VEOLIA ENVIRONNEMENT
Form 20-F
April 16, 2014

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

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

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

Commission File Number: 001-15248

VEOLIA ENVIRONNEMENT

(Exact name of Registrant as specified in its charter)

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

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

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

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

None

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

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

* This requirement is not currently applicable to the registrant.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

Item 17 Item 18

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

Yes No

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

Form 20-F

2013

FORWARD-LOOKING STATEMENTS

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

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

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

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PART I

ITEM 1.

IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2.

OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

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ITEM 3.

KEY INFORMATION

SELECTED FINANCIAL DATA

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

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

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

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

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

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(1)

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

(2)

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

(3)

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

Discontinued operations in the course of divestiture (i.e., water activities in Morocco and global urban lighting activities (Citelum);

Discontinued operations divested (i.e., European wind energy activities divested in February 2013; the share of net income (loss) of the associate of Berlin Water to December 2, 2013; regulated activities in the United Kingdom in the Water division, divested in June 2012; solid waste activities in the United States in the Environmental Services division, divested in November 2012; U.S. wind energy activities divested in December 2012; household assistance services (Proxiserve), divested in December 2011 and Environmental Services division activities in Norway, divested in March 2011) are presented in a separate line, Net income (loss) from discontinued operations, for the years ended December 31, 2013, 2012 and 2011. Furthermore, the contribution of the Transdev Group was transferred to continuing operations for fiscal years 2013, 2012 and 2011.

(4)

The IFRS 10 and 11 consolidation standards and the revised IAS 19 Employee Benefits standard provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for the years ended 2012 and 2011 have been retrospectively adjusted for this change.

(5)

Based on relevant year-end exchange rates.

(6)

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

Dividends

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

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

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

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Exchange Rate Information

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

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

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

(1)

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

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

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RISK FACTORS

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

Risks Relating to the Environment in Which We Conduct Our Operations

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

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

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

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

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

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

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

Our divestitures expose us to certain risks.

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

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

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

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

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

We hold assets, earn income and incur expenses and liabilities in a variety of currencies. Our financial statements are presented in euros. Accordingly, when we prepare our financial statements, we must translate our foreign currency-denominated assets, liabilities, income and expense items into euros at applicable exchange rates. Consequently, fluctuations in the exchange rate of the euro against these other currencies can affect the value of these items in the financial statements, even if their intrinsic value is unchanged in the original currency. For example, an increase in the value of the euro may result in a decrease in the reported value, in euros, of our investments held in foreign currencies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Risks Relating to Our Operations