

4



Divisional update

- Industry – Denis Gasquet
- **Water – Jean-Michel Herrewyn**
- Environmental Services – Jérôme Le Conte
- Energy Services – Franck Lacroix
- Transport – Jérôme Gallot

Veolia Water: key 2010 figures



**Potable water to 100 million people
Wastewater treatment for 71 million people**



96,260 employees⁽¹⁾



**Strong references in all segments
of the water market**

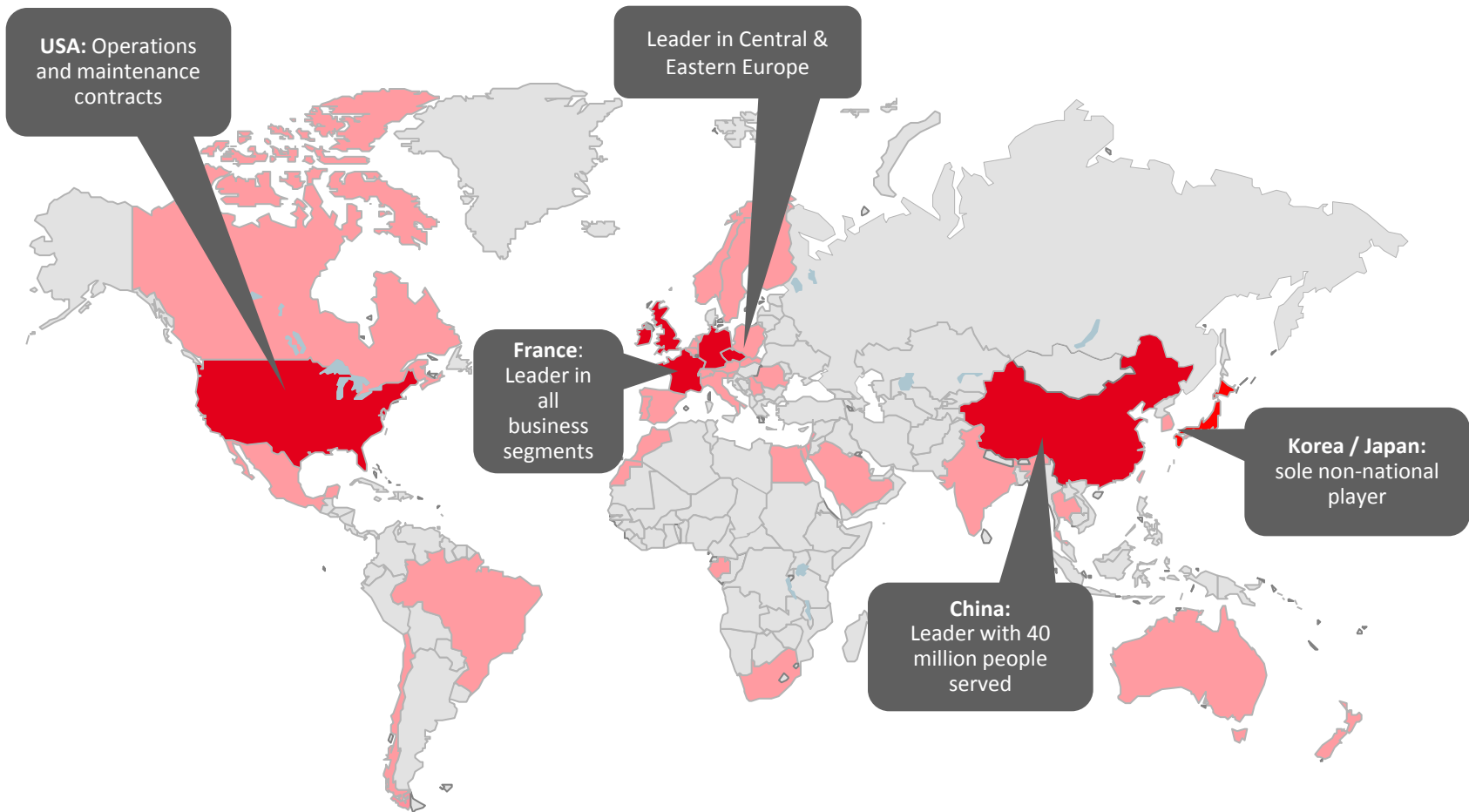


World leader of water services

(1) As of 31 December 2010 (including 4,903 employees from the water activities of Proactiva)

