2)	56.0	-	22.4	1.3	29.1	12.0	(354.4)
Investment working capital	**(453.4)**	**51.6**	**0.2**	**22.4**	**1.3**	**27.5**	**7.0**	**(343.4)**
Net working capital	**523.4**	**(291.8)**	**(76.2)**	**4.5**	**(5.4)**	**13.6**	**1.0**	**169.1**

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business and impairment losses presented above.

Movements in inventories during **2009** are as follows:

Inventories (€ million)	As of December 31, **2008**	Changes in business	Impairment losses	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/liabilities classified as held for sale	Other	As of December 31, **2009**
Raw materials and supplies	635.3	16.0	-	-	(6.6)	5.1	(12.5)	(6.4)	630.9
Work-in-progress	329.3	1.4	-	-	(0.4)	(1.8)	(42.7)	1.3	287.1
Other inventories (1)	139.4	(1.2)	-	-	3.0	2.3	0.1	10.6	154.2
Inventories and work-in-progress, gross	**1,104.0**	**16.2**	**-**	**-**	**(4.0)**	**5.6**	**(55.1)**	**5.5**	**1,072.2**
Impairment losses on inventories and work-in-progress	**(82.0)**	**-**	**(36.5)**	**42.6**	**0.4**	**(1.2)**	**1.6**	**0.2**	**(74.9)**
Inventories and work-in-progress, net	**1,022.0**	**16.2**	**(36.5)**	**42.6**	**(3.6)**	**4.4**	**(53.5)**	**5.7**	**997.3**

(1) Including CO_2 inventory.

Movements in operating receivables during **2009** are as follows:

Operating receivables (€ million)	As of December 31, **2008**	Changes in business	Impairment losses (1)	Reversal of impairment losses (1)	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/liabilities classified as held for sale	Other	As of December 31, **2009**
Trade receivables	10,253.0	(378.2)	-	-	(199.6)	55.8	(56.9)	(32.5)	9,641.6
Impairment losses on trade receivables	(550.9)	-	(180.5)	112.2	11.3	(0.3)	9.5	38.4	(560.3)
Trade receivables, net (2)	**9,702.1**	**(378.2)**	**(180.5)**	**112.2**	**(188.3)**	**55.5**	**(47.4)**	**5.9**	**9,081.3**
Other operating receivables	1,314.1	(63.3)	-	-	(12.0)	24.6	(15.2)	(70.2)	1,178.0
Impairment losses on other operating receivables	(59.6)	-	(27.7)	13.7	0.0	(0.2)	-	(3.0)	(76.8)
Other operating receivables, net (2)	**1,254.5**	**(63.3)**	**(27.7)**	**13.7**	**(12.0)**	**24.4**	**(15.2)**	**(73.2)**	**1,101.2**
Other receivables (3)	663.4	89.0	-	-	(1.7)	8.1	(28.4)	0.9	731.3
Tax receivables	1,473.2	(55.2)	-	-	(17.8)	7.5	(16.6)	(57.4)	1,333.7
Operating receivables, net	**13,093.2**	**(407.7)**	**(208.2)**	**125.9**	**(219.8)**	**95.5**	**(107.6)**	**(123.8)**	**12,247.5**

(1) Impairment losses are recorded in operating income and included in the line "Changes in working capital" in the Consolidated Cash Flow Statement.
(2) Financial assets as defined by IAS 39, valued in accordance with the rules applicable to loans and receivables.
(3) Receivables recognized on a percentage completion basis in respect of construction activities and prepayments.

Movements in operating payables during **2009** are as follows:

Operating payables (€ million)	As of December 31, **2008**	Changes in business	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/liabilities classified as held for sale	Other	As of December 31, **2009**
Trade payables (1)	5,634.5	(273.7)	(50.4)	35.3	(30.4)	(4.3)	5,311.0
Other operating payables (1)	5,112.2	1.9	(129.7)	47.3	(63.6)	(34.7)	4,933.4
Other liabilities (2)	1,255.6	90.8	(1.2)	6.8	(6.0)	(21.6)	1,324.4
Tax and employee-related liabilities	1,589.5	81.3	(46.6)	15.9	(74.7)	(58.5)	1,506.9
Operating payables	**13,591.8**	**(99.7)**	**(227.9)**	**105.3**	**(174.7)**	**(119.1)**	**13,075.7**

(1) Financial liabilities as defined by IAS 39, measured at amortized cost.
(2) Primarily deferred income.

Recap: Movements in net working capital during **2008** are as follows:

(€ million)	As of December 31, **2007**	Changes in business	Impairment losses	Changes in consolidation scope	Foreign exchange translation	Other	**As of December 31, 2008**
Inventories and work-in-progress, net	839.4	172.1	(43.2)	75.4	(20.6)	(1.1)	1,022.0
Operating receivables, net	12,459.4	857.4	(24.6)	(33.7)	(183.2)	17.9	13,093.2
Operating payables, net	12,944.8	983.2	-	(36.6)	(231.3)	(68.3)	13,591.8
Net working capital	**354.0**	**46.3**	**(67.8)**	**78.3**	**27.5**	**85.1**	**523.4**

(€ million)	As of December 31, **2007**	Changes in business	Impairment losses	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, **2008**
Inventories and work-in-progress, net	839.4	172.1	(43.2)	75.4	(20.6)	(1.1)	1,022.0
Operating receivables (including tax receivables other than current tax)	12,216.4	820.4	(24.6)	(43.6)	(156.9)	32.7	12,844.4
Operating payables (including tax payables other than current tax)	(12,228.6)	(843.9)	-	55.4	178.4	46.8	(12,791.9)
Operating working capital [(1)]	**827.2**	**148.6**	**(67.8)**	**87.2**	**0.9**	**78.4**	**1,074.5**
Tax receivables (current tax)	197.7	42.2	-	9.6	(26.4)	3.8	226.9
Tax payables (current tax)	(281.2)	(77.3)	-	(6.6)	39.2	1.2	(324.7)
Tax working capital	**(83.5)**	**(35.1)**	**-**	**3.0**	**12.8**	**5.0**	**(97.7)**
Receivables on non-current asset disposals	45.2	(5.3)	0.0	0.4	0.1	(18.6)	21.8
Industrial investment payables	(435.0)	(61.9)	-	(12.3)	13.7	20.3	(475.2)
Investment working capital	**(389.8)**	**(67.2)**	**0.0**	**(11.9)**	**13.8**	**1.7**	**(453.4)**
Net working capital	**354.0**	**46.3**	**(67.8)**	**78.3**	**27.5**	**85.1**	**523.4**

(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 and impairment losses presented above.

Movements in inventories during **2008** are as follows:

Inventories (€ million)	As of December 31, **2007**	Changes in business	Impairment losses	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, **2008**
Raw materials and supplies	526.6	97.3	-	-	26.4	(18.4)	3.4	635.3
Work-in-progress	257.3	47.3	-	-	29.8	(1.5)	(3.6)	329.3
Other inventories	96.7	27.5	-	-	19.8	(3.7)	(0.9)	139.4
Inventories and work-in-progress, gross	**880.6**	**172.1**	**-**	**-**	**76.0**	**(23.6)**	**(1.1)**	**1,104.0**
Impairment losses on raw materials and supplies	(33.2)	-	(17.3)	7.2	(0.9)	1.5	-	(42.7)
Impairment losses on work-in-progress	(1.4)	-	(0.5)	0.8	0.3	0.1	-	(0.7)
Impairment losses on other inventories	(6.6)	-	(34.1)	0.7	-	1.4	-	(38.6)
Impairment losses on inventories and work-in-progress	**(41.2)**	**-**	**(51.9)**	**8.7**	**(0.6)**	**3.0**	**-**	**(82.0)**
Inventories and work-in-progress, net	**839.4**	**172.1**	**(51.9)**	**8.7**	**75.4**	**(20.6)**	**(1.1)**	**1,022.0**

Impairment losses were recognized mainly in the Energy Services and Environmental Services Divisions due to the fall in commodity prices (paper, ferrous and non-ferrous metal and CO_2).

Movements in operating receivables during **2008** are as follows:

Operating receivables (€ million)	As of December 31, **2007**	Changes in business	Impairment losses (1)	Reversal of impairment losses (1)	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, **2008**
Trade receivables	9,813.7	623.8	-	-	(19.5)	(121.7)	(43.3)	10,253.0
Impairment losses on trade receivables	(510.0)	-	(145.2)	115.0	(28.9)	14.5	3.6	(550.9)
Trade receivables, net (2)	**9,303.7**	**623.8**	**(145.2)**	**115.0**	**(48.4)**	**(107.2)**	**(39.7)**	**9,702.1**
Other operating receivables	1,508.1	(25.3)	-	-	13.1	(34.8)	(147.0)	1,314.1
Impairment losses on other operating receivables	(75.1)	-	(8.0)	13.6	(0.1)	0.4	9.5	(59.6)
Other operating receivables, net (2)	**1,433.0**	**(25.3)**	**(8.0)**	**13.6**	**13.0**	**(34.4)**	**(137.5)**	**1,254.5**
Other receivables (3)	530.6	111.2	-	-	9.5	(11.1)	23.3	663.4
Tax receivables	1,192.1	147.7	-	-	(7.8)	(30.5)	171.9	1,473.2
Operating receivables, net	**12,459.4**	**857.4**	**(153.2)**	**128.6**	**(33.7)**	**(183.2)**	**18.0**	**13,093.2**

(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.

Movements in operating payables during **2008** are as follows:

Operating payables (€ million)	As of December 31, **2007**	Changes in business	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, **2008**
Trade payables (1)	5,343.8	415.4	(38.6)	(50.1)	(36.2)	5,634.5
Other operating payables (1)	5,009.4	161.7	112.0	(100.0)	(70.8)	5,112.2
Other liabilities (2)	1,184.3	188.9	(51.1)	(30.5)	(36.0)	1,255.6
Tax and employee-related liabilities	1,407.3	217.1	(58.9)	(50.6)	74.7	1,589.5
Operating payables	**12,944.8**	**983.1**	**(36.6)**	**(231.2)**	**(68.3)**	**13,591.8**

(1) Financial liabilities as defined by IAS 39, measured at amortized cost.

(2) Primarily deferred income.

14 Cash and cash equivalents

Movements in cash and cash equivalents and bank overdrafts and other cash position items during **2010** are as follows:

(€ million)	As of December 31, **2009**	Changes in business	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Other	**As of December 31, 2010**
Cash	1,310.4	(29.5)	86.6	-	66.1	(3.7)	1,429.9
Cash equivalents	4,304.0	(372.7)	5.6	(1.3)	20.7	20.6	3,976.9
Cash and cash equivalents	**5,614.4**	**(402.2)**	**92.2**	**(1.3)**	**86.8**	**16.9**	**5,406.8**
Bank overdrafts and other cash position items	**454.9**	**(86.0)**	**8.2**		**11.5**	**(1.6)**	**387.0**
Net cash	**5,159.5**	**(316.2)**	**84.0**	**(1.3)**	**75.3**	**18.5**	**5,019.8**

(1) Fair value adjustments are recorded in financial income and expenses.

Changes in consolidated scope mainly concern acquisitions of companies previously held jointly with Suez Environnement, (€43.2 million) and the acquisition of certain United Utilities Group businesses (€33.1 million) in the Water Division.

Foreign exchange translation gains and losses are primarily due to the appreciation of the Australian dollar and the Chinese renminbi yuan against the euro in the amount of €21.9 million and €18.1 million, respectively.

Other net movements concern transfers to "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" in the amount of -€14.2 million, primarily in the Environmental Services Division (-€12.1 million) and the net cash of Renewable Energy activities of €14.7 million following the decision to interrupt the divestiture process launched in 2009.

As of December 31, 2010, the Water Division held cash of €586.1 million, the Environmental Services Division held cash of €190.1 million, the Energy Services Division held cash of €266.4 million, the Transportation Division held cash of €207.7 million, Veolia Environnement SA held cash of €22.9 million and certain subsidiaries (primarily insurance) held cash of €156.7 million.

Investment supports used by the Group include UCITS (Undertakings for Collective Investment in Transferable Securities), negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) and monetary notes

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement SA level, are invested in accordance with procedures defined by the Group. Note 29.3.2 – Management of liquidity risk, presents a breakdown of investments by nature.

As of December 31, 2010, cash equivalents were primarily held by Veolia Environnement SA in the amount of €3,657.9 million including monetary UCITS of €2,836.1 million, negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) of €249.0 million, monetary notes of €175.3 million and term deposit accounts of €397.5 million. Cash equivalents are accounted for as assets designated at fair value through the Consolidated Income Statement. These instruments are held between 1 and 90 days.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

Recap: movements in cash and cash equivalents during **2009** are as follows:

(€ million)	As of December 31, **2008**	Changes in business	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Other	As of December 31, **2009**
Cash	1,317.9	44.1	(57.3)	-	24.3	(18.6)	1,310.4
Cash equivalents	2,531.7	1,797.1	(20.7)	1.3	(0.4)	(5.0)	4,304.0
Cash and cash equivalents	**3,849.6**	**1,841.2**	**(78.0)**	**1.3**	**23.9**	**(23.6)**	**5,614.4**
Bank overdrafts and other cash position items	**465.7**	**(3.4)**	**(6.4)**		**(1.4)**	**0.4**	**454.9**
Net cash	**3,383.9**	**1,844.6**	**(71.6)**	**1.3**	**25.3**	**(24.0)**	**5,159.5**

(1) Fair value adjustments are recorded in financial income and expenses.

Cash and cash equivalents of -€23.7 million were transferred to "Assets classified as held for sale" in 2009.

Changes in consolidation scope primarily concerned the following divestitures:

- **Transportation:** sale of Freight activities for -€32.2 million;
- **Environmental Services:** sale of the VPNM sub-group for -€38.6 million;
- **Water:** change in the consolidation method (from full to proportionate consolidation) in North Africa and the Middle East for -€10.2 million.

As of December 31, 2009, the Water Division held cash of €477.5 million, the Environmental Services Division held cash of €182.9 million, the Energy Services Division held cash of €280.4 million, the Transportation Division held cash of €158.6 million, Veolia Environnement SA held cash of €41.4 million and certain subsidiaries (primarily insurance) held cash of €169.6 million.

Investment supports used by the Group include UCITS (Undertakings for Collective Investment in Transferable Securities), negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) and monetary notes.

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement SA level, are invested in accordance with procedures defined by the Group. Note 29.3.2 – Management of liquidity risk, presents a breakdown of investments by nature.

As of December 31, 2009, cash equivalents were primarily held by Veolia Environnement SA in the amount of €4,049.8 million including monetary UCITS of €3,037.9 million, negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) of €375.2 million, monetary notes of €385.0 million and term deposit accounts of €250.0 million. Cash equivalents are accounted for as assets designated at fair value through the Consolidated Income Statement.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

15 Equity

15.1 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 investment in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining a credit rating in excess of BBB.

This policy has led Veolia Environnement to define a debt coverage ratio: Net financial debt / (Operating cash flow before changes in working capital + principal payments on operating financial assets) of between 3.85 and 4.35.

Net financial debt is equal to gross borrowings (non-current borrowings, current borrowings, bank overdrafts and other cash position items), less cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt.

15.2 Equity attributable to owners of the Company

15.2.1 Share capital

The share capital is fully paid up.

Share capital increases

In 2008, Veolia Environnement performed a share capital increase of €22 million following the exercise of share purchase and subscription options.

In 2009, Veolia Environnement performed a share capital increase of €322 million on the payment of scrip dividends. As decided by the Annual General Meeting of Shareholders of May 7, 2009, the Group offered shareholders a choice of payment of the dividend in cash or shares. Shareholders elected for the payment of 58% of dividends in shares, leading to the creation of 20,111,683 shares, representing just over 4.25% of the share capital and 4.39% of voting rights.

In addition in 2009, Veolia performed a share capital increase (including additional-paid-in capital) reserved for employees (Group employee savings plan) of €19.4 million (excluding issuance costs). No discount was granted on the subscription price.

Finally, Veolia Environnement performed a share capital increase of €0.7 million following the exercise of share options.

In 2010, Veolia Environnement performed a share capital increase of €79 million on the payment of scrip dividends. As decided by the Annual General Meeting of Shareholder of May 7, 2010, 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 3,732,018 shares.

In addition, in 2010, Veolia performed a share capital increase (including additional-paid-in capital) reserved for members of Group employee savings plans of €30 million (excluding issuance costs).

Number of shares outstanding and par value

The number of shares outstanding is 472,576,666 as of December 31, 2008, 493,630,374 as of December 31, 2009 and 499,126,367 as of December 31, 2010 (including treasury shares). The par value of each share is €5.

Authorized but unissued shares:

Veolia Environnement's mixed general shareholders' meeting grants two types of share issuance authorizations to the Board of Directors: (i) authorizations for the issuance of new shares, which are collectively limited to 70% of the number of shares outstanding on the date of the general shareholders' meeting; and (ii) authorizations for the preferential issuance of warrants, which is limited to 25% of the number of shares outstanding on the date of the decision to issue and which may only be used in the context of an outstanding tender offer on the Company's shares. The first category of authorizations yields an exact number of authorized but unissued shares, whereas the number of shares authorized but unissued under the second category of authorizations will depend on the number of shares already outstanding on the date of the decision. Both types of authorizations, with the same limitations on issuance, i.e. 70% and 25%, were approved by the shareholders' general meetings in 2008, 2009, 2010.

Authorized but unissued shares for 2008, 2009, 2010 :

For 2008, authorized but unissued shares under the first category amounted to 330,233,929 shares on the basis of 471,762,756 shares outstanding on May 7, 2008, the date of the shareholders' general meeting voting the authorizations. As at December 31, 2008, no shares had been issued from among the 330,233,929 above-mentioned authorized shares.

For 2009, authorized but unissued shares under the first category amounted to 330,803,666 shares on the basis of 472,576,666 shares outstanding on May 7, 2009, the date of the shareholders' general meeting voting the authorizations. As at December 31, 2009, 21,022,697 shares had been issued from among the 330,803,666 above-mentioned authorized shares.

For 2010, authorized but unissued shares under the first category amounted to 345,541,261 shares on the basis of 493 630 374 shares outstanding on May 7, 2010, the date of the shareholders' general meeting voting the authorizations. As at December 31, 2010, 5,424,880 shares had been issued from among the 345,541,261 above-mentioned authorized shares.

15.2.2 Offset of treasury shares against equity

In 2008, the net decrease in treasury shares was 140,620 shares, for a net carrying amount of €3.2 million. As of December 31, 2008, the Group held 14,980,034 of its own shares.

In 2009, Veolia Environnement transferred 109,533 shares as consideration for an external growth transaction performed by a subsidiary for an amount of €1.9 million and 138,909 shares as part of the share capital increase reserved for employees. As of December 31, 2009, the Group held 14,731,592 of its own shares.

In 2010, Veolia Environnement transferred 202,597 shares as consideration for a minority interest buy-out (external growth) transaction performed by a subsidiary for an amount of €4.2 million and 190,092 shares as part of the share capital increase reserved for employees. As of December 31, 2010, the Group held 14,338,903 of its own shares.

15.2.3 Share purchase and subscription options

In accordance with IFRS 2, an expense of €5.5 million in 2008, €10.9 million in 2009 million and €4.0 million in 2010 was recognized in respect of share option plans granted to employees.

15.2.4 Appropriation of net income and dividend distribution

A dividend of €579.5 million was distributed by Veolia Environnement SA. 2009 net income attributable to owners of the Company of €584.1 million was appropriated to the distribution of this dividend, with the balance allocated to reserves.

15.2.5 Foreign exchange translation reserves

Accumulated foreign exchange translation reserves as of January 1, 2008 are negative in the amount of €119.1 million (portion attributable to owners of the Company), including -€126.2 million related to the U.S. dollar, -€61.8 million related to the pound sterling, +€80.7 million related to the Czech crown and -€46.0 million related to the Chinese renminbi yuan.

In 2008, translation losses of €313.8 million (portion attributable to equity owners of the Company) primarily concerned the pound sterling in the amount of -€324.1 million, the U.S. dollar in the amount of +€74.4 million and the Chinese renminbi yuan in the amount of €156.1 million.

Accumulated foreign exchange translation reserves as of December 31, 2008 are negative in the amount of €432.9 million (portion attributable to owners of the Company), including -€51.8 million related to the U.S. dollar, -€385.9 million related to the pound sterling, +€74 million related to the Czech crown and +€110.1 million related to the Chinese renminbi yuan.

In 2009, translation gains of €88.5 million (portion attributable to owners of the Company) concerned the U.S. dollar in the amount of -€57.5 million, the pound sterling in the amount of +€65.8 million, the Chinese renminbi yuan in the amount of -€85.0 million and the Australian dollar in the amount of +€60.0 million.

Accumulated foreign exchange translation reserves as of December 31, 2009 are negative in the amount of €344.4 million (portion attributable to owners of the Company), including -€109.3 million related to the U.S. dollar, -€320.1 million related to the pound sterling, +€81.6 million related to the Czech crown and +€25.1 million related to the Chinese renminbi yuan.

Accumulated foreign exchange translation reserves total +€29.0 million as of December 31, 2010 (portion attributable to owners of the Company).

The increase in foreign exchange translation reserves primarily reflects the appreciation of the Chinese renminbi yuan, the U.S. dollar and the Australian dollar against the euro in 2010. Movements in foreign exchange translation reserves are nonetheless significantly limited by the Group policy of securing borrowings in the local currency.

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	(333.0)	(379.8)
Translation differences on net foreign investments	(52.8)	(53.1)
As of December 31, 2008	**(385.8)**	**(432.9)**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(259.8)	(297.2)
Translation differences on net foreign investments	(46.6)	(47.2)
As of December 31, 2009	**(306.4)**	**(344.4)**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	592.2	483.2
Translation differences on net foreign investments	(112.6)	(109.8)
Movements in 2010	**479.6**	**373.4**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	332.4	186.0
Translation differences on net foreign investments	(159.2)	(157.0)
As of December 31, 2010	**173.2**	**29.0**

Breakdown by currency of Foreign exchange translation reserves attributable to owners of the Company

(€ million)	As of December 31, **2008**	As of December 31, **2009**	Movements	**As of December 31, 2010**
Chinese renminbi yuan	110.1	25.1	118.1	143.2
Czech Crown	74.0	81.6	14.2	95.8
Australian dollar	(45.5)	14.5	66.5	81.0
U.S. dollar	(51.8)	(109.3)	141.1	31.8
Canadian dollar	(4.8)	4.6	11.8	16.4
Slovakian crown	13.1	19.3	(2.9)	16.4
Swiss franc	1.5	1.5	7.1	8.6
Swedish crown	(3.9)	12.8	(5.6)	7.2
Norwegian crown	(17.9)	(1.8)	7.4	5.6
Pound Sterling	(385.9)	(320.1)	36.0	(284.1)
Hong Kong dollar	(24.5)	(5.7)	(40.5)	(46.2)
Polish zloty	(24.7)	(8.7)	(13.0)	(21.7)
Romanian leu	(7.1)	(12.4)	(1.1)	(13.5)
Korean won	(32.3)	(27.4)	15.4	(12.0)
Mexican peso	(1.1)	(7.8)	(1.4)	(9.2)
Hungarian florint	(3.4)	(4.8)	(3.0)	(7.8)
Other currencies	(28.7)	(5.8)	23.3	17.5
Total	**(432.9)**	**(344.4)**	**373.4**	**29.0**

15.2.6 Fair value reserves

Fair value reserves attributable to owners of the Company are -€79.2 million as of December 31, 2008, -€43.5 million as of December 31, 2009 and -€34.2 million as of December 31, 2010.

(€ 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, 2008	**16.0**	**(27.8)**	**0.2**	**(75.3)**	**(86.9)**	**(79.2)**
Fair value adjustments	(4.0)	22.3	3.4	17.7	39.4	38.6
Other movements	-	(4.0)	0.5	0.3	(3.2)	(2.9)
As of December 31, 2009	**12.0**	**(9.5)**	**4.1**	**(57.3)**	**(50.7)**	**(43.5)**
Fair value adjustments	5.1	10.1	1.7	7.7	24.6	19.1
Other movements	(7.0)	(0.1)	-	(2.0)	(9.1)	(9.8)
As of December 31, 2010	**10.1**	**0.5**	**5.8**	**(51.6)**	**(35.2)**	**(34.2)**

Amounts are presented net of tax.

No material amounts were released to the Consolidated Income Statement in respect of interest rate derivatives hedging cash flows and recorded in finance costs and income.

15.3 Non-controlling interests

A breakdown of the movement in non-controlling interests is presented in the Statement of Changes in Equity.

The increase in non-controlling interests in 2010 is due to the dividend distribution for -€233.5 million, offset by net income for the year of €290.5 million and the various share capital increases for €104.8 million.

The increase in non-controlling interests in 2009 is due to the dividend distribution for -€202.0 million, offset by net income for the year of €257.8 million and the various share capital increases for €149.8 million.

The decrease in non-controlling interests in 2008 is mainly due to the share capital reduction performed by the company carrying the Berlin contract in the Water Division for -€131.2 million and the distribution of dividends for -€200.8 million, partially offset by net income for the year of €304.1 million.

16 Non-current and current provisions

Pursuant to IAS 37 (see Note 1.13), provisions maturing after more than one year are discounted. Changes in discount rates applied to "Provisions for closure and post-closure costs", which make up the majority of non-current provisions, are as follows:

Changes in discount rates

	As of December 31, 2010	As of December 31, **2009**	As of December 31, **2008**
Euro			
2 to 5 years	3.66%	2.49%	5.67 %
6 to 10 years	4.67%	4.14%	5.97 %
More than 10 years	5.65%	5.59%	6.65 %
U.S. Dollar			
2 to 5 years	3.56%	2.24%	4.95 %
6 to 10 years	4.75%	4.67%	5.75 %
More than 10 years	5.95%	5.92%	6.82 %
Pound Sterling			
2 to 5 years	4.32%	2.26%	6.13 %
6 to 10 years	5.21%	4.43%	6.40 %
More than 10 years	5.86%	5.68%	6.46 %

The discount rate calculation methodology is presented in Note 2, Use of management estimates in the application of Group accounting standards.

Movements in non-current provisions during **2010** are as follows:

(€ million)	As of December 31, **2009**	Addition / Charge	Repayment / Utilization during the year	Reversal	Actuarial gains (losses)	Unwinding of the discount	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	**As of December 31, 2010**
Tax litigation	123.3	60.8	-	(8.1)	-	0.9	0.5	0.1	(67.4)	(0.5)	109.6
Employee litigation	10.7	3.2	-	(2.7)	-	-	-	-	(1.5)	0.1	9.8
Other litigation	97.9	34.6	-	(6.7)	-	1.3	0.1	1.2	(20.2)	6.4	114.6
Contractual commitments	267.7	165.2	(161.2)	(0.7)	-	1.0	2.3	0.1	-	(93.5)	180.9
Provisions for work-in-progress and losses to completion on long-term contracts	215.2	59.7	-	(2.0)	-	6.7	-	1.1	(68.8)	(6.1)	205.8
Closure and post-closure costs	607.9	4.6	-	(18.2)	-	47.2	(4.7)	17.1	(43.4)	5.0	615.5
Restructuring provisions	0.8	0.7	-	(0.1)	-	-	-	-	(0.2)	-	1.2
Self-insurance provisions	112.7	23.2	-	(7.8)	-	2.3	(0.1)	1.9	(19.4)	4.0	116.8
Other	76.9	24.6	-	(10.3)	-	1.3	3.9	2.8	(9.7)	(10.6)	78.9
Non-current provisions excl. pensions and other employee benefits	**1,513.1**	**376.6**	**(161.2)**	**(56.6)**	**-**	**60.7**	**2.0**	**24.3**	**(230.6)**	**(95.2)**	**1,433.1**
Provisions for pensions and other employee benefits	**778.0**	**87.9**	**(102.3)**	**(11.8)**	**69.4**	**33.7**	**3.2**	**23.3**	**-**	**(0.6)**	**880.8**
Non-current provisions	**2,291.1**	**464.5**	**(263.5)**	**(68.4)**	**69.4**	**94.4**	**5.2**	**47.6**	**(230.6)**	**(95.8)**	**2,313.9**

Movements in current provisions during **2010** are as follows:

(€ million)	As of December 31, **2009**	Charge	Utilization	Reversal	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	**As of December 31, 2010**
Tax litigation	44.2	17.6	(75.3)	(7.3)	2.6	0.7	67.4	(2.8)	47.1
Employee litigation	24.5	12.3	(11.3)	(2.6)	0.1	0.1	1.5	1.0	25.6
Other litigation	116.8	64.1	(60.6)	(23.7)	(1.5)	2.1	20.2	10.1	127.5
Provisions for work-in-progress and losses to completion on long-term contracts	148.4	23.6	(81.0)	(14.3)	0.6	1.1	68.7	(57.4)	89.7
Closure and post-closure costs	78.4	25.8	(34.8)	(8.1)	(3.1)	2.9	43.4	(4.8)	99.7
Restructuring provisions	8.9	10.1	(3.9)	(1.4)	-	0.7	0.2	(0.7)	13.9
Self-insurance provisions	135.1	99.1	(110.4)	(8.3)	-	5.0	19.4	(38.5)	101.4
Other	192.9	93.2	(67.1)	(20.3)	16.5	2.8	9.8	(42.8)	185.0
Current provisions	**749.2**	**345.8**	**(444.4)**	**(86.0)**	**15.2**	**15.4**	**230.6**	**(135.9)**	**689.9**

Movements in current and non-current provisions break down as follows:

Litigation

This provision covers all losses that are considered probable and that relate to litigation (taxation, employee or other) arising in the normal course of Veolia Environnement's business operations.

The Water, Energy Services and Environmental Services Divisions account for the majority of the provisions (€239.6 million, €100.6 million and €51.7 million, respectively).

Contractual commitments

As part of its obligations under public services contracts, Veolia Environnement generally assumes responsibility 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 €180.9 million and primarily relate to the Water and Energy Services Divisions in the amount of €79.7 million and €101.1 million, respectively.

Provisions for work-in-progress and losses to completion on long-term contracts

These provisions mainly concern the Water Division in the amount of €75.2 million, the Transportation Division in the amount of €95.6 million and the Environmental Services Division in the amount of €117.2 million.

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 €715.2 million and primarily concern the Environmental Services Division in the amount of €636.8 million in 2010, compared to €610.6 million in 2009 and €508.9 million in 2008 and the Energy Services Division in the amount of €64.4 million in 2010, compared to €58.8 million in 2009 and €63.8 million in 2008.

The increase in these provisions is mainly due to changes in interest rates and the unwinding of the discount in the Environmental Services Division in the amount of €40.0 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 primarily concern the Environmental Services Division. Forecast site restoration costs are provided pro rata to waste tonnage deposited over the authorized duration of the sites and totaled €643.1 million at the end of 2010, including €590.6 million in respect of the Environmental Services Division compared to €567.2 million at the end of 2009 and €527.4 million at the end of 2008;

- Provisions for environmental risks in the amount of €41.9 million compared to €48.2 million in 2009 and €46.5 million in 2008;

- Provision for plant dismantling, essentially in the Water, Energy Services and Environmental Services Divisions in the amount of €30.2 million in 2010, compared to €15.5 million in 2009 and €15.3 million in 2008.

Self-insurance provisions

As of December 31, 2010, self-insurance provisions totaled €218.2 million and were mainly recorded by Group insurance and reinsurance subsidiaries in the amount of €91.4 million, the Energy Services Division in the amount of €36.2 million and the Transportation Division in the amount of €46.7 million.

Other provisions

Other provisions include various obligations recorded as part of the normal operation of the Group's subsidiaries.

Provisions for pensions and other employee benefits

Provisions for pensions and other employee benefits as of December 31, 2010 total €880.8 million, and include provisions for pensions and other post-employment benefits of €722.5 million (governed by IAS 19 and detailed in Note 30, Employee benefit obligation) and provisions for other long-term benefits of €158.3 million.

Recap: Movements in <u>non-current</u> provisions during **2009** are as follows:

(€ million)	As of December 31, **2008**	Addition / Charge	Repayment / Utilization during the year	Reversal	Actuarial gains (losses)	Unwinding of the discount	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	**As of December 31, 2009**
Tax litigation	126.0	45.7	(27.9)	(3.2)	-	(0.1)	-	-	(28.9)	11.7	123.3
Employee litigation	9.3	2.7	(0.3)	(0.5)	-	0.1	(0.2)	-	(0.8)	0.4	10.7
Other litigation	76.2	31.0	(4.7)	(4.4)	-	2.0	-	(0.2)	(10.4)	8.4	97.9
Contractual commitments	248.6	186.1	(173.3)	(1.3)	-	1.4	-	-	-	6.2	267.7
Provisions for work-in-progress and losses to completion on long-term contracts	226.6	33.9	(10.0)	(1.7)	-	10.6	0.8	0.9	(41.0)	(4.9)	215.2
Closure and post-closure costs	520.4	19.6	(5.9)	(10.5)	-	111.1	9.8	3.5	(37.1)	(3.0)	607.9
Restructuring provisions	1.2	0.2	(0.1)	(0.3)	-	-	-	-	(0.2)	-	0.8
Self-insurance provisions	126.7	59.4	(53.8)	(0.6)	-	2.9	-	(0.3	(21.2)	(0.4)	112.7
Other provisions	97.0	16.6	(22.1)	(3.9)	-	1.5	(1.2)	-	(12.7)	1.7	76.9
Non-current provisions excl. pensions and other employee benefits	**1,432.0**	**395.2**	**(298.1)**	**(26.4)**	**-**	**129.5**	**9.2**	**3.9**	**(152.3)**	**20.1**	**1,513.1**
Provisions for pensions and other employee benefits	**728.2**	**89.1**	**(101.3)**	**(31.0)**	**68.5**	**38.3**	**(7.9)**	**14.1**	**-**	**(20.0)**	**778.0**
Non-current provisions	**2,160.2**	**484.3**	**(399.4)**	**(57.4)**	**68.5**	**167.8**	**1.3**	**18.0**	**(152.3)**	**0.1**	**2,291.1**

Recap: Movements in <u>current</u> provisions during **2009** are as follows:

(€ million)	As of December 31, **2008**	Charge	Utilization	Reversal	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, **2009**
Tax litigation	63.2	18.2	(20.9)	(35.5)	(0.7)	0.1	28.9	(9.1)	44.2
Employee litigation	28.7	11.9	(8.6)	(3.4)	(5.3)	0.1	0.8	0.3	24.5
Other litigation	113.0	46.6	(26.1)	(19.6)	(0.3)	(0.5)	10.5	(6.8)	116.8
Provisions for work-in-progress and losses to completion on long-term contracts	158.8	85.2	(94.8)	(10.1)	1.3	2.7	41.0	(35.7)	148.4
Closure and post-closure costs	68.7	12.1	(37.8)	(1.7)	(2.8)	1.5	37.1	1.3	78.4
Restructuring provisions	26.6	5.3	(18.6)	(3.3)	(0.1)	0.2	0.2	(1.4)	8.9
Self-insurance provisions	106.0	84.1	(70.4)	(2.7)	0.6	(1.0)	21.2	(2.7)	135.1
Other provisions	208.1	122.5	(102.4)	(33.2)	(5.6)	1.7	12.6	(10.8)	192.9
Current provisions	**773.1**	**385.9**	**(379.6)**	**(109.5)**	**(12.9)**	**4.8**	**152.3**	**(64.9)**	**749.2**

17 Non-current and current borrowings

	As of December 31,								
	Non-current			Current			Total		
(€ million)	2010	2009	2008	2010	2009	2008	2010	2009	2008
Bond issues	**13,625.7**	**13,264.5**	**11,097.6**	**17.1**	**36.9**	**67.7**	**13,642.8**	**13,301.4**	**11,165.3**
- maturing in < 1 year			-	17.1	36.9	67.7	17.1	36.9	67.7
- maturing in 2-3 years	2,004.5	1,045.2	61.9	-	-	-	2,004.5	1,045.2	61.9
- maturing in 4-5 years	2,382.0	2,951.7	2,726.5	-	-	-	2,382.0	2,951.7	2,726.5
- maturing in > 5 years	9,239.2	9,267.6	8,309.2	-	-	-	9,239.2	9,267.6	8,309.2
Other borrowings	**4,270.4**	**4,382.8**	**5,966.3**	**2,810.0**	**2,946.2**	**3,152.0**	**7,080.4**	**7,329.0**	**9,118.3**
- maturing in < 1 year			-	2,810.0	2,946.2	3,152.0	2,810.0	2,946.2	3,152.0
- maturing in 2-3 years	1,429.8	1,511.1	1,434.3	-	-	-	1,429.8	1,511.1	1,434.3
- maturing in 4-5 years	572.2	779.7	1,941.5	-	-	-	572.2	779.7	1,941.5
- maturing in > 5 years	2,268.4	2,092.0	2,590.5	-	-	-	2,268.4	2,092.0	2,590.5
Total non-current and current borrowings	**17,896.1**	**17,647.3**	**17,063.9**	**2,827.1**	**2,983.1**	**3,219.7**	**20,723.2**	**20,630.4**	**20,283.6**

17.1 Movements in non-current and current bond issues

Movements in **non-current** and **current** bond issues during **2010** are as follows:

(€ million)	As of December 31, **2009**	Increases/ subscriptions	Repayments	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Non-current / current reclassification	Other	**As of December 31, 2010**
Non-current bonds	13,264.5	52.4	(1.7)	-	174.5	159.1	(23.9)	0.8	13,625.7
Current bonds	36.9	-	(41.3)	-	-	(3.1)	23.9	0.7	17.1
Total bonds	**13,301.4**	**52.4**	**(43.0)**	**0.0**	**174.5**	**156.0**	-	**1.5**	**13,642.8**

(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.

<u>Non-current</u> bonds break down by maturity as follows:

(€ million)	As of December 31, 2008	As of December 31, 2009	**As of December 31, 2010**	**Maturity**		
				2 to 3 years	**4 to 5 years**	**> 5 years**
Publicly offered or traded issuances [(a)]	**10,290.9**	**12,511.8**	**12,836.0**	**1,820.9**	**2,256.4**	**8,758.7**
European market [(i)]	8,884.3	11,206.7	11,403.0	1,267.9	2,256.4	7,878.7
U.S. market [(ii)]	1,406.6	1,305.1	1,433.0	553.0	-	880.0
Private placements [(b)]	320.2	299.1	324.9	150.8	101.1	73.0
Three Valleys bond issue [(c)]	206.1	221.2	228.4	-	-	228.4
Stirling Water Seafield Finance bond issue [(d)]	88.0	90.7	90.2	7.5	8.5	74.2
Other amounts < €50 million in 2010	192.4	141.7	146.2	25.3	16.0	104.9
Bonds	**11,097.6**	**13,264.5**	**13,625.7**	**2,004.5**	**2,382.0**	**9,239.2**

(a) Publicly offered or traded issuances

(i) European market: As of December 31, 2010, the amount in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program totaled €11,403.0 million, maturing in full in more than one year. The impact of the fair value measurement of non-current bonds was €329.1 million.
On June 24, 2010, Veolia Environnement launched a bond exchange offer for Veolia Environnement 5.875% bonds maturing in February 2012 and Veolia Environnement 4.875% bonds maturing in May 2013. In exchange for the bonds presented, that is 2012 bonds with a nominal value of €328.9 million and 2013 bonds with a nominal value of €444.0 million, a new €835 million bond line maturing in January 2021 was issued on July 6, 2010 paying a coupon of 4.247%.

(ii) U.S. market: As of December 31, 2010, nominal outstandings on the bond issues performed in the United States on May 27, 2008 total €1,347.1 million (euro equivalent) and the amount in the Consolidated Statement of Financial Position is €1,443.0 million (including fair value adjustments of €62.3 million). These fixed-rate bond issues total U.S.$1.8 billion and comprise three tranches:

- *Tranche 1, maturing June 3, 2013, of U.S.$700 million, bearing fixed-rate interest of 5.25%.*
- *Tranche 2, maturing June 1, 2018, of U.S.$700 million, bearing fixed-rate interest of 6%.*
- *Tranche 3, maturing June 1, 2038, of U.S.$400 million, bearing fixed-rate interest of 6.75%*

(b) Private placements: As of December 31, 2010, the euro-equivalent amount in the Consolidated Statement of Financial Position of private placements performed in the United States in 2003 (USPP) is €324.9 million (including fair value adjustments of €18.7 million). These bond issues comprise five tranches:

- *Tranches A, B and C, maturing January 30, 2013 of €33 million (fixed-rate interest of 5.84%), £7 million (fixed-rate interest of 6.22%) and U.S.$ 147 million (fixed-rate interest of 5.78%) respectively,*
- *Tranche D, maturing January 30, 2015, of U.S.$125 million, bearing fixed-rate interest of 6.02%,*
- *Tranche E, maturing January 30, 2018, of U.S.$85 million, bearing fixed-rate interest of 6.31%.*

(c) Three Valleys bond issue: The £200 million bond issue performed by Three Valleys in the U.K. (Water Division) in July 2004, bearing interest of 5.875%, is recognized as of December 31, 2010 at amortized cost for a euro equivalent of €228.4 million. This bond matures on July 13, 2026.

(d) Stirling Water Seafield Finance bond issue: The outstanding balance as of December 31, 2010 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water Division), is £85.3 million. This bond issue is recognized at amortized cost for a euro equivalent of €90.2 million as of December 31, 2010 (non-current portion). This bond matures on September 26, 2026.

Breakdown of non-current bond issues by component:

Transaction (all amounts are in € million)	Final maturity	Currency	Nominal	Interest rate	**Net carrying amount**
Series 7	02/01/2012	EUR	671	5.875%	679
Series 10	05/28/2013	EUR	556	4.875%	589
Series 11	05/28/2018	EUR	750	5.375%	808
Series 12	11/25/2033	EUR	700	6.125%	695
Series 14	06/30/2015	USD	37	4.690%	41
Series 15	06/17/2015	EUR	875	1.75% (indexed to European inflation)	949
Series 17	02/12/2016	EUR	900	4.000%	943
Series 18	12/11/2020	EUR	600	4.375%	642
Series 21	01/16/2017	EUR	1,140	4.375%	1,202
Series 23	05/24/2022	EUR	1,000	5.125%	1,045
Series 24	10/29/2037	GBP	755	6.125%	762
Series 25	04/24/2014	EUR	1,250	5.250%	1,267
Series 26	04/24/2019	EUR	750	6.750%	758
Series 27	06/29/2017	EUR	250	5.700%	254
Series 28 (PEO)	01/06/2021	EUR	834	4.247%	769
Total bond issues (EMTN)	**n/a**	**n/a**	**11,068**	**n/a**	**11,403**
USD Series Tranche 1	06/03/2013	USD	524	5.250%	553
USD Series Tranche 2	06/01/2018	USD	524	6.000%	552
USD Series Tranche 3	06/01/2038	USD	299	6.750%	328
Total publicly offered or traded issuances in USD	**n/a**	**n/a**	**1,347**		**1,433**
USPP EUR 2013	01/30/2013	EUR	33	5.840%	32
USPP GBP 2013	01/30/2013	GBP	8	6.220%	8
USPP USD 2013	01/30/2013	USD	110	5.780%	110
USPP USD 2015	01/30/2015	USD	94	6.020%	101
USPP USD 2018	01/30/2018	USD	64	6.310%	74
Total U.S. private placements	**n/a**	**n/a**	**309**	**n/a**	**325**
Three Valleys bond issue	07/13/2026	GBP	232	5.875%	228
Stirling Water Seafield Finance bond issue	09/26/2026	GBP	99	5.822%	90
Total principal bond issues	**n/a**	**n/a**	**13,055**	**n/a**	**13,479**
Total other bond issues	**n/a**	**n/a**		**n/a**	147
Total non-current bond issues	**n/a**	**n/a**		**n/a**	13,626

Recap : Movements in non-current and current bond issues during **2009** are as follows:

(€ million)	As of December 31, **2008**	Increases/ subscriptions	Repayments	Changes in consolidation scope (2)	Fair value adjustments (1)	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, **2009**
Non-current bonds	11,097.6	2,243.0	(0.0)	(39.1)	(2.8)	15.0	(48.3)	(0.9)	13,264.5
Current bonds	67.7	0.0	(72.0)	(7.6)	-	0.7	48.3	(0.2)	36.9
Total bonds	**11,165.3**	**2,243.0**	**(72.0)**	**(46.7)**	**(2.8)**	**15.7**	**-**	**(1.1)**	**13,301.4**

(1) Fair value adjustments are recorded in financial income and expenses.
(2) Changes in consolidation scope are mainly due to the sale of incineration activities in the United States in the Environmental Services Division.

