FALTISCHEK DENISE M
Form 4
September 29, 2011

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
FALTISCHEK DENISE M

(Last) (First) (Middle)

C/O THE HAIN CELESTIAL GROUP, INC., 58 SOUTH SERVICE ROAD

(Street)

MELVILLE, NY 11747

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HAIN CELESTIAL GROUP INC [HAIN]

3. Date of Earliest Transaction (Month/Day/Year)
09/27/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP & General Counsel

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock (1)	09/27/2011		A		975	A	$ 0	15,259	D	
Common Stock (2)	09/27/2011		F		353	D	$ 30.99	14,906	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FALTISCHEK DENISE M C/O THE HAIN CELESTIAL GROUP, INC. 58 SOUTH SERVICE ROAD MELVILLE, NY 11747			SVP & General Counsel	

Signatures

Denise M. Faltischek	09/29/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents a grant of fully vested shares of the Issuer's common stock granted in partial settlement of the Issuer's 2010-2011 Long Term Incentive Plan.

(2) Represents shares withheld to pay taxes incident to the grant of fully vested shares of common stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Fair value of derivatives

Total

Less than 1 year

1 to 5 years

More than 5 years

Total assets

Total liabilities

Fixed-rate receiver / floating-rate payer swaps

616.5

616.5

-

-

0.8

-

Floating-rate receiver / fixed-rate payer swaps

429.0

332.7

44.7

51.6

2.5

13.8

Floating-rate receiver / floating-rate payer swaps

-

-

-

-

-

-

Total firm financial instruments

1,045.5

949.2

44.7

51.6

3.3

13.8

Purchases of caps

122.5

-

122.5

-

-

-

Sales of caps

-

-

-

-

-

-

Sales of swaptions

-

-

-

-

-

-

Total optional financial instruments

122.5

-

122.5

-

-

-

TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING

1,168.0

949.2

167.2

51.6

3.3

13.8

The variation in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2012 and 2011 is mainly due to:

- The early termination of the majority of the options portfolio held by Veolia Environnement SA and certain swaps not qualified as hedges, in the total amount of €1,420 million;

- Expiry at maturity of short-term financial instruments hedging cash investments of approximately €1,800 million;

- The set-up of new transactions in the amount of €878 million and primarily short-term swaps hedging cash investments in the amount of €830 million.

Recap: the breakdown as of **December 31, 2011 and 2010** is as follows:

	Notional amount as of December 31, 2011				**Fair value of derivatives**	
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Fixed-rate receiver / floating-rate payer swaps	246.0	209.6	36.4	-	0.9	-
Floating-rate receiver / fixed-rate payer swaps	1,743.9	1,593.5	97.5	52.9	2.1	11.0
Floating-rate receiver / floating-rate payer swaps	250.0	-	250.0	-	1.7	-
Total firm financial instruments	**2,239.9**	**1,803.1**	**383.9**	**52.9**	**4.7**	**11.0**
Purchases of vanilla and structured caps	1,290.2	300.0	990.2	-	0.4	10.5
Sales of caps	-	-	-	-	-	-
Sales of swaptions	-	-	-	-	-	-
Total optional financial instruments	**1,290.2**	**300.0**	**990.2**	**-**	**0.4**	**10.5**
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**3,530.1**	**2,103.1**	**1,374.1**	**52.9**	**5.1**	**21.5**

	Notional amount as of December 31, 2010				**Fair value of derivatives**	
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**

Fixed-rate receiver / floating-rate payer swaps	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**

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28.2 Foreign currency derivatives

The fair value of foreign currency derivatives recognized in the Consolidated Statement of Financial Position breaks down as follows:

		As of December 31, 2012		As of December 31, 2011		As of December 31, 2010	
(€ million)	**Note**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
FOREIGN CURRENCY DERIVATIVES		**44.9**	**112.5**	**38.4**	**118.9**	**32.4**	**126.0**
Net investment hedges	28.2.1	4.3	21.4	11.6	30.1	3.6	49.6
Fair value hedges	28.2.2	3.7	3.5	6.0	11.9	2.6	1.0
Cash flow hedges	28.2.3	3.3	1.8	2.3	4.7	9.6	1.3
Derivatives not qualifying for hedge accounting	28.2.4	33.6	44.7	18.5	47.9	16.6	47.6
Embedded derivatives		-	41.1	-	24.3	-	26.5

28.2.1 Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

Financial instrument		**Notional amount as of December 31, 2012 by currency and maturity**				**Fair value of derivatives**	
(€ million)	**Currency**	**Amount**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Currency payer swaps	CZK	200.5	200.5	-	-	0.4	-
	SEK	63.1	63.1	-	-	-	0.2
	HKD	255.3	255.3	-	-	1.0	0.7
	HUF	38.2	38.2	-	-	-	0.1
	ILS	19.6	19.6	-	-	-	0.1
	PLN	216.9	216.9	-	-	-	2.9
	Other	102.8	102.8	-	-	2.0	-
Embedded derivatives (forward sale)	KRW	82.4	15.1	63.2	4.1	0.9	-
Cross currency swaps: fixed-rate payer / fixed-rate receiver	CNY	120.0	60.0	-	60.0	-	17.4
Total foreign currency derivatives		**1,098.8**	**971.5**	**63.2**	**64.1**	**4.3**	**21.4**
USD borrowings	USD	1,070.1	352.5	-	717.6	N/A	N/A
GBP borrowings	GBP	796.5	-	-	796.5	N/A	N/A

Syndicated loan facility	PLN	392.7	-	392.7	-	N/A	N/A
Total financing		**2,259.3**	**352.5**	**392.7**	**1,514.1**	**N/A**	**N/A**
TOTAL		**3,358.1**	**1,324.0**	**455.9**	**1,578.2**	**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, 2011 are mainly due to:

The increase in the fair value of euro/Chinese renminbi yuan cross currency swaps for €5.8 million;

•

The decrease in the fair value of the Korean won embedded derivative for €5.2 million.

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Inter-company loans and receivables forming part of a foreign investment (IAS 21) are nearly systematically hedged by foreign currency external financing or foreign currency derivatives (cross currency swaps. currency forwards) meeting IAS 39 criteria for hedge accounting. Foreign exchange gains and losses recorded in foreign exchange translation reserves in respect of hedging instruments are systematically offset by foreign exchange gains and losses recognized in foreign exchange translation reserves on loans forming part of the net investment, unless:

The inter-company loan forming part of the net investment in a foreign operation is not hedged;

The hedge is partially ineffective due to a difference between the nominal amount of the hedge and the amount of the hedged net asset;

Only the net assets of the foreign subsidiary (excluding the loan forming part of the net investment) are hedged.

Net foreign exchange gains recorded in Group foreign exchange translation reserves as of December 31, 2012 of €114.8 million mainly comprise:

•

The impact of exchange rate fluctuations on hedges of Water Division investments, particularly in China, Korea, the Czech Republic, Japan and the United States of €18.3 million;

•

The €86.6 million impact of exchange rate fluctuations on hedges of Veolia Environnement SA investments in the United States (€80.4 million) and the United Kingdom (€6.2 million).

Recap: the breakdown as of **December 31, 2011 and 2010** is as follows:

Financial instrument		**Notional amount as of December 31, 2011 by currency and maturity**				**Fair value of derivatives**	
(€ million)	**Currency**	**Amount**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
	CZK	195.2	195.2	-	-	-	0.2
	SEK	60.4	60.4	-	-	-	0.4
	HKD	255.5	255.5	-	-	0.3	4.8
Currency payer swaps	HUF	36.0	36.0	-	-	0.7	-
	ILS	19.6	19.6	-	-	0.1	-
	JPY	78.9	78.9	-	-	-	1.5
	PLN	246.5	246.5	-	-	4.3	-
	Other	17.2	17.2	-	-	-	-
Embedded derivatives (forward sale)	KRW	85.9	12.9	53.3	19.7	6.2	-
Cross currency swaps: fixed-rate payer / fixed-rate receiver	CNY	120.0	-	60.0	60.0	-	23.2
Total foreign currency derivatives		**1,115.2**	**922.2**	**113.3**	**79.7**	**11.6**	**30.1**
USD borrowings	USD	1224.5	-	326.3	898.2	N/A	N/A
GBP borrowings	GBP	778.2	-	-	778.2	N/A	N/A
Syndicated loan facility	PLN	307.3	307.3	-	-	N/A	N/A
Total financing		**2,310.0**	**307.3**	**326.3**	**1,676.4**	N/A	N/A
TOTAL		**3,425.2**	**1,229.5**	**439.6**	**1,756.1**	N/A	N/A

Financial instrument		**Notional amount as of December 31, 2010 by currency and maturity**				**Fair value of derivatives**	
(€ million)	**Currency**	**Amount**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
	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
Currency payer swaps	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**

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28.2.2 Fair value hedges

Financial instruments designated as fair value hedges break down as follows:

Financial instrument	**Notional amount as of December 31, 2012 by currency and maturity**					**Fair value of derivatives**	
(€ million)	**Currency**	**Amount**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Forward purchases	GBP	17.6	17.4	0.2	-	0.3	0.4
Forward purchases	SEK	6.6	6.1	0.5	-	0.6	0.3
Forward sales	HKD	31.4	26.0	5.4	-	0.5	0.8
Forward sales	KWD	14.4	12.6	1.8	-	0.4	0.6
Forward sales	NOK	9.9	4.2	5.7	-	0.3	0.8
Forward sales	PLN	3.1	0.2	2.9	-	0.3	0.3
Forward sales	USD	47.5	45.9	1.6	-	1.2	0.2
Other currencies		7.1	6.7	0.4	-	0.1	0.1
TOTAL FOREIGN CURRENCY DERIVATIVES						**3.7**	**3.5**

The fair value hedges presented above mainly consist of foreign currency hedges in respect of construction contracts.

28.2.3 Cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument	**Notional amount as of December 31, 2012 by currency and maturity**					**Fair value of derivatives**	
(€ million)	**Currency**	**Amount**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Forward purchases	CZK	54.8	48.8	6.0	-	0.1	0.5
Forward purchases	PLN	15.9	14.6	1.3	-	0.7	-
Forward sales	USD	4.0	4.0	-	-	0.1	-
Forward sales	GBP	186.1	51.9	134.2	-	1.7	1.3
Forward sales	RON	5.6	-	5.6	-	0.7	-
TOTAL FOREIGN CURRENCY DERIVATIVES						**3.3**	**1.8**

The cash flow hedges presented above mainly consist of forward purchases/sales of foreign currencies different from the functional currencies of the entities concerned, in connection with their own activities and particularly hedges entered into in respect of Private Finance Initiatives (PFI) in the United Kingdom. These projects concern in particular the districts of Southwark, West Berkshire, Staffordshire and Leeds.

