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Divisional update

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

Veolia Environmental Services: key 2010 figures



€9.3bn revenue

Woodlawn landfill (Australia)



84,740 employees⁽¹⁾

High Performance sorting facility in Ludres (France)



Collection services for 87 million people
810,000 client companies

Incinerator of Sheffield (UK)



42 million tons of waste collected
13 million tons of waste recycled
7.5 million MWh of energy⁽²⁾ sold

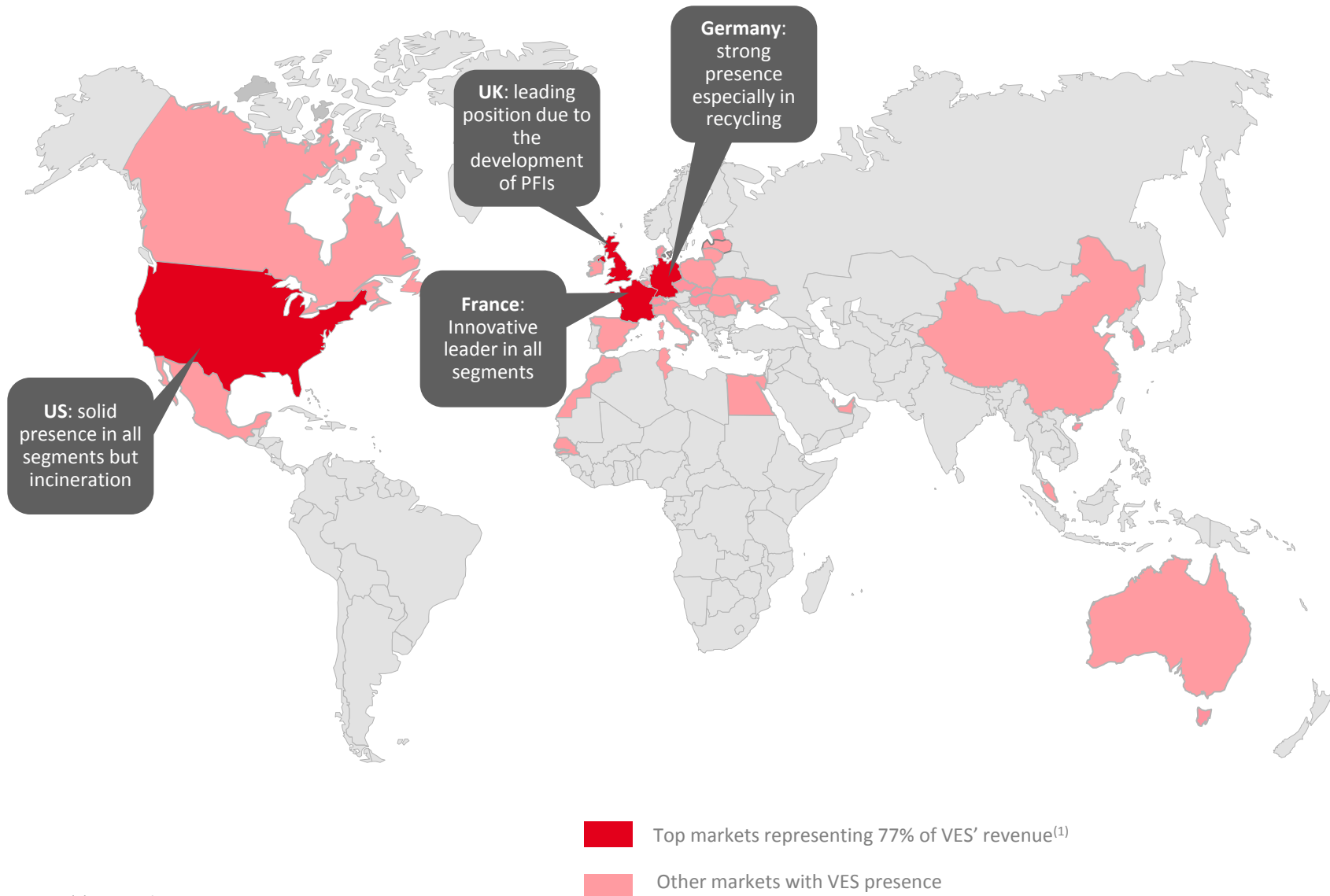
From used cooking oil to biodiesel (Limay, France)