17.2 Movements in other borrowings

(€ million)	As of December 31, **2009**	Increases/ subscriptions	Repayments	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Non-current / current reclassification	Other	**As of December 31, 2010**
Other non-current borrowings	4,382.8	514.2	(147.0)	(43.1)	(5.1)	103.1	(550.5)	16.0	**4,270.4**
Other current borrowings	2,946.2		(909.8)	(25.3)	7.9	241.4	550.5	(0.9)	**2,810.0**
Total other borrowings	**7,329.0**	**514.2**	**(1 056.8)**	**(68.4)**	**2.8**	**344.5**	**-**	**15.1**	**7,080.4**

(1) Fair value adjustments are recorded in financial income and expenses.

Changes in consolidated scope mainly concern the divestiture of activities in the Netherlands (-€125.9 million) and the acquisition of certain United Utilities Group businesses (€53.1 million) in the Water Division.

Increases and repayments of other non-current borrowings mainly concern draw-downs on project borrowings and new contracts.

Breakdown of other non-current borrowings by main component:

(€ million)	As of December 31, 2008	As of December 31, 2009	As of December 31, 2010	Maturity 2 to 3 years	4 to 5 years	> 5 years
BWB and SPE debts [(a)]	1,392.4	1,344.7	1,334.9	278.0	122.8	934.1
Finance lease obligations [(b)]	751.2	650.4	571.1	233.7	94.2	243.2
Multi-currency syndicated loan facility [(c)]	1,109.7	305.4	345.5	345.5	-	-
Delfluent [(d)]	107.6	108.4	-	-	-	-
Shenzhen [(e)]	105.3	99.1	107.8	7.7	14.1	86.0
Non-controlling interest put options (note 1.14.5) [(f)]	183.6	95.2	18.1	10.9	1.8	5.4
VSA Tecnitalia [(g)]	100.4	94.5	76.8	30.3	27.9	18.6
Redal [(h)]	165.7	92.7	90.4	17.7	20.5	52.2
Cogevolt [(i)]	170.6	91.0	34.7	34.7	-	-
Syndicated loan facility in CZK [(j)]	316.3	75.4	59.9	59.9	-	-
Aquiris	175.4	-	-	-	-	-
Other amounts < €100 million	1,388.1	1,426.0	1,631.2	411.4	290.9	928.9
Other non-current borrowings	5,966.3	4,382.8	**4,270.4**	**1,429.8**	**572.2**	**2 268.4**

(a) *BWB and SPE debts: The Berliner Wasser Betriebe ("BWB" in Water Division) non-current borrowing, proportionately consolidated in the amount of 50%, breaks down as follows:*
- *The debt borne by the operating companies of €1,102.9 million as of December 31, 2010, compared to €1,088.6 million as of December 31, 2009 and €1,113.1 million as of December 31, 2008.*
- *Special purpose entity (SPE) debts of €232.0 million as of December 31, 2010, compared to €256.1 million as of December 31, 2009 and €279.3 million as of December 31, 2008.*

(b) *Finance lease obligations: As of December 2010, finance lease obligations fall due between 2011 and 2031. Interest rates are fixed or floating (indexed to EONIA, euro T4M and euro TAM or their equivalent for financing in other currencies).*

(c) *Multi-currency syndicated loan facility: This €4 billion multi-currency syndicated loan facility matures in 2012. Two draw-downs were performed in October 2008, in Polish zlotys and euros. As of December 31, 2010, this syndicated loan facility was drawn in the amount of €345.5 million (€84 million and PLN 1,039.4 million, or a euro equivalent of €261.5 million as of December 31, 2010).*

(d) *Delfluent: As of December 31, 2010, after the sale of 29%, Delfluent is no longer proportionately consolidated but equity accounted.*

(e) *Shenzhen: This financing, which concerns the comprehensive water management contract for the town of Shenzhen, is carried by Beijing Capital VW Invest. Co proportionately consolidated (50%), in the amount of €107.8 million (euro equivalent) as of December 31, 2010. This Chinese renminbi yuan redeemable loan matures in June 2022 and bears interest to November 2011 at a fixed-rate of 5.94% (revisable every six years).*

(f) *The decrease in non-controlling interest put options primarily reflects the exercise of puts on Dalkia Polska, Poznan PEC and Poznan ZEC.*

(g) *VSA Tecnitalia: Primarily two floating-rate redeemable financing lines in the amount of €76.8 million, carried by VSA Tecnitalia, to finance waste treatment plant projects in Italy.*

(h) *Redal: This non-recourse debt carried by Redal, Morocco (Water Division), was fully consolidated in 2008 and is now proportionately consolidated in the amount of 52%. It matures on December 31, 2018 and amounts to €90.4 million as of December 31, 2010.*

(i) *Cogevolt: This securitization of future receivables was organized to finance cogeneration installations in the Energy Services Division. The debt reflects payments due in respect of the amortization of future receivables over the period to May 2012. The average fixed rate of interest payable on this debt is 5.10%.*

(j) *Syndicated loan facility in CZK: This CZK 12 billion syndicated loan facility arranged by Komerčni Banka, Crédit Lyonnais and ING Bank in favor of Veolia Environnement, refinanced in 2005 the five-year CZK 8 billion syndicated loan facility negotiated in November 2003. It includes a CZK 8 billion tranche which matured on July 29, 2010 and a CZK 4 billion redeemable tranche maturing July 27, 2012. As of December 31, 2010, this syndicated loan facility amounts to CZK1.5 billion, or a euro equivalent of €59.9 million.*

Current borrowings are recorded as financial liabilities at amortized cost for accounting purposes.

Other **current borrowings** total €2,810.0 million as of December 31, 2010, compared to €2,946.2 million as of December 31, 2009 and €3,152.0 million as of December 31, 2008.

This decrease is mainly due to:

- the repayment of the CZK6 billion tranche of the syndicated loan facility arranged by Komerčni Banka, Crédit Lyonnais, and ING Bank in favor of Veolia Environnement (€242.3 million euro equivalent), which matured on July 29, 2010;
- the repayment of the CZK600 million EMTN Series 9 bond issue (€18.9 million euro equivalent at historical rates), which matured on April 23, 2010;
- the internal refinancing of project borrowings carried by Aquiris in the amount of €179 million;
- partially offset by a €200 million increase in treasury note outstandings.

As of December 31, 2010, current borrowings mainly concern:

- Veolia Environnement SA for €1,241.3 million (including treasury notes of €502.0 million, securitization program debts of €391.0 million and accrued interest on debt of €330.4 million);
- the Water Division for €631.7 million (including the company carrying the Berlin contract for €150.7 million);
- the Environmental Services Division for €391.8 million;
- the Energy Services Division for €413.7 million (including the current portion of Cogevolt financing of €56.3 million);
- the Transportation Division for €86.0 million.

The current portion of Group finance lease obligations is €112.4 million as of December 31, 2010, compared to €117.4 million as of December 31, 2009 and €141.9 million as of December 31, 2008.

Recap: Movements in other borrowings during **2009** are as follows:

(€ million)	As of December 31, **2008**	Increases / subscriptions	Repayments	Changes in consolidation scope	Fair value adjustments [1]	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, **2009**
Other non-current borrowings	5,966.3	1,102.6	(1,514.8)	(127.7)	6.2	7.5	(1,042.5)	(14.8)	4,382.8
Other current borrowings	3,152.0		(1,179.4)	(8.1)	13.1	(41.8)	1,042.5	(32.1)	2,946.2
Total other borrowings	**9,118.3**	**1,102.6**	**(2,694.2)**	**(135.8)**	**19.3**	**(34.3)**	**0.0**	**(46.9)**	**7,329.0**

(1) Fair value adjustments are recorded in financial income and expenses.

17.3 Breakdown of non-current and current borrowings by currency

Borrowings are primarily denominated in euro, pound sterling, U.S. dollar, Chinese renminbi yuan and Polish zloty.

Borrowings break down by original currency (before currency swaps) as follows:

(€ million)	As of December 31, **2009**	As of December 31, **2010**
Euro	15,444.3	15,385.1
U.S. Dollar	1,902.9	2,142.9
Pound Sterling	1,282.7	1,328.0
Chinese renminbi yuan	496.7	632.9
Polish zloty	311.2	293.2
Moroccan dirham	166.4	193.4
Danish crown	146.5	159.4
Israeli shekel	109.1	129.3
Czech Crown	365.2	95.1
Korean won	38.4	33.1
Norwegian crown	21.3	19.3
Other	345.7	311.5
Non-current and current borrowings	**20,630.4**	**20,723.2**

17.4 Finance leases

The Group uses finance leases to finance the purchase of certain operating property, plant and equipment and real estate assets recorded in assets in the Consolidated Statement of Financial Position.

Assets financed by **finance lease** break down by category as follows:

(€ million)	Property, plant and equipment, net	Concession intangible assets	Operating financial assets	Total
As of December 31, 2010	**343.5**	**131.1**	**237.0**	**711.6**
As of December 31, 2009	381.2	146.2	267.6	795.0
As of December 31, 2008	455.1	173.8	271.0	899.9

As of December 31, 2010, future minimum lease payments under these contracts break down as follows:

(€ million)	Finance leases
Less than 1 year	146.8
2 to 3 years	265.4
4 to 5 years	132.1
More than 5 years	327.1
Total future minimum lease payments	871.4
Less amounts representing interest	223.2
Present value of minimum lease payments (finance leases)	648.2

Contingent rent and sub-lease income for the period recorded in the Consolidated Income Statement is not material.

18 Revenue

The revenue as other amount in the income statements do not include amounts of discontinued operations in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* (see note 24).This concern :

- the Clemessy and Crystal entities in the Energy Services Division, divested in December 2008;
- the entities of the U.S. incineration activity in the Environmental Services Division (Montenay International) and Freight activities (essentially in France, Germany and the Netherlands) in the Transportation Division divested in the second half of 2009;
- Water activities in the Netherlands, divested in December 2010;
- Transportation activities in the United Kingdom, the divestiture of which was decided in the second half of 2009 but for which an alternative process was launched following the failure of RATP to exercise its call option;
- Water activities in Gabon, Environmental Services activities in Norway and Energy Services activities in Germany, the divestiture of which was decided in the second half of 2010;

were grouped together in a single line, "Net income from discontinued operations", for the year ended December 31, 2010 and for the year ended December 31, 2009 and 2008 presented for comparison purposes.

Furthermore, as the divestiture process for Renewable Energy activities was interrupted at the end of 2010, these activities are no longer presented in Net income from discontinued operations.

Breakdown of revenue (see note 1.17)

(€ million)	**Year ended December 31, 2010**	Year ended December 31, 2009	Year ended December 31, 2008
Services rendered	**28,116.8**	**27,561.1**	**28,553.7**
Sales of goods	**2,268.3**	**1,625.1**	**1,542.0**
Revenue from operating financial assets	**388.0**	**383.9**	**387.8**
Construction	**4,013.5**	**4,381.7**	**4,606.1**
Revenue	**34,786.6**	**33,951.8**	**35,089.6**

Sales of goods mainly concern sales of technological solutions in the Water Division and sales of products relating to recycling activities in the Environmental Services Division.

The revenue by operating segments is presented in note 41.

19 Operating income

Operating income is calculated as follows:

(€ million)	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Revenue	**34,786.6**	**33,951.8**	**35,089.6**
Cost of sales[(1)]	**(28,633.5)**	**(28,115.9)**	**(29,280.1)**
o/w: impairment losses on goodwill and negative goodwill recognized in the Consolidated Income Statement	*(25.9)*	*(6.3)*	*(303.0)*
o/w: replacement costs	*(361.0)*	*(356.7)*	*(383.1)*
Selling costs[(1)]	**(636.4)**	**(597.7)**	**(610.5)**
General and administrative expenses[(1)]	**(3,584.4)**	**(3,451.9)**	**(3,321.2)**
o/w: research and development costs	*(87.4)*	*(89.8)*	*(92.1)*
Other operating revenue and expenses	**188.0**	**195.5**	**49.4**
o/w/: capital gains and losses on disposals of financial assets	*180.3*	*183.9*	*49.4*
other	7.7	11.6	-
Operating income	**2,120.3**	**1,981.8**	**1,927.2**

(1) *In 2008 and 2009, as part of ongoing efficiency measures, the Group reclassified certain expenses from cost of sales to selling costs and general and administrative expenses. These reclassifications had no impact on operating income. The impact of these reclassifications on Cost of sales, Selling costs and General and administrative expenses is €181.1 million, - €6.9 million and - €174.2 million, respectively, in 2009 and €173.0 million, -€2.5 million and -€170.5 million, respectively in 2008.*

(€ million)	**Year ended December 31, 2010**	Year ended December 31, 2009	Year ended December 31, 2008
Capital gains and losses on disposals of property, plant and equipment	46.9	29.6	63.1
Capital gains and losses on disposals of financial assets	180.3	183.9	49.4
Capital gains and losses on disposals recognized in operating income	**227.2**	**213.5**	**112.5**
Capital gains and losses on disposals recognized in financial income	**(2.7)**	**(1.1)**	**0.1**
Capital gains and losses on disposals of PP&E and financial assets	(4.7)	1.3	3.6
Capital gains and losses on disposals in discontinued operations	57.4	92.4	176.5
Capital gains and losses on disposals recognized in net income from discontinued operations	**52.7**	**93.7**	**180.1**
Total capital gains and losses on disposals	**277.2**	**306.1**	**292.7**

Operating depreciation, amortization, provisions and impairment losses included in operating income in **2010** break down as follows:

(€ million)	**Charge**	**Reversal**	**Year ended December 31, 2010**	Year ended December 31, 2009	Year ended December 31, 2008
Operating depreciation, amortization and provisions, net	**(2,774.0)**	**1,026.6**	**(1,747.4)**	**(1,821.3)**	**(1,579.7)**
Depreciation and amortization	**(1,731.7)**	**14.4**	**(1,717.3)**	**(1,749.3)**	**(1,620.0)**
Property plant and equipment	(1,277.8)	14.4	(1,263.4)	(1,321.2)	(1,217.7)
Intangible assets	(453.9)	-	(453.9)	(428.1)	(402.3)
Impairment losses	**(262.1)**	**177.6**	**(84.5)**	**(161.6)**	**(133.5)**
Property plant and equipment	(24.2)	4.4	(19.8)	(5.9)	(0.3)
Intangible assets and operating financial assets	(31.4)	2.1	(29.3)	(74.8)	(70.1)
Inventories	(44.5)	37.6	(6.9)	1.2	(37.3)
Trade receivables	(147.3)	114.8	(32.5)	(68.2)	(31.9)
Other operating and non-operating receivables	(14.7)	18.7	4.0	(13.9)	6.1
Non-current and current operating provisions	**(780.2)**	**834.6**	**54.4**	**89.6**	**174.3**
Non-current operating provisions	(442.0)	321.1	(120.9)	(7.3)	61.1
Current operating provisions	(338.2)	513.5	175.3	96.9	113.2
Impairment losses and impact of disposals on goodwill and negative goodwill recognized in the Consolidated Income Statement			**(25.9)**	**(6.3)**	**(303.0)**
Operating depreciation, amortization, provisions and impairment losses			**(1,773.3)**	**(1,827.6)**	**(1,882.7)**

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 -€148.1 million in 2010, -€87.9 million in 2009 and -€79.1 million in 2008. Impairment losses on inventories and receivables are recorded in changes in working capital in the Consolidated Cash Flow Statement.

Recap: Before adjustment for the sale of activities in the Netherlands and Gabon in the Water Division, activities in Norway in the Environmental Services Division and German activities in the Energy Services Division and the suspension of the divestiture process for Renewable Energy activities, published Operating depreciation, amortization, provisions and impairment losses for the year ended, December 31, 2009 broke down as follows:

(€ million)	**Charge**	**Reversal**	Year ended December 31, **2009**	Year ended December 31, **2008**
Operating depreciation, amortization and provisions, net	**(2,962.9)**	**1,071.9**	**(1,891.0)**	**(1,632.0)**
Depreciation and amortization	**(1,806.8)**	**16.7**	**(1,790.1)**	**(1,663.7)**
Property plant and equipment	(1,357.8)	16.7	(1,341.1)	(1,239.6)
Intangible assets	(449.0)	-	(449.0)	(424.1)
Impairment losses	**(326.2)**	**168.2**	**(158.0)**	**(138.3)**
Property plant and equipment	(9.1)	3.2	(5.9)	(0.3)
Intangible assets	(77.8)	3.0	(74.8)	(70.1)
Inventories	(36.5)	42.6	6.1	(43.3)
Trade receivables	(175.4)	105.9	(69.5)	(30.4)
Other operating and non-operating receivables	(27.4)	13.5	(13.9)	5.8
Non-current and current operating provisions other than replacement provisions	**(829.9)**	**887.0**	**57.1**	**170.0**
Non-current operating provisions other than replacement provisions	(468.4)	453.8	(14.6)	50.3
Current operating provisions	(361.5)	433.2	71.7	119.7
Replacement costs			**(360.9)**	**(390.3)**
Impairment losses and impact of disposals on goodwill and negative goodwill recognized in the Consolidated Income Statement			**(6.5)**	**(302.2)**
Operating depreciation, amortization, provisions and impairment losses			**(2,258.4)**	**(2,324.5)**

Breakdown of impairment losses and the impact of disposals on goodwill

Impairment losses on goodwill break down as follows (see also Note 4, Goodwill):

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Impairment losses on goodwill of the Environmental Services Division Germany CGU			(343.0)
Impairment losses on goodwill of the Transportation Division "Other European" CGU			(37.6)
Impairment losses on goodwill of the Transportation Division "Sweden, Norway, Finland" CGU	(21.1)		
Negative goodwill recorded in the Consolidated Income Statement - SNCM			70.2
Other	(4.8)	(6.3)	7.4
Impairment losses on goodwill and negative goodwill presented in Cost of sales in the Consolidated Income Statement	**(25.9)**	**(6.3)**	**(303.0)**

Restructuring costs

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Restructuring costs	(17.0)	(38.8)	(34.5)
Net charge to restructuring provisions	(5.7)	16.3	6.3
Restructuring costs	**(22.7)**	**(22.5)**	**(28.2)**

Personnel costs

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Employee costs	(10,615.3)	(10,447.2)	(10,193.4)
Profit-sharing and incentive schemes	(182.0)	(172.1)	(171.8)
Share-based compensation (IFRS 2)	(4.0)	(10.9)	(5.5)
Personnel costs	**(10,801.3)**	**(10,630.2)**	**(10,370.7)**

The IFRS 2 share-based compensation expense in respect of 2010 -€4.0 million solely concerns share option plans granted in 2010, 2007 and 2006. In 2010, one new share purchase or subscription option plan was granted. The terms of this plan are set out in Note 30.

Research and development costs

Research and development costs totaled €87.4 million, €89.8 million and €92.1 million in 2010, 2009 and 2008, respectively.

20 Net finance costs

The income and expense balances making up net finance costs are as follows:

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Finance income	**95.4**	**95.9**	**202.0**
Finance costs	**(888.7)**	**(864.1)**	**(1,089.6)**
Net finance costs	**(793.3)**	**(768.2)**	**(887.6)**

Finance costs and finance income represent the cost of borrowings net of cash and cash equivalents. In addition, net finance costs include net gains and losses on derivatives allocated to borrowings, irrespective of whether they qualify for hedge accounting.

Net finance costs increased, despite a decrease in average net financial debt from €16,466 million in 2009 to €15,566 million in 2010. This increase is due to the rise in the financing rate (defined as net finance costs excluding fair value adjustments to instruments not qualifying for hedge accounting, divided by average monthly net financial debt during the period) from 4.76% in 2009 to 5.09% in 2010, which was mainly the result of:

- the impact of inflation on CPI indexed bonds;
- the increase in average low-yield cash investments in 2010 due to interest rate levels (cost of carry);
- partially offset by the decrease in short-term rates on the floating portion of the debt.

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Financial liabilities measured using the effective interest method	(975.3)	(949.5)	(998.2)
Commission not included in the EIR	(6.4)	(4.6)	(3.1)
Expenses on gross debt	**(981.7)**	**(954.1)**	**(1,001.3)**
Assets at fair value through the Consolidated Income Statement (fair value option)*	**59.7**	**75.2**	**137.1**
Net gains and losses on derivative instruments, hedging relationships and other	**128.7**	**110.7**	**(23.4)**
Net finance costs	**(793.3)**	**(768.2)**	**(887.6)**

* *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 2010:

- interest income on hedging relationships (fair value hedges and cash flow hedges) of €185.8 million, as a result of the fall in interest rates in fiscal year 2010;
- the unwinding of the discount on non–controlling interest put options in the amount of -€8.9 million;
- net gains and losses on derivatives not qualifying for hedge accounting of -€34.0 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 2010.

Interest income on instruments measured using the effective interest method (including interest income recorded in operating income and in other financial income and expenses) totaled €401.1 million in 2010, compared to €412.6 million in 2009 and €429.2 million in 2008.

21 Other financial income and expenses

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Net gains and losses on loans and receivables [(1)]	**8.0**	**14.4**	**43.7**
Net gains and losses on available-for-sale assets [(2)]	**(0.5)**	**8.0**	**9.3**
Assets and liabilities at fair value through the Consolidated Income Statement	**(18.2)**	**(19.3)**	**37.4**
Unwinding of the discount on provisions	**(75.9)**	**(83.5)**	**(73.0)**
Foreign exchange gains and losses	**0.6**	**(10.2)**	**(43.9)**
Other expenses	**(28.0)**	**(14.2)**	**(10.1)**
Other financial income and expenses	**(114.0)**	**(104.8)**	**(36.6)**

(1) including impairment losses of -€13.1 million in 2010, compared to -€11.8 million in 2009 and -€4.7 million in 2008.

(2) including dividends received of €6.8 million in 2010, compared to €8.7 million in 2009 and €8.3 million in 2008.

22 Income tax expense

Analysis of the income tax expense

The income tax expense breaks down as follows:

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Current income tax expense	**(364.6)**	**(301.0)**	**(372.6)**
France	(96.9)	(79.8)	(90.1)
Other countries	(267.7)	(221.2)	(282.5)
Deferred tax expense / (income)	**28.3**	**61.9**	**(87.9)**
France	(12.1)	8.9	(29.4)
Other countries	40.4	53.0	(58.5)
Total income tax expense	**(336.3)**	**(239.1)**	**(460.5)**

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company, with effect from January 1, 2001 (five-year agreement, renewed in 2006). Veolia Environnement is liable to the French treasury department for the full income tax charge, calculated based on the group tax return. Any tax savings are recognized at the level of Veolia Environnement SA.

The U.S. tax group was reorganized in 2006. This reorganization is still being reviewed by the U.S. tax authorities (see Notes 12 and 35).

Moreover, within the framework of Veolia Transport and Transdev combination, the French subsidiaries of the Transportation Division have left out the Veolia Environnement tax group on January 1, 2010 and the American subsidiaries have also left out the US tax group during the fiscal year 2010.

The Group bears a net income tax expense of -€336.3 million in fiscal year 2010, compared to -€239.1 million in fiscal year 2009.

Effective tax rate

	Year ended December 31, 2010	Year ended December 31, **2009**	Year ended December 31, **2008**
Net income from continuing operations (a)	895.2	868.8	560.7
Share of net income of associates (b)	18.5	(0.9)	18.2
Income tax expense (c)	(336.3)	(239.1)	(460.5)
Net income from continuing operations before tax (d) = (a)-(b)-(c)	1,213.0	1,108.8	1,003.0
Effective tax rate (c) / (d)	**27.72%**	**21.56%**	**45.91%**
Statutory tax rate (1)	**34.43%**	**34.43%**	**34.43%**
Net impairment losses on goodwill not deductible for tax purposes	+0.74%	+0.15%	+8.92%
Differences in tax rate (2)	-8.65%	-2.90%	-0.31%
Capital gains and losses on disposals	-1.76%	-6.42%	-1.40%
Dividends	+2.74%	+4.38%	+2.70%
Taxation without basis	+0.92%	+1.34%	+4.54%
Effect of tax projections (2)	+2.89%	-9.60%	-6.59%
Permanent and other differences	-3.59%	+0.18%	+3.62%
Effective tax rate	**27.72%**	**21.56%**	**45.91%**

(1) The statutory tax rate indicated above is the rate applicable in France.

(2) The main elements explaining the effective tax rate are as follows:

- *Differences in tax rate due to the implementation of the Group in countries which have a different statutory tax rate than the statutory French tax rate;*
- *Effect of tax projections which mainly include the tax group boni and the impact of the deferred tax assets not recognized.*

The increase in the effective tax rate from 21.6% in 2009 to 27.7% in 2010 is mainly due to:

- the capitalization of only a small portion of tax losses for the year of the Veolia Environnement tax group;
- capitalization of fewer tax losses by the U.S. tax group than last year;
- and despite a level of capital gains taxed at reduced rates which remains high.

The 2009 effective tax rate benefited from capital gains taxed at reduced rates and the additional capitalization of tax losses in the United States for €43 million.

The 2008 effective tax rate included the consequences of unfavorable changes in regulations, asset impairments without tax savings and the contribution of loss-making subsidiaries without profit forecasts enabling the future recovery of these losses.

23 Share of net income of associates

The share of net income of associates increased from -€0.9 million in 2009 to €18.5 million in 2010.

This increase in mainly due to the impact of the sale of Compagnie Méridionale de Navigation in the Transportation Division in 2009.

24 Assets classified as held for sale, discontinued operations and divestitures

Discontinued operations

In the Consolidated Income Statements presented for comparative purposes, the net income of operations sold or in the course of being sold was transferred to “Net income from discontinued operations”. This concerns the following operations:

- the Clemessy and Crystal businesses in the Energy Services Division divested for a consideration, excluding selling costs, of €299.6 million, received in full on December 16, 2008. Net cash and cash equivalents of the entities sold was €73.3 million at that date. The enterprise value of the businesses sold was, therefore, €226.3 million,

  The amount recorded in Net income from discontinued operations in respect of the Clemessy and Crystal businesses in the Energy Services Division in 2008, comprises the net income for the period plus the capital gain on disposal, net of tax,

- the entities of the U.S. incineration activity in Environmental Services (Montenay International) and Freight activities in the Transportation Division (essentially in France, Germany and the Netherlands) divested in the second half of 2009 and the first half of 2010 for enterprise values of €313 million (including €220 million in 2009) and €94 million, respectively,

- Water activities in the Netherlands divested in December 2010 for a consideration of €118 million (enterprise value),

- Transportation Division activities in the United Kingdom, the divestiture of which was decided in the second half of 2009 but for which an alternative process was launched following the decision of RATP not to exercise its call option,

- Water activities in Gabon, Environmental Services activities in Norway and German operations in the Energy Services Division, the divestitures of which were decided in the second half of 2010.

Furthermore, as the divestiture process for Renewable Energy activities was interrupted at the end of 2010, these activities are no longer presented in Net income from discontinued operations.

Movements in **net income (expense) from discontinued operations** are as follows:

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Income (expense) from discontinued operations	10.9	(48.9)	(27.5)
Capital gains and losses on disposals (1)	(32.2)	92.4	176.5
Income tax expense	(2.3)	(70.4)	(0.5)
Net income (expense) from discontinued operations	**(23.6)**	**(26.9)**	**148.5**

(1) Capital gains and losses on disposals in 2010 include impairment losses of €89.6 million resulting from the fair value remeasurement of discontinued operations in the United Kingdom in the Transportation Division and in Germany in the Energy Services Division.

Net income (expense) from discontinued operations in **2010** breaks down by division as follows:

(€ million)	Water	Energy Services	Environmental Services	Transportation	**Total**
Income (expense) from discontinued operations	14.0	(1.9)	9.4	(10.6)	10.9
Capital gains and losses on disposals	(3.2)	(56.2)	56.5	(29.3)	(32.2)
Income tax expense	5.0	-	(7.3)		(2.3)
Net income (expense) from discontinued operations	**15.8**	**(58.1)**	**58.6**	**(39.9)**	**(23.6)**

The main Consolidated Income Statement items for discontinued operations for the year ended **December 31, 2010** break down by division as follows:

(€ million)	Water	Energy Services	Environmental Services	Transportation	**Total**
Revenue	279.5	56.8	433.5	57.7	827.5
Operating income	38.5	(1.4)	21.5	(13.2)	45.4
Financial items	(13.9)	(0.4)	(3.8)	2.5	(15.6)
Income tax expense	(10.6)	(0.1)	(8.3)	0.1	(18.9)
Share of net income of associates	-	-	-	-	-
Income (expense) from discontinued operations	**14.0**	**(1.9)**	**9.4**	**(10.6)**	**10.9**

Furthermore, the decision to interrupt the divestiture process for Renewable Energy activities led to the inclusion of the results of these activities in “Net income from continuing operations” in 2010. The main items included in net income from discontinued operations in 2009 and 2008 were as follows:

(€ million)	Year ended December 31, 2009	Year ended December 31, 2008
Revenue	18.2	3.1
Operating income	(11.2)	(4.7)
Financial items	1.8	(0.5)
Income tax expense	(0.5)	0.4
Share of net income of associates	(2.2)	(1.1)
Income (expense) from discontinued operations	**(12.1)**	**(5.9)**

Net income (expense) from discontinued operations in **2009** breaks down by division as follows:

(€ million)	Water	Energy Services	Environmental Services	Transportation	**Total**
Income (expense) from discontinued operations	2.4	1.7	(0.4)	(52.6)	(48.9)
Capital gains and losses on disposals	-	-	134.6	(42.2)	92.4
Income tax expense	-	-	(70.4)	-	(70.4)
Net income (expense) from discontinued operations	**2.4**	**1.7**	**63.8**	**(94.8)**	**(26.9)**

The main Consolidated Income Statement items for discontinued operations for the year ended **December 31, 2009** break down by division as follows:

(€ million)	Water	Energy Services	Environmental Services	Transportation	**Total**
Revenue	237.5	55.6	468.2	247.7	1,009.0
Operating income	18.9	3.8	4.4	(44.3)	(17.2)
Financial items	(13.5)	(2.3)	(4.1)	(9.2)	(29.1)
Income tax expense	(3.0)	0.2	(0.8)	1.1	(2.5)
Share of net income of associates	-	-	0.1	(0.2)	(0.1)
Income (expense) from discontinued operations	**2.4**	**1.7**	**(0.4)**	**(52.6)**	**(48.9)**

Net income (expense) from discontinued operations in **2008** breaks down by division as follows:

(€ million)	Water	Energy Services	Environmental Services	Transportation	Total
Income (expense) from discontinued operations	0.5	10.9	14.8	(53.7)	(27.5)
Capital gains and losses on disposals	-	176.5	-	-	176.5
Income tax expense	-	(0.5)	-	-	(0.5)
Net income (expense) from discontinued operations	**0.5**	**186.9**	**14.8**	**(53.7)**	**148.5**

The main Consolidated Income Statement items for discontinued operations for the year ended **December 31, 2008** break down by division as follows:

(€ million)	Water	Energy Services	Environmental Services	Transportation	Total
Revenue	224.0	674.3	571.7	266.0	1,736.0
Operating income	13.1	14.9	33.4	(28.6)	32.8
Financial items	(13.6)	(0.9)	(10.4)	(26.0)	(50.9)
Income tax expense	1.0	(3.2)	(8.3)	0.9	(9.6)
Share of net income of associates	-	0.1	0.1	-	0.2
Income (expense) from discontinued operations	**0.5**	**10.9**	**14.8**	**(53.7)**	**(27.5)**

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)	**As of December 31, 2010**	**As of December 31, 2009**	**As of December 31, 2008**
Assets classified as held for sale	805.6	722.6	203.0
Liabilities directly associated with assets classified as held for sale	386.8	309.4	98.2

Activities classified as held for sale as of December 31, 2010 primarily consist of Water Division activities in Gabon and Environmental Services Division activities in Norway. As of December 31, 2009, assets classified as held for sale and liabilities directly associated with assets classified as held for sale mainly concerned certain French subsidiaries held jointly with Suez Environnement, as was the case at December 31, 2008, Renewable Energy activities, Transportation Division activities in the United Kingdom and Dalkia Usti businesses (Czech Republic).

In 2010, the main asset and liability categories recorded in assets classified as held for sale, break down by division as follows:

(€ million) ASSETS	Water	Energy Services	Environmental Services	Transportation	Total
Non-current assets	237.6	92.8	189.4	32.2	552.0
Current assets	85.8	13.5	97.7	25.8	222.8
Cash and cash equivalents	3.0	0.2	12.1	15.5	30.8
Assets classified as held for sale	**326.4**	**106.5**	**299.2**	**73.5**	**805.6**
LIABILITIES					
Non-current liabilities	124.4	1.1	14.8	9.9	150.2
Current liabilities	125.5	13.5	67.6	30.0	236.6
Liabilities directly associated with assets classified as held for sale	**249.9**	**14.6**	**82.4**	**39.9**	**386.8**

In 2009, the main asset and liability categories recorded in assets classified as held for sale, break down by division as follows:

(€ million) ASSETS	Water	Energy Services	Environmental Services	Transportation	Renewable Energy	Total
Non-current assets	173.6	78.3	77.8	63.0	67.8	460.5
Current assets	102.1	10.8	37.4	20.2	66.0	236.5
Cash and cash equivalents	6.8	1.5	1.3	1.3	14.7	25.6
Assets classified as held for sale	**282.5**	**90.6**	**116.5**	**84.5**	**148.5**	**722.6**
LIABILITIES						
Non-current liabilities	43.2	12.5	3.7	7.1	17.7	84.2
Current liabilities	106.6	5.3	49.6	26.3	37.4	225.2
Liabilities directly associated with assets classified as held for sale	**149.8**	**17.8**	**53.3**	**33.4**	**55.1**	**309.4**

In 2008, the main asset and liability categories recorded in assets classified as held for sale, break down by division as follows:

(€ million) ASSETS	Water	Environmental Services	Total
Non-current assets	122.3	4.4	126.7
Current assets	74.5	-	74.5
Cash and cash equivalents	1.8	-	1.8
Assets classified as held for sale	**198.6**	**4.4**	**203.0**
LIABILITIES			
Non-current liabilities	42.2	-	42.2
Current liabilities	56.0	-	56.0
Liabilities directly associated with assets classified as held for sale	**98.2**	**-**	**98.2**

25 Net income for the year attributable to non-controlling interests

Net income attributable to non-controlling interests for the year ended December 31, 2010 is €290.5 million, compared to €257.8 million for the year ended December 31, 2009 and €304.1 million for the year ended December 31, 2008. In 2008, this item included the share of non-controlling interests in the capital gain realized on the sale of Clemessy and Crystal in the Energy Services Division for €60 million.

Net income for the year attributable to non-controlling interests breaks down by division as follows:

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Water [(a)]	147.4	144.7	118.9
Environmental Services	16.5	4.7	18.3
Energy Services [(b)]	118.9	97.9	144.8
Transportation	2.1	6.6	19.4
Other	5.6	3.9	2.7
Non-controlling interests	**290.5**	**257.8**	**304.1**

(a) Including non-controlling interests in Germany (Berlin water services company and Stadtwerke of Braunschweig) of €75.9 million in 2008, €96.4 million in 2009 and €79.4 million in 2010.

(b) Including EDF's interest in Dalkia Holding of €121.7 million in 2008, €63.1 million in 2009 and €73.9 million in 2010.

26 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to owners of the company by the weighted average number of ordinary shares outstanding during the fiscal year.

Diluted earnings per share is calculated by dividing net income attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.

Net income and the number of shares used to calculate basic and diluted earnings per share are presented below for all businesses.

	Year ended December 31, 2010	Year ended December 31, **2009**	Year ended December 31, **2008**
Weighted average number of ordinary shares (in million)			
Weighted average number of ordinary shares for the calculation of basic earnings per share	481.2	471.7	462.2
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options			1.8
Weighted average number of ordinary shares for the calculation of diluted earnings per share (in million)	**481.2**	**471.7**	**464.0**
Net income attributable to owners of the Company per share (€ million)			
Net income attributable to owners of the Company	581.1	584.1	405.1
Net income attributable to owners of the Company per share:			
Basic	1.21	1.24	0.88
Diluted	1.21	1.24	0.87
Net income (expense) from discontinued operations attributable to owners of the Company per share (€ million)			
Net income (expense) from discontinued operations attributable to owners of the Company	(15.1)	(22.7)	81.6
Net income (expense) from discontinued operations attributable to owners of the Company per share:			
Basic	(0.03)	(0.05)	0.18
Diluted	(0.03)	(0.05)	0.18
Net income (expense) from continuing operations attributable to owners of the Company per share (€ million)			
Net income (expense) from continuing operations attributable to owners of the Company	596.2	606.8	323.5
Net income (expense) from continuing operations attributable to owners of the Company per share:			
Basic	1.24	1.29	0.70
Diluted	1.24	1.29	0.69

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 30.

27 Additional information on the fair value of financial assets and liabilities (excluding derivatives)

Fair value measurement principles are presented in Note 1.26.

27.1 Financial assets

The following tables present the net carrying amount and fair value of Group financial assets as of December 31, 2010, 2009 and 2008, in accordance with the methods set-out in Note 1.26:

		As of December 31, 2010							
		Net carrying amount	**Financial assets at fair value**			**Fair value**	**Method for determining fair value**		
(€ million)	Note		Available-for-sale assets	Loans and receivables	Assets designated at fair value through the Consolidated Income Statement		Level 1	Level 2	Level 3
Non-consolidated investments	**9**	130.7	130.7	-	-	130.7	4.2	126.5	-
Non-current and current operating financial assets	**10**	5,628.6	-	5,628.6	-	5,653.6	-	5,653.6	-
Other non-current financial assets	**11**	773.1	58.4	714.7	-	773.1	-	773.1	-
Trade receivables	**13**	9,255.2	-	9,255.2	-	9,255.2	-	9,255.2	-
Other current operating receivables	**13**	1,109.6	-	1,109.6	-	1,109.6	-	1,109.6	-
Other current financial assets	**11**	132.3	29.2	103.1	-	132.3	-	132.3	-
Cash and cash equivalents	**14**	5,406.8	-	-	5,406.8	5,406.8	4,441.3	965.5	
Total		**22,436.3**	**218.3**	**16,811.2**	**5,406.8**	**22,461.3**	**4 445.5**	**18,015.8**	**-**

		As of December 31, 2009							
		Net carrying amount	**Financial assets at fair value**			**Fair value**	**Method for determining fair value**		
(€ million)	Note		Available-for-sale assets	Loans and receivables	Assets designated at fair value through the Consolidated Income Statement		Level 1	Level 2	Level 3
Non-consolidated investments	**9**	174.6	174.6	-	-	174.6	39.8	134.8	-
Non-current and current operating financial assets	**10**	5,651.8	-	5,651.8	-	5,656.6	-	5,656.6	-
Other non-current financial assets	**11**	753.9	52.6	701.3	-	753.9	-	753.9	-
Trade receivables	**13**	9,081.3	-	9,081.3	-	9,081.3	-	9,081.3	-
Other current operating receivables	**13**	1,101.2	-	1,101.2	-	1,101.2	-	1,101.2	-
Other current financial assets	**11**	217.7	53.8	163.9	-	217.7	-	217.7	-
Cash and cash equivalents	**14**	5,614.4	-	-	5,614.4	5,614.4	1,310.4	4,304.0	-
Total		**22,594.9**	**281.0**	**16,699.5**	**5,614.4**	**22,599.7**	**1,350.2**	**21,249.5**	**-**

		As of December 31, 2008							
		Net carrying amount	**Financial assets at fair value**			**Fair value**	**Method for determining fair value**		
(€ million)	Note		Available-for-sale assets	Loans and receivables	Assets designated at fair value through the Consolidated Income Statement		Level 1	Level 2	Level 3
Non-consolidated investments	**9**	202.8	202.8	-	-	202.8	X	X	
Non-current and current operating financial assets	**10**	5,751.2	-	5,751.2	-	5,666 .9		X	
Other non-current financial assets	**11**	817.3	77.7	739.6	-	817.3		X	
Trade receivables	**13**	9,702.0	-	9,702.0	-	9,702.0		X	
Other current operating receivables	**13**	1,254.5	-	1,254.5	-	1,254.5		X	
Other current financial assets	**11**	321.4	66.0	255.4	-	321.4	X	X	X
Cash and cash equivalents	**14**	3,849.6	-	-	3,849.6	3,849.6	X	X	
Total		**21,898.8**	**346.5**	**17,702.7**	**3,849.6**	**21,814.5**			

27.2 Financial liabilities

The following tables present the net carrying amount and fair value of financial liabilities by category, as defined in Note 1.26, as of December 31, 2010, 2009 and 2008:

		As of December 31, 2010							
		Net carrying amount	**Financial liabilities at fair value**			**Fair value**	**Method for determining fair value**		
(€ million)	Note	**Total**	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	**Total**	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
- non-current bonds	**17**	**13,625.7**	13,625.7	-	-	**14,495.3**	13,683.2	812.1	-
- other non-current borrowings	**17**	**4,270.4**	4,270.4	-	-	**4,299.6**	-	4,299.6	-
- current borrowings	**17**	**2,827.1**	2,827.1	-	-	**2,827.1**	-	2,827.1	-
- bank overdrafts and other cash position items	**14**	**387.0**	387.0	-	-	**387.0**	-	387.0	-
Trade payables	**13**	**5,529.0**	5,529.0	-	-	**5,529.0**	-	5,529.0	-
Other operating payables	**13**	**5,332.0**	5,332.0	-	-	**5,332.0**	-	5,332.0	-
Total		**31,971.2**	31,971.2	**-**	**-**	**32,870.0**	13,683.2	19,186.8	**-**

		As of December 31, 2009							
		Net carrying amount	Financial liabilities at fair value			Fair value	Method for determining fair value		
(€ million)	Note	**Total**	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	**Total**	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
• non-current bonds	**17**	**13,264.5**	13,264.5	-	-	**13,810.5**	13,321.2	489.3	-
• other non-current borrowings	**17**	**4,382.8**	4,382.8	-	-	**4,385.3**	-	4,385.3	-
• current borrowings	**17**	**2,983.1**	2,983.1	-	-	**2,983.1**	-	2,983.1	-
• bank overdrafts and other cash position items	**14**	**454.9**	454.9	-	-	**454.9**	-	454.9	-
Trade payables	**13**	**5,311.0**	5,311.0	-	-	**5,311.0**	-	5,311.0	-
Other operating payables	**13**	**4,933.4**	4,933.4	-	-	**4,933.4**	-	4,933.4	-
Total		**31,329.7**	**31,329.7**	**-**	**-**	**31,878.2**	**13,321.2**	**18,557.0**	**-**

(€ million)	Note	As of December 31, **2008** Net carrying amount per IAS 39 category **Total**	Liabilities at amortized cost	Liabilities designated at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Fair value **Total**	Liabilities at amortized cost	Liabilities designated at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading
Borrowings and other financial liabilities									
• non-current bonds	**17**	**11,097.6**	11,097.6	-	-	**9,836.9**	9,836.9	-	-
• other non-current borrowings	**17**	**5,966.3**	5,966.3	-	-	**5,227.4**	5,227.4	-	-
• current borrowings	**17**	**3,219.7**	3,219.7	-	-	**3,219.7**	3,219.7	-	-
• bank overdrafts and other cash position items	**14**	**465.7**	465.7	-	-	**465.7**	465.7	-	-
Other non-current debt	**17**	**-**	-	-	-	**-**	-	-	-
Trade payables	**13**	**5,634.5**	5,634.5			**5,634.5**	5,634.5		
Other operating payables	**13**	**5,112.3**	5,112.3	-	-	**5,112.3**	5,112.3	-	-
Total		**31,496.1**	**31,496.1**	**-**	**-**	**29,496.5**	**29,496.5**	**-**	**-**

28 Derivatives

The Group uses derivatives to manage and reduce its exposure to fluctuations in interest rates, exchange rates and commodity prices (see Note 29, Financial risk Management).