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, 2012**			
(€million)	**Total**	**USD**	**GBP**	**NOK**	**HKD**	**KRW**	**Other**
Forward purchases	8.7	-	-	8.2	-	-	0.5
Currency receiver swaps	(31.2)	(28.5)	(2.6)	-	-	-	(0.1)
Total currency swaps and forward purchases	**(22.5)**	**(28.5)**	**(2.6)**	**8.2**	**-**	**-**	**0.4**
Forward sales	(41.8)	0.1	0.2	(0.1)	-	(41.8)	(0.2)
Currency payer swaps	12.2	0.3	8.0	(0.1)	4.2	-	(0.2)
Total currency swaps and forward sales	**(29.6)**	**0.4**	**8.2**	**(0.2)**	**4.2**	**(41.8)**	**(0.4)**
Call options	-	-	-	-	-	-	-
Put options	(0.1)	0.3	-	-	-	(0.4)	-
Total currency options	**(0.1)**	**0.3**	**-**	**-**	**-**	**(0.4)**	**-**
TOTAL DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**(52.2)**	**(27.8)**	**5.6**	**8.0**	**4.2**	**(42.2)**	**-**

Recap: Hedges as of **December 31, 2011 and 2010** are as follows:

Fair value				**As of December 31, 2011**			
(€million)	**Total**	**USD**	**GBP**	**NOK**	**HKD**	**KRW**	**Other**
Forward purchases	2.8	0.2	0.1	3.0	-	-	(0.5)
Currency receiver swaps	2.0	1.8	0.1	-	-	-	0.1
Total currency swaps and forward purchases	**4.8**	**2.0**	**0.2**	**3.0**	**-**	**-**	**(0.4)**
Forward sales	(25.4)	(1.5)	(0.1)	-	(0.1)	(24.3)	0.6
Currency payer swaps	(30.2)	(3.7)	(20.5)	-	(8.5)	-	2.5
Total currency swaps and forward sales	**(55.6)**	**(5.2)**	**(20.6)**	**-**	**(8.6)**	**(24.3)**	**3.1**
Call options	-	-	-	-	-	-	-
Put options	(2.9)	-	-	-	-	(2.9)	-
Total currency options	**(2.9)**	-	-	-	-	**(2.9)**	**-**
TOTAL DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**(53.7)**	**(3.2)**	**(20.4)**	**3.0**	**(8.6)**	**(27.2)**	**2.7**

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)**

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement SA to hedge its foreign currency-denominated net financial debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

28.3 Commodity derivatives

As of December 31, 2012, the fair value of commodity derivatives totals €8.4 million in assets and €48.9 million in liabilities. The €30.3 million decrease in fair value on December 31, 2011 is mainly due to the impact of:

- A €25.1 million decrease in the fair value of electricity instruments, mainly due to the expiry of profitable positions in 2012 and the fall in electricity prices;

- A €5.9 million decrease in the fair value of CO_2 transactions, due to the expiry of forward sales of phase 2 allowances;

- A €0.6 million decrease in the fair value of gas/crude oil/coal transactions, due to the expiry of gas/crude oil positions in 2012, the fall in the price of coal and the increase in the crude oil - gas price differential.

	As of December 31, 2012		As of December 31, 2011		As of December 31, 2010	
(€ million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Commodity derivatives	**8.4**	**48.9**	**36.5**	**46.7**	**62.7**	**34.0**
Electricity	7.3	31.8	22.2	21.6	42.2	22.9
Petroleum products*	0.9	1.5	4.3	0.3	4.9	0.7
Gas*	-	9.2	-	15.9	8.9	-
CO_2	0.1	0.1	8.9	3.0	0.7	0.5
Coal*	0.1	6.3	1.1	4.6	6.0	8.4
Other	-	-	-	1.3	-	1.5

(*) Transactions concerning gas, coal or other petroleum products are primarily swaps maturing in 2014.

Pursuant to IAS 39, these derivatives break down as follows:

	As of December 31, 2012		As of December 31, 2011		As of December 31, 2010	
(€ million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Commodity derivatives	**8.4**	**48.9**	**36.5**	**46.7**	**62.7**	**34.0**
Fair value hedges	-	-	-	1.3	-	0.5
Cash flow hedges	0.8	16.3	12.4	20.6	20.1	10.4

Derivatives not qualifying for hedge accounting	7.6	32.6	24.1	24.8	42.6	23.1

Material contract notional amounts (electricity – see Note 1.23) are as follows:

28.3.1 Electricity

	Notional contract amounts as of December 31, 2012 by maturity			
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Electricity purchase instruments:				
• in Gwh	9,535	868	2,239	6,428
• in € million	580	47	135	398
Electricity sales instruments:				
• in Gwh	1,178	953	225	-
• in € million	58	47	11	-

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Electricity purchase instruments covering the period 2013 to 2025 have a market value of -€27 million (based on valuation assumptions at the year-end) and sales instruments maturing in 2014 have a net market value of +€2 million. These transactions are recorded in the Consolidated Statement of Financial Position at fair value based on the quoted price of commodities with similar maturities and using internal models integrating non-observable data in the absence of a liquid market.

A 10% increase or decrease in the price of electricity (all other things being equal) would have an impact on net income of +€4.2 million and -€3.8 million, respectively.

	Notional contract amounts as of December 31, 2011 by maturity			
(€ million)	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Electricity purchase instruments:				
• in Gwh	11,420	774	2,293	8,353
• in € million	734	43	147	544
Electricity sales instruments:				
• in Gwh	831	831	-	-
• in € million	58	58	-	-

	Notional contract amounts as of December 31, 2010 by maturity			
(€ million)	**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	41	140	589
Electricity sales instruments:				
• in Gwh	1,512	735	777	-
• in € million	111	55	56	-

28.3.2 Greenhouse gas emission rights

In 2010 and 2011 the market value of CO_2 transactions mainly reflected forward purchases and sales designated as cash flow hedges and other transactions not qualifying for hedge accounting relating to contracts swapping greenhouse gas emission rights (EUA) for Carbon Emission certificates.

These transactions had expired at the end of 2012, explaining the immaterial value of CO_2 transactions.

Note 29 Employee benefit obligation

29.1 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 2012 were as follows:

	N°8 2010	**N°7 2007**	**N°6 2006**	**N°5 2004**
Grant date	09/28/2010	07/17/2007	03/28/2006	12/24/2004
Number of options granted	2,462,800	2,490,400	4,044,900	3,341,600
Number of options not exercised	0***	548,600*	3,032,495	0
Plan term	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
Vesting method	After 4 years	After 4 years	After 4 years	By tranches of 1/3 over 3 years
Strike price (in euros)	22.50	57.05	44.03**	24.32**

* *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, 2007). The initial strike prices for plans no.4, no.5 and no.6 were €22.50. €24.72 and €44.75, respectively*

**** Following the failure to achieve performance criteria, to be validated by the Board of Directors meeting of March 14, 2013.*

2011 and 2012

The Group did not grant any share options in 2011 or 2012.

2010

In 2010, the Group granted 2,462,800 share options to members of the Executive Committee (excluding the Chief Executive Officer) and three employee groups. The first group comprised Veolia Environnement Group key management, including members of the Executive Committee. The second group comprised other Group management members and the third one included high-performing executive and non-executive employees. The estimated fair value of each option granted in 2010 was €1.86. This value was calculated using the Black and Scholes model, based on the following underlying assumptions: share price of €19.72, volatility of 26.6% based on share prices over a 6-year period in line with the estimated maturity of the plan, expected annual yield of 6.14%, risk-free interest rate of 1.97% and estimated exercise maturity of six years.

The options granted under the plan may only be exercised after a period of four years commencing the grant date, that is from September 29, 2014, provided the Group return on capital employed as of December 31, 2012 is at least equal to 8.4% (application of this performance criteria varies according to the employee category).

This condition would not appear to be satisfied at the 2012 year end and the Board of Directors meeting of March 14, 2013 should take due note that the options cannot be exercised.

2008 and 2009

The Group did not grant any share options in 2008 or 2009.

2007

In 2007, the Group granted 2,490,400 share options to two employee groups. The first group comprised Veolia Environnement Group management, including members of the Executive Committee. The second group comprised senior managers of Veolia Environnement Group companies and employees recognized for their excellent performance in 2006. The estimated fair value of each option granted in 2007 was €13.91. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €57.26, historical volatility of 21.75%, expected dividend yield of 2%, risk-free interest rate of 4.59% and estimated exercise maturity of 6 years.

In 2007, the Group granted 333,700 free shares to employees recognized for their excellent performance in 2006. In France, rights vest after two years, followed by a two year lock-in period and are subject to performance conditions. Outside France, rights vest after four years subject to performance conditions. The estimated fair value of each free share granted in 2007 was €57.26, net of dividends not received during the vesting period and for shares granted to French employees, a discount for non-transferability.

Finally, in 2007 the Group granted 205,200 stock appreciation rights (SAR) on ordinary shares to three employee groups: firstly, Veolia Environnement Group management, secondly senior managers of Veolia Environnement Group companies and thirdly employees recognized for their excellent performance in 2006. Rights vest after four years subject to performance conditions. As of December 31, 2010, the estimated fair value of each option granted in 2007 was €0.03. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €21.86, historical volatility of 32.38%, expected dividend yield of 5.48%, risk-free interest rate of 1.12%, estimated exercise maturity of two years, subscription price of €57.20.

The performance condition determining the number of options granted under the three 2007 plans (share options, free shares and SAR) was the increase in net earnings per share between December 31, 2006 and December 31, 2008. This was taken into account in the calculation of the number of options vested and the compensation expense.

2006

In 2006, the Group granted 4,044,900 share options to three employee groups. The first group comprised Veolia Environnement Group management, including members of the Executive Committee. The second group comprised senior management of Veolia Environnement Group companies. The third group comprised Group employees recognized for their excellent performance. The estimated fair value of each option granted in 2006 was €10.01. This value was calculated using the Black and Scholes model based on the following underlying assumptions: share price of €44.75, historical volatility of 22.6%, expected dividend yield of 1.92%, risk-free interest rate of 3.69% and estimated exercise maturity of 6 years.

Explanation of Responses:

Information on share purchase and subscription options granted since 2001 is presented below, with a breakdown of movements in 2007, 2008, 2009, 2010, 2011 and 2012 (share option plans excluding free share plans and SAR plans (settled in cash):

	Number of options	**Weighted average strike price** *(in euros)*
As of December 31, 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**
Granted	-	-
Exercised	(64,197)	22.14
Cancelled	(287,140)	38.30
Expired	(1,480,043)	22.14
As of December 31, 2011	**9,281,263**	**32.82**
Granted	-	-
Exercised	-	-
Cancelled	(514,480)	34.08
Expired	(5,185,688)**	23.57
As of December 31, 2012	**3,581,095**	**46.02**

* *Including 1,742,650 due to failure to meet performance conditions.*

** *Including 2,127,400 due to failure to meet performance conditions.*

No options were exercised in 2012.