(1) As of 31 December 2010 (including 6,567 employees from the waste activities of Proactiva)

(2) Thermal energy and electricity

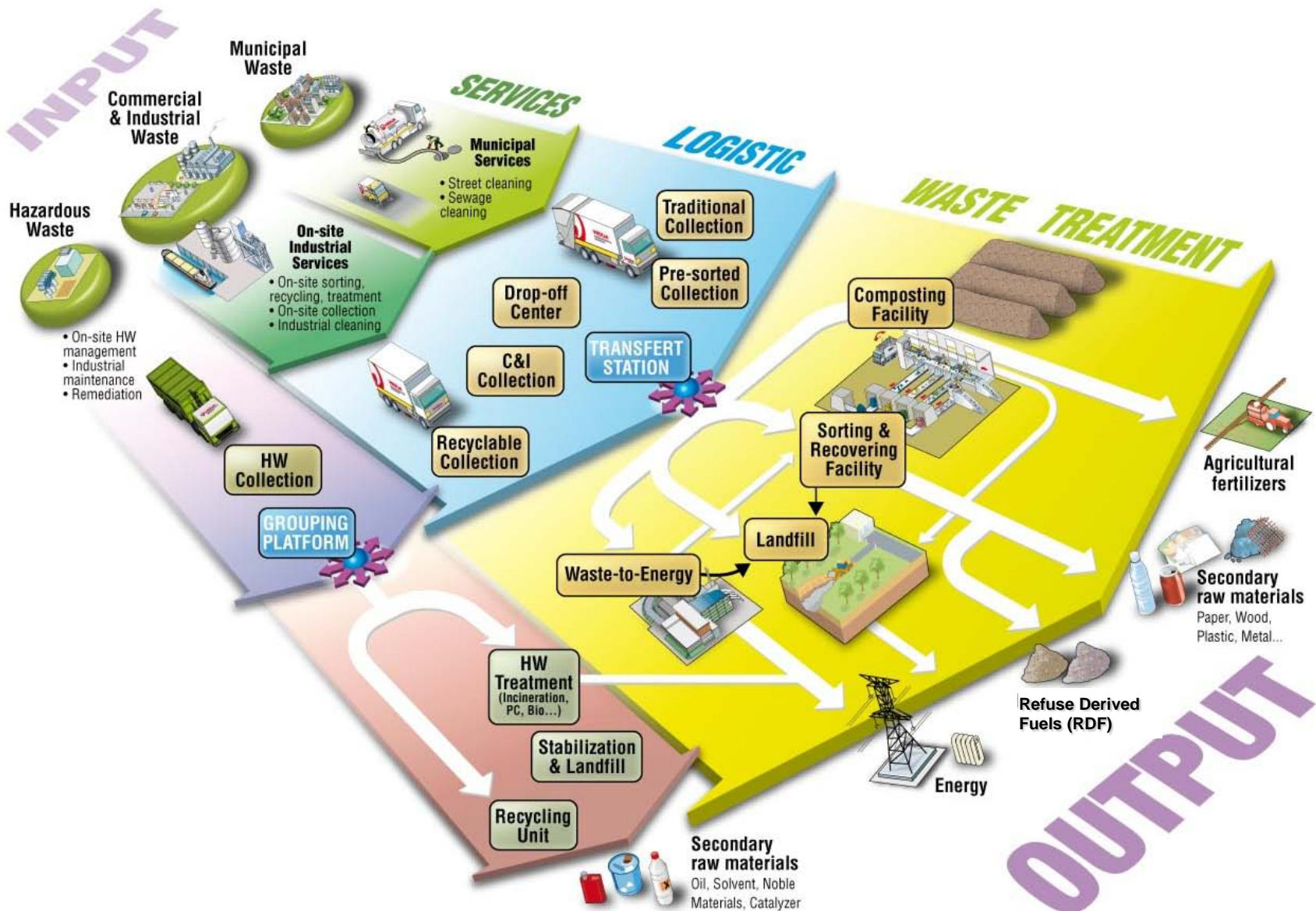
Veolia Environmental Services: geographic footprint

