



NAESCO ANNUAL CONFERENCE 2006

PSA: Veolia Environnement's largest industrial services contract





The Veolia Environnement Group: world leader in environmental services



Total management of water cycle

- ▶ Total revenue: \$11.2 billion
- ▶ 33% of revenue from industry and tertiary



Global management of waste and cleaning services

- ▶ Total revenue: \$8.3 billion
- ▶ 20 million tonnes collected and processed per year in industry



Transportation of cargo and logistics

- ▶ Total revenue: \$5.5 billion
- ▶ 400 million ton-kilometers per year



Energy services and facilities management

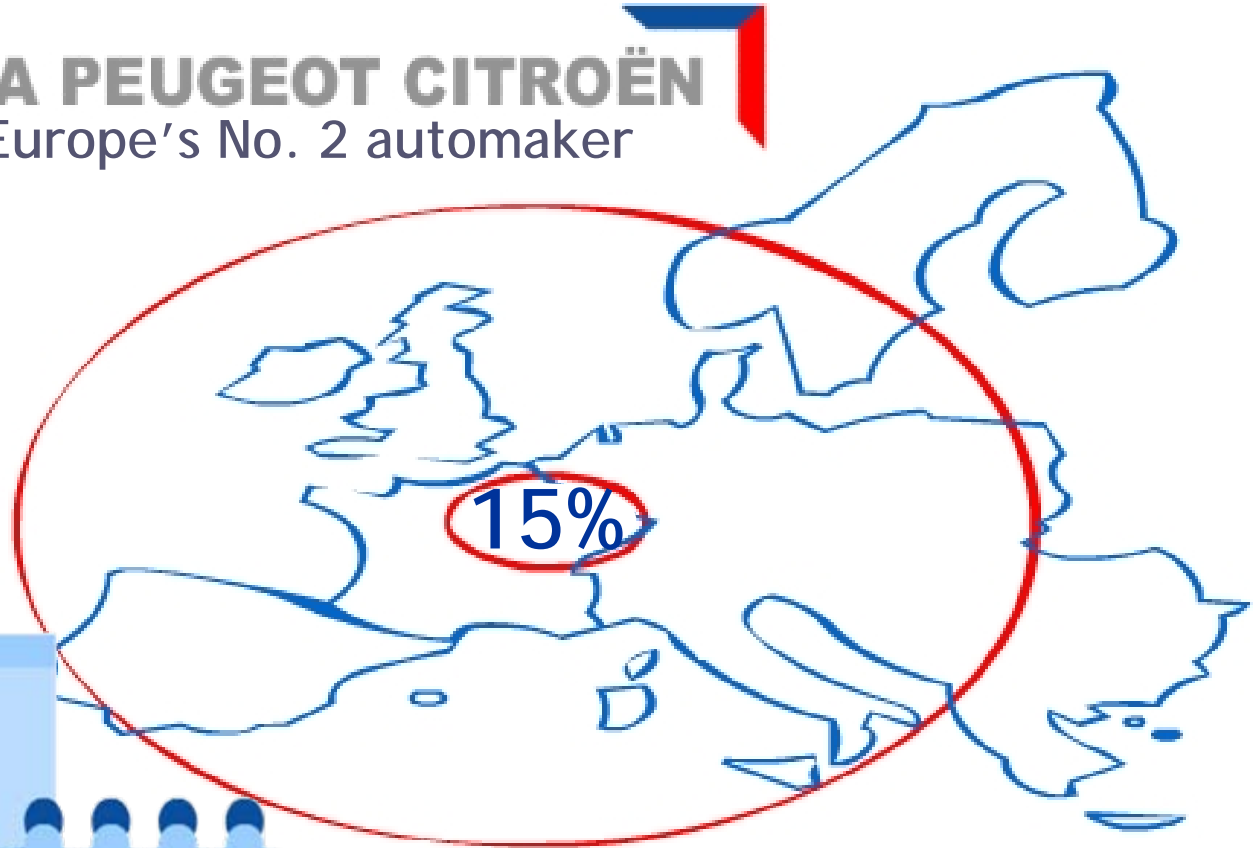
- ▶ Total revenue: \$7.7 billion
- ▶ Power managed: 75 000 MW thermal

- ▶ Revenue 2005: \$33 bn of which 1/3 in industry/tertiary
- ▶ 2 markets: industrial and tertiary customers, local authorities
- ▶ Workforce: 271,000 in nearly 75 countries

