



INVESTOR DAY

October 22nd, 2008



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2009 priorities

Henri Proglio



A stronger plan of actions

- Evolution in the Group's organization fostering pooling of support services activities and competencies on a geographical basis, with the aim of cutting costs and achieving greater commercial and operating efficiency
- Positive free cash flow⁽¹⁾ in 2009
 - Greater selectiveness in investments and acceleration of the asset disposal program
 - Target: €2 billion to €2.5 billion in net investment in 2009
 - Tighter control of Working Capital Requirements
- Productivity improvement
 - improve the contribution of recent acquisitions
 - accelerated, more comprehensive cost-cutting plan - €400m over two years

(1) Net of all investments and disposals



Tighter control of investments and WCR

- In the framework of a more selective approach to investments:
 - minimum IRR > WACC + 3% criterion
 - particular focus on payback: ROCE before tax above 10% in less than five years.
 - Keeping maintenance capital expenditures at around 5% of revenue

in €billions	2005 Proforma	2006	2007
Industrial maintenance investments	1.2	1.4	1.6
Revenue	25.6	28.6	32.6
Maintenance invest / revenue	4.7%	5.0%	4.9%

- Tighter management of WCR:
 - Focus on five major countries: France, UK, Germany, Italy and USA
 - Model not highly consuming in WCR (notably thanks to the contribution of WVS and the transportation division)



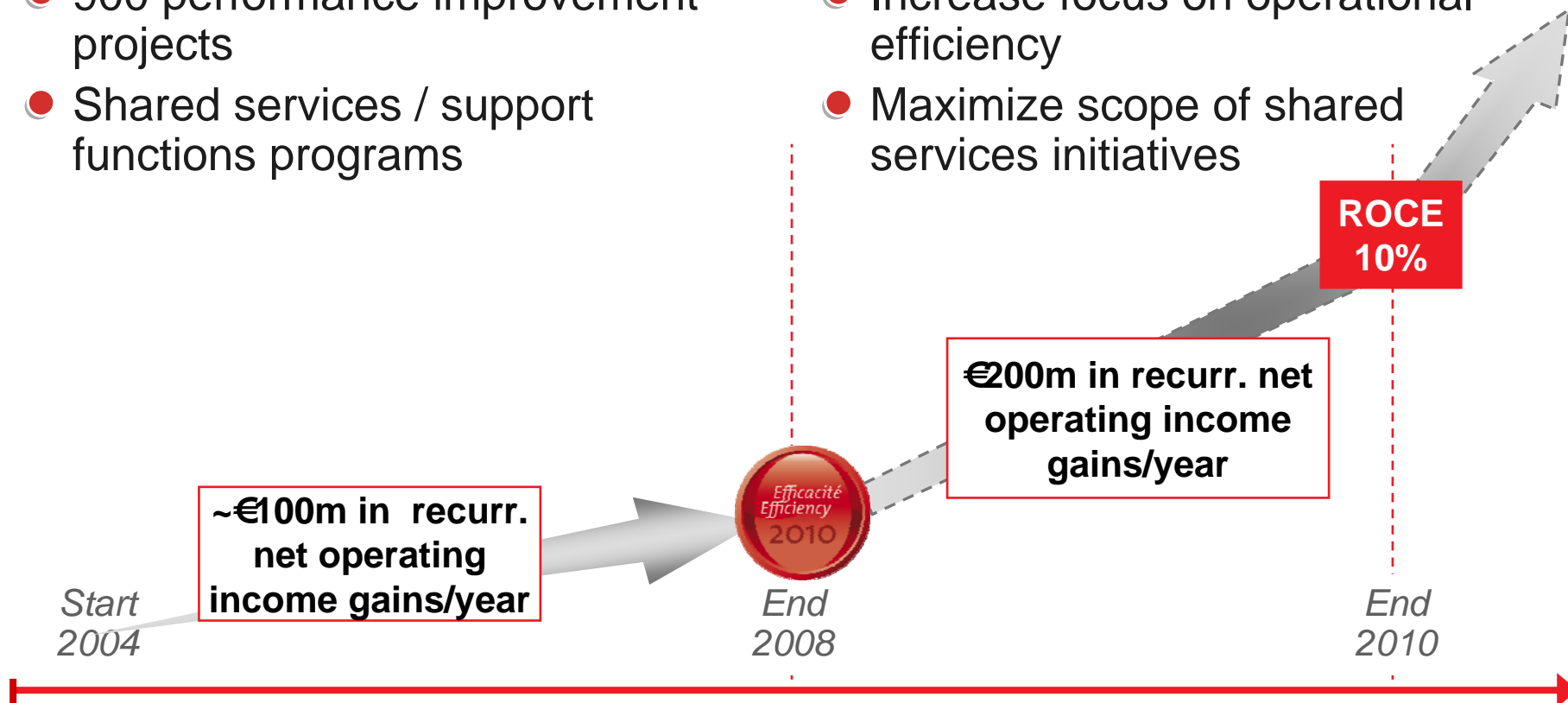
Driving performance at the Group level to double the rate at which we generate gains

Gains from the 2004-2008 programs

- 900 performance improvement projects
- Shared services / support functions programs

Efficiency 2010

- Increase focus on operational efficiency
- Maximize scope of shared services initiatives



Performance improvement: three main projects supported by the Group's key assets

Performance projects

1 Organization

Maximize geographical synergies
between activities

2 Operations

Groupwide focus on operating unit
performances

3 Resource Allocation Strategy

Enhance control on industrial
investments and contracts profitability

Fundamentals

- An organization structured around its four operating activities



- A customer-centric entrepreneurial culture



1. "Organization" project

Organization

*A medium-term program
that will generate savings
as of 2009*



€120 m

Goals

- Roll out shared structures over all geographical regions
- Speed up implementation of the road map for Shared Services Centers (SSC)
- Rationalize structures and head offices

Challenges

- Reduce support function costs (economies of scale, benchmarks, automation of tasks, etc.)
- Improved and unified performance management of activities (common standards, alignment on best practices, common processes and tools)
- Professionalization of teams (expertise reinforcement and sharing, development of professional networks, etc.)