77% of revenue⁽¹⁾ in 4 countries



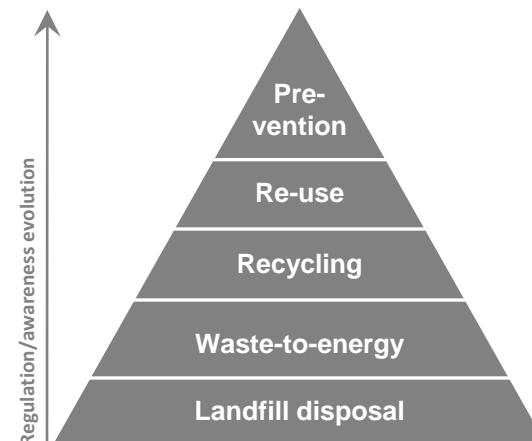
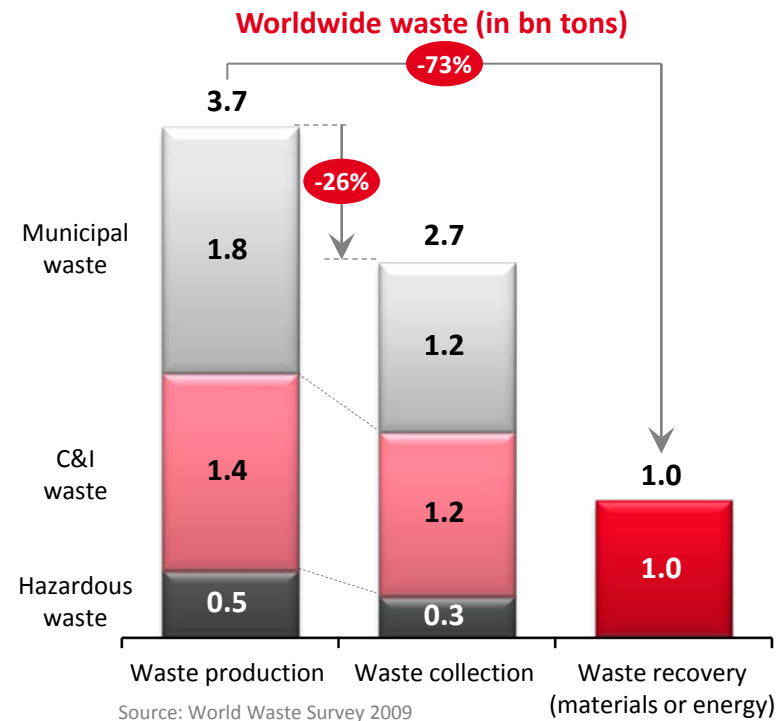
(1) Based on 2010 revenue

VES is the only global operator offering a complete range of waste management services



From waste elimination to recovery

- Only 25% of worldwide waste is recovered as materials or energy
- Depleting natural resources, environmental problems and rising commodities and energy prices
- Our market is driven by regulation:
 - Environmental taxes leading to the progressive decline of landfilling
 - Progressive move from landfilling to recycling
- Market transformation is variable per country



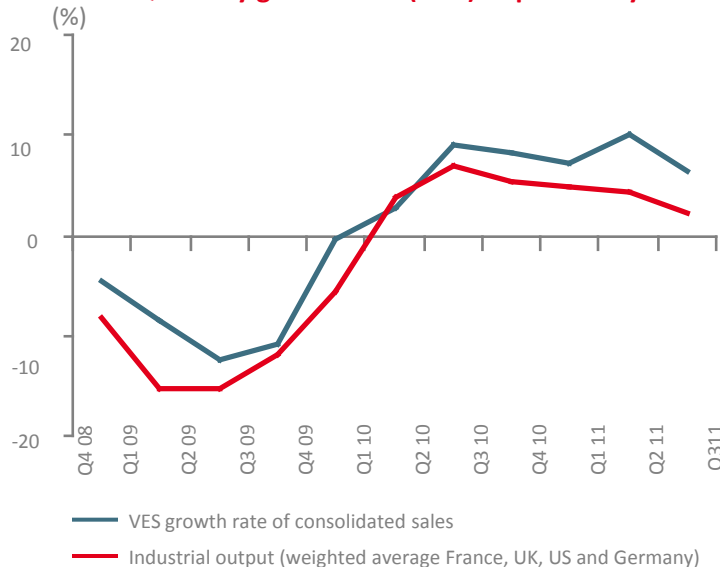
More exposure to economic cycles and materials prices