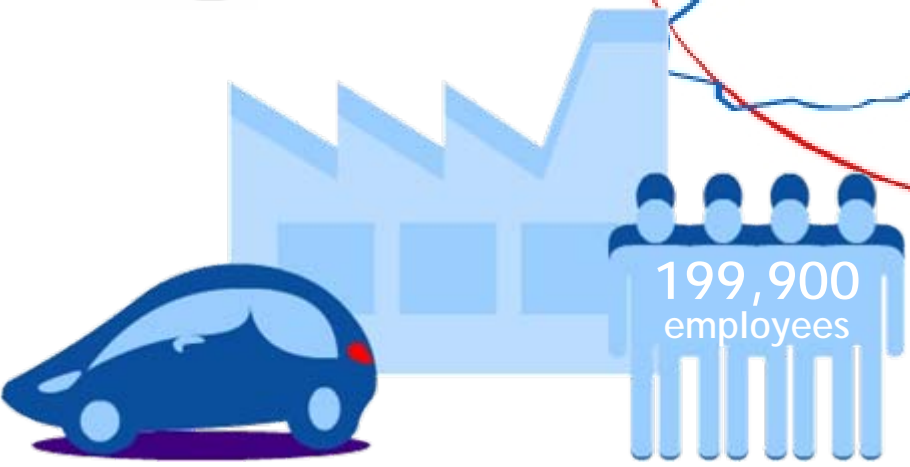


The Peugeot Company

PSA PEUGEOT CITROËN
Europe's No. 2 automaker



€ 54 billion in revenue



199,900 employees

3.29 million cars

In 2003

The three sites involved



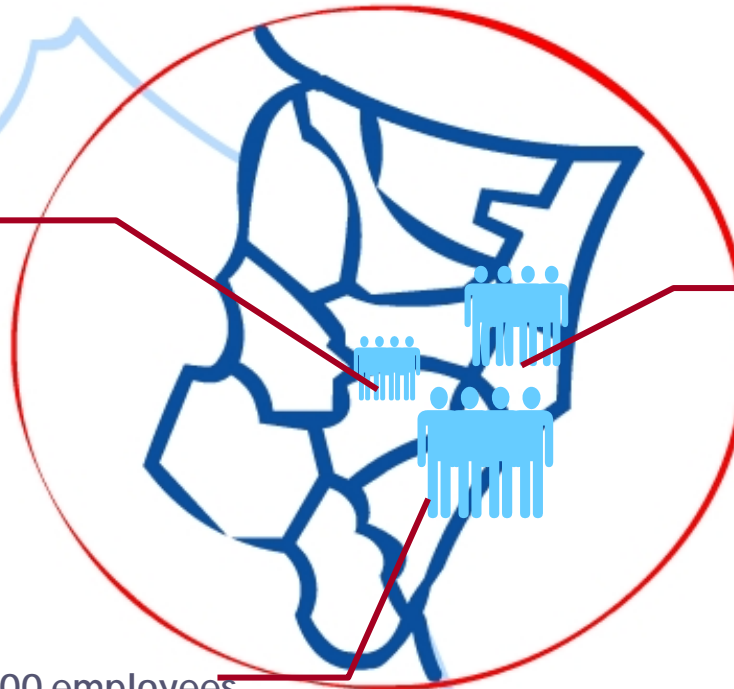
VESOUL: 1,800 employees

- Parts manufacturing and distribution center



MULHOUSE: 11,750 employees

- Assembly Plant (448,800 vehicles in 2002)



SOCHAUX-BELCHAMP: 19,000 employees

- Assembly Plant (434,000 vehicles in 2002)



Three rapidly expanding sites in PSA's traditional manufacturing area in eastern France