The fair value of derivatives in the Consolidated Statement of Financial Position breaks down as follows:

(€ million)	Notes	**As of December 31, 2010**		As of December 31, **2009**		As of December 31, **2008**	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	**0**	**560.6**	**86.8**	**355.0**	**76.6**	**389.1**	**116.8**
Fair value hedges		531.4	-	351.5	8.3	378.9	7.4
Cash flow hedges		26.7	63.5	-	59.6	0.3	96.6
Derivatives not qualifying for hedge accounting		2.5	23.3	3.5	8.7	9.9	12.8
Foreign currency derivatives	**28.2**	**32.4**	**126.0**	**58.6**	**103.9**	**172.7**	**61.7**
Net investment hedges		3.6	49.6	13.1	17.1	65.1	8.0
Fair value hedges		2.6	1.0	7.9	0.6	-	-
Cash flow hedges		9.6	1.3	8.8	0.3	-	-
Derivatives not qualifying for hedge accounting		16.6	74.1	28.8	85.9	107.6	53.7
Commodity derivatives	**28.3**	**62.7**	**34.0**	**63.9**	**43.6**	**89.4**	**107.3**
Total derivatives		**655.7**	**246.8**	**477.5**	**224.1**	**651.2**	**285.8**
o/w non-current derivatives		**621.1**	**195.1**	**431.9**	**139.3**	**508.4**	**159.9**
o/w current derivatives		**34.6**	**51.7**	**45.6**	**84.8**	**142.8**	**125.9**

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, 2010**		Level 2 (%)		Level 3 (%)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	560.6	86.8	100%	100%	-	-
Foreign currency derivatives	32.4	126.0	100%	100%	-	-
Commodity derivatives	62.7	34.0	48.5%	61.5%	51.5%	38.5%
Total derivatives	**655.7**	**246.8**	**95.1%**	**94.7%**	**4.9%**	**5.3%**

Derivatives valued using internal models integrating certain non-observable data are electricity derivatives for which there are no quoted prices in an active market (notably electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials), in particular for distant maturities. In such cases, data is estimated by Veolia Environnement experts.

(€ million)	As of December 31, **2009**		Level 2 (%)		Level 3 (%)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	355.0	76.6	100%	100%	-	-
Foreign currency derivatives	58.6	103.9	100%	100%	-	-
Commodity derivatives	63.9	43.6	35.2%	84.2%	64.8%	15.8%
Total derivatives	**477.5**	**224.1**	**91.3%**	**96.9%**	**8.7%**	**3.1%**

(€ million)	As of December 31, **2008**		Level 2 (%)		Level 3 (%)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives	389.1	116.8	100 %	100 %	-	-
Foreign currency derivatives	172.7	61.7	100 %	100 %	-	-
Commodity derivatives	89.4	107.3	34.4 %	83.9 %	65.6 %	16.1 %
Total derivatives	**651.2**	**285.8**	**91.0 %**	**94.0 %**	**9.0 %**	**6.0 %**

28.1 Interest-rate derivatives

The fair value of interest rate derivatives recognized in the Consolidated Statement of Financial Position breaks down as follows:

(€ million)	Note	**As of December 31, 2010**		As of December 31, **2009**		As of December 31, **2008**	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives		**560.6**	**86.8**	**355.0**	**76.6**	**389.1**	**116.8**
Fair value hedges	**28.1.1**	531.4	-	351.5	8.3	378.9	7.4
Cash flow hedges	**0**	26.7	63.5	-	59.6	0.3	96.6
Derivatives not qualifying for hedge accounting	**0**	2.5	23.3	3.5	8.7	9.9	12.8

28.1.1 Fair value hedges

The risk of volatility in the value of debt is hedged by fixed-rate receiver/floating-rate payer swaps which change bond issues to floating-rate debt (see Notes 29 and 17).

Fair value hedging swaps represent a notional outstanding amount of €6,853.9 million as of December 31, 2010, with a net fair value in the Consolidated Statement of Financial Position of €531.4 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
As of December 31, 2010	**6,853.9**	**-**	**2,576.7**	**4,277.2**	**531.4**	**-**
As of December 31, **2009**	6,315.4	-	2,361.1	3,954.3	351.5	8.3
As of December 31, **2008**	5,357.4	-	1,812.4	3,545.0	378.9	7.4

The increase in the nominal value of the fair value hedging portfolio is mainly due to:

- the set-up of several floating-rate payer swaps hedging EMTN issues, in the total amount of €600 million;
- the early cancellation, for a total amount of €150 million, of certain swaps hedging the EMTN 2013 issue, following a buyback operation in 2010 (see Note 17, Non-current and current borrowings, for a description of the operation);
- the impact of exchange rate fluctuations on the nominal amount of swaps denominated in GBP and USD of €88 million.

For euro-denominated debt, floating-rate payer swaps entered into in 2010 were all indexed to short-term rates: EONIA (European Overnight Index Average, overnight Euro rate) or 1-month Euribor.

Over and above the volume impact, the increase in the fair value of floating-rate payer swaps can also be attributed to the decrease in euro, pound sterling and U.S. dollar interest rates in 2010.

For euro-denominated debt, floating-rate payer swaps entered into in 2009 were all indexed to EONIA (European Overnight Index Average, overnight Euro rate).

28.1.2 Cash flow hedges

Cash flow hedges comprise floating–rate receiver/fixed-rate payer swaps which fix interest payable on floating rate debt primarily 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 - purchases of caps	Notional contract amount by maturity				Fair value of derivatives	
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
As of December 31, 2010	**850.4**	**193.7**	**342.0**	**314.7**	**26.7**	**63.5**
As of December 31, **2009**	997.2	230.9	202.1	564.2	-	59.6
As of December 31, **2008**	1,136.4	40.2	416.6	679.6	0.3	96.6

-€51.6 million, net of tax, was recorded directly in equity (fair value reserves) in respect of cash flow hedge interest-rate derivatives as of December 31, 2010.

Contractual flows on interest rate swaps are paid at the same time as contractual flows on floating-rate borrowings and the amount recorded in other comprehensive income is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

The decrease in the cash-flow hedging portfolio is mainly due to:

- the set-up of new swaps in the amount of €300 million;
- the expiry or cancellation of operations in the amount of €505 million;
- the increase in the nominal of certain swaps in the amount of €58 million.

The increase in the fair value of fixed-rate payer swaps is mainly due to the expiry on maturity of a certain number of transactions, and the decrease in euro interest rates which has a negative impact on the fair value of these swaps.

28.1.3 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.

(€ million)	**Notional amount as of December 31, 2010** Total	Less than 1 year	1 to 5 years	Fair value of derivatives More than 5 years	Total assets	Total liabilities
Fixed-rate receiver / floating-rate payer swaps	358.6	293.7	56.9	8.0	2.5	-
Floating-rate receiver / fixed-rate payer swaps	431.7	247.7	128.1	55.9	-	10.7
Floating-rate receiver / floating-rate payer swaps	250.0	-	250.0	-	-	3.3
Total firm financial instruments	**1,040.3**	**541.4**	**435.0**	**63.9**	**2.5**	**14.0**
Purchases of vanilla and structured caps	952.4	30.0	722.4	200.0	-	9.3
Sales of caps	-	-	-	-	-	-
Sales of swaptions	-	-	-	-	-	-
Total optional financial instruments	**952.4**	**30.0**	**722.4**	**200.0**	**-**	**9.3**
Total interest-rate derivatives not qualifying for hedge accounting	**1,992.7**	**571.4**	**1,157.4**	**263.9**	**2.5**	**23.3**

The decrease in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2009 and 2010 is mainly due to:

- the expiry of approximately €230 million of financial instruments;
- the amortization of the nominal and the decrease in the number of short-term cash flow hedging swaps in the approximate amount of €300 million.

Recap: the breakdown as of December 31, 2009 and 2008 is as follows:

(€ million)	Notional amount as of December 31, 2009 Total	Less than 1 year	1 to 5 years	Fair value of derivatives More than 5 years	Total assets	Total liabilities
Fixed-rate receiver / floating rate payer swaps	333.7	250.1	57.8	25.8	3.4	-
Floating-rate receiver / fixed-rate payer swaps	755.2	627.5	41.5	86.2	-	5.6
Floating-rate receiver / floating-rate payer swaps	200.0	-	-	200.0	-	1.4
Total firm financial instruments	**1,288.9**	**877.6**	**99.3**	**312.0**	**3.4**	**7.0**
Purchases of vanilla and structured caps	1,230.1	277.7	752.4	200.0	0.1	1.7
Sales of caps	-	-	-	-	-	-
Sales of swaptions	-	-	-	-	-	-
Total optional financial instruments	**1,230.1**	**277.7**	**752.4**	**200.0**	**0.1**	**1.7**
Total interest-rate derivatives not qualifying for hedge accounting	**2,519.0**	**1,155.3**	**851.7**	**512.0**	**3.5**	**8.7**

(€ million)	Notional amount as of December 31, 2008 Total	Less than 1 year	1 to 5 years	More than 5 years	Fair value of derivatives Total assets	Total liabilities
Fixed-rate receiver / floating rate payer swaps	202.4	-	41.7	160.7	3.7	-
Floating-rate receiver / fixed-rate payer swaps	513.9	468.9	2.5	42.5	-	2.0
Floating-rate receiver / floating-rate payer swaps	915.5	665.5	-	250.0	0.5	1.1
Fixed-rate receiver / fixed-rate payer swaps	2.0	-	-	2.0	-	4.0
Total firm financial instruments	**1,633.8**	**1,134.4**	**44.2**	**455.2**	**4.2**	**7.1**
Purchases of vanilla and structured caps	423.4	-	323.4	100.0	3.0	-
Sales of caps	-	-	-	-	-	-
Sales of swaptions	102.0	-	-	102.0	2.7	5.7
Total optional financial instruments	**525.4**	**-**	**323.4**	**202.0**	**5.7**	**5.7**
Total interest-rate derivatives not qualifying for hedge accounting	**2,159.2**	**1,134.4**	**367.6**	**657.2**	**9.9**	**12.8**

28.2 Foreign currency derivatives

The fair value of foreign currency derivatives recognized in the Consolidated Statement of Financial Position breaks down as follows:

(€ million)	Note	**As of December 31, 2010**		As of December 31, **2009**		As of December 31, **2008**	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Foreign currency derivatives		**32.4**	**126.0**	**58.6**	**103.9**	**172.7**	**61.7**
Net investment hedges	**28.2.1**	3.6	49.6	13.1	17.1	65.1	8.0
Fair value hedges	**28.2.2**	2.6	1.0	7.9	0.6	-	-
Cash flow hedges	**28.2.3**	9.6	1.3	8.8	0.3	-	-
Derivatives not qualifying for hedge accounting	**28.2.4**	16.6	47.6	28.8	67.4	104.7	53.7
Embedded derivatives		-	26.5	-	18.5	2.9	-

28.2.1 Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

(€ million)	Notional amount as of **December 31, 2010** by currency and maturity					Fair value of derivatives	
Financial instrument	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency payer swaps	CZK	**199.2**	199.2	-	-	-	1.6
	GBP	**73.8**	73.8	-	-	0.2	1.6
	HKD	**218.2**	218.2	-	-	3.1	0.3
	HUF	**39.5**	39.5	-	-	-	0.5
	ILS	**29.5**	29.5	-	-	0.2	0.3
	JPY	**73.9**	73.9	-	-	-	0.2
	PLN	**85.8**	85.8	-	-	-	1.4
	Other	**17.0**	17.0	-	-	0.1	-
Embedded derivatives (forward sale)	KRW	**98.5**	14.7	51.4	32.4	-	1.6
Cross currency swaps: fixed-rate payer / fixed-rate receiver	CNY	**120.0**	-	60.0	60.0	-	42.1
Total foreign currency derivatives		**955.4**	**751.6**	**111.4**	**92.4**	**3.6**	**49.6**
USD borrowings	USD	**1,499.9**	-	630.1	869.8	n/a	n/a
GBP borrowings	GBP	**755.2**	-	-	755.2	n/a	n/a
Syndicated loan facility	PLN	**257.1**	257.1	-	-	n/a	n/a
Total financing		**2,512.2**	**257.1**	**630.1**	**1,625.0**	**n/a**	**n/a**
Total		**3,467.6**	**1,008.7**	**741.5**	**1,717.4**	**n/a**	**n/a**

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, 2009 are mainly due to:

- the change in the fair value of euro/Chinese renminbi yuan cross currency swaps for - €26.6 million;
- the change in the fair value of the Korean won embedded derivative for - €11.7 million.

In addition, the Group set up CZK-denominated swaps with a fair value of -€1.6 million, to replace the syndicated loan facility which expired in July 2010.

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 losses recorded in foreign exchange translation reserves as of December 31, 2010 of -€112.6 million mainly comprise:

- the impact of exchange rate fluctuations on hedges of Water Division investments in China, Korea, the Czech Republic and the United States of -€60.7 million;
- the impact of exchange rate fluctuations on hedges of Veolia Environnement SA investments in the United States of -€44.2 million.

Recap: the breakdown as of December 31, 2009 and 2008 is as follows:

(€ million)	Notional amount as of **December 31, 2009** by currency and maturity					Fair value of derivatives	
Financial instrument	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency payer swaps	AED	3.7	3.7	-	-	-	-
	AUD	7.5	7.5	-	-	-	0.1
	GBP	67.0	67.0	-	-	2.4	-
	HKD	199.9	196.0	3.9	-	-	0.5
	HUF	86.9	86.9	-	-	-	0.5
	ILS	17.9	17.9	-	-	-	-
	JPY	60.3	60.3	-	-	0.6	-
	MXN	1.0	1.0	-	-	-	-
	PLN	5.8	5.8	-	-	-	0.5
Embedded derivatives (forward sale)	KRW	92.4	12.1	42.5	37.8	10.1	-
Cross currency swaps: fixed-rate payer / fixed-rate receiver	CNY	120.0	-	60.0	60.0	-	15.5
Total foreign currency derivatives		**662.4**	**458.2**	**106.4**	**97.8**	**13.1**	**17.1**
USD borrowings	USD	1,339.8	-	411.6	928.2	n/a	n/a
GBP borrowings	GBP	731.9	-	-	731.9	n/a	n/a
Syndicated loan facility	CZK	190.3	190.3	-	-	n/a	n/a
Syndicated loan facility	PLN	219.8	-	219.8	-	n/a	n/a
Total financing		**2,481.8**	**190.3**	**631.4**	**1,660.1**	**n/a**	**n/a**
Total		**3,144.2**	**648.5**	**737.8**	**1,757.9**	**n/a**	**n/a**

(€ million)	Notional amount as of **December 31, 2008** by currency and maturity					Fair value of derivatives	
Financial instrument	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency payer swaps	AED	2.8	2.8	-	-	0.1	-
	AUD	5.9	5.9	-	-	-	0.1
	GBP	62.5	62.5	-	-	11.8	-
	HKD	171.6	171.6	-	-	0.2	4.8
	HUF	42.4	42.4	-	-	0.5	-
	ILS	18.3	18.3	-	-	1.1	-
	JPY	63.7	63.7	-	-	-	0.2
	MXN	1.0	1.0	-	-	-	-
Embedded derivatives (forward sale)	KRW	50.7	15.9	32.2	2.6	29.1	-
Cross currency swaps: fixed-rate payer / fixed-rate receiver	CNY	131.6	65.4	-	66.2	22.3	2.9
Total foreign currency derivatives		**550.5**	**449.5**	**32.2**	**68.8**	**65.1**	**8.0**
USPP borrowings	USD	1,221.9	-	306.8	915.1	n/a	n/a
GBP borrowings	GBP	682.4	-	-	682.4	n/a	n/a
Syndicated loan facility	CZK	187.5	-	187.5	-	n/a	n/a
Syndicated loan facility	PLN	199.1	-	199.1	-	n/a	n/a
Total financing		**2,290.9**	**-**	**693.4**	**1,597.5**	**n/a**	**n/a**
Total		**2,841.4**	**449.5**	**725.6**	**1,666.3**	**n/a**	**n/a**

28.2.2 Fair value hedges

Financial instruments designated as fair value hedges break down as follows:

(€ million)	Notional amount as of **December 31, 2010** by currency and maturity					Fair value of derivatives	
Financial instrument	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward sales	USD	18.1	18.1	-	-	-	0.7
Forward sales	CNY	1.9	1.9	-	-	-	0.3
Forward sales	ZAR	0.7	0.7	-	-	0.2	-
Forward purchases	BRL	17.0	10.6	6.4	-	0.8	-
Forward purchases	NOK	41.9	-	41.9	-	1.6	-
Total foreign currency derivatives						**2.6**	**1.0**

In 2010, Veolia Environnement Group decided to designate a certain number of currency transactions as hedges as defined by IAS 39.

The majority of the fair value hedges presented above consist of foreign currency hedges in respect of construction contracts or hedging financial assets.

28.2.3 Cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

(€ million)	Notional amount as of **December 31, 2010** by currency and maturity					Fair value of derivatives	
Financial instrument	Currency	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchase	NOK	101.2	17.1	68.4	15.7	5.0	-
Forward sale	GBP	132.1	44.6	87.5	-	3.0	-
Forward sale	HUF	38.7	28.7	10.0	-	0.6	1.2
Other currencies		5.7	5.7	-	-	1.0	0.1
Total foreign currency derivatives		**277.7**	**96.1**	**165.9**	**15.7**	**9.6**	**1.3**

In 2010, Veolia Environnement Group decided to designate a certain number of currency transactions as hedges as defined by IAS 39.

The majority of cash flows hedge presented above consist of forward purchases/sales of foreign currencies different from the functional currencies of the entities concerned, in connection with their own activities (boat leases, construction of plants).

28.2.4 Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting

Fair value	**As of December 31, 2010**						
(€ million)	**Total**	**USD**	**GBP**	**NOK**	**SEK**	**KRW**	**Other**
Forward purchases	(0.8)	(0.6)	(0.6)	-	-	0.1	0.3
Currency receiver swaps	3.0	1.4	1.8	0.1	0.1	-	(0.4)
Total currency swaps and forward purchases	**2.2**	**0.8**	**1.2**	**0.1**	**0.1**	**0.1**	**(0.1)**
Forward sales	(34.0)	0.7	-	(0.4)	(0.7)	(30.1)	(3.5)
Currency payer swaps	(25.1)	0.2	(12.5)	(4.5)	(2.4)	-	(5.9)
Total currency swaps and forward sales	**(59.1)**	**0.9**	**(12.5)**	**(4.9)**	**(3.1)**	**(30.1)**	**(9.4)**
Call options	-	-	-	-	-	-	-
Put options	(0.6)	-	-	-	-	(0.6)	-
Total currency options	**(0.6)**	**-**	**-**	**-**	**-**	**(0.6)**	**-**
Total derivatives not qualifying for hedge accounting	**(57.5)**	**1.7**	**(11.3)**	**(4.8)**	**(3.0)**	**(30.6)**	**(9.5)**

Recap: Hedges as of December 31, 2009 and 2008 are as follows:

Fair value	As of December 31, **2009**						
(€ million)	**Total**	**USD**	**GBP**	**NOK**	**SEK**	**KRW**	**Other**
Forward purchases	(0.9)	(0.7)	(1.0)	-	-	-	0.8
Currency receiver swaps	10.3	8.2	0.2	0.1	0.1	-	1.7
Total currency swaps and forward purchases	**9.4**	**7.5**	**(0.8)**	**0.1**	**0.1**	**0.0**	**2.5**
Forward sales	(17.4)	2.0	(0.1)	0.1	-	(18.5)	(0.9)
Currency payer swaps	(49.1)	1.4	(17.6)	(11.1)	(11.4)	-	(10.4)
Total currency swaps and forward sales	**(66.5)**	**3.4**	**(17.7)**	**(11.0)**	**(11.4)**	**(18.5)**	**(11.3)**
Call options	-	-	-	-	-	-	-
Put options	-	-	-	-	-	-	-
Total currency options	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total derivatives not qualifying for hedge accounting	**(57.1)**	**10.9**	**(18.5)**	**(10.9)**	**(11.3)**	**(18.5)**	**(8.8)**

Fair value	As of December 31, **2008**				
(€ million)	**Total**	**HKD**	**NOK**	**PLN**	**Other**
Forward purchases	(11.6)	-	(5.0)	(2.3)	(4 .3)
Currency receiver swaps	(20.6)	-	-	(1.7)	(18.9)
Total currency swaps and forward purchases	**(32.2)**	**-**	**(5.0)**	**(4.0)**	**(23.2)**
Forward sales	(1.6)	-	-	2.2	(3.8)
Currency payer swaps	86.8	28.3	19.3	12.0	27.2
Total currency swaps and forward sales	**85.2**	**28.3**	**19.3**	**14.2**	**23.4**
Call options	-	-	-	-	-
Put options	(2.0)	-	-	-	(2.0)
Total currency options	**(2.0)**	**-**	**-**	**-**	**(2.0)**
Total derivatives not qualifying for hedge accounting (*)	**51.0**	**28.3**	**14.3**	**10.2**	**(1.8)**

(*) Net fair value (Assets–Liabilities) excluding embedded derivatives.

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement SA to hedge its foreign currency-denominated net debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

28.3 Commodity derivatives

As of December 31, 2010, the fair value of commodity derivatives totaled €62.7 million in assets and €34 million in liabilities.

(€ million)	**As of December 31, 2010**		As of December 31, **2009**		As of December 31, **2008**	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**62.7**	**34.0**	**63.9**	**43.6**	**89.4**	**107.3**
Electricity	42.2	22.9	53.1	18.3	56.3	18.3
Fuel	4.9	0.7	9.1	7.1	22.5	46.5
CO_2	0.7	0.5	0.8	0.4	2.1	2.7
Coal	6.0	8.4	0.9	15.5	8.2	15.6
Other	8.9	1.5	-	2.3	0.3	24.2

Pursuant to IAS 39, these derivatives break down as follows:

(€ million)	**As of December 31, 2010**		As of December 31, **2009**		As of December 31, **2008**	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**62.7**	**34.0**	**63.9**	**43.6**	**89.4**	**107.3**
Fair value hedges	-	0.5	-	0.3	-	2.3
Cash flow hedges	20.1	10.4	10.0	23.9	32.1	64.3
Derivatives not qualifying for hedge accounting	42.6	23.1	53.9	19.4	57.3	40.8

Material contract notional amounts (electricity – see Note 1.23) are as follows:

28.3.1 Electricity

(€ million)	Notional contract amounts as of **December 31, 2010** by maturity			
	Total	Less than 1 year	1 to 5 years	More than 5 years
Electricity purchase instruments: in Gwh	11,186	700	2,100	8,386
in € million	770.2	41.1	139.7	589.4
Electricity sales instruments: in Gwh	1,512	735	777	-
in € million	110.8	55.2	55.6	-

Electricity purchase instruments cover the period 2011 to 2025 and have a market value of -€8 million, based on valuation assumptions at the year end. Sales instruments cover the period 2011 to 2012 and have a net market value of €27 million. These transactions are recorded in the Consolidated Statement of Financial Position at fair value based on the listed price of commodities with close 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 + €3.4 million and -€2.4 million, respectively.

	Notional contract amounts as of **December 31, 2009** by maturity			
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years
Electricity purchase instruments: in Gwh	13,196	1,052	2,934	9,210
in € million	696.0	55.2	158.4	482.4
Electricity sales instruments: in Gwh	3,051	1,110	1,941	-
in € million	215.2	72.3	142.9	-

	Notional contract amounts as of **December 31, 2008** by maturity			
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years
Electricity purchase instruments: in Gwh	12,854	868	3,063	8,923
in € million	667.5	41.9	159.5	466.1
Electricity sales instruments: in Gwh	3,817	824	2,993	-
in € million	250.6	38.2	212.4	-

28.3.2 Greenhouse gas emission rights

Other transactions not qualifying for hedge accounting relate to contracts swapping greenhouse gas emission rights for Carbon Emission certificates, maturing at the end of 2011 and 2012. These transactions are recorded in assets in the amount of €0.7 million and in liabilities in the amount of €0.5 million. The impact on the Consolidated Income Statement is a net loss of €0.5 million.

29 Financial risk management

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 29.1:
  - interest-rate risk, presented in Note 29.1.1 (interest-rate fair value hedges, cash flow hedges and derivatives not qualifying for hedge accounting);
  - foreign exchange risk, presented in Note 29.1.2 (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 29.1.3 (fuel and electricity risks, greenhouse gas emission rights);
- Equity risk, presented in Note 29.2;
- Liquidity risk, presented in Note 29.3;
- Credit risk, presented in Note 29.4.

29.1 Market risk management

29.1.1 Management of interest rate risk

The financing structure of the Group exposes it naturally to the risk of interest rate fluctuations. As such, floating-rate debt impacts future financial results.

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. An interest rate fair value hedge changes fixed-rate financial assets or liabilities into floating rate financial assets or liabilities in order to protect against changes in their fair value. A cash flow hedge protects against changes in the value of cash flows associated with assets or liabilities.

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, 2010 Out-standings	% total debt	As of December 31, 2009 Out-standings	% total debt	As of December 31, 2008 Out-standings	% total debt
Fixed rate	16,187.3	78.5%	15,971.5	77.0%	14,055.2	69.0%
Floating rate	4,437.5	21.5%	4,770.6	23.0%	6,322.6	31.0%
Gross debt before hedging	**20,624.8**	**100.0%**	**20,742.1**	**100.0%**	**20,377.8**	**100.0%**
Fixed rate	10,481.4	49.7%	10,808.8	51.3%	9,960.8	48.0%
Capped floating rate (active caps)	-	0.0%	-	0.0%	36.0	0.2%
Floating rate	10,628.8	50.3%	10,276.5	48.7%	10,752.5	51.8%
Gross debt after hedging and fair value remeasurement of fixed-rate debt	**21,110.2**	**100.0%**	**21,085.3**	**100.0%**	**20,749.3**	**100.0%**
Fair value adjustments to (asset)/liability hedging derivatives	**(485.4)**		**(343.2)**		**(371.5)**	
Gross debt at amortized cost	**20,624.8**		**20,742.1**		**20,377.8**	

Total gross debt as of December 31, 2010 after hedging was 49.7% fixed-rate and 50.3% floating-rate. No caps were active as of December 31, 2010. Excluding inactive caps, the fixed-rate portion of gross debt was 54.2% and the floating-rate portion was 45.8%.

As of December 31, 2010, the Group has cash and cash equivalents of €5,406.8 million, the majority of which bears interest at floating rates.

Net financial debt totals €15,218.0 million and is 65.7% fixed-rate and 34.3% floating-rate.

Sensitivity of the consolidated income statement and equity:

The Group manages its exposure to interest rate fluctuations based on floating-rate gross debt net of cash.

The breakdown of the Group's floating-rate debt by maturity as of December 31, 2010 is as follows:

(€ million)	**Overnight and less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Total assets (cash and cash equivalents)	5,406.8	-	-	5,406.8
Total floating-rate liabilities	(3,213.5)	(767.5)	(456.2)	(4,437.2)
Net floating-rate position before hedging	**2,193.3**	**(767.5)**	**(456.2)**	**969.6**
Derivative instruments (1)	193.7	(2,457.1)	(3,927.8)	(6,191.2)
Net floating-rate position after active management and hedging	**2,387.0**	**(3,224.6)**	**(4,384.0)**	**(5,221.6)**

(1) Financial instruments hedging debt excluding inactive caps of €952 million.

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, 2010. Given the net debt structure of the Group and its derivative portfolio, a change in interest rates would impact the 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 generate an increase in fair value reserves in equity of €15 million. The impact on floating-rate debt and floating-rate payer swaps on fixed-rate debt would decrease net income by €20 million. A decrease in interest rates of 0.5% would have the opposite impact on net income and equity. 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 the change in interest rates, all other things being equal.

29.1.2 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 Financial 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). However, these transactions remain minor within the Group (see Note 29.1.2.1);
- **(b)** foreign currency-denominated financial assets and liabilities, including foreign currency-denominated loans/borrowings and related hedges (e.g. forex swaps) (see Note 29.1.2.2);
- **(c)** investments in foreign subsidiaries reflected by the translation of accounts impacting the translation reserves (see Note 29.1.2.3).

Management of foreign exchange transaction risk:

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.

Management of foreign exchange asset risk:

With many offices worldwide, Veolia organizes financing in local currencies. In the case of intercompany financing, these credit lines can generate foreign exchange risk. In order to limit the impact of this risk, Veolia Environnement has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with inter-company 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.

29.1.2.1 Translation risk

Due to its international presence, the translation of the income statements of the Group's foreign subsidiaries is sensitive to exchange rate fluctuations.

The following table summarizes the sensitivity of certain Group consolidated income statement aggregates to a 10% increase or decrease in foreign exchange rates against the euro, with regard to the translation of financial statements of foreign subsidiaries.

	Contribution to the consolidated financial statements							Sensitivity to an increase or decrease in the main currencies against the euro	
(€ million)	EUR	GBP	USD	PLN	CZK	Other currencies	**Total**	+10%	-10%
Revenue	20,891.0	2,254.3	3,257.7	599.1	1,259.9	6,524.6	34,786.6	(670.1)	686.3
Operating income	1,018.0	269.8	192.7	59.7	259.4	320.7	2,120.3	(71.1)	86.8

29.1.2.2 Foreign exchange risk with regard to the net finance cost

With many offices worldwide, Veolia organizes financing in local currencies.

The foreign currency debt borne by the parent company, Veolia Environnement SA, is generally hedged using either derivative instruments or assets in the same currency.

The following table shows the exposure to exchange rate fluctuations of the foreign currency net financial debt of the entities that bear the main foreign exchange risks. It also presents the sensitivity of these entities to a 10% increase or decrease in the parities of the corresponding foreign currencies.

	Net finance cost Foreign currency exposure (in millions of currency)						**Sensitivity to an increase or decrease in the 4 main currencies against the euro (€ millions)**	
	GBP	USD	PLN	CZK	Other currencies (euro equivalent)	**Total euro equivalent**	+10%	-10%
Veolia Environnement SA	(29.6)	(82.2)	(54.4)	(183.7)	(415.4)	**(532.8)**	(14.3)	9.6
Other Group subsidiaries	(27.7)	(25.1)	6.5	(11.1)	(210.7)	**(260.7)**	(5.6)	4.5
Total in foreign currency	**(57.3)**	**(107.3)**	**(47.9)**	**(194.8)**	**(626.1)**	**(793.5)**		
Total euro equivalent	**(66.8)**	**(80.9)**	**(12.0)**	**(7.7)**	**(626.1)**	**(793.5)**	**(19.9)**	**14.1**

29.1.2.3 Foreign exchange and translation risk in the consolidated statement of financial position

Due to its international presence, the Group's consolidated statement of financial position is exposed to exchange rate fluctuations. A fluctuation in the euro impacts the translation of subsidiary foreign currency denominated assets in the consolidated statement of financial position. The main currencies concerned are the U.S. dollar and the pound sterling.

For its most significant assets, the Group has issued debt in the relevant currencies.

The following table shows the net asset amounts for the main currencies, defined as the asset amount excluding net financial debt.

(€ million)	Contribution to the consolidated financial statements					Sensitivity to an increase or decrease in the 2 main currencies against the euro	
	EUR	USD	GBP	Other currencies	Total	+10%	-10%
Assets excluding net financial debt by currency	12,593	2,924	2,808	7,788	26,113	637	(521)
Net financial debt by currency	8,072	1,927	1,881	3,338	15,218	423	(346)
Net assets by currency	4,521	997	927	4,450	10,895	214	(175)

29.1.3 Management of commodity risk

Fuel or electricity prices can be subject to significant fluctuations. Nonetheless, Veolia Environnement's activities have not been materially affected and should not be materially affected in the future by cost increases or the availability of fuel or other commodities. The long-term contracts entered into by Veolia Environnement generally include price review and/or indexation clauses which enable it to pass on the majority of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

Nonetheless, as part of supply management and cost optimization measures, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply, where the contracts do not offer adapted protection.

29.1.3.1 Fuel risks

In the Transportation Division, a "fuel" hedging policy has been implemented in order to control trends in fuel prices. The Group uses firm fuel purchase contracts (deemed for its own use) or derivatives whose characteristics (notional amount, maturity) are defined in line with forecast fuel requirements (based on firm orders or highly probably forecast flows). The majority of these derivatives are swaps used to determine the forward purchase price of fuel.

These derivatives were analyzed in accordance with IAS 39 and classified as hedging instruments (cash flow hedges) (see Note 28).

29.1.3.2 Coal, gas and electricity risks

The Group has entered into long-term gas, coal, electricity and biomass purchase contracts in order to secure its supplies.

The majority of these commitments are reciprocal; the third parties concerned are obliged to deliver the quantities indicated in these contracts and the Group is obliged to take them.

These contracts are considered to fall outside the scope of IAS 39, except for specific transactions in Germany, where electricity purchase instruments and sales instruments have been contracted in parallel. These transactions are not eligible for hedging within the meaning of IAS 39 (see Note 36 on off-balance sheet commitments and Note 28.3.1 on electricity derivatives).

29.2 Management of equity risk

As of December 31, 2010, Veolia Environnement held 14,338,903 of its own shares, of which 8,389,059 were allocated to external growth operations and 5,949,844 were acquired for allocation to employees under employee savings plans, with a market value of €313.6 million, based on a share price of €21.87 and a net carrying amount of €444.7 million deducted from equity.

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.

29.3 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 17, Non-current and current borrowings).

29.3.1 Maturity of financial liabilities

As of December 31, 2010, undiscounted contractual flows on net financial debt (nominal value) break down by maturity date as follows:

	As of December 31, 2010		**Maturity of undiscounted contractual flows**					
(€ million)	Net carrying amount	Total undiscounted contractual flows	**2011**	**2012**	**2013**	**2014**	**2015**	**More than 5 years**
Bond issues (1)	13,642.9	13,275.5	16.1	686.2	1,248.9	1,262.1	1,107.2	8,955.0
Treasury notes	502.0	502.0	502.0					
Finance lease obligations	683.5	683.5	112.4	127.2	81.9	52.5	47.0	262.5
Securitization	391.0	391.0	391.0					
Other borrowings	5,503.8	5,503.8	1,805.6	785.5	367.4	361.8	246.7	1,936.8
Bank overdrafts and other cash position items	387.0	387.0	387.0					
Gross borrowings excluding the impact of amortized cost and hedging derivatives	**21,110.2**	**20,742.8**	**3,214.1**	**1,598.9**	**1,698.2**	**1,676.4**	**1,400.9**	**11,154.3**
Impact of amortized cost and derivatives hedging debt	(485.4)	n/a	n/a					
Gross borrowings	**20,624.8**	**20,742.8**	**3,214.1**	**1,598.9**	**1,698.2**	**1,676.4**	**1,400.9**	**11,154.3**
Cash and cash equivalents	(5,406.8)	(5,406.8)	(5,406.8)					
Net financial debt	**15,218.0**	**15,336.0**	**(2,192.7)**	**1,598.9**	**1,698.2**	**1,676.4**	**1,400.9**	**11,154.3**

(1) excluding the impact of amortized cost and derivatives hedging debt.

As of December 31, 2010, the average maturity of financial debt is 9.4 years.

Most trade payables have a maturity of less than one year (see Note 13).

As of December 31, 2010, undiscounted contractual interest flows on outstanding borrowings break down by maturity date as follows:

	As of December 31, 2010	Maturity of undiscounted contractual flows					
(€ million)	Total flows	2011	2012	2013	2014	2015	More than 5 years
Undiscounted contractual interest flows on outstanding borrowings	**7,826.0**	858.2	790.1	709.4	626.8	566.0	4,275.5

As of December 31, 2010, undiscounted contractual interest flows on derivative outstandings recorded in liabilities and assets break down by maturity date as follows:

	As of December 31, 2010		Maturity of undiscounted contractual flows					
(€ million)	Net carrying amount	Total undiscounted contractual flows	2011	2012	2013	2014	2015	More than 5 years
Interest-rate derivatives	**473.8**	**773.0**	**159.6**	**156.9**	**139.6**	**117.3**	**106.8**	**92.8**
Fair value hedges	531.4	988.4	175.5	170.8	152.9	129.0	119.6	240.6
Inflows	531.4	1,719.2	326.7	315.9	280.4	219.7	199.0	377.5
Outflows	0.0	(730.8)	(151.2)	(145.1)	(127.5)	(90.7)	(79.4)	(136.9)
Cash flow hedges	(36.8)	(195.8)	(12.9)	(10.9)	(10.6)	(10.6)	(11.7)	(139.1)
Inflows	26.7	101.6	21.8	15.7	15.6	15.5	8.7	24.3
Outflows	(63.5)	(297.4)	(34.7)	(26.6)	(26.2)	(26.1)	(20.4)	(163.4)
Derivatives not qualifying for hedge accounting	(20.8)	(19.6)	(3.0)	(3.0)	(2.7)	(1.1)	(1.1)	(8.7)
Inflows	2.5	6.1	1.2	1.2	1.0	0.3	0.3	2.1
Outflows	(23.3)	(25.7)	(4.2)	(4.2)	(3.7)	(1.4)	(1.4)	(10.8)
Foreign currency derivatives excluding net investment hedges	**(47.6)**	**45.9**	**29.1**	**8.5**	**2.5**	**1.9**	**1.9**	**2.0**
Fair value hedges	1.6	3.2	-	3.2	-	-	-	-
Inflows	2.6	41.9	-	41.9	-	-	-	-
Outflows	(1.0)	(38.7)	-	(38.7)	-	-	-	-
Cash flow hedges	8.3	10.5	1.5	1.6	1.7	1.8	1.9	2.0
Inflows	9.6	101.1	17.1	17.1	17.1	17.1	17.1	15.6
Outflows	(1.3)	(90.6)	(15.6)	(15.5)	(15.4)	(15.3)	(15.2)	(13.6)
Derivatives not qualifying for hedge accounting	(57.5)	32.2	27.6	3.7	0.8	0.1	-	-
Inflows	16.5	4,055.4	3,837.1	160.9	44.9	12.0	0.5	-
Outflows	(74.1)	(4,023.2)	(3,809.5)	(157.2)	(44.1)	(11.9)	(0.5)	-
Foreign currency derivatives hedging a net investment	**(46.0)**	**(14.0)**	**(0.6)**	**2.4**	**1.0**	**(0.1)**	**(0.1)**	**(16.6)**

In order to best reflect the economic reality of transactions, cash flows relating to derivatives recorded in assets and liabilities are presented net. Asset values are indicated as positive amounts and liabilities as negative amounts in the above table.

29.3.2 Net liquid asset positions

Net liquid assets of the Group as of December 31, 2010 break down as follows:

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Veolia Environnement:			
Undrawn MT syndicated loan facility *	3,654.5	3,694.6	2,890.3
Undrawn MT bilateral credit lines	1,000.0	400.0	575.0
Undrawn ST bilateral credit lines	100.0	575.0	350.0
Letter of credit facility	467.7		
Cash and cash equivalents	3,680.8	4,091.2	2,283.6
Subsidiaries:			
Cash and cash equivalents	1,726.0	1,523.2	1,566.0
Total liquid assets	**10,629.0**	**10,284.0**	**7,664.9**
Current debts and bank overdrafts and other cash position items			
Current debts	**2,827.1**	**2,983.1**	**3,219.7**
Bank overdrafts and other cash position items	**387.0**	**454.9**	**465.7**
Total current debts and bank overdrafts and other cash position items	**3,214.1**	**3,438.0**	**3,685.4**
Total liquid assets net of current debts and bank overdrafts and other cash position items	**7,414.9**	**6,846.0**	**3,979.5**

** maturing April 20, 2012.*

As of December 31, 2010, Veolia Environnement has total liquid assets of €10.6 billion, including cash and cash equivalents of €5.4 billion.

As of December 31, 2010, cash equivalents are primarily held by Veolia Environnement SA in the amount of €3,657.9 million including non-dynamic monetary UCITS of €2,836.1 million, negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) of €249.0 million, monetary notes of €175.3 million and term deposits of €397.5 million.

Undrawn credit lines amount €1,100 million as of December 31, 2010.

During 2010:

- three new credit lines were negotiated in the amount of €350 million;
- three credit lines were renewed for identical amounts but with different maturities for a total of €350 million;
- two credit lines of respectively €125 million maturing December 20, 2010 and €100 million maturing December 29, 2010 were not renewed.

The "letter of credit facility" represents the portion of the U.S$1.25 billion letter of credit facility signed on November 22, 2010 that may be drawn in cash. It is capped at 50% of the amount of the facility, i.e. U.S$625 million. As of December 31, 2010, the facility is drawn U.S$545.5 million in the form of letters of credit. The portion that may be drawn in cash is U.S$625 million (€467.7 million euro equivalent) and is recorded in the liquidity table.

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

Maturity of undrawn credit lines as of December 31, 2010 are as follows:

(€ million)	As of December 31, 2010	Maturity				
	Total	2011	2012	2013	2014	2015
Undrawn syndicated loan facility	3,654.5	-	3,654.5	-	-	-
Undrawn credit Lines	1,100.0	100.0	300.0	300.0	-	400.0
Letter of credit facility	467.7	-	-	-	-	467.7
Total	5,222.2	100.0	3,954.5	300.0	-	867.7

29.3.3 Information on early debt repayment clauses

Veolia Environnement SA debt

Bank financing

The legal documentation for syndicated loans (particularly the syndicated loan of €4 billion) and bilateral credit lines contracted by Veolia Environnement SA does not contain any financial covenants, i.e. obligations to comply with a debt coverage ratio or interest ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing.

Bond financing

The private placement performed in the United States in 2003 (outstanding of €324.9 million as of December 31, 2010) is the only source of bond financing that contains financial covenants (debt coverage ratio < 5.3 and interest coverage ratio > 3.2). These covenants were complied with as of December 31, 2010.

The legal documentation for the notes issued by the Company under its EMTN program (outstanding of €11.4 billion as of December 31, 2010) does not contain any financial covenants.

Subsidiary debt

The project financing borne by specific companies or the financing granted by multilateral development banks to the Group's subsidiaries may contain financial covenants.

As of December 31, 2010, the financing agreements containing such covenants and with outstanding amounting to more than €100 million (Group share) were as follows:

Financing (€ million)	Outstandings as of December 31, 2010	Type of covenant
Shenzhen (Water Division – China)	110.7	Minimum reserve account
Redal (Water Division - Morocco)	100.3	Working capital, equity/share capital, DSCR (*) and minimum reserve account

(*) DSCR (Debt service coverage ratio): available cash flow to finance the cost of debt.
Generally, DSCR = EBITDA / (interest + amortization)

As of December 31, 2010, the Group complied with all the covenants contained in the documentation of significant financing agreements.

The project debt for the Aquiris project (Brussels wastewater treatment plant) was refinanced in full (€169 million) using the Group treasury note program on May 17, 2010.

Financing for one project (€74 million as of December 31, 2010) did not comply with a covenant as of December 31, 2009. This was no longer the case as of December 31, 2010.

29.4 Management of credit risk

The Group is exposed to counterparty risk in various areas: its operating activities, cash investment activities and derivatives.

29.4.1 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, 2010			Breakdown by customer type			
(€ million)	Note	Gross carrying amount	Provisions	Net carrying amount	Public customers – Delegating authority	Private customers - Individuals	Public customers - Other	Private customers - Companies
Non-current and current operating financial assets	**10**	5,690.6	(62.0)	5,628.6	4,697.4	-	239.4	691.8
Trade receivables	**13**	9,855.6	(600.4)	9,255.2	2,015.7	2,196.6	1,922.2	3,120.7
Other current operating receivables	**13**	1,187.5	(77.9)	1,109.6	244.7	180.8	130.3	553.8
Other non-current financial assets in loans and receivables	**11**	787.0	(72.3)	714.7	53.0	8.1	19.0	634.6 (1)
Current financial assets in loans and receivables	**11**	134.8	(31.6)	103.2	26.4	4.5	3.2	69.1
Loans and receivables		**17,655.5**	**(844.2)**	**16,811.3**	**7,037.2**	**2,390.0**	**2,314.1**	**5,070.0**
Other non-current financial assets	**11**	**81.0**	**(22.6)**	**58.4**	**10.2**	**7.2**	**20.1**	**20.9**
Other current financial assets	**11**	**29.3**	**(0.2)**	**29.1**	**1.8**	**2.4**	**7.8**	**17.1**
Total		**17,765.8**	**(867.0)**	**16,898.8**	**7,049.2**	**2,399.6**	**2,342.0**	**5,108.0**

(1) Of which Dalkia International and its subsidiaries in the amount of €373.7 million as of December 31, 2010.

The analysis of Group customer credit risk as of December 31, 2009 is as follows:

(€ million)	Note	As of December 31, **2009**			Breakdown by customer type			
		Gross carrying amount	Provisions	Net carrying amount	Public customers - Delegating authority	Private customers - Individuals	Public customers - Other	Private customers - Companies
Non-current and current operating financial assets	**10**	5,705.0	(53.2)	5,651.8	4,647.3	-	185.6	818.9
Trade receivables	**13**	9,641.6	(560.3)	9,081.3	2,202.8	1,685.8	1,672.9	3,519.8
Other current operating receivables	**13**	1,178.0	(76.8)	1,101.2	183.3	318.6	88.3	511.0
Other non-current financial assets in loans and receivables	**11**	774.8	(73.5)	701.3	59.0	4.1	19.3	618.9 (1)
Current financial assets in loans and receivables	**11**	195.8	(31.9)	163.9	27.9	5.1	3.8	127.1
Loans and receivables		**17,495.2**	**(795.7)**	**16,699.5**	**7,120.3**	**2,013.6**	**1,969.9**	**5,595.7**
Other non-current financial assets	**11**	**72.8**	**(20.2)**	**52.6**	**3.1**	**7.1**	**18.2**	**24.2**
Other current financial assets	**11**	**57.9**	**(4.1)**	**53.8**	**1.9**	**4.1**	**0.3**	**47.5**
Total		**17,625.9**	**(820.0)**	**16,805.9**	**7,125.3**	**2,024.8**	**1,988.4**	**5,667.4**

(2) Of which Dalkia International and its subsidiaries in the amount of €390.8 million as of December 31, 2009.