Correlation to economic cycles

- Waste market size is driven by
 - Industrial output
 - Domestic consumption

Industrial output and VES revenue
Quarterly growth rate (in %) vs previous year

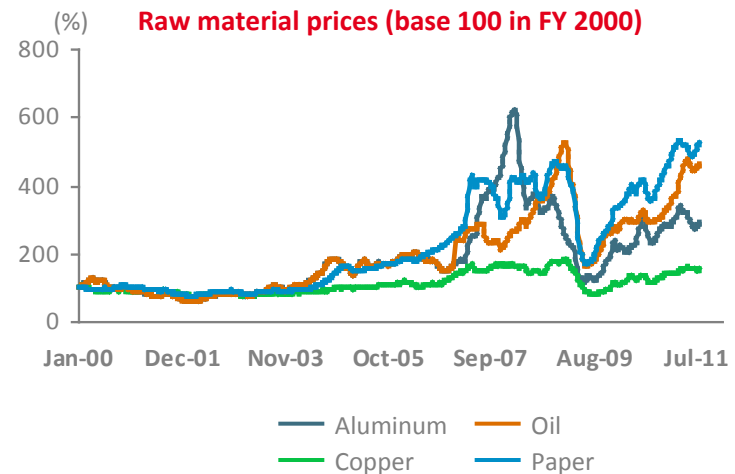


Source: OECD

Exposure to fluctuating materials and energy prices

- VES is becoming a sizeable materials and energy supplier
- Increasing prices are an opportunity, but volatility has to be managed
- Sensitivity of adjusted operating cash flow to recycled materials price fluctuations around 20%

Raw material prices (base 100 in FY 2000)



Source: INSEE

Veolia Environmental Services strategy



Strategic questions

- Progressive decline of landfilling
- Recycling business models
- Transition to a higher recovery content exposed to material and energy price fluctuation

- Commoditization of municipal collection business

Key priorities

- 1 Transform our business, from elimination to recovery, at the right pace in each geography
- 2 Develop hazardous waste activities and complementary industrial services
- 3 Adapt collection activities

From waste elimination to resource recovery

- VES is in a leading position to benefit from the market transformation
 - Technology lead in recovery
 - Effective recovered paper trading organization
 - Exposure to landfilling decline smaller than competition
- Staying nimble: transition at the right pace in each geography
- Materials and energy price fluctuations must be managed
- Develop partnerships with industry players for material and energy recovery



Develop hazardous waste activities

- An industrial business with industrial clients
 - Complex expertise and high barriers to entry
 - Valuable waste, can be transported for treatment
- A capital intensive activity with high return on capital
- Our strategy:
 - Develop various recycling processes
 - Integrate our European operations
 - Follow our clients to high growth areas
- Our new frontiers:
 - Treatment of upper-end hazardous waste
 - Develop partnerships with industry players
 - Change pricing models
 - Industrial ecology



