



VEOLIA ENVIRONNEMENT

(established as société anonyme in the Republic of France)

€1,000,000,000 Undated Deeply Subordinated Reset Rate Notes

Issue price of the Euro Notes: 99.789 per cent.

£400,000,000 Undated Deeply Subordinated Reset Rate Notes

Issue price of the Sterling Notes: 99.908 per cent.

The €1,000,000,000 Undated Deeply Subordinated Reset Rate Notes (the **Euro Notes**) and the £400,000,000 Undated Deeply Subordinated Reset Rate Notes (the **Sterling Notes** and together with the Euro Notes, the **Notes**) of Veolia Environnement (**Veolia Environnement** or the **Issuer**) will be issued on 16 January 2013 (the **Issue Date**). The principal and interest of the Notes constitute (subject to certain limitations described in "*Terms and Conditions of the Euro Notes – Status of the Notes*" and "*Terms and Conditions of the Sterling Notes – Status of the Notes*", respectively) direct, unconditional, unsecured and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank *pari passu* among themselves and equally and rateably with all other present or future deeply subordinated obligations of the Issuer, but subordinated to the *prêts participatifs* granted or to be granted to the Issuer, Ordinary Subordinated Obligations and Unsubordinated Obligations and all other present and future ordinary subordinated obligations and unsubordinated obligations of the Issuer, as set out in the "*Terms and Conditions of the Euro Notes – Status of the Notes*" and "*Terms and Conditions of the Sterling Notes – Status of the Notes*", respectively.

Unless previously redeemed in accordance with the "*Terms and Conditions of the Euro Notes– Redemption and Purchase*" and "*Terms and Conditions of the Sterling Notes– Redemption and Purchase*", respectively and subject to the further provisions described in "*Terms and Conditions of the Euro Notes – Interest*" and "*Terms and Conditions of the Sterling Notes– Interest*" respectively):

(a) the Euro Notes shall bear interest on their principal amount:

- (i) from and including the Issue Date to, but excluding, 16 April 2018 (the **Reset Call Date**), at a rate of 4.450 per cent. *per annum* (the **First EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2013 and ending on the Reset Call Date (each a **First EUR Interest Rate Payment Date**); except that the first payment of interest, to be made on 16 April 2013, will be in respect of the period from (and including) the Issue Date to (but excluding) 16 April 2013 and will amount to €1,097.26 per Note;
- (ii) from and including the Reset Call Date to, but excluding, 16 April 2023 (the **First Step-up Date**), at a rate *per annum* which shall be equal to the Euro 5-year Swap Rate of the relevant Reset Period plus the EUR Initial Margin (the **Second EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2019 and ending on the First Step-up Date (each a **Second EUR Interest Rate Payment Date**);
- (iii) from and including the First Step-up Date to, but excluding, 16 April 2038 (the **Second Step-up Date**), at a rate *per annum* which shall be equal to the Euro 5-year Swap Rate of the relevant Reset Period plus the EUR First Step-up Margin (the **Third EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2024 and ending on the Second Step-up Date (each a **Third EUR Interest Rate Payment Date**); and
- (iv) from and including the Second Step-up Date at a rate *per annum* which shall be equal to the Euro 5-year Swap Rate of the relevant Reset Period plus the EUR Second Step-up Margin (the **Fourth EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2039 (each a **Fourth EUR Interest Rate Payment Date**);

The EUR Initial Margin shall equal 3.603 per cent. *per annum*, the EUR First Step-up Margin shall equal 3.853 per cent. *per annum* and the EUR Second Step-up Margin shall equal 4.603 per cent. *per annum*.; and

- (b) the Sterling Notes shall bear interest on their principal amount:
- (i) from and including the Issue Date to, but excluding, 16 April 2018 (the **Reset Call Date**), at a rate of 4.850 per cent. *per annum* (the **First GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2013 and ending on the Reset Call Date (each a **First GBP Interest Rate Payment Date**); except that the first payment of interest, to be made on 16 April 2013, will be in respect of the period from (and including) the Issue Date to (but excluding) 16 April 2013 and will amount to £1,195.89 per Note;
 - (ii) from and including the Reset Call Date to, but excluding, 16 April 2023 (the **First Step-up Date**), at a rate *per annum* which shall be equal to the Sterling 5-year Swap Rate of the relevant Reset Period plus the GBP Initial Margin (the **Second GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2019 and ending on the First Step-up Date (each a **Second GBP Interest Rate Payment Date**);
 - (iii) from and including the First Step-up Date to, but excluding, 16 April 2038 (the **Second Step-up Date**), at a rate *per annum* which shall be equal to the Sterling 5-year Swap Rate of the relevant Reset Period plus the GBP First Step-up Margin (the **Third GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2024 and ending on the Second Step-up Date (each a **Third GBP Interest Rate Payment Date**); and
 - (iv) from and including the Second Step-up Date at a rate *per annum* which shall be equal to the Sterling 5-year Swap Rate of the relevant Reset Period plus the GBP Second Step-up Margin (the **Fourth GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2039 (each a **Fourth GBP Interest Rate Payment Date**).

The GBP Initial Margin shall equal 3.629 per cent. *per annum*, the GBP First Step-up Margin shall equal 3.879 per cent. *per annum* and the GBP Second Step-up Margin shall equal 4.629 per cent. *per annum*.

Payment of interest on the Notes may be deferred at the option of the Issuer, as set out in "Terms and Conditions of the Euro Notes – Interest – Interest Deferral" and "Terms and Conditions of the Sterling Notes – Interest – Interest Deferral" respectively.

The Issuer will have the right to redeem all of the Euro Notes and/or the Sterling Notes (but not some only of each series) on the Reset Call Date, and on any Par Call Date thereafter, as defined and further described in "Terms and Conditions of the Euro Notes – Redemption and Purchase – Optional Redemption" and "Terms and Conditions of the Sterling Notes – Redemption and Purchase – Optional Redemption", respectively. The Issuer may also, at its option, redeem all of the Euro Notes and/or the Sterling Notes (but not some only of each series) at any time upon the occurrence of a Gross-up Event, a Tax Deductibility Event, an Accounting Event, a Rating Methodology Event or a Repurchase Event, and shall redeem all of the Euro Notes and/or the Sterling Notes, as the case may be (but not some only of each series) upon the occurrence of a Withholding Tax Event as further described in "Terms and Conditions of the Euro Notes – Redemption and Purchase" and "Terms and Conditions of the Sterling Notes – Redemption and Purchase", respectively.

This prospectus (the **Prospectus**) constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended by Directive 2010/73/EU (the **Prospectus Directive**) and the relevant implementing measures in France. This Prospectus has been prepared for the purposes of giving information with regard to Veolia Environnement and its fully consolidated subsidiaries taken as a whole (together with the Issuer, the **Group**) and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Veolia Environnement and the Group.

Application has been made to the *Autorité des marchés financiers* (the **AMF**) in France for approval of this Prospectus, in its capacity as competent authority pursuant to Article 212-2 of its *Règlement Général* which implements the Prospectus Directive. Application has been made to Euronext Paris for the Notes to be listed and admitted to trading on Euronext Paris. Such listing and admission to trading are expected to occur as of the Issue Date or as soon as practicable thereafter. Euronext Paris is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC, appearing on the list of regulated markets issued by the European Commission.

The Euro Notes and the Sterling Notes will be issued in dematerialised bearer form (*au porteur*) in the denomination of €100,000 and £100,000 respectively. The Notes will at all times be in book entry form in compliance with Articles L.211-3 and R.211-1 of the French *Code monétaire et financier*. No physical documents of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes. The Notes will, upon issue, be inscribed in the books of Euroclear France (**Euroclear France**) which shall credit the accounts of the Account Holders. **Account Holder** means any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. (**Euroclear**) and the depositary bank for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

For the purpose of Article L.228-90 of the French *Code de commerce*, the Notes will be issued outside France.

The Notes have been assigned a rating of BBB- by Standard & Poor's Ratings Services (**S&P**) and a rating of Baa3 by Moody's Investors Service Limited (**Moody's**) and Veolia Environnement is currently rated Baa1 / P-2 with stable outlook by Moody's and BBB+ / A-2 with negative outlook by S&P. Each of S&P and Moody's is established in the European Union, is registered under Regulation (EC) No.1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No. 513/2011 (the **CRA Regulation**) and is included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority (www.esma.europa.eu) as of the date of this Prospectus. Credit ratings are subject to revision, suspension or withdrawal at any time by the relevant rating organization. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Printed copies of this Prospectus may be obtained, free of charge, at the registered office of the Issuer during normal business hours. Copies of this Prospectus will also be available on the website of the AMF (www.amf-france.org) and on the website of the Issuer (www.finance.veolia.com).

Prospective investors should have regard to the factors described under the section headed "Risk factors" in this Prospectus.

Global Coordinators, Joint Bookrunners and Lead Managers

Deutsche Bank

Société Générale Corporate and Investment Banking

Joint Bookrunners and Lead Managers

BofA Merrill Lynch

Deutsche Bank

HSBC

Morgan Stanley

Société Générale Corporate and Investment Banking

This Prospectus is to be read and construed in conjunction with the documents incorporated by reference in this Prospectus (see Documents Incorporated by Reference below) which have been previously published and which shall be deemed to be incorporated by reference in, and form part of, this Prospectus (except to the extent so specified in, or to the extent inconsistent with, this Prospectus).

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of any Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Managers (as defined herein). Neither the delivery of this Prospectus nor the offering, sale or delivery of any of the Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date hereof or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or that any other information supplied in connection with this Prospectus is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

All or some of the Managers and their affiliates have engaged, and/or may in the future engage, in investment banking, commercial banking and other financial advisory and commercial dealings with the Issuer and its affiliates and in relation to securities issued by any entity of the Group. They have or may (i) engage in investment banking, trading or hedging activities including in activities that may include prime brokerage business, financing transactions or entry into derivative transactions, (ii) act as underwriters in connection with offering of shares or other securities issued by any entity of the Group or (iii) act as financial advisers to the Issuer or other companies of the Group. In the context of these transactions, some of such Managers have or may hold shares or other securities issued by entities of the Group. Where applicable, they have or will receive customary fees and commissions for these transactions.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restriction.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS, NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON OFFERS AND SALES OF NOTES AND ON DISTRIBUTION OF THIS PROSPECTUS, SEE SUBSCRIPTION AND SALE HEREIN.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for, or purchase, any Notes.

The Managers have not separately verified the information contained in this Prospectus. None of the Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other information incorporated by reference in this Prospectus is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Managers that any recipient of this Prospectus or any other information incorporated by reference should subscribe for or purchase any of the Notes. In making an investment decision regarding any of the Notes, prospective investors must rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. For further details, see Risk Factors herein.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should subscribe for or consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the relevant Notes. None of the Managers undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Managers.

The Notes may not be a suitable investment for all investors. Each potential investor in the relevant Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;*
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes, how the relevant Notes will perform under changing conditions, the resulting effects on the value of the relevant Notes and the impact the relevant Notes will have on its overall investment portfolio;*
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes;*
- (d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the relevant Notes; and*
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.*

The Notes are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Notes.

In this Prospectus, unless otherwise specified, references to a Member State are references to a Member State of the European Economic Area, references to EUR or euro or € are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and references to £, sterling or Sterling are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the UK or the United Kingdom).

Certain figures included (or incorporated by reference in) in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of the Notes of each series, Société Générale will act as stabilising manager (the Stabilising Manager). The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the relevant series of Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 calendar days after the issue date of the relevant Notes and 60 calendar days after the date of the allotment of such Notes. Any stabilisation action or over-allotment shall be conducted in accordance with applicable laws and rules.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as "*anticipate*", "*believe*", "*could*", "*estimate*", "*expect*", "*intend*", "*may*", "*plan*", "*predict*", "*project*", "*seek*", "*will*" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Group's business and management, its expansion and growth of operations, trends in its business and profitability, competitive advantage, technological and regulatory changes, and general economic and technological and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer (as applicable) makes to the best of their present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Group's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Group's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: "*Risk Factors*", "*Description of the Issuer*" and "*Recent Developments*". These sections include more detailed descriptions of factors that might have an impact on the Group's business and the markets in which it operates. In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. Potential investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof.

In addition, none of the Issuer or the Managers assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

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PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS

I hereby certify, after having taken all reasonable care to ensure that such is the case, that the information contained in this Prospectus is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

The auditors' report with respect to the financial statements as of and for the year ended 31 December 2011, incorporated by reference in this Prospectus, can be found on pages 386 and 387 of the 2011 Registration Document. Such report contains the following remark:

"Without qualifying the conclusion expressed above, we draw your attention to note 1.1.5 of the consolidated financial statements which sets out the error correction related to a series of accounting irregularities identified during the second quarter of the year and whose effects were apprehended in its accounts by your company in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors"."

The auditors' report with respect to the financial statements as of and for the year ended 31 December 2010, incorporated by reference in this Prospectus, can be found on pages 360 and 361 of the 2010 Registration Document. Such report contains an observation relating to a change in accounting presentation.

Veolia Environnement
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France

duly represented by Antoine Frérot, Chairman and CEO
on 14 January 2013



Autorité des marchés financiers

In accordance with Articles L. 412-1 and L. 621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* (AMF), in particular Articles 212-31 to 212-33, the AMF has granted to this Prospectus the visa no. 13-007 on 14 January 2013. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L. 621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and understandable, and whether the information it contains is consistent". It does not imply that the AMF has verified the accounting and financial data set out in it.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. In particular, additional risks and uncertainties not currently known to the Issuer or that are currently believed to be immaterial could have a material impact on its business operations. Prospective investors should read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and make their own assessment as to the risks associated with the Notes prior to investing in the Notes.

The order in which the following risks factors are presented is not an indication of the likelihood of their occurrence.

Terms used but not defined in this section shall have the same meaning as that set out in the "Terms and Conditions of the Euro Notes" or, as the case may be, in the "Terms and Conditions of the Sterling Notes" and on the cover page of this Prospectus.

A. Risk factors relating to the Issuer

The Veolia Environnement Group's position as a major player in the Environmental sector and the diversity of its activities and establishments exposes it to a variety of risks: human, financial, industrial and commercial. The current global economic crisis, and especially the credit crisis in the Eurozone, influenced the Issuer's risk profile by intensifying some of its risks (counterparty risks, liquidity risks, customer failure, etc.).

The risks presented below are the main risks identified as significant, relevant and able to negatively impact the Group's operations and financial position as at the date of this Prospectus. However, other risks not presented or as yet unidentified could impact the Group, its financial position, reputation, outlook or the Issuer's share price.

- Risks relating to the business environment in which the Group operates (see Section 1 below):
 - Market risks (see Section 1.1 below),
 - Risks relating to regulatory changes regarding health, environment, hygiene and safety (see Section 1.2 below),
 - Risks relating to climatic uncertainty (see Section 1.3 below),
 - Country risks (see Section 1.4 below).
- Risks relating to conducting the Group's businesses (see Section 2 below):
 - Financial risks and risks relating to changes in the Group's activities (see Section 2.1 below),
 - Risks relating to changes in the Issuer's markets (see Section 2.2 below),

- Risks arising from human resource management (see Section 2.3 below),
- Operational risks (see Section 2.4 below),
- Legal, contractual and commercial risks (see Section 2.5 below),
- Risks relating to information system security (see Section 2.6 below).

1. Risks relating to the business environment in which the Group operates

1.1 Market risks

Interest rate risk and exchange risk

In the course of its operational and financial activities, the Group is exposed to market risks. Fluctuations in interest rates and exchange risk could have an impact on the Group's results.

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

These fluctuations in interest rates may also affect the Issuer's future growth and investment strategy since a rise in interest rates may force Veolia Environnement to finance acquisitions or investments or refinance existing debt at a higher cost in the future.

At the end of 2011, net financial debt amounted to €14,729.9 million, with 29% denominated at floating rates and 71% at fixed rates (see Chapter 20, Section 20.1, Note 29.1.1 to the consolidated financial statements set out on pages 326 and 327 of the 2011 Registration Document).

Counterparty risk

The Group's activities expose it to the risks of failure of its counterparties (customers, suppliers, partners, intermediaries, banks).

Counterparty risk is the risk that an entity is unable to comply with its financial commitments (debt repayment, breach of guarantees, offset under a derivative transaction, etc.). Counterparty risk for subsidiaries is limited to local deposits, settlement and account keeping banking activities, signature commitments and the continuation of confirmed credit facilities obtained from banks. Veolia Environnement counterparty risk is mainly associated with cash investments and positive market values on derivatives.

Management rules require cash surpluses to be invested with monetary UCITS managers or in short-term notes and deposits with banks and financial institutions with a minimum credit rating of A1/P1 and A2/A (long-term rating).

Counterparty risks on financial transactions are monitored constantly by the middle office.

Risks relating to prices of energy, commodities and recycled raw materials

The prices of the Issuer's supplies of energy and other commodities can be subject to significant fluctuations and represent major operating expenses of the businesses and in particular diesel for the

Environmental Services and Transportation division activities, gas for Dalkia activities and electricity for Water division activities. Although most of the Issuer's contracts include price adjustment provisions that are intended to pass on any changes in the price of Issuer supplies, using, in particular, price indexing formulae, certain events such as a time delay between fuel price increases and the moment when the Issuer is authorized to increase its prices to cover the additional costs or a mismatch between the price-increase formula and the cost structure (including taxes), may prevent the Issuer from being fully protected against such increases. To the extent that the Issuer is unable to increase its prices sufficiently to cover such additional costs, a sustained increase in supply costs and/or related taxes could undermine the Issuer's operations by increasing costs and reducing profitability. Nevertheless, the large number of price indexing formulae in its contracts limits the Group's net sensitivity to such variations.

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

For more details on the hedging of risks arising from the price of energy, commodities and raw materials and sensitivity to this, see also Chapter 20, Section 20.1. Note 29.1.3 to the consolidated financial statements set out on pages 328 and 329 of the 2011 Registration Document.

Risks arising from the greenhouse gas emission allowance trading scheme

As an operator of energy installations, the Group is exposed to the inherent risks of the CO₂ allowance system introduced by the European Union and the Kyoto Protocol.

Phase 3 (2013-2020) of the National Allowance Allocation Plan involves a strengthening of the regulations in order to reduce greenhouse gas emissions by 20% by 2020 (compared to 1990). As a consequence of this, from 1 January 2013, some of the allowances necessary for Dalkia will have to be purchased (through an auction system), which will create extra expense.