Details of Veolia Environnement share purchase and subscription options outstanding as of December 31, 2012 are as follows:

Strike price	**Number of options outstanding**	**Weighted average strike price** *(in euros)*	**Average residual term** *(in years)*	**Number of options vested**
40-45	3,032,495	44.03	1.24	3,032,495
55-60	548,600	57.05	2.54	548,600
Total	**3,581,095**	**46.02**	**1.44**	**3,581,095**

As of December 31, 2012, 3,581,095 options can be exercised.

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Employee 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.

No savings plans were set up in 2011 or 2012.

Shares subscribed by Veolia Environnement employees in 2010:

	2010
Number of shares	855,335
Subscription price	€17.74
Amount subscribed (€ million)	15.2

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.

Veolia Group applies the recommendations of the CNC (press release 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:

	2010
Risk-free interest rate	1.81 %
Interest rate for calculating the carrying cost	5.74 %
Notional cost of non-transferability of shares (as a percentage of the spot rate of the shares at the grant date)	17 %

29.2 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.

Defined contribution plans

As described in Note 1.15, defined contribution plans are plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments. These obligations are expensed in the Consolidated Income Statement when due. Basic mandatory pension plans in the various countries where the Group operates are generally defined contribution plans.

Supplementary defined contribution plans have been set up in certain subsidiaries. Expenses incurred by the Group under these plans total €76 million for 2012 and €70 million for 2011.

Defined benefit plans

Some Group companies have established defined benefit pension plans and/or offer other post-employment benefits (mainly retirement termination payments).

The tables in Note 29.2 § b present the obligations in respect of defined benefit pension plans (see Note 1.15) and other post-employment benefits.

The measurement of these obligations is reflected by the DBO (Defined Benefit Obligation) or actuarial liability. These future outflow commitments may be partially or fully funded (plan assets).

The greatest obligations are located in the United Kingdom and France.

United Kingdom

In the United Kingdom, defined benefit pension plans are mainly final salary plans. Most of these plans are closed to new employees and the majority is also closed to the acquisition of new rights. These plans are financed by employer and employee contributions paid to an independent pension fund (the Trustee). Local regulations ensure the independence of the pension fund, which has 13 members (including 7 employer representatives, 5 representatives of active and retired employees and 1 independent member). The investment policy is defined by the pension fund. Funding levels and the contribution payment schedule is negotiated by the employer and the Trustee, based on three-yearly actuarial valuations. The payment schedule encompasses both the funding of the deficit associated with past rights and service costs of future years. Plan rules authorize the employer to recover excess funds paid at the end of the plans.

The defined benefit obligation in the United Kingdom is €883 million as of December 31, 2012 (compared with €1,178 million as of December 2011) and is funded by plan assets of €777 million at this date (compared with €1,057 million in 2011).

The decrease in the defined benefit obligation between December 31, 2011 and December 31, 2012 is mainly due to the divestiture of regulated Water activities (-€398.5 million), the discounting of the obligation (€47.0 million) and actuarial losses (€49 million).

The average duration of these plans is approximately 21 years.

France

In France, the defined benefit obligation for all plans totaled €535 million as of December 31, 2012 (€466 million as of December 31, 2011) and is funded by plan assets of €117 million as of December 31, 2012 (€119 million as of December 31, 2011).

Approximately 75% of the obligation relates to retirement indemnities (legally required payments) paid in a lump sum. These indemnities represent a number of months' salary based on Group seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee s retirement. A portion of these obligations is covered by insurance contracts, but this funding is at the discretion of the employer.

The average duration of these plans is approximately 11 years.

The risk associated with this type of plan is legislative risk, in terms of potential adjustments to redundancy payments to which retirement indemnities are linked in certain collective bargaining agreements. Furthermore, the renegotiation of collective bargaining agreements could also generate adjustments to indemnities granted.

With respect to executive plans, Chapter 15 sets out the terms and conditions of the main plan covering members of the Executive Committee.

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Multi-employer plans

Under collective agreements, some Group companies participate in multi-employer defined benefit pension plans. However, these plans are unable to provide a consistent and reliable basis for the allocation of the obligation, assets and costs between the different participating entities. They are therefore recorded as defined contribution plans in accordance with IAS 19. The main multi-employer plans are located in Germany and the Netherlands and concern approximately 4,500 employees in 2012. The corresponding expense recorded in the consolidated income statement is equal to annual contributions and totals approximately €12 million in 2012 and €13 million in 2011. Multi-employer plans in 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 France and the United States.

b- Obligations in respect of defined benefit pension plans and other post-employment benefits.

Change in the Defined Benefit Obligation (DBO)

	As of December 31,					
Change in the defined-benefit obligation	**Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)**			**Health insurance coverage of retirees**		
(€ million)	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Defined benefit obligation at beginning of year	**1,957.3**	2,062.7	1,770.1	**14.0**	53.2	41.5
Restatement of the defined benefit obligation of the Transportation business, in the course of divestiture in 2011 and add-back of the defined benefit obligation of SNCM in 2012	**7.8**	(172.1)		**15.0**	(37.6)	
Defined benefit obligation at beginning of year	**1,965.1**	1,890.6	1,770.1	**29.0**	15.6	41.5
Current service cost	**45.9**	49.3	57.1	**1.1**	0.9	1.5
Interest cost	**78.0**	86.9	92.9	**1.2**	0.6	2.3
Plan participants contributions	**3.2**	4.3	5.4	**-**	-	-
Benefit obligation assumed on acquisition of subsidiaries*	**5.0**	3.4	64.7	**-**	2.4	-
Benefit obligation transferred on divestiture of subsidiaries**	**(402.0)**	(20.6)	(14.5)	**(1.3)**	-	(1.8)
Curtailments	**(22.1)**	(8.8)	(3.6)	**-**	-	-
Liquidations***	**(2.3)**	(23.0)	(10.3)	**-**	(5.6)	-
Actuarial losses (gains)	**134.0**	3.1	106.2	**6.4**	1.8	3.8
Benefits paid	**(75.8)**	(79.2)	(86.6)	**(1.1)**	(1.6)	(3.3)

Plan amendments	**2.6**	10.1	10.6	**-**	-	3.8
Other (incl. changes in consolidation scope and foreign exchange translation)	**28.3**	41.2	70.7	**(1.8)**	(0.1)	5.4
(A) DEFINED BENEFIT OBLIGATION AT END OF YEAR	**1,759.9**	**1,957.3**	**2,062.7**	**33.5**	**14.0**	**53.2**
o/w Defined benefit obligation at end of year in respect of partially or fully funded plans	***1,369.2***	***1,614.1***	***1,652.8***		***-***	***-***
o/w Defined benefit obligation at end of year in respect of unfunded plans	***390.7***	***343.2***	***409.9***	***33.5***	***14.0***	***53.2***

**   In 2010, primarily plan assets acquired by the Group following the Phoenix contract win in the United States in the amount of €56.8 million.*

***   In 2012, this line includes the decrease in the DBO associated with the divestiture of regulated Water activities in the United Kingdom of €398.5 million. In 2011, the divestiture of Proxiserve (Energy Services) generated a decrease in the DBO of €12.8 million.*

**** Primarily in 2011, the early termination of the management agreement between the City of Indianapolis and Veolia leading to a reduction in the DBO (liquidation) of €15.0 million.*

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In 2012, the divestiture of regulated Water activities in the United Kingdom on June 28, 2012 generated a decrease in the defined benefit obligation of €398.5 million and impacted all obligation movement lines (particularly interest cost).

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 (€35 million in 2012 and €38 million in 2011).

c- Change in plan assets

The following table presents plan assets funding obligations in respect of defined benefit pension plans and other post-employment benefits.

	As of December 31,					
Change in plan assets	**Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)**			**Health insurance coverage of retirees**		
(€ million)	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Fair value of plan assets at beginning of year	**1,281.8**	1,290.3	1,101.9	-	-	-
Restatement in 2011 of the fair value of plan assets of the Transportation business. in the course of divestiture	**-**	71.3	-	-	-	-
Fair value of plan assets at beginning of year	**1,281.8**	1,219.0	1,101.9	-	-	-
Actual return on plan assets	**80.5**	50.2	103.0			
o/w Expected return on plan assets	***55.6***	*66.7*	*67.4*	-	-	-
o/w Actuarial gains (losses)	***24.9***	*(16.5)*	*35.6*	-	-	-
Group contributions	**58.9**	37.5	58.4	-	-	-
Plan participants contributions	**3.2**	4.3	5.4	-	-	-
Plan assets acquired on acquisition of subsidiaries*	**-**	0.2	38.5	-	-	-
Plan assets transferred on divestiture of subsidiaries**	**(404.9)**	(2.7)	(6.7)	-	-	-
Liquidations	**(0.5)**	(13.6)	(8.4)	-	-	-
Benefits paid	**(44.6)**	(48.2)	(52.8)	-	-	-
Other (incl. changes in consolidation scope and foreign exchange translation)	**35.2**	35.1	51.0	-	-	-
(B) FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**1,009.6**	1,281.8	1,290.3	-	-	-

* *Primarily plan assets acquired by the Group following the Phoenix contract win in the United States in the amount of €38.4 million.*

*** Plan assets transferred mainly concern the divestiture of regulated Water activities in the United Kingdom in the amount of €404.2 million*

Other changes in plan assets primarily concern the impact of foreign exchange translation (€35 million in 2012, €34 million in 2011 and €48 million in 2010).

The actual return on plan assets in 2012, 2011, and 2010 was 7.02%, 4.0%, and 8.6%, respectively and reflects market performance based on the asset investment profile.

The Group plans to make contributions of €21.8 million to defined benefit plans in 2013.

Group pension plan assets (excluding the Transportation business) were invested as follows as of December 31, 2012, 2011 and 2010:

	As of December 31, 2012(*)	**As of December 31, 2011(*)**	**As of December 31, 2010(*)**
Shares	**23%**	30%	47%
Bonds and debt instruments	**41%**	38%	45%
Diversified funds	**15%**	9%	-
Insurance risk-free funds	**6%**	9%	5%
Liquid assets	**1%**	-	2%
Other	**14%**	14%	1%

(*) A more detailed breakdown of investments is now presented, to better reflect the risk mitigation policy through the diversification of asset categories adopted in the United Kingdom.

Assets in the United Kingdom are primarily invested in shares, bonds and diversified funds via a trust and expected long-term rates of return are based on long-term market performance statistics.

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.

d- Actuarial assumptions

Actuarial assumptions used for calculation purposes vary depending on the country in which the plan is implemented.