History of the project



2000

Comprehensive study at PSA
42 outsourcing contracts



2001

Bids on technical and financial
improvements to the
manufacturing processes

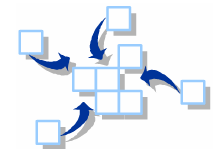
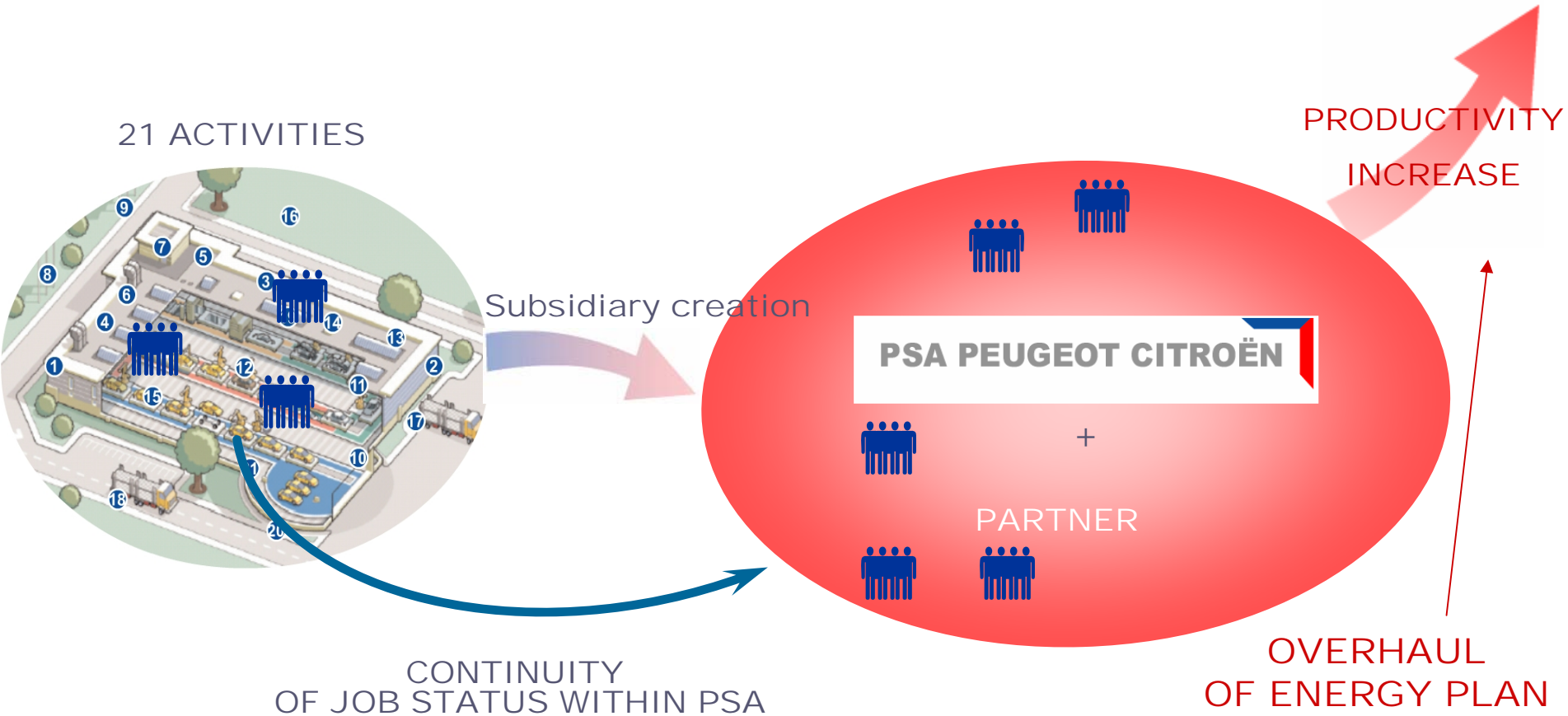


2002

PSA embarks on an non-core
services outsourcing policy in
Eastern France.