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

1.2 Risks relating to regulatory changes regarding health, the environment, hygiene and safety

The Issuer has incurred and will continue incurring significant costs and other expenditures to comply with its environmental, health and safety obligations and to manage its hygiene-related risks. In particular, these risks concern water emissions, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke emissions and gas emissions. While regulatory changes offer new market opportunities for the Group's businesses, they also generate a number of risks. In accordance with legal, regulatory and administrative requirements, including specific precautionary and preventative measures, the Issuer is required to incur expenditure and invest to ensure that the installations that it operates are in compliance or, when it has no investment responsibility, to advise its customers so that they undertake the necessary compliance work themselves. Failure by the client to meet its compliance obligations could be prejudicial to the Group as operator and adversely affect its reputation and growth capacity.

Furthermore, regulatory bodies have the power to launch proceedings which could lead to the suspension or cancellation of permits or authorizations held by the Group or injunctions to suspend or cease certain activities. These measures may be accompanied by fines and civil or criminal sanctions which could have a significant negative impact on the Group's reputation, activities, financial position, results or outlook. If the Issuer is unable to recover this expenditure through higher prices, this could adversely affect its operations and profitability.

Environmental laws and regulations are constantly being amended and tightened and these amendments can generate significant compliance expenditure or investment which it is not always possible to foresee, despite watch systems implemented.

1.3 Risks relating to climatic uncertainty

Weather changes from one year to the next can have an impact on the operating results of some of the Group's businesses. For example, Dalkia generates the bulk of its results in the first and fourth quarters of the year, corresponding to periods in which heating is used in Europe, while in the water sector, household water consumption tends to be highest between May and September in the northern hemisphere. Accordingly, these two businesses and therefore the Group's earnings may be affected by significant deviations from seasonal weather patterns.

1.4 Country risks

As at the date of the filing of the 2011 Registration Document, Veolia Environnement generates 61% of its revenue outside France, with an activity centred mainly on Europe and the United States. The Group also conducts business in certain emerging countries. In a complex and sometimes unstable international environment, risks relating to conducting business in certain countries can affect the Issuer's financial position and results and even its reputation and outlook. In particular, given the nature of Veolia Environnement's activities and the term of its contracts, the Issuer's results can partially depend on external operating conditions, whether the geopolitical, economic, social or financial situation or the level of development, working conditions and environmental conditions of a given country.

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

Conducting business in certain countries can thus expose the Group to a risk of non-payment or slower payment of invoices, sometimes aggravated by the absence of legal coercive measures, an increased exchange rate risk or restrictions on fund repatriation. The setting of public utility fees and their structure may depend on political decisions that can impede increases in fees for several years, such that they would no longer cover service costs or provide compensation for the Issuer. Major amendments to or the imperfect 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 the operating conditions of the Group, particularly in emerging countries. The Issuer may not be able to insure or hedge against these risks. Furthermore, the Group may find it is unable to defend its rights before a court of law in certain emerging countries should it come into conflict with their governments or other local public entities. Unfavourable events or circumstances (particularly in emerging countries) may lead the Issuer to record exceptional provisions, write-downs and/or impairments, which could have an adverse effect on Veolia Environnement's financial position, results and outlook.

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

In certain cases, the exacerbation of these risk factors can lead to the general political and economic destabilization of the country and even make it difficult for the Issuer to conduct business because of reduced security and stability. This risk could be reinforced in certain cases for companies of foreign origin exposed to nationalization or expropriation of private assets.

The Issuer's businesses can be the subject of acts of malice or terrorism. In this respect, public passenger transport, energy services, environmental services or water distribution can be targets. In addition, certain Veolia Environnement employees work or travel in countries where the risks of occurrence of acts of terrorism or malice can be temporarily or permanently high (see also Section 2.4 below).

Very large-scale or repetitive natural disasters can also lead to the exceptional disorganization of external infrastructures (roads, means of communication) on which the Issuer depends for the conduct of its business and can cause damage to the infrastructures for which it is responsible. The Issuer could thus temporarily be unable to perform services according to the conditions defined by the contracts.

As a result, despite the preventive and safety measures implemented by the Issuer and the insurance policies subscribed, the occurrence of these exceptional situations could negatively affect the Issuer's results.

2. Risks relating to conducting the Group's businesses

2.1 Financial risks and risks relating to changes in the Group's activities

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

Since 2003, Veolia Environnement has set up various efficiency plans to improve its operational performance. In addition, the Group began a plan to transform its organization – known as the "Convergence" plan – in 2011 to standardize its processes, reinforce the control and steering of operations and streamline its structure.

These plans could take longer to implement than expected and, for the "Convergence" plan, lead to more costs than planned. Overall, the risk lies in failing to attain the announced objectives.

Risks relating to changes in the scope of activities

As announced in its strategic plan, the Issuer has performed transactions impacting its scope of activities and primarily asset sales and, to a lesser extent, acquisition and merger transactions whose impact on business and profits could turn out to be less favourable than expected or detrimental to its financial position.

Risks relating to divestitures

The Veolia Environnement Group has announced a strategic plan to refocus the business portfolio, involving the disposal of €5 billion in assets over 2012 and 2013. This strategic plan includes, in particular: the concentration of activities on three business lines (Water, Environmental Services, Energy Services); a modification of the Veolia Transdev shareholding structure in conjunction with the Caisse des Dépôts; the sale of regulated Water activities in the United Kingdom and solid waste activities in the United States and continued streamlining of the Group's geographical coverage. Firstly, the conditions under which the activities sold are hived-off expose the Group 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. These risks concern human resources, as certain individuals with significant expertise may leave the Issuer, and the means used to manage these functional services, such as methods, suppliers or IT tools. The main areas concerned are financial services, human resources (including the training campus), real estate and general services. Secondly, planned divestitures may not be carried out within the deadlines, performed at the expected valuation level or finalized at conditions beneficial to the Group.

Risks relating to growth transactions

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

Liquidity risk

Liquidity risk corresponds to the Issuer's ability to have enough financial resources to meet its commitments. The Issuer's gross liquidity is defined as all available cash and confirmed bank lines. Net liquidity deducts current financing requirements from gross liquidity. The Group could be exposed to a liquidity risk and not have sufficient financial resources to meet its contractual commitments.

For information on liquidity risk, please refer to Chapter 20, Section 20.1, Note 29.3 to the consolidated financial statements set out on pages 329 to 332 of the 2011 Registration Document.

2.2 Risks relating to changes in the Issuer's markets

Due to the competitive nature of the Issuer's business and the rapid changes in environment-related businesses, the Group must enhance its competitiveness and adapt its business model.

The Issuer's operations are carried out in highly competitive sectors. Large international companies, niche companies and companies whose structure costs or profitability requirements are lower than those of Veolia Environnement (in particular public sector operators such as mixed public-private companies in France and Stadwerke in Germany) serve each of the markets in which the Issuer competes. The Group may not remain competitive enough to convince its potential customers of the quality and value of its services and could thus suffer the loss of existing contracts or a substantial fall in profitability on contract renewal or have access to new contracts blocked.

As such, it may need to develop new technologies, new services or new activities but also decrease its structure costs (see Section 2.1 above) in order to maintain or increase its competitive position, which could result in significant costs.

The non-renewal of major contracts may require the Issuer to implement costly restructuring measures. The impact on Issuer results could be substantial, if the contract does not then provide for the transfer of the related assets and employees to the succeeding operator and/or appropriate compensation to cover Veolia Environnement's costs of termination. Another source of contract non-renewal may come from the desire of certain public authorities to assume once again the direct management of water or waste services (particularly under management contracts).

2.3 Risks arising from human resource management

Risks relating to employee health and safety

The labour-intensive requirements of the Group's businesses, their nature, the wide geographical spread of Veolia Environnement's employees in the field (in particular, on public roads and at customer sites), as well as difficult working conditions, make the management of employee health and safety particularly important. Despite the special attention paid by the Group to this issue, the increase in the frequency and severity of work accidents and the increasing incidence of work-related illnesses constitute a risk.

Risks relating to availability of skills

The Group engages in highly diverse businesses, which require varied skills that constantly evolve to adapt to changes in environmental businesses. The need to constantly seek out new profiles, train staff in new techniques and recruit and train managers in every country where the Group operates represents a risk for the Group if it is unable to mobilize in a timely manner the skills required at all of its locations. This risk can be intensified by the Group's current reorganization conditions ("Convergence" plan).

Risks relating to deterioration of the industrial relations climate

The transformation of the Group, with the launch of the "Convergence" plan and the refocus on certain businesses and geographical regions, could cause the Issuer's industrial relations climate to deteriorate and negatively affect productivity and, consequently, the Group's results. The Issuer's businesses, which it conducts on behalf of industrial companies and public authorities, consist very often of essential services that always require human labour. The Issuer cannot rule out the occurrence of labour disputes (strikes, go-slows or the destruction of property in extreme cases) that could disrupt business over a significant period of time. Such disputes could have a negative impact on the Issuer's financial position, results, outlook and reputation.

2.4 Operational risks

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

The increasingly broad laws and regulations under which the Issuer operates expose it to greater risks of liability, particularly in environmental matters, including liability related to assets that Veolia Environnement no longer owns and activities that have been discontinued. In addition, the Issuer may be required to pay fines, repair damage or undertake improvement work, even when it has conducted its activities with care and in full compliance with operating permits.

Some of Veolia Environnement's activities could cause injury to people (sickness, injury or death), business interruption or damage to the environment (including biodiversity), movable property or real estate. It is the Issuer's general policy to contractually limit its liability, implement the necessary prevention and protection measures and to take out insurance policies that cover its main accident and operational risks. However, these precautions may prove to be insufficient, and this could generate significant costs for the Issuer.

In addition, the Issuer's subsidiaries in France or abroad may, under environmental services outsourcing contracts, perform activities at certain environmentally sensitive sites known as high threshold Seveso sites (classified "AS" under the French "Installations Classified for the Protection of the Environment" (ICPE) system) or low threshold Seveso sites (or the foreign equivalent), operated by industrial customers (particularly petrochemical industry sites). In these instances, the Group must manage the provision of services with even greater care, given the more dangerous nature of the products, waste, effluents and emissions to be treated, as well as the close proximity of installations managed by the Group to customer sites. The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are often subject to the same level of stringent regulation.

Risks relating to the protection of sites and employee safety

Veolia Environnement's activities must comply with very strict regulations regarding protection of sites, resources or installations against criminal and terrorist acts. For example, the distribution of drinking water is a strategic activity for public health, while the Issuer's public passenger transport activities, energy or environmental services, installations or vehicles can be the target of acts of terrorism.

In addition, Veolia Environnement employees work and travel in countries where the risk of criminal or terrorist acts is either temporarily or permanently high.

As a result, despite the preventive and safety measures implemented by the Issuer and the insurance policies subscribed, the occurrence of such acts could negatively affect the Issuer's reputation, financial position or results.

Risks relating to design and construction activities

The Issuer carries out, particularly through Veolia Water Solutions & Technologies, "turnkey" structure design and build contracts, which are remunerated on a non-revisable fixed-price basis. The Issuer's remuneration is often conditional on meeting performance objectives, and non-compliance with these objectives triggers penalties. The risks to which the Issuer is exposed under this type of contract are generally technical (design and choice of tailored versus tried-and-tested technology), operational (site management during the performance, acceptance and warranty phases or ability to use technology imposed by the customer) and economic (fluctuations in raw material prices, foreign exchange rates or commodities). In accordance with standard practice, to the extent possible, the Issuer seeks to hedge this risk contractually. The Issuer may, however, encounter difficulties over which it has no control, relating, for example, to the complexity of certain infrastructure, climate or economic risks or construction contingencies, the purchasing and ordering of equipment and supplies of commodities, or changes in performance schedules for some work. In certain cases also, the Issuer must integrate existing information or studies provided by the customer that may prove inaccurate or inconsistent or may be required to use existing infrastructure with poorly-adapted operating characteristics. These difficulties and hazards may result in non-compliance with contractual performance indicators, additional expense, lost revenue and/or the application of contractual penalties that could negatively affect the Issuer's financial position, results or outlook.

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

In order to conduct its activities, Veolia Environnement is generally required to win a contract and sometimes to obtain, or renew, various permits or authorizations issued by regulatory authorities. Competition and/or negotiation procedures preceding the award of these contracts are often long, costly, complex and the outcome is difficult to foresee. This is similarly the case for authorization procedures for activities with a large environmental footprint, which are often preceded by

increasingly complex studies and public inquiries. The Issuer may invest significant resources in a project or tender bid without obtaining the right to perform the planned activity or receiving sufficient compensation to cover the cost of its investment, should it, for example, fail to obtain the permits and authorizations necessary to perform the activity or the necessary authorizations from antitrust authorities. In addition, obtaining an authorization may require the Issuer, under certain conditions, to abandon certain growth projects. Such situations increase the cost of activities and, where the risk of failure appears substantial, may lead the Issuer to abandon certain projects. The extent and profitability of the Issuer's activities could be affected if such situations increase.

Emerging health or environmental risks

Risks may be undetectable, at a given time, because they are not completely identified because of the absence or lack of scientific data. Adverse effects could occur several years after the materialization of these risks.

2.5 Legal, contractual and commercial risks

Risks relating to long-term contracts

The fact that a major part of the Issuer's business is transacted within long-term contracts may limit its capacity to quickly and effectively react to financially negative news.

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

Risk relating to the rights of public authority

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

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

Significant litigation

Several actions, procedures and inquiries involving the Issuer were initiated in 2011, including a procedure launched by the European Commission and alleging the existence of an anti-competitive cartel in the water sector, several actions concerning Société Nationale Maritime Corse Méditerranée

(SNCM) and certain State assistance payments received. There remains a risk that the final resolution of these actions, procedures and inquiries or other disputes could have an adverse effect on the Issuer's activities, financial position or results.

Significant litigation involving the Issuer or its subsidiaries are described in Section 20.4 on pages 42 to 50 of the Update to the 2011 Registration Document and further described in this Prospectus.

2.6 Risks relating to information system security

Information systems are indispensable tools for carrying out operational activities and managing the functional departments (Finance, HR, etc.) of the Issuer. The unavailability of information systems because of a disaster or a malicious intrusion involving one or more of these information systems could have major consequences on the quality or even the continuity of the service delivered internally and the availability, integrity and confidential nature of the Group's data and thus potentially have an impact on the activity of its customers. Despite all of the efforts and resources implemented to protect and secure its information systems, the Group cannot rule out a successful cyber attack.

B. Risk factors relating to the Notes

Factors which are material for the purpose of assessing the suitability of the Notes as an investment

Independent review and advice

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes. A prospective investor may not rely on the Issuer or the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

Legality of purchase

Neither the Issuer, the Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

Regulatory restrictions

Investors whose investment activities are subject to investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Investors should review and consider such restrictions prior to investing in the Notes.

Taxation

Potential purchasers and sellers of Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for the tax treatment of financial instruments such as the Notes. Potential investors cannot rely upon the tax summary contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only such an adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a directive 2003/48/EC on the taxation of savings income under the form of interest payments (the **Savings Directive**). The Savings Directive requires Member States, subject to a number of conditions being met, to provide to the tax authorities of other Member States details of payments of interest and other similar income made by a paying agent located within their jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures (see "Taxation –European Union").

Pursuant to the "*Terms and Conditions of the Euro Notes*" and the "*Terms and Conditions of the Sterling Notes*", if a payment were to be made or collected through a Member State which has opted for a withholding system under the Savings Directive and an amount of, or in respect of, tax is withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note, as a result of the imposition of such withholding tax. The Issuer is only required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

Change of law

The "*Terms and Conditions of the Euro Notes*" and the "*Terms and Conditions of the Sterling Notes*" are based on French laws in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in French laws or administrative practice after the date of this Prospectus.

Modification and waivers

The "*Terms and Conditions of the Euro Notes*" and the "*Terms and Conditions of the Sterling Notes*" contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders of a particular series of Notes, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Specific French insolvency law provision regarding the rights of holders of debt securities

Under French insolvency law, holders of debt securities are automatically grouped into a single assembly of holders (the **Assembly**) in order to defend their common interests if a preservation procedure (*procédure de sauvegarde*), an accelerated financial preservation procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities issued by the Issuer (including the Notes), whether or not under a debt issuance programme and regardless of their governing law.

The Assembly deliberates on the proposed safeguard plan (*projet de plan de sauvegarde*), draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) or draft judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling due payments and/or partially or totally writing off receivables in form of debt securities;
- establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Notes) into shares or securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the debt securities held by the holders attending such Assembly or represented thereat). No quorum is required to convoke the Assembly.

For the avoidance of doubt, the provisions relating to the Representation of the Noteholders described in this Prospectus will not be applicable to the extent they are not in compliance with compulsory insolvency law provisions that apply in these circumstances.

As a result, Noteholders should be aware that they will generally have limited ability to influence the outcome of a safeguard procedure (*procédure de sauvegarde*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) of the Issuer in France, especially given the current capital structure of the Issuer.

Exchange rate risk and exchange controls

The Issuer will pay principal and interest on the Euro Notes in Euros and the Sterling Notes in Sterling. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the **Investor's Currency**) other than sterling or, as the case may be, euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or, as the case may be, euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling or, as the case may be, euro would decrease (1) the Investor's Currency equivalent yield on the relevant Notes, (2) the Investor's Currency equivalent value of the principal payable on the relevant Notes and (3) the Investor's Currency equivalent market value of the relevant Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Liquidity risks/trading market for the Notes

The Notes may not have an established trading market when issued. There can be no assurance of a secondary market for the Notes or the continued liquidity of such market if one develops.

The development or continued liquidity of any secondary market for the Notes may be affected by a number of factors such as general economic conditions, the financial condition, the creditworthiness of the Issuer and/or the Group, and the value of any applicable reference rate, as well as other factors such as the complexity and volatility of the reference rate, the method of calculating the return to be paid in respect of such Notes, the outstanding amount of the Notes, any redemption features of the Notes, the performance of other instruments linked to the reference rates and the level, direction and volatility of interest rates generally. Such factors also may affect the market value of the Notes. In addition, certain Notes may be designed for specific investment objectives or strategies and therefore may have a more limited secondary market and experience more price volatility than conventional debt securities.

Investors may not be able to sell Notes readily or at prices that would enable them to realise their anticipated yield. No investor should purchase Notes unless the investor understands and is able to bear the risk that certain Notes will not be readily sellable, that the value of Notes will fluctuate over time and that such fluctuations may be significant.

Market value of the Notes

If the Notes are traded after their initial issuance, they may trade at a discount to their issue price, and the market value of the Notes may be affected by the creditworthiness of the Issuer and/or that of the Group and a number of additional factors, including the value of the Reference Rate (as defined in the Terms and Conditions of the Euro Notes or, as the case may be, in the Terms and Conditions of the Sterling Notes), its volatility, market interest and yield rates, the market for similar securities, general economic conditions, and investors' general perception of the credit risk of the Issuer. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable.

Further, the value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes or the reference rate are traded. The price at which a Noteholder will be able to sell the Notes prior to redemption by the Issuer may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser. The historical market prices of the reference rate should not be taken as an indication of the reference rate's future performance during the life of the Notes.