Nickel recovery



From used cooking oil to biodiesel

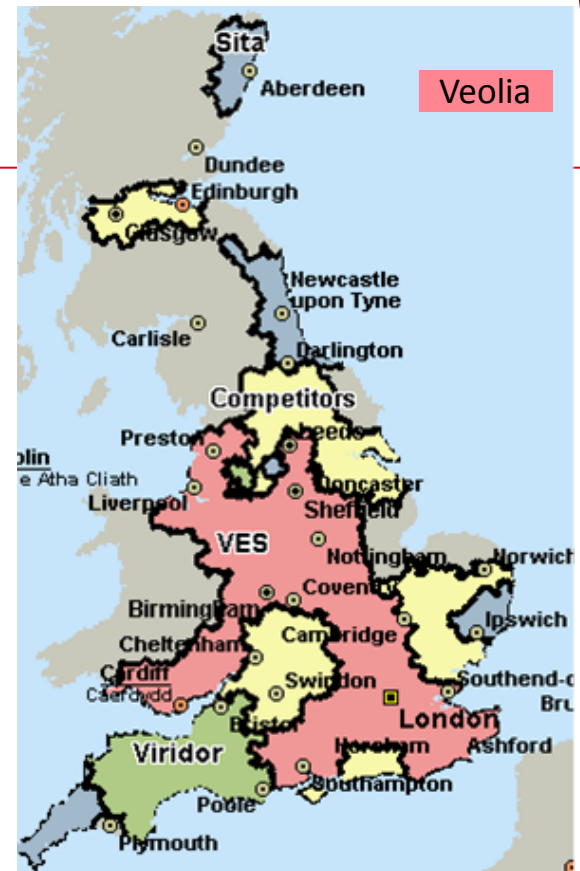
Adapting the collection business

- Commoditization of collection:
 - Low barriers to entry
 - Declining volumes
 - Strong pricing pressure
- ➔ **Increased importance of technological and data content**
- Municipal: real value in smart collection
 - Incentive schemes: pay per weight / lift
 - Pneumatic collection
 - Mono-operator side loader collection
 - Deposit points
- C&I: real value in quality of service and client relationship
 - Industrial optimization (Onboard IT systems, PaperLessTruck)
 - Data collection and feedback to client



Case study: PFIs in the UK

- Privatization of municipal waste treatment infrastructure → remaining opportunities
- Long-term contracts (25 years):
 - Integrated waste to materials and energy recovery
 - Treatment exclusivity
 - Guaranteed volumes
 - Electricity sold on the open market (30% of revenue)
- Two main strategic interests:
 - Municipal waste treatment exclusivity
 - C&I position consolidation
- High return on capital employed
- VES leads the PFI market (12 contracts signed to date)



France: VES is a leader

- VES is a leader with a 20% market share, strongly positioned on resource recovery
- Recycling is the main growth driver
- Increased competition, especially in collection
- Demanding recycling targets set by “Grenelle de l’Environnement”

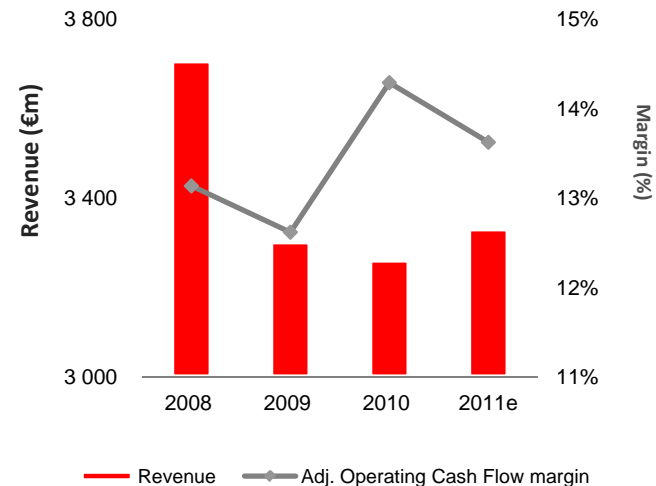
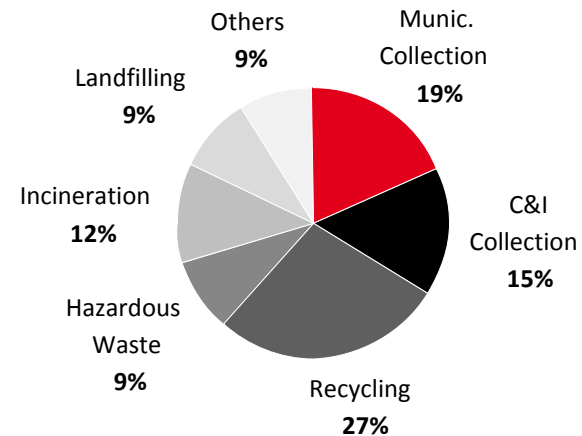
2011 Performance

- Strong commercial dynamic: renewal rate of 87%, €110m commercial gains
- Treatment: good progression of the recycling and landfilling activities
- Hazardous waste: strong growth (+17%)

Strategic priorities

- Improve cash generation
- Promote innovation
 - Smart collection
 - Materials and energy recovery
- Reinforce leadership in hazardous waste