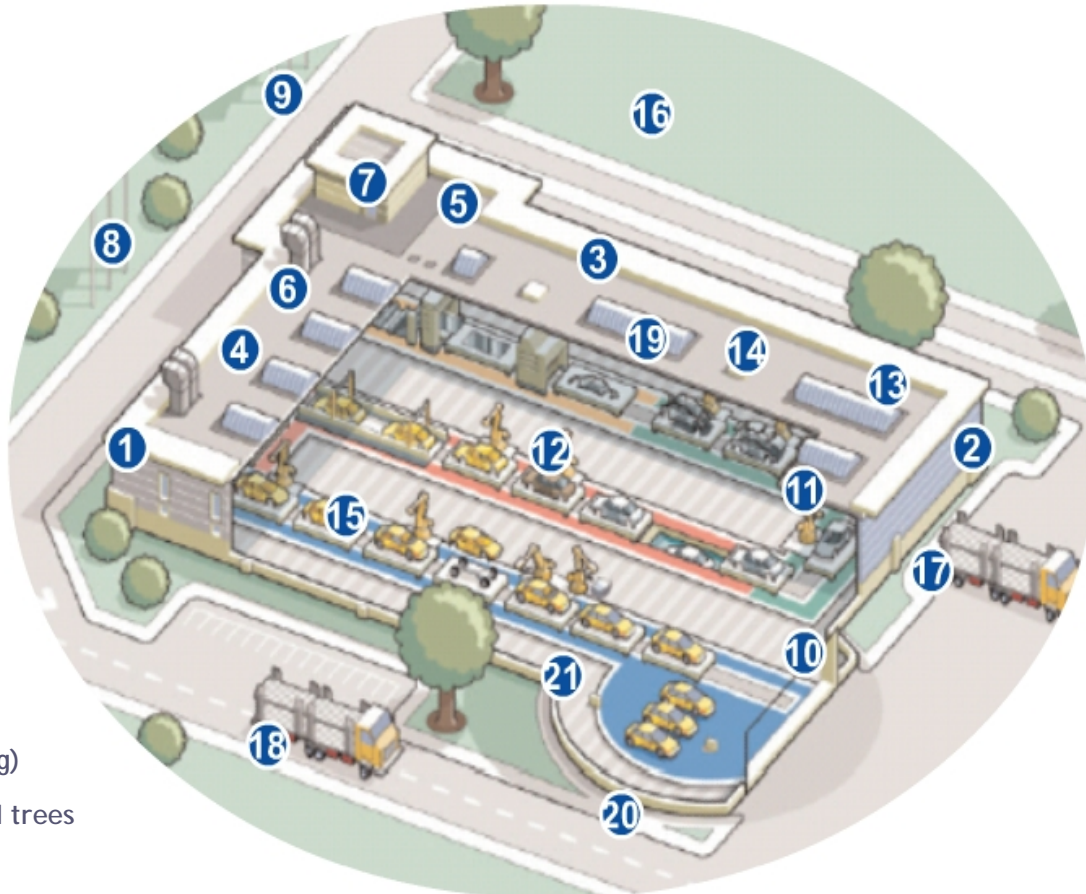


Creation of Utilities Subsidiary



PSA's requirements cover a wide activity scope

1. Electric engine repairs and management
2. Portable tool repairs and management
3. Electronic card repairs and management
4. Buildings and infrastructure maintenance
5. Staff kitchen and refrigeration systems maintenance
6. Wastewater system operation
7. Energy and fluids production and distribution
8. Logistics and railroads
9. Weld-tip cleaning for assembly facilities
10. Management and removal of part containers in assembly shop
11. Mechanical and electrical repairs
12. Technical paint-cleaning services
13. Care and management of work clothes
14. Operation of the non-hazardous and special industrial waste treatment processes