Veolia Water: geographic footprint

75% of revenue⁽¹⁾ in 7 countries



 Top markets representing 75% of Veolia Water revenue⁽¹⁾

 Other markets with significant Veolia Water presence

(1) Based on 2010 revenue

Water: business overview and priorities



1 Heavy Capex Municipal

- VW shareholder of Water Cos
- Historical capital intensive business model
- **Immediate reorganization**

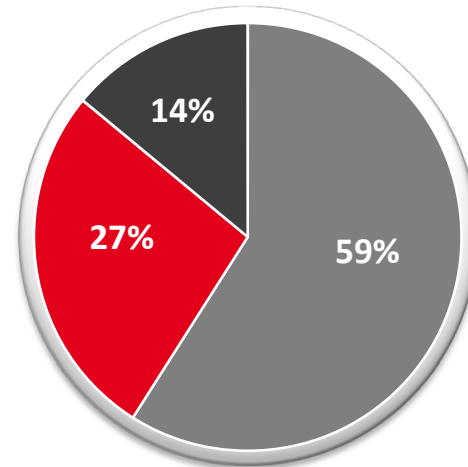
2 Light Capex Municipal

- VW servicing Water Cos
- Limited / No capex needs
- **Mid term growth driver**

3 Industry

- Focus on key account management
- 3 main target segments
- **Short and mid term growth driver**

2011e revenue breakdown



■ HCM ■ LCM ■ Ind

For all segments: differentiation through technology-based services

Heavy Capex Municipal: shareholder of a WaterCo



Market characteristics

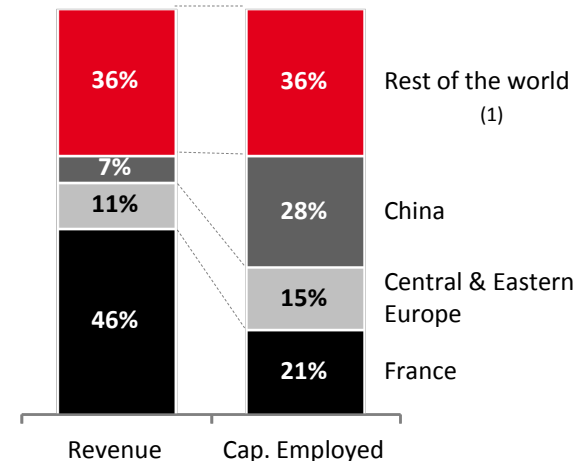
- Client is public/political authority
- Capex needed for:
 - *acquisitions (privatization)*
 - *building / revamping infrastructure*



Trends and priorities

- French market → increasing Capex intensity
- Key priorities outside France:
 - *Central & Eastern Europe*
 - *China*

HCM 2010 geographical breakdown



France, Central & Eastern Europe and China account for ~ 65% of both revenue and capital employed in Heavy Capex Municipal

France: under pressure in recent years...

Changes in market conditions

- Increasing competition
- Pressure from clients
- Re-municipalization threat
- Adverse legal evolution on long term contracts

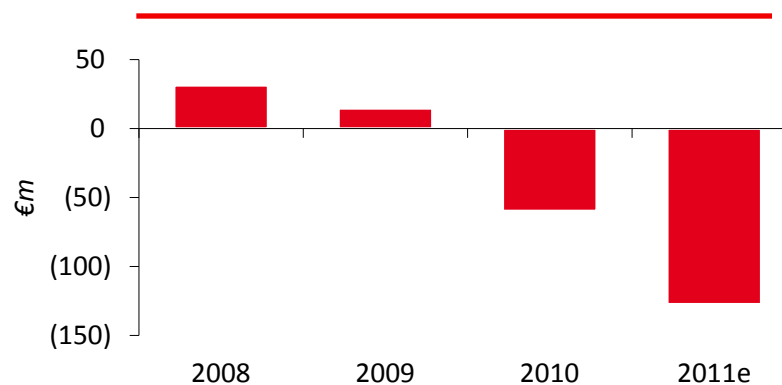
Decreasing profitability...