Given the nature of the Group's activities and its customers, and notably the ongoing nature of its activities, the Group considers that credit risk is unlikely to have a material impact.

Assets past due and not impaired break down as follows:

(€ million)	Note	**As of December 31, 2010**				**Assets past due but not impaired**		
		Gross carrying amount	Provisions	Net carrying amount	Assets not yet due	0-6 months	6 months - 1 year	More than 1 year
Non-current and current operating financial assets	**10**	5,690.6	(62.0)	5,628.6	5,596.8	21.4	4.4	6.0
Trade receivables	**13**	9,855.6	(600.4)	9,255.2	6,959.3	1,555.2	287.3	453.4
Other current operating receivables	**13**	1,187.5	(77.9)	1,109.6	867.0	81.1	80.8	80.7
Other non-current financial assets in loans and receivables	**11**	787.0	(72.3)	714.7	714.7	-	-	-
Current financial assets in loans and receivables	**11**	134.8	(31.6)	103.2	77.7	14.3	6.9	4.3
Loans and receivables		**17,655.5**	**(844.2)**	**16,811.3**	**14,215.5**	**1,672.0**	**379.4**	**544.4**
Other non-current financial assets	**11**	**81.0**	**(22.6)**	**58.4**	**58.4**	**-**	**-**	**-**
Other current financial assets	**11**	**29.3**	**(0.2)**	**29.1**	**15.8**	**-**	**1.8**	**11.5**

Assets past due over 6 months and not impaired (€937 million) mainly consist of trade receivables. They are down 5.1% compared to fiscal year 2009.

Payment delays in excess of 6 months are mainly concentrated in three countries where settlement periods are exceptionally long:

- In Italy, net “trade receivables” accounts for all Group subsidiaries total €277 million as of December 31, 2010, compared to €247 million as of December 31, 2009, for receivables past due over 6 months. This period is due to settlement practices in this country. Furthermore, in Italy, trade receivables primarily consist of a multitude of user/private customers for which the credit risk is highly diluted and local authorities and state bodies for which the recovery period is long.

- In Spain, net “trade receivables” accounts total €53 million as of December 31, 2010, compared to €44 million as of December 31, 2009, for receivables past due over 6 months. These receivables concern the Energy Services and Transportation Divisions.

- In Morocco, net “trade receivables” accounts total €33 million as of December 31, 2010, compared to €40 million as of December 31, 2009, for receivables past due over 6 months.

Finally, in France, net trade receivables past due over 6 months total €228 million at the end of 2010 (€196.7 million at the end of 2009), representing 5% of customer outstandings (including €131 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, 2009:

		As of December 31, **2009**				Assets past due but not impaired		
(€ million)	Note	Gross carrying amount	Provisions	Net carrying amount	Assets not yet due	0-6 months	6 months - 1 year	More than 1 year
Non-current and current operating financial assets	**10**	5,705.0	(53.2)	5,651.8	5,623.7	13.7	7.4	7.0
Trade receivables	**13**	9,941.6	(560.3)	9,081.3	6,765.4	1,631.7	267.3	416.9
Other current operating receivables	**13**	1,178.0	(76.8)	1,101.2	747.2	87.3	171.3	95.4
Other non-current financial assets in loans and receivables	**11**	774.8	(73.5)	701.3	701.3	-	-	-
Current financial assets in loans and receivables	**11**	195.8	(31.9)	163.9	136.4	10.8	5.6	11.1
Loans and receivables		**17,495.2**	**(795.7)**	**16,699.5**	**13,974.0**	**1,743.5**	**451.6**	**530.4**
Other non-current financial assets	**11**	**72.8**	**(20.2)**	**52.6**	**52.6**	**-**	**-**	**-**
Other current financial assets	**11**	**57.9**	**(4.1)**	**53.8**	**48.2**	**-**	**1.9**	**3.7**

Financial assets maturity schedule as of December 31, 2008:

(€ million)	Note	As of December 31, **2008** Gross carrying amount	Provisions	Net carrying amount	Assets not yet due	Assets past due but not impaired 0-6 months	6 months - 1 year	More than 1 year
Non-current and current operating financial assets	**10**	5,763.8	(12.6)	5,751.2	5,738.4	7.2	5.6	-
Trade receivables	**13**	10,253.0	(550.9)	9,702 .1	6,649.7	2,258.2	387.4	406.8
Other current operating receivables	**13**	1,314.1	(59.6)	1,254.5	819.5	162.5	162.1	110.4
Other non-current financial assets in loans and receivables	**11**	803.0	(63.4)	739.6	739.6	-	-	-
Current financial assets in loans and receivables	**11**	283.3	(27.9)	255.4	188.6	45.2	12.3	9.3
Loans and receivables		**18,417.2**	**(714.4)**	**17,702.8**	**14,135.8**	**2,473.1**	**567.4**	**526.5**
Other non-current financial assets	**11**	**91.5**	**(13.8)**	**77.7**	**77.7**	**-**	**-**	**-**
Other current financial assets	**11**	**70.2**	**(4.2)**	**66 .0**	**17.7**	**30.5**	**3.9**	**13.9**

29.4.2 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 currency 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 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). Limits are determined for each counterparty based primarily on the rating awarded by the rating agencies and the size of their equity, and are reviewed monthly. In addition, derivative transactions are only entered into with counterparties with whom the Group has an ISDA or FBF framework agreement.

Deposit counterparty risk is managed by the Treasury and Financing Department which centralizes the cash positions of Group entities. In this way, the counterparty risk of entities is limited to settlement and account keeping banking activities, signature commitments and the continuation of credit lines obtained from banks with the authorization of the Group Treasury and Financing Department.

Counterparty risk on financial transactions is monitored on an ongoing basis by the middle-office. The Group is not exposed to any risk as a result of material concentration.

As of December 31, 2010, Veolia Environnement SA’s total outstandings exposed to credit risk amounted to €3,657.9 million with regard to investments and €453.6 million with regard to derivative instruments (sum of the fair values of assets and liabilities). These counterparties are investment grade for 100% of the total exposure.

Veolia Environnement SA cash surpluses (€3.66 billion as of December 31, 2010) 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 Euro Monetary classification) for €2,836 million;
- term deposits with a maturity of less than three months with leading French banks with a short-rating from Moody's, Standard & Poor's or Fitch of A1+/P1/F1, for €397 million;
- negotiable debt securities with a maturity of less than three months issued by CAC40 or Eurostoxx 50 companies for €249 million;
- monetary notes issued by leading French banks with a short-term rating from Moody's, Standard & Poor's or Fitch of A1+/P1/F1, for €175 million.

30 Employee benefit obligation

Share based compensation

Veolia Environnement share purchase and subscription option plans

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Outstanding option plans at the end of 2010 were as follows:

	N°8 2010	N°7 2007	N°6 2006	N°5 2004	N°4 2003	N°3 2002
Grant date	09/28/2010	07/17/2007	03/28/2006	12/24/2004	03/24/2003	01/28/2002
Number of options granted	2,462,800	2,490,400	4,044,900	3,341,600	5,192,635	4,413,000
Number of options not exercised	2,462,800	592,900*	3,448,416	3,064,287	1,544,240	0
Plan term	8 years	8 years	8 years	8 years	8 years	8 years
Vesting conditions	4 years service plus performance conditions	4 years service plus performance conditions	4 years service	3 years service plus performance conditions for certain plans	3 years service	3 years service
Vesting method	After 4 years	After 4 years	After 4 years	By tranches of 1/3 over 3 years	By tranches of 1/3 over 3 years	By tranches of 1/3 over 3 years
Strike price (in euros)	22.50	57.05	44.03**	24.32**	22.14**	36.65**

* *Given the performance criteria, the number of options effectively exercisable was reduced by 1,742,650 in 2008.*

** *Strike price adjusted to take account of transactions impacting the share capital of the Company (issue of share subscription warrants on December 17, 2001 and share capital increases with retention of preferential subscription rights on August 2, 2002 and July 10, 2008). The initial strike prices for plans no.3, no.4, no.5 and no.6 were €37.53 €22.50, €24.72 and €44.75, respectively.*

2010

In 2010, the Group granted 2,462,800 share options to members of the Executive Committee (excluding the Chief Executive Officer) and three employee groups. The first group comprises Veolia Environnement Group key management, excluding members of the Executive Committee. The second group comprises other Group management members and the third one includes high-performing executive and non-executive employees. The estimated fair value of each option granted in 2010 is €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 dividend of 6.14%, risk-free interest rate of 1.97% and estimated exercise maturity of six years.

2008 and 2009

The Group did not grant any share options in 2008 or 2009.

2007

In 2007, the Group granted 2,490,400 share options to two employee groups. The first group comprises Veolia Environnement Group management, including members of the Executive Committee. The second group comprises senior managers of Veolia Environnement Group companies and employees recognized for their excellent performance in 2006. The estimated fair value of each option granted in 2007 was €13.91. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €57.26, historical volatility of 21.75%, expected dividend yield of 2%, risk-free interest rate 4.59% and estimated exercise maturity of six years.

In 2007, the Group granted 333,700 Free Shares to employees recognized for their excellent performance in 2006. In France, rights vest after two years, followed by a two year lock-in period and are subject to performance conditions. Outside France, rights vest after four years subject to performance conditions. The estimated fair value of each free share granted in 2007 was €57.26, net of dividends not received during the vesting period and, for shares granted to French employees, a discount for non-transferability.

Finally, in 2007 the Group granted 205,200 stock appreciation rights (SAR) on ordinary shares to three employee groups: firstly, Veolia Environnement Group management, secondly senior managers of Veolia Environnement Group companies and thirdly employees recognized for their excellent performance in 2006. Rights vest after four years subject to performance conditions. As of December 31, 2010, the estimated fair value of each option granted in 2007 is €0.03. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €21.86, historical volatility of 32.38%, expected dividend yield of 5.48%, risk-free interest rate of 1.12%, estimated exercise maturity of two years, subscription price of €57.20.

The performance condition determining the number of options granted under the three 2007 plans (share options, free shares and SAR) was the increase in net earnings per share between December 31, 2006 and December 31, 2008. This was taken into account in the calculation of the number of options vested and the compensation expense.

2006

In 2006, the Group granted 4,044,900 share options to three employee groups. The first group comprises Veolia Environnement Group management, including members of the Executive Committee. The second group comprises senior management of Veolia Environnement Group companies. The third group comprises Group employees recognized for their excellent performance. The estimated fair value of each option granted in 2006 was €10.01. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €44.75, historical volatility of 22.6%, expected dividend yield of 1.92%, risk-free interest rate of 3.69% and estimated exercise maturity of 6 years.

Information on share purchase and subscription options granted since 2001 is presented below, with a breakdown of movements in 2007, 2008 and 2009 (share option plans excluding SAR plans and free share plans):

	Number of shares outstanding	**Weighted average strike price (in euros)**
As of December 31, 2006	**16,800,258**	**33.67**
Granted	2,490,400	57.05
Adjustment for share capital increase of July 10, 2007	228,525	33.79
Exercised	(4,046,076)	30.20
Cancelled	(51,934)	49.70
Expired	-	
As of December 31, 2007	**15,421,173**	**37.71**
Granted	-	-
Exercised	(886,095)	28.36
Cancelled	(242,056)	46.78
Expired	(1,804,495)*	56.17
As of December 31, 2008	**12,488,527**	**35.53**
Granted	-	-
Exercised	(31,011)	25.06
Cancelled	(148,418)	46.05
Expired	(1,382,525)	40.59
As of December 31, 2009	**10,926,573**	**34.78**
Granted	2,462,800	22.50
Exercised	(71,113)	29.46
Cancelled	(310,576)	45.43
Expired	(1,895,041)	36.65
As of December 31, 2010	**11,112,643**	**31.48**

* *including 1,742,650 shares due to failure to meet performance conditions.*

The average share price at the time of option exercise in 2010 was €23.89.

Details of Veolia Environnement share purchase and subscription options outstanding as of December 31, 2010 are as follows:

Strike price	Number of options outstanding	Weighted average strike price (in euros)	Average residual term (in years)	Number of options vested
20-25	7,071,327	23.21	3.61	4,068,527
35-40				
40-45	3,448,416	44.03	3.24	3,448,416
55-60	592,900	57.05	4.54	0
	11,112,643	31.48	3.54	8,056,943

As of December 31, 2010, 8,056,943 options can be exercised.

Employees' savings plans

Veolia Environnement has 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.

Veolia Environnement did not introduce any new employee savings plans in 2008.

Shares subscribed by Veolia Environnement employees in 2010 and 2009:

	2010	**2009**
Number of shares	855,335	624,387
Subscription price	€17.74	€21.28
Amount subscribed (€ million)	15.2	13.3

In 2010, a compensation expense of €8.2 million was recorded in accordance with IFRS 2 on share-based payments. This compensation includes a discount for non-transferability applied to the standard plan of €1.2 million.

In 2009, in the absence of a discount for plan subscribers, the expense recognized for the savings plan totaled €5.1 million and corresponds to the contribution valued as of July 3, the transaction closing date, less a non-transferability discount for the standard plan of €915,000.

Veolia Group applies the recommendations of the CNC (communiqué of December 21, 2004 on Company Savings Plans and supplementary notice of February 2, 2007). The discount for non-transferability was determined by calculating the difference between the value of a five-year forward sale of shares and the spot purchase of the same number of shares, financed by a loan.

The following assumptions were adopted in 2010 and 2009:

	2010	**2009**
Risk-free interest rate	1.81%	2.76%
Interest rate for calculating the carrying cost	5.74%	6.90%
Notional cost of non-transferability of shares (as a percentage of the spot rate of the shares at the grant date)	17%	17.9%

Pension plans and other post-employment benefits

a - 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.

In certain subsidiaries, supplementary defined contribution plans were set up. Expenses incurred by the Group under these plans total €98 million for 2010 and €91 million for 2009.

Certain Group companies have established defined benefit pension plans and/or offer other post-employment benefits (mainly retirement termination payments). The largest defined benefit pension plans are located in the United Kingdom, with a pension obligation as of December 31, 2010 of €1,130 million (and plan assets of €976 million) and in France with a pension obligation as of December 31, 2010 of €501 million (and plan assets of €123 million).

In the United Kingdom pension obligations relate to several plans, mainly to final salary defined-benefit plans that are funded through an independent pension fund. Most of these plans are closed to new entrants. The duration of these plans is 19 years.

In France, approximately 80% of the liabilities relate to retirement indemnities (legally required payments) paid in a lump sum. These indemnities represent few or several months of pay based on Group seniority and are legally required by the applicable collective-bargaining agreement to be paid at the time the employee retires. The duration of these plans is approximately 10 years. A portion of these liabilities is financed through insurers' funds.

During the year, pension reforms were adopted in France. The main measures concern increases in the normal retirement age and the early retirement age without reduction factors. The impact of these reforms was recognized in actuarial gains and losses.

Under collective agreements, certain Group companies participate in multi-employer defined benefit pension plans. However, as 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 recorded as defined contribution plans in accordance with IAS 19. The main multi-employer plans are located in Sweden, Germany and the Netherlands and concern approximately 11,000 employees. The corresponding expense recorded in the consolidated income statement is equal to annual contributions and totals approximately €29 million in 2010 and 2009. Multi-employer plans in Sweden and the Netherlands are funded by capitalization; German multi-employer plans are funded by redistribution.

The Group also offers post-employment benefits and notably health insurance plans in the United States and France.

b - Obligations in respect of defined benefit pension plans and other post-employment benefits

The following tables present obligations in respect of defined benefit pension plans and other post-employment benefits.

NB: these tables exclude, by definition, defined contribution pension plans (as the obligation is limited to the annual contribution expensed in the year and the plans do not, therefore, result in the recording of a provision based on actuarial valuations) and multi-employer defined benefit pension plans which are accounted for as defined contribution pension plans.

b-1 Change in the defined benefit obligations (DBO)

(€ million)	As of December 31, Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)			Health insurance coverage of retirees		
Change in the defined-benefit obligation	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Defined benefit obligation at beginning of year	**1,770.1**	**1,522.0**	**1,733.4**	**41.5**	**41.7**	**41.0**
Current service cost	57.1	51.3	53.4	1.5	0.6	1.4
Interest cost	92.9	89.4	88.7	2.3	2.4	2.2
Plan participants' contributions	5.4	5.7	7.1	-	-	-
Benefit obligation assumed on acquisition of subsidiaries *	64.7	5.1	7.3	-	-	-
Benefit obligation transferred on divestiture of subsidiaries	(14.5)	(14.3)	(20.4)	(1.8)	-	-
Curtailments	(3.6)	(9.3)	(5.0)	-	-	-
Liquidations	(10.3)	(1.1)	(23.2)	-	(2.6)	-
Actuarial losses (gains)	106.2	142.6	(75.2)	3.8	1.3	(3.7)
Benefits paid	(86.6)	(78.8)	(79.2)	(3.3)	(2.8)	(3.1)
Plan amendments	10.6	3.3	43.0	3.8	-	-
Other (incl. changes in consolidation scope and foreign exchange translation)	70.7	54.2	(207.9)	5.4	0.9	3.9
(a) Defined benefit obligation at end of year	**2,062.7**	**1,770.1**	**1,522.0**	**53.2**	**41.5**	**41.7**

* *Primarily concerns obligations assumed by the Group following the Phoenix contract win in the United States in the amount of €56.8 million.*

Other changes in the defined benefit obligation for pension plans and other post-employment benefits (excluding health insurance coverage of retirees) primarily concern the impact of foreign exchange translation (€67 million in 2010, €60 million in 2009 and -€239 million in 2008).

b-2 Change in plan assets

(€ million)	As of December 31, Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)			Health insurance coverage of retirees		
Change in plan assets	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Fair value of plan assets at beginning of year	**1,101.9**	**901.1**	**1,242.7**	**-**	**-**	**-**
Expected return on plan assets	67.4	58.6	72.8	-	-	-
Actuarial gains (losses)	35.6	79.2	(219.6)	-	-	-
Group contributions **	58.4	63.4	45.2	-	-	-
Plan participants' contributions	5.4	5.7	7.1	-	-	-
Plan assets acquired on acquisition of subsidiaries *	38.5	4.1	1.8	-	-	-
Plan assets transferred on divestiture of subsidiaries	(6.7)	(2.4)	(1.6)	-	-	-
Liquidations	(8.4)	(0.9)	(12.2)	-	-	-
Benefits paid	(52.8)	(50.5)	(49.0)	-	-	-
Other (incl. changes in consolidation scope and foreign exchange translation)	51.0	43.6	(185.9)	-	-	-
(b) Fair value of plan assets at end of year	**1,290.3**	**1,101.9**	**901.1**	**-**	**-**	**-**

* *Primarily concerns plan assets acquired by the Group following the Phoenix contract win in the United States in the amount of €38.4 million.*
** *Group contributions in 2009 include exceptional contributions of €7 million in the United Kingdom.*

Other changes in plan assets primarily concern the impact of foreign exchange translation (€48 million in 2010, €51 million in 2009 and -€211 million in 2008).

The Group plans to make contributions of €44 million to defined benefit plans in 2011.

Group pension plan assets were invested as follows as of December 31, 2010, 2009 and 2008:

	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
Shares	47%	46%	46%
Bonds and debt instruments	45%	41%	40%
Insurance risk-free funds	5%	13%	12%
Liquid assets	2%	0%	0%
Other	1%	0%	2%

Group assets in France are primarily invested with insurance companies and the expected long-term return on these assets is directly linked to past rates of return. Assets in the United Kingdom are primarily invested in shares and bonds via a trust and expected long-term rates of return are based on long-term market performance statistics.

The actual return on plan assets (expected return on plan assets + actuarial gains/losses) was €103.0 million at the end of 2010, compared to €137.8 million at the end of December 2009 and -€146.8 million at the end of December 2008.

The expected return on plan assets in 2011 is €75 million.

b-3 Change in funding status and the provision

	As of December 31,					
	Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)			Health insurance coverage of retirees		
(€ million)	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Funding status = (b) – (a)	**(772.4)**	**(668.2)**	**(620.9)**	**(53.2)**	**(41.5)**	**(41.7)**
Unrecognized past service cost	93.3	88.4	96.6	2.9	0.6	-
Other	-	-	(2.1)	-	-	-
Net obligation	**(679.1)**	**(579.8)**	**(526.4)**	**(50.3)**	**(40.8)**	**(41.7)**
Provisions	(686.2)	(594.2)	(539.8)	(50.3)	(40.8)	(41 .7)
Prepaid benefits	7.1	14.4	13.6	-	-	-

Provisions for post-employment benefits total €736.5 million, compared to €635.0 million in 2009. In 2010, this amount notably includes provisions of €15.1 million reclassified in the consolidated statement of financial position in Liabilities directly associated with assets held for sale (i.e. an amount of €722.5 million recorded in the consolidated statement of financial position).

The defined benefit obligation (DBO) is €409.9 million for unfunded defined benefit pension plans and other post-employment benefits (excluding health insurance coverage of retirees) and €1,652.8 million for partially or fully funded plans as of December 31, 2010, compared to €347 million and €1,423 million at the end of 2009 and €341 million and €1,181 million at the end of 2008.

b-4 Change in repayment entitlement

(€ million) Change in repayment entitlement	2010	2009	2008
Fair value of repayment entitlement at beginning of year	**22.4**	**22.3**	**21.5**
Expected return on repayment entitlement	0.9	0.9	0.9
Actuarial gains (losses)	1.4	0.9	(1.0)
Repayment entitlement acquired on acquisition of subsidiaries	0.8	-	-
Repayments	(1.4)	(1.9)	(1.6)
Other (incl. new repayment entitlements)	0.1	0.2	2.5
Fair value of repayment entitlement at end of year	**24.2**	**22.4**	**22.3**

The market value of repayment entitlement recorded in assets as of December 31, 2010 is €24.2 million. Repayment entitlement concerns the portion of employee rights to post-employment benefits (including health insurance coverage of retirees) 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.

b-5 Impact on the consolidated income statement

The net benefit cost for the period is as follows:

	As of December 31,					
	Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)			Health insurance coverage of retirees		
(€ million)	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Current service cost	57.1	51.3	53.4	1.5	0.6	1.4
Interest cost	92.9	89.4	88.7	2.3	2.4	2.2
Expected return on plan assets	(67.4)	(58.6)	(72.8)	-	-	-
Expected return on repayment entitlement	-	-	-	(0.9)	(0.9)	(0.9)
Past service costs recognized in the year	11.1	10.2	9.4	1.5	0.4	-
Curtailments / liquidations	(3.0)	(9.5)	(16.3)	-	(2.6)	-
Other (1)	(0.9)	(12.3)	(1.2)	-	-	2.2
Net benefit cost (2)	**89.8**	**70.5**	**61.2**	**4.4**	**(0.1)**	**4.9**

(1) In 2009, the "Other" heading primarily includes provision charges and reversals for employee benefit obligations relating to contract wins and losses.

(2) The 2008 cost excludes the Clemessy and Crystal entities, divested in December 2008.

These costs are recorded in full in operating income, except for interest costs and the expected return on plan assets which are recorded in net finance costs.

c - Actuarial assumptions

Actuarial assumptions used for calculation purposes vary depending on the country in which the plan is implemented.

Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)

The benefit obligation in respect of pension plans as of December 31, 2010, 2009 and 2008 is based on the following average assumptions:

	As of December 31, 2010	**As of December 31, 2010**	**As of December 31, 2010**
Discount rate	4.76%	5.23%	5.83%
Expected rate of salary increase	3.44%	3.66%	3.8%

As of December 31, 2010, the discount rates in the main areas with regard to post-employment commitments are as follows:

	As of December 31, 2010
United Kingdom	5.10%
Euro zone	4.60%

Expected returns on plan assets in 2010, 2009 and 2008, as defined at the start of each year to determine the amount recorded in the income statement, are as follows:

	As of December 31, 2010	**As of December 31, 2010**	**As of December 31, 2010**
Expected return on plan assets	5.9%	6.5 %	6.4 %
Average residual active life expectancy (in years)	12.9	13.0	12.0

In the United Kingdom, where the vast majority of plan assets are located, the expected return, as defined at the start of 2010, was 6.2%.

The actual return on plan assets in 2010, 2009 and 2008 was 8.6%, 13.8% and -13.7%, respectively.

Sensitivity of the benefit obligation and the current service cost to rate changes

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 €290 million and the current service cost by €9 million. A 1% decrease in the discount rate would increase the benefit obligation by €347 million and the current service cost by €11 million.

Conversely, a 1% increase in the inflation rate would increase the benefit obligation by €281 million and the current service cost by €11 million. A 1% decrease in the inflation rate would decrease the benefit obligation by €243 million and the current service cost by €9 million.

A 1% increase in the expected rate of return assumption would generate additional income of €12.4 million.

Health insurance coverage of retirees

Additional assumptions concerning health insurance plans are as follows:

Average rate of increase in health insurance costs	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Assumed rate of increase in health costs in the coming year	5.6%	4.9 %	5.1 %
Target rate of increase in costs	3.9%	3.5%	3.6%
Year long-term rate is expected to stabilize	2020	2019	2020

Assumptions concerning the growth in health insurance costs impact the post-employment benefit obligation as follows: a 1% increase in the assumed rate of increase in health costs would increase the post-employment benefit obligation by €10.4 million and, conversely, a 1% decrease would reduce the post-employment benefit obligation by €10.5 million.

Assumptions concerning the rate of increase in health insurance costs have a minimal impact on the current service cost.

Amounts for the current and four prior periods are as follows:

Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)	**2010**	**2009**	**2008**	**2007**	**2006**
Benefit obligation at year end	(2,062.7)	(1,770.1)	(1,522.0)	(1,733.4)	(1,836.0)
Fair value of plan assets at year end	1,290.3	1,101.9	901.1	1,242.7	1,220.8
Funding status	(772.4)	(668.2)	(620.9)	(490.7)	(615.2)
Actuarial gains (losses) / experience adjustments on obligations	0.3	(11.7)	8.8	(0.7)	3.4
% of the benefit obligations	(0.02%)	0.66%	(0.58%)	0.04%	(0.19%)
Actuarial gains (losses) / experience adjustments on plan assets	35.6	79.2	(219.6)	(5 .6)	21.5

Health insurance coverage of retirees	**2010**	**2009**	**2008**	**2007**	**2006**
Benefit obligation at year end	(53.2)	(41.5)	(41.7)	(41.0)	(53.8)
Fair value of plan assets at year end	-	-	-	-	-
Funding status	(53.2)	(41.5)	(41.7)	(41.0)	(53.8)
Actuarial gains (losses) / experience adjustments on obligations	0.7	0.5	1.9	1.9	(0.7)
% of the benefit obligations	(1.25%)	(1.20%)	(4.56%)	(4.63%)	1.30%
Actuarial gains (losses) / experience adjustments on plan assets	-	-	-	-	-

The cumulative amounts of actuarial gains and losses on obligations and plan assets recognized in other comprehensive income and the change in the asset ceiling are as follows:

	2010	**2009**	**2008**
Cumulative amounts as of January 1	**(247.5)**	**(185.8)**	**(48.3)**
Change in the period	(73.0)	(61.7)	(137.5)
Cumulative amounts as of December 31	**(320.5)**	**(247.5)**	**(185.8)**

31 Main acquisitions

31.1 Acquisitions in 2010

Acquisitions in 2010 with related cash flows of more than €100 million are detailed below.

Acquisitions in 2010 with related net cash flows of less than €100 million represent business combination costs of €79 million. These acquisitions contributed €53 million to Group revenue in 2010.

These transactions were recognized in accordance with the revised standard on business combinations (IFRS 3 revised).

Under IFRS 3 revised, the Group has a period of 12 months commencing the acquisition date during which to finalize the accounting recognition of the business combination considered. Asset and liability fair values adopted at the year-end may, therefore, change.

In general, goodwill balances are justified by synergies with existing operations in the Group and future developments.

Acquisition of United Utilities

On November 9, 2010, the Water Division, via its Veolia Voda and Veolia Water Enterprise subsidiaries, acquired certain United Utilities Group businesses for an acquisition price (enterprise value) of €193 million, including:

- in Central and Eastern Europe, primarily:
  - a 77.1% shareholding, via Veolia Voda, in Sofiyska Voda, which operates water supply and treatment services for the city of Sofia in Bulgaria, serving 1.3 million residents. These companies are fully consolidated,
  - a 33.2% shareholding in Aqua SA, which operates water supply and treatment services for the city of Bielsko Biala and surrounding areas in southern Poland, serving over 300,000 residents. This company is proportionately consolidated;
- in the United Kingdom, acquisition of a portfolio of outsourcing, industrial engineering and infrastructure contracts. In addition to this portfolio, minority stakes were also acquired in three PFI (Private Finance Initiative) contracts in Scotland (the Tay, Moray and Highland wastewater treatment plants). The investments in the above PFI contracts in the United Kingdom were sold in December for a consideration of €69 million, with the Group retaining a minority stake in the Scottish PFI contracts.

This acquisition forms part of the Group's organic growth strategy.

It was recognized in accordance with the revised standard on business combinations (IFRS 3 revised).

The appraisal process to recognize the acquired assets and liabilities at fair value is still in progress at year-end and asset and liability fair values may therefore change in 2011.

The provisional fair values of assets and liabilities at the year-end are as follows:

(€ million)	Net carrying amount	Acquisition method	**Provisional fair value as of December 31, 2010**
ASSETS (+)			
Non-current assets			
Concession intangible assets	91.3	10.5	101.8
Other intangible assets	2.2	22.8	25.0
Property, plant and equipment	23.4		23.4
Investments in associates	7.3		7.3
Other non-current financial assets	0.2		0.2
Deferred tax assets	12.6		12.6
Current assets			
Inventories and work-in-progress	4.3		4.3
Operating receivables	70.1		70.1
Cash and cash equivalents	35.2		35.2
Assets classified as held for sale	6.9		6.9
LIABILITIES (-)			
Non-current liabilities			
Non-current provisions	(3.1)		(3.1)
Non-current borrowings	(34.9)		(34.9)
Non-current derivative instruments – Liabilities	(4.7)		(4.7)
Deferred tax liabilities	(1.2)	(7.2)	(8.4)
Current liabilities			
Operating payables	(101.8)		(101.8)
Current provisions	(9.8)		(9.8)
Current borrowings	(18.2)		(18.2)
Bank overdrafts and other cash position items	(0.2)		(0.2)
Total net assets	**79.6**	**26.1**	**105.7**
Residual goodwill			**16.0**
Cost of the business combination			**121.7**
Acquisition price			114.8
Portion attributable to non-controlling interests determined based on their share in identifiable assets and liabilities of the company			6.9
Acquisition cash flows			**79.8**
Acquisition price			114.8
Cash acquired			35.0

Acquisition costs of -€7.2 million were recorded in operating income.

The businesses purchased from United Utilities Group contributed €12 million to revenue in 2010. Had these businesses been consolidated from January 1, 2010, they would have contributed €197 million to Group revenue in 2010.

Acquisition of New World Resources Energy in the Energy Services Division (Czech Republic)

On June 25, 2010, Dalkia Ceska Republika acquired the entire share capital of:

- New World Resources Energy (NWR Energy), which distributes electricity and produces heat, hot water and compressed air for Czech coal mines;
- and two subsidiaries: Czech-Karbon, a Czech electricity trading company and NWR Energetyka PL Spolka, a Polish company that buys and distributes energy in Poland.

At Group level, NWR Energy and its subsidiaries are proportionately consolidated in the amount of 75.81%.

This acquisition forms part of the expansion of the Group's activities in the energy sector in the Czech Republic.

It was recognized in accordance with the revised standard on business combinations (IFRS 3 revised).

The appraisal process to recognize the acquired assets and liabilities at fair value is still in progress at year-end and asset and liability fair values may therefore change in 2011.

The provisional fair values of assets and liabilities at the year-end are as follows:

(€ million)	Net carrying amount (proportionate share)	Acquisition method (proportionate share)	**Provisional fair value as of December 31, 2010 (proportionate share)**
ASSETS (+)			
Non-current assets			
Goodwill	48.2	(48.2)	
Other intangible assets	0.4	40.4	40.8
Property, plant and equipment	20.2	2.2	22.4
Non-current operating financial assets		15.0	15.0
Other non-current financial assets		12.3	12.3
Deferred tax assets	0.4	9.3	9.7
Current assets			
Operating receivables	29.7	(12.2)	17.5
Cash and cash equivalents	7.9		7.9
LIABILITIES (-)			
Non-current liabilities			
Non-current provisions		(1.1)	(1.1)
Non-current derivative instruments – Liabilities	(0.1)		(0.1)
Deferred tax liabilities	(11.5)	(8.8)	(20.3)
Current liabilities			
Operating liabilities	(23.3)		(23.3)
Net assets acquired	**71.9**	**8.9**	**80.8**
Net asset in proportionate share			**80.8**
Residual goodwill			**24.1**
Consideration transferred (Cost of the business combination)			**104.9**
Acquisition cash flows			**97.0**
Cash outflow			104.9
Cash acquired			7.9

(1) Net cash flows total €128 million (100%).

Acquisition costs of -€3.3 million were recorded in operating income.

NWR Energy Group contributed €96.9 million to revenue in 2010.

Had the group been consolidated from January 1, 2010, it would have contributed €185.3 million to Group revenue in 2010.

Acquisition of companies formerly held jointly with Suez Environnement in the Water Division

The transactions to redistribute the joint holdings in subsidiaries were completed on March 22, 2010 and resulted in:

- the sale of several entities by Veolia Eau;
- the acquisition of additional interests in Société des Eaux de Marseille and its subsidiaries and Société des Eaux d'Arles. Following this transaction, Veolia Eau holds 97.7% of Société des Eaux de Marseille and its subsidiaries and 100% of Société des Eaux d'Arles. These companies are fully consolidated.

This transaction was recognized in accordance with the revised standard on business combinations (IFRS 3 revised). The Group therefore remeasured to fair value the interests previously held in these companies at the date of acquisition of control (€148.6 million). The impact on the consolidated income statement is presented in "Capital gains and losses on financial assets" in operating income.

The appraisal process to recognize the acquired assets and liabilities at fair value is still in progress at year-end and asset and liability fair value may therefore change in 2011.

The provisional fair values of assets and liabilities at the year-end are as follows:

(€ million)	Net carrying amount	Acquisition method	**Provisional fair value as of December 31, 2010**
ASSETS (+)			
Non-current assets			
Concession intangible assets	21.2	51.4	72.6
Other intangible assets	1.2		1.2
Property, plant and equipment	40.0	19.7	59.7
Investments in associates			
Non-consolidated investments	5.6	1.5	7.1
Non-current operating financial assets	5.8		5.8
Other non-current financial assets	1.2		1.2
Deferred tax assets	5.5		5.5
Current assets			
Inventories and work-in-progress	1.3		1.3
Operating receivables	146.9		146.9
Current operating financial assets	0.4		0.4
Other current financial assets	5.6		5.6
Cash and cash equivalents	125.2		125.2
LIABILITIES (-)			
Non-current liabilities			
Non-current provisions	(6.8)		(6.8)
Non-current borrowings	(0.3)		(0.3)
Deferred tax liabilities	(23.3)	(22.1)	(45.4)
Current liabilities			
Operating payables	(154.9)		(154.9)
Current provisions	(19.1)	(0.3)	(19.4)
Current borrowings	(21.9)		(21.9)
Bank overdrafts and other cash position items	(3.4)		(3.4)
Total net assets	**130.2**	**50.2**	**180.4**
Residual goodwill			**120.9**
Cost of the business combination			**301.3**
Acquisition price			148.6
Portion attributable to non-controlling interests determined based on their share in identifiable assets and liabilities of the company			4.1
Revalued investment previously held			148.6
Acquisition cash flows			**90.3**
Acquisition price			148.6
Cash acquired			58.3

These transactions to redistribute shareholdings in companies formerly held jointly with Suez Environnement did not have a material impact on Group revenue.

31.2 Acquisitions in 2009

Acquisitions in 2009 with related net cash flows of less than €100 million represent business combination costs of €195 million. These acquisitions contributed €110 million to Group revenue in 2009.

32 Construction contracts

As described in Note 1.22, Veolia Group recognizes its construction contracts under the percentage of completion method. At each period-end, a statement per contract compares the amount of costs incurred, plus profits (including any provisions for losses to completion) with intermediary billings: “Construction contracts in progress / Assets” is therefore a contract for which the costs incurred and profits recognized exceed amounts billed.

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Construction contracts in progress / Assets (A)	500.0	358.7	495.6
Construction contracts in progress / Liabilities (B)	238.1	292.4	332.2
Construction contracts in progress / net (A) – (B)	**261.9**	**66.3**	**163.4**
Costs incurred plus income and losses recognized to date (C)	5,757.4	5,413.7	4,404.8
Amounts billed (D)	5,495.5	5,347.4	4,241.4
Construction contracts in progress / net (C) – (D)	**261.9**	**66.3**	**163.4**
Customer advances	**55.0**	**36.8**	**355.8**

33 Operating leases

The Group enters into operating leases (mainly for transportation equipment and buildings).

Future minimum lease payments under operating leases amount to €3,108.1 million as of December 31, 2010, compared to €2,753.7 million as of December 31, 2009 and €2,530.4 million as of December 31, 2008.

As of December 31, 2010, future minimum lease payments under these contracts were as follows:

(€ million)	Operating lease
2011	690.5
2012 & 2013	955.6
2014 & 2015	627.1
2016 and thereafter	834.9
Total future minimum lease payments	**3,108.1**

Lease payments for the period

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Minimum lease payments expensed in the year	732.7	630.9	609.7
Contingent rent expensed in the year	18.7	18.7	13.6
Total lease payments for the year	**751.4**	**649.6**	**623.3**

Sub-lease revenue is not material.

Assets leased under operating leases

The value of assets concerned by operating leases within the Group is not material.

34 Proportionately consolidated companies

Summarized financial information in respect of proportionately consolidated companies is set out below (Group share):

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Non-current assets	8,421.2	8,188.4	7,682.7
Current assets	4,021.6	3,984.1	3,670.8
Total assets	**12,442.8**	**12,172.5**	**11,353.5**
Equity attributable to owners of the Company	3,256.5	3,128.1	2,910.7
Equity attributable to non-controlling interests	1,065.3	915.1	801.6
Non-current liabilities	3,295.2	3,295.8	3,016.6
Current liabilities	4,825.8	4,833.4	4,624.6
Total equity and liabilities	**12,442.8**	**12,172.4**	**11,353.5**

(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Income Statement data			
Revenue	5,767.6	5,520.3	5,481.1
Operating income	710.7	636.8	612.6
Net income for the year	311.6	326.5	261.2
Financing data			
Operating cash flows	671.1	819.8	712.3
Investing cash flows	(193.0)	(644.9)	(621.7)
Financing cash flows	(213.5)	(316.1)	(533.2)

The most material proportionately consolidated entities are as follows:

- BWB (Berlin water services company) in the Water Division in Germany is 50% consolidated and contributed revenue of €599 million, operating income of €199 million, net assets of €2,674 million and net financial debt of €1,480 million;

- Dalkia International is 75.81% consolidated and contributed revenue of €2,763 million, operating income of €269 million and net assets of €2,480 million;

- The Proactiva Group in South America is 50% consolidated and contributed revenue of €210 million, operating income of €24 million and net assets of €148 million;

- The Shenzhen and Tianjin Shibei contracts in the Water Division in China are 25% and 49% consolidated respectively and contributed of €147 million and €64 million respectively to revenue and €341 million and €222 million respectively to net assets;

- In North Africa and the Middle East, Azalyia and its subsidiaries, consolidated 51%, contributed revenue of €298 million, operating income of €21 million, net assets of €456 million and net financial debt of €333 million.

35 Tax audit

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.

In France, the tax authorities have carried out various tax audits in respect of both consolidated tax groups and individual entities. The tax audits concerning the major Group companies in France, including Veolia Propreté SA and Veolia Environnement SA, were closed in 2010. To date, none of these reviews have led to material liabilities to the tax authorities in excess of amounts estimated during the review of tax risks and the booking of provisions in accordance with IAS 37. Other audits are still ongoing (Veolia Eau-Compagnie Générale des Eaux, Compagnie des Eaux et de l'Ozone, Dalkia France, Sade). These companies received notifications interrupting statut of limitation which did not indicate risks greater than those already provided in the Group accounts.

In Italy, in the Energy Services Division, Siram received a revised tax assessment in respect of fiscal year 2005. In addition, discussions continued with the Italian tax authorities regarding the revised tax assessment notified in 2009 in respect of fiscal year 2004. The liabilities arising from these tax audits have been anticipated and provided for in accordance with IAS 37.

In Morocco, Amendis closed its tax audit by signing an agreement with the Moroccan tax authorities on December 1, 2010.

On March 10, 2010, Veolia Environnement through its subsidiary Venao received notices of proposed adjustments ("NOPAs") from the U.S. Internal Revenue Service (IRS) relating to a number of tax positions concerning its U.S. subsidiaries, including primarily tax losses resulting from the reorganization of the former US Filter-(Worthless Stock Deduction), in the amount of US$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 of a pre filing agreement from the Internal Revenue Service (I.R.S) in order to validate the amount of tax losses as of December 31, 2006, following the reorganization of Water Division activities ("Worthless Stock Deduction").

During 2010, the Group has continued the discussion of 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, 2010, the remaining NOPAs, before any penalties, relate to the Worthless Stock Deduction for U.S. $4.5 billion (tax base) as well as other issues for an estimated aggregate amount of U.S. $0.7 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, Veolia Environnement has not recorded any provisions in its consolidated financial statements in respect of the NOPAs and had recorded a deferred tax asset relating to these tax losses (see note 12).

36 Off-balance sheet commitments and collateral

Commitments given

Off-balance sheet commitments given break down as follows:

(€ million)	As of December 31, **2008**	As of December 31, **2009**	**As of December 31, 2010**	Maturity: Less than 1 year	Maturity: 1 to 5 years	Maturity: More than 5 years
Commitments relating to operating activities	**6,966.9**	**7,321.0**	**8,259.5**	**2,774.6**	**3,285.8**	**2,199.1**
Operational guarantees including performance bonds	6,624.9	6,950.9	7,894.9	2,597.6	3,194.2	2,103.1
Purchase commitments	219.2	162.1	110.2	74.4	22.9	12.9
Other commitments given	122.8	208.0	254.4	102.6	68.7	83.1
Commitments relating to the consolidated scope	**681.2**	**861.1**	**772.0**	**342.8**	**201.6**	**227.6**
Vendor warranties	392.7	591.6	575.4	188.7	162.4	224.3
Purchase commitment	257.2	263.0	192.9	151.0	39.2	2.7
Sale commitment	31.3	6.5	3.7	3.1	-	0.6
Financing commitments	**1,064.8**	**945.1**	**904.1**	**441.1**	**267.1**	**195.9**
Letters of credit	706.7	604.5	486.4	240.5	119.3	126.6
Debt guarantees	358.1	340.6	417.7	200.6	147.8	69.3
Total commitments given	**8,712.9**	**9,127.2**	**9,935.6**	**3,558.5**	**3,754.5**	**2,622.6**

Commitments given relating to operating activities

Operational guarantees: operational or operating guarantees encompass all commitments not relating to the financing of operations, required in respect of contracts and markets and more generally the operations and activities of Group companies. Such guarantees include bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

The major commitments notably include:

- Commitments related to site rehabilitation:

Pursuant to environmental texts and legislation concerning the operation of waste storage facilities, the Group is obliged to provide financial guarantees to local authorities/government agencies. These guarantees notably encompass the rehabilitation and supervision of the site during 30 years or more, depending on national legislation (currently 60 years in the United Kingdom), following its operation.

In this context, performance bonds and letters of credit are issued to local authorities and other public bodies.

Depending on the contract, these guarantees cover the costs necessary for the rehabilitation of all or part of the site and the supervision of the site during 30 years.

These guarantees are quantified in accordance with legal or contractually-defined procedures. These guarantees, which are given in their total amount from the start of operations, expire at the end of the commitment (termination of rehabilitation work and site supervision).

Therefore, the amount of our commitment for the rehabilitation and supervision of waste storage facilities is in general different from the amount of the provision recorded in the Group accounts (see Note 1.13).