15. General and technical cleaning services (excluding painting)
16. Maintenance of outdoor roads and paths, green spaces and trees
17. Container and palette repairs
18. Trailer repairs
19. Management of non-manufacturing warehouses
20. Maintenance of lifting and handling equipment (traveling cranes, hoists, etc.)
21. Maintenance of fire detection and protection equipment plus access control equipment





PSA's objectives for the subsidiary

A single partner to take on all commitments and responsibilities for all activities



that provides long-term support for PSA's general productivity program



that provides cost transparency over the long term



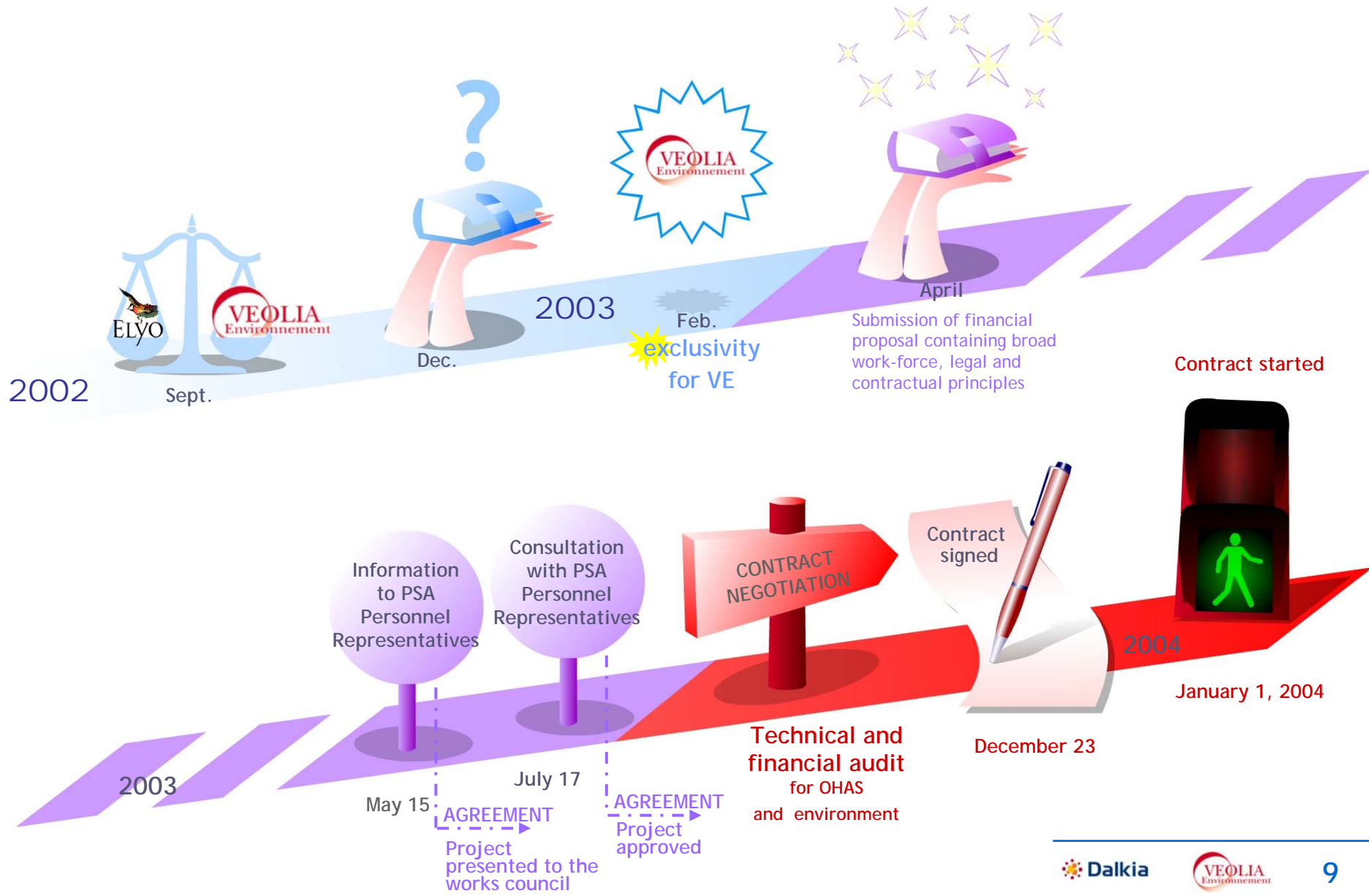
that enables a flexible approach to each activity



