
This Reference Document Summary includes substantially all of the information set forth in the French-language Document de reference registered by Vivendi Environnement (the "Company") with the French Commission des Operations de Bourse on April 22, 2003 under number R. 03-064. The Company's Annual Report on Form 20-F, when filed, will contain substantially all of the information set forth in this Reference Document Summary and certain additional information not included herein. The Company is required to file the Annual Report on Form 20-F with the U.S. Securities and Exchange Commission by no later than June 30, 2003.

FORWARD-LOOKING STATEMENTS

We make some forward-looking statements in this document. When we use the words "aim(s)," "expect(s)," "feel(s)," "will," "may," "believe(s)," "anticipate(s)" and similar expressions in this document, we are intending to identify those statements as forward-looking. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this document. In particular, from time to time in this document we state our expectations in terms of revenue to be generated under new contracts recently won or awarded or from new investments made and new assets or operations acquired, though we may have not yet commenced operations under these new contracts nor operating these new assets and operations at the time we make these statements. These revenue estimates are based on our management's current assumptions regarding future sales volumes and prices, which are subject to a number of risks and uncertainties that may cause actual sales volumes and prices to differ materially from those projected. As a result, actual revenue recorded under these new contracts or from these new investments, assets and operations may differ materially from those set forth in this document. Other than in connection with applicable securities laws, we undertake no obligation to publish revised forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. We urge you to review and consider the various disclosures we make concerning the factors that may affect our business carefully, including the disclosures made in "Item 3. Key Information -- Risk Factors," "Item 5. Operating and Financial Review and Prospects," and "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

Unless otherwise indicated, information and statistics presented herein regarding market trends and our market share relative to our competitors are based on our own research and various publicly available sources.

EXPLANATORY NOTE

Approximately 20.4% of our shares are currently owned by Vivendi Universal, a corporation (societe anonyme) incorporated under the laws of France. See "Item 7. Major Shareholders and Related Party Transactions -- Major Shareholders." From 1998 until December 2001, Vivendi Universal was known as "Vivendi"; before 1998 it was known as "Compagnie Generale des Eaux." In this document, we generally refer to Vivendi Universal as "Vivendi Universal" (rather than as "Vivendi" or "Compagnie Generale des Eaux") even when discussing events that took place when that company was operating under a different name. In

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addition, except as otherwise indicated or as the context otherwise requires, we use the term "Vivendi Universal" to refer to our shareholder exclusive of its subsidiaries.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

DIVIDENDS

Under French law and our articles of association (statuts), our statutory net income in each fiscal year, as increased or reduced, as the case may be, by any profits or losses carried forward from prior years, less any contributions to legal reserves, is available for distribution to our shareholders as dividends, subject to other applicable requirements of French law and our statuts.

On May 6, 2002, we paid a dividend of (euro)0.55 per share in respect of the 2001 fiscal year to persons who held our shares on January 1, 2002. On May 10, 2001, we paid a dividend of (euro)0.55 per share in respect of the 2000 fiscal year to persons who held our shares on April 27, 2001. We did not pay dividends as a stand-alone company in respect of fiscal years before 2000.

We have requested our shareholders to approve a dividend payment of (euro)0.55 per share in respect of our 2002 fiscal year to persons who held our shares on January 1, 2003 at our general shareholders' meeting to be held on April 30, 2003. Dividends paid to holders of ADSs will generally be subject to

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French withholding tax at a rate of 25%, which, subject to certain procedures and exceptions, may be reduced to 15% for holders who are residents of the United States. Subject to possible changes in French law that have recently been announced, certain holders of ADSs who are residents of the United States may be entitled to receive a subsequent payment representing the French avoird fiscal, or tax credit, in an amount generally equal to 10% or 50% depending on the beneficiary of any dividends paid by us, less applicable French withholding tax. See "Item 10. Additional Information-Taxation" for a summary of the material U.S. federal and French tax consequences to holders of ADSs. Holders of ADSs should consult their own tax advisors with respect to the tax consequences of an investment in the ADSs. Dividends paid to holders of ADSs will be subject to a charge by the depositary for any expenses incurred by the depositary of the ADSs in the conversion of euro to dollars.