- Decrease in volumes
- Tariff reductions
- Margin erosion

...partly compensated

- Operational efficiency gains
- New services

Change in adjusted operating cash flow YoY



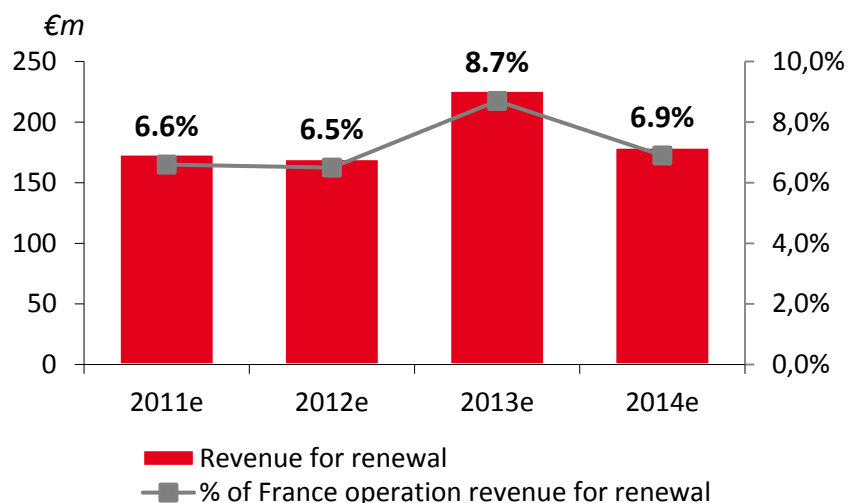
France: future remains challenging

- For the next 3 years:
 - ~ 22% of revenue to renew
 - Continuous margin erosion



- Adapt organization to customer needs
- Improve competitiveness
- Promote differentiating innovation to avoid low cost competition

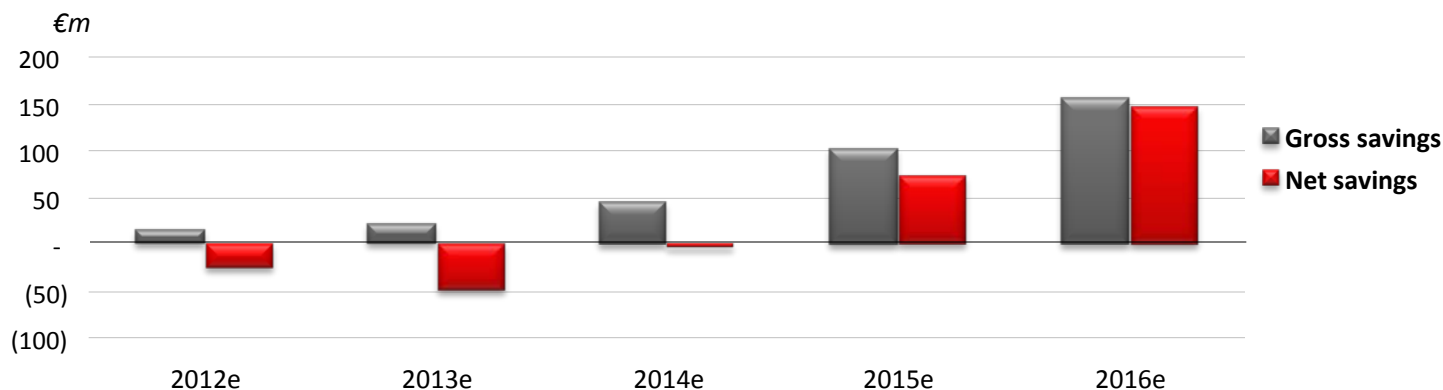
Contracts for renewal



City	2010 Revenue (€m)	Contract end	Next negotiation
Marseille	112	2013	
Lyon	100	2016	2013
Toulouse Water Treatment	48	2020	2012
Toulouse Potable Water	42	2020	2015
Nice	36	2017	2014
Montpellier	20	2014	
Toulon	21	2019	2016