Provisions calculated by the Group are based on different valuations (based on internal policies regarding site security and designed for optimal environmental protection), which take into account the progressive nature of the obligation: operation of the storage facility results in progressive damage to the site and, as such, a related liability is recognized as the facility is operated.

If the amount of the commitment is less than the provision at the balance sheet date, an off-balance sheet commitment is not disclosed. Conversely, if the amount of the commitment is greater than the provision, an off-balance sheet commitment is disclosed in the amount not provided.

- Commitments related to engineering and construction activities:

Total commitments given in respect of construction activities in the Water Division (Veolia Water Solutions & Technologies) amount to €3,024.6 million as of December 31, 2010, compared to €2,823.6 million as of December 31, 2009 and €2,969.8 million as of December 31, 2008.

Total commitments received (see below) in respect of these same activities amount to €740.3 million as of December 31, 2010, compared to €757.2 million as of December 31, 2009 and €856.9 million as of December 31, 2008.

Commitments given and received in respect of the five principal contracts account for approximately 69% of total commitments.

- Commitments given in respect of concession contracts:

Pursuant to public service contracts with a public entity, the Group may be called on/obliged to invest in infrastructures that will then be operated and remunerated in accordance with contractual terms and conditions.

The contractual commitment may concern both the financing of installations and infrastructures to be used in operations and also the maintenance and replacement of infrastructures necessary to operations.

An analysis of the accounting treatment of these commitments is presented in Notes 1.21, 1.14 and 17.

Expenditure relating to the replacement or restoration of installations is monitored and recognized through any timing differences between the total contractual commitment over the contract term and its realization, in accordance with IAS 37 on Provisions.

Expenditure relating to the construction, maintenance and restoration of concession assets is reviewed with respect to IFRIC 12 and detailed in Note 1.20.

- Firm commodity purchase commitments:

As part of supply management and cost optimization, certain Group subsidiaries may be required, depending on their activities, to set-up derivatives to fix the cost of commodity supplies where the contracts do not offer appropriate protection (see Note 29.1.3) or contract forward purchases or sales of commodities.

Firm commodity purchase commitments mainly concern:

- gas in the Energy Services Division (mainly in France) and in the Water Division (commitments mature in less than five years);

- electricity in the Water Division (purchase commitments mature in less than 3 years due to poor liquidity in the electricity market);

  With regard to both gas and electricity, the number of contracts signed enables the Group to significantly reduce political and counterparty risk;

- coal, biomass in the Energy Services Division in Central European countries;

- forward purchases of fuel are primarily contracted by the Transportation Division (SNCM).

Commitments given relating to the consolidated scope

Vendor warranties: these include warranties linked to the sale in 2004 of Water activities in the United States in the amount of €266.0 million.

Purchase commitments: these include commitments given by Group companies to purchase shares in other companies or to invest. As of December 31, 2010, these commitments mainly concerned the Environmental Services Division (€52 million) and the Water Division (€93.4 million).

Agreements with EDF

Veolia Environnement granted EDF a call option covering all of its Dalkia shares in the event an EDF competitor takes control of the company.

Likewise EDF granted Veolia Environnement a call option covering all of its Dalkia shares, exercisable in the event of a change in the legal status of EDF and should a Veolia Environnement competitor, acting alone or in concert, take control of EDF. Failing an agreement on the share transfer price, this would be decided by an expert.

Financing commitments given

Debt guarantees: these relate to guarantees given to financial institutions in connection with the financial debts of non-consolidated companies, equity associates, or the non-consolidated portion of financial debts of proportionately consolidated companies when the commitment covers the entire amount.

Letters of credit: letters of credit delivered by financial institutions to Group creditors, customers and suppliers guaranteeing operating activities.

Commitments given break down by Division as follows:

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Water	6,541.1	6,036.4	5,891.8
Environmental Services	797.0	831.1	901.7
Energy Services	838.2	700.3	538.1
Transportation	405.2	533.2	415.8
Proactiva	51.7	45.2	50.6
Holding companies	1,241.2	942.0	891.3
Other	61.2	39.0	23.6
Total	9,935.6	**9,127.2**	**8,712.9**

Commitments on lease contracts entered into by the Group are analyzed in Notes 17 and 33.

Collateral guaranteeing borrowings

As of December 31, 2010, the Group has given €519 million of collateral guarantees in support of borrowings. 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	7	1,506	0.5%
Property, plant and equipment	156	9,707	1.6%
Financial assets *	336	-	-
Total non-current assets	**499**	**-**	**-**
Current assets	20	**20,417**	0.1%
Total assets	**519**	-	-

* *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, **2008**	As of December 31, **2009**	**As of December 31, 2010**	**Maturity** Less than 1 year	1 to 5 years	More than 5 years
Intangible assets	**2**	**5**	**7**	**-**	**-**	**7**
Property plant and equipment	**225**	**151**	**156**	**13**	**54**	**89**
Mortgage pledge	16	37	44	3	10	31
Other PP&E pledge (1)	209	114	112	10	44	58
Financial assets (2)	**588**	**504**	**336**	**14**	**119**	**203**
Current assets	**109**	*39*	*20*	*16*	*3*	*1*
Pledges on receivables	108	39	20	16	3	1
Pledges on inventories	1	-	-	-	-	-
Total	**924**	**699**	**519**	**43**	**176**	**300**

(1) *mainly equipment and traveling systems.*
(2) *including non-consolidated investments of €194.4 million and other financial assets (primarily operating financial assets) of €141.7 million as of December 31, 2010.*

Commitments received

Off-balance sheet commitments received break down as follows:

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Guarantees received	**1,861.6**	**1,756.3**	**2,082.0**
Operational guarantees	**1,108.7**	1,007.0	961.7
Guarantees relating to the consolidated scope	**120.4**	223.3	341.2
Financing guarantees	**632.5**	526.0	779.1

The commitments notably consist of commitments received from our partners in respect of construction contracts.

The change in 2010 was mainly due to the expiry of vendor warranties relating to an acquisition in the Environmental Services Division, partial terminations in the Veolia Water Solutions & Technologies' Construction business and the cancellation of the guarantee received from the British Treasury for a credit line repaid at the start of the year.

In addition, the Group has undrawn medium and short-term credit lines and syndicated loan facilities in the amount of €5.2 billion (see Note 29.3).

37 Contingent assets and liabilities

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or recognize deferred income in respect of these legal or arbitration proceedings as of December 31, 2010, due to the uncertain nature of their outcome.

The main contingent assets and liabilities relating to legal or arbitration proceedings are presented below:

Veolia Eau Bruxelles

Since 2008, Aquiris, a 99% subsidiary of the Company, holds a concession pursuant to which it is responsible for operating the Brussels-North wastewater treatment plant. As a result of extensive obstruction of the plant's security chambers following the arrival of abnormal and extraordinary quantities of rubble and other solid waste through the public sewer lines, Aquiris decided to suspend operation of the plant from December 8 to December 19, 2009 due to significant safety risks to persons and to the plant. This suspension permitted a partial return to normal, but has resulted in several disputes regarding liability for the disruption and the possible environmental consequences of the suspension in wastewater treatment services. An expert's report on the causes of the disruption was delivered on January 13, 2011. The report concludes, in error according to Aquiris, that there was no legitimate reason to suspend operations at the station. In addition, during the course of 2010, Aquiris instituted legal proceedings against SBGE, the grantor authority, with a view to showing that the Brussels-North treatment plant is faced with sizing issues that are attributable to the grantor authority. Aquiris is claiming compensation for its loss of business and requesting confirmation that the significant upgrading costs that will be required should be borne by the grantor authority. Aquiris and the SBGE have asked a panel of experts to render a technical opinion concerning these matters. A preliminary report is expected to be delivered in mid-May 2011. Pending the resolution of this dispute, Aquiris must bear additional operating costs. At this point, the Company believes that these disputes will not have a significant impact on its financial position, results of operations or liquidity.

Veolia Propreté Italie

On April 16, 2008, Termo Energia Calabria S.p.a. (TEC), a company specialized in waste incineration and a 98.76% subsidiary of Veolia Servizi Ambientali Tecnitalia S.p.a. (VSAT), which is in turn a subsidiary of Veolia Propreté, filed a claim with the administrative court of the region of Calabria in Italy for the payment of subsidies in an updated amount of €26.9 million, allegedly owed under a concession agreement entered into on October 17, 2000 with the region of Calabria. On August 11, 2008, the administrative court ordered the region to respond to this claim. At the end of November 2008, the region announced its refusal to pay the subsidies claimed. In addition, on May 16, 2008, TEC filed a claim with an Italian arbitration tribunal against the Extraordinary Commissioner of Calabria seeking reimbursement of €62.2 million for various additional operating fees and costs incurred since 2005 and claiming breach of the price indexation provision included in the concession agreement. The arbitration proceedings began and, on October 24, 2008, the Extraordinary Commissioner of Calabria filed a counterclaim against TEC seeking the termination of the concession agreement and the payment of the sum of €62.3 million as compensation for construction delays. The arbitration award, which was filed on July 26, 2010 with the Arbitration Chamber of Rome, awards a total amount of €39.8 million to TEC, and fully dismisses the counterclaim of the Extraordinary Commissioner of Calabria as well as his application for termination of the concession agreement. On September 17, 2010, this decision was held to be enforceable by the Civil Court of Rome. The State and the Extraordinary Commissioner of Calabria have filed an appeal of this decision with the Court of Appeals of Rome, and a hearing is scheduled to take place in May 2011.

In addition, VSAT has been accused of manipulating the software that monitors carbon monoxide emissions in its incineration facilities in Falascaia (Tuscany), Vercelli (Piedmont) and Brindisi (Puglia). In all three cases, VSAT filed a "John Doe" complaint in June 2008, August 2008 and February 2009, respectively, which are currently being investigated.

For all of these reasons, in early 2009 Veolia Propreté decided to initiate negotiations with the Italian company Termomeccanica Ecologia S.p.a. pursuant to the seller's guarantee granted by Termomeccanica Ecologia S.p.a. in the agreement pursuant to which VSAT was sold to Veolia Propreté in 2007. In light of the repeated refusal of Termomeccanica Ecologia S.p.a. to compensate VSAT pursuant to its guarantee, on May 19, 2009, Veolia Propreté and Veolia Servizi Ambientali S.p.a., the parent companies of VSAT, filed a request for arbitration with the International Chamber of Commerce (ICC). The arbitration tribunal was formed in August 2009 and has set a schedule calling for a final hearing in the end of December 2011 and an award at the end of April 2012 at the earliest.

Moreover, SIEE, which is the 25% shareholder and former owner of VSAT, filed suit against VSAT's "Veolia" directors with a view to their removal on grounds of mismanagement and the appointment of an administrator by the court. On February 17, 2010, the Genoa Court of Appeals fully reversed the judgment of the Civil Tribunal of La Spezia, removed the current directors and appointed an *ad hoc* administrator whose duties were to manage and direct the company for 6 months from the acceptance of his appointment (that is until September 4, 2010), to verify, if need be with the assistance of a technical expert, the discharges from the facilities operated by VSAT in Falascaia, Vercelli and Brindisi, verify the validity of the 2008 balance sheet and lastly to issue a report at the close of this period. The administrator's appointment was extended until May 31, 2011.

Finally, following an order issued by the Public Prosecutor's Office of Lucca on July 1, 2010, operations at the Falascaia facility were suspended on the alleged grounds of an improper administrative operating authorization and discharges of polluted wastewater. A temporary solution was submitted to the Province of Lucca by the VSAT subsidiary owning the facility with a view to resumption of operations.

At this point, the Company is not in a position to predict whether the outcome of these actions will have an additional significant impact on its financial position, results of operations or liquidity.

Veolia Transport –Metrolink (USA)

On September 12, 2008, a suburban train operated by Connex Railroad LLC, a Veolia Transport subsidiary, on behalf of the Southern California Regional Rail Authority (SCRRA), collided with a Union Pacific freight train in Chatsworth, California. This accident resulted in 25 fatalities and a significant number of injuries. The National Transportation Safety Board (NTSB), a federal agency, with which Connex Railroad LLC has been cooperating, reached a preliminary conclusion that the two causes of the accident were, first, lack of attention by the engineer, who failed to stop for a red light (a fact that continues to be contested), and, second, the failure of the SCRRA to have installed an automatic train braking system in compliance with prior recommendations of the NTSB. Lawsuits seeking an undetermined amount of total damages have been filed by the heirs of the deceased passengers and by all of the injured passengers, in the courts of the state of California in Los Angeles, against Connex Railroad LLC, its parent company, Veolia Transportation LLC, the SCRRA and the Los Angeles County Metropolitan Transportation Authority (LACMTA). These actions have been consolidated into a single case. At the same time, Connex Railroad LLC and the SCRRA brought before the federal courts in California their disputes concerning their respective contractual liability in connection with the suits filed as a result of this accident. A U.S. federal statute limits the total amount of damages that may be awarded for injuries and property damage arising from a single passenger rail accident to U.S. $200 million.

In July 2010, the SCRRA and Connex Railroad LLC entered into a settlement agreement concerning their respective contractual liabilities in connection with the accident, pursuant to which the parties made demands upon their insurers to create a settlement fund for the victims of the accident and their families up to the $200 million federal damages cap. As a result of this agreement, the proceeding between Connex Railroad LLC and the SCRRA before the federal courts in California was stayed. On August 25, 2010, Connex Railroad LLC , Veolia Transportation, the SCRRA and LACMTA filed a federal interpleader action in federal court to create a settlement fund.

Following respective demands upon insurers, the Interpleader Fund was funded with $200 million and , and a Final Discharge Order was entered by Judge Wu (the relevant judge appointed to hear this matter within the federal court) on January 3, 2011. This discharge order released Connex Railroad LLC, Veolia Transportation, SCRRA from all and any claims arising out of the collision. The 30 day appeal period in respect of this discharge order expired on February 3, 2011 and thus Connex (and related affiliates) has no further liability in respect of this matter. On March 24, 2011, the state court presiding over the consolidated claims of the heirs of the deceased passengers and the injured passengers entered an order dismissing all claims against Connex Railroad LLC, Veolia Transportation and the other defendants in accordance with the judgment and order of the federal court.

Furthermore, the Group is subject to several other litigations in the normal course of its business (see Chapter 20, section 20.4 below). At this point, the Company considers that thses disputes should not have a significant impact on its financial position or results.

38 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 2010 is as follows:

Volume (in thousands of metric tons)	As of January 1, 2010	Changes in consolidation scope	Granted	Purchased / sold / cancelled	Used	**As of December 31, 2010**
Total	**3,554**	**(700)**	**13,682**	**(1,748)**	**(11,725)**	**3,063**

Similarly to 2008 and 2099, the Group entered into new swaps of EUA II and CER in order to benefit from market opportunities.

At the end of 2007 and during 2008, the Group entered into allowance loan transactions (EUA II and CER) effective in 2008 with surrender in 2012. The commission received on allowance loans is recorded on receipt as deferred income and recognized in the Income Statement on a straight-line basis over the loan term.

Changes in consolidation scope mainly concern the sale of Usti Nad Labem installations in the Czech Republic in the Energy Services Division.

Phase II rights granted free of charge for fiscal years 2010-2012 are estimated at €362 million. Future allocations were measured using the spot price as of December 31, 2010.

39 Related party transactions

The purpose of this note is to present related-party transactions.

39.1 "Related party" concept

Group related parties comprise, in accordance with IAS 24, *Related Party Disclosures*, the companies over which the Group exercises control, joint control or significant influence (joint ventures and equity associates), shareholders who exercise joint control over group joint ventures, key management personnel of the group and the companies over which the latter exercise control, joint control or significant influence or in which they hold significant voting rights.

39.2 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 due by the Group in respect of compensation and other benefits granted to key management personnel.

(€ million)	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Short-term benefits, excluding employer contributions [(a)]	6.1	4.7	8.2
Employer contributions	2.2	2.0	3.2
Post-employment benefits [(b)]	1.1	1.1	1.2
Other long-term benefits [(c)]	-	-	-
Share-based payments	0.2	0.6	1.0
Contract termination payments	-	-	-
Total	**9.6**	**8.4**	**13.6**

(a) Fixed and variable compensation, employee benefits and directors' fees. Variable compensation comprises amounts due in respect of the prior fiscal year and paid during the next fiscal year. The variation of the "short-term benefits excluding employer contributions" is mainly due to the variable compensation paid in 2009 on the 2008 results strongly marked by the financial crisis.

(b) Current service cost.

(c) Other compensation vested but payable in the long-term.

With the exception of the Chairman of the Board and the 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 €797,261 in 2010 (excluding the Chairman of the Board and the Chief Executive Officer), €771,795 in 2009 and €771,952 in 2008 (excluding the Chairman and Chief Executive Officer).

The Reference Document (Chapter 15) contains detailed disclosures on compensation and benefits paid to key management personnel of the Group.

39.3 Transactions with other related parties

39.3.1 Relations with proportionately consolidated companies and equity associates

- The Group granted a loan of €1,544.3 million to Dalkia International and its subsidiaries Siram and Dalkia Pologne, which are proportionately consolidated at 75.81% The non-group portion of this loan is recorded in assets in the Group consolidated statement of financial position in the amount of €373.7 million (see Note 11 "Other non-current financial assets").

- In December 2009, the Group sold its investment in Compagnie Méridionale de Navigation (CMN) which was consolidated using the equity method.

- In addition, given the Group's businesses, operating flows between companies are generally limited to companies operating in the same country. As such, the level of operating transactions between the Group and proportionately consolidated companies is not material.

However, certain contractual agreements within the Water Division, particularly in Asia and Central Europe, impose the existence of a holding company (generally equity accounted or proportionately consolidated) and companies carrying the operating contract (generally fully consolidated). These complex legal arrangements generate "asset supply" flows between the companies generally jointly controlled or subject to significant influence and the companies controlled by the Group. Assets are generally supplied for a specific remuneration that may or may not include the maintenance of the installations in good working order or the technical improvement of the installations.

39.3.2 Relations with Group shareholders

Caisse des Dépôts et Consignations (9.47% shareholding as of December 31, 2010)

The Chief Executive Officer of this financial institution sits on the Board of Directors of Veolia Environnement.

The financing agreements between the two groups bear interest at market conditions.

Veolia Environnement and Caisse des Dépôts are in connection with the ongoing combination between Veolia Transport and Transdev.

Electricité de France (3.87% shareholding as of December 31, 2010)

On November 25, 2009, Mr. Proglio was appointed Chairman and Chief Executive Officer of EDF Group by ministerial decree; he also acted as Chairman of the Veolia Environnement Group Board of Directors from November 27, 2010 (publication date of the decree) to December 12, 2010, after which he remained a director of the Company.

EDF Group has a 3.87% shareholding in Veolia Environnement, a 34% shareholding in Dalkia and a 25% shareholding in Dalkia International. In accordance with the Decree 97-07, EDF purchases electricity produced in France by Dalkia cogeneration power plants at market conditions. Electricity sold by Dalkia to EDF in 2008, 2009 and 2010 totaled €608.4 million, €568.7 million and €559.7 million, respectively.

Moreover, Dalkia Polska has signed a contract on electricity sale to EDF Trading over three years. At the signature, a prepayment has been made during 2010 for an amount of €12 million (PLN 48.7 million).

There are under certain conditions cross call options between Veolia Environnement and EDF covering all subsidiaries 'shares held by each party and exercisable in the event of the takeover of either party (see Note 36, Off-balance sheet commitments).

BNP Paribas (0.97% shareholding as of December 31, 2010)

The Chief Executive Officer of BNP Paribas sits on the Board of Directors of Veolia. The financing agreements between the two groups bear interest at market conditions.

39.3.3 Relations with other related parties

Relations with Lazard, Groupama, ENI and Saint Gobain

These Groups and Veolia Environnement have common directors.

Any business relations between these groups and Veolia are at market conditions.

Relations with Soficot

Soficot provides services for the benefit of Veolia Environnement and the Group. The Chairman of the company is Serge Michel who is a member of the Veolia Environnement's Board of Directors. The remuneration of these services is at market conditions.

40 Consolidated employees

Consolidated employees * break down as follows:

By division	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Water	78,746	80,239	78,040
Environmental Services	77,974	80,693	95,399
Energy Services	44,204	44,748	44,370
Transportation	77,759	78,094	74,526
Proactiva	5,683	5,400	4,823
Other	2,677	1,826	807
Consolidated employees *	**287,043**	**291,000**	**297,965**
By company	**As of December 31, 2010**	As of December 31, **2009**	As of December 31, **2008**
Fully consolidated companies	235,941	240,657	251,772
Proportionately consolidated companies	51,102	50,343	46,193
Consolidated employees *	**287,043**	**291,000**	**297,965**

* *Consolidated employees equal the average number of full-time equivalent employees. Employees of proportionately consolidated companies are included according to their percentage of consolidation. Employees of equity associates are not included.*

The decrease in the average number of employees in 2010 was primarily due to the changes in the scope of consolidation which occurred in 2009,and notably the change in consolidation method of some companies in the Water Division and the Environmental Services Division (from full consolidation to proportionate consolidation) and the sale of Facilities Management in the United Kingdom in the Energy division.

The decrease in the average number of employees in 2009 was primarily due to the divestment of VPNM in the Environmental Services Division and the sale of Freight activity in the Transportation division.

The information in 2008 includes the employees of entities divested in 2009. Average employee numbers of these entities in 2008 were 10,953 in the Environmental Services Division and 2,682 in the Transportation Division.

41 Reporting by operating segment

Since January 1, 2009, the Group has identified and presented segment reporting in accordance with IFRS 8, *Operating segments.*

Financial reporting by operating segment is governed by the same rules as those used for the condensed consolidated financial statements and described in the Accounting Policies note to the Financial Statements.

This information is based on the internal organization of the Group's activities and corresponds to the Group's four business segments, that is, Water, Environmental Services, Energy Services and Transportation.

The **Water** segment integrates drinking water and wastewater activities such as water distribution, water and wastewater treatment, industrial process water, manufacturing of water treatment equipment and systems.

The **Environmental Services** segment collects, processes and disposes of household, trade and industrial waste.

The **Energy Services** segment includes heat production and distribution, energy optimization and related services, and electricity production.

The **Transportation** segment focuses on the operation of passenger transportation services.

Pursuant to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, the income statements of:

- the Clemessy and Crystal entities in the Energy Services Division, divested in December 2008;
- the entities of the U.S. incineration activity (Montenay International) in the Environmental Services Division and Freight activities in the Transportation Division, divested in the second half of 2009;
- Water activities in the Netherlands, divested in December 2010;
- Transportation activities in the United Kingdom, the divestiture of which was decided in the second half of 2009 but for which an alternative process was launched following the failure of RATP to exercise its call option;
- Water activities in Gabon, Environmental Services activities in Norway and German operations in the Energy Services Division, in the course of divestment;

were grouped together in a single line, "Net income from discontinued operations", for fiscal year 2010 and fiscal years 2009 and 2008 presented for comparison purposes.

Furthermore, as the divestiture process for Renewable Energy activities was interrupted at the end of 2010, these activities are no longer presented in Net income from discontinued operations.

Reporting by operating segment

Revenue by segment (€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Water	12,127.9	12,318.3	12,333.9
Environmental Services	9,312.2	8,731.5	9,572.4
Energy Services	7,581.8	7,041.3	7,395.2
Transportation	5,764.7	5,860.7	5,788.1
Revenue as per the consolidated income statement	**34,786.6**	**33,951.8**	**35,089.6**

The breakdown of revenue from transactions with non-Group customers does not identify any single non-Group customer representing 10% or more of Group revenue.

Inter-segment revenue (€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Water	66.1	67.6	36.6
Environmental Services	78.0	93.5	99.8
Energy Services	61.5	53.9	59.8
Transportation	5.5	4.7	4.6
Inter-segment revenue	**211.1**	**219.7**	**200.8**

Operating cash flow before changes in working capital by segment (€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Water	1,514.2	1,554.9	1,531.8
Environmental Services	1,306.7	1,194.4	1,357.5
Energy Services	676.9	621.6	641.8
Transportation	315.6	311.5	291.8
Total operating segments	**3,813.4**	**3,682.4**	**3,822.9**
Unallocated operating cash flow before changes in working capital	(71.9)	(104.7)	(34.8)
Operating cash flow before changes in working capital as per the consolidated cash flow statement	**3,741.5**	**3,577.7**	**3,788.1**

Operating income by segment (€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Water	1,020.3	1,145.4	1,187.3
Environmental Services	610.4	449.4	252.1
Energy Services	549.0	400.5	425.1
Transportation	119.7	152.9	170.5
Total operating segments	**2,299.4**	**2,148.2**	**2,035.0**
Unallocated operating income	(179.1)	(166.4)	(107.8)
Operating income as per the consolidated income statement	**2,120.3**	**1,981.8**	**1,927.2**

Adjusted operating cash flow by segment (Adj. OP CF)(€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Water	1,478.7	1,545.4	1,518.7
Environmental Services	1,296.6	1,174.6	1,302.6
Energy Services	690.1	608.6	621.0
Transportation	329.2	327.0	287.4
Holding companies	(140.8)	(142.0)	(93.5)
Operating cash flow from operating activities by segment	**3,653.8**	**3,513.6**	**3,636.2**

Adjusted operating cash flow reconciles to operating income as follows:

Year ended December 31, 2010 (€ million)	**Adj. OP CF**	**Net operating provisions**	**Net depreciation and amortization**	**Impairment losses on goodwill and negative goodwill**	**Capital gains (losses) on disposal of non-current assets**	**Others**	**OP INCOME**
Water	1,478.7	(15.2)	(491.2)	0.4	65.5	(17.9)	1,020.3
Environmental Services	1,296.6	(20.4)	(706.8)	(0.2)	41.8	(0.6)	610.4
Energy Services	690.1	(7.9)	(237.3)	-	99.7	4.4	549.0
Transportation	329.2	50.7	(252.7)	(26.1)	20.2	(1.6)	119.7
Holding companies	(140.8)	(1.9)	(29.3)	-	-	(7.1)	(179.1)
TOTAL	**3,653.8**	**5.3**	**(1,717.3)**	**(25.9)**	**227.2**	**(22.8)**	**2,120.3**

Year ended December 31, 2009 (€ million)	**Adj. OP CF**	Net operating provisions	Net depreciation and amortization	Impairment losses on goodwill and negative goodwill	Capital gains (losses) on disposal of non-current assets	Others	**OP INCOME**
Water	1,545.4	41.2	(473.3)	-	25.1	7.0	1,145.4
Environmental Services	1,174.6	(54.1)	(792.1)	-	123.7	(2.7)	449.4
Energy Services	608.6	(22.1)	(228.6)	(0.9)	43.5	-	400.5
Transportation	327.0	52.1	(242.4)	(5.4)	21.2	0.4	152.9
Holding companies	(142.0)	(8.3)	(12.9)	-	-	(3.2)	(166.4)
TOTAL	**3,513.6**	**8.8**	**(1,749.3)**	**(6.3)**	**213.5**	**1.5**	**1,981.8**

Year ended December 31, 2008 (€ million)	**Adj. OP CF**	Net operating provisions	Net depreciation and amortization	Impairment losses on goodwill and negative goodwill	Capital gains (losses) on disposal of non-current assets	Others	**OP INCOME**
Water	1,518.7	35.7	(443.8)	2.3	66.0	8.4	1,187.3
Environmental Services	1,302.6	(14.7)	(707.4)	(343.0)	16.0	(1.4)	252.1
Energy Services	621.0	12.8	(219.4)	4.2	11.8	(5.3)	425.1
Transportation	287.4	71.1	(238.3)	33.5	18.6	(1.8)	170.5
Holding companies	(93.5)	(1.2)	(11.1)	-	0.1	(2.1)	(107.8)
TOTAL	**3,636.2**	**103.7**	**(1,620.0)**	**(303.0)**	**112.5**	**(2.2)**	**1,927.2**

Net charge to operating depreciation, amortization and provisions by segment [1] (€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Water	**(525.6)**	(447.7)	(433.9)
Environmental Services	**(716.5)**	(862.1)	(732.9)
Energy Services	**(247.3)**	(266.5)	(224.1)
Transportation	**(203.0)**	(197.1)	(160.1)
Total operating segments	**(1,692.4)**	**(1,773.4)**	**(1,551.0)**
Unallocated net charge to operating depreciation, amortization and provisions [2]	**(55.0)**	(47.9)	(28.7)
Net charge to operating depreciation, amortization and provisions	**(1,747.4)**	**(1,821.3)**	**(1,579.7)**

(1) including movements in working capital provisions.

(2) including Proactiva, Artelia and Renewable Energy activities

Industrial investments by segment (€ million)	**Year ended December 31, 2010**	Year ended December 31, **2009**	Year ended December 31, **2008**
Water	711	589	686
Environmental Services	647	626	990
Energy Services	355	416	412
Transportation	339	445	342
Unallocated industrial investments	55	56	72
Total industrial investments [1]	2,107	**2,132**	**2,502**

(1) Pursuant to IFRS 8, industrial investments presented in segment reporting includes investments financed by finance lease in the amount of €23 million. This industrial investment is presented net of such financing in industrial investments in the consolidated cash flow statement.

Assets by segment as of December 31, 2010 (€ million)	Water	Environmental Services	Energy Services	Transportation	Unallocated amounts	Total assets in the Consolidated Statement of Financial Position
Goodwill, net	2,408.0	2,691.1	1,161.6	549.0	30.5	6,840.2
Intangible assets and Property, plant and equipment, net	6,332.2	4,231.6	2,679.6	1,767.8	365.8	15,377.0
Operating financial assets	4,087.0	745.2	598.4	106.9	91.1	5,628.6
Working capital assets, including DTA	6,318.1	2,829.2	4,043.8	1,348.4	910.1	15,449.6
Total segment assets	**19,145.3**	**10,497.1**	**8,483.4**	**3,772.1**	**1,397.5**	**43,295.4**
Investments in associates	173.5	45.4	90.0	2.3	0.5	311.7
Other unallocated amounts [1]					7,904.2	7,904.2
Total assets	**19,318.8**	**10,542.5**	**8,573.4**	**3,774.4**	**9,302.2**	**51,511.3**

(1) including Proactiva, Artelia and Renewable Energy activities.

Assets by segment as of December 31, 2009 (€ million)	Water	Environmental Services	Energy Services	Transportation	Unallocated amounts	Total assets in the Consolidated Statement of Financial Position
Goodwill, net	2,253.3	2,678.4	1,147.9	537.6	7.4	6,624.6
Intangible assets and Property, plant and equipment, net	5,836.5	4,167.8	2,492.4	1,669.8	278.5	14,445.0
Operating financial assets	4,059.1	754.5	654.4	105.4	78.4	5,651.8
Working capital assets, including DTA	6,504.3	2,772.2	3,590.5	1,269.4	729.7	14,866.1
Total segment assets	**18,653.2**	**10,372.9**	**7,885.2**	**3,582.2**	**1,094.0**	**41,587.5**
Investments in associates	148.1	62.0	55.3	2.9	0.2	268.5
Other unallocated amounts [1]					7,960.7	7,960.7
Total assets	**18,801.3**	**10,434.9**	**7,940.5**	**3,585.1**	**9,054.9**	**49,816.7**

(1) including Proactiva and Artelia.

Assets by segment as of December 31, 2008 (€ million)	Water	Environmental Services	Energy Services	Transportation	Unallocated amounts	Total assets in the Consolidated Statement of Financial Position
Goodwill, net	2,247.7	2,736.6	1,131.1	551.4	56.5	6,723.3
Intangible assets and Property, plant and equipment, net	5,887.6	4,388.0	2,374.7	1,724.8	224.9	14,600.0
Operating financial assets	4,083.2	836.9	679.5	105.5	46.1	5,751.2
Working capital assets, including DTA	6,496.8	3,116.4	3,883.3	1,396.7	801.5	15,694.7
Total segment assets	**18,715.3**	**11,077.9**	**8,068.6**	**3,778.4**	**1,129.0**	**42,769.2**
Investments in associates	140.7	81.3	27.7	58.2	3.7	311.6
Other unallocated amounts (1)					6,045.3 *	6,045.3
Total assets	**18,856.0**	**11,159.2**	**8,096.3**	**3,836.6**	**7,178.0**	**49,126.1**

* *Including assets classified as held for sale of €203.0 million (primarily the reclassification of the assets of certain French subsidiaries under joint control in the Water Division).*

(1) *Including Proactiva et Artelia.*

Liabilities by segment as of December 31, 2010 (€ million)	Water	Environmental Services	Energy Services	Transportation	Unallocated amounts	Total liabilities in the Consolidated Statement of Financial Position
Provisions for contingencies and losses	879.4	1,075.6	526.9	359.0	162.9	3,003.8
Working capital liabilities including DTL	7,734.6	2,736.8	3,291.4	1,677.9	428.3	15,869.0
Other segment liabilities						
Total segment liabilities	**8,614.0**	**3,812.4**	**3,818.3**	**2,036.9**	**591.2**	**18,872.8**
Other unallocated liabilities (1)					32,638.5	**32,638.5**
Total liabilities	**8,614.0**	**3,812.4**	**3,818.3**	**2,036.9**	**33,229.7**	**51,511.3**

(1) *Including Proactiva, Artelia and Renewable Energy activities.*

Liabilities by segment as of December 31, 2009 (€ million)	Water	Environmental Services	Energy Services	Transportation	Unallocated amounts	Total liabilities in the Consolidated Statement of Financial Position
Provisions for contingencies and losses	997.3	985.9	494.6	367.3	195.2	3,040.3
Working capital liabilities including DTL	7,670.0	2,615.9	2,878.2	1,558.4	304.4	15,026.9
Other segment liabilities						
Total segment liabilities	**8,667.3**	**3,601.8**	**3,372.8**	**1,925.7**	**499.6**	**18,067.2**
Other unallocated liabilities (1)					31,749.5	31,749.5
Total liabilities	**8,667.3**	**3,601.8**	**3,372.8**	**1,925.7**	**32,249.1**	**49,816.7**

(1) *Including Proativa and Artelia.*

Liabilities by segment as of December 31, 2008 (€ million)	Water	Environmental Services	Energy Services	Transportation	Unallocated amounts	Total liabilities in the Consolidated Statement of Financial Position
Provisions for contingencies and losses	1,011.1	871.9	468.1	422.4	159.8	2,933.3
Working capital liabilities including DTL	7,599.6	3,056.5	2,956.8	1,598.3	316.5	15,527.8
Other segment liabilities						
Total segment liabilities	**8,610.7**	**3,928.4**	**3,424.9**	**2,020.7**	**476.4**	**18,461.1**
Other unallocated liabilities [(1)]					30,665.0*	30,665.0
Total liabilities	**8,610.7**	**3,928.4**	**3,424.9**	**2,020.7**	**31,141.4**	**49,126.1**

* *Including liabilities directly associated with assets classified as held for sale of €98.2 million (reclassification of the liabilities of certain French subsidiaries under joint control in the Water Division).*

(1) including Proactiva and Artelia.

Reporting by geographical area

December 31, 2010 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Revenue	**14,037.8**	**3,144.3**	**2,417.8**	**6,904.8**	**3,243.6**	**1,092.8**	**1,758.6**	**695.4**	**1,491.5**	**34,786.6**

December 31, 2009 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Revenue	**13,765.0**	**2,911.7**	**2,478.2**	**6,468.1**	**2,961.5**	**1,300.2**	**1,500.7**	**1,017.6**	**1,548.8**	**33,951.8**

December 31, 2008 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Revenue	**14,468.1**	**3,003.1**	**2,876.9**	**6,605.1**	**2,873.4**	**1,437.7**	**1,269.9**	**1,026.8**	**1,528.6**	**35,089.6**

Breakdown of non-current assets (excluding deferred tax assets and non-current derivatives) by geographical area

December 31, 2010 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Total	7,651.5	4,595.3	3,505.2	5,176.6	2,872.4	569.2	3,129.5	341.0	847.3	28,688.0

December 31, 2009 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Total	7,518.0	4,701.6	3,282.0	5,143.7	2,619.9	419.3	2,644.1	264.0	949.2	27,541.8

December 31, 2008 (€ million)	France	Germany	United Kingdom	Rest of Europe	United States	Oceania	Asia	Middle East	Rest of the world	**Total**
Total	7,641.9	4,904.0	3,110.4	5,145.4	2,902.5	344.8	2,456.2	284.5	1,164.2	27,953.9

42 Post-balance sheet events

Combination of Veolia Transport and Transdev: Transaction in the process of completion at the year-end

During the opening months of 2011, the Group finalized its agreements with Caisse des Dépôts concerning the new entity Veolia Transport-Transdev.

The terms of the draft shareholders' agreement as of December 31, 2010 were substantially changed in January and February 2011 and the final amendments led to the recognition of joint control by the two shareholders over the new entity pursuant to IAS/IFRS and no longer exclusive control by the Group.

This combination transaction was authorized by the competent anti-monopoly authorities on December 30, 2010, and the privatization of Transdev was approved by the Economics Ministry on February 25,2011 .

The effective transaction completion date is March 3, 2011.

From this date, the Group loses control of Veolia Transport in exchange for a 50% investment in the Veolia-Transdev joint venture, regrouping the activities of Veolia Transport and Transdev. The definitive agreements will result in the proportionate consolidation of the new entity by the Veolia Group.

Rail accident in Germany

A serious head-on collision occurred on Saturday, January 29, 2011 between a HarzElbeExpress passenger train operated by Veolia Verkehr Sachsen Anhalt GmbH, a Veolia Transport subsidiary, and a goods train, near Hordorf and Magdeburg in Saxony-Anhalt (Germany). Around fifty people were aboard the HarzElbeExpress train. The disaster claimed the lives of ten people, including the driver and the head conductor of the passenger train. Many serious injuries have been reported. A judicial involuntary manslaughter investigation is ongoing with respect to the driver of the goods train, who is alleged to have failed to stop for a red light. The initial results of the investigation would appear to exonerate our Company of any liability and the financial consequences would appear limited given the insurance policies held by the Group.

Divestment of the Veolia Miljo activities in Norway

On February 14, 2011, the Group has signed a protocol of agreement for the divestment of the recycling solutions activities in Norway to the Altor equity fund. This divestment was effective on March, 25, 2011.