Risks relating to the structure of the Notes

The Notes may not be a suitable investment for all investors

Each potential investor of the Notes must make its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment, either alone or with the help of a financial adviser. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (d) understand thoroughly the Terms and Conditions of the Notes and be familiar with the behaviour of financial markets and of any financial variable which might have an impact on the return on the Notes; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

prospective purchasers should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes.

The Notes are lowest ranking subordinated obligations of the Issuer

The Issuer's obligations under the Notes are direct, unconditional, unsecured and deeply (*i.e.* lowest ranking) subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank *pari passu* among themselves. In the event of any judgement rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole of the business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency), the rights of Noteholders to payment under the Notes will be subordinated to the full payment of the unsubordinated creditors of the Issuer (including holders of Unsubordinated Obligations), of the ordinary subordinated creditors of the Issuer (including holders of Ordinary Subordinated Obligations), of lenders in relation to *prêts participatifs* granted to or to be granted to the Issuer, if and to the extent that there is still cash available for those payments. Thus, the Noteholders face a higher performance risk than holders of unsubordinated and ordinary subordinated obligations of the Issuer.

In the event of incomplete payment of creditors ranking senior to the Noteholders, the obligations of the Issuer and the relative interest will be terminated.

The claims of the Noteholders under the Notes are intended to be senior only to claims of any shareholders. There are currently no other instruments of the Issuer that rank junior to the Notes other than the ordinary shares of the Issuer.

The Notes are undated securities

The Notes are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem or repurchase the Notes at any time subject to Condition 6.3(b) of the Terms and Conditions of the Euro Notes or, as the case may be, of the Terms and Conditions of the Sterling Notes, and the Noteholders have no right to require redemption of the Notes. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period and may not recover their investment in a foreseeable future.

Deferral of interest payment

On any Interest Payment Date, interest in respect of the Notes accrued to that date may be paid by the Issuer (if the Issuer so elects), in whole and not in part, but the Issuer shall not have any obligation to make such payment. Any such failure to pay on an Interest Payment Date shall not constitute a default by the Issuer for any purpose. Any interest in respect of the Notes not paid on an Interest Payment Date will, so long as the same remains outstanding, be deferred and shall constitute Arrears of Interest and, if due for at least a year, bear interest, and shall be payable as outlined in the "*Terms and Conditions of the Euro Notes*" or, as the case may be, in the "*Terms and Conditions of the Sterling Notes*".

Arrears of Interest (together with the corresponding Additional Interest Amounts) in respect of all the Notes of a particular series shall become due in full on whichever is the earliest of:

- (f) the fifth Business Day following the occurrence of a Mandatory Payment Event with respect to such particular series of Notes;
- (g) any Interest Payment Date on which an Interest Amount is paid with respect to such particular series of Notes;
- (h) the date on which the Notes of such particular series are redeemed; or
- (i) the date upon which a judgment is made for the voluntary or judicial liquidation of the Issuer (*liquidation judiciaire ou amiable*) or the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer or if the Issuer is liquidated for any other reason.

Any deferral of interest payments will be likely to have an adverse effect on the market price of the Notes. In addition, as a result of the above provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Early redemption risk

The Issuer may redeem all of the Notes of a particular series (but not some only) on the Reset Call Date and any Par Call Date thereafter, and at any time following the occurrence of a Gross-up Event, a Tax Deductibility Event, an Accounting Event, a Rating Methodology Event or a Repurchase Event, as outlined in the "*Terms and Conditions of the Euro Notes – Redemption and Purchase*" and the "*Terms and Conditions of the Sterling Notes – Redemption and Purchase*", respectively.

The Issuer shall redeem all the Notes following the occurrence of a Withholding Tax Event. In the event of an early redemption following the occurrence of a Gross-up Event or Withholding Tax Event, such early redemption of the Notes will be made at the principal amount of the Notes together with any accrued interests and Arrears of Interest (including any Additional Interest Amounts thereon), as outlined in the "*Terms and Conditions of the Euro Notes – Redemption and Purchase*" and the "*Terms and Conditions of the Sterling Notes – Redemption and Purchase*".

In the event of an early redemption at the option of the Issuer following the occurrence of a Tax Deductibility Event, an Accounting Event, a Rating Methodology Event or a Repurchase Event, such early redemption of the Notes will be made at the Early Redemption Price as outlined in the "*Terms and Conditions of the Euro Notes – Redemption and Purchase*" and the "*Terms and Conditions of the Sterling Notes – Redemption and Purchase*", respectively.

The redemption at the option of the Issuer might negatively affect the market value of the relevant Notes. During any period when the Issuer may elect to redeem the Notes of a particular series, the market value of the relevant Notes generally will not rise substantially above the price at which they can be redeemed. The Issuer may also be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the redemption proceeds at an effective interest rate as high as the return that would have been received on such Notes had they not been redeemed. Potential investors should consider reinvestment risk in light of other investment available at that time.

Changes in rating methodologies may lead to the early redemption of the Notes

S&P or Moody's may change their rating methodology and as a result the Notes may no longer be eligible for the same or higher category of equity credit attributed to the Notes at the date of their issue, in which case the Issuer may redeem all of the Notes (but not some only), as provided in "Terms and Conditions of the Euro Notes – Redemption and Purchase – Redemption following a Rating Methodology Event" and "Terms and Conditions of the Sterling Notes – Redemption and Purchase – Redemption following a Rating Methodology Event", respectively.

There are no events of default or cross default under the Notes

The Conditions of the Notes do not provide for events of default or cross default allowing acceleration of the Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Notes, including the payment of any interest, investors will not have the right of acceleration of principal. Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

No limitation on issuing or guaranteeing debt ranking senior or pari passu with the Notes

There is no restriction in the terms and conditions of the Notes on the amount of debt which the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the Notes. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders on a winding-up of the Issuer and/or may increase the likelihood of a deferral of interest payments under the relevant Notes.

If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer were liquidated (whether voluntarily or not), the Noteholders could suffer loss of their entire investment.

Any decline in the credit ratings of the Issuer may affect the market value of the Notes

The Notes have been assigned a rating by S&P and Moody's. The rating granted by each of S&P and Moody's or any other rating assigned to the Notes may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In addition, each of S&P and Moody's or any other rating agency may change its methodologies for rating securities with features similar to the Notes in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with

features similar to the Notes, sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered, this may have a negative impact on the trading price of the Notes.

Interest rate risk

Interest on the Notes before the First Step-up Date, which is calculated at a fixed rate, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Following the Reset Call Date, interest on the Notes shall be calculated on the basis of the mid swap rates for GBP/EUR swap transactions with a maturity of five years. These mid swap rates are not pre-defined for the lifespan of the Notes. Higher mid swap rates for GBP/EUR swap transactions mean a higher interest and lower mid swap rates for GBP/EUR swap transactions with a maturity of five years mean a lower interest.

Risk relating to the change in the rate of interest

The interest rate of the Notes will be reset as from the Reset Call Date, the First Step-up Date and the Second Step-up Date. Each reset interest rate will be determined two Business Days before such dates and as such is not pre-defined at the date of issue of the Notes. The Second EUR Interest Rate, the Third EUR Interest Rate and the Fourth EUR Interest Rate, with respect to the Euro Notes, and the Second GBP Interest Rate, the Third GBP Interest Rate and the Fourth GBP Interest Rate, with respect to the GBP Notes, may be different from the First EUR Interest Rate or, as the case may be, the First GBP Interest Rate and may adversely affect the yield of the Euro Notes or, as the case may be, the GBP Notes.

GENERAL DESCRIPTION OF THE NOTES

This overview is a general description of the Euro Notes and the Sterling Notes and is qualified in its entirety by the remainder of this Prospectus. For a more complete description of the Notes, including definitions of capitalised terms used but not defined in this section, please see "Terms and Conditions of the Euro Notes" and "Terms and Conditions of the Sterling Notes" respectively.

Issuer	Veolia Environnement
Securities	€1,000,000,000 Undated Deeply Subordinated Reset Rate Notes (the Euro Notes) and £400,000,000 Undated Deeply Subordinated Reset Rate Notes (the Sterling Notes and together with the Euro Notes, the Notes)
Maturity	Undated
Form and Denomination	The Euro Notes will be issued in dematerialised bearer form (<i>au porteur</i>) in the denomination of €100,000 and the Sterling Notes will be issued in dematerialised bearer form (<i>au porteur</i>) in the denomination of £100,000
Issue Date	16 January 2013
Status / Ranking	<p>The Notes are deeply subordinated notes (Deeply Subordinated Notes) issued pursuant to the provisions of Article L.228-97 of the French <i>Code de commerce</i>. The principal and interest on the Notes constitute direct, unconditional, unsecured and deeply (<i>i.e.</i> lowest ranking) subordinated obligations (<i>titres subordonnés de dernier rang</i>) of the Issuer and rank and will rank:</p> <ul style="list-style-type: none">• subordinated to present and future <i>prêts participatifs</i>, Ordinary Subordinated Obligations and Unsubordinated Obligations of the Issuer;• <i>pari passu</i> among themselves and <i>pari passu</i> with all other present and future deeply subordinated obligations of the Issuer (including Deeply Subordinated Notes of the Issuer). <p>Ordinary Subordinated Obligations means obligations, whether in the form of notes or otherwise, the principal and interest of which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank and will rank <i>pari passu</i> among themselves and <i>pari passu</i> with all other present or future ordinary subordinated obligations, behind Unsubordinated Obligations but in priority to <i>prêts participatifs</i>, if any, and deeply subordinated obligations.</p> <p>Unsubordinated Obligations means obligations, whether in the form of notes or otherwise, the principal and interest of which constitute direct, unconditional and unsubordinated obligations of the Issuer and rank and will rank <i>pari passu</i> without preference or priority among themselves and (save for certain obligations required to be preferred by French law) equally and rateably with all other present or future unsubordinated obligations of the Issuer.</p>
Interest	<p>(f) The Euro Notes shall bear interest on their principal amount:</p> <ol style="list-style-type: none">from and including the Issue Date to, but excluding, 16 April 2018 (the Reset Call Date), at a rate of 4.450 per cent. <i>per annum</i> (the First EUR Interest Rate), payable annually in arrear on 16 April of each year, commencing on 16 April 2013 and ending on the Reset Call Date (each a First EUR Interest Rate Payment Date); except that the first payment of interest, to be made on 16 April 2013, will be in respect of the period from (and including) the Issue Date to (but excluding) 16 April 2013 and will amount to €1,097.26 per Note;from and including the Reset Call Date to, but excluding, 16 April 2023 (the

First Step-up Date), at a rate *per annum* which shall be equal to the Euro 5-year Swap Rate of the relevant Reset Period plus the EUR Initial Margin (the **Second EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2019 and ending on the First Step-up Date (each a **Second EUR Interest Rate Payment Date**);

- (iii) from and including the First Step-up Date to, but excluding, 16 April 2038 (the **Second Step-up Date**), at a rate *per annum* which shall be equal to the Euro 5-year Swap Rate of the relevant Reset Period plus the EUR First Step-up Margin (the **Third EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2024 and ending on the Second Step-up Date (each a **Third EUR Interest Rate Payment Date**); and
- (iv) from and including the Second Step-up Date, at a rate *per annum* which shall be equal to the Euro 5-year Swap Rate of the relevant Reset Period plus the EUR Second Step-up Margin (the **Fourth EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2039 (each a **Fourth EUR Interest Rate Payment Date**); and

The EUR Initial Margin shall equal 3.603 per cent. *per annum*, the EUR First Step-up Margin shall equal 3.853 per cent. *per annum* and the EUR Second Step-up Margin shall equal 4.603 per cent. *per annum*.

(g) the Sterling Notes shall bear interest on their principal amount:

- (i) from and including the Issue Date to, but excluding, 16 April 2018 (the **Reset Call Date**), at a rate of 4.850 per cent. *per annum* (the **First GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2013 and ending on the Reset Call Date (each a **First GBP Interest Rate Payment Date**); except that the first payment of interest, to be made on 16 April 2013, will be in respect of the period from (and including) the Issue Date to (but excluding) 16 April 2013 and will amount to £1,195.89 per Note;
- (ii) from and including the Reset Call Date to, but excluding, 16 April 2023 (the **First Step-up Date**), at a rate *per annum* which shall be equal to the Sterling 5-year Swap Rate of the relevant Reset Period plus the GBP Initial Margin (the **Second GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2019 and ending on the First Step-up Date (each a **Second GBP Interest Rate Payment Date**);
- (iii) from and including the First Step-up Date to, but excluding, 16 April 2038 (the **Second Step-up Date**), at a rate *per annum* which shall be equal to the Sterling 5-year Swap Rate of the relevant Reset Period plus the GBP First Step-up Margin (the **Third GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2024 and ending on the Second Step-up Date (each a **Third GBP Interest Rate Payment Date**); and
- (iv) from and including the Second Step-up Date, at a rate *per annum* which shall be equal to the Sterling 5-year Swap Rate of the relevant Reset Period plus the GBP Second Step-up Margin (the **Fourth GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2039 (each a **Fourth GBP Interest Rate Payment Date**).

The GBP Initial Margin shall equal 3.629 per cent. *per annum*, the GBP First Step-up Margin shall equal 3.879 per cent. *per annum* and the GBP Second Step-up Margin shall equal 4.629 per cent. *per annum*.

Interest Deferral

Interest payments shall only be due and payable if the Issuer so elects, in accordance with the

provisions of the following paragraphs.

Optional Interest Payments

Interest which accrues during an Interest Period ending on but excluding an Interest Payment Date will be due and payable on that Interest Payment Date unless the Issuer, by giving notice to the Noteholders elects to defer such payment in whole (but not in part). If the Issuer makes such an election, the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer under the Notes of such particular series of Notes or for any other purpose.

Any interest in respect of the Notes which has not been paid will be deferred and shall constitute **Arrears of Interest** and shall be payable as outlined below.

Arrears of Interest

Arrears of Interest (together with any Additional Interest Amount (as defined below)) may at the option of the Issuer be paid in whole (but not in part) at any time, provided that all Arrears of Interest (together with the corresponding Additional Interest Amounts) in respect of all the Notes of a particular series for the time being outstanding shall become due in full on whichever is the earliest of:

- (a) the fifth Business Day following the occurrence of a Mandatory Payment Event (as defined below) with respect to such particular series of Notes;
- (b) any Interest Payment Date on which an Interest Amount is paid with respect to such particular series of Notes;
- (c) the date on which the Notes of such particular series are redeemed; or
- (d) the date upon which a judgment is made for the voluntary or judicial liquidation of the Issuer (*liquidation judiciaire ou amiable*) or the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer or if the Issuer is liquidated for any other reason.

Each amount of Arrears of Interest shall bear interest, in accordance with Article 1154 of the French *Code civil*, as if it constituted the principal of the Notes at a rate which corresponds to the rate of interest from time to time applicable to the Notes (the **Arrears Interest Rate**) and the amount of such interest (the **Additional Interest Amount**) with respect to Arrears of Interest shall be due and payable pursuant to this paragraph 1.1(b) and shall be calculated by the Calculation Agent applying the Arrears Interest Rate to the amount of the Arrears of Interest and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition.

The Additional Interest Amount accrued up to any Interest Payment Date shall be added in accordance with Article 1154 of the French *Code civil* to the amount of Arrears of Interest remaining unpaid on such Interest Payment Date so that it will itself become Arrears of Interest, for the purpose only of calculating the Additional Interest Amount accruing thereafter.

Mandatory Payment Event means that:

- (a) a dividend in cash, other distribution or payment of any nature is validly declared, paid or made in respect of any Equity Securities (as defined below) or any Parity Securities (as defined below); or
- (b) the Issuer or any of its Subsidiaries has repurchased, purchased, redeemed, or otherwise acquired any Equity Securities or any Parity Securities;

save for, in each case, any compulsory dividend, other distribution, payment, repurchase, redemption or other acquisition required by the terms of such securities; and (i) in the case of Equity Securities, any repurchase or other acquisition in connection with the satisfaction by the Issuer of its obligations under any existing or future buy-back programme, share option, or free share allocation plan reserved for directors, officers and/or employees of the Issuer, any liquidity agreement (*programme de liquidité*) or any associated hedging transaction, and (ii) in the case of Parity Securities, any repurchase or other acquisition in whole or in part in a public tender offer or public exchange offer at a consideration per Parity Security below its par value.

Equity Securities means (a) the ordinary shares (*actions ordinaires*) of the Issuer and (b) any other class of the Issuer's share capital (including preference shares (*actions de préférence*)).

Parity Securities means, at any time, any deeply subordinated notes which rank *pari passu* with the Notes; the term Parity Securities shall apply *mutatis mutandis* to any Subsidiary of the Issuer, where relevant, provided that each such instrument shall qualify as Parity Securities only to the extent such instrument is guaranteed by the Issuer or the Issuer otherwise assumes liability for it, and the Issuer's obligations under the relevant guarantee or other assumption of liability rank *pari passu* with the Issuer's obligations under Parity Securities.

Subsidiary means any fully consolidated subsidiary of the Issuer.

Taxation

All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the French Republic or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

Additional Amounts

If applicable law should require that payments of principal or interest made by the Issuer in respect of any Note be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever levied by the Republic of France, the Issuer, will, to the fullest extent then permitted by law, pay such additional amounts (**Additional Amounts**) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note in certain circumstances as more fully described in the Conditions.

Final Redemption

Subject to any early redemption described below, the Notes are undated securities with no specified maturity date.

Optional Redemption at the option of the Issuer

The Issuer will have the right to redeem all of the Notes (but not some only) on the Reset Call Date and on any Par Call Date thereafter. Such early redemption of the Notes will be made at their principal amount together with any accrued interest and Arrears of Interest (including any Additional Interest Amounts thereon).

Par Call Date means the Reset Call Date and every fifth Interest Payment Date thereafter.

Early Redemption following a Gross- up Event or a Withholding Tax Event

If, at any time, by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment due in respect of a series of Notes, not be able to make such payment without having to pay Additional Amounts (a **Gross-up Event**), the Issuer may at any time, redeem all of such series of Notes (but not some only) at their principal amount together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable Interest Payment Date on which the Issuer could make payment of principal and interest without withholding for French taxes.

If the Issuer would on the occasion of the next payment in respect of a series of Notes be prevented by French law from making payment to the Noteholders (a **Withholding Tax Event**) of the full amount then due and payable, notwithstanding the undertaking to pay Additional Amounts, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall redeem all of such series of Notes (but not some only) at their principal amount together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) on the latest practicable date on which the Issuer could make payment of the full amount payable in respect of such series of Notes without withholding for French taxes, or, if such date is past, as soon as practicable thereafter.