French reorganization: €150m recurring savings

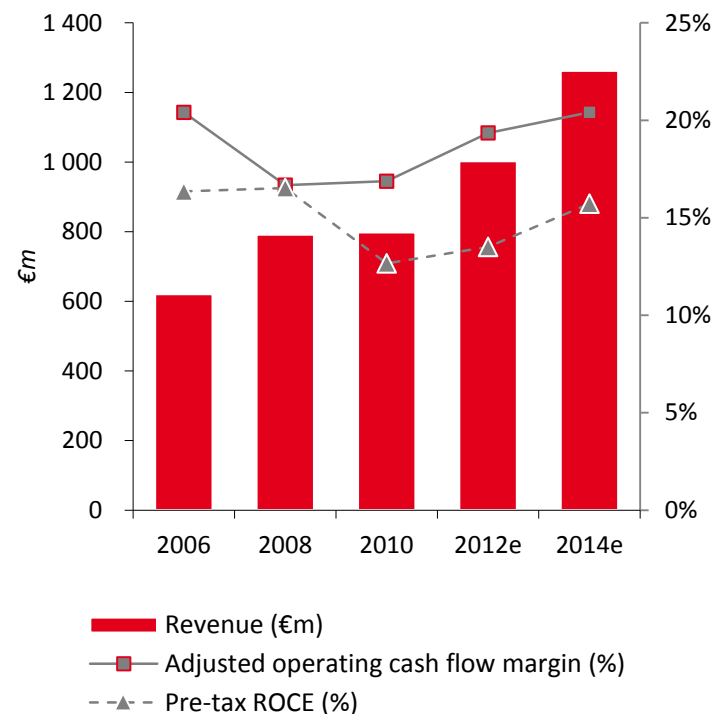
- Reorganize France:
 - Geographical organization → specialization
- Rebuild organization to improve operational and commercial efficiency
 - Allocate more resources to business development
 - Align on new operational standards
 - Standardize organization at all levels (operational, regional and national)
- Strong push in IT implementation to standardize service
- Social agenda to be followed carefully



Central & Eastern Europe⁽¹⁾: capex allocation priority

- High margin business model
- Facility upgrades to comply with EU environmental law
- Strategy:
 - Consolidation of existing operations
 - Selective development
- Experience of recent success stories: **Prague, Sofia, Bucharest**
 - Reorganization of local management
 - Reduction of leakages
 - Improvement in operational efficiency

Central & Eastern Europe⁽¹⁾

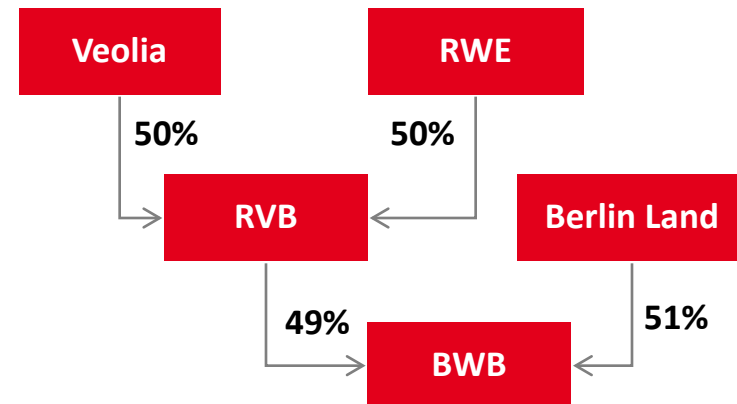


(1) Includes Bulgaria, Hungary, Poland, Romania, Slovakia, Czech Republic, Turkey, Russia and Armenia