43 Main companies included n the 2010 consolidated financial statements

In 2010, Veolia Environnement Group consolidated or accounted for a total of 2,617 companies, of which the main companies are:

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Veolia Environnement SA 36-38, avenue Kléber – 75116 Paris	40 321 003 200 047	FC	100.00	100.00
Société d'Environnement et de Services de l'Est SAS 2, rue Annette Bloch – 25200 Montbéliard	44 459 092 100 052	FC	99.99	99.97
EOLFI SA and its subsidiaries 25, place de la Madeleine - 75008 Paris	477 951 644 00020	FC	69.11	69.11
PROACTIVA Medio Ambiete SA Calle Cardenal Marcelo Spinola 8 – 3A – 28016 Madrid (Spain)		PC	50.00	50.00
Thermal North America Inc 99 Summer Street; suite 900 Boston, Massachusetts 02110 (United States)		FC	100.00	100.00
RIDGELINE ENERGY HOLDING INC The Nemours Building 1007 Orange Street Suite 1414 Wilmington, Delaware 19801 (United States)		FC	100.00	69.11
WATER				
Veolia Eau - Compagnie Générale des Eaux 52, rue d'Anjou – 75008 Paris	57 202 552 600 029	FC	100.00	100.00
Veolia Water 52, rue d'Anjou – 75008 Paris	42 134 504 200 012	FC	100.00	100.00
Including the following companies in France:				
Compagnie des Eaux et de l'Ozone 52, rue d'Anjou – 75008 Paris	77 566 736 301 597	FC	100.00	100.00
Société Française de Distribution d'Eau 7, rue Tronson-du-Coudray – 75008 Paris	54 205 494 500 382	FC	99.56	99.56
Compagnie Fermière de Services Publics 3, rue Marcel Sembat – Immeuble CAP 44 44100 Nantes	57 575 016 100 342	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	97.72	97.72
Sade-Compagnie Générale de Travaux d'Hydraulique (CGTH-SADE) and its subsidiaries 28, rue de la Baume – 75008 Paris	56 207 750 300 018	FC	99.26	99.26
Veolia Water Solutions & Technologies and its subsidiaries l'Aquarène – 1, place Montgolfier 94417 St Maurice Cedex	41 498 621 600 037	FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
OTV France l'Aquarène – 1 place Montgolfier 94417 St Maurice Cedex	433 998 473 000 14	FC	100.00	100.00
Société Internationale de Dessalement (SIDEM) 20-22 rue de Clichy – 75009 Paris	342 500 956 000 12	FC	100.00	100.00
Including the following foreign companies:				
Veolia Water UK PLC and its subsidiaries Kings Place – 5th Floor - 90 York Way - London N19AG (United Kingdom)		FC	100.00	100.00
Veolia Water Central Ltd Tamblin Way – Hatfield – Hertfordshire AL109EZ (United Kingdom)		FC	100.00	100.00
Veolia Water North America and its subsidiaries 101 W. Washington Street, Suite 1400E Indianapolis, IN 46204 (United States)		FC	100.00	100.00
Veolia Wasser GmbH and its subsidiaries Lindencorso Unter den linden 21 10 117 Berlin (Germany)		FC	100.00	100.00
Berliner Wasserbetriebe Anstalt des Offentlichen Rechts Neue Jüdenstrasse 1 10179 Berlin (Germany)		PC	49.90	24.95
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 52, rue d'Anjou – 75 008 Paris	434 934 809 00016	FC	75.21	75.21
Prazske Vodovody A Kanalizagce As 11 Parizska – 11 000 Prague 1 (Czech Republic)		FC	100.00	75.21
Severoceske Vodovody A Kanalizagce As 1 689 Pritkovska 41 550 Teplice (Czech Republic)		FC	50.10	37.68
Shenzhen Water (Group) Co. Ltd and its subsidiaries Water Building, N°1019 Shennan Zhong Road, 518031 SHENZHEN, GuangDong (China)		PC	45.00	25.00
Shanghai Pudong Veolia Water Corporation Ltd No. 703 Pujian Road, Pudong New District, 200127 SHANGHAI (China)		PC	50.00	50.00
Changzhou CGE Water Co Ltd No.12 Juqian Road, CHANGZHOU Municipality, Jiangsu Province, 213000 (China)		PC	49.00	24.99
Kunming CGE Water Supply Co Ltd No.6 Siyuan Road, Kunming Municipality, Yunnan Province, 650231 (China)		PC	49.00	24.99
Veolia Water Korea Investment Co Ltd and its subsidiaries 10F Yeonsei Jaeden Severance Bldg.84-11, Namdaemunno 5- ga, Jung-gu, Seoul, 100-753 (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

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Société d'Energie et d'Eau du Gabon Avenue Felix Eboué - BP 2082 – Libreville (Gabon)		FC	51.00	41.08
AZALIYA 52, rue d'Anjou 75008 Paris	505 190 801 00017	PC	51.00	51.00
Veolia Water Middle East North Africa (Veolia Water MENA) and its subsidiaries 52, rue d'Anjou – 75 008 Paris	403 105 919 00019	PC	80.55	41.08
Amendis 23, rue Carnot – 90 000 Tanger (Morocco)		PC	100.00	31.22
REDAL SA 6 Zankat Al Hoceima, BP 161 – 10 000 Rabat (Morocco)		PC	100.00	31.97
Lanzhou Veolia Water (Group) Co LTD No. 2 Hua Gong Street, Xigu District, LANZHOU, Gansu Province, (China)		PC	45.00	22.95
Sharqiyah Desalination Co. SAOC PO Box 685, PC 114 Jibroo, Sultanate of Oman	1 011 277	PC	55.00	28.05
Biothane Systems International Holdings B.V. Thanthofdreef 21 – PO BOX 5068 2623 EW Delft (Netherlands)	27267973	FC	100.00	100.00
Tianjin Jinbin Veolia Water Co No2 Xinxiang Road, Bridge 4 Jin Tang Expressway, Dongli District, Tianjin Municipality (China)		PC	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)		PC	49.00	49.00
Veolia Water – Veolia Environmental Service Ltd (Hong-Kong) 6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong		FC	50.00	50.00
Sofiyska Voda AD 4 Kuzman Shapkarev street, Sredetz Municipality, Sofia (Bulgaria)		FC	77.10	57.98
ENVIRONMENTAL SERVICES				
Veolia Propreté Parc des Fontaines – 163 / 169, avenue Georges Clémenceau - 92000 Nanterre	57 222 103 400 778	FC	100.00	100.00
Société d'Assainissement Rationnel et de Pompage (S.A.R.P.) and its subsidiaries 52 avenue des Champs Pierreux 92000 Nanterre	77 573 481 700 353	FC	100.00	99.56
SARP Industries and its subsidiaries 427, route du Hazay – Zone Portuaire Limay-Porcheville - 78520 Limay	30 377 298 200 029	FC	100.00	99.85
ROUTIERE DE L'EST PARISIEN ZI Rue Robert Moinon 95190 GOUSSAINVILLE	61 200 696 500 026	FC	100.00	100.00
ONYX AUVERGNE RHONE ALPES 105 avenue du 8 mai 1945 69140 Rillieux-La-Pape	30 259 089 800 169	FC	100.00	100.00
ONYX EST ZI de la Hardt – Route de Haspelschiedt 57 230 Bitche	30 520 541 100 070	FC	100.00	95.00
Paul Grandjouan SACO Avenue Lotz Cossé 44 200 Nantes	86 780 051 800 450	FC	100.00	100.00
OTUS 26, avenue des Champs Pierreux 92000 NANTERRE	62 205 759 400 336	FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Bartin Recycling Group and its subsidiaries 15 Rue Albert et Paul Thouvenin 18100 VIERZON	48 141 629 500 014	FC	100.00	100.00
Including the following foreign companies:				
Veolia ES Holding PLC and its subsidiaries Veolia house – 154A Pentonville Road N1 9PE – London (United Kingdom)		FC	100.00	100.00
Veolia Environmental Services North America Corp. 200 East Randolph Street – Suite 7900 Chicago –IL 60601 (United States)		FC	100.00	100.00
Veolia ES Solid Waste, Inc One Honey Creed Corporate Center – 125 South 84th Street – Suite 200 WI 53214 Milwaukee (United States)		FC	100.00	100.00
VES TECHNICAL SOLUTIONS LLC Butterfield Center 700 East Butterfield Road, #201 60148 LOMBARD (United States)		FC	100.00	100.00
Veolia ES Industrial Services, Inc 1980 North Highway 146 La Porte 77571 Texas (United States)		FC	100.00	100.00
VEOLIA ES CANADA SERVICES INDUSTRIELS INC 1705, 3eme avenue H1B 5M9 Montreal – Quebec (Canada)		FC	100.00	100.00
Veolia Environmental Services Australia Pty Ltd Level 4, Bay Center – 65 Pirrama Road – P.O. Box H126 – NSW 2009 – Pyrmont (Australia)		FC	100.00	100.00
Veolia Environmental Services Asia Pte Ltd 5 Loyang Way 1-WMX Technologies Building 508706 Singapore		FC	100.00	100.00
Veolia Environnmental Services China LTD 7/F Allied Kajima Building 138 Gloucester Road – Central - HONG-KONG		FC	100.00	100.00
Veolia Umweltservice GmbH and its subsidiaries Hammerbrookstrasse 69 20097 Hamburg (Germany)		FC	100.00	100.00
Marius Pedersen/ Veolia Miljøservice HoldingA/S Danemark and its subsidiaries Ørbaekvej 49- 5863 Ferritslev (Denmark)		FC	65.00	65.00
Veolia Servizi Ambientali SpA (and its subsidiaries) Via di Monte Brianzo,56 – 00186 Rome -(Italy)		FC	100.00	100.00
ENERGY SERVICES				
Dalkia – Saint-André 37, avenue du Mal de Lattre de Tassigny 59350 St André les Lille	40 321 129 500 023	FC	66.00	66.00
Dalkia France 37, avenue du Mal de Lattre de Tassigny 59350 St André les Lille	45 650 053 700 018	FC	99.93	65.96
Dalkia Investissement 37, avenue du Mal de Lattre de Tassigny 59350 St André les Lille	40 443 498 700 073	PC	50.00	33.00
Dalkia International 37, avenue du Mal de Lattre de Tassigny 59350 St André les Lille	43 353 956 600 011	PC	75.81	50.03

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
Citelum and its subsidiaries 37, rue de Lyon – 75012 Paris	38 964 385 900 019	FC	100.00	65.96
Proxiserve Holding (and its subsidiaries) 28-30 rue Edouard Vaillant 92 532 Levallois Perret Cedex	403 210 875 00015	FC	100.00	82.98
Including the following foreign companies:				
Dalkia PLC and its subsidiaries Elizabeth House – 56-60 London Road Staines TW18 4BQ (United Kingdom)		PC	75.81	50.03
Dalkia NV and its subsidiaries 52, quai Fernand Demets 1070 – Anderlecht (Belgium)		PC	75.81	50.03
Siram SPA and its subsidiaries Via Bisceglie, 95 – 20152 Milan (Italy)		PC	75.81	50.03
Dalkia Espana and its subsidiaries Cl Juan Ignacio Luca De tgna, 4 28 027 Madrid (Spain)		PC	75.81	50.03
Dalkia SGPS SA and its subsidiaries Estrada de Paço d'Arcos 2770 – 129 Paco d'Arços (Portugal)		PC	75.81	50.03
Dalkia Limitada and its subsidiaries Rua Funchal 418 – 14 andar, Vila Olimpia -60 Sao Paulo SP (Brazil)		PC	75.81	50.03
Dalkia Polska and its subsidiaries Ul Mysia 5 – 00 496 Warsaw (Poland)		PC	75.81	30.02
Zespol Elektrocieplownl w Lodzi and its subsidiary Ul.Jadzi. Andrzejewskiej Street 90-975 Lodz (Poland)		PC	75.81	27.63
Dalkia Term SA and its subsidiaries UL B.Czecha 36 – 04 -555 Warsaw (Poland)		PC	75.81	30.02
Dalkia AB and its subsidiaries Hälsingegatan 47 – 113 31 Stockholm (Sweden)		PC	75.81	50.03
Tallinna Kute Punane 36 13619 Tallinn (Estonia)		PC	75.81	48.73
UAB Vilnius Energija Joconiu St. 13 - 02300 VILNIUS (Lithuania)		PC	75.81	50.03
Dalkia Energia Zrt. and its subsidiaries Budafoki út 91-93 – H-1117 Budapest (Hungary)		PC	75.81	49.89
Dalkia a.s and its subsidiaries Kutlíkova 17 – Technopol 851 02 Bratislava 5 (Slovakia)		PC	75.81	50.03
Dalkia Ceska Republika and its subsidiaries 28.řijna 3123/ 152 709 74 Ostrava (Czech Republic)		PC	75.81	39.05
TRANSPORTATION				
VEOLIA TRANSPORT Parc des Fontaines 163 / 169, avenue Georges Clémenceau 92000 Nanterre	383 607 090 00016	FC	100.00	100.00
Société Nationale Maritime Corse-Méditerranée (SNCM) 61, boulevard des Dames – 13002 Marseille	775 558 463 00011	FC	66.00	66.00
C.F.T.I. (Compagnie Française de Transport Interurbain) Parc des Fontaines 163 / 169, avenue Georges Clémenceau 92000 Nanterre	552 022 063 01075	FC	99.93	99.93
VEOLIA TRANSPORT URBAIN Parc des Fontaines	344 379 060 00082	FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation Method	% control	% interest
163 / 169, avenue Georges Clémenceau 92000 Nanterre				
VT Eurolines 163/169, avenue Georges Clémenceau 92000 Nanterre	434 009 254 00021	FC	100.00	100.00
Including the following foreign companies:				
VEOLIA TRANSPORTATION Inc 720 E Butterfield Road Suite 309 Lombard 60148 IL (United States)		FC	100.00	100.00
Super Shuttle International Inc, and its subsidiaries 14500 N. Northsight boulevard, Suite 329 Scottsdale, AZ 85260 (United States)		FC	100.00	100.00
VEOLIA TRANSPORT AUSTRALASIA Level 12, 114 William Street Melbourne, Victoria 3000 (Australia)		FC	100.00	100.00
Veolia Transport Sweden Holding AB Englundavägen 9, Box 1820 SE-171 24 Solna (Sweden)		FC	100.00	100.00
VEOLIA TRANSPORT NORD AS Hamnnegata 3, 9600 Hammerfest (Norway)		FC	100.00	100.00
Veolia Transport Sverige AB and its subsidiaries Englundavägen 9, Box 1820 SE-171 24 Solna (Sweden)		FC	100.00	100.00
People Travel Group AB 72 Klarabergsviadukten 11 164 Stockholm (Sweden)		FC	100.00	100.00
Veolia Transport Norge AS Klubbgaten 1 – N 4013 – Stavanger (Norway)		FC	100.00	100.00
VEOLIA TRANSPORT UK LTD Fifth floor , King Place , 90 York Way London N19AG, (United Kingdom)		FC	100.00	100.00
Veolia Transport Nederland Holding BV and its subsidiaries Mastbosstraat 12 - Postbus 3306 4800 GT Breda (Netherlands)		FC	100.00	100.00
Veolia Transport Belgium nv and its subsidiaries Groenendaallaan 387 2030 Antwerpen (Belgium)		FC	100.00	100.00
Veolia Transport Central Europe GmbH and its subsidiaries Georgenstrasse 22 10117 Berlin (Germany)		FC	100.00	65.00
Veolia Verkehr GmbH and its subsidiaries Georgenstrasse 22 10117 Berlin (Germany)		FC	100.00	100.00
Veolia Transport Ceska Republica a.s. K Hutim 664/7 198 00 Praha 9 (Czech Republic)		FC	100.00	65.00

Consolidation method

FC : Full Consolidation – PC: Proportionate Consolidation – EA: Equity Associate

44 Audit fees

Audit fees incurred by the Group during fiscal years 2010, 2009 and 2008 total €50.1 million, €50.2 million, €51.7 million respectively, including €40.5 million in 2010, €40.2 million in 2009, €40.3 million in 2008 in respect of the statutory audit of the accounts and €9.6 million in 2010, €10.0 million in 2009 and €11.4 million in 2008 in respect of services falling within the scope of diligences directly related to the audit engagement.

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, 2010

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2010, 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 about whether 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, 2010 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the changes of presentation set out in financial statements and in the notes regarding :

- Reclassification during the year of certain expenses from cost of sales to selling costs and general and administrative expenses, that do not affect operating income presented in (1) at the bottom of the consolidated income and in note 19;

- Reclassification related to IAS 7 standard amendments "Statement of cash flow" presented in note 1.1.2 "Standards, standard amendments and interpretations applicable from fiscal year 2010".

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Management's significant judgments and estimations are disclosed in note 2 to the consolidated financial statements. As part of our audit, we considered that these judgments and estimates relate principally to:

- Goodwill and other intangible assets with an indefinite useful life which are subjected to regular annual impairment tests, or when a triggering event occurs as described in the notes 1-11 and 4 to the consolidated financial statements. We have analysed the implementation procedures for these tests and the assumptions used to compute futures cash flows and have verified that the information disclosed in the notes 4 and 6 to the financial statements is appropriate;

- Fixed assets and other intangible assets with a definite useful life (notes 1-11, 1-20, 5, 6 and 7), financial assets (notes 10 and 11), income taxes (notes 1-19, 12 and 22), provisions and post-employment benefits (notes 1-13, 1-15, 16 and 30) and financial instruments (notes 1-14, 1-26, 27, 28 and 29). Our works 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.

The financial statements and the notes set out the reclassification during the year as mentioned in the first part of this report. The comparative information relating to the year ended December 31, 2009, and December 31, 2008 presented in the consolidated financial statements, has been restated to take into account retrospectively those reclassifications. Consequently, the comparative financial information differs from the consolidated financial statements published for the year ended December 31, 2009. We have examined the proper restatement of the consolidated financial statements for year ended December 31, 2009 and year ended December 31, 2008.

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 and Neuilly-sur-Seine, March 30, 2011

KPMG Audit		ERNST & YOUNG et Autres	
A division of KPMG S.A.			
Jay Nirsimloo	Baudouin Griton	Pierre Hurstel	Nicolas Pfeuty

20.2 Company Financial Statements

Balance Sheet as of December 31, 2010

Assets

	31/12/2010			31/12/2009
(in euros)	GROSS	AMORT. & PROV.	NET	NET
SHARE CAPITAL SUBSCRIBED BUT NOT CALLED	-	-	-	-
NON-CURRENT ASSETS				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes, software, rights and similar	1,298,597	719,429	579,168	32,630
Purchased goodwill (1)	-	-		-
Other intangibles	-	-		-
Intangible assets under construction	8,805,169	-	8,805,169	37,447,166
Property, plant and equipment				
Land	-	-		-
Buildings	-	-		-
Industrial and technical plant	-	-		-
Other plant and equipment	359,589	209,318	150,271	193,934
PP&E under construction	71,115	-	71,115	68,234
Payments on account - PP&E	-	-		-
Long-term loans and investments (2)				
Equity investments	16,412,640,463	370,927,255	16,041,713,208	15,986,791,775
Loans to equity investments	7,544,237,919	-	7,544,237,919	6,901,313,546
Long-term portfolio investments (TIAP)	-	-	-	-
Other long-term investment securities	52,827,092	-	52,827,092	51,155,033
Loans	420,354,053	-	420,354,053	271,175,455
Other long-term loans and investments	300,128,964	119,845,082	180,283,882	194,842,047
TOTAL (I)	**24,740,722,961**	**491,701,084**	**24,249,021,877**	**23,443,019,820**

(in euros)	31/12/2010 GROSS	AMORT. & PROV.	NET	31/12/2009 NET
CURRENT ASSETS				
Inventories and work-in-progress				
Raw materials & supplies	-	-	-	-
Work in process – goods and services	-	-	-	-
Semi-finished and finished goods	-	-	-	-
Bought-in goods	-	-	-	-
Payments on account – inventories	1,835,797	-	1,835,797	402,016
Receivables (3) **:**				
Trade receivables				
Trade receivables and related accounts	261,302,386	-	261,302,386	206,764,464
Other receivables	917,191,979	3,550,000	913,641,979	1,188,603,737
Miscellaneous receivables				
Share capital subscribed and called but not paid in	-	-	-	-
Marketable securities				
Treasury shares	136,429,923	8,811,568	127,618,355	138,989,760
Other securities	3,259,410,643	-	3,259,410,643	3,797,957,353
Treasury instruments - Assets	228,313,063	-	228,313,063	224,420,893
Cash at bank and in hand	40,404,369	-	40,404,369	62,424,108
Prepayments (4)	15,363,972	-	15,363,972	18,829,751
TOTAL (II)	**4,860,252,132**	**12,361,568**	**4,847,890,564**	**5,638,392,082**
ACCRUED INCOME AND DEFERRED CHARGES				
Deferred charges **(III)**	29,313,067	-	29,313,067	30,955,784
Bond redemption premiums **(IV)**	129,610,985	-	129,610,985	81,725,396
Unrealized foreign exchange losses (V)	207,733,732	-	207,733,732	127,881,634
GRAND TOTAL (I+II+III+IV+V)	**29,967,632,877**	**504,062,652**	**29,463,570,225**	**29,321,974,715**
(1) Of which leasehold rights			-	-
(2) Portion due within less than one year			436,716,583	281,326,024
(3) Portion due within more than one year			101,878,432	30,151,645
(4) Portion due within more than one year			9,177,997	13,026,780

Equity and liabilities

(in euros)	**2010**	**2009**
SHAREHOLDERS' EQUITY:		
Share capital (of which paid in: 2,495,631,835)	2,495,631,835	2,468,151,870
Additional paid-in capital	9,327,630,891	9,245,911,141
Revaluation reserves	-	-
Equity accounting revaluation reserve	-	-
Reserves:		
Reserve required by law	211,543,995	184,460,551
Reserves required under the bylaws or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	343,226,042	343,226,042
Retained earnings	146,812,916	211,766,138
Net income (loss) for the period	554,135,329	541,668,872
SUB-TOTAL: Shareholders' equity	**13,078,981,008**	**12,995,184,614**
INVESTMENT SUBSIDIES	-	-
TAX-DRIVEN PROVISIONS	332,012	221,894
TOTAL (I)	**13,079,313,020**	**12,995,406,508**
EQUITY EQUIVALENTS		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other	-	-
TOTAL (I B)	**-**	**-**
PROVISIONS :		
Provisions for contingencies	172,756,824	128,602,366
Provisions for losses	9,789,104	10,159,617
TOTAL (II)	**182,545,928**	**138,761,983**
LIABILITIES [(1)] :		
Convertible bonds	-	-
Other bonds	13,145,436,589	12,958,129,810
Bank borrowings [(2)]	502,143,271	724,466,448
Other borrowings	1,812,761,591	1,592,789,592
Payments received on account for work-in-progress	-	-
Operating liabilities		
Trade payables and related accounts	103,111,868	95,775,282
Tax and employee-related liabilities	88,432,212	82,400,907
Other operating liabilities	-	-
Other liabilities		
Amounts payable in respect of PP&E and related accounts	17,640,322	137,527,124
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	120,063,190	105,160,060
Treasury instruments - Liabilities	213,978,647	311,075,809
DEFERRED INCOME AND MISCELLANEOUS		
Deferred income	106,129,541	120,799,722
TOTAL (III)	**16,109,697,231**	**16,128,124,754**

(in euros)	**2010**	**2009**
UNREALIZED FOREIGN EXCHANGE GAINS **(IV)**	**92,014,046**	**59,681,470**
GRAND TOTAL (I+II+III+IV)	**29,463,570,225**	**29,321,974,715**
(1) Portion due in more than one year	13,336,226,684	13,062,932,380
Portion due in less than one year	2,667,340,823	2,944,392,651
(2) of which overdrafts and current bank facilities	93,270,177	113,064,537
(3) of which equity equivalent loans	-	-

Income Statement for the Year Ended December, 31 2010

(En euros)	**2010**	**2009**
OPERATING REVENUE [1]:		
Sales of bought-in goods	-	-
Sales of own goods and services	206,144,838	196,667,841
NET SALES	206,144,838	196,667,841
Of which export sales		
Changes in inventory of own production of goods and services	-	-
Own production capitalized	13,466,490	24,842,600
Operating subsidies	21,341	23,211
Write-back of depreciation, amortization and provisions and expense reclassifications	9,737,597	11,414,256
Other revenue	206,445,642	189,583,768
TOTAL (I)	**435,815,907**	**422,531,676**
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 [*]	226,084,081	227,247,175
Duties and taxes other than income tax	9,429,255	6,207,080
Wages and salaries	69,498,253	61,603,590
Social security contributions	35,067,848	41,631,771
Depreciation, amortization and charges to provisions :		
On non-current assets: depreciation and amortization	5,953,851	5,206,635
On non-current assets: charges to provisions	-	-
On current assets: charges to provisions	-	-
For contingencies and losses: charges to provisions	11,010,446	7,354,450
Other charges	221,521,146	201,328,761
TOTAL (II)	**578,564,880**	**550,579,462**
1. OPERATING LOSS (I – II)	**(142,748,973)**	**(128,047,787)**
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	-	-

(in euros)	**2010**	**2009**
FINANCIAL INCOME [3]		
Financial income from equity investments	1,078,423,711	1,020,948,141
Financial income from other securities and long-term receivables	3,337,719	4,198,139
Other interest and similar income	283,072,031	258,841,749
Write-back of provisions and expense reclassifications	223,987,888	172,877,181
Foreign exchange gains	1,794,838,566	1,471,360,748
Net proceeds from the sale of marketable securities	18,419,565	20,539,375
TOTAL (V)	**3,402,079,480**	**2,948,765,333**
FINANCIAL EXPENSES		
Amortization and charges to provisions for financial items	246,749,700	340,047,321
Interest and similar expenses [4]	752,962,902	714,589,734
Foreign exchange losses	1,809,356,849	1,414,005,586
Net expenses on sales of marketable securities	-	-
TOTAL (VI)	**2,809,069,452**	**2,468,642,640**
2. NET FINANCIAL INCOME (EXPENSE) (V–VI)	**593,010,028**	**480,122,693**
3. NET INCOME/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	**450,261,056**	**352,074,906**
EXCEPTIONAL INCOME		
Exceptional income from non-capital transactions	156,035	38,064
Exceptional income from capital transactions	78,865,057	25,107,878
Write-back of provisions and expense reclassifications	-	3,883,939
TOTAL (VII)	**79,021,092**	**29,029,881**
EXCEPTIONAL EXPENSES		
Exceptional expenses on non-capital transactions	1,677,267	33,433
Exceptional expenses on capital transactions	109,854,035	27,554,273
Exceptional depreciation, amortization and charges to provisions	110,118	3,937,597
TOTAL (VIII)	**111,641,420**	**31,525,303**
4. NET EXCEPTIONAL ITEMS (VII–VIII)	(32,620,328)	(2,495,421)
STATUTORY EMPLOYEE PROFIT-SHARING **(IX)**	-	-
INCOME TAX EXPENSE **(X)**	136,494,601	192,089,387
TOTAL INCOME (I+III+V+VII)	**3,916,916,479**	**3,248,431,090**
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	**3,362,781,151**	**2,706,762,218**
NET INCOME / (LOSS)	**554,135,329**	**541,668,872**
[3] Of which income from related parties	1,791,171,842	1,537,018,725
[4] Of which interest charged by related parties	32,844,053	23,425,924

Proposed appropriation of 2010 net income

(in euro)	**2010**
2010 accounting net income	554,135,329
Retained earnings	146,812,916
Gross distributable reserves	**700,948,245**
Reserve required by law (5% of net income)	27,706,766
Dividend distribution (€1.21 x 484,787,464 shares) (1)	586,592,831
Retained earnings	86,648,648
Gross distributable reserves	**700,948,245**

(1) As of December 31, 2010, the share capital comprises 499,126,367 shares, including 14,338,903 treasury shares. As treasury shares are not entitled to dividends, the total distribution may change depending on the number of treasury shares held at the dividend payment date.

Statement of source and application of funds

(in € thousands)	**2010**	**2009**
SOURCE OF FUNDS:		
Operating cash before changes in working capital	612,466	715,539
Disposals or decreases in non-current assets:		
Disposals of intangible assets and PP&E	40,911	8,960
Disposals of equity investments	39	16,148
Repayment of financial receivables (long-term advances)	151,677	307,133
Repayment of other long-term loans and investments	259,709	71,131
Increase in shareholders' equity	30,341	18,999
New borrowings	33,110	2,419,551
TOTAL SOURCE OF FUNDS	**1,128,253**	**3,557,460**
APPLICATION OF FUNDS:		
Dividend distribution (excluding withholding tax)	500,680	231,801
Acquisitions or purchases of non-current assets:		
Intangible assets and PP&E	13,466	24,877
Long-term loans and investments:		
Equity investments	135,953	259,121
Long-term financial receivables	760,401	260,868
Other long-term loans and investments	397,648	250,016
Decrease in shareholders' equity	-	-
Principal payments on borrowings	277,392	1,130,883
TOTAL APPLICATION OF FUNDS	**2,085,540**	**2,157,567**
Increase / decrease in working capital	(957,287)	1,399,893
TOTAL	**1,128,253**	**3,557,460**

Notes to the Company Financial Statements

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 2009 in shares

Pursuant to the decision of the combined general shareholders' meeting of May 7, 2010 in the fifth resolution, to offer shareholders the option of receiving payment of the dividend for fiscal year 2009 in new Veolia Environnement shares, the Board of Directors, meeting on the same day, subdelegated to the Chairman of the Board, the necessary powers to perform the share capital increase resulting from the exercise of this option. The option exercise period was set from May 14 to May 31, 2010 inclusive.

At the end of the option exercise period and based on a certificate of deposit prepared by Société Générale, the Chairman of the Board duly noted on June 7, 2010, the performance of a share capital increase of €79,268,062; this led to the issue of 3,732,018 new shares with a par value of €5 each, representing an increase in the share capital of the Company of €18,660,090 and the recognition of additional paid-in capital of €60,607,972. The expenses relating to this transaction were deducted from additional paid-in capital for a net of tax amount of €408,732.

1.1.2 Share capital increase reserved for employees

In accordance with the delegation of authority granted by the combined general shareholders' meeting of May 7, 2010 pursuant to the twenty-fourth and twenty-fifth resolutions, the Chief Executive Officer, acting by virtue of the delegation granted to him by the Board of Directors on August 5, 2010, decided on October 21, 2010 to offer employees and members of Group saving plans the opportunity to subscribe to a share capital increase from October 25 to November 10, 2010 inclusive (the subscription period). On December 15, 2010, the Chief Executive Officer duly noted the performance of this share capital increase for a total amount of €30 million.

Pursuant to the above share capital increase, a total of 1,692,862 new shares were created, including €339,390 shares in respect of the Group contribution. This share capital increase represents a total par value of €8,464,310 and additional paid-in capital of €21,567,062. The expenses relating to this transaction were deducted from additional paid-in capital for a net of tax amount of €1,286,359.

The new shares which rank for dividends from January 1, 2010, are equivalent to existing shares and confer entitlement to dividends distributed in 2011 in respect of fiscal year 2010.

1.1.3 Exercise of share subscription options

The successive exercise of share options during 2010 led to the creation of 71,113 new shares with a par value of €5 each, representing a share capital increase of €0.4 million and additional paid-in capital of €1.2 million. The share options exercised mainly concerned plans granted in 2002, 2003 and 2004.

1.1.4 New bond issues

On June 24, 2010, Veolia Environnement launched a bond exchange offer for Veolia Environnement 5.875% bonds maturing in February 2012 and Veolia Environnement 4.875% bonds maturing in May 2013. In exchange for the bonds presented, representing a nominal amount of €328.9 million on the 2012 line and €444 million on the 2013 line, a new €835 million bond line maturing in January 2021 was issued paying a coupon of 4.247%. The offer became irrevocable and was closed on July 1, 2010.

1.1.5 Maturity of certain bond issues and syndicated loan facilities

- The EMTN Series 9 bond issue, issued in April 2003 for a total amount of CZK 600, matured in April 2010.
- The CZK 6 million draw-down on the CZK syndicated loan facility was repaid on July 29, 2010.
- The CZK loan facility stands at CZK 4,000 million as of December 31, 2010 and was drawn-down CZK 1,500 million.

The following draw-down were performed:

- An additional draw-down on the euro syndicated loan facility of €10.1 million in April 2010.
- An additional draw-down on the PLN syndicated loan facility of PLN 79.6 million in April 2010.
- A second draw-down on the PLN syndicated loan facility of PLN 9.7 million in October 2010, at the time of the quarterly payment date.

1.2 Subsidiary financing

1.2.1 Veolia Environnement Services RE

On July 30, 2010, Veolia Environnement subscribed to a share capital increase performed by Veolia Environnement Services RE in the amount of €10 million.

1.2.2 Veolia Environnement CSP

On December 14, 2010, Veolia Environnement subscribed to the entire share capital increase performed by Veolia Environnement CSP in the amount of €9.5 million, paid-up in full by capitalization of liquid and due receivables on the company.

1.2.3 Vigie 14 AS

On December 14, 2010, Veolia Environnement performed a share capital increase of €1.1 million by capitalization of the liquid and due receivable on the company in the amount of €0.7 million and a cash payment of €0.3 million.

1.2.4 Deers Green Power Development Company

Veolia Environnement withdrew from this Joint Venture on August 3, 2010. The equity investment had a gross carrying amount of €4.8 million and was impaired €2.9 million as of December 31, 2009.

1.2.5 Veolia Environnement Participations VT2 and Veolia Transport

With effect from January 1, 2010, Veolia Environnement transferred to Veolia Environnement Participations VT2, for a consideration of €38 million, 1,007,435 Veolia Transport shares representing 5.5 % of its share capital.

This transfer did not generate any capital gain or loss as it was performed at net carrying amount.

1.3 Other events

In 2010, due to the fall in its share price, Veolia Environnement recorded a charge to the provision for impairment of treasury shares in the amount of €7 million, based on the average share price in December 2010 of €21.45.

2 Accounting principles and methods

2.1 Basis of preparation

The company financial statements for the year ended December 31, 2010 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, 2010 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 Informations et Technologies, which is then responsible for providing the corresponding service.

Property, plant and equipment: Depreciation is calculated over the expected period of use. More specifically, fixtures and fittings and installations are depreciated on a straight-line basis over periods of six to ten years. Furniture and office equipment is depreciated on a straight-line basis over periods of between five and ten years. Finally, vehicles are depreciated on a straight-line basis over five years.

Equity investments: This heading records the acquisition cost of securities held by Veolia Environnement in companies over which it exercises control or significant influence, directly or indirectly.

At the date of entry into company assets, the net carrying amount of “Equity investments” is their acquisition cost. The company has elected to capitalize costs relating to the acquisition of equity investments. At all other dates, equity investments are measured at their value in use to the company, determined based on criteria encompassing profitability, growth perspectives, net assets and the stock market value of securities held, where applicable. Where the net carrying amount of an equity investment exceeds its value in use, an impairment provision is recorded in the amount of the difference.

Pursuant to the change in tax regime applicable to equity investment acquisition costs introduced by Article 21 of the 2007 Finance Act and completed by Article 209 of the French General Tax Code and based on Opinion no. 2007-C of June 15, 2007 issued by the Urgent Issues Taskforce of the French National Accounting Institute (*Conseil National de la Comptabilité*), Veolia Environnement recognizes 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.

Marketable securities: Marketable securities comprise treasury shares held in respect of Group Savings Plans and share option plans and other highly liquid investment securities. Treasury shares are classified as marketable securities when purchased for presentation to employees under share option plans and employee savings plans benefiting certain employees. Marketable securities are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

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.

Derivatives: Veolia Environnement manages its market risks relating to 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.

These currency derivatives are either included in the overall foreign exchange position or allocated to hedge an identified structural foreign exchange position.

Valuation of provisions for contingencies and losses: Provisions for contingencies and losses 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 and bonuses:

Provision for incentive schemes:

Under the current agreement, the unit amount of incentive payments is based on the rate of growth in consolidated net income per share. Based on the observed growth rate, the level of incentive payments is determined using a contractually defined chart. The total euro amount of incentive payments provided is equal to the individual amount determined above multiplied by the number of beneficiaries given by the Human Resources Department.

Provision for bonuses:

This provision is determined based on the amount of bonuses awarded in the previous year multiplied by an estimated percentage increase and adjusted for changes in employee numbers.

Indemnities in full and final discharge of repair and maintenance work:

Veolia Environnement, as an active partner, assumes responsibility for the payment of indemnities in full and final discharge of repair and maintenance work due by subsidiaries, which it then rebills to these subsidiaries. Since 2009, Veolia Environnement has decided to recognize rebilled indemnities in Other income (previously recognized in Net sales) and indemnity expenses in Other charges (previously recognized in Other purchases and external charges). This change in accounting method seeks to standardize accounting practices observed within the Group.

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.

3 Balance sheet assets

3.1 Non-current assets:

Movements in gross values:

(In € thousands)	**Opening balance**	**Additions**	**Disposals**	**Closing balance**
Intangible assets	37,552	13,463	40,911	10,104
Property, plant and equipment	428	3	-	431
Long-term loans and investments				
Equity investments	16,416,599	58,961	62,920	16,412,640
Loans to equity investments	6,901,313	793,045	150,124	7,544,234
Other long-term investment securities	51,155	20,765	19,093	52,827
Loans	271,175	399,512	250,333	420,354
Other long-term loans and investments	309,838	-	9,709	300,129
Total	**23,988,060**	**1,285,749**	**533,090**	**24,740,719**

Movements in depreciation, amortization and non-current asset provisions:

(in € thousands)	**Opening balance**	**Addition/ Charge**	**Utilization/ Write-back**	**Closing balance**
Amortization of intangible assets	72	647	-	719
Depreciation of property, plant and equipment	166	44	-	209
Financial impairment provisions	544,803	37,042	91,072	490,773
Total	**545,040**	**37,733**	**91,072**	**491,701**
Nature of charges and write-backs:				
• Operating		691	-	
• Financial		37,042	91,072	
• Exceptional		-	-	
Total		**37,733**	**91,072**	

Intangible assets:

Intangible asset additions concern the capitalization of two migration projects towards new IT applications. Disposals consist of two IT applications sold to Veolia Environnement Informations et Technologie.

Long-term loans and investments:

a) ***Equity investments:*** Equity investments total €16,412.6 million as of December 31, 2010.

The **increase** in equity investments breaks down as follows:

(in € thousands)	**Amount**
Acquisition of Veolia Environnement Participations – VT2	38,006
Veolia Environnement Services RE share capital increase	10,000
Veolia Environnement CSP share capital increase	9,500
Vigie 14 AS share capital increase	1,056
Acquisition of Vigie 35, 36, 37, 38, 39, 40, 41, 42, 43 shares	333
Acquisition of Veolia Transdev shares	37
Acquisition of Sud Développement shares	23
Acquisition of EEI shares	4
Acquisition of Veolia Environnement Participations - VT1	1
Acquisition of Veolia Eau IdF SNC shares	1
Acquisition of FNM10 shares	1
Total	**58,961**

The **decrease** in equity investments breaks down as follows:

(in € thousands)	**Amount**
Partial divestiture of Veolia Transport	58,080
Divestiture of Deers Green Power	4,801
Divestiture of Vigie 29 AS	37
Partial divestiture of Veolia Transdev	2
Total	**62,920**

b) Loans to equity investments: This heading totals €7,544.2 million as of December 31, 2010.

(in € thousands)	**Opening balance**	**Increase**	**Decrease**	**Foreign exchange translation**	**Closing balance**
Veolia Eau (Compagnie Générale des Eaux)	2,324,428	51,585	3,901	32,182	2,404,293
Veolia Propreté	2,320,903	21,095	70,221	(2,274)	2,269,503
Dalkia International	1,081,285	1,188	69,557	8,715	1,021,630
Veolia Transport	833,682	582,654	3,064	(9,616)	1,403,656
Collex PTY Ltd	147,281	16,391	-	-	163,672
Veolia Environnement Informations et Technologies	71,252	54,550	252	-	125,550
Artelia	65,391	10,447	-	-	75,839
Campus Veolia Environnement	18,450	-	1,703	-	16,747
Veolia Environnement Industries	16,799	92	83	-	16,808
Veolia PPP Finance	15,842	43	842	-	15,043
Centre d'Analyses Environnementales	6,000	-	500	-	5,500
Veolia Environnement Ingénierie (formerly Vigie 32)	-	1,350	-	-	1,350
Veolia Environnement CSP	-	24,642	-	-	24,642
Total	**6,901,313**	**764,038**	**150,124**	**29,007**	**7,544,235**

c) Other long-term investment securities

This heading comprises subordinated shares issued as part of a securitization program launched in 2002 and renewed in June 2007, of €49 million (including accrued interest) and shares in the Demeter venture capital mutual fund of €3.8 million. Veolia Environnement was recognized as a qualified investor in the Demeter mutual fund, within the meaning of Article L.411-2 of the French Monetary and Financial Code.

d) Loans

This heading comprises a guarantee deposit in respect of subsidiary financing operations of GBP 18.5 million, or €21.5 million euro-equivalent (including accrued interest) and cash surpluses loaned on a short-term basis of €398.8 million (including accrued interest).

e) Other long-term loans and investments

This heading primarily includes 8,389,059 treasury shares with a gross value of €299.8 million.

f) Financial impairment provisions

Charges mainly concern the provision for the impairment of treasury shares in the amount of €14.9 million and the impairment of Veolia Environnement CSP shares in the amount of €9.5 million, Campus Veolia Environnement shares in the amount of €8.4 million, Veolia PPP Finance shares in the amount of €1.4 million and Deers Green Power shares in the amount of €1.9 million. Write-backs mainly concern the provision for the impairment of treasury shares in the amount of €10 million and the write-back of the impairment of Proactiva shares in the amount of €56.1 million, Veolia Transport shares in the amount of €20.1 million and Deers Green Power shares in the amount of €4.8 million.

3.2 Prepaid Expenses

Prepaid expenses total €15.4 million and include swap balancing cash adjustments of €13 million, operating prepaid expenses of €2.3 million concerning in particular insurance and professional fees and interest paid in advance on treasury notes of €0.9 million.

3.3 Accrued income and deferred charges

3.3.1 Bond redemption premiums

Unamortized bond redemption premiums total €129.6 million.

Bond redemption premiums are amortized on a straight-line basis over the bond term.

The bond issue public exchange offer led to the payment of a redemption premium of €61.5 million in July 2010.

3.3.2 Deferred charges: loan issue costs

Bond issue costs are spread on a straight-line basis over the bond term. Net deferred charges as of December 31, 2010 total €26.9 million.

The bond issue public exchange offer led to the payment of issue costs of €3.4 million in 2010.

Other deferred charges total €2.4 million and mainly comprise issue costs incurred in prior years in setting up credit lines.

3.4 Accrued income (in € thousands)

Accrued income included in balance sheet headings	**2010**	**2009**
Loans to equity investments	37,855	30,964
Other long-term investment securities	37	29
Loans	-	-
Other long-term loans and investments	1,361	333
Trade receivables and related accounts	104,921	50,054
Other receivables	13,638	81,224
Marketable securities	13,200	47,079
Treasury instruments	127,608	118,900
Total	**298,620**	**328,583**

3.5 Other receivables

Other receivables total €917.2 million and mainly comprise the following balances:

(in € thousands)	**2010**	**2009**
Current accounts with Veolia Eau (formerly Compagnie Générale des Eaux)	243,408	325,205
Current accounts with Veolia Transport	165,329	59,079
Current accounts with Dalkia International	104,038	91,925
Current accounts with Veolia Propreté	77,877	357,707
"C" shares relating to the securitization program**	47,641	43,386
Current account with Veolia Environnement Services Australia PTY	44,562	30,062
Financial receivables on derivatives	36,987	59,250
Income tax account	36,048	30,153
Current account with Veolia Environnement Informations et Technologies	24,479	33,727
Current account with Dalkia Holding	25,175	13,495
Current account with Veolia Environnement Recherche et Innovation	15,805	-
Financial income receivable*	13,638	77,049

(*) inancial income receivable includes dividends receivable of €61.7 million in 2009.

(**) he value of "C" shares carried by Veolia Environnement in respect of the receivables securitization program is €47.6 million. A liability of the same amount is recognized to these companies.

3.6 Foreign exchange gains and losses

Foreign exchange gains and losses concern hedges of matching foreign exchange structural positions and overall foreign exchange positions by currency.

(in € thousands)	**Unrealized foreign exchange losses**	**Unrealized foreign exchange gains**
Foreign exchange hedges of structural foreign exchange positions (Note 3.6.1)	92,641	51,081
Overall foreign exchange position (Note 3.6.2)	115,093	40,934
Total	**207,734**	**92,015**

The following tables present the foreign exchange positions for the main currencies determined at the balance sheet date.

3.6.1 Unrealized foreign exchange gains and losses on matching foreign exchange positions (in € thousands)

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	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Provision for contingencies
Loans	0	13,569		
Borrowings	28,212	0		
Currency derivatives	1,348	3,767		
Total CZK	**29,560**	**17,336**	**12,224**	**12,224**
Borrowings	118,544	0		
Currency derivatives	12,671	52,432		
Total USD on matching NIH positions(*)	**131,215**	**52,432**	**78,783**	**0**
Short-term investments	197	2,655		
Dividends	5,478	0		
Borrowings	500	1,886		
Total USD on matching CFH positions	**6,175**	**4,541**	**1,634**	**1,634**
Grand total	**166,950**	**74,309**	**92,641**	**13,858**

(*) A provision was not booked in respect of the U.S. dollar net unrealized foreign exchange loss on matching NIH positions, as it corresponds to a hedge of securities.

Account heading concerned by the foreign exchange gain/loss	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange gain
Loans	0	0	
Borrowings	8,857	32,654	
Currency derivatives	24,911	1,114	
Total PLN	**33,768**	**33,768**	**0**
Loans	0	0	
Borrowings	31,204	192,156	
Current accounts	46,641	0	
Currency derivatives	279,162	164,985	
Total GBP	**357,007**	**357,141**	**(134)**
Loans	26,468	46,544	
Borrowings	76,296	86,107	
Current accounts	5	21,636	
Currency derivatives	1,927	1,356	
Total USD	**104,696**	**155,643**	**(50,947)**
Grand total	**495,471**	**546,552**	**(51,081)**

3.6.2 Unrealized foreign exchange gains and losses on overall foreign exchange positions excluding matching foreign exchange positions (in € thousands)

Account heading concerned by the foreign exchange gain/loss	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Provision for contingencies
Currency derivatives	1	0		
Total BGN	**1**	**0**	**1**	**1**
Loans	390	0		
Currency derivatives	282	0		
Total BHD	**672**	**0**	**672**	**672**
Loans	0	0		
Currency derivatives	0	0		
Total CAD	**0**	**0**	**0**	**70**
Loans	0	15		
Borrowings	9,593	0		
Currency derivatives	2,749	0		
Total CZK	**12,341**	**15**	**12,326**	**12,326**

Account heading concerned by the foreign exchange gain/loss	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Provision for contingencies
Currency derivatives	1	0		
Total DKK	**1**	**0**	**1**	**1**
Operations	18	0		
Total GBP	**18**	**0**	**18**	**11,459**
Operations	4	0		
Total HKD	**4**	**0**	**4**	**1,138**
Loans	958	193		
Currency derivatives	571	0		
Operations	1	0		
Total HUF	**1,530**	**193**	**1,337**	**1,336**
Loans	0	0		
Currency derivatives	0	0		
Total ILS	**0**	**0**	**0**	**321**
Loans	0	0		
Currency derivatives	0	0		
Total JPY	**0**	**0**	**0**	**1,583**
Currency derivatives	4	0		
Total LTL	**4**	**0**	**4**	**4**
Loans .	0	2,798		
Currency derivatives	3,734	0		
Total NOK	**3,734**	**2,798**	**936**	**2,336**
Loans	0	12,095		
Borrowings	0	508		
Currency derivatives	22,692	0		
Total PLN	**22,692**	**12,603**	**10,089**	**21,424**
Loans	0	111		
Currency derivatives	131	0		
Total RON	**131**	**111**	**20**	**20**
Loans	261	0		
Currency derivatives	0	218		
Total RUB	**261**	**218**	**43**	**43**
Loans	0	0		
Currency derivatives	0	0		
Total SEK	**0**	**0**	**0**	**1,371**
Currency derivatives	1	0		
Total TWD	**1**	**0**	**1**	**1**
Loans	23,326	0		
Borrowings	65,517	0		
Currency derivatives	162	223		
Operations	22	0		
Total USD	**89,027**	**223**	**88,804**	**88,782**
Currency derivatives	839	0		
Total ZAR	**839**	**0**	**839**	**839**
Grand total	**131,255**	**16,162**	**115,093**	**143,725**

Contingency provisions for foreign exchange risk are not necessarily of the same amount as net unrealized foreign exchange losses, since starting in fiscal year 2010, they have been based not only on the overall foreign exchange position but also on the maturity of that position.

Account heading concerned by the foreign exchange gain/loss	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange gain
Loans	80	77	
Currency derivatives	0	143	
Total AED	**80**	**220**	**(140)**
Loans	0	2,546	
Currency derivatives	0	3,314	
Operations	0	4	
Total AUD	**0**	**5,864**	**(5,864)**
Loans	488	0	
Currency derivatives	23	721	
Total CAD	**511**	**721**	**(210)**
Loans	0	2,737	
Currency derivatives	2,647	62	
Operations	0	32	
Total CHF	**2,647**	**2,831**	**(184)**
Operations	0	1	
Total CZK	**0**	**1**	**(1)**
Loans	11,129	0	
Borrowings	0	2,543	
Currency derivatives	0	11,316	
Operations	0	13	
Total GBP	**11,129**	**13,873**	**(2,743)**
Loans	849	5,710	
Currency derivatives	5	7,756	
Total HKD	**854**	**13,466**	**(12,612)**
Loans	0	5,370	
Currency derivatives	2,542	0	
Total ILS	**2,542**	**5,370**	**(2,828)**
Loans	0	10,250	
Currency derivatives	1,583	0	
Total JPY	**1,583**	**10,250**	**(8,667)**
Loans	344	128	
Currency derivatives	0	356	
Operations	0	1	
Total MXN	**344**	**485**	**(140)**
Currency derivatives	4	6	
Total NZD	**4**	**6**	**(2)**
Currency derivatives	0	11	
Total OMR	**0**	**11**	**(11)**
Currency derivatives	0	16	
Total QAR	**0**	**16**	**(16)**
Operations	0	1	
Total PLN	**0**	**1**	**(1)**
Loans	0	8,792	
Currency derivatives	1,389	0	
Total SEK	**1,389**	**8,792**	**(7,403)**
Loans	0	0	
Currency derivatives	0	20	
Total SGD	**0**	**20**	**(20)**
Loans	0	0	
Currency derivatives	0	78	
Total TRY	**0**	**78**	**(78)**
Operations	0	13	
Total USD	**0**	**13**	**(13)**
Grand total	**21,083**	**62,018**	**(40,934)**

3.7 Treasury shares (classified in marketable securities)

Veolia Environnement holds 14,338,903 treasury shares purchased under share purchase programs, including 8,389,059 shares classified in "Other long-term loans and investments" (see Note 3.1.e above). The remaining 5,949,844 shares, recorded in marketable securities and earmarked for an Employee Savings Plan, SEQUOIA, have a net value of €127.6 million at the year-end. The provision of €8.8 million corresponds to 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, 2010. A charge to provisions of €10.6 million and a provision write-back of €3.6 million were recorded in fiscal year 2010.