Early Redemption following a Tax Deductibility Event

If an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the tax regime of any payments under a series of Notes is modified and such modification results in the non-deductibility (in whole or in part) of the amount of interest payable by the Issuer in respect of such series of Notes which would have been otherwise deductible in whole or in part (a **Tax Deductibility Event**), the Issuer may, at its option, at any time, redeem all of such series of Notes (but not some only) at the Early Redemption Price (as defined below), provided that the effective date of redemption of which notice hereunder may be given shall be no earlier than the latest practicable date preceding the effective date on which the tax regime of interest payments under such series of Notes is modified. For the avoidance of doubt, this provision shall not apply to any such change in law or regulation which results from the Finance Act for 2013 (*loi de finances pour 2013*) n°2012-1509 dated 29 December 2012.

Early Redemption following an Accounting Event

If an Accounting Event shall occur after the Issue Date, the Issuer may at its option redeem all of a series of Notes (but not some only) at any time, at the Early Redemption Price (as defined below); provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last calendar day before the date on which the proceeds of such series of Notes must not or must no longer be recorded as "equity" in full pursuant to IFRS (as defined below) or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer.

Accounting Event means that an opinion of a recognised accountancy firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that as a result of a change in the accounting rules or methodology effective after the Issue Date, the Notes must not or must no longer be recorded as "equity" in full pursuant to the International Financial Reporting Standards (**IFRS**) or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer.

Early Redemption following a Rating

If a Rating Methodology Event shall occur after the Issue Date, the Issuer may at its option redeem all of a series of Notes (but not some only) at any time, at the Early

Methodology Event Redemption Price (as defined below); provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last calendar day before the date on which such series of Notes will no longer be eligible for the same or higher category of equity credit.

For the purpose hereof:

Rating Methodology Event means that the Issuer certifies in a notice to the Noteholders that an amendment, clarification or change has occurred in the equity credit criteria of any Rating Agency from whom the Issuer is assigned solicited ratings, which amendment, clarification or change results in a lower equity credit for the Notes than the then respective equity credit assigned on the Issue Date, or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time.

Rating Agency means any of the following: Moody's Investors Service Limited, Standard & Poor's Ratings Services, any other rating agency of equivalent international standing solicited from time to time by the Issuer to grant a rating to the Issuer and/or the Notes and in each case, any of their respective successors to the rating business thereof.

Early Redemption Price **Early Redemption Price** means 101% of the principal amount of the Notes until the First Step-up Date and the principal amount of the Notes thereafter, in each case together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) up to the Early Redemption Date of the Notes

Early Redemption Date means the effective date of redemption of the Notes.

Purchase The Issuer may at any time purchase Notes together with rights to interest and any other amounts relating thereto in the open market or otherwise at any price in accordance with applicable laws and regulations. Notes so purchased by the Issuer may be held and resold in accordance with Article L.213-1A and D.213-1 A of the French *Code monétaire et financier* for the purpose of enhancing the liquidity of the Notes.

In the event that at least 90% of the initial aggregate principal amount of a series of Notes has been purchased by the Issuer or any Subsidiary (as defined above) of the Issuer or, jointly or severally, by the Issuer and any Subsidiary of the Issuer (a **Repurchase Event**), the Issuer may at its option, at any time, redeem all (but not some only) of the outstanding Notes of such series at the Early Redemption Price.

Negative Pledge There will be no negative pledge in respect of the Notes.

Enforcement Events, no Events of Default and no Cross Default There will be no events of default in respect of the Notes. There will be no cross default under the Notes.

However, each Note shall become immediately due and payable at its principal amount, together with accrued interest thereon, if any, to the date of payment and any Arrears of Interest (including any Additional Interest Amounts thereon), in the event that a judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole of the business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency). No payments will be made to holders of any class of the share capital of the Issuer before all amounts due, but unpaid, to all Noteholders have been paid by the Issuer.

Representation of Noteholders	The holders of the Euro Notes and the holders of the Sterling Notes will, with respect to each such series, be grouped automatically for the defence of their respective common interests in a <i>masse</i> governed by the provisions of the French <i>Code de commerce</i> subject to certain exceptions and provisions (the Masse). The Masse relating to each such series will be a separate legal entity, and will be acting in part through one representative and in part through a general meeting of the Noteholders of the Euro Notes or, as the case may be, the Sterling Notes.
Listing	Application will be made for the Notes to be listed and admitted to trading on Euronext Paris. Such listing and admission to trading are expected to occur as of the Issue Date or as soon as practicable thereafter.
Selling Restrictions	There are restrictions on the offer and sale of the Notes and the distribution of offering material, including in the United States of America, the United Kingdom and France.
Governing law	The Notes will be governed by, and construed in accordance with, French law.
Settlement	Euroclear France
Fiscal Agent, Principal Paying Agent and Calculation Agent	BNP Paribas Securities Services

DOCUMENTS INCORPORATED BY REFERENCE

In accordance with article 11 of the Prospectus Directive, this Prospectus must be read in conjunction with the following documents which shall be deemed to form part of this Prospectus:

- (e) the sections referred to in the cross-reference table below included in the French language *Actualisation du document de référence* 2011 of the Issuer (the **Update to the 2011 Registration Document**) which was filed with the AMF on 28 September 2012 under registration number D12-0192-A01;
- (f) the sections referred to in the cross-reference table below included the French language *Document de référence* of the Issuer for the financial year 2011 (the **2011 Registration Document**) which was filed with the AMF on 21 March 2012 under registration number D12-0192;
- (g) the sections referred to in the cross-reference table below included the French language *Document de référence* of the Issuer for the financial year 2010 (the **2010 Registration Document**) which was filed with the AMF on 30 March 2011 under registration number D11-0200; and

the following press releases which have been filed with the AMF and published by Veolia Environnement on its website (www.finance.veolia.com):

- (a) the press release dated 27 December 2012 in English language entitled "Veolia Environnement Announces Final Results and Pricing for its Debt Tender Offer";
- (b) the press release dated 17 December 2012 in English language entitled "Marion Guillou is appointed to the Board of Directors of Veolia Environment";
- (c) the press release dated 13 December 2012 in English language entitled "Veolia Environment announces the success of its partial buyback program in the Company's USD and Euro-denominated bonds";
- (d) the press release dated 3 December 2012 in English language entitled "Jean-Marc Janailac appointed Chairman and Chief Executive Officer of Veolia Transdev";
- (e) the press release dated 22 November 2012 in English language entitled "Continuation of Asset Divestitures";
- (f) the press release dated 21 November 2012 in English language entitled "Sale of Veolia Environmental Services solid waste businesses in the US to ADS Waste Holdings is complete";
- (g) the press release dated 19 November 2012 in English language entitled "François Bertreau is appointed Chief Operating Officer";
- (h) the press release dated 7 November 2012 in English language entitled "Key Figures for the Nine Months Ended 30 September 2012";
- (i) the press release dated 29 October 2012 in English language whereby Veolia Environment denied any plan for capital increase;
- (j) the press release dated 26 October 2012 in English language relating to a lawsuit initiated by EDF against Veolia Environnement regarding Dalkia;
- (k) the press release dated 23 October 2012 in English language entitled "Proposed Share Ownership Changes at Veolia Transdev"; and

- (l) the press release dated 20 October 2012 in English language whereby Veolia Environment denied market rumours relating to a merger with Suez Environment.

Any statement contained in a document or part of a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, be part of this Prospectus.

The 2011 Registration Document, the 2010 Registration Document and the Update to the 2011 Registration Document are available for viewing on the website of the AMF (www.amf-france.org) and on the website of the Issuer (www.finance.veolia.com). Free English translations of the 2011 Registration Document and 2010 Registration Document are also available for viewing on the website of the Issuer (www.finance.veolia.com).

For the purpose of the Prospectus Directive, information can be found in the documents incorporated by reference in this Prospectus in accordance with the following cross-reference table:

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
1.	PERSONS RESPONSIBLE			
1.1	All persons responsible for the information given in the registration document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.	N/A	N/A	N/A
1.2	A declaration by those responsible for the registration document that, having taken all reasonable care to ensure that such is the case the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no opinion likely to affect its import. As the case may be, declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	N/A	N/A	N/A

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
2.	STATUTORY AUDITORS			
2.1	Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).	Page 4	N/A	N/A
2.2	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.	Page 4	N/A	N/A
3.	RISK FACTORS			
3.1	Prominent disclosure of risks factors that may affect the issuer's liability to fulfil its obligations under the securities to investors in a section called "Risk Factors".	N/A	Pages 12 – 18	N/A
4.	INFORMATION ABOUT THE ISSUER			
4.1	History and development of the issuer		Page 36	
(a)	The legal and commercial name of the issuer;	N/A	Page 37	N/A
(b)	The place of registration of the issuer and its registration number	N/A	Page 37	N/A
(c)	The date of incorporation and the length of life of the issuer, except where indefinite;	N/A	Page 37	N/A
(d)	The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office);	N/A	Page 37	N/A
(e)	Any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.	Pages 11 and 39	N/A	N/A

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
5.	BUSINESS OVERVIEW			
5.1	Principal activities			
(a)	A description of the issuer's principal activities stating the main categories of products sold and/or services performed; and	N/A	Pages 40 – 61	N/A
(b)	The basis for any statements in the registration document made by the issuer regarding its competitive position.	N/A	Pages 65 – 67	N/A
6.	ORGANISATIONAL STRUCTURE			
6.1	If the issuer is part of a group, a brief description of the group and of the issuer's position within it	N/A	Pages 90 – 91	N/A
6.2	If the issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.	N/A	Page 91	N/A
7.	TREND INFORMATION			
7.1	Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements. In the event that the issuer is unable to make such a statement, provide details of this material adverse change.	Page 39	N/A	N/A
8.	PROFIT FORECASTS OR ESTIMATES If an issuer chooses to include a profit forecast or a profit estimate, the registration document must contain the information items 8.1. and 8.2.	N/A	N/A	N/A
8.1	A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.	N/A	N/A	N/A

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
	There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions must be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the forecast.			
8.2	Any profit forecast set out in the registration document must be accompanied by a statement confirming that the said forecast has been properly prepared on the basis stated and that the basis of accounting is consistent with the accounting policies of the issuer.	N/A	N/A	N/A
8.3	The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.	N/A	N/A	N/A
9.	ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES			
9.1	Names, business addresses and functions in the issuer of the following persons, and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer:			
	(a) Members of the administrative, management or supervisory bodies;	Page 40	Pages 150 – 164	N/A
	(b) Partners with unlimited liability, in the case of a limited partnership with a share capital.	N/A	N/A	N/A
9.2	Administrative, Management, and Supervisory bodies conflicts of interests	N/A	Page 164	N/A

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
	Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 9.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.			
10.	MAJOR SHAREHOLDERS			
10.1	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.	N/A	N/A	N/A
10.2	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change of control of the issuer.	N/A	N/A	N/A
11.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES			
11.1	<p>Historical Financial Information</p> <p>Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member's State national accounting standards for issuers from the Community.</p> <p>The historical annual financial information must be independently audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or</p>			

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
	an equivalent standard.			
	Balance sheet:	Pages 52-53	Pages 222 – 223	Pages 206 – 207
	Income statement:	Pages 54 and 55	Pages 224 – 225	Pages 208 – 209
	Cash flow statement:	Page 56	Pages 226 – 227	Pages 210 – 211
	Accounting policies and explanatory notes:	Pages 60 – 95	Pages 233 – 385	Pages 215 – 359
	Audit report:	Pages 96 – 97	Pages 386 – 387	Pages 360 – 361
11.2	Financial statements If the issuer prepares both own and consolidated statements, include at least the consolidated financial statements in the registration document.		Pages 222 – 231	Pages 206 – 213
11.3	Auditing of historical annual financial information			
(a)	A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.	N/A	Pages 386 – 387	Pages 360 – 361
(b)	An indication of other information in the registration document which has been audited by the auditors.	N/A	N/A	N/A
(c)	Where financial data in the registration document is not extracted from the issuer's audited financial statements, state the source of the data and state that the data is unaudited.	N/A	N/A	N/A

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
11.4	<u>Age of latest financial information</u>			
(a)	The last year of audited financial information may not be older than 18 months from the date of the registration document.	N/A	N/A	N/A
11.5	<u>Legal and arbitration proceedings</u> Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.	Pages 42 – 50	N/A	N/A
11.6	<u>Significant change in the issuer's financial or trading position</u> A description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.	Pages 11, 50 and 51	N/A	N/A

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
12.	<p>MATERIAL CONTRACTS</p> <p>A brief summary of all material contracts that are not entered into in the ordinary course of the issuer's business, which could result in any group member being under an obligation or entitlement that is material to the issuer's ability to meet its obligation to security holders in respect of the securities being issued.</p>	N/A	N/A	N/A
13.	<p>THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATION OF ANY INTEREST</p>			
13.1	<p>Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Registration Document.</p>	N/A	N/A	N/A

Annex IX of the European Regulation N°809/2004/ EC of 29 April 2004		Update to the 2011 Registration Document	2011 Registration Document	2010 Registration Document
13.2	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading; in addition, identify the source(s) of the information.	N/A	N/A	N/A
14.	<p>DOCUMENTS ON DISPLAY</p> <p>A statement that for the life of the registration document the following documents (or copies thereof), where applicable, may be inspected:</p> <p>(a) The memorandum and articles of association of the issuer;</p> <p>(b) All reports, letters, and other documents, historical financial information, valuations and statements prepared by an expert at the issuer's request any part of which is included or referred to in the registration document;</p> <p>(c) The historical financial information of the issuer or, in the case of a group, the historical financial information of the issuer and its subsidiary undertakings for each of the two financial years preceding of the registration document.</p> <p>An indication of where the documents on display may be inspected, by physical or electronic means.</p>	N/A	N/A	N/A

TERMS AND CONDITIONS OF THE EURO NOTES

The terms and conditions of the Euro Notes will be as follows:

The issue outside the Republic of France of the €1,000,000,000 Undated Deeply Subordinated Reset Rate Notes (the **Euro Notes**) of Veolia Environnement (the **Issuer**) has been authorised by resolutions of the Board of Directors (*conseil d'administration*) of the Issuer held on 15 March 2012 and 12 December 2012 and a decision of the Chief Executive Officer (*président-directeur général*) of the Issuer dated 14 January 2013. The Issuer has entered into a fiscal agency agreement (the **Agency Agreement**) dated 14 January 2013 with BNP Paribas Securities Services as fiscal agent, principal paying agent and calculation agent. The fiscal agent and principal paying agent, the calculation agent and the paying agent for the time being are respectively referred to in these Conditions as the **Fiscal Agent**, the **Principal Paying Agent**, the **Calculation Agent** and the **Paying Agent** (which expression shall include the Principal Paying Agent), each of which expression shall include the successors from time to time of the relevant persons, in such capacities, under the Agency Agreement, and are collectively referred to as the **Agents**. Copies of the Agency Agreement are available for inspection at the specified offices of the Paying Agent. References to **Conditions** are, unless the context otherwise requires, to the numbered paragraphs below.

1. DEFINITIONS

Accounting Event means that an opinion of a recognised accountancy firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that, as a result of a change in the accounting rules or methodology effective after the Issue Date, the Euro Notes must not or must no longer be recorded as "equity" in full pursuant to the International Financial Reporting Standards (**IFRS**) or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer.

Actual/Actual (ICMA) means:

- if interest is required to be calculated for a period that is equal to or shorter than the EUR Interest Rate Accrual Period to which it applies, the number of calendar days in the relevant period divided by the number of calendar days in the EUR Interest Rate Accrual Period in which the relevant period falls;
- if interest is required to be calculated for a period of more than one year, the sum of (a) the number of calendar days of the relevant period falling in the EUR Interest Rate Accrual Period in which it begins divided by the total number of calendar days in such EUR Interest Rate Accrual Period and (b) the number of calendar days of the relevant period falling in the next EUR Interest Rate Accrual Period divided by the total number of calendar days in such next EUR Interest Rate Accrual Period (including the first such day but excluding the last).

Business Day means any calendar day (other than a Saturday or a Sunday) which is a TARGET 2 Settlement Day.

Early Redemption Date means the effective date of redemption of the Euro Notes made in accordance with this Condition.

Early Redemption Price means 101% of the principal amount of the Euro Notes until the First Step-up Date and the principal amount of the Euro Notes thereafter, in each case together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) up to the Early Redemption Date of the Euro Notes.

Equity Securities means (a) the ordinary shares (*actions ordinaires*) of the Issuer and (b) any other class of the Issuer's share capital (including preference shares (*actions de préférence*)).

Euro 5-year Swap Rate means the mid-swap rate in euros for a term of five years as displayed on Reuters screen "ISDAFIX2" as at 11:00 a.m. (Central European time) (the **Screen Page**) on the 2nd Business Day prior to commencement of a Reset Period (a **Reset Interest Determination Date**). In the event that the Euro 5-year Swap Rate does not appear on the Screen Page on a Reset Interest Determination Date, the Euro 5-year Swap Rate will be the Reference Bank Rate on such Reset Interest Determination Date.

Euro 5-year Swap Rate Quotations means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the first day of the relevant Reset Period, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis).

EUR First Step-up Margin means 3.853 per cent. *per annum*.

EUR Initial Margin means 3.603 per cent. *per annum*.

EUR Interest Rate means any of the First EUR Interest Rate, Second EUR Interest Rate, Third EUR Interest Rate or Fourth EUR Interest Rate, as the case may be.

EUR Interest Rate Accrual Period means the period from and including an Interest Payment Date (or the Issue Date as the case may be) to but excluding the next Interest Payment Date.

EUR Margin means the EUR Initial Margin, the EUR First Step-up Margin or the EUR Second Step-up Margin, as the case may be.

EUR Second Step-up Margin means 4.603 per cent. *per annum*.

Interest Payment Date means any First EUR Interest Rate Payment Date, any Second EUR Interest Rate Payment Date, any Third EUR Interest Rate Payment Date or any Fourth EUR Interest Rate Payment Date, as the case may be.

Interest Period means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

Mandatory Payment Event means that:

- (i) a dividend in cash, other distribution or payment of any nature is validly declared, paid or made in respect of any Equity Securities (as defined above) or any Parity Securities (as defined below); or
- (ii) the Issuer or any of its Subsidiaries has repurchased, purchased, redeemed, or otherwise acquired any Equity Securities or any Parity Securities.

save for, in each case, any compulsory dividend, other distribution, payment, repurchase, redemption or other acquisition required by the terms of such securities; and (i) in the case of Equity Securities, any repurchase or other acquisition in connection with the satisfaction by the Issuer of its obligations under any existing or future buy-back programme, share option, or free share allocation plan reserved for directors, officers and/or employees of the Issuer, any liquidity agreement (*programme*

de liquidité) or any associated hedging transaction, and (ii) in the case of Parity Securities, any repurchase or other acquisition in whole or in part in a public tender offer or public exchange offer at a consideration per Parity Security below its par value.