Germany: Berlin contract

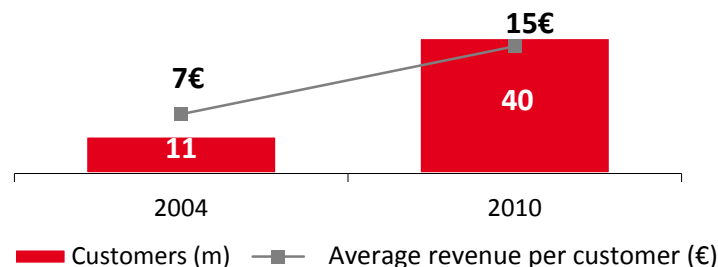
- Public-Private Partnership: Veolia and RWE acquired 49.9% of the Water Co in 1999
- 30 year concession
- Limited capacity to extract full productivity in current organization
- Political wish to increase Land governance power
- RWE is willing to sell its shares

Simplified organization chart



China: continued organic growth

- Veolia manages installations in key economic growth locations: Shenzhen, Shanghai, Tianjin
- Successful tariff review: increases are satisfactory even though delays have occurred vs. initial business plan



- Contract average duration: 24 years
- Concession average duration: 34 years

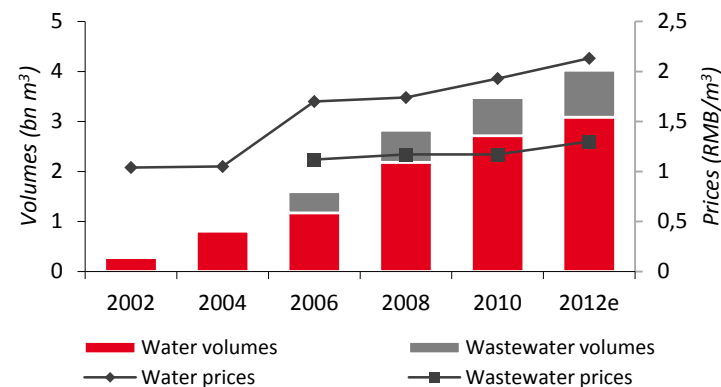
€m ⁽¹⁾	2009	2011e	2014e
Revenue	531	~ 780	~ 1,000
Operating cash flow - Capex ⁽²⁾	(85.7)	50-100	100-150
Pre-tax ROCE (%)	2.3%	>3%	>7%