EXCHANGE RATE INFORMATION

Under the provisions of the Treaty on European Union negotiated at Maastricht in 1991 and signed by the then 11 member states of the European Union in early 1992, a European Monetary Union, known as EMU, was implemented on January 1, 1999 and a single European currency, known as the euro, was introduced. As of December 31, 2001, the following 12 member states had adopted the euro as their national currency: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. The legal rate of conversion between the French franc and the euro was fixed on December 31, 1998 at (euro)1.00 = FF 6.55957 and we have translated French francs into euro at that rate.

Share capital in our company is represented by ordinary shares with a nominal value of (euro)13.50 per share (generally referred to as "our shares"). Our shares are denominated in euro. Because we intend to pay cash dividends denominated in euro, exchange rate fluctuations will affect the U.S. dollar amounts that shareholders will receive on conversion of dividends from euro to dollars.

The following table shows the French franc/U.S. dollar exchange rate for 1998 based on the noon buying rate expressed in French francs per \$1.00, and the euro/U.S. dollar exchange rate for 1999 through March 2003 based on the noon buying rate expressed in U.S. dollars per euro. The information concerning the U.S. dollar exchange rate is based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"). We provide the exchange rates below solely for your convenience. We do not represent that French francs or euro were, could have been, or could be, converted into U.S. dollars at these rates or at any other rate. The Federal Reserve Bank of New York has ceased publishing the Noon Buying Rates for French francs and other constituent currencies of the euro. For information regarding the effect of currency fluctuations on our results of operations, see "Item 5. Operating and Financial Review and Prospects."

Year	Period End	Average rate*	High	Low
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U.S. dollar/Euro				
March 2003	.92	.93	.95	.92
February 2003	.93	.93	.93	.92
January 2003	.93	.94	.96	.92
2002	.95	1.05	1.16	.92
December 2002	.95	.98	1.01	.95
November 2002	1.01	1.00	1.01	.97
2001	.89	.89	.95	.84
2000	0.93	0.92	1.04	0.83
1999	1.00	1.06	1.18	1.00
U.S. dollar/French franc				
1998	5.62	5.90	6.17	5.41

 * For yearly figures, the average of the noon buying rates for French francs or euro, as the case may be, on the last business day of each month during the relevant period.

Solely for the convenience of the reader, this annual report contains translations of certain euro amounts into U.S. dollars. These translations should not be construed as representations that the converted amounts actually represent such U.S. dollar amounts or could have been or will be converted into U.S. dollars at the rate indicated or at all. The translations from euros to U.S. dollars in this annual report are based on US \$0.9536 per euro, the Noon Buying Rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2002. On April 15, 2003, the Noon Buying Rate was U.S.\$0.9258 per euro.

RISK FACTORS

You should carefully consider the risk factors described below in addition to the other information presented in this document.

Risks Relating to Our Operations

We may suffer reduced profits or losses as a result of intense competition

Our business is highly competitive and requires substantial human and capital resources. Large international competitors and local niche companies serve each of the markets in which we compete. From time to time, our competitors may reduce their prices in an effort to expand market share or win a competitively bid contract. Competitors may also introduce new technology or services or improve the quality of their service. We may lose business if we are unable to match the prices, technologies or service quality offered by our competitors.

We perform a substantial portion of our business under contracts with governmental authorities and industrial and commercial clients. These contracts are often awarded and renewed through periodic competitive bidding. We may not be the successful bidder in the competition to obtain or renew these contracts. Our inability to replace a significant number of contracts lost through the competitive bidding process with comparable contracts or other revenue sources within a reasonable time could be harmful to our business and financial performance. Furthermore, we must commit substantial resources before we are assured of winning or renewing a contract. We may not be successful in winning or renewing a contract despite incurring substantial expenses.

Our business operations in some countries may be subject to additional risks

While our operations are concentrated mainly in Europe, we conduct

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business in markets around the world. Sales generated in countries outside of Europe and North America represented approximately 8% of our total revenue in 2002. The risks associated with conducting business in some countries outside of western Europe, the United States and Canada can include slower payment of invoices, nationalization, social, political and economic instability, increased currency exchange risk and currency repatriation restrictions, among other risks. We may not be able to insure or hedge against these risks. Furthermore, we may not be able to obtain sufficient financing for our operations in these countries. Finally, unfavorable events and circumstances in these countries may affect the value of our assets and investments in those countries. These events and circumstances, which may include material adverse changes in the general economic environment, may lead us to reassess our assumptions and objectives in respect of our operations in these countries and to reexamine the actual value of our assets and investments in these countries. As a result, we may record exceptional provision or depreciation charges in connection with our operations in these countries, which could have a material adverse effect on our results.