PSA able to focus on its core business



Three crucial steps in a short timeframe





A close collaboration between the VE and PSA project teams

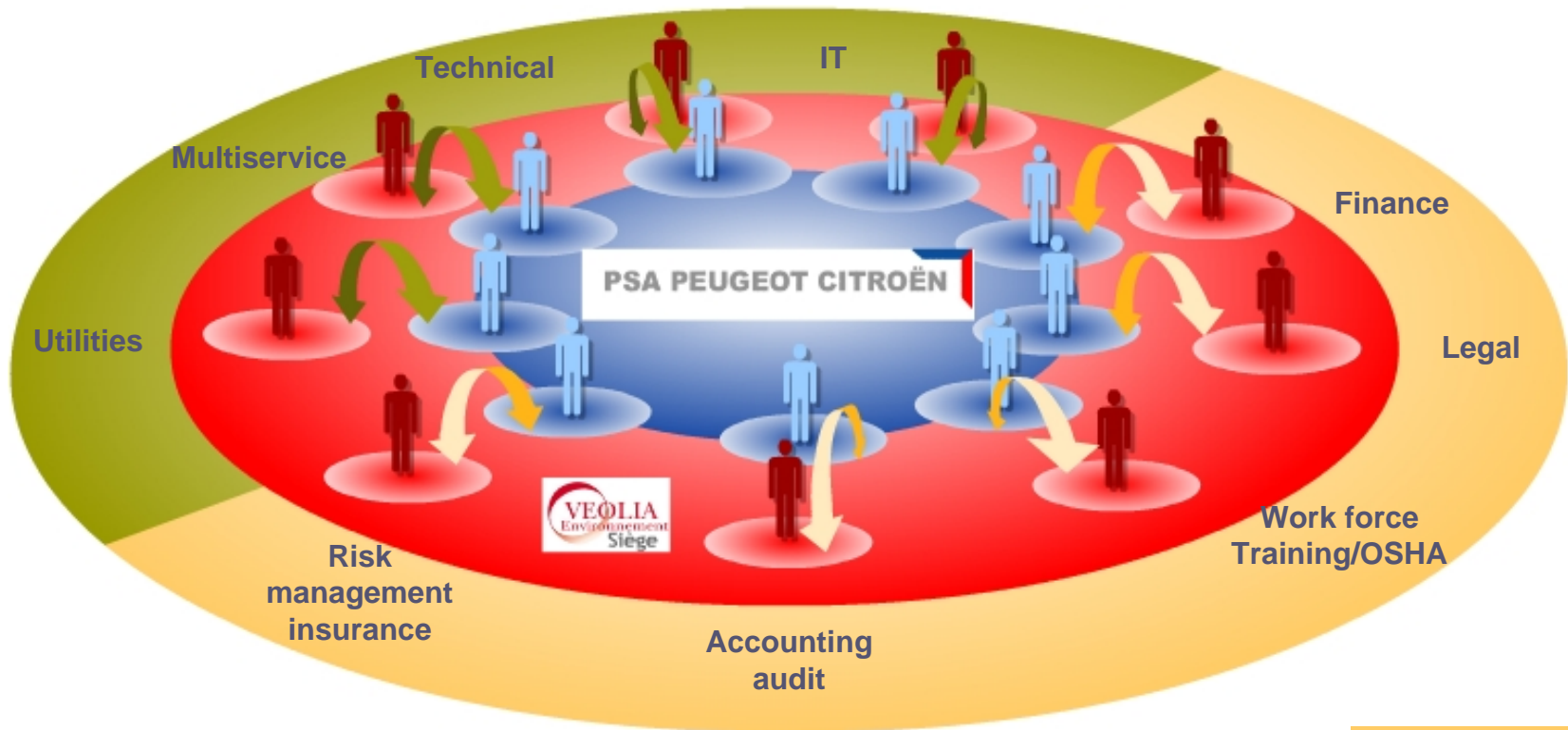


A close collaboration between the VE and PSA project teams



A close collaboration between the VE and PSA project teams