Ordinary Subordinated Obligations means obligations, whether in the form of notes or otherwise, the principal and interest of which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present or future ordinary subordinated obligations, behind Unsubordinated Obligations but in priority to *prêts participatifs*, if any, and deeply subordinated obligations.

Par Call Date means the Reset Call Date and every fifth Interest Payment Date thereafter.

Parity Securities means, at any time, any deeply subordinated notes of the Issuer which rank *pari passu* with the Euro Notes; the term Parity Securities shall apply *mutatis mutandis* to any Subsidiary of the Issuer, where relevant, provided that each such instrument shall qualify as Parity Securities only to the extent such instrument is guaranteed by the Issuer or the Issuer otherwise assumes liability for it, and the Issuer's obligations under the relevant guarantee or other assumption of liability rank *pari passu* with the Issuer's obligations under Parity Securities.

Rating Agency means any of the following: Moody's Investors Service Limited, Standard & Poor's Ratings Services, any other rating agency of equivalent international standing solicited from time to time by the Issuer to grant a rating to the Issuer and/or the Euro Notes and in each case, any of their respective successors to the rating business thereof.

Rating Methodology Event means that the Issuer certifies in a notice to the Noteholders that an amendment, clarification or change has occurred in the equity credit criteria of any Rating Agency from whom the Issuer is assigned solicited ratings, which amendment, clarification or change results in a lower equity credit for the Euro Notes than the then respective equity credit assigned on the Issue Date, or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time.

Reference Bank Rate means the percentage rate determined on the basis of the Euro 5-year Swap Rate Quotations provided by at least five leading swap dealers in the interbank market (the **Reference Banks**) to the Calculation Agent at its request at approximately 11:00 a.m. (Central European time), on the Reset Interest Determination Date. If one quotation is provided, the Reference Bank Rate will be such quotation. If two or more quotations are provided, the Reference Bank Rate will be the arithmetic mean of the quotations, eliminating, if at least three quotations are provided, the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If the Reference Bank Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the applicable Reference Bank Rate shall be equal to the last Euro 5-year Swap Rate available on the Screen Page as determined by the Calculation Agent.

Reference Rate means the Euro 5-year Swap Rate determined on the calendar day falling two Business Days prior to the first day of the relevant Reset Period.

Reset Period means the period from the Reset Call Date to the next Par Call Date and subsequently from a Par Call Date to the next succeeding Par Call Date or, as with respect to the last Reset Period, the final redemption date of the Euro Notes.

TARGET 2 Settlement Day means any calendar day on which the TARGET 2 System is operating;

TARGET 2 System means the Trans-European Automated Real-Time Gross Settlement Express Transfer System or any successor thereto.

Subsidiary means any fully consolidated subsidiary of the Issuer.

Unsubordinated Obligations means obligations, whether in the form of notes or otherwise, the principal and interest of which constitute direct, unconditional and unsubordinated obligations of the Issuer and rank and will rank *pari passu* without preference or priority among themselves and (save for certain obligations required to be preferred by French law) equally and rateably with all other present or future unsubordinated obligations of the Issuer.

2. FORM, DENOMINATION AND TITLE

The Euro Notes are issued on 16 January 2013 (the **Issue Date**) in dematerialised bearer form (*au porteur*) in the denomination of €100,000 each. Title to the Euro Notes will be evidenced in accordance with Articles L.211-3 and R.211-1 of the French *Code monétaire et financier* by book-entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Euro Notes.

The Euro Notes will, upon issue, be inscribed in the books of Euroclear France (**Euroclear France**), which shall credit the accounts of the Account Holders. For the purpose of these Conditions, **Account Holders** shall mean any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. (**Euroclear**) and the depositary bank for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

Title to the Euro Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Euro Notes may only be effected through, registration of the transfer in such books.

3. STATUS OF THE EURO NOTES

3.1 Deeply Subordinated Notes

The Euro Notes are deeply subordinated notes (**Deeply Subordinated Notes**) issued pursuant to the provisions of Article L.228-97 of the French *Code de commerce*. The principal and interest on the Euro Notes constitute direct, unconditional, unsecured and deeply (*i.e.* lowest ranking) subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank:

- subordinated to present and future *prêts participatifs*, Ordinary Subordinated Obligations and Unsubordinated Obligations of the Issuer;
- *pari passu* among themselves and *pari passu* with all other present and future deeply subordinated obligations of the Issuer (including Deeply Subordinated Notes of the Issuer).

3.2 Payment on the Euro Notes in the event of the liquidation of the Issuer

If any judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency), the payments of the creditors of the Issuer shall be made in the order of priority set out below (in each case subject to the payment in full of priority creditors) and no payment of principal and interest (including any outstanding Arrears of Interest and/or Additional Interest Amount) on the Euro Notes may be made

until all holders of other indebtedness (other than deeply subordinated indebtedness ranking *pari passu* with the Euro Notes) have been paid in full.

This means that:

- unsubordinated creditors under the Issuer's Unsubordinated Obligations,
- ordinary subordinated creditors under the Issuer's Ordinary Subordinated Obligations and
- lenders in relation to any *prêts participatifs* granted to or to be granted to the Issuer,

will be paid in priority to deeply subordinated creditors (including holders of the Euro Notes).

In the event of liquidation of the Issuer, the Euro Notes shall rank in priority only to any payments to holders of Equity Securities.

In the event of incomplete payment of unsubordinated creditors, the obligations of the Issuer in connection with Deeply Subordinated Notes shall be terminated.

4. NEGATIVE PLEDGE

There will be no negative pledge in respect of the Euro Notes.

5. INTEREST

5.1 General

Unless previously redeemed in accordance with the Condition 6 and subject to the further provisions of this Condition (in particular, but not limited to Condition 5.5), the Euro Notes shall bear interest on their principal amount:

- (a) from and including the Issue Date to, but excluding, 16 April 2018 (the **Reset Call Date**), at a rate of 4.450 per cent. *per annum* (the **First EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2013 and ending on the Reset Call Date (each a **First EUR Interest Rate Payment Date**); except that the first payment of interest, to be made on 16 April 2013, will be in respect of the period from (and including) the Issue Date to (but excluding) 16 April 2013 and will amount to €1,097.26 per Euro Note;
- (b) from and including the Reset Call Date to, but excluding, 16 April 2023 (the **First Step-up Date**), at a rate *per annum* which shall be equal to the Reference Rate of the relevant Reset Period plus the EUR Initial Margin (the **Second EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2019 and ending on the First Step-up Date (each a **Second EUR Interest Rate Payment Date**);
- (c) from and including the First Step-up Date to, but excluding, 16 April 2038 (the **Second Step-up Date**), at a rate *per annum* which shall be equal to the Reference Rate of the relevant Reset Period plus the EUR First Step-up Margin (the **Third EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2024 and ending on the Second Step-up Date (each a **Third EUR Interest Rate Payment Date**); and
- (d) from and including the Second Step-up Date, at a rate *per annum* which shall be equal to the Reference Rate of the relevant Reset Period plus the EUR Second Step-up Margin (the **Fourth EUR Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2039 (each a **Fourth EUR Interest Rate Payment Date**);

provided, however, that if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant payment will be postponed to the next Business Day and no interest shall accrue nor be payable as a result of such postponement.

Promptly after the determination of the Reference Rate, the Calculation Agent shall determine the EUR Interest Rate for each Euro Note and calculate the relevant EUR Interest Amount (as defined below).

The Calculation Agent will cause the relevant EUR Interest Rate and the relevant EUR Interest Amount (as defined below) payable per Euro Note to be notified to the Issuer, the Fiscal Agent and Principal Paying Agent and, if required by the rules of Euronext Paris or any other stock exchange on which the Euro Notes are listed from time to time, to such stock exchange, and to holders of Euro Notes (the **Noteholders** and each a **Noteholder**) in accordance with Condition 11 without undue delay, but, in any case, not later than on the fourth Business Day after its determination.

5.2 Calculation of the EUR Interest Amount

The amount of interest (the **EUR Interest Amount**) payable on each Euro Note and on each Interest Payment Date will be the product of the principal amount of such Note and the applicable EUR Interest Rate, multiplied by the Actual/Actual (ICMA) day count fraction and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

5.3 Notifications, etc. to be binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks or the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Fiscal Agent and all Noteholders.

5.4 Calculation Agent

The Agency Agreement provides that the Issuer may at any time terminate the appointment of the Calculation Agent and appoint a substitute Calculation Agent provided that so long as any of the Euro Notes remain outstanding, there shall at all times be a Calculation Agent for the purposes of the Euro Notes having a specified office in a major European city. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine any EUR Interest Rate or EUR Interest Amount for any Interest Period, the Issuer shall appoint the European office of another leading bank engaged in the Euro-zone or London interbank market to act in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed. The Calculation Agent shall act as an independent expert and not as agent for the Issuer or the Noteholders.

Notice of any change of Calculation Agent or any change of specified office shall promptly be given as soon as reasonably practicable to the Noteholders in accordance with Condition 11 and, so long as the Euro Notes are listed on Euronext Paris and if the rules applicable to such stock exchange so require, to such stock exchange.

5.5 Interest Deferral

Interest payments shall only be due and payable if the Issuer so elects, in accordance with the provisions of the following paragraphs.

(a) Optional Interest Payments

Interest which accrues during an Interest Period ending on but excluding an Interest Payment Date will be due and payable on that Interest Payment Date unless the Issuer, by giving notice to the Noteholders elects to defer such payment in whole (but not in part). If the Issuer makes such an election, the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer under the Euro Notes or for any other purpose.

Any interest in respect of the Euro Notes which has not been paid will be deferred and shall constitute **Arrears of Interest** and shall be payable as outlined below.

(b) Arrears of Interest

Arrears of Interest (together with any Additional Interest Amount (as defined below)) may at the option of the Issuer be paid in whole (but not in part) at any time, provided that all Arrears of Interest (together with the corresponding Additional Interest Amounts) in respect of all Euro Notes for the time being outstanding shall become due in full on whichever is the earliest of:

- (i) the fifth Business Day following the occurrence of a Mandatory Payment Event ;
- (ii) any Interest Payment Date on which an EUR Interest Amount is paid;
- (iii) the date on which the Euro Notes are redeemed; or
- (iv) the date upon which a judgment is made for the voluntary or judicial liquidation of the Issuer (*liquidation judiciaire ou amiable*) or the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer or if the Issuer is liquidated for any other reason.

Each amount of Arrears of Interest shall bear interest, in accordance with Article 1154 of the French *Code civil*, as if it constituted the principal of the Euro Notes at a rate which corresponds to the rate of interest from time to time applicable to the Euro Notes (the **Arrears Interest Rate**) and the amount of such interest (the **Additional Interest Amount**) with respect to Arrears of Interest shall be due and payable pursuant to this paragraph (b) and shall be calculated by the Calculation Agent applying the Arrears Interest Rate to the amount of the Arrears of Interest and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition.

The Additional Interest Amount accrued up to any Interest Payment Date shall be added in accordance with Article 1154 of the French *Code civil* to the amount of Arrears of Interest remaining unpaid on such Interest Payment Date so that it will itself become Arrears of Interest, for the purpose only of calculating the Additional Interest Amount accruing thereafter.

(c) Notice of Deferral and Payment of Arrears of Interests

Notice of (i) deferral of any interest under the Euro Notes on any Interest Payment Date and (ii) any date upon which amounts in respect of Arrears of Interest and/or Additional Interest Amounts shall become due and payable shall be given to the Noteholders in accordance with Condition 11, and the Fiscal Agent and the Calculation Agent at least five (5) Business Days in Paris, but no more than thirty (30) Business Days in Paris, prior to such Interest Payment Date or date. So long as the Euro Notes are listed on Euronext Paris and the rules applicable to such stock exchange so require, notice of any such deferral shall also be given as soon as reasonably practicable to such stock exchange.

6. REDEMPTION AND PURCHASE

The Euro Notes may not be redeemed otherwise than in accordance with this Condition.

6.1 Final Redemption

Subject to any early redemption described below, the Euro Notes are undated securities with no specified maturity date.

6.2 Optional Redemption

The Issuer will have the right to redeem all of the Euro Notes (but not some only) on the Reset Call Date and on any Par Call Date thereafter, subject to having given not more than sixty (60) nor less than thirty (30), calendar days' prior notice to the Noteholders (which notice shall be irrevocable). Such early redemption of the Euro Notes will be made at their principal amount together with any accrued interest and Arrears of Interest (including any Additional Interest Amounts thereon).

6.3 Redemption for Taxation Reasons

- (a) If, at any time, by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment due in respect of the Euro Notes, not be able to make such payment without having to pay Additional Amounts as specified in Condition 8 below (a **Gross-up Event**), the Issuer may at any time, subject to having given not more than sixty (60) nor less than thirty (30) calendar days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11, redeem all of the Euro Notes (but not some only) at their principal amount together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable Interest Payment Date on which the Issuer could make payment of principal and interest without withholding for French taxes.
- (b) If the Issuer would on the occasion of the next payment in respect of the Euro Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable (a **Withholding Tax Event**), notwithstanding the undertaking to pay Additional Amounts contained in Condition 8 below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven calendar days' prior notice to the Noteholders in accordance with Condition 11 redeem all of the Euro Notes (but not some only) at their principal amount together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) on the latest practicable date on which the Issuer could make payment of the full amount payable in respect of the Euro Notes without withholding for French taxes, or, if such date is past, as soon as practicable thereafter.
- (c) If an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the tax regime of any payments under the Euro Notes is modified and such modification results in the non-deductibility (in whole or in part) of the amount of interest payable by the Issuer in respect of the Euro Notes which would have been otherwise deductible in whole or in part (a **Tax Deductibility Event**), the Issuer may, at its option, at any time (subject to having given not more than sixty (60) nor less than thirty (30) calendar days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11), redeem all of the Euro Notes (but not some only) at the Early Redemption Price, provided that the effective date of redemption of which notice hereunder may be given shall be no earlier than the latest practicable date preceding the effective date on which the tax regime of interest payments under the Euro Notes is modified. For the avoidance of doubt, this provision shall not apply to any such change in law or regulation which results from the Finance Act for 2013 (*loi de finances pour 2013*) n°2012-1509 dated 29 December 2012.

6.4 Redemption following an Accounting Event

If an Accounting Event shall occur after the Issue Date, the Issuer may at its option redeem all the Euro Notes (but not some only) at any time, subject to the Issuer having given the Noteholders not less than thirty (30), or more than sixty (60), Business Days' prior notice (which notice shall be irrevocable) in accordance with Condition 11, at the Early Redemption Price; provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last calendar day before the date on which the Euro Notes must not or must no longer be recorded as "equity" in full pursuant to IFRS (as defined below) or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer.

6.5 Redemption following a Rating Methodology Event

If a Rating Methodology Event shall occur after the Issue Date, the Issuer may at its option redeem all the Euro Notes (but not some only) at any time, subject to the Issuer having given the Noteholders not less than thirty (30), or more than sixty (60), Business Days' prior notice (which notice shall be irrevocable) in accordance with Condition 11, at the Early Redemption Price; provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last calendar day before the date on which the Euro Notes will no longer be eligible for the same or higher category of equity credit.

6.6 Purchases

The Issuer may at any time purchase Euro Notes together with rights to interest and any other amounts relating thereto in the open market or otherwise at any price in accordance with applicable laws and regulations. Euro Notes so purchased by the Issuer may be held and resold in accordance with Article L.213-1A and D.213-1 A of the French *Code monétaire et financier* for the purpose of enhancing the liquidity of the Euro Notes.

In the event that at least 90% of the initial aggregate principal amount of the Euro Notes has been purchased by the Issuer or any Subsidiary of the Issuer or, jointly or severally, by the Issuer and any Subsidiary of the Issuer (a **Repurchase Event**), the Issuer may at its option, at any time, redeem all of the outstanding Euro Notes (but not some only) at the Early Redemption Price, subject to the Issuer having given the Noteholders not less than thirty (30), or more than sixty (60), Business Days' prior notice (which notice shall be irrevocable) in accordance with Condition 11.

6.7 Cancellation

Subject to Condition 6.6 first paragraph, all Euro Notes which are purchased by the Issuer pursuant to this Condition 6 will forthwith be cancelled (together with rights to interest and any other amounts relating thereto) by transfer to an account in accordance with the rules and procedures of Euroclear France. Any Euro Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Euro Notes shall be discharged.

7. PAYMENTS

7.1 Method of Payment

Payments of principal and interest (including, for the avoidance of doubt, any Arrears of Interest and Additional Interest Amounts) in respect of the Euro Notes will be made in euro by transfer to a euro-denominated account of the relevant Account Holder. All payments validly made to such Account Holders in favour of the Noteholders will be an effective discharge of the Issuer in respect of such payments.

All payments are subject in all cases to any applicable fiscal or other laws, regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

7.2 **Payments on Business Days**

If any due date for payment in respect of any Euro Note is not a Business Day, the Noteholders shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

No commission or expenses shall be charged to the Noteholders in respect of such payments.

7.3 **Fiscal Agent, Paying Agent and Calculation Agent**

The names of the initial Agents and their specified offices are set out below:

Fiscal Agent, Principal Paying Agent and Calculation Agent

BNP Paribas Securities Services

Les Grands Moulins de Pantin
9, rue du Débarcadère
93500 Pantin – France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Principal Paying Agent or Paying Agent and/or appoint additional or other Paying Agents or approve any change in the office through which any such Agent acts, provided that there will at all times be a Fiscal Agent and a Principal Paying Agent having a specified office in a European city. Notice of any such change or any change of specified office shall promptly be given as soon as reasonably practicable to the Noteholders in accordance with Condition 11 and, so long as the Euro Notes are listed on Euronext Paris and if the rules applicable to such stock exchange so require, to such stock exchange.

8. **TAXATION**

All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the French Republic or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

If applicable law should require that payments of principal or interest made by the Issuer in respect of any Euro Note be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever levied by the Republic of France, the Issuer, will, to the fullest extent then permitted by law, pay such additional amounts (**Additional Amounts**) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Euro Note, as the case may be:

- (a) **Other connection:** to, or to a third party on behalf of, a Noteholder who is (i) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the financial intermediary, the Issuer or the competent tax authority, or (ii) liable to such taxes, duties, assessments or governmental charges in respect of such Euro Note or interest coupon by reason of his having some connection with the Republic of France other than the mere holding of the Euro Note or interest coupon; or

- (b) **Presentation more than thirty (30) calendar days after the Relevant Date:** presented for payment more than thirty (30) calendar days after the Relevant Date except to the extent that the Noteholder would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth such day; or
- (c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other EU Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) **Payment by another Paying Agent:** presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Euro Note or interest coupon to another Paying Agent in a Member State of the EU.