Changes in energy prices and taxes may reduce our profits

Fuel is a significant operating expense for our transportation and waste management businesses. Fuel prices are subject to sudden increases as a result of variations in supply and demand. Although most of our contracts contain tariff escalation provisions that are intended to compensate us for increased costs incurred as a result of increased fuel prices, there may be developments, including delays between fuel price increases and the time we are allowed to raise our prices to cover the additional costs, that prevent us from obtaining full compensation. A sustained increase in energy prices could hurt our business to the extent we are not able to increase our prices sufficiently to cover the additional costs. Furthermore, governmental authorities may increase fuel taxes. Increases in fuel prices or taxes could raise our costs and reduce our profitability.

Governmental authorities could terminate or modify some of our contracts

Contracts with governmental authorities make up a significant percentage of our revenue. We are subject to various laws that apply to companies contracting with governmental authorities that differ from laws governing private contracts. In civil law countries such as France, for instance, government contracts often allow the governmental entity to modify or terminate a contract unilaterally in certain circumstances. Although we are generally entitled to full indemnification in the event of a unilateral modification or termination of a contract by a governmental authority, such modifications or terminations could reduce our revenue and profits if full indemnification is not available.

Our compliance with environmental, health and safety laws and regulations is costly and may become more so in the future, and we may incur liability these laws and regulations

We have made and will continue to make the necessary capital and other expenditures to comply with applicable environmental, health and safety laws and regulations. We are continuously required to incur expenditures to ensure that the installations that we operate comply with all applicable legal, regulatory and administrative requirements, including general precautionary obligations. These expenditures mainly relate to air pollution (including, for example, the control of emissions from our transportation vehicles, our heat generation plants and our waste incineration facilities), the quality of our potable water, the disposal of wastewater and other effluents and the protection of land and biodiversity (including through restrictions on waste disposal and the use of landfills). Each of our operations, moreover, may become subject to stricter laws and regulations, and correspondingly greater compliance expenditures, in

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the future. If we are unable to recover these expenditures through higher prices, this could adversely affect our operations and profitability.

The scope of application of environmental, health, safety and other laws and regulations is also becoming increasingly broader. These laws and regulations govern, among other things, any discharges in a natural environment, the collection, treatment and discharge of all types of waste, and the rehabilitation of old sites. These increasingly broader laws and regulations expose us to the risk of liabilities, including in connection with assets that we no longer own and activities that have been discontinued. In some circumstances, we could be required to pay fines or damages under these laws and regulations or undertake remedial action even if we exercise due care in conducting our operations and we comply with all applicable laws and regulations.

In addition, courts or regulatory authorities may require us to conduct investigations and undertake remedial activities, curtail operations or close facilities temporarily or permanently in connection with applicable laws and regulations, including to prevent imminent risks or in light of expected changes in those laws and regulations. In the event of an accident or other incident, we could also become subject to claims for personal injury, property damage or damage to natural resources. Being required to take those actions or to pay these damages could hurt our business or significantly affect our capabilities.

We may not be able to retain or obtain required licenses, permits and approvals

We need to maintain, renew or obtain a variety of permits and approvals from regulatory authorities to conduct each of our businesses. The process for renewing or obtaining these permits and approvals is often lengthy, complex and unpredictable. We may invest substantial resources in a project only to have a regulatory authority deny us a permit or approval necessary to complete or operate it. Moreover, a regulatory authority may grant a necessary permit or approval only after substantial delays and/or additional expenditures. The occurrence of any of these events could increase our costs of operations and, in certain cases, require us to withdraw from a project or contract, which could hurt our business and adversely affect our operations and profitability.

We may be required to sell our interest in FCC in the event of a hostile takeover or to finance an acquisition of the remaining shares of FCC and its holding company.