TECHNICAL FUNCTIONS

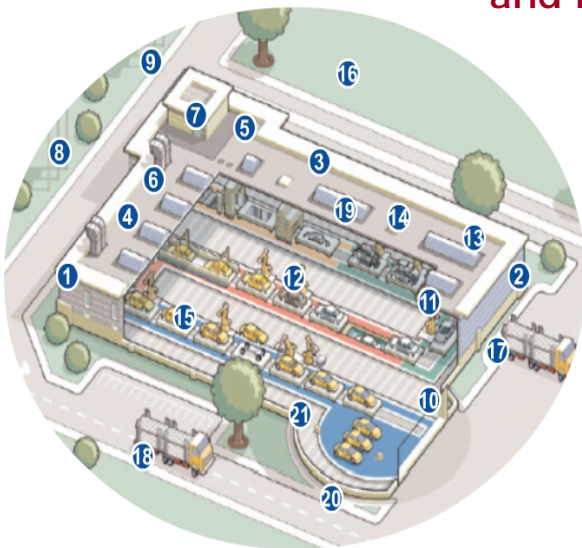


CROSS-BUSINESS FUNCTIONS



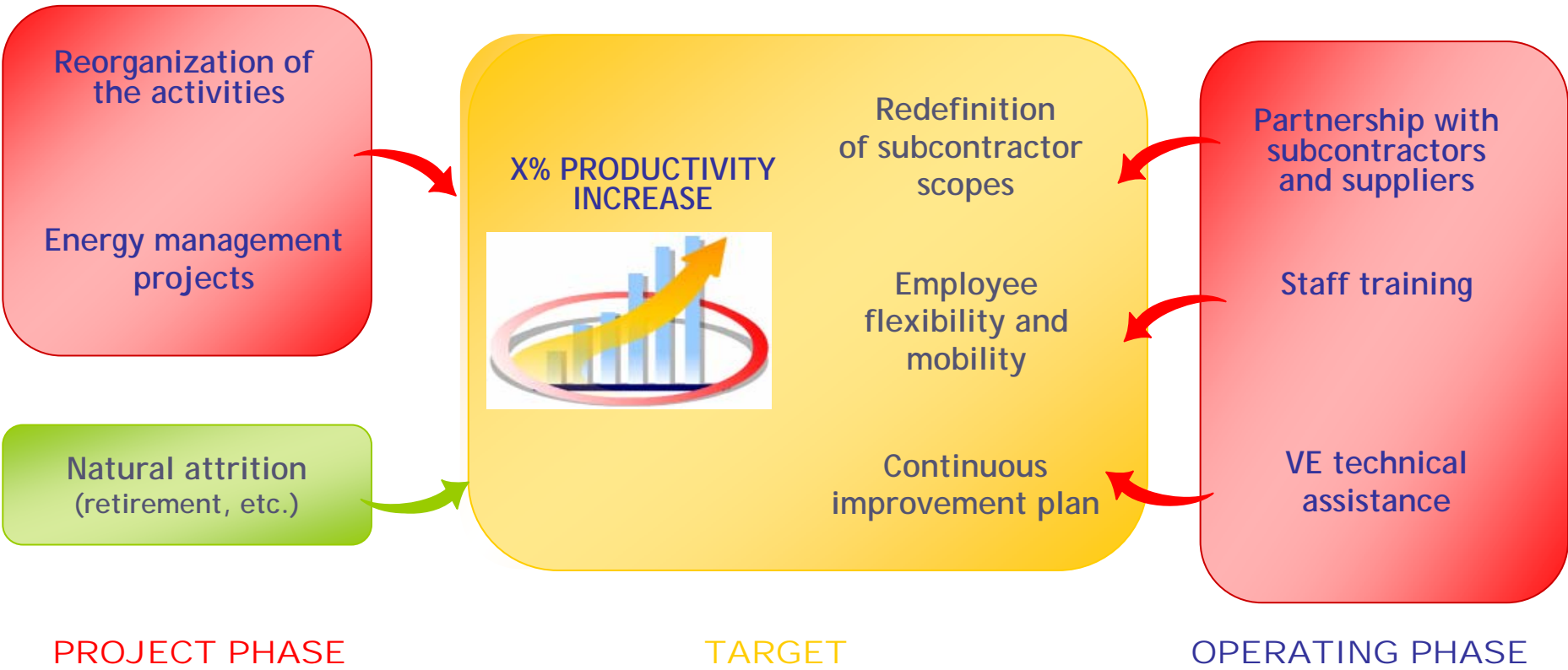
The technical and financial solutions

Reorganization of the 21 activities into three divisions for more synergistic use of employees and resources