As used in these Conditions, **Relevant Date** in respect of any Euro Note or interest amount means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made. References in these Conditions to (i) **principal** shall be deemed to include any premium payable in respect of the Euro Notes, the Early Redemption Price and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) **interest** shall be deemed to include all EUR Interest Amounts and all other amounts (including, for the avoidance of doubt, if any, all Arrears of Interest and all Additional Interest Amount) payable pursuant to Condition 6 or any amendment or supplement to it and (iii) **principal** and/or **interest** shall be deemed to include any Additional Amounts that may be payable under this Condition.

Each Noteholder shall be responsible for supplying to the Paying Agent, in a reasonable and timely manner, any information as may be required in order to comply with the identification and reporting obligations imposed on it by the European Council Directive 2003/48/EC or any other European Directive implementing the conclusions of the ECOFIN Council Meeting dated 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive.

9. ENFORCEMENT EVENTS, NO EVENTS OF DEFAULT AND NO CROSS DEFAULT

There are no events of default in respect of the Euro Notes. There is no cross default under the Euro Notes.

However, each Euro Note shall become immediately due and payable at its principal amount, together with accrued interest thereon, if any, to the date of payment and any Arrears of Interest (including any Additional Interest Amounts thereon), in the event that a judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole of the business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency). No payments will be made to holders of any class of the share capital of the Issuer before all amounts due, but unpaid, to all Noteholders have been paid by the Issuer.

10. REPRESENTATION OF THE NOTEHOLDERS

Noteholders will be grouped automatically for the defence of their common interests in a *masse* (in each case, the **Masse**).

The Masse will be governed by the provisions of the French *Code de commerce* with the exception of Articles L.228-48, L.228-59, L.228-65 I 3° only in the case of the transfers of assets of the Issuer to any fully consolidated subsidiary of the Group for regulatory purpose, the second sentence of Article L.228-65 II and Articles R.228-63, R.228-67 and R.228-69 subject to the following provisions:

10.1 Legal Personality

The Masse will be a separate legal entity and will act in part through a representative (the **Representative**) and in part through a general meeting of the Noteholders (the **General Meeting**). The Masse alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Euro Notes.

10.2 Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

- (a) the members of the Management Committee (*comité de Gestion*), the members of the Board of Directors (*conseil d'administration*), the general managers (*directeurs généraux*), the statutory auditors, or the employees of the Issuer as well as their ascendants, descendants and spouse; or
- (b) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their Board of Directors (*conseil d'administration*), Executive Board (*directoire*), or Supervisory Board (*conseil de surveillance*), their statutory auditors, or employees as well as their ascendants, descendants and spouse; or
- (c) companies holding 10% or more of the share capital of the Issuer or companies having 10% or more of their share capital held by the Issuer; or
- (d) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The names and addresses of the initial Representative of the Masse and the alternate Representative are the following:

Initial Representative:

Sylvain THOMAZO
20, rue Victor Bart
78000 VERSAILLES

Alternate Representative:

Sandrine D'HAUSSY
69 avenue Gambetta
94100 Saint Maur des Fossés

In connection with its functions or duties, the Representative will be entitled to a remuneration of €600 per year payable on the Issue Date and on the anniversary of the Issue Date in each year.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by another Representative. In the event of the death, retirement or revocation of appointment of the alternate Representative, an alternate Representative will be elected by the General Meeting.

All interested parties will at all times have the right to obtain the names and addresses of the initial Representative and the alternate Representative at the head office of the Issuer and the specified offices of any of the Paying Agents.

10.3 Powers of Representative

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, must be brought by or against the Representative.

The Representative may not be involved in the management of the affairs of the Issuer.

10.4 General Meeting

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the principal amount of the Euro Notes outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two months after such demand, the Noteholders may commission one of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 11 not less than fifteen (15) calendar days prior to the date of such General Meeting. Each Noteholder has the right to participate in a General Meeting in person, by proxy, by correspondence or, if the *statuts* of the Issuer so specify, by videoconference or by any other means of telecommunication allowing the identification of participating Noteholders.

Each Euro Note carries the right to one vote.

10.5 Powers of the General Meetings

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate Representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Euro Notes, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase the liabilities (*charges*) of the Noteholders, nor establish any unequal treatment between the Noteholders, nor to decide to convert Euro Notes into shares.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least one fifth of the principal amount of the Euro Notes then outstanding. On

second convocation, no quorum shall be required. Decisions at meetings shall be taken by a simple majority of votes cast by Noteholders attending such General Meetings or represented thereat.

In accordance with Article R.228-71 of the French *Code de commerce*, the right of each Noteholder to participate in General Meetings will be evidenced by the entries in the books of the relevant Account Holder of the name of such Noteholder as of 0:00, Paris time, on the third Business Day in Paris preceding the date set for the meeting of the relevant general assembly.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 11.

10.6 Information to Noteholders

Each Noteholder or Representative thereof will have the right, during the fifteen (15) calendar day period preceding the holding of each General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant Noteholders at the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting.

10.7 Expenses

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the Euro Notes.

10.8 Single Masse

The holders of Euro Notes of the same series, and the holders of Euro Notes of any other series which will be assimilated with other Euro Notes in accordance with Condition 13, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the Euro Notes will be the Representative of the single Masse.

11. NOTICES

- 11.1 So long as such Euro Notes are listed and admitted to trading on Euronext Paris, notice by the Issuer to the Noteholders will be valid if published at the option of the Issuer (i) in a leading daily newspaper of general circulation in France (which is expected to be *Les Echos*), or (ii) in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or (iii) in accordance with Articles 221-3 and 221-4 of the General Regulations (*Règlement Général*) of the AMF.
- 11.2 If any such publication is not practicable, notice shall be validly given if published by the Issuer in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication.
- 11.3 Notices required to be given to the Noteholders may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Euro Notes are for the time being cleared in substitution for the mailing and publication of a notice required by Conditions 11.1 and 11.2 above; except that (i) so long as the Euro Notes are listed and admitted to trading on Euronext Paris and the rules of such regulated market so require, notices shall also be published in a leading daily newspaper of general circulation in France, and (ii)

notices relating to the convocation and decision(s) of the General Meetings pursuant to Condition 10 shall also be published in a leading daily newspaper of general circulation in Europe.

12. PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Euro Notes shall become prescribed 10 years (in the case of principal) and five years (in the case of interest) from the due date for payment thereof.

13. FURTHER ISSUES

The Issuer may, from time to time without the consent of the Noteholders, issue further Euro Notes to be assimilated (*assimilables*) with the Euro Notes as regards their financial service, provided that such further notes and the Euro Notes shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation. In the event of such assimilation, the Noteholders and the holders of any assimilated notes will, for the defence of their common interests, be grouped in a single Masse having legal personality.

14. GOVERNING LAW AND JURISDICTION

14.1 Governing Law

The Euro Notes are governed by, and shall be construed in accordance with, French law.

14.2 Jurisdiction

Any claim against the Issuer in connection with any Euro Notes may be brought before any competent court in Paris.

The following paragraph in italics does not form part of the Conditions.

Considerations regarding redemption and repurchase of the Euro Notes:

*Unless the rating assigned by Standard & Poor's Rating Services (or any of its subsidiaries or successors) (for the purposes of this paragraph only, **S&P**) to the Issuer is at least "BBB+" (or such similar nomenclature then used by S&P) and the Issuer is comfortable that such rating would not fall below this level as a result of such redemption or repurchase the Issuer intends (without thereby assuming a legal obligation), during the period from and including the Issue Date to but excluding the Second Step-up Date, in the event of:*

- (a) *a redemption of the Euro Notes pursuant to Conditions 6.2, 6.3(a) and 6.4 or a Rating Methodology Event (as referred to Condition 6.5) which results from a change in methodology of a Rating Agency other than S&P; or*
- (b) *a repurchase of the Euro Notes pursuant to Condition 6.6 of more than (a) 10% of the aggregate principal amount of the Euro Notes originally issued in any period of 12 consecutive months or (b) 25% of the aggregate principal amount of the Euro Notes originally issued in any period of 10 consecutive years,*

that it will redeem or repurchase the Euro Notes only to the extent that such part of the aggregate principal amount of the Euro Notes to be redeemed or repurchased as was characterised as equity by S&P (equity credit) at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the

issuance of the Euro Notes) does not exceed such equity credit attributed to the net proceeds received by the Issuer or any Subsidiary during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or any Subsidiary to third party purchasers of securities as is characterised by S&P, at the time of sale or issuance, as equity.

Terms used but not defined in the preceding sentence shall have the meaning set out in the Terms and Conditions.

TERMS AND CONDITIONS OF THE STERLING NOTES

The terms and conditions of the Sterling Notes will be as follows:

The issue outside the Republic of France of the £400,000,000 Undated Deeply Subordinated Reset Rate Notes (the **Sterling Notes**) of Veolia Environnement (the **Issuer**) has been authorised by resolutions of the Board of Directors (*conseil d'administration*) of the Issuer held on 15 March 2012 and 12 December 2012 and a decision of the Chief Executive Officer (*président-directeur général*) of the Issuer dated 14 January 2013. The Issuer has entered into a fiscal agency agreement (the **Agency Agreement**) dated 14 January 2013 with BNP Paribas Securities Services as fiscal agent, principal paying agent and calculation agent. The fiscal agent and principal paying agent, the calculation agent and the paying agent for the time being are respectively referred to in these Conditions as the **Fiscal Agent**, the **Principal Paying Agent**, the **Calculation Agent** and the **Paying Agent** (which expression shall include the Principal Paying Agent), each of which expression shall include the successors from time to time of the relevant persons, in such capacities, under the Agency Agreement, and are collectively referred to as the **Agents**. Copies of the Agency Agreement are available for inspection at the specified offices of the Paying Agent. References to **Conditions** are, unless the context otherwise requires, to the numbered paragraphs below.

1. DEFINITIONS

Accounting Event means that an opinion of a recognised accountancy firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that, as a result of a change in the accounting rules or methodology effective after the Issue Date, the Sterling Notes must not or must no longer be recorded as "equity" in full pursuant to the International Financial Reporting Standards (**IFRS**) or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer.

Actual/Actual (ICMA) means:

- if interest is required to be calculated for a period that is equal to or shorter than the GBP Interest Rate Accrual Period to which it applies, the number of calendar days in the relevant period divided by the number of calendar days in the GBP Interest Rate Accrual Period in which the relevant period falls;
- if interest is required to be calculated for a period of more than one year, the sum of (a) the number of calendar days of the relevant period falling in the GBP Interest Rate Accrual Period in which it begins divided by the total number of calendar days in such GBP Interest Rate Accrual Period and (b) the number of calendar days of the relevant period falling in the next GBP Interest Rate Accrual Period divided by the total number of calendar days in such next GBP Interest Rate Accrual Period (including the first such day but excluding the last).

Business Day means any calendar day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for general business in London.

Early Redemption Price means 101% of the principal amount of the Sterling Notes until the First Step-up Date and the principal amount of the Sterling Notes thereafter, in each case together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) up to the Early Redemption Date of the Sterling Notes.

Early Redemption Date means the effective date of redemption of the Sterling Notes made in accordance with this Condition.

Equity Securities means (a) the ordinary shares (*actions ordinaires*) of the Issuer and (b) any other class of the Issuer's share capital (including preference shares (*actions de préférence*)).

GBP 5-year Swap Rate means the mid-swap rate in sterlings for a term of five years as displayed on Reuters screen "ISDAFIX4" as at 11:00 a.m. (London time) (the **Screen Page**) on the 2nd Business Day prior to commencement of a Reset Period (a **Reset Interest Determination Date**). In the event that the GBP 5-year Swap Rate does not appear on the Screen Page on a Reset Interest Determination Date, the GBP 5-year Swap Rate will be the Reference Bank Rate on such Reset Interest Determination Date.

GBP 5-year Swap Rate Quotations means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating sterlings interest rate swap which (i) has a term of 5 years commencing on the first day of the relevant Reset Period, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/360 day count basis).

GBP First Step-up Margin means 3.879 per cent. *per annum*.

GBP Initial Margin means 3.629 per cent. *per annum*.

GBP Interest Rate means any of the First GBP Interest Rate, Second GBP Interest Rate, Third GBP Interest Rate or Fourth GBP Interest Rate, as the case may be.

GBP Interest Rate Accrual Period means the period from and including an Interest Payment Date (or the Issue Date as the case may be) to but excluding the next Interest Payment Date.

GBP Margin means the GBP Initial Margin, the GBP First Step-up Margin or the GBP Second Step-up Margin, as the case may be.

GBP Second Step-up Margin means 4.629 per cent. *per annum*.

Interest Payment Date means any First GBP Interest Rate Payment Date, any Second GBP Interest Rate Payment Date, any Third GBP Interest Rate Payment Date or any Fourth GBP Interest Rate Payment Date, as the case may be.

Interest Period means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

Mandatory Payment Event means that:

- (i) a dividend in cash, other distribution or payment of any nature is validly declared, paid or made in respect of any Equity Securities (as defined above) or any Parity Securities (as defined below); or
- (ii) the Issuer or any of its Subsidiaries has repurchased, purchased, redeemed, or otherwise acquired any Equity Securities or any Parity Securities.

save for, in each case, any compulsory dividend, other distribution, payment, repurchase, redemption or other acquisition required by the terms of such securities; and (i) in the case of Equity Securities, any repurchase or other acquisition in connection with the satisfaction by the Issuer of its obligations under any existing or future buy-back programme, share option, or free share allocation plan reserved for directors, officers and/or employees of the Issuer, any liquidity agreement (*programme*

de liquidité) or any associated hedging transaction, and (ii) in the case of Parity Securities, any repurchase or other acquisition in whole or in part in a public tender offer or public exchange offer at a consideration per Parity Security below its par value.

Ordinary Subordinated Obligations means obligations, whether in the form of notes or otherwise, the principal and interest of which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present or future ordinary subordinated obligations, behind Unsubordinated Obligations but in priority to *prêts participatifs*, if any, and deeply subordinated obligations.

Par Call Date means the Reset Call Date and every fifth Interest Payment Date thereafter.

Parity Securities means, at any time, any deeply subordinated notes of the Issuer which rank *pari passu* with the Sterling Notes; the term Parity Securities shall apply *mutatis mutandis* to any Subsidiary of the Issuer, where relevant, provided that each such instrument shall qualify as Parity Securities only to the extent such instrument is guaranteed by the Issuer or the Issuer otherwise assumes liability for it, and the Issuer's obligations under the relevant guarantee or other assumption of liability rank *pari passu* with the Issuer's obligations under Parity Securities.

Rating Agency means any of the following: Moody's Investors Service Limited, Standard & Poor's Ratings Services, any other rating agency of equivalent international standing solicited from time to time by the Issuer to grant a rating to the Issuer and/or the Sterling Notes and in each case, any of their respective successors to the rating business thereof.

Rating Methodology Event means that the Issuer certifies in a notice to the Noteholders that an amendment, clarification or change has occurred in the equity credit criteria of any Rating Agency from whom the Issuer is assigned solicited ratings, which amendment, clarification or change results in a lower equity credit for the Sterling Notes than the then respective equity credit assigned on the Issue Date, or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time.

Reference Bank Rate means the percentage rate determined on the basis of the GBP 5-year Swap Rate Quotations provided by at least five leading swap dealers in the interbank market (the **Reference Banks**) to the Calculation Agent at its request at approximately 11:00 a.m. (London time), on the Reset Interest Determination Date. If one quotation is provided, the Reference Bank Rate will be such quotation. If two or more quotations are provided, the Reference Bank Rate will be the arithmetic mean of the quotations, eliminating, if at least three quotations are provided, the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If the Reference Bank Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the applicable Reference Bank Rate shall be equal to the last GBP 5-year Swap Rate available on the Screen Page as determined by the Calculation Agent.

Reference Rate means the GBP 5-year Swap Rate determined on the calendar day falling two Business Days prior to the first day of the relevant Reset Period.

Reset Period means the period from the Reset Call Date to the next Par Call Date and subsequently from a Par Call Date to the next succeeding Par Call Date or, as with respect to the last Reset Period, the final redemption date of the Sterling Notes.

Subsidiary means any fully consolidated subsidiary of the Issuer.

Unsubordinated Obligations means obligations, whether in the form of notes or otherwise, the principal and interest of which constitute direct, unconditional and unsubordinated obligations of the

Issuer and rank and will rank *pari passu* without preference or priority among themselves and (save for certain obligations required to be preferred by French law) equally and rateably with all other present or future unsubordinated obligations of the Issuer.

2. FORM, DENOMINATION AND TITLE

The Sterling Notes are issued on 16 January 2013 (the **Issue Date**) in dematerialised bearer form (*au porteur*) in the denomination of £100,000 each. Title to the Sterling Notes will be evidenced in accordance with Articles L.211-3 and R.211-1 of the French *Code monétaire et financier* by book-entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Sterling Notes.

The Sterling Notes will, upon issue, be inscribed in the books of Euroclear France (**Euroclear France**), which shall credit the accounts of the Account Holders. For the purpose of these Conditions, **Account Holders** shall mean any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. (**Euroclear**) and the depositary bank for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

Title to the Sterling Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Sterling Notes may only be effected through, registration of the transfer in such books.

3. STATUS OF THE STERLING NOTES

3.1 Deeply Subordinated Notes

The Sterling Notes are deeply subordinated notes (**Deeply Subordinated Notes**) issued pursuant to the provisions of Article L.228-97 of the French *Code de commerce*. The principal and interest on the Sterling Notes constitute direct, unconditional, unsecured and deeply (i.e. lowest ranking) subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank:

- subordinated to present and future *prêts participatifs*, Ordinary Subordinated Obligations and Unsubordinated Obligations of the Issuer;
- *pari passu* among themselves and *pari passu* with all other present and future deeply subordinated obligations of the Issuer (including Deeply Subordinated Notes of the Issuer).

3.2 Payment on the Sterling Notes in the event of the liquidation of the Issuer

If any judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency), the payments of the creditors of the Issuer shall be made in the order of priority set out below (in each case subject to the payment in full of priority creditors) and no payment of principal and interest (including any outstanding Arrears of Interest and/or Additional Interest Amount) on the Sterling Notes may be made until all holders of other indebtedness (other than deeply subordinated indebtedness ranking *pari passu* with the Sterling Notes) have been paid in full.

This means that:

- unsubordinated creditors under the Issuer's Unsubordinated Obligations,
- ordinary subordinated creditors under the Issuer's Ordinary Subordinated Obligations and
- lenders in relation to any *prêts participatifs* granted to or to be granted to the Issuer,

will be paid in priority to deeply subordinated creditors (including holders of the Sterling Notes).