The benefit obligation in respect of pension plans and post-employment benefits as of December 31, 2012, 2011 and 2010 is based on the following average assumptions:

	As of December 31, 2012	**As of December 31, 2011**	**As of December 31, 2010**
Discount rate	**3.78%**	4.54%	4.76%
- United Kingdom	***4.40%***	4.70%	5.10%
- Euro zone	***3.20%***	4.70%	4.60%
Expected rate of salary increase	**2.97%**	3.58%	3.44%

Average residual active life expectancy assumptions are as follows:

	As of December 31, 2012	**As of December 31, 2011**	**As of December 31, 2010**
Average residual active life expectancy (in years)	**13.1**	12.2	12.9

Expected returns on plan assets in 2012, 2011 and 2010, as defined at the start of each year to determine the amount recorded in the income statement, are as follows:

	As of December 31, 2012	**As of December 31, 2011**	**As of December 31, 2010**
Expected return on plan assets	**5.1%**	5.7%	5.9%
- United Kingdom	***5.4%***	*6.1%*	*6.2%*

The expected return on plan assets in the United Kingdom (representing the vast majority of Group plan assets) is determined individually for each plan based on market expectations and depends in particular on the investment strategy of each Division.

Additional assumptions concerning health insurance plans for retirees (excluding the Transportation business)

Additional assumptions concerning health insurance plans are as follows:

Average rate of increase in health insurance costs	As of December 31, 2012	As of December 31, 2011	As of December 31, 2010
Assumed rate of increase in health costs in the coming year	4.01%	5.36%	5.6%
Target rate of increase in costs	3.5%	3.7%	3.9%
Year long-term rate is expected to stabilize	2020	2019	2020

Sensitivity of the benefit obligation and the current service cost

The Group benefit obligation (excluding the Transportation business) is especially sensitive to discount and inflation rates.

A 1% increase in the discount rate would decrease the benefit obligation by €246 million and the current service cost of the next year by €6 million. A 1% decrease in the discount rate would increase the benefit obligation by €293 million and the current service cost of the next year by €8 million.

Conversely, a 1% increase in the inflation rate would increase the benefit obligation by €236 million and the current service cost of the next year by €7 million. A 1% decrease in the inflation rate would decrease the benefit obligation by €204 million and the current service cost by €6 million.

Assumptions concerning the growth in health insurance costs have little impact on the defined benefit obligation and the current service cost.

e- Change in the funding status of post-employment benefit obligations 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)	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Funding status = (B) (A)	**(750.3)**	(675.5)	(772.4)	**(33.5)**	(14.0)	(53.2)
Unrecognized past service cost	**67.8**	79.9	93.3	**-**	-	2.9
Other	**-**	-	-	**-**	-	-
NET OBLIGATION	**(682.5)**	(595.6)	(679.1)	**(33.5)**	(14.0)	(50.3)
Provisions	**(701.3)**	(606.1)	(686.2)	**(33.5)**	(14.0)	(50.3)
Prepaid benefits (regimes with a funding surplus)	**18.8**	10.5	7.1	**-**	-	-

Provisions for post-employment benefits total €734.8 million, compared with €620.1 million in 2011. In 2012, this amount includes in particular provisions of €10.4 million reclassified in the Consolidated statement of financial position in Liabilities directly associated with assets held for sale (including Moroccan activities in the Water Division and Citelum) i.e. an amount of €724.4 million recorded in the Consolidated statement of financial position.

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f- Change in right to reimbursement

Change in right to reimbursement

(€ million)	**2012**	**2011**	**2010**
Fair value of right to reimbursement at beginning of year	**3.8**	**24.2**	**22.4**
Restatement of the fair value of the right to reimbursement of the Transportation business in the course of divestiture in 2011 and add back of the fair value of the SNCM right to reimbursement in 2012	**8.7**	(19.2)	
Fair value of right to reimbursement at beginning of year	**12.5**	5.0	22.4
Expected return on right to reimbursement	**0.6**	0.3	0.9
Actuarial gains (losses)	**1.8**	(0.8)	1.4
Right to reimbursement acquired on acquisition of subsidiaries	**-**	-	0.8
Repayments	**(0.2)**	(0.7)	(1.4)
Other (incl. new right to reimbursements)	**1.0**	-	0.1
FAIR VALUE OF RIGHT TO REIMBURSEMENT AT END OF YEAR	**15.7**	**3.8**	**24.2**

Right to reimbursement is recorded in assets as of December 31, 2012 at a value of €15.7 million. Right to reimbursement concerns the portion of employee rights to post-employment benefits corresponding to periods during which the employee was employed by a previous employer or where the operating contract stipulates that employee entitlement to post-employment benefits is assumed by a third party.

g- Impact on the consolidated income statement

The net benefit cost is presented excluding the Transportation business in 2012 and breaks down 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)	**2012**	**2011(*)**	**2010**	**2012**	**2011(*)**	**2010**
Current service cost	45.9	49.9	57.1	1.1	1.4	1.5
Interest cost	78.0	87.4	92.9	1.2	1.7	2.3
Expected return on plan assets	(55.6)	(66.7)	(67.4)	-	-	-
Expected return on right to reimbursement	(0.2)	(0.3)	-	(0.4)	(0.7)	(0.9)
Past service costs recognized in the year	9.7	10.6	11.1	-	-	1.5

Curtailments / liquidations	(16.8)	(15.5)	(3.0)	-	(5.6)	-
Other	(0.7)	2.0	(0.9)	(1.6)		-
NET BENEFIT COST	**60.3**	**67.4**	**89.8**	**0.3**	**3.2**	**4.4**

(*) 2011 figures have been adjusted to include amounts relating to SNCM (Group share of 50%).

These costs are recorded in full in operating income, except for the interest cost, expected return on plan assets and right to reimbursement, which are recorded in net finance costs.

h- Actuarial gains (losses)

Experience adjustments for the current and four prior periods are as follows:

Pension plans and other post-employment benefits (excluding health insurance coverage of retirees)	**2012**	**2011**	**2010**	**2009**	**2008**
Benefit obligation at year end	**(1,759.9)**	(1,957.3)	(2,062.7)	(1,770.1)	(1,522.0)
Fair value of plan assets at year end	**1,009.6**	1,281.8	1,290.3	1,101.9	901.1
Funding status	**(750.3)**	(675.5)	(772.4)	(668.2)	(620.9)
Actuarial gains (losses) / experience adjustments on obligations	**6.7**	(20.0)	0.3	(11.7)	8.8
% of the benefit obligation	***(0.38%)***	*1.02%*	*(0.02 %)*	*0.66 %*	*(0.58 %)*
Actuarial gains (losses) / experience adjustments on plan assets	**24.8**	(16.5)	35.6	79.2	(219.6)

Health insurance coverage of retirees	**2012**	**2011**	**2010**	**2009**	**2008**
Benefit obligation at year end	**(33.5)**	(14.0)	(53.2)	(41.5)	(41.7)
Fair value of plan assets at year end	-	-	-	-	-
Funding status	(33.5)	(14.0)	(53.2)	(41.5)	(41.7)
Actuarial gains (losses) / experience adjustments on obligations	(0.4)	(0.2)	0.7	0.5	1.9
% of the benefit obligation	1.2%	1.4%	*(1.25 %)*	*(1.20 %)*	*(4.56 %)*
Actuarial gains (losses) / experience adjustments on plan assets	-	-	-	-	-

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:

	2012	**2011**	**2010**
Cumulative amounts as of January 1	(332.9)	(320.5)	(247.5)
Change in the period	(105.4)	(12.4)	(73.0)
Cumulative amounts as of December 31	**(438.3)**	**(332.9)**	**(320.5)**

Note 30 Main acquisitions

30.1 Acquisitions in 2012

There were no acquisitions in 2012 with related net cash flows of more than €100 million.

Acquisitions in 2012 with related net cash flows of less than €100 million represent transaction costs of €55.3 million. These acquisitions contributed €13.3 million to Group revenue in 2012.

These transactions were recognized in accordance with the 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 control of Azaliya in the Water Division

On June 4, 2012, following the meeting of the Board of Directors of Azaliya, a joint venture created by Veolia Eau and Mubadala Development Company for the implementation of a long-term strategic plan, encompassing all water supply and wastewater treatment services in Veolia Water Middle East and North African portfolio, a Share Purchase Agreement was signed for the sale to Veolia Eau of the 49% stake in Azaliya held by Mubadala for a consideration of €48 million and an enterprise value of €247 million.

This transaction was completed on August 2, 2012, bringing Veolia's interest in Azaliya to 100%.

The completion of this transaction triggered the termination of all agreements between Mubadala and Veolia Eau and particularly the Azaliya shareholders agreement.

This transaction was recognized in accordance with the standard on business combinations (IFRS 3 revised).

Acquisition costs are immaterial and were recorded in operating income.

Following completion of the transaction the Group launched a divesture process and a letter of intent was signed with a potential buyer in the third-quarter of 2012. In view of progress achieved with the divestiture process as of December 31, 2012, Water Division activities in Morocco were classified in discontinued operations as of December 31, 2012.

The additional stake acquired in Azaliya (Water activities in the Middle East) contributed revenue of €12.9 million in 2012. Had it been acquired at January 1, 2012, it would have contributed €25.8 million to Group revenue in 2012.

30.2 Acquisitions in 2011

The fair values of assets and liabilities acquired recognized at the 2011 year-end in the non-definitive opening balance sheets of fiscal year 2011 (SPEC in the Energy Services Division in Poland) were not materially changed during the 12-month period following their acquisition dates.

Note 31 Construction contracts

As described in Note 1.22. Veolia Group recognizes its construction contracts under the percentage of completion method. At each period-end, a contract statement compares the amount of costs incurred, plus profits (including any provisions for losses to completion) with intermediary billings: Construction contracts in progress / Assets" therefore represents contracts for which the costs incurred and profits recognized exceed amounts billed.

(€ million)	**As of December 31, 2012**	**As of December 31, 2011**	**As of December 31, 2010**
Construction contracts in progress / Assets (A)	675.8	622.4	500.0
Construction contracts in progress / Liabilities (B)	248.0	294.1	238.1
Construction contracts in progress / net (A) (B)	**427.8**	**328.3**	**261.9**
Costs incurred plus income and losses recognized to date (C)	4,249.9	5,798.1	5,757.4
Amounts billed (D)	3,822.1	5,469.8	5,495.5
Construction contracts in progress / net (C) (D)	**427.8**	**328.3**	**261.9**
Customer advances	**69.5**	**88.4**	**55.0**

Note 32 Operating leases

The Group enters into operating leases (mainly for transportation equipment and buildings).

Future minimum lease payments under operating leases amount to €2,583.9 million as of December 31, 2012, compared with €2,686.7 million as of December 31, 2011 and €3,108.1 million as of December 31, 2010.

As of December 31, 2012, future minimum lease payments under these contracts were as follows:

(€ million)	**Operating lease**
2013	594.5
2014 & 2015	827.1
2016 & 2017	482.5
2018 and thereafter	679.8
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**2,583.9**

Lease payments for the period

(€ million)	**As of December 31, 2012**	**As of December 31, 2011**	**As of December 31, 2010**
Minimum lease payments expensed in the year	742.1	640.2	732.7
Contingent rent expensed in the year	24.5	19.2	18.7
TOTAL LEASE PAYMENTS FOR THE YEAR	**766.6**	**659.4**	**751.4**
Including total lease payments for the year for the Veolia Transdev group	189.4	165.8	262.9

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.