We have an indirect 25.7% stake in Fomento de Construcciones y Contratas (FCC), a leading provider of environmental management and other services in Spain and Latin America. FCC is listed on the Madrid Stock Exchange. Our interest consists of a 49% stake in a holding company that owns 52.48% of FCC's outstanding shares. Ms. Esther Koplowitz, who is a member of our supervisory board, owns the remaining 51% of FCC's holding company. We have also created a number of joint ventures with FCC that operate a significant part of our environmental management business in Spain and Latin America. See "Item 4. Information on the Company--Business Overview--Our Services" and "Item 5. Operating and Finance Review and Prospects."

Pursuant to the agreements governing our participation in FCC, Ms. Koplowitz has the right to buy our interest in FCC's holding company in the event that our company is subject to a "hostile takeover." This agreement defines a "hostile takeover" as any direct or indirect acquisition of 25% or more of our shares that either does not have the approval of our supervisory board or management board or is effected by a direct competitor of FCC in Spain. The purchase price would be equal to the average of the price we paid for the acquisition of our participation in FCC ((euro)691 million) and the market value of our interest in FCC's holding company, which is determined by reference to

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the average trading price of FCC's shares during the three-month period preceding the hostile takeover. If this option is exercised at a time when the market price of FCC's shares is low, we would be required to sell our interest in FCC upon disadvantageous terms. In addition, a sale of our interest in FCC could impede our efforts to expand our activities in Spain.

Pursuant to these agreements, Ms. Koplowitz also has the option, exercisable at any time through October 6, 2008, to require us to purchase the remaining interest in B1998SL, FCC's holding company, at a price determined at the time of exercise based on the average market price of FCC's common stock over the prior three months, subject to a cap equal to the lower of seven times FCC's EBITDA and 29.5 times FCC's earnings per share in the prior fiscal year. If this option is exercised, we would ultimately own 100% of B1998SL. Under these circumstances, Spanish law may require us to launch a public tender offer for all of the shares of FCC not owned by B1998SL, which represent approximately 47.5% of FCC outstanding shares, at a price per share to be approved by the Spanish stock exchange authorities. Based on the price of FCC's common stock on March 3, 2003, the price for the remaining 47.5% of FCC would be approximately (euro)1.3 billion, subject to adjustment by the Spanish stock exchange authorities. The cost of purchasing the remaining interest in FCC and of consummating the tender offer for the remaining public interest in FCC may be substantial. We will explore the alternative financing options available to us to cover these costs at the appropriate time, if any, and may decide to finance these costs by incurring additional debt, issuing additional common stock or selling assets, which could adversely affect our net income and the market price of our shares.

See "Item 7. Major Shareholders and Related Party Transactions--Related Party Transactions--Other Agreements--FCC Agreements" for a description of the agreements governing our participation in FCC.

Currency exchange and interest rate fluctuations may negatively affect our financial results and the price of our shares

We hold assets, incur liabilities, earn income and pay expenses of our subsidiaries in a variety of currencies. Our financial statements are presented in euro. Therefore, when we prepare our financial statements, we must translate our assets, liabilities, income and expenses in other currencies into euro at then-applicable exchange rates. Consequently, increases and decreases in the value of the euro in respect of these other currencies will affect the value of these items in our financial statements, even if their value has not changed in their original currency. For example, an increase in the value of the euro may result in a decline in the reported value, in euro, of our interests held in foreign currencies, particularly in the United States, where we have recently made a number of significant acquisitions of companies and assets that are valued in U.S. dollars. Although we seek to limit the impact of these fluctuations in currency exchange rates by financing our local operations and acquisitions, to the extent possible, in local currency, we may not be able to fully offset the effects of these fluctuations on our financial statements. To the extent these fluctuations have a negative effect on our financial condition as presented in our financial statements, the price of our shares could decline.

In addition, because we have a significant amount of debt outstanding, our results of operation and financial condition may be affected by changes in prevailing market rates of interest. We manage this exposure to interest rate risk by setting a target fixed rate for a significant part of our debt, which we achieve either through fixed rate debt or interest rate hedging activities. At December 31, 2002 our outstanding total long-term debt amounted to (euro)12.9 billion, of which 49% was subject to fixed interest rates (including debt covered by our hedging activities). Fluctuations in interest rates may also affect our future growth strategy. A rise in interest rates may force us to finance acquisitions or operations or refinance existing debt at a higher cost

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in the future, which may lead us to decide to curtail or delay our then current expansion plans.