1. "Organization" project



Actions taken

- Already operating SSC : **€7m in 2009**
 - Pilot for Account Payable SSC in four French regions
 - SSC for Dalkia in Poland (Accounting and Payroll)
- Overhead cost-cutting projects:
 - SG&A program Veolia Transport **€30m in 2010**
 - Cost-cutting plan for head offices **€30m in 2010 (€75m target)**
- A methodology for comparing the efficiency of functions between head offices, divisions and countries (benchmark)

New actions

- SSC program at the Group level for the transactional part of Finance, HR and IT functions:
 - France: operating in 2009 and progressive roll out over the next three years
 - **€20m in 2010 (€50m target)**
 - Extension of SSCs to the main countries (USA, UK, Germany, etc.)
 - **€10m in 2010 (€45m target)**
- Creation of a « Shared Organization » project platform in November 2008 to:
 - drive implementation by geography of shared support function organization
 - rationalize head office structures at Group, Division, Region and Country levels in 2009
- Roll Out of a Group ERP



2. "Operations" project

Operations

Operating processes
Purchasing



€130m



€100m



Goals

- Focus on operating units performance
- Transform Purchasing function to:
 - maximize economies of scale at Group level
 - keep tight control of procurement

Challenges

- Operating processes:
 - Continuous improvement in operating costs (operating productivity, maintenance, civil engineering works)
 - Alignment on best practices (business line KPIs, benchmarks)
- Purchasing:
 - Reduce prices for same quality
 - Control consumption



2. "Operations" project: Operating processes



Actions taken

- 90 new operating performance projects
€30 m in 2010
Examples :
 - Efficiency P1 Dalkia
 - Improvement of water network efficiency
 - Improvement of social performance
 - Program to reduce accidents in each division...
- Launch of internal best practice initiatives
 - Example: Best practices Water France
- Use of new technologies as a source of productivity
 - Examples: on-board technology, remote meters reading, etc
- Set up of common rules and tools to monitor projects at Group level

New actions

- Heightened operational pressure (beginning of 2009):
 - Implementation of systematic operational indicators by business
 - Operational objectives under the pressure of budget-results process
- Operations excellence plan:
 - Acceleration of programs by business line, for example :
 - Optimization of route (waste collection, transportation, maintenance activities, etc.)
 - Maintenance (industrial sites, truck fleet, etc.)
- Accelerate implementation of local initiatives:
 - 2,000 projects to be launched in 2009-2010
 - 150 efficiency coordinators (1 for every €250m in revenue)



2. "Operations" project: Purchasing

Actions taken



New actions

- 1200 framework agreements in place
 - covering approximately 30% of exp. of €14bn
 - 480 new / renegotiated contracts in the last quarter (**€20m in 2010**)
 - Examples : Mobile telephony, travel, fuel, etc.
 - Purchasing platforms set up in the main countries
 - Operating platforms in France, UK, USA, Germany and Australia
 - Construction of a world buyers' network coordinated by a central department at the Group level
 - Launch of initiatives to improve procurement control
- Transform the purchasing function in 2009...
 - Centralization of general purchasing by region
 - Tighter coordination of business-line purchasing
 - ...in order to
 - increase number and scope of framework agreements
 - globalize volumes between activities
 - take advantage of our worldwide presence to identify new low-cost sources
 - Improve and standardize sub-contracting purchasing practices
 - Reinforce management and control of procurement
 - Examples France :
 - Procurement realignment by setting up specific platforms (**€10m in 2010, €20m target**)
 - Light vehicles fleet management (**€9m in 2010**)



3. “Resource Allocation Strategy” project

**Resource Allocation
Strategy**
Industrial Investment
Contract



€50 m



Objectives

- Develop a new strategic approach to define and prioritize the investment/desinvestment opportunities of each division and for the Group
- Enhance and standardize follow-up and management of insufficiently profitable contracts

Challenges

- Define rules for Industrial Investments
- Cut the number of insufficiently profitable contracts

Actions

- Strategic plan for each division (with stricter investment criteria for each business line)
- Mapping of insufficiently profitable contracts in progress together with specific action plans (recovery / disposals)
- Industrial investments review (growth, renewal and maintenance)



Performance improvement: summary

Performance projects	Objectives	Anticipated gains	
		2009	2010
1 Organization	Reinforce organization by geography and maximize synergies between activities	€50m	€120m
2 Operations	Put a strain on all operating units	€110m	€230m
3 Resource Allocation Strategy	Control industrial investments and contracts' profitability	€20m	€50m
		€180m	€400m

- Implementation costs (OPEX and CAPEX) for plan as a whole: €60m - €80m (not including costs of ERP rollout)