Note 33 Proportionately consolidated companies

Summarized financial information in respect of proportionately consolidated companies is set out below (Group share):

(€ million)	**As of December 31, 2012**	**As of December 31, 2011**	**As of December 31, 2010**
Non-current assets	5,744.6	8,154.4	8,421.2
Current assets	2,841.7	3,848.3	4,021.6
TOTAL ASSETS	**8,586.3**	**12,002.7**	**12,442.8**
Equity attributable to owners of the Company	3,049.6	2,794.4	3,256.5
Equity attributable to non-controlling interests	306.6	1,008.5	1,065.3
Non-current liabilities	1,592.9	3,161.7	3,295.2
Current liabilities	3,637.2	5,038.1	4,825.8
TOTAL EQUITY AND LIABILITIES	**8,586.3**	**12,002.7**	**12,442.8**

(€ million)	**Year ended December 31, 2012**	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Income Statement data			
Revenue	5,721.4	5,665.6	5,767.6
Operating income	314.0	201.0	710.7
Net income for the year	5.4	(108.8)	311.6
Financing data			
Operating cash flows	614.9	779.5	671.1
Investing cash flows	2,083.0	(583.5)	(193.7)
Financing cash flows	(392.7)	(363.4)	(213.5)

The most material proportionately consolidated entities are as follows:

The Veolia Transdev group, proportionately consolidated from March 3, 2011, was retained in discontinued operations as of December 31, 2012 (see Note 23);

BWB (Berlin Water) in the Water Division in Germany, consolidated 50% up to October 30, 2012, contributed revenue of €452.4 million and operating income of €125.6 million;

•

In China, in the Water Division:

-

he Shenzhen contracts, consolidated 25%, contributed revenue of €189.6 million and net assets of €406.9 million;

-

he VW Pudong contracts, consolidated 50%, contributed revenue of €92.8 million and net assets of €192 million;

-

he Tianjin Shibei contracts, consolidated 49%, contributed revenue of €70.5 million and net assets of €291.2 million;

•

Dalkia International is 75.81% consolidated and contributed revenue of €3,689.8 million, operating income of €61.5 million and net assets of €3,070 million;

•

The Proactiva Group in South America is 50% consolidated and contributed revenue of €270.3 million, operating income of €32.2 million and net assets of €190.1 million.

As described in Note 30, on June 4, 2012, following the meeting of the Azaliya Board of Directors, Mubadala and Veolia Eau signed a Share Purchase Agreement for the sale to Veolia Water of the Azaliya shares held by Mubadala. The transaction was completed on August 2, 2012, bringing Veolia s interest in Azaliya to 100%.

Note 34 Tax audits

In the normal course of their business, the Group entities in France and abroad are subjected to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37 criteria.

The tax authorities have carried out various tax audits in respect of both consolidated tax groups and individual entities, including Veolia Environnement SA. 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.

In Italy, in the Energy Services Division, Siram received revised tax assessments in respect of fiscal years 2004 and 2005. Litigation proceedings were initiated with respect to these tax assessments. The liabilities arising from this litigation have been anticipated and provided for in accordance with IAS 37.

On March 10, 2010, Veolia Environnement through its subsidiary VENAO received notices of proposed adjustments (NOPAs) from the U.S. Internal Revenue Service (IRS) relating to a number of tax positions concerning its U.S. subsidiaries, including primarily tax losses resulting from the reorganization of the former US Filter (Worthless Stock Deduction), in the amount of USD 4.5 billion (tax base). They also relate to certain other issues relating to tax losses for the 2004, 2005 and 2006 tax years, in an aggregate amount of a similar order of magnitude as the Worthless Stock Deduction. The NOPAs are preliminary assessments that do not reflect a definitive audit position and are subject to change. These NOPA s were received following the request by the Group for a pre-filing agreement from the Internal Revenue Service (IRS) in order to validate the amount of tax losses as of December 31, 2006.

During 2010, 2011 and 2012, the Group continued to discuss these NOPAs with the IRS with a view to resolving or narrowing the issues and the issuance of a formal assessment notice for any unresolved issues, which could be appealed within the IRS or in court. As of December 31, 2012 and 2011, the remaining NOPAs, before any penalties, relate to the Worthless Stock Deduction for USD 4.5 billion (tax base) as well as other issues for an estimated aggregate amount of USD 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.

In the context of this audit, the IRS issued several summons in reply to which VENAO submitted a number of documents. Nonetheless, on January 5, 2013, considering the response to the summons inadequate, the US Department of Justice brought an action against VENAO before the US District Court of the State of Delaware for enforcement of the summons.

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.

Furthermore, an audit was performed by the US tax authorities in respect of fiscal years 2007 and 2008 for all the Group s US entities. As of December 31, 2012, this audit is still ongoing. No major risks have been identified to date.

In estimating the risk as of December 31, 2012, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

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Note 35 Off-balance sheet commitments and collateral

Commitments given

Off-balance sheet commitments given break down as follows:

(€ million)	**As of December 31, 2010**	**As of December 31, 2011**	**As of December 31, 2012**	**Maturity** Less than 1 year	1 to 5 years	More than 5 years
Commitments relating to operating activities	**8,259.5**	**9,404.8**	**9,364.7**	**4,140.5**	**2,691.6**	**2,532.6**
Operational guarantees including performance bonds	8,149.3	8,999.0	9,027.1	4,011.4	2,543.2	2,472.5
Purchase commitments	110.2	405.8	337.6	129.1	148.4	60.1
Commitments relating to the consolidation scope	**772.0**	**885.0**	**908.8**	**237.6**	**376.0**	**295.2**
Vendor warranties	469.4	731.6	874.5	217.7	365.1	291.7
Purchase commitments	192.9	83.4	20.2	16.1	2.7	1.4
Sale commitments	3.7	2.5	1.7	1.4	0.3	-
Other commitments relating to the consolidation scope	106.0	67.5	12.4	2.4	7.9	2.1
Financing commitments	**904.1**	**493.3**	**611.7**	**277.8**	**216.2**	**117.7**
Letters of credit	486.4	321.4	309.9	172.3	130.7	6.9
Debt guarantees	417.7	171.9	301.8	105.5	85.5	110.8
TOTAL COMMITMENTS GIVEN	**9,935.6**	**10,783.1**	**10,885.2**	**4,655.9**	**3,283.8**	**2,945.5**

In addition to commitments given, Veolia Environnement has also granted commitments of unlimited amount concerning:

A performance bond given by certain Water Division subsidiaries in respect of a shareholders agreement entered into on the acquisition of a municipal company in Germany;

Operational performance bonds given by certain subsidiaries of Water Division in respect of a construction contract and operating contract for a mud incinerator in Hong Kong.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

Commitments given relating to operating activities

Operational guarantees: operational or operating guarantees encompass all commitments not relating to the financing of operations, required in respect of contracts and markets and more generally the operations and activities of Group companies. Such guarantees include bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

The main categories of commitments include:

Commitments related to site rehabilitation:

Pursuant to environmental texts and legislation concerning the operation of waste storage facilities, the Group is obliged to provide financial guarantees to local authorities/government agencies. These guarantees notably encompass the rehabilitation and supervision of the site during 30 years or more, depending on national legislation (currently 60 years in the United Kingdom), following its operation.

In this context, performance bonds and letters of credit are issued to local authorities and other public bodies.

Depending on the contract, these guarantees cover the costs necessary for the rehabilitation of all or part of the site and the supervision of the site during 30 years.

These guarantees are quantified in accordance with legal or contractually-defined procedures. These guarantees, which are given in their total amount from the start of operations, expire at the end of the commitment (termination of rehabilitation work and site supervision).

Therefore, the amount of our commitment for the rehabilitation and supervision of waste storage facilities is in general different from the amount of the provision recorded in the Group accounts (see Note 1.13 and Note 16).

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 €3,449.3 million as of December 31, 2012, compared with €3,205.4 million as of December 31, 2011 and €3,024.6 million as of December 31, 2010.

Total commitments received (see below) in respect of these same activities amount to €617.5 million as of December 31, 2012, €679.1 million as of December 31, 2011 and €740.3 million as of December 31, 2010.

Commitments given and received in respect of the three main contracts account for approximately 49% 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 27.1.3) 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 5 years);

Electricity in the Water Division (purchase commitments mature in less than 3 years due to poor liquidity in the electricity market);

With regard to both gas and electricity, the number of contracts signed enables the Group to significantly reduce political and counterparty risk;

Coal and biomass in the Energy Services Division in Central European countries.

In parallel, firm electricity sales contracts are entered into to secure selling prices over a period of less than 3 years. These commitments concern production activities exposed to the electricity wholesale market and primarily:

The Energy Services Division in Central Europe (mainly Poland and the Czech Republic);

The Environmental Services Division in the United Kingdom (electricity produced by waste incineration);

The Water Division in Germany.

Commitments given relating to the consolidation scope

Vendor warranties: these mainly include:

Warranties linked to the sale in 2004 of Water activities in the United States in the amount of €269.0 million;

•

Warranties given to Caisse des dépôts et consignations concerning Veolia Transport in connection with the March 3, 2011 combination of Veolia Transport and Transdev, estimated at approximately €208.8 million;

•

Warranties given in connection with the divestiture of regulated Water activities in the United Kingdom in the amount of €118.0 million; in addition, Veolia granted the buyer warranties covering tax risks up to the amount of the acquisition price for a 4-year period;

•

Warranties given in connection with the divestiture of solid waste activities in the amount of €72.0 million;

•

Warranties given in connection with the divestiture of American wind energy activities in the amount of €61.0 million;

Purchase commitments: these include commitments given by Group companies to purchase shares in other companies or to invest. As of December 31, 2012, these commitments mainly concern the Water Division (€9.2 million).

Agreements with EDF: Veolia Environnement granted EDF a call option covering all of its Dalkia shares in the event an EDF competitor takes control of the company.

Likewise EDF granted Veolia Environnement a call option covering all of its Dalkia shares, exercisable in the event of a change in the legal status of EDF and should a Veolia Environnement competitor, acting alone or in concert, take control of EDF. Failing an agreement on the share transfer price, this would be decided by an expert.

Agreements with Caisse des dépôts et consignations: Veolia Environnement granted Caisse des dépôts et consignations a call option covering all its Veolia Transdev shares exercisable in the event of a change in control of Veolia Environnement.

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, 2012**	**As of December 31, 2011**	**As of December 31, 2010**
Water	7,122.6	7,044.1	6,541.1
Environmental Services	577.3	625.1	797.0
Energy Services	1,097.8	1,086.9	838.2
Other	2,087.5	2,027.0	1,759.3
TOTAL	**10,885.2**	**10,783.1**	**9,935.6**

Commitments on lease contracts entered into by the Group are analyzed in Notes 17 and 32.