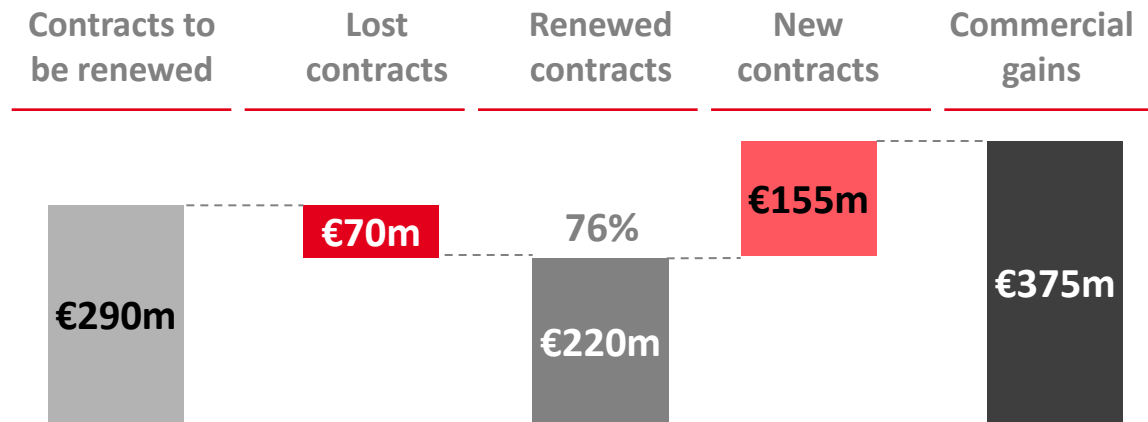
Revenue 2010: €3.3bn



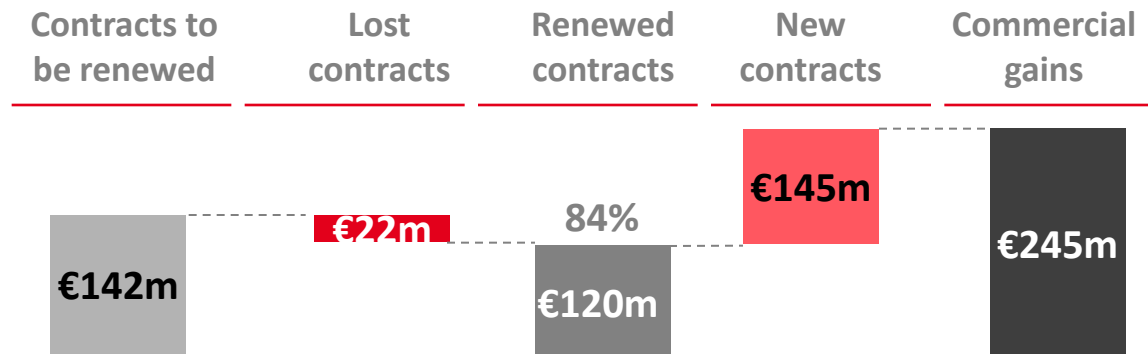
Good commercial dynamic

- During the crisis, we reinforced our commercial efforts, which have produced good results for **municipal customers** since 2009:

2010 Commercial Balance⁽¹⁾ (annual revenue)



YTD 2011 Commercial Balance⁽¹⁾ (annual revenue)



(1) Fance, UK, Germany and United States



Solid track record in cost adjustments



- Starting at the end of 2008, VES was heavily impacted by the economic crisis
 - Sharp drop in waste volumes (around 10% drop in industrial waste)
 - Worldwide crash in recycled materials prices
- VES implemented a drastic adaptation plan:

Cost cutting

Adaptation of the cost structure to the level of the activity – lower break-even

- Staff reduction in North America, UK and France*
- Specific restructuring in Germany*
 - Now stabilized so that we can intensify business development efforts and continue to improve profitability
- Efficiency measures (terminated loss-making operations, waste internalization, SG&A, etc.)*
 - 2009: €198m savings
 - 2010: €61m savings

CAPEX control

Strong selectivity of growth capex and strict control of maintenance capex

- 2009: €340m capex reduction vs. 2008
- 2010: capex stabilization despite the growth of our activity

2012 Agenda

- Slowdown of the economy
 - Adaptation to a possible severe economic downturn (ability proven in 2008)
- Decrease of materials prices during H2 2011 expected to continue in 2012
- Cost savings plan in motion
- Controlled capital expenditures: investments at 2010 level, with increased PFI investment
- Divestment of US solid waste operations and reorientation of our US activities towards industry
 - Hazardous waste and industrial services in synergy with water industrial activities