(1) Excluding VWS, SADE and Asia Pacific Structure

(2) Based on net capital expenditures



Water and wastewater invoiced



Light Capex Municipal: Servicing Water Co

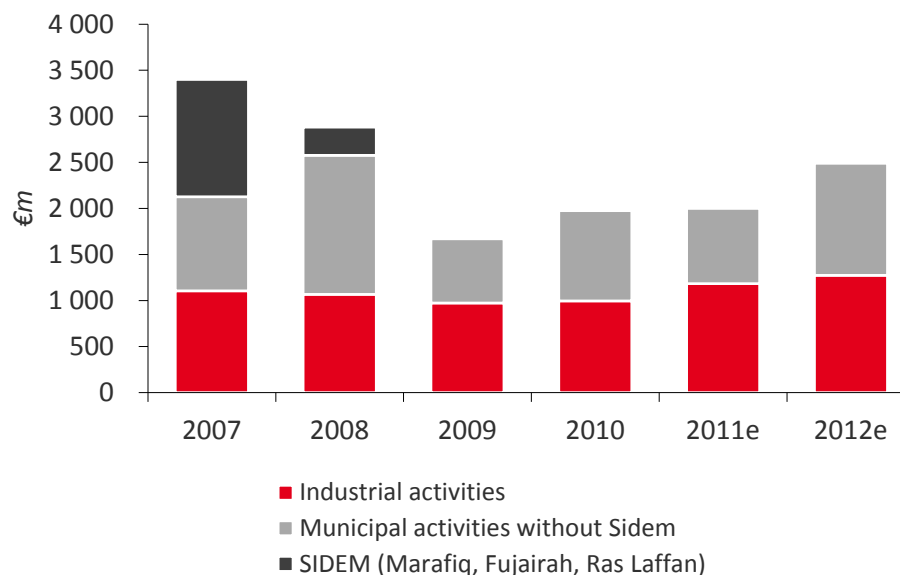


- Client is public WaterCo (mainly municipally owned companies)
- No/very limited Capex needs
- Key expertise:
 - Asset management
 - O&M optimization, energy optimization
 - Customer service
 - Smart networks
- Significant opportunities worldwide
- Winnipeg (Canada):
 - 700,000 inhabitants
 - Operation and capital project management for all the wastewater facilities for 30 years
 - Very low risk profile contract
- New York (USA):
 - 835,000 consumers
 - Operational excellence program in 2 steps: evaluation & recommendation (2012), then implementation (4 years)
 - Fixed fee + incentive based compensation based on savings
- Jenets (Japan):
 - 100% owned subsidiary
 - Meter reading and billing, payment collection, billing system development
 - Profitability increases with duration of contracts and extension of the scope

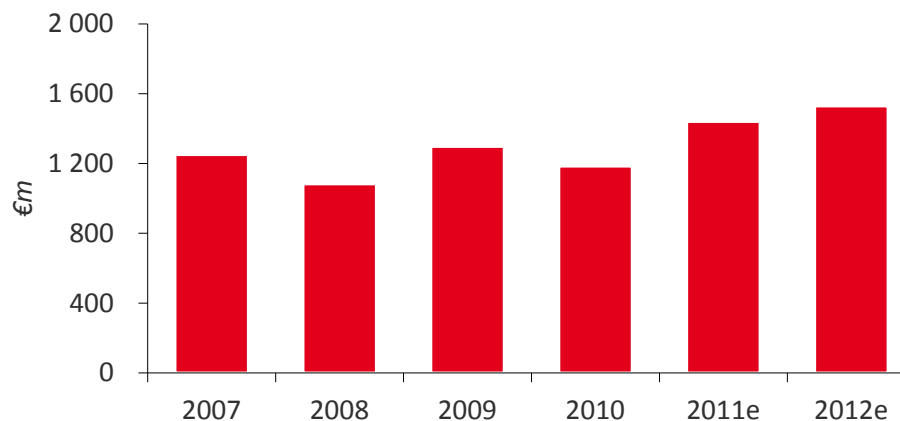
Light Capex Municipal: Technologies & Networks

- Client is public Water Co
- Technology driven strategy
- Several projects in emerging markets
- Global resilience for the technologies and networks activities
- VWS bookings suffered from the cut in desalination projects in the Middle East during the economic crisis

VWS Bookings



SADE Bookings



Industry: 3 main target segments

- Clients are blue chip industrial companies
- Technology driven strategy
- 3 main sub-segments:
 - Industries with heavy volume & tough environmental constraints like Oil & Gas, Mining and Power
 - Industries with strict corporate water agenda like Food & Beverage and Cosmetics
 - Industries with valuable effluents i.e. raw material recovery like Petrochemicals or energy/biogas content like Breweries
- Geographies are countries where the targeted industries operate, i.e. often emerging/booming economies



Our strategy is to follow our industrial clients to their countries of operations (i.e. mostly emerging countries)

2012 Agenda



- Convergence plan with recurring savings in progress
- Stricter investment selection process
- Divestment program: UK Regulated, Southern Europe
- Reorganize French operations
- Concentrate Heavy Capex Municipal on Central Europe and China
- Boost Light Capex Municipal
- For industry, promote technologies and services driven strategy in key identified business segments