Collateral guaranteeing borrowings

As of December 31, 2012, the Group has given €513 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	1,143	0.6%
Property, plant and equipment	122	6,838	1.8%
Financial assets*	336		
TOTAL NON-CURRENT ASSETS	**465**		
Current assets	48	22,038	0.2%
TOTAL ASSETS	**513**		

* *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, 2010	As of December 31, 2011	As of December 31, 2012	Maturity Less than 1 year	Maturity 1 to 5 years	Maturity More than 5 years
Intangible assets	**7**	8	**7**	-	2	5
Property, plant and equipment	**156**	**168**	**122**	**6**	**94**	**22**
Mortgage pledge	44	29	21	2	9	10
Other PP&E pledge(1)	112	139	101	4	85	12
Financial assets(2)	**336**	**301**	**336**	**19**	**53**	**264**
Current assets	**20**	**70**	**48**	**24**	**23**	**1**
Pledges on receivables	20	55	47	23	23	1
Pledges on inventories	-	15	1	1	-	-
TOTAL	**519**	**547**	**513**	**49**	**172**	**292**

(1) Mainly equipment and traveling systems.

(2) Including non-consolidated investments of €139 million and other financial assets (primarily operating financial assets) of €197 million as of December 31, 2012.

Collateral of the Veolia Transdev group (presented in discontinued operations as of December 31, 2012, see Note 23) included in Group collateral presented above, breaks down as follows:

				Maturity		
(€ million)	**As of December 31, 2010**	**As of December 31, 2011**	**As of December 31, 2012**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Intangible assets	-	-	**-**	**-**	**-**	**-**
Property, plant and equipment	**47**	**112**	**76**	**1**	**71**	**4**
Mortgage pledge	2	1	1	-	1	-
Other PP&E pledge(1)	45	111	75	1	70	4
Financial assets	**6**	**-**	**-**	**-**	**-**	**-**
Current assets	-	**23**	**23**	**-**	**23**	**-**
Pledges on receivables	-	23	23	-	23	-
Pledges on inventories	-	-	-	-	-	-
TOTAL	**53**	**135**	**99**	**1**	**94**	**4**

(1) Mainly equipment and traveling systems.

Commitments received

Off-balance sheet commitments received break down as follows:

(€ million)	**As of December 31, 2012**	**As of December 31, 2011**	**As of December 31, 2010**
Guarantees received	**1,859.9**	**1,862.0**	**1,861.6**
Operational guarantees	1,105.8	1,119.7	1,108.7
Guarantees relating to the consolidation scope	166.8	258.4	120.4
Financing guarantees	587.3	483.9	632.5

Commitments mainly consist of commitments received from our partners in respect of construction contracts.

The change in 2012 was mainly due to:

•

An increase in undrawn credit facilities granted (+€117 million);

•

Guarantees relating to Ridgeline and its subsidiaries contracted between Veolia Environnement and Atlantic Power in respect of the divestiture on December 31, 2012 (+€58 million);

•

The expiry of vendor warranties received on the combination with Caisse des dépôts et consignations (-€70 million).

They also include vendor warranties given by Caisse des dépôts et consignations concerning Transdev, in connection with the March 3, 2011 combination of Veolia Transport and Transdev, estimated at approximately €115 million.

In addition, the Group has undrawn medium and short-term credit lines and syndicated loan facilities in the amount of €4.0 billion (see Note 27.3.2).

Note 36 Contingent assets and liabilities

In accordance with IAS 37 criteria, management does not consider appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income in respect of the following legal or arbitration proceedings as of December 31, 2012, due to the uncertain nature of their outcome.

The main contingent assets and liabilities relating to legal or arbitration proceedings are presented below:

Water - Berliner Wasserbetriebe A.ö.R

In March 2010, the German Federal Cartel Office (FCO) launched an administrative investigation into Berliner Wasserbetriebe A.ö.R (BWB), a company held at 100% by the Land of Berlin but on which RWE-Veolia Berlinwasser Beteiligungs GmbH (RVB) (a company formerly jointly controlled by Veolia Wasser GmbH and RWE and now jointly controlled by Veolia Wasser GmbH and, indirectly, by the Land) has indirect economic rights, alleging an abuse of dominant position in water distribution, supposedly characterized by charging excessive rates. Upon completion of its investigation, on December 5, 2011, the FCO addressed a statement of objections (draft decision) to BWB for comment, in which it demanded a reduction in its average annual proceeds. BWB and Veolia Wasser GmbH (as third party intervener) addressed their comments to the FCO at the end of January 2012. A second statement of objections was notified to BWB on April 2, 2012, which once again raised comments from BWB and Veolia Wasser GmbH. The FCO then delivered a final decision on June 5, 2012, ordering a decrease in BWB s average annual proceeds (i.e. fresh water tariff excluding any public charges) per cubic meter generated from the sale of drinking water to end customers of 17 to 18% as compared to 2011 (reference year), for the next four years. This decrease for 2012 will be implemented through the issuance of accrued credit notes to users (recorded for 59 million euros in BWB s accounts) at the time of invoicing in 2013. BWB initiated a proceeding on the merits before the Court of Appeal of Düsseldorf on June 11, 2012.

In addition, in March 2011, BWB contested the FCO s jurisdiction before the administrative court; this court declared it lacked jurisdiction to hear the proceedings. An appeal was lodged before the Münster regional administrative high court, which confirmed the decision of the administrative court on July 12, 2012.

Furthermore, in April 2009, RVB brought an action before an arbitration court against the Land of Berlin for recognition of its method of recalculation of depreciation on replacement values at market price (« Wiederbeschaffungszeitwerte » or « WBZW ») and for which it seeks compensation.

In parallel, on March 12, 2012, Veolia Wasser GmbH and RVB also lodged a constitutional complaint against the Berlin Public Disclosure Act (Offenlegungsgesetz) before the German federal constitutional court which requires the disclosure of the partial privatization contracts of BWB dated January 18, 1999 and their subsequent amendments.

Finally, after the announcement by RWE of its intention to dispose of its shares in RVB to the Land of Berlin (and, as a consequence, of its indirect economic rights in BWB), Veolia Wasser GmbH sought a preliminary injunction against the disposal. On May 30, 2012, the court rejected the motion of Veolia Wasser GmbH. Veolia Wasser GmbH appealed the decision on June 1, 2012 but its claim was dismissed on August 29, 2012. On July 18, 2012, the Land of Berlin and RWE entered into a share purchase agreement, for a purchase price of €618 million plus €34 million interests. On October 25, 2012, this purchase was approved by the Land's parliament and became effective on October 30, 2012. On August 10, 2012, Veolia Wasser GmbH also initiated arbitration proceedings against RWE seeking compensation for the intended transfer of the share held by RWE in RVB to the Land of Berlin, which it finally withdrew early January 2013.

At this point, the Company is unable to assess whether these proceedings are likely to have a material impact on its financial position or results.

Water European Commission investigation

On January 18, 2012, following unannounced inspections carried out in April 2010, the European Commission opened investigative proceedings aimed at determining whether behavior in the French water and wastewater markets has been coordinated, in conjunction with the French water trade association, the *Fédération Professionnelle des Entreprises de l Eau* (FP2E), and in particular with respect to price components invoiced to customers. The opening of these proceedings in no way suggests that the results of the investigation are a foregone conclusion. Depending on the results of the investigation, the European Commission will consider either closing the case or sending the companies concerned and the FP2E a statement of objections. In the latter case, Veolia will use all means of defense at its disposal.

At this point, the Company is unable to assess whether these proceedings are likely to have a material impact on its financial position or results.

Environmental Services Italy

TEC

In April and May 2008, three actions were initiated against the Calabria region or the Extraordinary Commissioner of Calabria (the Commissioner) for payments due in relation to a concession agreement for the TEC 1 incinerator in Calabria:

An action by Termo Energia Calabria (TEC), a 98.76% subsidiary of Veolia Servizi Ambientali Tecnitalia S.p.a. (VSAT) against the Calabria region for non-payment of subsidies in the amount of €26.9 million. In February 2011, an Italian administrative court ordered the Calabria region to pay the subsidies. The decision has been appealed by the region before the Rome Supreme Court. Following a hearing held on April 24, 2012, the Rome Supreme Court dismissed the appeal of the region on October 23, 2012 and confirmed the decision of the administrative court dated February 28, 2011. The region now has to decide whether it will accept to pay a new *Contributo*. If not, it must provide a clear basis on which why it has refused to pay.

An action by TEC against the Commissioner for €62.2 million in operating fees, cost reimbursement and other amounts due under the concession agreement. In July 2010, a Rome arbitration court awarded €27 million to TEC (excluding “gate fees” and statutory interest), and dismissed the counterclaims of the Commissioner. The decision was declared enforceable by the Rome Civil Court on September 17, 2010.

An action by Termomeccanica Ecologia S.p.a. (TME), which sold to Veolia Propreté and Veolia Servizi Ambientali S.p.a. (VSA) a 75% interest in VSAT in 2007 and remained minority partner through SIEE until July 2011, in the name of TEC, against the Commissioner for payments due in respect of the construction of the TEC 1 incinerator.

This action was taken over directly by TEC in July 2011. On October 11, 2010, an award of €28 million was made in favor of TEC (excluding statutory interest).

The Commissioner and the Italian State have appealed these two arbitration awards (second and third actions above) to the Rome Court of Appeals, which rejected a request for stay of execution on June 23, 2011, and has scheduled a hearing for January 14, 2014. In December 2011, €94 million was placed in an escrow account with the Bank of Italy, representing the awards (including interest) plus an additional 50%. On July 19, 2012, the provisional payment of €65 million to TEC was authorized by the Rome civil court and effectively credited to TEC's account on August 27, 2012 by the Bank of Italy.

In December 2011, TEC also made a formal claim against the Commissioner (concession authority) seeking payment of €139.8 million (the subsidies, the amount of the two arbitration awards). TEC notified the Commissioner that, in the absence of payment by January 31, 2012, the concession agreement would be terminated with retroactive effect as a result of the authority s breach. On January 13, 2012, the Commissioner requested that TEC ensure the continuation of public service. On January 31, 2012, TEC formally notified the Commissioner of the termination of the concession agreement, and agreed to provide the public service on a transitional basis under a *prorogatio* against reimbursement of its costs. The Commissioner agreed to this transitional arrangement and made an initial payment in February 2012. On March 8, 2012, the Commissioner challenged the termination of the concession agreement.

In the meantime, TEC filed a request for a voluntary liquidation plan, known as a *Concordato Preventivo* , with a court in La Spezia on February 10, 2012, which was admitted on February 23, 2012. This procedure allows for a proposal of full payment of preferential creditors and partial payment of all other creditors (in full and final settlement).