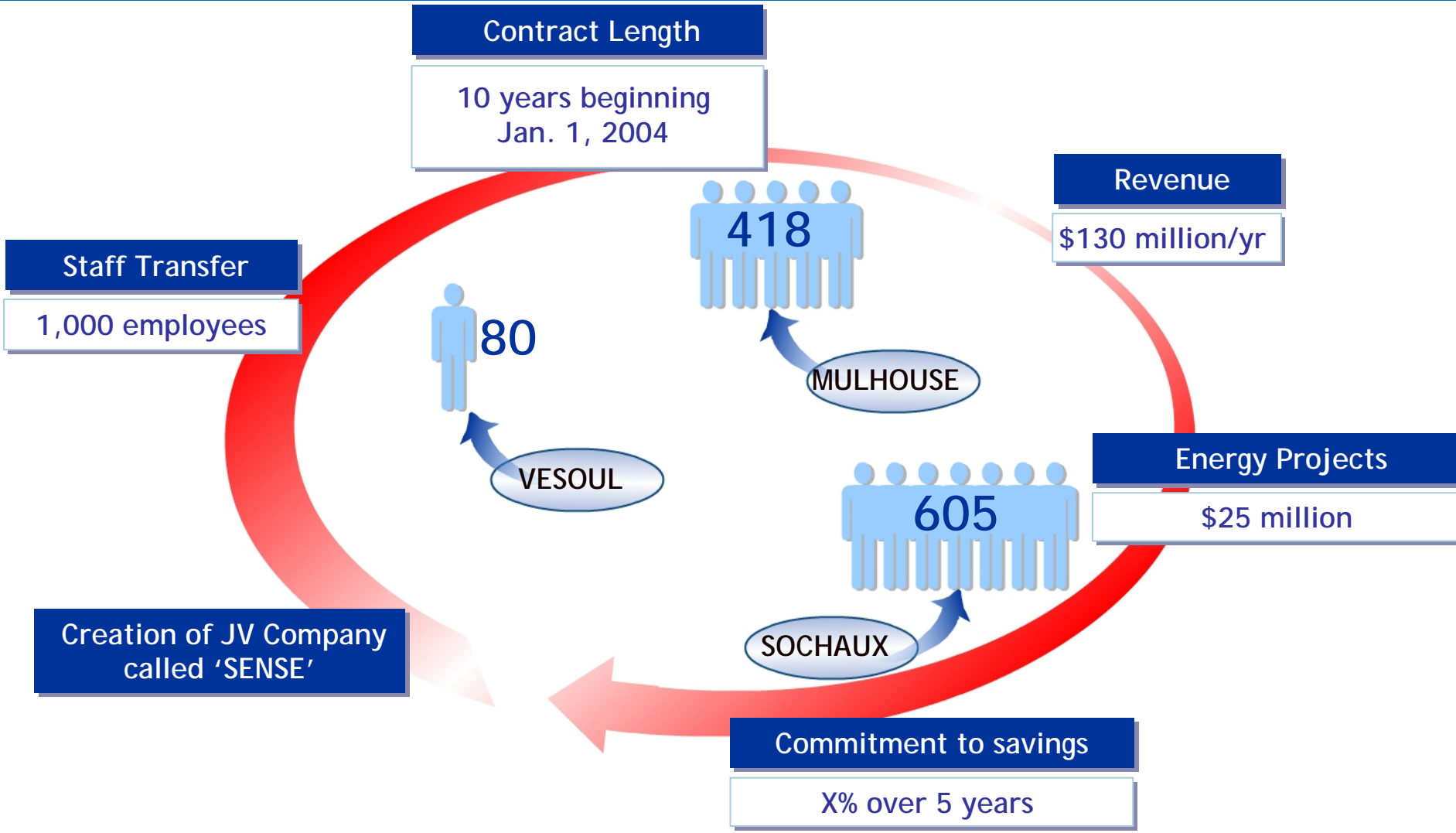


How savings are achieved





Veolia Environnement's biggest industrial contract

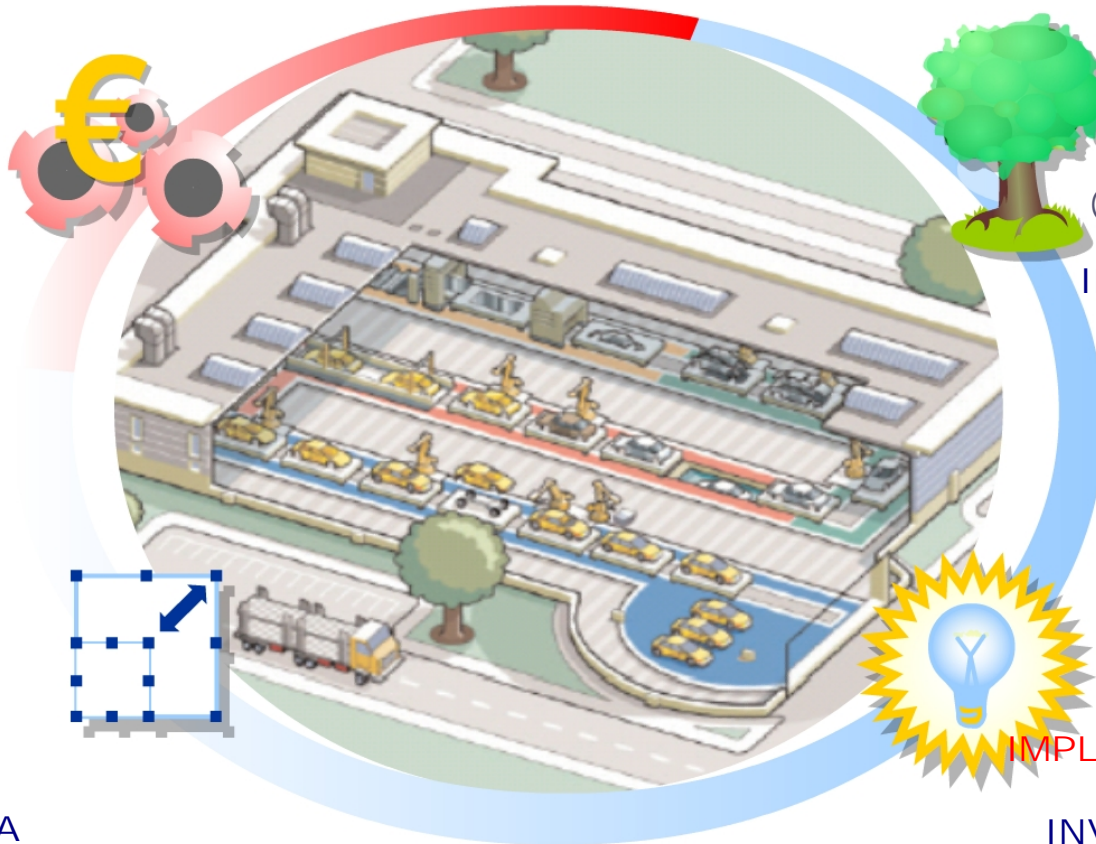




Who Makes the Investments?

Productivity work

INVESTMENT BY SENSE



Regulatory work
(environment, safety, etc.)

INVESTMENT BY PSA

Plant capacity improvements

INVESTMENT BY PSA

Energy projects

IMPLEMENTED BY SENSE

INVESTMENT BY PSA

Most of the assets are held by PSA, including those associated with the energy projects



CONCLUSION: the answer to PSA's objectives



A single VE commitment for all of the activities



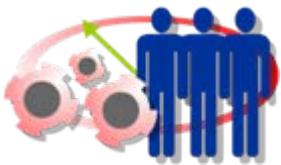
Productivity gains over time made possible by a complete overhaul of the organization of the activities



A contract mechanism whereby changes in the activities and levels of activity at each of the sites can be managed over time



Clear contractual commitments setting the role and responsibilities of all parties



A process that could be implemented **rapidly** because of the deployment of substantial resources at VE and the complete involvement of PSA.