3.8 Other securities

Other securities total €3,259.4 million and include treasury notes of €248 million, mutual fund investments of €2,836.1 million, monetary notes of €162.1 million and accrued interest of €13.2 million.

4 Balance sheet equity and liabilities

4.1 Share capital and reserves

(in € thousands)	**Opening balance**	**Increase**	**Decrease**	**Closing balance**
Share capital subscribed, called and paid	2,468,152	27,480	-	2,495,632
Additional paid-in capital	5,114,235	81,720	-	5,195,955
Additional paid-in capital (2003 share capital reduction)	3,443,099	-	-	3,443,099
Additional paid-in capital in respect of contributions	3,971	-	-	3,971
Additional paid-in capital in respect of bonds convertible into shares	681,881	-	-	681,881
Additional paid-in capital in respect of share subscription warrants	2,725	-	-	2,725
Reserve required by law	184,461	27,083	-	211,544
Special long term capital gains reserve	-	-	-	-
Frozen reserves	-	-	-	-
Other reserves	343,226	-	-	343,226
Retained earnings	211,766	-	64,953	146,813
Prior year net income	541,669	-	541,669	-
TOTAL BEFORE NET INCOME FOR THE YEAR	**12,995,185**	**136,283**	**606,622**	**12,524,846**
Net income for the year	-	554,135	-	554,135
TOTAL AFTER NET INCOME FOR THE YEAR	**12,995,185**	**690,418**	**606,622**	**13,078,981**

The share capital comprises 499,126,367 shares of €5 par value each, compared with 493,630,374 shares of €5 par value each as of December 31, 2009.

As stipulated in Article L. 225-210 of the French Commercial Code (*Code de Commerce*), Veolia Environnement has frozen reserves of an amount at least equal to treasury shares held. These frozen reserves are not recorded in a separate balance sheet account as authorized by the same article. Note that issue, contribution and merger additional paid-in capital, with the exception of revaluation gains and losses, all constitute reserves targeted by this obligation.

4.2 Provisions for contingencies and losses

Movements in provisions for contingencies and losses:

(in € thousands)	**Opening balance**	**Charge**	**Utilization**	**Write-back**	**Closing balance**
Provision for foreign exchange risk	124,765	157,583	124,765	-	157,583
Provisions for other contingencies (1)	3,837	15,181	3,844	-	15,174
Provisions for losses (2)	10,160	6,010	6,381	-	9,789
Total	**138,762**	**178,774**	**134,900**	**-**	**182,546**
Nature of charges and write-backs:					
• Operating		11,010	6,381	-	
• Financial		167,764	128,609	-	
• Exceptional		-	-	-	
Total		**178,774**	**134,990**	**-**	

(1) Including a provision for unrealized losses on financial instruments (trading) of €10.2 million in 2010 and a charge to provisions for URSSAF risk of €5 million.

(2) Including a contingency provision for corporate patronage tax credits for fiscal years 2005 and 2006 of €7.5 million and a provision for restructuring costs of €1.3 million.

4.3 Bond issues

(in € thousands)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bonds	12,618,274	851,822	791,829	139,455	12,817,723
Accrued interest on other bond issues	339,856	327,714	339,856	-	327,714
Total	**12,958,130**	**1,179,536**	**1,131,685**	**139,455**	**13,145,437**

The increase of €851.8 million is mainly due to the issue of a new €834.5 million fixed-rate bond line maturing January 2021 as part of the Public Exchange Offer performed in July 2010.

The decrease of €791.8 million breaks down as follows:

- the redemption in April 2010 of the CZK600 million bond issue (€18.9 million euro equivalent).
- the exchange of two bond issues maturing in 2012 and 2013 for a total amount of €772.9 million as part of the Public Exchange Offer performed in July 2010.

4.4 Bank and other borrowings

Bank and other borrowings total €2,315 million and comprise the following main balances:

(in € thousands)	2010	2009
Treasury note outstandings	502,045	302,018
Current accounts with Veolia Environnement Europe Service (V.E.E.S.)	429,024	84,966
Syndicated loan arranged by Société Générale	347,970	-
Current accounts with Veolia Eau (Compagnie Générale des Eaux)	199,754	345,631
Current accounts with Veolia Transport	190,900	13,722
Current accounts with Veolia North America	138,849	300,070
Bank accounts in overdraft	93,270	113,065
Current accounts with Dalkia Holding	85,718	134,350
Current accounts with Veolia Environnement Services RE	85,024	62,450
Syndicated loan arranged by Crédit Lyonnais	60,006	610,838
Loan from Veolia Energie (Dalkia)	56,197	99,038
Current accounts with Dalkia International	42,616	124,672
Tax group current accounts	23,323	6,554
Current accounts with Sense	20,444	28,949
Loan from Proactiva Medio Ambiente	14,260	14,217
Current accounts with Veolia Environnement CSP	8,055	-
Current accounts with Veolia Propreté	4,003	16,668
Current accounts with Exploitation Eau - Compagnie Générale des Eaux	521	45,630

4.5 Accrued expenses included in the following balance sheet headings

(in € thousands)	**2010**	**2009**
Other bonds	327,714	339,856
Bank borrowings	3,523	3,852
Other borrowings	4,841	8,387
Trade payables and related accounts	86,372	86,990
Tax and employee-related liabilities	28,347	23,454
Amounts payable in respect of Fixed Assets and related accounts	3,396	11,110
Other liabilities	19,279	15,629
Treasury instruments	2,633	13,797
Total	**476,105**	**503,075**

4.6 Tax and employee-related liabilities

Tax and employee-related liabilities total €88.4 million and mainly comprise VAT payable of €18.1 million, output VAT on sales of €21.4 million, VAT on purchase invoice accruals of €13.3 million, the provision for performance bonuses and related social security contributions of €20.8 million and amounts due to social welfare and tax organizations of €14.8 million.

4.7 Deferred income

Deferred income totals €106.1 million and mainly comprises balancing cash adjustments on derivatives of €104.8 million, interest received in advance on certificates of deposit of €0.5 million and bond issue premiums of €0.8 million.

5 Receivables and debt maturity analysis

(in € thousands)	**Amount**	**Falling due within one year**	**Falling due within more than one year**
Non-current assets:			
Loans to equity investments	7,544,238	37,855	7,506,383
Other long-term investment securities	52,827	-	52,827
Loans	420,354	398,861	21,493
Other long-term loans and investments	300,129	-	300,129
Current assets:			
Payments on account – inventories	1,836	1,836	-
Trade receivables and related accounts	261,302	261,302	-
Group and associates	768,476	768,476	-
Other receivables	148,716	46,838	101,878
Marketable securities (1)	3,624,154	3,597,420	26,734
Cash at bank and in hand	40,404	40,404	-
Prepaid expenses	15,364	6,187	9,177
Total receivables	**13,177,800**	**5,159,179**	**8,018,621**

(1) including treasury instruments of €228,313,063.

(in € thousands)	**Amount**	**Falling due within one year**	**Falling due within one to five years**	**Falling due after five years**
Liabilities:				
Bonds	13,145,437	327,714	4,251,274	8,566,449
Other borrowings	910,918	505,568	405,350	-
Group and associates	1,240,260	1,240,260	-	-
Bank current accounts	93,270	93,270	-	-
Group loans	70,457	22,228	48,229	-
Miscellaneous liabilities	-	-	-	-
Other	649,356	496,566	63,105	89,685
Total liabilities	**16,109,698**	**2,685,606**	**4,767,958**	**8,656,134**

6 Income Statement

6.1 Net income from ordinary activities

The net income from ordinary activities before tax is €450.3 million.

Income:

Operating revenue is €435.8 million and mainly comprises:

- rebilled indemnities in full and final discharge of repair and maintenance work of €206.4 million,
- management fees received from subsidiaries of €87.9 million,
- brand fees of €53.8 million,
- miscellaneous rebillings of €25 million,
- fees for the provision of employees of €18.2 million,
- rebilled communication department expenses of €15.7 million,
- capitalized production in respect of an IT project of €13.5 million,
- write-backs of operating provisions for contingencies and losses of €6.4 million,
- Expertise Center rebillings of €5.6 million,
- transferred operating expenses in respect of bond issue costs of €3.4 million.

Financial income is €3,402.1 million and mainly comprises:

- foreign exchange gains of €1,794.8 million,
- dividends of €912.3 million,
- interest received on current accounts and advances to Group companies of €181.9 million,
- income mainly comprising interest on derivatives of €193.9 million,
- write-backs of provisions for foreign exchange losses of €124.8 million,
- write-backs of provisions for impairment of equity investments of €81.1 million,
- financial income from the rebilling of a utilization commission of €25.1 million,
- proceeds from the sale of marketable securities of €18.4 million,
- balancing cash adjustment received on financial instruments of €17.3 million,

- write-backs of provisions for impairment of treasury shares of €13.6 million,
- investment interest of €10.9 million,
- amortization of premiums/discounts of €14.6 million,
- financial income from the remuneration of guarantees of €5.5 million.
- write-backs of financial provisions for contingencies and losses of €4.5 million,
- income on option premiums of €1.7 million,
- other financial income of €1.7 million.

Expenses:

Operating expenses total €578.6 million and mainly comprise:

- administrative and management costs associated with the management of essential head office functions of €227.3 million,
- indemnities paid in full and final discharge of repair and maintenance work of €220.2 million,
- personnel costs (wages, salaries and social security contributions) of €104.6 million,
- charges to depreciation, amortization and provisions of €17 million,
- taxes other than income tax of €9.4 million.

Financial expenses total €2,809.1 million and mainly comprise:

- foreign exchange losses of €1,809.4 million,
- interest on bond issues of €651.4 million,
- charges to provisions for foreign exchange losses of €157.6 million,
- premiums and discounts of €31.8 million,
- amortization of bond redemption premiums of €31 million,
- charges to provisions for impairment of treasury shares of €25.5 million,
- expenses mainly comprising interest paid on other borrowings and treasury notes of €23.8 million,
- charges to provisions for impairment of equity investments of €22.2 million,
- debt waivers of €20.3 million,
- charges to other financial provisions of €10.5 million,
- balancing cash adjustments paid/deferred expenses on financial instruments of €10.2 million,
- interest paid on subsidiary current accounts of €8.7 million,
- bank commission and expenses of €6.7 million.

6.2 Exceptional items

Exceptional items represent a net expense of €32.6 million and mainly comprise the following items:

- a loss of €24.9 million on the sale of equity investments,
- a loss of €6.1 million on the sale of treasury shares,
- a loss of €1.7 million in respect of the revised VAT assessment following a tax audit.

6.3 Income tax and the consolidated tax group

Within the framework of a tax group agreement, Veolia Environnement forms a tax group with those subsidiaries at least 95% owned that have elected to adopt this regime. Veolia Environnement is liable for the full income tax charge due by the resulting tax group. It is also liable for the minimum income tax charge payable by tax group companies.

The income tax expense is allocated to the different entities comprising the tax group according to the "neutrality" method. Each subsidiary bears the tax charge to which it would have been liable if it were not a member of the tax group. The parent company records its own tax charge and the tax saving or additional charge resulting from application of the tax group regime.

The tax group election came into force on January 1, 2001 for a period of five years and benefits from tacit renewal failing explicit termination by Veolia Environnement at the end of this five-year period.

The application of the tax group regime in 2010 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries of €133.8 million. The share of the group tax credit benefiting Veolia Environnement is €2.1 million in respect of 2010.

In addition, offsetting Group losses, a tax expense of €0.9 million concerns share capital increase costs deducted from corresponding additional paid-in capital and another additional tax expense of €0.8 million concerns withholding tax paid to the Australian State.

Finally, corrections to prior year tax expenses and tax audits generated tax income of €2.3 million.

6.4 Net income for the year

The net income for 2010 is €554.1 million.

7 Other information

7.1 Off-balance sheet commitments

Commitments given by Veolia Environnement, primarily financing and performance guarantees on behalf of subsidiaries, total €2,470.7 million as of December 31, 2010, including counter-guarantees (in € thousands):

Commitments given	**Amount**
Discounted notes not yet matured	-
Endorsements and guarantees (1)	2,453,941
Equipment finance lease commitments	-
Real estate finance lease commitments	-
Pension obligations and related benefits (2)	16,760
Other commitments given	-
Total (3)	**2,470,701**
(3) of which commitments given to:	
- management – including the payments disclosed hereafter (see b)	1,009
- related entities	-

(1) Additional information on guarantees:

Operational guarantees include guarantees granted by Veolia Environnement to insurance companies guaranteeing up to a maximum total amount of USD 1.1 billion, to enable such insurance companies to issue surety bonds at the request of U.S. subsidiaries in the course of their activities (operating guarantees, site restoration guarantees, etc.). As of December 31, 2010, drawn outstandings guaranteed by Veolia Environnement represented a euro equivalent of €196.1 million. Veolia Environnement also guarantees a group syndicated credit line of a maximum amount of USD 1.25 billion, covering the issue of letters of credit to U.S. subsidiaries for the purpose of their activities. As of December 31, 2010, total outstandings guaranteed by Veolia Environnement in respect of this credit line represented a euro equivalent of €408.3 million.

(2) Additional information on pension obligations and related benefits:

Obligations, net of plan assets, are broken down in the following table (in € thousands):

Pension obligations pursuant to Article 14 of the Collective Agreement	10,945		
Collective insurance contract in favor of Group executives	4,806	(a)	Rebilled in part to Group subsidiaries
Insurance company contract in favor of Executive Committee members	1,009		
Total	**16,760**		

(a) Net of payments of €32.5 million in respect of fiscal years 2006 to 2010, including €1.2 million in respect of 2010.

7.2 Specific contractual commitments

The financial management of maintenance and repair costs for installations provided by delegating authorities, for the majority of French subsidiaries, was mutualized and centralized until December 31, 2003 within Veolia Environnement and, partially, since January 1, 2004 within Veolia Eau (Compagnie Générale des Eaux). Therefore, Veolia Environnement, as an active partner of all water and heating subsidiaries, has undertaken to repay all maintenance and repair costs incurred by them in respect of contractual obligations to local authorities under public service delegation contracts. In return, the subsidiaries pay an indemnity to Veolia Environnement corresponding to the amortization of forecast maintenance and repair costs.

7.3 Derivative financial instruments and counterparty risk

As a result of its businesses, Veolia Environnement is exposed to various financial risks. The company uses derivative financial instruments to manage interest rate risks inherent to its financing activities, to a large extent on behalf of its subsidiaries.

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, 2010, the main derivative products held primarily comprised:

- caps and floors,
- 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)	**Asset**	**Liability**
Accrued interest on swaps	127,608	2,633
Interest rate option premiums	12,504	-
Currency derivatives	80,100	204,518
Premium/discount*	8,101	6,828
Prepayments	13,026	-
Deferred income	-	104,816
Total	**241,339**	**318,795**

(*) 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.

Accrued interest receivable or payable on these instruments is broken down in the headings “Accrued income” and “Accrued expenses”.

The fair value of derivatives at the balance sheet date is presented below:

(in € thousands)	Asset	Liability
Interest rate derivatives	**564,770**	**44,627**
Hedging derivatives	564,245	31,833
Derivatives not qualifying for hedge accounting (trading)	525	12,793
Currency derivatives	**118,110**	**243,452**
Hedging derivatives	118,005	243,452
Derivatives not qualifying for hedge accounting (trading)	106	-
Total	**682,880**	**288,079**

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	730,825	730,825
Fixed-rate payer/floating-rate receiver swaps	CZK	-	-
Fixed-rate payer/floating-rate receiver swaps	GBP	-	-
Fixed-rate payer/floating-rate receiver swaps	USD	-	-
Fixed-rate payer/floating-rate receiver swaps	PLN	700,000	176,101
Floating-rate payer/fixed-rate receiver swaps	EUR	5,506,506	5,506,506
Floating-rate payer/fixed-rate receiver swaps	CZK	-	-
Floating-rate payer/fixed-rate receiver swaps	GBP	400,000	464,711
Floating-rate payer/fixed-rate receiver swaps	USD	1,354,200	1,013,471
Floating-rate payer/fixed-rate receiver swaps	PLN	-	-
Total			**7,891,614**
Trading swaps			
Fixed-rate receiver/floating-rate payer swaps	EUR	342,712	342,712
Fixed-rate receiver/floating-rate payer swaps	CZK	220,128	8,784
Fixed-rate payer/floating-rate receiver swaps	CZK	220,128	8,784
Fixed-rate payer/floating-rate receiver swaps	EUR	447,737	447,737
Total			**808,017**
Trading caps			
Caps dominated in foreign currency	USD	-	-
Caps denominated in euro	EUR	930,000	930 000
Total			**930,000**

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:		
CNY	120,000	120,000
Total	**120,000**	**120,000**
Currency forwards:		
USD	404,594	316,476
GBP	1,743,766	987,542
HKD	117,715	773,808
PLN	330,220	344,471
SEK	56,395	321,287
NOK	171,991	319,705
CZK	220,235	297,748
AUD	65,956	246,923
CNY	17,937	17,937
Other currencies	226,578	875,610
Total	**3,355,387**	**4,501,507**

7.4 Average workforce

	Salaried employees	**Employees at the disposition of the company**
Executives	501	16
Supervisors and technicians	14	8
Administrative employees	31	-
Workers	-	-
Total	**546**	**24**

7.5 Management compensation

Compensation granted to members of *(in euros)*	**Amount**
Management bodies	3,162,174

The above amount includes only compensation borne by the company. Compensation paid by other entities is, therefore, excluded.

7.6 Specific information on individual training entitlement

Entitlement vested between May 7, 2004 and December 31, 2010 in respect of individual training entitlement represents 46,016 cumulative training hours. A training request has not yet been received in respect of 44,776 hours.

7.7 Deferred tax

Deferred tax liability *(in € thousands)*	**Amount**
Tax-driven provisions:	
Accelerated depreciation	332
Provisions for price increase	-
Provisions for exchange rate fluctuations	-
Other:	
Investment subsidy	-
Income temporarily non-taxable	-
Income deferred for accounting but not tax purposes	-
Unrealized foreign exchange losses	207,734
Total	**208,066**

Deferred tax asset	**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	184,411
Other:	
- Taxed income not recognized	93,968
- Difference between the NCA/tax value of treasury shares	70,827
- Amortization of option premiums	5,338
- Unrealized foreign exchange gains	92,014
Total	**446,558**
Tax losses carried forward	2,032,881
Long-term capital losses	-

The impact of these timing differences on the financial statements, as if the company were taxed separately, identifies a theoretical net tax receivable of €782,034 million.

7.8 Related party transactions

Related parties consist of companies likely to be fully consolidated in the consolidated financial statements of Veolia Environnement Group.

The main transactions with related parties and amounts due to or from related parties are as follows:

(in € thousands)	**2010**	**2009**
Equity investments net of provisions	16,041,635	15,814,006
Loans to equity investments	7,544,235	6,901,314
Other receivables	825,736	1,074,642
Trade receivables	257,128	187,270
Borrowings	1,310,716	1,290,772
Other liabilities	85,480	225,248
Operating revenue	407,870	370,331
Operating expenses	317,288	292,871
Financial income [(1)]	1,791,172	1,537,019
Financial expenses [(1)]	395,894	772,367
Exceptional income	78,863	24,903
Exceptional expenses	98,940	24,903

(1) Including foreign exchange gains and losses on transactions with related parties provided in accordance with the overall foreign exchange position per currency principle.

7.9 Audit fees

Audit fees billed in respect of the statutory audit of the accounts and services falling within the scope of related diligences are detailed in the notes to the Veolia Environnement Group consolidated financial statements.

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.

Outstanding option plans at the end of 2010 were as follows:

	N°8 2010	N°7 2007	N°6 2006	N°5 2004	N°4 2003
Grant date	05/07/2010	07/17/2007	03/28/2006	12/24/2004	03/24/2003
Number of options granted	2,462,800	2,490,400	4,044,900	3,341,600	5,192,635
Number of options not exercised	2,462,800	592,900*	3,448,416	3,064,287	1,544,240
Plan term	8 years	8 years	8 years	8 years	8 years
Vesting conditions	4 years service plus performance conditions	4 years service plus performance conditions	4 years service	3 years service plus performance conditions for certain plans	3 years service
Vesting method	After 4 years	After 4 years	After 4 years	By tranches of 1/3 over 3 years	By tranches of 1/3 over 3 years
Strike price (in euros)	22.50	57.05	44.03*	24.32*	22.14*

(*) *Strike price adjusted to take account of transactions impacting the share capital of the Company (issue of share subscription warrants on December 17, 2001 and share capital increases with retention of preferential subscription rights on August 2, 2002 and July 10, 2008). The initial strike prices for plans no.3, no.4, no.5 and no.6 were €37.53 €22.50, €24.72 and €44.75, respectively.*

7.11 Subsequent events

No material events likely to call into question the financial statements for the year ended December 31, 2010 took place between December 31, 2010 and the date of approval of the accounts.

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):

A table providing a breakdown of equity investments is presented at the end of the notes to the financial statements.

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)	2009 revenue (2)	2010 revenue (2)	2009 net income (2)	2010 net income (2)	Dividends recorded in the last fiscal year (2)	Year-end
					GROSS(2)	NET (2)								
Veolia Eau -Compagnie Générale des Eaux(1), 52, rue d'Anjou, 75008 Paris	214,187,292	2,207,287	1,042,070	100.00%	8,300,000	8,300,000	2,898,697	-	3,685,617	3,639,996	464,884	383,135	424,091	Dec. 31, 2010
Veolia Energie (Dalkia)(1), 37 av. Mal. de Lattre de Tassigny, 59350 Saint-André-Lez-Lille cedex	42,069,294	968,869	452,594	66.00%	641,342	641,342	1,108,228	-	175,496	106,098	158,977	79,402	98,863	Dec. 31, 2010
Veolia Propreté(1), 163-169 av. G. Clémenceau, 92000 Nanterre	8,966,771	143,473	1,364,300	100.00%	1,929,892	1,929,892	2,343,377	-	489,941	558,103	61,353	70,955	212,961	Dec. 31, 2010
Veolia Transport (1) 163-169 av. G. Clémenceau, 92000 Nanterre	17,309,567	293,072	230,835	94.00%	997,913	652,995	1,378,085	-	149,701	151,847	(181,731)	(140,976)	-	Dec. 31, 2010
Proactiva Medio Ambiente SA, Torre Puerta de Europa, Paseo de la Castellana, Madrid	4,710	56,520	19,140	50.00%	119,733	119,733	-	-	18,884	18,272	5,194	8,406	-	Dec. 31, 2010
SIG 41	2,495	38	(15)	99.80%	38	38	(24)	-	-	-	(2)	(1)	-	Dec. 31, 2010
VIGIE 1	3,815	38	(19)	99.87%	38	38	(22)	-	-	-	(2)	(1)	-	Dec. 31, 2010
VIGIE 2	3,815	38	(3,862)	99.87%	38	-	6,914	-	-	-	(163)	(66)	-	Dec. 31, 2010
VIGIE 3 AS	41,829	251	-10,670	100.00%	266	266	(38)	-	1	-	1,082	10,610	1,255	Dec. 31, 2009
Veolia Environnement Services Ré	2,100,000	21,000	(5,128)	100.00%	21,000	21,000	(85,024)	-	35,157	39,581	(8,963)	(4,134)	-	Dec. 31, 2010
Veolia P.P.P. Finance	3,500,337	35,003	(1,533)	100.00%	35,003	33,603	15,043	-	479	423	(369)	(369)	-	Dec. 31, 2010
Veolia Environnement Informations et Technologies	1,919,478	11,517	(9,207)	100.00%	11,532	11,532	150,029	-	35,849	46,309	(13,853)	(35,635)	-	Dec. 31, 2010
Campus Veolia Environnement	2,395,200	26,130	(8,009)	91.66%	23,952	11,352	28,592	-	26,921	31,091	(4,630)	(2,377)	-	Dec. 31, 2010

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)	2009 revenue (2)	2010 revenue (2)	2009 net income (2)	2010 net income (2)	Dividends recorded in the last fiscal year (2)	Year-end
					GROSS (2)	NET (2)								
VIGIE 14 AS	3,700	706	4	100.00%	2,179	346	(349)	-	18	5	(193)	(11)	-	Dec. 31, 2010
Veolia Environnement-CSP	2,122	21	(15,466)	100.00%	9,537	-	16,587	-	-	15,729	(8,872)	(15,466)	-	Dec. 31, 2010
GECIR GIE	5	-	729	5.00%	35	35	-	-	19,447	18,061	779	729	-	Dec. 31, 2010
Veolia Environnement North America Operations (3),	239	2	900,133	11.31%	872,992	872,992	-	-	-	-	105,207	49,192	90,195	Dec. 31, 2010
Centre d'Analyses Environnementales	22,500	250	(102)	90.00%	225	-	4,337	-	14,244	13,652	15	(152)	-	Dec. 31, 2010
CODEVE	3,000,000	3,000	33,009	100.00%	38,000	38,000	-	-	22,167	21,386	(3,854)	(1,306)	-	Dec. 31, 2010
Veolia Environnement Industries	33,334	500	1,609	100.00%	1,113	1,113	1,955	-	4,152	6,317	68	(1,073)	-	Dec. 31, 2010
Artelia Ambiente SA	9,996	50	(840)	99.96%	50	50	76,311	-	1,435	5,356	(363)	(384)	-	Dec. 31, 2010
SASLT 65	60,000	1,870	(1,846)	19.41%	300	-	-	-	3,765	4,624	(801)	(136)	-	Dec. 31, 2010
EOLFI	102,331	14,808	59,131	69.11%	80,143	80,143	(956)	-	3,465	9,050	(5,443)	(3,744)	-	Dec. 31, 2010
Veolia Environnement Compétition	3,700	37	(109)	100.00%	37	37	1,373	-	839	831	(79)	(455)	-	Dec. 31, 2010
Veolia Environnement Energie et Valorisation	13,703,700	137,037	707	100.00%	137,037	137,037	-	-	2,148	652	2,140	447	1,919	Dec. 31, 2010

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)	2009 revenue (2)	2010 revenue (2)	2009 net income (2)	2010 net income (2)	Dividends recorded in the last fiscal year (2)	Year-end
					GROSS (2)	NET (2)								
Veolia Environnement Europe Services	31,500,999	3,150,100	69,799	99.99%	3,150,100	3,150,100	(428,466)	-	2,122	2,107	67,429	63,396	64,048	Dec. 31, 2010
VIGIE 23 AS	3,700	37	(1)	100.00%	37	37	(37)	-	-	-	(1)	(2)	-	Dec. 31, 2010
VIGIE 28 AS	3,700	37	(2)	100.00%	37	37	(35)	-	-	-	(1)	(1)	-	Dec. 31, 2010
VIGIE 30 AS	3,700	37	(2)	100.00%	37	37	(35)	-	-	-	(1)	(1)	-	Dec. 31, 2010
Veolia Environnement Ingenierie Conseil	3,700	37	(2)	100.00%	37	37	-	-	-	-	(1)	(1)	-	Dec. 31, 2010
VIGIE 33	3,694	37	(2)	100.00%	37	37	(35)	-	-	-	(1)	(1)	-	Dec. 31, 2010
VIGIE 34	3,694	37	(2)	100.00%	37	37	-	-	-	-	(1)	(1)	-	Dec. 31, 2010
Veolia Environnement France Régions	3,700	37	-	100.00%	37	37	-	-	-	230	-	(1)	-	Dec. 31, 2010
VIGIE 36 AS	3,700	37	-	100.00%	37	37	-	-	-	-	-	(1)	-	Dec. 31, 2010
VIGIE 37 AS	3,700	37	-	100.00%	37	37	-	-	-	-	-	(1)	-	Dec. 31, 2010
VIGIE 38 AS	3,700	37	(1)	100.00%	37	37	-	-	-	-	-	(1)	-	Dec. 31, 2010
VIGIE 39 AS	3,700	37	(1)	100.00%	37	37	-	-	-	-	-	(1)	-	Dec. 31, 2010
VIGIE 40 AS	3,700	37	(1)	100.00%	37	37	-	-	-	-	-	(1)	-	Dec. 31, 2010
VIGIE 41 AS	3,700	37	(1)	100.00%	37	37	-	-	-	-	-	(1)	-	Dec. 31,

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)]	2009 revenue [(2)]	2010 revenue [(2)]	2009 net income [(2)]	2010 net income [(2)]	Dividends recorded in the last fiscal year [(2)]	Year-end
					GROSS [(2)]	NET [(2)]								
														2010
VIGIE 42 AS	3,700	37	(1)	100.00%	37	37	-	-	-	-	-	(1)	-	Dec. 31, 2010
VIGIE 43 AS	3,700	37	(1)	100.00%	37	37	-	-	-	-	-	(1)	-	Dec. 31, 2010
Eco.Environnement.Ingenierie	350	90	(538)	3.89%	4	4	-	-	-	331	--	(350)	-	Dec. 31, 2010
Veolia Environnement Participations VT1	999	1	-	99.99%	1	1	-	-	-	-	-	-	-	Dec. 31, 2010
Veolia Environnement Participations VT2	38,005,968	38,006	-	99.99%	38,006	38,006	-	-	-	-	-	-	-	Dec. 31, 2010
Sud Développement	150	305	(459)	7.50%	23	23	-	-	11	-	(147)	-	-	Dec. 31, 2009
Veolia Transdev	3,490	37	-	94.32%	35	35	-	-	-	-	-	-	-	Dec. 31, 2010
FNM10	99	1	-	100.00%	1	1	-	-	,	-	-	-	-	Dec. 31, 2010
SLOVEO A.S.	1	33	1,557	10.00%	0.30	0.30	-	-	11,514	10,368	372	739	-	Dec. 31, 2010
Other subsidiaries and equity investments (less than 1% of share capital)														
Veolia Environnement UK [(1)],	865,733	684,889	7,441	0.15%	1,387	1,387	-	-	414,788	290	412,291	100,405	-	Dec. 31, 2010
VIGEO	1,300	17,495	(10,225)	0.73%	130	62	-	-	5,270	-	1,090	-	-	Dec. 31, 2009
VE EST	1	2,100	260	-	0.01	0.01	(2,868)	-	-	-	1,586	2,478	-	Dec. 31, 2010

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)	2009 revenue (2)	2010 revenue (2)	2009 net income (2)	2010 net income (2)	Dividends recorded in the last fiscal year (2)	Year-end
					GROSS (2)	NET (2)								
VESTALIA (formerly VIGIE 16 AS)	1	37	1,813	0.03%	0.01	0.01	-	-	83,898	86,200	919	1,709	-	Dec. 31, 2010
CLIG3	1	38	(15)	0.04%	0.02	0.02	-	-	-	-	-	-	-	Dec. 31, 2010
Veolia Eau d'Ile de France	100	100	-	1.00%	1	1	-	-	-	-	-	-	-	Dec. 31, 2010

(*) 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 company of the US consolidated tax group.

Auditors’ report on the statutory 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, 2010

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2010, 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 about whether 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, 2010 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 French Commercial Code ("Code de commerce") 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 review, 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 French Commercial Code ("Code de commerce") relating to remunerations and benefits received by the directors and any other commitments made in their favour, 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 has been properly disclosed in the management report.

The Auditors

French original signed by

Paris-La Défense and Neuilly-sur-Seine, March 30, 2011

KPMG Audit

A division of KPMG S.A.

Jay Nirsimloo — Baudouin Griton

ERNST & YOUNG et Autres

Pierre Hurstel — Nicolas Pfeuty

Parent Company results for the last five years

(in thousands of euros)	**2010**	**2009**	**2008**	**2007**	**2006**
Share capital at the end of the fiscal year:					
Share capital	**2,495,632**	2,468,152	2,362,883	2,358,814	2,063,133
Number of shares issued	**499,126,367**	493,630,374	472,576,666	471,762,756	412,626,550
Transactions and results for the fiscal year:					
Operating income	**435,816**	422,532	384,331	356,655	337,591
Income before tax, depreciation, amortization and provisions	**451,096**	523,449	310,813	427,594	231,828
Income tax expense	**(136,495)**	(192,089)	(186,923)	(165,504)	(236,792)
Income after tax, depreciation, amortization and provisions	**554,135**	541,669	152,854	491,255	414,945
Amount of distributed income	[a] **586,593**	579,468	553,692	553,460	419,702
Earnings per share *(in euros):*					
Income after tax, but before depreciation, amortization and provisions	**1.18**	1.45	1.05	1.26	1.14
Income after tax, depreciation, amortization and provisions	**1.11**	1.1	0.32	1.04	1.01
Dividend per share	**1.21**	**1.21**	**1.21**	**1.21**	**1.05**
Personnel:					
Number of employees (annual average)	**546**	481	416	337	304
Total payroll	**69,498**	61,604	53,415	43,217	39,173
Welfare benefits paid (Social Security, benevolent works, etc.)	**35,068**	41,632	26,354	20,430	15,549

(a) *The total dividend distribution presented in the above table is calculated based on the number of shares outstanding as of December 31, 2010, that is 499,126,367 shares including 14,338,903 treasury shares, and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date.*

Other specific information

Supplier payment periods

Trade payables at the year-end break down as follows *(in € thousands)*:

	2010	2009
Total trade payables	**18,188**	**9,198**
Breakdown by due date		
- Amounts not yet due:	11,072	8,029
- Amounts past due:		
• 0 to 30 days	2,848	440
• 31 to 60 days	707	379
• more than 60 days	3,561	350

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.

Amounts past due more than 60 days total €3.6 million and include inter-company trade payables of €2.9 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 €865,085.64 (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)	**2005 dividend**	**2006 dividend**	**2007 dividend**	**2008 dividend**	**2009 dividend**
Gross Dividend Per Share	0.85	1.05	1.21	1.21	1.21
Net Dividend Per Share	0.85*	1.05*	1.21*	1.21*	1.21*
Tax Credit	n/a	n/a	n/a	n/a	n/a
Amount of Dividends Paid (without tax credit)	**336,340,679**	**419,701,966**	**553,459,872**	**553,824,460**	**579,538,650**

n/a: not applicable

* *Individual shareholders are eligible for a 40% tax reduction on such dividends (or, on options, a flat withholding tax for the dividend distributedin 2008, 2009 and 2010 for the fiscal years 2007, 2008 and 2009 respectively).*

A dividend payment of €1.21 per share for each of the Company's outstanding shares carrying dividend rights as of January 1, 2010 was approved at the combined general shareholders' meeting of May 7, 20109. The right to this dividend was detached from the share on May 14, 2010 (ex-dividend date) and was paid as of June 9, 2010 based on the Company's shareholding records at the close of business on May 13, 2010 (record date).

As of December 31, 2009, the Company's capital was composed of 493,630,374 shares, including 14,731,592 treasury shares. The total distribution amount was adjusted based on the total number of new shares created following the exercise of share subscription and purchase options and the number of treasury shares held by Veolia Environnement on the date of payment. Treasury shares do not enjoy dividend rights.

Pursuant to the fifth resolution adopted by the combined general shareholders' meeting held on May 7, 2010, which offered shareholders an option to receive payment of the dividend for the 2009 fiscal year either in cash, in accordance with the terms described above, or in Veolia Environnement shares, the Board of Directors on that same date sub-delegated to the Chairman all powers to pay the dividend in shares and to carry out the capital increase ensuing from exercise of that option. The option period during which shareholders could choose between a payment of the dividend in cash or shares lasted from May 14 to May 31, 2010 inclusive.

At the end of this option period and on the basis of a depositary's certificate issued by Société Générale, the Chairman certified on June 7, 2010 that a capital increase for cash for a total amount of €79,268,062.32 had been carried out. This resulted in the issuance of 3,732,018 new shares with a par value of €5 each, thereby increasing the Company's stated capital by €18,660,090.

In light of the reliability of future cash flows and the strengthening of the Company's financial position, it will be proposed that the general shareholders' meeting of May 17, 2011 vote to retain the distribution of a dividend of €1.21 per share for 2010, payable in cash or Veolia Environnement shares. If the shareholders' meeting approves this proposal and if this option is exercised, these new shares will be issued at a price equal to 90% of the average opening price on the Euronext Paris regulated market during the 20 trading days prior to the general shareholders meeting of May 17, 2011, less the amount of the dividend that may be approved pursuant to the fourth resolution voted by the combined general shareholders' meeting, rounded to the next upper euro cent. The shares issued will carry dividend rights as of January 1, 2010.

Shareholders may opt for the payment of the dividend in cash or in new shares between May 23, 2011 and June 7, 2011 inclusive, by sending their request to the financial intermediaries authorized to pay the dividend or, in the case of shareholders registered in pure registered accounts held by the Company, to its agent (Société Générale, Securities and Stock Transactions Department, 32 Rue du Champ-de-Tir, B.P. 81236, Nantes Cedex 3). When this option period expires, shareholders who have not opted for payment in shares will receive a dividend in cash as of June 17, 2011. On that same date, shares will be delivered to shareholders who have opted for the payment of the dividend in shares.

For individual shareholders who are French tax residents, dividends, whether paid in cash or in shares, are automatically included in total income, which is taxed on a progressive scale. They qualify for both an unlimited 40% reduction of the gross amount thereof and for a fixed annual reduction (€1,525 for single taxpayers and €3,050 for married couples). Dividends also qualify for a tax credit equal to 50% of their gross amount (i.e., before applying the aforementioned reductions), the annual amount of which is limited (€115 for single taxpayers and €230 for married couples). All Veolia Environnement shares are eligible for this treatment.

Individual French tax residents may however choose for these dividends to be subject to a flat withholding tax on the gross amount of dividends, without deduction of any applicable charges or expenses or any reduction (Article 117 *quater* of the General Tax Code). The applicable base rate is 18%, which represents an overall tax rate of 30.1% when social security contributions are included. This option must be exercised by the taxpayer with the paying establishment prior to the payment of dividends and is irrevocable. If the option has been exercised at least once during a given year, dividends received by the taxpayer during such year (i.e., those for which the option was exercised but also for any remaining balance for which the option has not been exercised) are no longer eligible for the reduction.

It is taxpayers' responsibility to evaluate, with the help of their own tax advisers, their interest in opting for this flat withholding tax given their particular circumstances.

Since January 1, 2008, the social security contributions required to be paid on dividends distributed to shareholders have been withheld by the paying establishment.

20.3.2 Dividend policy

The Company's dividend policy is determined by the Board of Directors, which may consider a number of factors, such as the Company's net income and financial position, as well as the dividends paid by other French and international companies within the same sector.

20.3.3 Period during which dividend payments must be claimed

Dividends that are not claimed within five years from the date on which they are made available for payment revert to the French government.

20.4 Litigation

The most significant litigation involving the Company or its subsidiaries is described below. In addition, tax audits and disputes are described in note 35 to the consolidated financial statements (see Chapter 20.1 above).

Other than as described below, there are no other current or threatened legal, governmental or arbitration proceedings involving the Company or its subsidiaries which during the past twelve months have had or may in the future have a material adverse effect on the financial condition or profitability of the Company or the Group.

The consolidated total amount that Veolia Environnement has booked as reserves for all litigation (see Chapter 20, § 20.1, note 16 to the consolidated financial statements), including reserves for labor and tax litigation, includes a large number of disputes involving individual amounts that are not significant. These reserves include all losses deemed probable in connection with all types of litigation likely to arise in the conduct of Veolia Environnement's business. The largest individual reserve booked for litigation, other than tax and labor litigation, in our financial statements as of December 31, 2010 was €28 million.

Aquiris

Since 2008, Aquiris, a 99% subsidiary of our Company, holds a concession pursuant to which it is responsible for operating the Brussels-North wastewater treatment plant. As a result of extensive obstruction of the plant's security chambers following the arrival of abnormal and extraordinary quantities of rubble and other solid waste through the public sewer lines, Aquiris decided to suspend operation of the plant from December 8 to December 19, 2009 due to significant safety risks to persons and to the plant. This suspension permitted a partial return to normal, but has resulted in several disputes regarding liability for the disruption and the possible environmental consequences of the suspension in wastewater treatment services. An expert's report on the causes of the disruption was delivered on January 13, 2011. The report concludes, in error according to Aquiris, that there was no legitimate reason to suspend operations at the station. In addition, during the course of 2010, Aquiris instituted legal proceedings against SBGE, the grantor authority, with a view to showing that the Brussels-North treatment plant is faced with sizing issues that are attributable to the grantor authority. Aquiris is claiming compensation for its loss of business and requesting confirmation that the significant upgrading costs that will be required should be borne by the grantor authority. Aquiris and the SBGE have asked a panel of experts to render a technical opinion concerning these matters. A preliminary report is expected to be delivered in mid-May 2011. Pending the resolution of this dispute, Aquiris must bear additional operating costs. At this point, our Company believes that these disputes will not have a significant impact on its financial position, results of operations or liquidity.

WASCO and Aqua Alliance Inc.

Several current and former indirect subsidiaries of Veolia Eau in the United States[1] have been named as 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, Veolia Eau or Veolia Environnement has agreed to hold harmless the buyers of Veolia Eau's former subsidiaries 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 inter alia on the nexus between the injuries claimed and the products manufactured or sold by these subsidiaries or their predecessors, the extent of the injuries allegedly sustained by the plaintiffs, the involvement of other defendants and the settlement history in similar cases. These reserves are booked at the time such liability becomes probable and can be reasonably assessed, and do not include reserves for possible liability in lawsuits that have not been initiated.

As of the date of this registration 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 five-year period ended December 31, 2010, the average annual costs that our Company has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been approximately US$935,000, after reimbursements by insurance companies. Although it is possible that these expenses may increase in the future, our 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, results of operations or liquidity.

Veolia Water North America Operating Services

Atlanta

In June 2006, the Company 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 the Company failed to fulfil certain of its obligations under their contract and for alleged damage to City-owned property. After discovery and various procedural and legal issues were addressed by the Court, trial of the matter commenced in United States District Court in Atlanta before Judge Thomas W. Thrash, Jr. 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, who has taken them under advisement. Closing arguments took place on December 22, 2010.

At trial, the City asserted damages against the Company totaling $25,103,577. The City has acknowledged offsets (including the $9.5 million letter of credit it seized and various unpaid invoices) of $11,168,144, for a total amount allegedly due to the City from the Company of $13,985,463, plus interest and attorney's fees. On the other hand, the Company has asserted damages totaling $30,848,547 (plus interest from December 10, 2010 until paid). This amount consists of unpaid invoices in the amount of $17,852,460 (including interest through December 10, 2010), and the $9,500,000 letter of credit, plus interest on the letter of credit of $3,196,087. A decision from the trial court is expected in the coming months.

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(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.

While the outcome of this dispute cannot be determined with certainty, the Company does not believe its ultimate resolution will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

Indianapolis

In April 2008, two subsidiaries of the Company, Veolia Water North America Operating Services and Veolia Water Indianapolis, LLC (VWI), were named as defendants in two potential class actions filed before the Indiana state courts, which have since been consolidated. The plaintiffs allege that the meter-reading practices used by VWI for Indianapolis customers were inconsistent with their alleged contracts with VWI and with their contracts with local authorities and with Indiana consumer protection law. The plaintiffs claim that VWI billed customers on the basis of estimates of water usage, rather than actual usage, more frequently than their alleged contracts permitted, resulting in overbilling that, although later credited to the customers, deprived the customers of their money for a period of time. The plaintiffs also contend that the methods applied by VWI to estimate water consumption were inappropriate and violated applicable laws. The plaintiffs are seeking certification of a class of similarly situated residential water customers. VWI believes that its billing and meter reading practices complied with its contract and with relevant laws and regulations, and that the claims of the plaintiffs are without merit. It intends to defend its interests vigorously. On January 13, 2009, the court granted a motion to dismiss filed by Veolia Water North America Operating Services and VWI, but granted the plaintiffs leave to refile their complaint. On January 23, 2009, the plaintiffs filed an amended complaint against Veolia Water North America Operating Services and VWI, and also named the water department of the City of Indianapolis as a defendant. Mediation was conducted on April 6, 2010, but was not successful. Motions for summary judgment by the City and the Veolia entities thereafter were granted in part and denied in part. A motion for reconsideration by the Veolia entities was granted, leaving only a breach of contract claim against the Veolia entities and the City. A hearing on plaintiffs' motion for class certification has been set for April 14, 2011. Although at this stage of the proceedings it is not possible to estimate its potential financial consequences, the Company believes that this lawsuit will not significantly affect its financial position, results of operations or liquidity.