TEV

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 license and discharges of polluted wastewater. Despite the decision by the Lucca Public Prosecutor's Office to lift the closure order on the plant, on October 19, 2011, the operating license for the Falascaia plant was cancelled by the Province of Lucca on November 10, 2011. Termo Energia Versilia (TEV), a 98.99% subsidiary of VSAT and the license holder, filed an appeal against the cancellation decision before the Florence administrative court on January 23, 2012. In its decision dated October 22, 2012, the administrative court dismissed TEV s appeal. On January 23, 2013, TEV further appealed to the administrative Supreme Court.

On March 21, 2012, TEV made a formal claim against the concession authorities:

seeking payment of €22 million due under the contract for (i) services provided by TEV from 2006 to 2010, (ii) pricing adjustment, (iii) non provision of solid urban waste and (iv) non provision of waste from selective sorting; and

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seeking a pricing adjustment for 2012.

The formal claim also provided notice that, in the absence of such payment and adjustment by May 15, 2012, the contract would be terminated with retroactive effect as a result of the authorities breach. On May 15, 2012, TEV acknowledged the termination of the contract. On June 29, 2012, TEV surrendered the facility to the authorities.

Concordato Preventivo di Grupo

Simultaneously to the admission of TEC s Concordato Preventivo, some creditors of TEV and VSAT launched judicial procedures for recovery.

As a consequence, a request for a group voluntary liquidation plan, i.e. a Concordato Preventivo di Grupo (CPG), was filed on April 18, 2012, with the La Spezia Civil Court, in relation to the VSAT group, which includes TEC and TEV. On April 20, 2012, the request for CPG was admitted by the court. One of the advantages of the CPG is that it allows the procedures to be joined before a single judge, the same court appointed administrator(s) and uses a single mass of debts and receivables for all concerned entities. From the date of admission (and concomitant revocation of its Concordato Preventivo) onwards, TEC is part of the CPG and all legal proceedings involving the VSAT group (as detailed above) are now under the control of two court-appointed administrators.

Following the revocation of the CPG filed on April 18, 2012 consecutive to the promulgation in August 2012 of a decree-law amending the legal framework of the Concordato Preventivo (which allowed abstention of a creditor to be considered as a vote in favor of the Concordato), a new request for CPG was filed on September 17, 2012. The court admitted the CPG on December 5, 2012 and set the vote date initially on January 21, 2012. However, following a request of the court appointed administrators, the date of the vote was postponed to February 11, 2013 (plus 20 days for postal vote) for administrative reasons related to the Concordati. If the majority of creditors vote in favor of the CPG, the Court could approve the CPG in the spring of 2013. If however the vote of the creditors is not favorable or if the Court does not approve the CPG, two options are available, either:

1.

another request for CPG will be filled; or

2.

VSAT and its subsidiaries will be liquidated.

In 2011, the Company recorded substantial impairment charges in respect of VSAT and its subsidiaries. The above described events did not have a material financial impact on its consolidated financial statements for the year ended December 31, 2012.

Other segments Société Nationale Maritime Corse Méditerranée

Corsica Ferries has brought a number of legal proceedings against Société Nationale Maritime Corse Méditerranée (SNCM), a subsidiary of Veolia Transdev. Corsica Ferries requested the invalidation of the June 7, 2007 decision awarding a contract (a public service delegation agreement) for marine service to Corsica to the SNCM/CMN group for the 2007-2013 period. This request was denied by a judgment of the Bastia administrative court on January 24, 2008. Corsica Ferries appealed this decision to the Marseille administrative court of appeals. In an order dated November 7, 2011, the administrative court of appeals cancelled the judgment of the Bastia administrative court, instructing the concession authority either to negotiate a voluntary agreement for the termination of the public service delegation agreement from September 1, 2012, or to institute proceedings before the Bastia administrative court within six months of the notification (i.e. before May 7, 2012) to take the appropriate measures. As a consequence, on February 24, 2012, the concession authority filed a motion with the Bastia administrative court for termination of the public service delegation agreement, which it finally withdrew on January 14, 2013. SNCM, for its part, appealed the order to the French administrative Supreme Court on January 5, 2012. On July 13, 2012, the French administrative Supreme Court quashed the decision of the Marseille administrative court of appeals dated November 7, 2011 and remanded the matter back to that court.

Veolia Transport s acquisition of an interest in SNCM from Compagnie Générale Maritime et Financière (CGMF) was notably conditioned on the concession authority maintaining the marine service to Corsica under a public service delegation agreement. In the absence of an appeal by the concession authority, Veolia Transport notified CGMF on January 13, 2012 of its decision to exercise the cancellation clause in the privatization Memorandum of Understanding of May 16, 2006. On January 25, 2012, CGMF contested the exercise of this cancellation clause. In the absence of a reaction from CGMF to a proposal for the out-of-court settlement of the dispute, Veolia Transport notified CGMF on February 7, 2012 of its intention to submit the case to the competent legal authority. On May 11, 2012, Veolia Transport brought an action against CGMF before the Paris commercial court. A first procedural hearing was held on May 31, 2012 for production of documents by the plaintiff, followed by another hearing on September 24, 2012 during which CGMF delivered its statement of defense and documents. A new hearing has been scheduled for April 8, 2013.

On February 17, 2012, the French competition authority recommended that the concession authority assess its needs in terms of marine service to Corsica in order to limit the scope of a future public service delegation to the minimum necessary.

A call for tenders on a new public service delegation for sea transport (both passengers and freight) between Marseille and Corsica, starting January 1, 2014. SNCM and CMN made a joint bid on January 14, 2013.

Corsica Ferries has also contested the validity of a European Commission decision of July 8, 2008, which held that certain payments by the French Government in connection with the SNCM privatization process did not constitute State aid within the meaning of article 107 of the Treaty on the Functioning of the European Union ("TFEU") and authorized other payments made by the French Government prior to the privatization. Under the TFEU, governments may only provide subsidies (known as "State aid") to commercial entities in limited circumstances, with European Commission authorization. On September 11, 2012, the General Court of the European Union partially annulled the European Commission decision of July 8, 2008. As a result, the reconsideration of the measures provided (which includes the measures provided within the context of the privatization process and part of the measures provided prior to the privatization) was remanded to the European Commission, which will open a new examination procedure of the matter. On November 22, 2012, SNCM and the French Republic each appealed this judgment of the General Court of the European Union. The Company estimates that, should the measures provided be found to constitute State aid incompatible with the TFEU after reconsideration by the European Commission, the maximum amount potentially at risk for SNCM is approximately €222 million, excluding interest.

Furthermore, on June 27, 2012, the European Commission announced that it had opened investigative proceedings aimed at determining whether the payments received by SNCM and CMN for the maritime service from Marseille to Corsica, in the context of the public service delegation for the 2007-2013 period, were in line with the European Union state aid rules.

In an action brought before the French Competition Council, Corsica Ferries has contended that SNCM and CMN had formed an unjustified grouping that constituted an anti-competitive cartel, that this grouping constituted an abuse of a dominant position and, lastly, that presenting a bid requesting excessive subsidies (suggesting the existence of cross-subsidies) also constituted an abuse of a dominant position. On April 6, 2007, the French Competition Council dismissed the two claims concerning the grouping. Proceedings on the merits and the investigation of the French Competition Authority (the successor to the French Competition Council) on the claim of excessive subsidies are underway. The investigation is also focusing on the performance terms of the public service delegation agreement (monitoring the application of the guaranteed receipts clause and the corresponding changes in the amount of subsidies received by the parties being awarded the contract). As of this date, no complaint has been served.

Other segments State aid on airports

The European Commission is currently conducting several investigations on potential State aid within the meaning of article 107 of the TFEU in the air transport sector. In this context, the European Commission opened on April 4, April 25 and May 30, 2012 several investigative proceedings on certain measures taken in favor of customer airlines and of the successive operators of the Carcassonne, Nimes and Beauvais airports, including companies partly or wholly owned by Veolia Transdev. Following the publication of the opening of these investigative proceedings in the Official Journal of the European Union, the concerned subsidiaries of Veolia Transdev submitted their comments to the European Commission as third party intervener.

At this point, the Company is not able to assess the consequences of these proceedings on its financial position or results of operations.

Note 37 Greenhouse gas emission rights

The process governing the grant and valuation of these rights is presented in Note 1.24, Greenhouse gas emission rights.

The position in **2012** is as follows:

Volume (in thousands of metric tons)	**As of January 1, 2012**	**Changes in consolidation scope**	**Granted**	**Purchased/ sold/ cancelled**	**Used in 2012**	**As of December 31, 2012**
TOTAL	**2,748**	**0**	**14,396**	**(4,722)**	**(9,746)**	**2,676**

As in previous years, the Group entered into new swaps of EUA II and CER in order to benefit from market opportunities.

At the end of December 2012, the CER allowance loan transactions entered into by the Group in 2008 expired and the allowances were returned. The commission received on these loans continued to be recognized on a straight-line basis over the loan term until December.

Following the expiry of phase II rights at the end of 2012, the rights granted free of charge vested in full. These rights may be carried forward to phase III and will cover a portion of our requirements.

The European Union decided to extend the allowance trading system to the period 2013 2020 and plans a progressive reduction in free allowance grants and new allocation procedures. Accordingly, rights will only be granted for combustion installations. Electricity production installations and allowance shortfalls will need to be acquired at auction.

The preliminary free allocations, set out in the plans published by Member States in respect of phase III (2013/2020) are estimated at €259 million. Future allocations were measured using the spot price as of December 31, 2012. These allocations will not be definitive until validated by the European Commission (not validated to date).

Note 38 Related party transactions

38.1 Related party concept

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, *Related Party Disclosures*.

38.2 Compensation and related benefits of key management personnel

Group Executive Committee members and directors represent the key management personnel of the Group.

The following table summarizes amounts paid by the Group in respect of compensation and other benefits granted to key management personnel.

(€ million)	**As of December 31, 2012**	**As of December 31, 2011**	**As of December 31, 2010**
Short-term benefits, excluding employer contributions[(a)]	4.7	6.9	6.1
Employer contributions	1.7	2.4	2.2
Post-employment benefits[(b)]	1.5	1.4	1.1
Other long-term benefits[(c)]	-	-	-
Share-based payments	-	0.1	0.2
Contract termination payments	-	-	-
TOTAL	**7.9**	**10.8**	**9.6**

(a) Fixed and variable compensation, employee benefits and directors fees. Variable compensation comprises amounts paid during the concerned fiscal year. The decrease in short-term benefits excluding employer contributions between December 31, 2011 and December 31, 2012 is mainly due to the new composition of the Group Executive Committee.

(b) Current service cost.

(c) Other compensation vested but payable in the long-term.

As of December 31, 2012, total pension obligations in respect of members of the Executive Committee amount to €31.1 million, compared with €32.7 million as of December 31, 2011.

With the exception of the Chairman and Chief Executive Officer, the members of the Board of Directors receive no compensation other than directors' fees from the Company and, if applicable, from controlled companies. The total gross amount of directors' fees (before withholding tax) paid by the Company and controlled companies to directors and the censor was €734,150 in 2012 (excluding the Chairman), €870,661 in 2011 (excluding the Chairman) and €797,261 in 2010 (excluding the Chairman and the Chief Executive Officer).