Risks Relating to Our Shares and ADSs

The substantial number of shares that will be eligible for sale in the near future may cause the market price of our shares or ADSs to decline.

In connection with the sale of a part of its interest in our company in June 2002, Vivendi Universal entered into a lock-up agreement in respect of its remaining 40.8% interest in our company that generally prevented it from offering or selling, directly or indirectly, these shares for a period of 545 days. This period expires on December 23, 2003. On December 24, 2002, Vivendi Universal sold half of its remaining interest in our company (i.e., 20.4%) to a designated group of institutional investors, which agreed to assume Vivendi Universal's obligations under the lock-up agreement for the remainder of the lock-up period. In addition, Vivendi Universal granted this designated group of investors options to acquire its remaining 20.4% interest in our company at a fixed price at any time before December 24, 2004. See "Item 7. Majority Shareholders and Related Party Transactions--Majority Shareholders" for a description of these transactions. Following the expiration of this lock-up agreement, a substantial number of shares will be eligible for sale in the public market. If several of these investors or, if a significant portion of the options are not exercised, Vivendi Universal commence selling shares of our company on the market, these sale activities could adversely affect prevailing market prices of our shares and ADSs.

Because preemptive rights may not be available for U.S. persons, the ownership percentages of our U.S. shareholders may be diluted in the event of a capital increase of our company.

Under French law, shareholders have preemptive rights (droits preferentiels de souscription) to subscribe for cash issuances of new shares or other securities giving rights to acquire additional shares on a pro rata basis. U.S. holders of our shares may not be able to exercise preemptive rights for our shares unless a registration statement under the U.S. Securities Act of 1933, as amended, is effective with respect to those rights or an exemption from the registration requirements imposed by the Securities Act is available. We are not required to file registration statements or otherwise ensure that an exemption under the Securities Act is available in connection with issues of new shares or other securities giving rights to acquire shares to our shareholders. As a result, we may from time to time issue new shares or other securities giving rights to acquire additional shares at a time when no registration statement is in effect and no Securities Act exemption is available. For example, in July 2002 we effected a capital increase through the issuance of rights to acquire new shares to all of our shareholders, but those rights were only exercisable by persons located outside the United States or by "qualified institutional buyers" in the United States. Holders of our ADSs were not permitted to exercise the rights corresponding to the shares underlying the ADSs and received the net proceeds of the sale of these rights in the French market by the ADS depository.

We are permitted to file less information with the SEC than a company incorporated in the United States

As a "foreign private issuer," we are exempt from rules under the U.S. Securities Exchange Act of 1934 that impose some disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. Additionally, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our shares. Moreover, we are not required to file periodic reports and financial statements with the U.S. Securities and Exchange Commission as frequently or as

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promptly as U.S. companies with securities registered under the Exchange Act. Accordingly, there may be less information concerning our company publicly available from time to time than there is for U.S. companies at those times.

The ability of holders of our ADSs to influence the governance of our company may be limited

Holders of our ADSs may not have the same ability to influence corporate governance with respect to our company as would shareholders in some U.S. companies. For example, the depositary may not receive voting materials in time to ensure that holders of our ADSs can instruct the depositary to vote their shares. In addition, the depositary's liability to holders of our ADSs for failing to carry out voting instructions or for the manner of carrying out voting instructions is limited by the deposit agreement. Finally, except under limited circumstances, our shareholders do not have the power to call shareholder meetings.

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ITEM 4: INFORMATION ON THE COMPANY

History and Development of the Company

The legal and commercial name of our company is "Vivendi Environnement." Our company is a societe anonyme a directoire et conseil de surveillance, a form of stock corporation, incorporated in 1995 pursuant to the French commercial code for a term of 99 years.

Our registered office is located at 36-38 avenue Kleber, 75116 Paris, France, and the phone number of that office is 33 1 71 75 0000. Our agent in the United States is Stephen P. Stanczak. He can be reached at United States Filter Corporation, 40-004 Cook Street, Palm Desert, CA 92211.