Veolia Transport

DGCCRF – Veolia Transport

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 Veolia Transport) 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 Veolia Transport 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 Veolia Transport with 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 Veolia Transport 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, Veolia Transport filed an appeal with the French Supreme Court. The French Supreme Court found in favor of certain arguments made by Veolia Transport and, in its decision dated October 9, 2007, reversed the decision of the Court of Appeals of Paris and remanded the case to a different panel of the same court. On October 8, 2009, Veolia Transport brought the case before this new appellate court. In a decision rendered on June 15, 2010, and notwithstanding the French Supreme Court's judgement, the Paris Court of Appeals upheld the principle and amount of a €5 million fine. Veolia Transport has therefore filed another appeal with the French Supreme Court.

Connex Railroad

On September 12, 2008, a suburban train operated by Connex Railroad LLC, a Veolia Transport subsidiary, on behalf of the Southern California Regional Rail Authority (SCRRA), collided with a Union Pacific freight train in Chatsworth, California. This accident resulted in 25 fatalities and a significant number of injuries. The National Transportation Safety Board (NTSB), a federal agency, with which Connex Railroad has been cooperating, reached a preliminary conclusion that the two causes of the accident were, first, lack of attention by the engineer, who did not observe a red light (facts which continue being contested), and, second, the failure of the SCRRA to have installed an automatic train braking system in compliance with prior recommendations of the NTSB. Lawsuits seeking an undetermined amount of total damages have been filed by the heirs of the deceased passengers and the injured passengers, in the courts of the state of California in Los Angeles, against Connex Railroad, its parent company, Veolia Transportation LLC., the SCRRA and the Los Angeles County Metropolitan Transportation Authority (LACMTA). These actions have been consolidated into a single case.

At the same time, Connex Railroad and the SCRRA brought before the federal courts in California their disputes concerning their respective contractual liability in connection with the suits filed as a result of this accident. A U.S. federal statute limits the total amount of damages that may be awarded for injuries and property damage arising from a single passenger rail accident to U.S. $200 million. In July 2010, the SCRRA and Connex Railroad entered into a settlement agreement concerning their respective contractual liabilities in connection with the accident, pursuant to which the parties made demands upon their insurers to create a settlement fund for the victims of the accident and their families up to the $200 million federal damages cap. As a result of this agreement, the proceeding between Connex Railroad and the SCRRA before the federal courts in California was stayed. On August 25, 2010, Connex Railroad, Veolia Transportation, the SCRRA and LACMTA filed a federal interpleader action in federal court to create a settlement fund. Following respective demands upon insurers, the $200m Interpleader Fund was duly lodged in the federal cout and a Final Discharge Order was entered by the relevant Judge appointed to hear this matter within the federal court on 3rd January 2011. This discharge order released Connex Railroad, Veolia Transportation, SCRRA from all and any claims arising out of the collision. The 30 day appeal period in respect of this Discharge Order duly expired on 3rd February 2011 and thus Connex (and related affiliates) has no further liability in respect of this matter. On March 24, 2011, the state court presiding over the consolidated claims of the heirs of the deceased passengers and the injured passengers entered an order dismissing all claims against Connex Railroad, Veolia Transportation and the other defendants in accordance with the judgment and order of the federal court.

HarzElbeExpress Rail Accident in Germany

A serious head-on collision occurred on Saturday, January 29, 2011 between a HarzElbeExpress Passenger train operated by Veolia Verkehr Sachsen Anhalt GmbH, a Veolia Transport subsidiary, and a goods train, near Hordorf and Magdeburg in Saxony-Anhalt (Germany). Around fifty people were aboard the HarzElbeExpress train. The disaster claimed the lives of ten people, including the driver of the passenger train and a member of the railway staff. Many serious injuries have been reported. A judicial involuntary manslaughter investigation ongoing with respect to the driver of the goods train, who is alleged to have failed to stop for a red light. The initial results of the investigation would appear to exonerate our Company of any liability and the financial consequences would appear limited given the insurance policies held by the Group.

Société Nationale Maritime Corse Méditerranée (SNCM)

On September 19, 2006, Compagnie Méridionale de Navigation (CMN) and Corsica Ferries filed a complaint before the French Competition Council alleging anti-competitive practices by SNCM, a subsidiary of Veolia Transport, the Corsican Regional Authority and the Corsican Transportation Bureau for the purpose of restricting or eliminating competition during a call for bids initiated to delegate the Marseille-Corsica public transportation service. On December 11, 2006, the Competition Council dismissed the claim that a cartel existed between the Corsican Regional Authority, the Corsican Transportation Bureau and SNCM, and denied the claims of excessive subsidies and cross-subsidies asserted by Corsica Ferries. However, the Competition Council found that the overall indivisible offer of SNCM was likely to constitute an abuse of dominant position. Although it relates to a call for bids that was invalidated by a decision of the Conseil d'État in December 2006, the Competition Council investigated the case and a hearing was held on December 9, 2008. In a decision dated February 27, 2009, the Competition Council ruled against SNCM and levied a fine of €300,000 for abuse of dominant position. SNCM appealed this ruling and pleadings took place on January 12, 2010 before the Paris Court of Appeals which confirmed the Competition Council's ruling on March 9, 2010. SNCM filed an appeal against this judgment before the French Supreme Court. The parties exchanged their pleadings and briefs through March 2011 and the Supreme Court's Casehandler delivered a report on March 21, 2011. The case will be reviewed by the Supreme Court in a hearing that is scheduled to take place on May 24, 2011.

In a second case brought before the Competition Council after a second call for bids procedure was initiated following the decision of the Conseil d'Etat, Corsica Ferries 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 subsides, suggesting the existence of cross-subsidies, constituted an abuse of a dominant position. On April 6, 2007, the Competition Council dismissed the two claims concerning the grouping. Proceedings on the merits and the investigation of the French Competition Authority (formerly, the Competition Council) on the claim of excessive subsidies are underway. The investigation is also focusing on the performance terms of this agreement delegating a public service (monitoring the application of the guaranteed receipts clause and the corresponding changes in the amount of subsidies received by the parties being awarded the contract). As of this date, no complaint has been served.

In addition, Corsica Ferries brought suit before the administrative courts, which ended in a decision by the Conseil d'Etat in December 2006 and a second call for bids procedure. Following a new complaint of Corsica Ferries with respect to this second bid procedure, its request for the invalidation of the decision of June 7, 2007 awarding the contract for marine service to Corsica to the SNCM/CMN group for the 2007-2013 period was denied by a judgment of the Bastia administrative court on January 24, 2008. Corsica Ferries appealed this decision to the Marseille administrative court of appeal. This case could be heard during the second quarter of 2011, in light of the extension of the investigation period until February 28, 2011.

Lastly, Veolia Transport's acquisition of an interest in SNCM was conditioned on the European Commission approving the privatization provisions concerning state assistance. The French government was responsible for this procedure in Brussels and filed briefs on November 16, 2006 and April 27, 2007. The European Commission ruled on July 8, 2008 that the amounts paid by the French government in connection with the privatization process did not constitute state assistance. Corsica Ferries and the STIM d'Orbigny (Stef Tfe group) have each appealed the Commission's decision before the European Court of First Instance. On July 1, 2009, the French government and SNCM were granted leave to intervene in support of the conclusions of the Commission, which raised the defense that the appeal of STIM d'Orbigny was inadmissible. SNCM filed its brief on September 28, 2009, to which Corsica Ferries replied on November 26, 2009.

At this stage, it is impossible to predict the date on which the Court of First Instance of the European Communities will enter the case on its dockets.

Veolia Propreté

On April 16, 2008, Termo Energia Calabria S.p.a. (TEC), a company specialized in waste incineration and a 98.76% subsidiary of Veolia Servizi Ambientali Tecnitalia S.p.a. (VSAT), which is in turn a subsidiary of Veolia Propreté, filed a claim with the administrative court of the region of Calabria in Italy for the payment of subsidies in an updated amount of €26.9 million, allegedly owed under a concession agreement entered into on October 17, 2000 with the region of Calabria. On August 11, 2008, the administrative court ordered the region to respond to this claim. At the end of November 2008, the region announced its refusal to pay the subsidies claimed. In addition, on May 16, 2008, TEC filed a claim with an Italian arbitration tribunal against the Extraordinary Commissioner of Calabria seeking reimbursement of €62.2 million for various additional operating fees and costs incurred since 2005 and claiming breach of the price indexation provision included in the concession agreement. The arbitration proceedings began and, on October 24, 2008, the Extraordinary Commissioner of Calabria filed a counterclaim against TEC seeking the termination of the concession agreement and the payment of the sum of €62.3 million as compensation for construction delays. The arbitration award, which was filed on July 26, 2010 with the Arbitration Chamber of Rome, awards a total amount of €39.8 million to TEC, and fully dismisses the counterclaim of the Extraordinary Commissioner of Calabria as well as his application for rescission of the concession agreement. On September 17, 2010, this decision was held to be enforceable by the Civil Court of Rome. The State and the Extraordinary Commissioner of Calabria have filed an appeal of this decision with the Court of Appeals of Rome, and a hearing is scheduled to take place in May 2011.

In addition, VSAT has been accused of manipulating the software that monitors carbon monoxide emissions in its incineration facilities in Falascaia (Tuscany), Vercelli (Piedmont) and Brindisi (Apulia). In all three cases, VSAT filed a “John Doe” complaint in June 2008, August 2008 and February 2009, respectively, which are currently being investigated.

For all of these reasons, in early 2009 Veolia Propreté decided to initiate negotiations with the Italian company Termomeccanica Ecologia S.p.a. pursuant to the seller’s guarantee granted by Termomeccanica Ecologia S.p.a. in the agreement pursuant to which VSAT was sold to Veolia Propreté in 2007. In light of the repeated refusal of Termomeccanica Ecologia S.p.a. to compensate VSAT pursuant to its guarantee, on May 19, 2009, Veolia Propreté and Veolia Servizi Ambientali S.p.a., the parent companies of VSAT, filed a request for arbitration with the International Chamber of Commerce (ICC). The arbitration tribunal was formed in August 2009 and has set a schedule calling for a final hearing in the end of December 2011 and an award in the end of April 2012 at the earliest.

Moreover, SIEE, which is the 25% shareholder and former owner of VSAT, filed suit against VSAT’s “Veolia” directors with a view to their removal on grounds of mismanagement and the appointment of an administrator by the court. On February 17, 2010, the Genoa Court of Appeals fully reversed the judgment of the Civil Tribunal of La Spezia, removed the current directors and appointed an administrator whose duties were to manage and direct the company during 6 months as of the acceptance of his appointment (that is until September 4, 2010), to verify, if need be with the assistance of a technical expert, the discharges from the facilities operated by VSAT in Falascaia, Vercelli and Brindisi, verify the validity of the 2008 balance sheet and lastly to issue a report at the close of this period. The administrator’s appointment was extended until May 31, 2011.

Finally, following an order issued by the Public Prosecutor’s Office of Lucca on July 1, 2010, the operations were suspended at the Falascaia facility on the alleged grounds of an improper administrative operating authorisation and pollutant effluent discharges. A temporary solution was submitted to the Province of Lucca by the VSAT subsidiary owning the facility with a view to resumption of operations.

At this point, the Company is not in a position to predict whether the outcome of these actions will have a significant impact on its financial position, results of operations or liquidity.

Veolia Énergie - Dalkia

On September 3, 1970, a concession agreement was concluded between Prodith, a subsidiary of Dalkia France, and the Lyon metropolitan authority (*Communauté Urbaine de Lyon*) which called for the construction and operation, for an initial 30-year period, of a public heating and cooling system service on behalf of the Lyon metropolitan authority. Following the decision of the Lyon metropolitan authority to terminate the agreement early on January 21, 2003 and the disagreement between the parties concerning the compensation owed to Prodith, Prodith brought an action before the Lyon administrative court seeking a judgment ordering the Lyon metropolitan authority to pay it €47.8 million.

In a judgment issued on May 16, 2007, the Lyon administrative court denied Prodith's claims for compensation on the grounds that the concession agreement and the amendments thereto were void because the Lyon metropolitan authority lacked the power to sign the agreement in 1970. Prodith appealed that judgment.

In a decision dated October 22, 2009, the Lyon administrative court of appeal reversed the judgment of the administrative court but nevertheless held that the agreement was void due to the Lyon metropolitan authority's lack of power to sign it and, on those grounds, found that the Lyon metropolitan authority was not contractually liable. With regard to the consequences of this invalidity, the Court denied Prodith's claims for compensation on the non-contractual grounds that the company had not proved that it had been impoverished because it had generated profits during the performance of the agreement, and it denied Prodith's claim for lost profits on the grounds that the agreement had been performed for its full term. However, the Court confirmed Prodith's property rights to the land on which the Lafayette thermal power plant is located. On December 22, 2009, the Company appealed the decision of October 22, 2009 to the Conseil d'Etat. In light of very recent Conseil d'Etat case law, the Company withdrew its appeal on June 30, 2010, and this withdrawal was formally accepted by the Conseil d'Etat on July 22, 2010.

Following the early termination of the agreement with Prodith, the Lyon metropolitan authority initiated a competitive bid procedure to award the contract for providing a public heating and cooling system service. At the conclusion of this procedure, the contract was awarded to Dalkia France, which was replaced by its subsidiary, Elvya. That contract was signed on July 23, 2004.

In a judgment dated December 15, 2005, the Lyon administrative court invalidated the decision empowering the president of the Lyon metropolitan authority to sign the agreement with Dalkia France on the grounds that there had been no prior consultation of the Lyon metropolitan authority's joint committee (*comité mixte paritaire*) and that the principle requiring bidders to be treated equally had been breached as a result of a late change in the bid package. The court held that the nature of the defects affecting the decision to sign the agreement delegating this public service necessarily invalidated the agreement. In a decision dated February 8, 2007, the Lyon administrative court of appeal affirmed this judgment and gave the parties a period of 18 months to attempt to rescind the agreement in an amicable manner.

Because no amicable resolution was reached, on June 25, 2007, the Lyon metropolitan authority brought an action before the Lyon administrative court requesting a rescission of the agreement and a finding on compensation. Elvya claimed compensation in the amount of €68.8 million. In a judgment dated October 22, 2009, the court rescinded the agreement and held that, on the grounds of the metropolitan authority's tortuous conduct, Elvya was entitled to be compensated for its necessary expenditures, the amount of which was to be determined by a panel of experts. The court also held that the tortious liability of the Lyon metropolitan authority would be reduced by 50% on the grounds that Dalkia France could not have been unaware of the irregularities in the competitive bid procedure.

At this point, the Company considers that these disputes should not have a significant impact on its financial position, results of operations or liquidity.

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 2010 fiscal year. The events or circumstances that could reasonably be expected to have a material effect on the Company's outlook for the current fiscal year are described in Chapter 6, Chapter 9 and Chapter 12 above and were communicated by the Company during the presentation of its 2010 annual results on March 4, 2011.

21. Complementary information concerning the share capital and the provisions of the Articles of Association

21.1 Information concerning the share capital

21.1.1 Share capital

At December 31, 2010, Veolia Environnement's share capital amounted to €2,495,276,270 divided into 499,055,254 shares.

As of the filing date of this registration document, the Company's share capital was €2,495,631,835 divided into 499,126,367 fully paid-up shares, all in the same class, with a par value of €5 each (cf. the table that sets out the changes in capital, in paragraph 21.1.6 below)[(1)].

21.1.2 Market for the Company's securities

The Company's shares were admitted to trading on the Euronext Paris market (Compartment A) on July 20, 2000, under ISIN code FR 0000124141-VIE, Reuters code VIE. PA and Bloomberg code VIE. FP. Veolia Environnement securities are eligible for the *Service de règlement différé* (deferred settlement service or "SRD"). Company shares have also been listed on the New York Stock Exchange in the form of American Depositary Receipts (ADR) under the symbol "VE" since October 5, 2001.

Company shares have been included in the CAC 40, the main share index published by Euronext, since August 8, 2001.

The tables below describe the highest and lowest listed prices and the volume of Veolia Environnement securities traded on the Euronext Paris market and the New York Stock Exchange over the past eighteen months.

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(1) *Acting under powers delegated to him by the Veolia Environnement's Board of Directors meeting of March 24, 2010, pursuant to the provisions of Article L. 225-178 third paragraph, the Chairman and Chief executive officer recorded on January 26, 2011, the issuance of 71,113 shares pursuant to options exercised from January 1 to December 31, 2010, within the scope of the stock option plans implemented by the Company, and a correlative increase of the nominal share capital amount of €355,565. Following this issuance, the Company's capital was raised from €2,495,276,270 to €2,495,631,835 divided into 499,126,367 shares (see §18.2 above).*

Euronext Paris

Year (month/quarter)	Price *(in euros)*		Volume of securities traded
2011	**Highest**	**Lowest**	
February	24.30	22.505	30,866,432
January	23.585	21.555	32,823,207
2010			
Fourth quarter	22.675	18.775	105,469,859
December	22.675	19.980	33,726,990
November	22.59	20.145	39,380,763
October	21.19	18.775	32,362,106
Third quarter	21.98	17.97	124,641,683
September	20.43	18.19	49,979,237
August	21.98	17.97	39,795,791
July	20.86	18.74	34,866,655
Second quarter	26.49	19.25	158,011,068
June	21.99	19.25	44,958,238
May	24.16	19.88	71,107,095
April	26.49	23.40	41,945,735
First quarter	26.20	22.81	144,093,238
March	26.20	23.32	63,981,898
February	24.98	22.81	36,702,154
January	25.90	23.16	43,409,186
2009			
Fourth quarter	26.67	21.65	117,606,999
December	23.30	21.94	30,981,155
November	23.50	21.65	35,554,795
October	26.67	22.02	51,071,049
Third quarter	27.10	20.015	115,250,414
September	27.10	23.32	40,528,805

Source: Euronext Paris.

New York Stock Exchange

Year (month/quarter)	**Price** (in USD)		**Volume of securities traded** (1)
2011	**Highest**	**Lowest**	
February	33.24	30.68	1,984,469
January	31.77	27.9	2,190,507
2010			
Fourth quarter	30.81	25.75	7,858,011
December	29.88	26.3	2,804,780
November	30.81	26.26	2,706,019
October	29.52	25.75	2,347,212
Third quarter	28.84	23.13	7,435,951
September	27.2	23.73	2,262,499
August	28.84	23.13	2,685,117
July	27.26	23.34	2,488,335
Second quarter	35.77	23.32	10,181,630
June	26.98	23.32	4,075,278
May	31.80	24.27	4,594,675
April	35.77	31.11	1,511,677
First quarter	37.15	31.30	4,337,228
March	35.14	31.70	1,602,522
February	34.88	31.30	1,295,234
January	37.15	32.75	1,439,472
2009			
Fourth quarter	38.53	31.50	4,898,227
December	34.63	31.50	1,989,622
November	35.00	31.88	1,126,868
October	38.53	32.28	1,781,737
Third quarter	40	27.72	6,288,772
September	40	33.3953	2,002,640

Source: NYSE.

(1) For the information relating to the number of securities exchanged, the Company's source, since September 2006, has been the data published by the New York Stock Exchange (accessible on the NYSE website at www.nyse.com).

21.1.3 Purchase of treasury shares by the Company[1]

21.1.3.1 Repurchase plan in effect on the filing date of this registration document (plan authorized by the combined general meeting on May 7, 2010)

During the combined general meeting on May 7, 2010, 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 the provisions of the 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 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 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 capital.

This authorization allows the Company to trade in its own securities 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 free shares within the scope of the provisions of Articles L.225-197-1 et seq. of the French Commercial Code, (iii) awarding or selling shares to employees in respect of their association with the benefits of the Company's expansion or the implementation of any company savings plan under the conditions provided for by law, in particular Articles L.443-1 et seq. of the French Labor Code, (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 that complies with the ethics charter recognized by the AMF, or, lastly, (vii) cancelling all or part of the shares thus repurchased.

The maximum purchase price under the program was set at the general meeting on May 7, 2010 at €40 per share, and the maximum amount that the Company may allocate to the share repurchase plan was set at €1 billion. The general 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 on the filing date of this registration document, will expire at the latest within eighteen months from the time of the combined general meeting on May 7, 2010, i.e. on November 7, 2011, unless a new plan is authorized at the general meeting on May 17, 2011.

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(1) This paragraph contains the information that must be included in the plan description, pursuant to Article 241-2 of the Autorité des marchés financiers General Regulations and the information 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 2009 fiscal year

Percentage of capital held as treasury shares at December 31, 2010	2.87%
Number of treasury shares held at December 31, 2010	14,338,903
Carrying value of the portfolio at December 31, 2010 *	€436,212,146.86
Market value of the portfolio at December 31, 2010 **	€313,591,808.61
Number of shares cancelled over the last 24 months	0

* *Carrying value excluding provisions.*
** *On the basis of the closing price at December 31, 2010, i.e. €21.870.*

The table below details the transactions performed by the Company on its own shares during the 2010 fiscal year as part of the plans authorized by the combined general meetings on May 7, 2009 and May 7, 2010:

	Total gross flows at December 31, 2010		**Net positions at December 31, 2010**			
	Purchases	**Sales/ Transfers**	**Net long positions**		**Net short positions**	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of securities	none	392,689	none	none	none	none
Average price of transactions (*in euros*)	NA	20.22	NA	NA	NA	NA
Average exercise price *(in euros)*	NA	NA	NA	NA	NA	NA
Amounts *(in euros)*	NA	7,948,309.23	NA	NA	NA	NA

na: not applicable.

21.1.3.3 Objectives of transactions performed during the 2010 fiscal year and allocation of the treasury shares held

The transactions involving Veolia Environnement shares that were carried out during the 2010 fiscal year were performed both for the remittance of payment by the Company, for and on behalf of one of its subsidiaries, of 202,597 treasury shares held in respect of the purchase of a minority shareholding by said subsidiary on November 30, 2010 (external growth transaction) and in order to adjust, by 190,092 treasury shares, the coverage of the low-risk part of the capital increase reserved for employees, the completion of which was recorded on December 15, 2010 (cf. § 21.1.6. below).

At December 31, 2010, Veolia Environnement held a total of 14,338,903 treasury shares, representing 2.87% of the Company's 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:

- 5,949,844 shares were allocated to cover stock option programs or other share award programs to Group employees;
- 8, 389,059 shares were allocated to external growth transactions.

21.1.3.4 Description of the program submitted for the authorization of the general meeting of May 17, 2011

The authorization for share repurchases described in paragraph 21.1.3.1 above will expire at the latest on November 7, 2011, unless the combined general meeting of May 17, 2011 approves the resolution adopted in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code set out below.

This resolution, with registration to the report by the Board of Directors, authorizes the Company to implement a new plan to repurchase shares under the following conditions:

- This authorization would be intended to allow the Company to trade in its own securities 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 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; (iii) awarding free shares within the scope of the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code; (iv) in general, honoring commitments relating to stock option programs or other share programs awarded to issuer's or affiliated company's employees; (v) 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; (vi) cancelling all or part of the shares thus repurchased, pursuant to the twenty-seventh resolution adopted by the combined general meeting on May 7, 2010, 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, within the scope 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 permit ted by the AMF and, in general, the completion of all other transactions that comply with the regulations in force. In such a case, the Company will inform its shareholders by way of press release.

- Purchases of Company shares may be for a number of shares such that:

  - the number of shares that the Company purchases throughout the term of the share repurchase plan, at any time whatsoever, does not exceed 10% of the shares that make up the Company's capital, i.e. approximately 49,912,636 shares as of January 26, 2011 (this percentage will apply to the capital, as adjusted in light of transactions that affect it after this general meeting), 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 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 (with no limit as to 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 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 40 euros 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 meeting of May 17, 2011 and not to future transactions concluded pursuant to an authorization granted by a previous general meeting that provides for acquisitions of shares subsequent to the date of said meeting.

  The general meeting delegates to the Board of Directors, in the event of a change in the par value of shares, a capital increase via capitalization of reserves, award of bonus shares, division or regrouping of securities, distribution of reserves or of any other assets, redemption of capital or any other transaction concerning the shareholders' equity, the power to adjust the maximum aforementioned purchase price in order to take into account the impact on the share value of said transactions.

  The total amount allocated to the share repurchase plan authorized above may not exceed €1 billion.

  This authorization would cancel, as from the day of the combined general meeting of May 17, 2011, any prior authorization granted to the Board of Directors to trade in the Company's shares, effective from May 7, 2008 and if applicable for the value of any unused portion of any prior authorization. Said authorization is granted for a period of eighteen months from the date of said combined general meeting.

  The general 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 Capital authorized but not issued

21.1.4.1 Authorizations adopted at the general meetings on May 7, 2010

Status of the authorizations adopted by the combined general meeting on May 7, 2010[(1)]

Securities concerned	Term of the authorization and expiration date	Maximum nominal amount of the capital increase *(in millions of euros)*	Use of the authorizations *(in millions of euros)*
Share repurchase plan Except during offering periods (resolution 17)	18 months November 7, 2010	€40 per share, capped at 1,000; the Company cannot hold more than 10% of its share capital	none
Issuances with preferential subscription rights (PSR) [(*)] Capital increase through all types of securities (resolution 18)	26 months July 7, 2012	40% of the share capital (The use is allocated to the total nominal cap on capital increases of 1,727)	none
Issuances without preferential subscription rights (PSR)[(*)] Capital increase through a public offering of all types of securities (resolution 19)	26 months July 7, 2012	10% of the share capital (use allocated to the 10% cap for capital increases without PSR and to the maximum nominal amount of 1,727)	none
Issuances without preferential subscription rights (PSR)[(*)] Capital increase through private placement of all types of securities (resolution 20)	26 months July 7, 2012	10% of the share capital (use allocated to the 10% cap for capital increases without PSR and to the maximum nominal amount of 1,727)	none
Issuances of securities as payment for contributions in kind [(*)] (resolution 21)	26 months July 7, 2012	10% of the share capital (use allocated to the 15% cap for capital increases without PSR and to the aggregate nominal maximum amount of 1,727)	none
Increase in capital through the capitalization of premiums, reserves, profits or other items [(*)] (resolution 22)	26 months July 7, 2012	400 (said maximum nominal amount is allocated to the nominal maximum amount of 1,727)	none
Increase in the number of securities in the event of capital increases, with or without preferential subscription rights (green shoe option) [(*)] (resolution 23)	26 months July 7, 2012	Extension to a maximum of 15% of a share capital increase decided under resolutions 18 or 19 (the supplementary issue is allocated to the aggregate nominal maximum amount of 1,727 and to the cap for the resolution concerned)	none
Issuances reserved for savings plan members [(*)] Capital increase through the issue of shares or negotiable securities convertible into shares (resolution 24)	26 months July 7, 2012	2% of the share capital (the issuances are allocated to the aggregate nominal maximum amount of 1,727)	none

(1) Only authorizations that are still in force as of the date of filing of this registration document are listed.

Securities concerned	Term of the authorization and expiration date	Maximum nominal amount of the capital increase *(in millions of euros)*	Use of the authorizations *(in millions of euros)*
Issuances reserved for employees without preferential subscription rights (PSR) (**) Capital increase for a particular category of beneficiary (resolution 25)	18 months November 7, 2011	0.2% of the share capital (the issuances are allocated to the aggregate nominal maximum amount of 1,727)	none
Issuances reserved for employees (*) Award of stock options (resolution 26)	26 months July 7, 2012	1% of the share capital (use allocated to the aggregate nominal maximum amount of 1,727)	none
Cancellation of treasury shares (resolution 27)	26 months July 7, 2012	10% of the share capital by 24-month periods	none
Issuances reserved for all shareholders during a public offer period Awards of stock warrants under preferential conditions (resolution 28)	Applicable to all public acquisition offers initiated before November 7, 2011	25% of the share capital	none

(*) The total amount of the capital increases that may occur pursuant to this authorization will be allocated to the total cap of €1,727 million authorized by the combined general meeting on May 7, 2010.

(**) Capital increase for the benefit of a company held by a lending institution intervening on behalf of Veolia Environnement for the implementation of a structured share offer to employees and corporate officers of affiliated companies that have their registered office in countries in which employees, for regulatory or other reasons, cannot benefit from traditional employee shareholder packages (issues reserved for employees who are members of savings plans).

21.1.4.2 Authorizations voted upon at the combined general meeting on May 17, 2011

Relevant securities	Duration of the authorization and expiration date	Maximum authorization *(in cash or as a percentage of share capital)*
Share buyback program Except during a takeover period (Resolution 14)	18 months November 17, 2012	€40 per share, up to a maximum amount of €1 billion; the Company cannot hold more than 10% of its share capital
Share issues reserved to members of employee savings plans Capital increase by issuing shares or securities that provide access to capital (Resolution 15)	26 months July 17, 2013	2% of the share capital as of the date of the general shareholders' meeting held on May 17, 2011
Share issues reserved to employees, while cancelling preferential subscription rights (*) Capital increase reserved to one category of beneficiaries (Resolution 16)	18 months November 17, 2012	0.2% of the share capital as of the date of the general shareholders' meeting held on May 17, 2011

(*) Capital increase in favor of a company held by a credit institution acting at Veolia Environnement's request to set up a structured share offering for employees and corporate officers of affiliates that have their principal offices in countries in which employees, for regulatory or other reasons, cannot benefit from traditional employee shareholding plans (share issues reserved to employees, members of employee savings plans).

21.1.5 Other securities that grant access to the capital

Potential dilutive effect of options and stock warrants[1]

At December 31, 2010, the Company had granted a total of 17,532,335 subscription options that grant the right to subscribe to 11,112,643 Company shares after adjustments and exercise (cf. chapter 17, § 17.3.3 above).

On December 12, 2007, the Company's Chairman and Chief Executive Officer, with the authorization of the Board of Directors, acting pursuant to the eleventh resolution adopted by the combined general meeting on May 10, 2007, decided to grant the Sequoia Plus Deutschland 2007 company savings plan ("FCPE"), free of charge, 52,747 Veolia Environment stock warrants (BSA) attached to the to shares sub-scribed for by this FCPE within the scope of the implementation of the leveraged, low-risk package for the capital increase that was reserved for employees and completed in 2007. These BSAs were granted in exchange for a 20% discount on the shares subscribed for by FCPE Sequoia Plus Deutschland 2007, in the name and on behalf of the beneficiaries of the companies that are members of the international group savings plan and based in Germany, to take into account the local tax constraints within this country. Each stock warrant grants the right to subscribe for one Veolia Environnement share at the price of €60.23. The warrants can be exercised at any time until December 31, 2012 inclusive. After midnight on December 31, 2012, the non-exercised BSAs will be cancelled.

At December 31, 2010, the Company had 499,126,367 shares. On this date, if all the BSAs (51,870) and all the subscription options (plans 4 to 8) had been exercised, 11,164,513 new shares would have been created, representing a dilution ratio of 2.24%.

(1) *As the performance conditions were not met, the awardees of free shares under plan no. 1 lost all their rights (cf. chapter 17, § 17.4 above).*

21.1.6 Table of changes in capital at December 31, 2010

The table below shows the changes in the Veolia Environnement share capital since the start of the 2005 fiscal year:

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
6/21/2000 (recorded by the Board of Directors on 9/15/2005)	Exercise of stock options	94,772	5	473,860	1,875,890.52	2,032,583,775	406,516,755
5/12/2005 (recorded by the Chairman and Chief Executive Officer on 12/6/2005)	Capital increase reserved for employees (Group Savings Plan)	1,281,928	5	6,409,640	29,625,356.08	2,038,993,415	407,798,683
6/21/2000 4/25/2002 5/12/2004 (recorded by the Board of Directors on 3/9/2006)	Exercise of stock warrants and of stock options	73,923	5	369,615	1,456,335	2,039,363,030	407,872,606
6/21/2000 4/25/2002 5/12/2004 (recorded by the Board of Directors on 9/14/2006)	Exercise of stock warrants and of stock options	991,894	5	4,959,470	29,011,377	2,044,322,500	408,864,500
5/11/2006 (recorded by the Chairman and Chief Executive Officer on 12/15/2006)	Capital increase reserved for employees (Group Savings Plan)	1,931,340	5	9,656,700	62,807,177	2,053,979,200	410,795,840
6/21/2000 4/25/2002 5/12/2004 5/12/2005 (recorded by the Board of Directors on 3/7/2007)	Exercise of stock options	1,830,710	5	9,153,550	52,109,661	2,063,132,750	412,626,550
6/21/2000 4/25/2002 (recorded by the Board of Directors on 6/10/2007)	Exercise of stock options	2,722,082	5	13,610,410	68,869,237.01	2,076,743,160	415,348,632
6/21/2000 4/25/2002 (recorded by the Chairman and Chief Executive Officer on 7/10/2007)	Exercise of stock options	179,688	5	898,440	4,229,969	2,077,641,600	415,528,320
5/11/2006 (recorded by the Chairman and Chief Executive Officer on 7/10/2007)	Capital increase in cash with maintenance of preferential subscription rights	51,941,040	5	259,705,200	2,321,764,488	2,337,346,800	467,469,360
5/10/2006 (recorded by the Chairman and Chief Executive Officer on 12/12/2007)	Capital increase reserved for employees (Group Savings Plan)	3,061,675	5	15,308,375	132,948,611.80	2,352,655,175	470,531,035
5/10/2006 (recorded by the Chairman and Chief Executive Officer on 12/12/2007)	Capital increase reserved for a category of beneficiaries	188,771	5	943,855	8,151,131.78	2,353,599,030	470,719,806

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
6/21/2000 4/25/2002 12/05/2004 (recorded by the Board of Directors on 3/6/2008)	Exercise of stock options	1,042,950	5	5,214,750	26,877,494.36	2,358,813,780	471,762,756
6/21/2000 4/25/2002 5/12/2004 (recorded by the Board of Directors on 8/6/2008)	Exercise of stock options	773,693	5	3,868,465	17,875,554.98	2,362,682,245	472,536,449
8/6/08 (recorded by the Board of Directors)	Correction of a clerical error: cancellation of a share	-1	5	-5	-21.18	2,362,682,240	472,536,448
4/25/2002 5/12/2004 (recorded by the Board of Directors on 3/5/2009)	Exercise of stock options	40,218	5	201,090	707,064.28	2,362,883,330	472,576,666
5/7/2009 (recorded by the Chairman and Chief Executive Officer on 6/4/2009)	Capital increase consequent on the payment of the dividend in shares	20,111,683	5	100,558,415	222,435,213.98	2,463,441,745	492,688,349
5/7/2009 (recorded by the Chairman and Chief Executive Officer on 8/5/2009)	Capital increase reserved for employees (Group saving plans)	911,014	5	4,555,070	14,831,307.92	2,467,996,815	493,599,363
6/21/2000 4/25/2002 5/12/2004 (recorded by the Board of Directors on 3/4/2010)	Exercise of stock options	31,011	5	155,055	508,755	2,468,151,870	493,630,374
5/7/2010 (recorded by the Chairman on 6/7/2010)	Capital increase consequent on the payment of the dividend in shares	3,732,018	5	18,660,090	60,607,972.32	2,486,811,960	497,362,392
5/7/2010 (recorded by the Chairman and Chief Executive Officer on 12/15/2010)	Capital increase reserved for employees (Group saving plans)	1,692,862	5	8,464,310	21,567,061.88	2,495,276,270	499,055,254

na : not applicable

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 at December 31, 2010 are as follows:

Issue date	Nominal issue amount	Complementary issuances		Nominal amount outstanding at December 31, 2009	Yield	Maturity
February 1, 2002	€1 billion			€671 million	5.875%	February 1, 2012
July 1, 2010		€(329 million)				
May 28, 2003	€1 billion			€556 million	4.875%	May 28, 2013
July 1, 2010		€(444 million)				
May 28, 2003	€750 million			€750 million	5.375%	May 28, 2018
November 25, 2003	€700 million			€700 million	6.125%	November 25, 2033
June 17, 2005	€600 million			€875 million	1.75 % + inflation rate in the euro zone (excluding tobacco)	June 17, 2015
April 1, 2008		€275 million				
December 12, 2005	€900 million			€900 million	4%	February 12, 2016
December 12, 2005	€600 million			€600 million	4.375%	December 11, 2020
November 24, 2006	€1 billion			€1.140 billion	4.375%	January 16, 2017
March 14, 2008		€140 million				
May 24, 2007	€1 billion			€1 billion	5.125 %	May 24, 2022
October 29, 2007	GBP 500 million			GBP 650 million	6.125 %	October 29, 2037
January 23, 2008		GBP 150 million				
April 24, 2009	€1.250 billion			€1.250 billion	5.25 %	April 24, 2014
April 24, 2009	€750 million			€750 million	6.75 %	April 24, 2019
June 29, 2009	€250 million			€250 million	5.70 %	June 29, 2017
July 1, 2010	€835 million			€835 million	4.247 %	January 6, 2021

At December 31, 2010, the nominal amount outstanding on the EMTN program was €11,156 million, all of which will mature in more than one year.

On June 24, 2010, Veolia Environnement launched a bond exchange bid for the Veolia Environnement bond issue bearing interest at 5.875% and maturing in February 2012 and the Veolia Environnement bond issue bearing interest at 4.875% and maturing in May 2013. In consideration for the securities contributed, a nex €835 million bond issue maturing January 2012 was performed bearing interest at 4.247%. The offering became irrevocable and was closed on July 1, 2010.

US Private placement (USPP)

In 2003 the Company issued bonds that were privately placed with investors located primarily in the United States, broken down as follows:

Tranches	Nominal amount of the issuance	Rate	Maturity
Tranche A	€33 million	fixed rate of 5.84%	January 30, 2013
Tranche B	GBP 7 million	fixed rate of 6.22%	January 30, 2013
Tranche C	USD 147 million	fixed rate of 5.78%	January 30, 2013
Tranche D	USD 125 million	fixed rate of 6.02%	January 30, 2015
Tranche E	USD 85 million	fixed rate of 6.31%	January 30, 2018

At December 31, 2010, the nominal outstanding amount of this loan was €309 million, all of which will mature in more than one year.

Public issue on the US market

On May 28, 2008 Veolia Environnement issued bonds registered with the US Securities and Exchange Commission for an amount of USD 1.8 billion, at a fixed rate and in three tranches:

Issue date	**Nominal amount of the issuance**	**Rate**	**Maturity**	**Amount outstanding at December 31, 2010**
May 21, 2008	USD 700 million	5.25 %	June 3, 2013	USD 700 million
May 21, 2008	USD 700 million	6.00 %	June 1, 2018	USD 700 million
May 21, 2008	USD 400 million	6.75 %	June 1, 2038	USD 400 million

At December 31, 2010 the nominal outstanding amount of this loan was €1,800 million, i.e. €1,347 million, all of which will mature in more than one year.

Commercial paper

At December 31, 2010 the outstanding amount of the commercial paper issued by the Company was €502 million.

21.2 Provisions of the articles of association

Please refer to the information set out in Chapter 5, § 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, ex-changes 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 Profit allocation 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 general meeting may decide to distribute amounts drawn from the reserves of which it may freely dispose, by expressly stating the reserve items from which the amounts are drawn.

After approving the financial statements and recording the existence of amounts that are eligible for distribution (including the distributable profit and the amounts drawn from reserves referred to above, if any), the general 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 general 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 general 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 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 General meetings

21.2.5.1 Convening notices to meetings

General meetings are convened and deliberate under the conditions provided for by law. Meetings are held at the Company's registered office or at any another location stated in the convening notice.

Shareholder's decisions are taken in ordinary, extraordinary, special or combined meetings, depending on the nature of the decisions that shareholders are called upon to make.

21.2.5.2 Attendance at meetings

All shareholders may attend general meetings and participate in deliberations, either in person or by proxy. The right of shareholders to participate in ordinary or extraordinary meetings is contingent on the securities being registered in the accounts in the shareholder's name or the name of the intermediary registered as acting on the shareholder's behalf at the latest on the third day business day prior to the meeting at midnight, Paris time, either in the registered securities accounts held by the Company, or in bearer securities accounts held by the authorized intermediary.

The recording or accounting recognition of the securities in the bearer securities accounts held by the authorized intermediary is evidenced by a participation certificate delivered by such intermediary, which is annexed 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. A certificate is also delivered to shareholders who wish to attend the meeting in person who have not yet received their admission card by midnight, Paris time, of the third business day preceding the meeting.

All shareholders who are unable to attend the meeting in person may choose one of the following three voting methods:

- provide a written proxy to their spouse or another shareholder;
- vote by post;
- send a blank proxy to the Company, under the conditions provided for by the provisions of the law and regulations in force.

The forms for voting by proxy and postal votes are prepared and made available to shareholders in accordance with the legislation in force. Shareholders may, under conditions stipulated in the relevant laws and regulations, submit their proxies and postal votes either on paper, or, subject to a decision by the Board of Directors published in the meeting notice or in the convening notice, in electronic form in accordance with the procedures set forth in said notice.

Pursuant to the Board's decision to use telecommunication methods published in the meeting notice or in the convening notice, shareholders who participate in the meeting by videoconference or by means of telecommunication that allow them to be identified under the conditions provided for by the law and regulations, shall be deemed to be present for the purposes of the quorum and majority calculations.

Minutes of the meetings are prepared, and copies thereof are certified and issued in accordance with law.

21.2.5.3 Quorum

The quorum required for extraordinary general meetings is one-quarter of the shares that have voting rights following the first convening notice, and one-fifth following the second convening notice pursuant to the provisions of Article L.225-96 paragraph 2 of the French Commercial Code. The quorum required for ordinary general meetings is one-fifth of the shares that have voting rights following the first convening notice, while no quorum is required after the second convening notice pursuant to the provisions of Article L.225-98 paragraph 2 of the French Commercial Code.

21.2.5.4 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 general meetings and by the bare title owner in extraordinary general 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, when the owner of the shares does not reside in France or French Overseas Territories, within the meaning of Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner, in accordance with the provisions of Article L.228-1 of the French Commercial Code.

Furthermore, the Company's 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 set forth in Articles L.228-2 et seq. of the French Commercial Code causes, under the conditions provided for by law, will result in the temporary deprival of voting rights and, under certain circumstances, the suspension of the dividend attached to the shares.

21.2.7 Threshold exceeding

In addition to 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 or that no longer hold, either directly or indirectly, a fraction of the capital, voting rights or securities that grants future access to the Company's capital equal to or more than 1% or any multiple of 1%, must inform the Company, by registered letter with return receipt requested, within fifteen days of exceeding one of such thresholds, of their identity, the identity of the person(s) with whom they are acting in concert, as well as the total number of shares, voting rights and securities that grant future access to the capital they hold on their own, directly or indirectly, or in concert with others.

Failure to comply with the above provisions will be penalized by the deprival of voting rights for the shares that exceed the threshold that should have been declared, for all shareholders' meetings that are held until the expiration of a two-year period following the date on which the aforementioned notice is brought into compliance, if the application of this penalty is requested by one or more shareholders who together hold at least 1% of the Company's capital. This request is recorded in the minutes of the general meeting.

22 Significant contracts

Impact of a change in control of Veolia Environnement[1]

In many countries, including France, not only can local authorities terminate contracts entered into with subsidiaries of the Veolia Environnement Group (see chapter 4, § 4.1.2 above), but a change of control of Veolia Environnement could also affect certain contracts of the Group that include change of control clauses.

This is the case for several contracts concluded with public and private clients particularly abroad, (including the water contract in Berlin), which allow for a specific termination rights in favor of the clients and/or the financial partners associated with the client, in the event of a change of control of Veolia Environnement.

Furthermore, under the partnership agreements with EDF signed in December 2000, if a competitor of EDF takes over the Company, EDF has the right to purchase all of the Dalkia shares held by the Company (see chapter 20, § 20.1, notes 36 and 39.3 of the consolidated financial statements).

Finally, the stock-option plans implemented by the Company which are currently in force (see chapter 17, § 17.3.1 above) provide that options become immediately exercisable without condition in the event a public tender offer is launched on the Company.

23 Third party information, expert statements and declaration of interests

Not applicable.

24 Documents available to the public

The Company's press releases, annual reports, including historical financial information relating to the Company and any related updates filed with the AMF, as well as the Company's Form 20-F filed with the U.S. Securities and Exchange Commission, are available on the Company's website: http://www.finance.veolia.com. Copies of these documents may also be obtained at the Company's registered office at 36/38, avenue Kléber in Paris, France.

The Company is required, pursuant to directive 2003/71/EC to publish an annual information document that contains or mentions 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. This document is available on the Company's website at the address indicated above, as well as on the AMF's website: www.amf-france.org.

All of the regulated information published by the Company, pursuant to article 221-1 et seq., in the AMF's general regulation, is available on Veolia Environnement's website at the following address: http://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, paragraph 6.1.3 above and in Chapter 20, paragraph 20.1, note 43 to the consolidated financial statements.

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