In the event of liquidation of the Issuer, the Sterling Notes shall rank in priority only to any payments to holders of Equity Securities.

In the event of incomplete payment of unsubordinated creditors, the obligations of the Issuer in connection with Deeply Subordinated Notes shall be terminated.

4. NEGATIVE PLEDGE

There will be no negative pledge in respect of the Sterling Notes.

5. INTEREST

5.1 General

Unless previously redeemed in accordance with the Condition 6 and subject to the further provisions of this Condition (in particular, but not limited to Condition 5.5), the Sterling Notes shall bear interest on their principal amount:

- from and including the Issue Date to, but excluding, 16 April 2018 (the **Reset Call Date**), at a rate of 4.850 per cent. *per annum* (the **First GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2013 and ending on the Reset Call Date (each a **First GBP Interest Rate Payment Date**); except that the first payment of interest, to be made on 16 April 2013, will be in respect of the period from (and including) the Issue Date to (but excluding) 16 April 2013 and will amount to £1,195.89 per Sterling Note;
- from and including the Reset Call Date to, but excluding, 16 April 2023 (the **First Step-up Date**), at a rate *per annum* which shall be equal to the Reference Rate of the relevant Reset Period plus the GBP Initial Margin (the **Second GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2019 and ending on the First Step-up Date (each a **Second GBP Interest Rate Payment Date**);
- from and including the First Step-up Date to, but excluding, 16 April 2038 (the **Second Step-up Date**), at a rate *per annum* which shall be equal to the Reference Rate of the relevant Reset Period plus the GBP First Step-up Margin (the **Third GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2024 and ending on the Second Step-up Date (each a **Third GBP Interest Rate Payment Date**); and
- from and including the Second Step-up Date, at a rate *per annum* which shall be equal to the Reference Rate of the relevant Reset Period plus the GBP Second Step-up Margin (the **Fourth GBP Interest Rate**), payable annually in arrear on 16 April of each year, commencing on 16 April 2039 (each a **Fourth GBP Interest Rate Payment Date**);

provided, however, that if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant payment will be postponed to the next Business Day and no interest shall accrue nor be payable as a result of such postponement.

Promptly after the determination of the Reference Rate, the Calculation Agent shall determine the GBP Interest Rate for each Sterling Note and calculate the relevant GBP Interest Amount (as defined below).

The Calculation Agent will cause the relevant GBP Interest Rate and the relevant GBP Interest Amount (as defined below) payable per Sterling Note to be notified to the Issuer, the Fiscal Agent and Principal Paying Agent and, if required by the rules of Euronext Paris or any other stock exchange on which the Sterling Notes are listed from time to time, to such stock exchange, and to holders of Sterling Notes (the **Noteholders** and each a **Noteholder**) in accordance with Condition 11 without undue delay, but, in any case, not later than on the fourth Business Day after its determination.

5.2 Calculation of the GBP Interest Amount

The amount of interest (the **GBP Interest Amount**) payable on each Sterling Note and on each Interest Payment Date will be the product of the principal amount of such Sterling Note and the applicable GBP Interest Rate, multiplied by the Actual/Actual (ICMA) day count fraction and rounding the resulting figure, if necessary, to the nearest penny (half a penny being rounded upwards).

5.3 Notifications, etc. to be binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks or the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Fiscal Agent and all Noteholders.

5.4 Calculation Agent

The Agency Agreement provides that the Issuer may at any time terminate the appointment of the Calculation Agent and appoint a substitute Calculation Agent provided that so long as any of the Sterling Notes remain outstanding, there shall at all times be a Calculation Agent for the purposes of the Sterling Notes having a specified office in a major European city. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine any GBP Interest Rate or GBP Interest Amount for any Interest Period, the Issuer shall appoint the European office of another leading bank engaged in the London interbank market to act in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed. The Calculation Agent shall act as an independent expert and not as agent for the Issuer or the Noteholders.

Notice of any change of Calculation Agent or any change of specified office shall promptly be given as soon as reasonably practicable to the Noteholders in accordance with Condition 11 and, so long as the Sterling Notes are listed on Euronext Paris and if the rules applicable to such stock exchange so require, to such stock exchange.

5.5 Interest Deferral

Interest payments shall only be due and payable if the Issuer so elects, in accordance with the provisions of the following paragraphs.

(a) Optional Interest Payments

Interest which accrues during an Interest Period ending on but excluding an Interest Payment Date will be due and payable on that Interest Payment Date unless the Issuer, by

giving notice to the Noteholders elects to defer such payment in whole (but not in part). If the Issuer makes such an election, the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer under the Sterling Notes or for any other purpose.

Any interest in respect of the Sterling Notes which has not been paid will be deferred and shall constitute **Arrears of Interest** and shall be payable as outlined below.

(b) Arrears of Interest

Arrears of Interest (together with any Additional Interest Amount (as defined below)) may at the option of the Issuer be paid in whole (but not in part) at any time, provided that all Arrears of Interest (together with the corresponding Additional Interest Amounts) in respect of all Sterling Notes for the time being outstanding shall become due in full on whichever is the earliest of:

- (i) the fifth Business Day following the occurrence of a Mandatory Payment Event;
- (ii) any Interest Payment Date on which a GBP Interest Amount is paid;
- (iii) the date on which the Sterling Notes are redeemed; or
- (iv) the date upon which a judgment is made for the voluntary or judicial liquidation of the Issuer (*liquidation judiciaire ou amiable*) or the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer or if the Issuer is liquidated for any other reason.

Each amount of Arrears of Interest shall bear interest, in accordance with Article 1154 of the French *Code civil*, as if it constituted the principal of the Sterling Notes at a rate which corresponds to the rate of interest from time to time applicable to the Sterling Notes (the **Arrears Interest Rate**) and the amount of such interest (the **Additional Interest Amount**) with respect to Arrears of Interest shall be due and payable pursuant to this paragraph (b) and shall be calculated by the Calculation Agent applying the Arrears Interest Rate to the amount of the Arrears of Interest and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition.

The Additional Interest Amount accrued up to any Interest Payment Date shall be added in accordance with Article 1154 of the French *Code civil* to the amount of Arrears of Interest remaining unpaid on such Interest Payment Date so that it will itself become Arrears of Interest, for the purpose only of calculating the Additional Interest Amount accruing thereafter.

(c) Notice of Deferral and Payment of Arrears of Interests

Notice of (i) deferral of any interest under the Sterling Notes on any Interest Payment Date and (ii) any date upon which amounts in respect of Arrears of Interest and/or Additional Interest Amounts shall become due and payable shall be given to the Noteholders in accordance with Condition 11, and the Fiscal Agent and the Calculation Agent at least five (5) Business Days in Paris, but no more than thirty (30) Business Days in Paris, prior to such Interest Payment Date or date. So long as the Sterling Notes are listed on Euronext Paris and the rules applicable to such stock exchange so require, notice of any such deferral shall also be given as soon as reasonably practicable to such stock exchange.

6. REDEMPTION AND PURCHASE

The Sterling Notes may not be redeemed otherwise than in accordance with this Condition.

6.1 Final Redemption

Subject to any early redemption described below, the Sterling Notes are undated securities with no specified maturity date.

6.2 Optional Redemption

The Issuer will have the right to redeem all of the Sterling Notes (but not some only) on the Reset Call Date and on any Par Call Date thereafter, subject to having given not more than sixty (60) nor less than thirty (30), calendar days' prior notice to the Noteholders (which notice shall be irrevocable). Such early redemption of the Sterling Notes will be made at their principal amount together with any accrued interest and Arrears of Interest (including any Additional Interest Amounts thereon).

6.3 Redemption for Taxation Reasons

- (a) If, at any time, by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment due in respect of the Sterling Notes, not be able to make such payment without having to pay Additional Amounts as specified in Condition 8 below (a **Gross-up Event**), the Issuer may at any time, subject to having given not more than sixty (60) nor less than thirty (30) calendar days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11, redeem all of the Sterling Notes (but not some only) at their principal amount together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable Interest Payment Date on which the Issuer could make payment of principal and interest without withholding for French taxes.
- (b) If the Issuer would on the occasion of the next payment in respect of the Sterling Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, (a **Withholding Tax Event**) notwithstanding the undertaking to pay Additional Amounts contained in Condition 8 below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven calendar days' prior notice to the Noteholders in accordance with Condition 11 redeem all of the Sterling Notes (but not some only) at their principal amount together with any accrued interest and any Arrears of Interest (including any Additional Interest Amounts thereon) on the latest practicable date on which the Issuer could make payment of the full amount payable in respect of the Sterling Notes without withholding for French taxes, or, if such date is past, as soon as practicable thereafter.
- (c) If an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the tax regime of any payments under the Sterling Notes is modified and such modification results in the non-deductibility (in whole or in part) of the amount of interest payable by the Issuer in respect of the Sterling Notes which would have been otherwise deductible in whole or in part (a **Tax Deductibility Event**), the Issuer may, at its option, at any time (subject to having given not more than sixty (60) nor less than thirty (30) calendar days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11), redeem all of the Sterling Notes (but not some only) at the Early Redemption Price, provided that the effective date of redemption of which notice hereunder may be given shall be no earlier than the latest practicable date preceding the effective date on which the tax regime of interest payments under the Sterling Notes is modified. For the avoidance of doubt, this provision shall not apply to any such change in law or regulation which results from the Finance Act for 2013 (*loi de finances pour 2013*) n°2012-1509 dated 29 December 2012.

6.4 Redemption following an Accounting Event

If an Accounting Event shall occur after the Issue Date, the Issuer may at its option redeem all the Sterling Notes (but not some only) at any time, subject to the Issuer having given the Noteholders not less than thirty (30), or more than sixty (60), Business Days' prior notice (which notice shall be irrevocable) in accordance with Condition 11, at the Early Redemption Price; provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last calendar day before the date on which the Sterling Notes must not or must no longer be recorded as "equity" in full pursuant to IFRS (as defined below) or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer.

6.5 Redemption following a Rating Methodology Event

If a Rating Methodology Event shall occur after the Issue Date, the Issuer may at its option redeem all the Sterling Notes (but not some only) at any time, subject to the Issuer having given the Noteholders not less than thirty (30), or more than sixty (60), Business Days' prior notice (which notice shall be irrevocable) in accordance with Condition 11, at the Early Redemption Price; provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last calendar day before the date on which the Sterling Notes will no longer be eligible for the same or higher category of equity credit.

6.6 Purchases

The Issuer may at any time purchase Sterling Notes together with rights to interest and any other amounts relating thereto in the open market or otherwise at any price in accordance with applicable laws and regulations. Sterling Notes so purchased by the Issuer may be held and resold in accordance with Article L.213-1A and D.213-1 A of the French *Code monétaire et financier* for the purpose of enhancing the liquidity of the Sterling Notes.

In the event that at least 90% of the initial aggregate principal amount of the Sterling Notes has been purchased by the Issuer or any Subsidiary of the Issuer or, jointly or severally, by the Issuer and any Subsidiary of the Issuer (a **Repurchase Event**), the Issuer may at its option, at any time, redeem all of the outstanding Sterling Notes (but not some only) at the Early Redemption Price, subject to the Issuer having given the Noteholders not less than thirty (30), or more than sixty (60), Business Days' prior notice (which notice shall be irrevocable) in accordance with Condition 11.

6.7 Cancellation

Subject to Condition 6.6 first paragraph, all Sterling Notes which are purchased by the Issuer pursuant to this Condition 6 will forthwith be cancelled (together with rights to interest and any other amounts relating thereto) by transfer to an account in accordance with the rules and procedures of Euroclear France. Any Sterling Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Sterling Notes shall be discharged.

7. PAYMENTS

7.1 Method of Payment

Payments of principal and interest (including, for the avoidance of doubt, any Arrears of Interest and Additional Interest Amounts) in respect of the Sterling Notes will be made in Sterlings by transfer to a Sterling-denominated account of the relevant Account Holder. All payments validly made to such Account Holders in favour of the Noteholders will be an effective discharge of the Issuer in respect of such payments.

All payments are subject in all cases to any applicable fiscal or other laws, regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

7.2 **Payments on Business Days**

If any due date for payment in respect of any Sterling Note is not a Business Day, the Noteholders shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

No commission or expenses shall be charged to the Noteholders in respect of such payments.

7.3 **Fiscal Agent, Paying Agent and Calculation Agent**

The names of the initial Agents and their specified offices are set out below:

Fiscal Agent, Principal Paying Agent and Calculation Agent

BNP Paribas Securities Services
Les Grands Moulins de Pantin
9, rue du Débarcadère
93500 Pantin – France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Principal Paying Agent or Paying Agent and/or appoint additional or other Paying Agents or approve any change in the office through which any such Agent acts, provided that there will at all times be a Fiscal Agent and a Principal Paying Agent having a specified office in a European city. Notice of any such change or any change of specified office shall promptly be given as soon as reasonably practicable to the Noteholders in accordance with Condition 11 and, so long as the Sterling Notes are listed on Euronext Paris and if the rules applicable to such stock exchange so require, to such stock exchange.

8. **TAXATION**

All payments in respect of the Sterling Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the French Republic or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

If applicable law should require that payments of principal or interest made by the Issuer in respect of any Sterling Note be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever levied by the Republic of France, the Issuer, will, to the fullest extent then permitted by law, pay such additional amounts (**Additional Amounts**) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note, as the case may be:

- (a) **Other connection:** to, or to a third party on behalf of, a Noteholder who is (i) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the financial intermediary, the Issuer or the competent tax authority, or (ii) liable to such taxes, duties, assessments or governmental charges in respect of such Sterling Note or interest coupon by reason of his having some connection with the Republic of France other than the mere holding of the Sterling Note or interest coupon; or

- (b) **Presentation more than thirty (30) calendar days after the Relevant Date:** presented for payment more than thirty (30) calendar days after the Relevant Date except to the extent that the Noteholder would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth such day; or
- (c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other EU Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) **Payment by another Paying Agent:** presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Sterling Note or interest coupon to another Paying Agent in a Member State of the EU.

As used in these Conditions, **Relevant Date** in respect of any Sterling Note or interest amount means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made. References in these Conditions to (i) **principal** shall be deemed to include any premium payable in respect of the Sterling Notes, the Early Redemption Price and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) **interest** shall be deemed to include all GBP Interest Amounts and all other amounts (including, for the avoidance of doubt, if any, all Arrears of Interest and all Additional Interest Amount) payable pursuant to Condition 6 or any amendment or supplement to it and (iii) **principal** and/or **interest** shall be deemed to include any Additional Amounts that may be payable under this Condition.

Each Noteholder shall be responsible for supplying to the Paying Agent, in a reasonable and timely manner, any information as may be required in order to comply with the identification and reporting obligations imposed on it by the European Council Directive 2003/48/EC or any other European Directive implementing the conclusions of the ECOFIN Council Meeting dated 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive.

9. ENFORCEMENT EVENTS, NO EVENTS OF DEFAULT AND NO CROSS DEFAULT

There are no events of default in respect of the Sterling Notes. There is no cross default under the Sterling Notes.

However, each Sterling Note shall become immediately due and payable at its principal amount, together with accrued interest thereon, if any, to the date of payment and any Arrears of Interest (including any Additional Interest Amounts thereon), in the event that a judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole of the business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency). No payments will be made to holders of any class of the share capital of the Issuer before all amounts due, but unpaid, to all Noteholders have been paid by the Issuer.

10. REPRESENTATION OF THE NOTEHOLDERS

Noteholders will be grouped automatically for the defence of their common interests in a *masse* (in each case, the **Masse**).

The Masse will be governed by the provisions of the French *Code de commerce* with the exception of Articles L.228-48, L.228-59, L.228-65 I 3° only in the case of the transfers of assets of the Issuer to any fully consolidated subsidiary of the Group for regulatory purpose, the second sentence of Article L.228-65 II and Articles R.228-63, R.228-67 and R.228-69 subject to the following provisions:

10.1 Legal Personality

The Masse will be a separate legal entity and will act in part through a representative (the **Representative**) and in part through a general meeting of the Noteholders (the **General Meeting**). The Masse alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Sterling Notes.

10.2 Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

- (a) the members of the Management Committee (*comité de gestion*), the members of the Board of Directors (*conseil d'administration*), the general managers (*directeurs généraux*), the statutory auditors, or the employees of the Issuer as well as their ascendants, descendants and spouse; or
- (b) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their Board of Directors (*conseil d'administration*), Executive Board (*directoire*), or Supervisory Board (*conseil de Surveillance*), their statutory auditors, or employees as well as their ascendants, descendants and spouse; or
- (c) companies holding 10% or more of the share capital of the Issuer or companies having 10% or more of their share capital held by the Issuer; or
- (d) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The names and addresses of the initial Representative of the Masse and the alternate Representative are the following:

Initial Representative:

Sylvain THOMAZO
20, rue Victor Bart
78000 VERSAILLES

Alternate Representative:

Sandrine D'HAUSSY
69 avenue Gambetta
94100 Saint Maur des Fossés

In connection with its functions or duties, the Representative will be entitled to a remuneration of €600 per year payable on the Issue Date and on the anniversary of the Issue Date in each year.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by another Representative. In the event of the death, retirement or revocation of appointment of the alternate Representative, an alternate Representative will be elected by the General Meeting.

All interested parties will at all times have the right to obtain the names and addresses of the initial Representative and the alternate Representative at the head office of the Issuer and the specified offices of any of the Paying Agents.

10.3 Powers of Representative

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, must be brought by or against the Representative.

The Representative may not be involved in the management of the affairs of the Issuer.

10.4 General Meeting

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the principal amount of the Sterling Notes outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two months after such demand, the Noteholders may commission one of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 11 not less than fifteen (15) calendar days prior to the date of such General Meeting. Each Noteholder has the right to participate in a General Meeting in person, by proxy, by correspondence or, if the *statuts* of the Issuer so specify, by videoconference or by any other means of telecommunication allowing the identification of participating Noteholders.

Each Sterling Note carries the right to one vote.

10.5 Powers of the General Meetings

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate Representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Sterling Notes, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase the liabilities (*charges*) of the Noteholders, nor establish any unequal treatment between the Noteholders, nor to decide to convert Sterling Notes into shares.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least one fifth of the principal amount of the Sterling Notes then outstanding. On

second convocation, no quorum shall be required. Decisions at meetings shall be taken by a simple majority of votes cast by Noteholders attending such General Meetings or represented thereat.

In accordance with Article R.228-71 of the French *Code de commerce*, the right of each Noteholder to participate in General Meetings will be evidenced by the entries in the books of the relevant Account Holder of the name of such Noteholder as of 0:00, Paris time, on the third Business Day in Paris preceding the date set for the meeting of the relevant general assembly.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 11.

10.6 Information to Noteholders

Each Noteholder or Representative thereof will have the right, during the fifteen (15) calendar day period preceding the holding of each General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant Noteholders at the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting.