Chapter 15 of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

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38.3 Transactions with other related parties

38.3.1 Relations with proportionately consolidated companies and equity associates

In 2012, the Group granted a loan of €1,722.6 million to Dalkia International and its subsidiaries Siram and Dalkia Poland, 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 €416.7 million (see Note 11, Other non-current and 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.

38.3.2 Relations with other related parties

Caisse des dépôts et consignations (9.3% shareholding as of December 31, 2012)

The Caisse des dépôts et consignations, considered a related party, sits on the Board of Directors of Veolia Environnement as a legal entity.

The financing agreements between the two groups bear interest at market conditions.

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

This combination was effectively completed on March 3, 2011. From this date and in accordance with IAS/IFRS, Veolia Environnement through its reduced 50% stake exercises joint control together with Caisse des dépôts et consignations over Veolia Transdev, which is proportionately consolidated (see Note 23).

The combination gave rise on the same date to contract amendments and agreements resulting from the shareholders agreement between Veolia Environnement and Caisse des dépôts et consignations.

This shareholders agreement determines in particular the financing policy of the new entity and the terms and conditions of the call option granted to Caisse des dépôts et consignations over all shares in Veolia Transdev and its subsidiaries held by Veolia Environnement, exercisable in the event of a change in control of this latter (see Note 35, Off-balance sheet commitments and collateral).

Three agreements were signed by Veolia Environnement and Caisse des dépôts et consignations in 2012:

On March 30, 2012, an agreement for negotiation was signed that envisions the transfer of Veolia Transdev's 66% shareholding in SNCM to Veolia Environnement, for a consideration of €1;

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On October 22, 2012, Veolia Environnement and Caisse des dépôts et consignations signed a new agreement for negotiation under which Caisse des dépôts et consignations and Veolia Environnement would subscribe to a €800 million share capital increase by conversion of existing shareholder loans. Following this transaction, the Caisse des dépôts et consignations would hold 60% of the share capital of Veolia Transdev and would take exclusive control of that company. Veolia Environnement would retain a 40% shareholding. The agreement also provides for asset disposals by Veolia Transdev and refinancing to repay the Veolia Environnement shareholder loan. Concomitantly to the signature of this agreement, Veolia Environnement and Caisse des Dépôts et Consignations agreed to negotiate in good faith a decrease in Veolia Environnement s stake in Veolia Transdev to 20%, through the purchase by Caisse des dépôts et consignations of Veolia Transdev shares held by Veolia Environnement within a period of two years from the completion of the above transaction;

Finally, on October 31, 2012, a memorandum of understanding concerning the new Group headquarters project in Aubervilliers and the terms of cooperation between the parties was signed by Veolia Environnement and Icade SA, a subsidiary of Caisse des dépôts et consignations. This memorandum led to the signature on January 31, 2013 of two concomitant agreements defining the terms of compensation of Icade should Veolia Environnement withdraw from this project and the terms of a nine-year firm lease for premises to be completed.

All these relations are subject to normal market terms and conditions.

Electricité de France (4.2% shareholding as of December 31, 2012)

On November 25, 2009, Mr. Proglio was appointed Chairman and Chief Executive Officer of EDF Group by ministerial decree; he also acted as Chairman of the Veolia Environnement Board of Directors from November 27, 2009 (publication date of the decree) to December 12, 2010. Mr. Proglio was a director of the Company from that date to October 10, 2012 when he resigned his office.

EDF Group has a 4.2% shareholding in Veolia Environnement, a 34% shareholding in Dalkia and a 25% shareholding in Dalkia International. In accordance with Decree 97-07, EDF purchases electricity produced in France by Dalkia cogeneration power plants at market conditions. Electricity sold by Dalkia to EDF in 2010, 2011 and 2012 totaled €559.7 million, €624.4 million and €638.7 million, respectively.

There are under certain conditions cross-call options between Veolia Environnement and EDF covering all subsidiary shares held by each party and exercisable in the event of the takeover of either party (see Note 35, Off-balance sheet commitments).

Relations with BNP Paribas, Lazard, Groupama, ENI and Saint-Gobain

These Groups and Veolia Environnement have common directors.

Any business relations, including financing and advisory relations, between these groups and Veolia are at normal market conditions.

Relations with Soficot

Soficot 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 Board of Directors. The remuneration of these services is at normal market conditions.

Note 39 Consolidated employees

Consolidated employees* break down as follows:

By Division	**As of December 31, 2012(**)**	**As of December 31, 2011(**)**	**As of December 31, 2010(**)**
Water	77,979	79,684	78,746
Environmental Services	68,756	71,365	77,974
Energy Services	44,130	46,752	44,204
Other	57,940	60,599	86,119
CONSOLIDATED EMPLOYEES(*)	**248,805**	**258,400**	**287,043**

By company	**As of December 31, 2012**	**As of December 31, 2011**	**As of December 31, 2010**
Fully consolidated companies	154,288	158,667	235,941
Proportionately consolidated companies	94,517	99,733	51,102
CONSOLIDATED EMPLOYEES(*)	**248,805**	**258,400**	**287,043**

(*) 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 above figures include employees of discontinued operations of 58,220 in 2012, 64,027 in 2011 and 89,790 in 2010

The decrease in the average number of employees in 2012 was mainly due to the impact of changes in Group structure and in particular the divestiture of Proxiserve in December 2011, the divestiture of transportation activities in Morocco in 2011, the divestiture of regulated Water activities in the United Kingdom and activity stoppages in the Environmental Services Division (Senegal, Egypt and Morocco).

The decrease in the average number of employees in 2011 was primarily due to changes in the scope of consolidation, and, in particular, the change in consolidation method of the Transportation business (from full consolidation to proportionate consolidation), see Notes 3 and 23.

Note 40 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.

Following the announcement at the end of 2011 of the Group s withdrawal from the Transportation business and changes to the Group s Executive Committee, the internal organizational structure of the Group was modified, with consequently a change in the preparation of the operating segments to be presented.

In accordance with the provisions of IFRS 8 on the identification of operating segments and after taking account of regrouping criteria, the following segments are now presented:

The **Water** segment integrates drinking water and wastewater activities such as water distribution, water and wastewater treatment, industrial process water, manufacturing of water treatment equipment and systems;

The **Environmental Services** segment collects, processes and disposes of household, trade and industrial waste;

The **Energy Services** segment includes heat production and distribution, energy optimization and related services, and electricity production;

Other Segments groups together the activities of SNCM, ProActiva MedioAmbiente (joint venture with FCC) and the various Group holding companies.

Segmenting reporting for prior years was re-presented for this change.

Pursuant to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, the income statements of:

The entire contribution of Veolia Transdev, excluding the activities of the Société Nationale Maritime Corse Méditerranée (SNCM) Group;

Water activities in Morocco;

Wind energy activities, partially divested as of December 31, 2012, through the divestiture of Ridgeline on December 31, 2012;

Urban lighting activities (Citelum) in the Energy Services Division;

Regulated Water activities in the United Kingdom in the Water Division, divested in June 2012;

Solid waste activities in the United States in the Environmental Services Division, divested in November 2012;

Norwegian activities in the Environmental Services Division, divested in March 2011;

German activities in the Energy Services Division, divested in May and August 2011;

Household assistance services (Proxiserve) held jointly by the Water and Energy Services Divisions, divested in December 2011;

Water activities in the Netherlands, divested in December 2010;

were reclassified to Net income from discontinued operations , for fiscal year 2012 and fiscal years 2011 and 2010 presented for comparison purposes (see Note 23).

Reporting by operating segment

Revenue by segment *(€ million)*	**Year ended December 31, 2012**	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Water	12,078.2	11,921.3	11,594.0
Environmental Services	9,082.9	9,010.8	8,622.3
Energy Services	7,664.6	7,138.2	7,060.4
Other Segments	612.8	506.2	574.9
REVENUE AS PER THE CONSOLIDATED INCOME STATEMENT	**29,438.5**	**28,576.5**	**27,851.6**

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, 2012**	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Water	60.8	58.5	65.7
Environmental Services	98.0	90.4	78.0
Energy Services	46.7	46.4	51.8
Other Segments	18.1	78.5	57.4
INTER-SEGMENT REVENUE	**223.6**	**273.8**	**252.9**

Operating cash flow before changes in working capital by segment *(€ million)*	**Year ended December 31, 2012**	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Water	1,208.4	1,416.7	1,492.3
Environmental Services	1,147.3	1,151.2	1,265.6
Energy Services	547.4	595.2	665.4
Other Segments	(11.1)	29.5	(12.1)
Total operating segments	**2,892.0**	**3,192.6**	**3,411.2**
Unallocated operating cash flow before changes in working capital	192.7	160.3	307.5
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL AS PER THE	**3,084.7**	**3,352.9**	**3,718.7**

CONSOLIDATED CASH FLOW STATEMENT

Operating income by segment *(€ million)*	**Year ended December 31, 2012**	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Water	617.7	790.4	916.7
Environmental Services	343.1	268.3	484.6
Energy Services	287.3	(36.4)	520.8
Other Segments	(153.1)	(193.2)	(146.0)
OPERATING INCOME AS PER THE CONSOLIDATED INCOME STATEMENT	**1,095.0**	**829.1**	**1,776.1**

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Adjusted operating cash flow by segment *(€ million)*	**Year ended December 31, 2012**	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Water	1,172.2	1,279.4	1,337.6
Environmental Services	1,048.2	1,020.8	1,083.8
Energy Services	544.4	588.9	647.8
Other Segments	(42.0)	(36.5)	(87.0)
ADJUSTED OPERATING CASH FLOW BY SEGMENT	**2,722.8**	**2,852.6**	**2,982.2**

Adjusted operating cash flow reconciles to operating income as follows:

Year ended December 31, 2012 *(€ million)*	**Adjusted 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**	**Other**	**OP INCOME**
Water	1,172.2	(5.3)	(522.3)	(56.2)	63.3	(34.0)	617.7
Environmental Services	1,048.2	(68.8)	(639.4)	(12.9)	10.1	5.9	343.1
Energy Services	544.4	10.1	(258.3)	(16.5)	6.9	0.7	287.3
Other Segments	(42.0)	(52.9)	(59.8)	-	4.0	(2.4)	(153.1)
TOTAL	**2,722.8**	**(116.9)**	**(1,479.8)**	**(85.6)**	**84.3**	**(29.8)**	**1,095.0**

Year ended December 31, 2011 *(€ million)*	**Adjusted 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**	**Other**	**OP INCOME**
Water	1,279.4	37.3	(492.6)	(26.2)	11.6	(19.1)	790.4
Environmental Services	1,020.8	(120.6)	(610.9)	(78.1)	54.4	2.7	268.3
Energy Services	588.9	(36.5)	(232.0)	(366.1)	11.3	(2.0)	