10.7 Expenses

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the Sterling Notes.

10.8 Single Masse

The holders of Sterling Notes of the same series, and the holders of Sterling Notes of any other series which will be assimilated with other Sterling Notes in accordance with Condition 13, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the Sterling Notes will be the Representative of the single Masse.

11. NOTICES

- 11.1 So long as such Sterling Notes are listed and admitted to trading on Euronext Paris, notice by the Issuer to the Noteholders will be valid if published at the option of the Issuer (i) in a leading daily newspaper of general circulation in France (which is expected to be *Les Echos*), or (ii) in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or (iii) in accordance with Articles 221-3 and 221-4 of the General Regulations (*Règlement Général*) of the AMF.
- 11.2 If any such publication is not practicable, notice shall be validly given if published by the Issuer in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication.
- 11.3 Notices required to be given to the Noteholders may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Sterling Notes are for the time being cleared in substitution for the mailing and publication of a notice required by Conditions 11.1 and 11.2 above; except that (i) so long as the Sterling Notes are listed and admitted to trading on Euronext Paris and the rules of such regulated market so require, notices shall also be published in a leading daily newspaper of general circulation in France, and (ii)

notices relating to the convocation and decision(s) of the General Meetings pursuant to Condition 10 shall also be published in a leading daily newspaper of general circulation in Europe.

12. PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Sterling Notes shall become prescribed 10 years (in the case of principal) and five years (in the case of interest) from the due date for payment thereof.

13. FURTHER ISSUES

The Issuer may, from time to time without the consent of the Noteholders, issue further Sterling Notes to be assimilated (*assimilables*) with the Sterling Notes as regards their financial service, provided that such further notes and the Sterling Notes shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation. In the event of such assimilation, the Noteholders and the holders of any assimilated notes will, for the defence of their common interests, be grouped in a single Masse having legal personality.

14. GOVERNING LAW AND JURISDICTION

14.1 Governing Law

The Sterling Notes are governed by, and shall be construed in accordance with, French law.

14.2 Jurisdiction

Any claim against the Issuer in connection with any Sterling Notes may be brought before any competent court in Paris.

The following paragraph in italics does not form part of the Conditions.

Considerations regarding redemption and repurchase of the Sterling Notes:

*Unless the rating assigned by Standard & Poor's Rating Services (or any of its subsidiaries or successors) (for the purposes of this paragraph only, **S&P**) to the Issuer is at least "BBB+" (or such similar nomenclature then used by S&P) and the Issuer is comfortable that such rating would not fall below this level as a result of such redemption or repurchase the Issuer intends (without thereby assuming a legal obligation), during the period from and including the Issue Date to but excluding the Second Step-up Date, in the event of:*

- (a) *a redemption of the Sterling Notes pursuant to Conditions 6.2, 6.3(a) and 6.4 or a Rating Methodology Event (as referred to Condition 6.5) which results from a change in methodology of a Rating Agency other than S&P; or*
- (b) *a repurchase of the Sterling Notes pursuant to Condition 6.6 of more than (a) 10% of the aggregate principal amount of the Sterling Notes originally issued in any period of 12 consecutive months or (b) 25% of the aggregate principal amount of the Sterling Notes originally issued in any period of 10 consecutive years,*

that it will redeem or repurchase the Sterling Notes only to the extent that such part of the aggregate principal amount of the Sterling Notes to be redeemed or repurchased as was characterised as equity by S&P (equity credit) at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the

issuance of the Sterling Notes) does not exceed such equity credit attributed to the net proceeds received by the Issuer or any Subsidiary during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or any Subsidiary to third party purchasers of securities as is characterised by S&P, at the time of sale or issuance, as equity.

Terms used but not defined in the preceding sentence shall have the meaning set out in the Terms and Conditions.

USE OF PROCEEDS

The net proceeds of the issue of the Euro Notes and of the Sterling Notes are expected to amount to €992,890,000 and £397,632,000 respectively and will be used for the Issuer's general corporate purposes.

DESCRIPTION OF THE ISSUER

Veolia Environnement is a global reference in the environmental services sector. The Group's expertise is currently organized into four divisions – Water, Environmental Services, Energy Services and Transportation (currently under divestiture) – to best serve its public authority, industrial and service-sector customers. Through these divisions, Veolia Environnement currently provides drinking water to 103 million people and treats wastewater for 73 million people in the world, processes nearly 60 million tons of waste, satisfies the energy requirements of hundreds of thousands of buildings for its customers and transports more than 3.3 billion passengers each year. Veolia Environnement also develops service offers combining several Group businesses, either through several individual contracts or by combining services within a multi-service contract.

Veolia Environnement is currently rated Baa1 / P-2 with stable outlook by Moody's Investors Service Ltd. and BBB+ / A-2 with negative outlook by Standard & Poor's Ratings Services.

Each of S&P and Moody's is established in the European Union, is registered under Regulation (EC) No.1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No. 513/2011 (the **CRA Regulation**) and is included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority (www.esma.europa.eu) as of the date of this Prospectus. Credit ratings are subject to revision, suspension or withdrawal at any time by the relevant rating organization. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

For a general description of the Group, its activities and its financial condition, please refer to the sections of the 2011 Registration Document referred to in the cross-reference table appearing in section "Documents Incorporated by Reference" above.

RECENT DEVELOPMENTS

Connex Railroad

On 17 October 2012, several insurers who contributed to the settlement fund for the victims of the September 2008 Chatsworth accident (California) and their families filed a lawsuit against Connex Railroad LLC, Connex North America, Inc. and Veolia Transportation, Inc. in California state court in Los Angeles County, to recover the amounts paid towards that settlement fund, i.e. \$132.5 million. The Issuer considers the lawsuit to be without merit and intends to seek its dismissal.

In addition, the following recent developments have been filed with the AMF, are published by Veolia Environnement on its website (www.finance.veolia.com) and are incorporated by reference to this Prospectus:

- (a) the press release dated 27 December 2012 in English language entitled "Veolia Environnement Announces Final Results and Pricing for its Debt Tender Offer".
- (b) the press release dated 17 December 2012 in English language entitled "Marion Guillou is appointed to the Board of Directors of Veolia Environment";
- (c) the press release dated 13 December 2012 in English language entitled "Veolia Environment announces the success of its partial buyback program in the Company's USD and Euro-denominated bonds";
- (d) the press release dated 3 December 2012 in English language entitled "Jean-Marc Janailac appointed Chairman and Chief Executive Officer of Veolia Transdev";
- (e) the press release dated 22 November 2012 in English language entitled "Continuation of Asset Divestitures";
- (f) the press release dated 21 November 2012 in English language entitled "Sale of Veolia Environmental Services solid waste businesses in the US to ADS Waste Holdings is complete";
- (g) the press release dated 19 November 2012 in English language entitled "François Bertreau is appointed Chief Operating Officer";
- (h) the press release dated 7 November 2012 in English language entitled "Key Figures for the Nine Months Ended 30 September 2012";
- (i) the press release dated 29 October 2012 in English language whereby Veolia Environment denied any plan for capital increase;
- (j) the press release dated 26 October 2012 in English language relating to a lawsuit initiated by EDF against Veolia Environnement regarding Dalkia;
- (k) the press release dated 23 October 2012 in English language entitled "Proposed Share Ownership Changes at Veolia Transdev"; and
- (l) the press release dated 20 October 2012 in English language whereby Veolia Environment denied market rumours relating to a merger with Suez Environment.

TAXATION

The following is a general description of certain French and European Union tax considerations relating to the Notes that may be relevant to holders of the Notes who are non-French residents and who are not acting through a French permanent establishment, a branch or other fixed place of business. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in France or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the current legislation, published case law and other published guidelines and regulations as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date (potentially with retroactive effect). This description is for general information only and does not purport to be comprehensive.

European Union

On 3 June 2003, the European Council of Economics and Finance Ministers adopted Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**). Pursuant to the Savings Directive and subject to a number of conditions being met, Member States are required, since 1 July 2005, to provide to the tax authorities of another Member State, inter alia, details of payments of interest within the meaning of the Savings Directive (interest, premium or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, an individual resident in that other Member State or to certain limited types of entities established in that other Member State (the **Disclosure of Information Method**).

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Savings Directive, for the immediate benefit of individuals.

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg and Austria), instead of using the Disclosure of Information Method used by other Member States, unless the relevant beneficial owner elects for the Disclosure of Information Method, or unless the Member State elects otherwise during this transitional period, withhold an amount on interest payments. The rate of such withholding tax currently equals 35%.

Such a transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on 18 April 2002 (the **OECD Model Agreement**) with respect to interest payments within the meaning of the Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive.

A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information) with effect since 1 July 2005.

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

France

EU Savings Directive

The Savings Directive was implemented into French law under Article 242 *ter* of the French *Code général des impôts*, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Withholding tax

Following the introduction of the French *loi de finances rectificative pour 2009 no. 3* (n° 2009-1674 dated 30 December 2009 applicable as from 1 March 2010) (the **Law**), payments of interest and other revenues made by the Issuer with respect to Notes issued on or after 1 March 2010 (other than Notes which are assimilated (*assimilées*) and form a single series with Notes issued prior to 1 March 2010 having the benefit of Article 131 *quater* of the French *Code général des impôts*) will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a **Non-Cooperative State**). If such payments under the Notes are made in a Non-Cooperative State, a 50% withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of an applicable double tax treaty) by virtue of Article 125 A III of the French *Code général des impôts*. The Finance Act for 2013 (*loi de finances pour 2013*) n°2012-1509 dated 29 December 2012 increases the 50% rate to 75% as from 1 January 2013.

Furthermore, according to Article 238 A of the French *Code général des impôts* interest and other revenues on such Notes will not be deductible from the Issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid in such a Non-Cooperative State (the **Deductibility Exclusion**). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Article 109 of the French *Code général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* of the French *Code général des impôts*, at a rate of 30% or 55% subject to the more favourable provisions of a tax treaty, if applicable. The Finance Act for 2013 (*loi de finances pour 2013*) n°2012-1509 dated 29 December 2012 increases the 55% rate to 75% as from 1 January 2013.

Notwithstanding the foregoing, the Law provides that neither the 50% withholding tax set out under Article 125 A III of the French *Code général des impôts* nor the Deductibility Exclusion will apply in respect of the Notes if the Issuer can prove that the principal purpose and effect of each issue of the Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the **Exception**). Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* BOI-ANX-000364-20120912 and BOI-ANX-000366-20120912, each issue of the Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of the Notes, if the Notes are:

- (a) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
- (b) admitted, at the time of their issue, to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

Accordingly, payments of interest and other revenues under the Notes by the Issuer are not subject to the 50% withholding tax set out under article 125 A III of the French *Code général des impôts* and the Deductibility Exclusion does not apply.

SUBSCRIPTION AND SALE

Subscription Agreement

Deutsche Bank AG, London Branch and Société Générale (the **Global Coordinators, Joint Bookrunners and Lead Managers**), HSBC Bank plc, Merrill Lynch International and Morgan Stanley & Co. International plc (the **Joint Bookrunners and Lead Managers** and together with the Global Coordinators, Joint Bookrunners and Lead Managers, the **Managers**) have, pursuant to a Subscription Agreement dated 14 January 2013 (the **Subscription Agreement**), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to procure subscribers for, failing which to subscribe for the Euro Notes at an issue price equal to 99.789 per cent. of the principal amount of the Euro Notes and for the Sterling Notes at an issue price equal to 99.908 per cent. of the principal amount of the Sterling Notes, less any applicable commission. In addition, the Issuer will pay certain costs incurred by it and the Managers in connection with the issue of the Notes.

The Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to the issue of the Notes. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

Selling Restrictions

United States

The Notes has not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the U.S., and may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the relevant Notes (i) as part of its distribution at any time or (ii) otherwise until 40 calendar days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Manager to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the relevant Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in compliance with Regulation S and U.S. tax law.

In addition, until 40 calendar days after the commencement of the offering of the relevant Notes, an offer or sale of such Notes within the United States by any manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Managers reserve the right to reject any offer to purchase the relevant Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person. Distribution of this Prospectus by any non-U.S. person outside the United States to any other person within the United States, other than those persons, if any, retained to advise such non-U.S. person with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer or any of its contents to any such U.S. person or other person within the United States, other than those persons, if any, retained to advise such non-U.S. person, is prohibited.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Each of the Manager has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

General

No action has been taken in any jurisdiction that would permit an offer to the public of any of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Manager has agreed to observe all applicable laws and regulations in each jurisdiction in or from which it may acquire, offer, sell or deliver any Notes or have in its possession or distribute this Prospectus or any other offering material relating to the relevant Notes. No action has been, or will be, taken in any country or jurisdiction that would, to the best of each of the Manager's knowledge, permit a public offering of any of the Notes, or the possession or distribution of this Prospectus or any other offering material relating to the relevant Notes, in any country or jurisdiction where action for that purpose is required and none of the Issuer or any other Manager shall have responsibility therefore. Accordingly, the relevant Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to such Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of the relevant Notes by it will be made on the same terms.

GENERAL INFORMATION

1. Except as disclosed in the sections "Documents Incorporated by Reference" and "Recent Developments" on pages 33 to 42 and 77 of this Prospectus, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2012 being the end of the last financial period for which interim financial information have been published.

Except as disclosed in the sections "Documents Incorporated by Reference" and "Recent Developments" on pages 33 to 42 and 77 of this Prospectus, there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2011 being the date of its last published audited financial statements.

2. Except as disclosed in the section "Documents Incorporated by Reference" on pages 33 to 42 of this Prospectus, there has been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) against or affecting the Issuer or any of the Issuer's fully consolidated subsidiaries during the period of 12 months immediately preceding the date of this Prospectus which have had in the recent past or may have individually or in the aggregate a significant effect on the financial position or profitability of the Issuer or the Group.
3. The Euro Notes have been accepted for clearance through the Euroclear France, Euroclear and Clearstream, Luxembourg systems. The International Securities Identification Number (ISIN) of the Notes is FR0011391820. The Common Code number for the Notes is 087584127.

The Sterling Notes have been accepted for clearance through the Euroclear France, Euroclear and Clearstream, Luxembourg systems. The International Securities Identification Number (ISIN) of the Notes is FR0011391838. The Common Code number for the Notes is 087584488.

The address of Euroclear is 1 boulevard du Roi Albert II, 1210 Bruxelles, Belgium and the address of Clearstream, Luxembourg is 42 avenue John Fitzgerald Kennedy, L-1855 Luxembourg, Grand-Duchy of Luxembourg.

4. The Euro Notes and the Sterling Notes will be inscribed in the books of Euroclear France (acting as central depository). The address of Euroclear France is 115 rue Réaumur, 75081 Paris Cedex 02, France.
5. The Issuer has obtained all necessary corporate and other consents, approvals and authorisations in the Republic of France in connection with the issue of the Notes. The issue of the Euro Notes and the Sterling Notes has been authorised by resolutions of the Board of Directors (*Conseil d'administration*) of the Issuer held on 15 March 2012 and 12 December 2012 and a decision of the Chief Executive Officer (*Président Directeur Général*) of the Issuer dated 14 January 2013.
6. Application has been made to the AMF to approve this document as a prospectus and this Prospectus has received visa n°13-007 from the AMF on 14 January 2013. Application has been made to list and admit to trading the Euro Notes and the Sterling Notes on the regulated market (within the meaning of Directive 2004/39/EC) of Euronext Paris.
7. For the period of 12 months following the date of approval by the AMF of this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent or each of the Paying Agents:
 - (a) the *statuts* of the Issuer;
 - (b) this Prospectus;

- (c) the 2010 Registration Document, the 2011 Registration Document and the Update to the 2011 Registration Document; and
 - (d) all reports, letters and other documents, historical financial statements, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Prospectus.
8. Printed copies of the following documents may be obtained, free of charge, at the registered office of the Issuer during normal business hours and copies of such documents will be available on the website of the AMF (www.amf-france.org) and on the website of the Issuer (www.finance.veolia.com):
- (a) this Prospectus; and
 - (b) the 2010 Registration Document and the 2011 Registration Document.

Printed copies of the Update to the 2011 Registration Document may be obtained, free of charge, at the registered office of the Issuer during normal business hours and copies of the Update to the 2011 Registration Document will be available on the website of the Issuer (www.finance.veolia.com).

9. Ernst & Young et Autres and KPMG SA (all entities regulated by the *Haut Conseil du Commissariat aux Comptes* and duly authorised as *commissaires aux comptes*) have audited and rendered audit reports on the consolidated financial statements of the Issuer for the years ended 31 December 2010 and 2011. Ernst & Young et Autres and KPMG SA have rendered a limited review report on the consolidated semi-annual financial statements of the Issuer for the period ended 30 June 2012. The French auditors carry out their duties in accordance with the principles of *Compagnie Nationale des Commissaires aux Comptes* and are members of the CNCC professional body.
10. The estimated costs for the admission to trading of the Euro Notes are €2,500 and the estimated costs for the admission to trading of the Sterling Notes are €2,500.
11. The yield in respect of the Euro Notes from the Issue Date to the Reset Call Date is 4.500 per cent. *per annum* and is calculated on the basis of the issue price of the Euro Notes. The yield in respect of the Sterling Notes from the Issue Date to the Reset Call Date is 4.875 per cent. *per annum* and is calculated on the basis of the issue price of the Sterling Notes. It is not an indication of future yield.
12. As far as the Issuer is aware, no person involved in the issue of the Euro Notes or the Sterling Notes has an interest material to the issue. At the date of this Prospectus, as far as the Issuer is aware, there are no conflicts of interest material to the issue or offer of the Notes between the duties of the members of the Board of Directors (*conseil d'administration*) and their private interests and/or their other duties. The Managers are paid commissions in relation to the issue of the Notes. Any such Manager and its affiliates may also have engaged, and may in the future engage, in investment banking, commercial banking and other financial advisory and commercial dealings with the Issuer and its affiliates and in relation to securities issued by any entity of the Group. They have or may (i) engage in investment banking, trading or hedging activities including in activities that may include prime brokerage business, financing transactions or entry into derivative transactions, (ii) act as underwriters in connection with offering of shares or other securities issued by any entity of the Group or (iii) act as financial advisers to the Issuer or other companies of the Group. In the context of these transactions, some of such Managers have or may hold shares or other securities issued by entities of the Group. Where applicable, they have or will receive customary fees and commissions for these transactions.

Issuer

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Global Coordinators, Joint Bookrunners and Lead Managers

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Société Générale

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Joint Bookrunners and Lead Managers

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United Kingdom

Merrill Lynch International

2 King Edward Street
London EC2Y 1HQ
United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
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London E14 4QA
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Société Générale

29 boulevard Haussmann
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Fiscal Agent, Principal Paying Agent and Calculation Agent

BNP Paribas Securities Services

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