Historical Background

On December 14, 1853, Compagnie Generale des Eaux was formed by Imperial decree and won its first public service concession for the distribution of water in the city of Lyon, France. Compagnie Generale des Eaux continued to develop its activities in France by obtaining concessions in Nantes (1854), Nice (1864), Paris (1860) and its suburbs (1869).

In 1880, Compagnie Generale des Eaux experienced its first commercial success abroad when it was awarded a contract to produce and distribute water in Venice. This was followed by contracts in Constantinople in 1882 and Porto in 1883. In addition to potable water, Compagnie Generale des Eaux expanded its business into the water treatment industry in 1884.

In 1980, Compagnie Generale des Eaux regrouped all of its operating subsidiaries specializing in the design, engineering and execution of potable water and wastewater treatment facilities in a single company under the name "OTV." In addition, Compagnie Generale des Eaux acquired Compagnie Generale d'Entreprises Automobiles ("CGEA"), which would later become CGEA Connex and Onyx, and Compagnie Generale de Chauffe, which was later renamed Dalkia. During the same period in the 1980's, Compagnie Generale des Eaux accelerated its international expansion, particularly in the United States.

In 1998, Compagnie Generale des Eaux changed its name to "Vivendi" and renamed its water subsidiary "Compagnie Generale des Eaux" to distinguish the separate existence of its two main operating segments: communications and environmental management services.

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In October 1998, to further extend its geographic reach, Vivendi purchased a 49% interest in the holding company that controls FCC, a Spanish public company that is the leading provider of urban waste management and the second largest provider of water and wastewater services in Spain.

In April 1999, Vivendi acquired United States Filter Corporation (also known as USFilter), which was created in 1990 and is the leading water treatment services and equipment company in the United States.

In 1999, Vivendi created Vivendi Environnement, to which it contributed or sold all of its environmental management activities and which conducted these activities under the names "Vivendi Water" (water), "CGEA Onyx" (waste management), "Dalkia" (energy services) and "CGEA Connex" (transportation).

On July 20, 2000, our shares were listed on the Premier Marche of Euronext Paris in connection with an initial public offering of our shares in France and in an international private placement, with Vivendi Universal (the new name of Vivendi) retaining over 72.3% of our share capital.

In December 2000, Dalkia entered into an agreement with Electricite de France (EDF), the French state-owned electricity utility, pursuant to which Dalkia's energy services operations were consolidated with those of EDF.

In August 2001, our shares were included in the CAC 40, the main equity index published by Euronext Paris. In October 2001, we listed our shares, in the form of American Depositary Shares, for trading on The New York Stock Exchange.

In December 2001, our main shareholder, Vivendi Universal, sold a block of our shares representing 9.3% of our total share capital, reducing its equity participation in our company from 72.3% to 63.05% of our total share capital. We also distributed in December 2001 free warrants to all of our shareholders, which are exercisable until March 2006. See "Item 7. Major Shareholders and Related Party Transactions -- Major Shareholders."

During 2002, we became independent from Vivendi Universal, which, as of December 31, 2002, held only 20.4% of our share capital. See "Item 7. Major Shareholders and Related Party Transactions--Major Shareholders."

Upon approval our shareholders at the general shareholders' meeting to be held on April 30, 2003, we will change our name from "Vivendi Environnement" to "Veolia Environnement."

Our principal capital expenditures and divestitures since we began operations in 1999 are described under "Item 5. Operating and Financial Review and Prospects." Material capital expenditures currently in progress include those associated with the continued expansion of our existing businesses and replacement and maintenance spending related to our existing operations. These expenditures are being financed with cash flow from operating activities. Material divestitures currently in progress include the transfer of part of our interest in Dalkia's parent company as part of the strategic transaction with EDF described above and the disposal of non-core businesses described in "Item 5. Operating and Financial Review and Prospects."

Major Developments in 2002

We were awarded a significant number of long-term contracts in 2002 that are expected to generate in aggregate (euro)30 billion in total revenue over the life of these contracts. We describe below the main developments in our business during 2002.

The discussion below includes the revenue amounts that we expect to

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earn from our contracts. These amounts take into account updates to our volume and price assumptions since the date these contracts were publicly announced. As a result, announced revenue amounts may differ from the amounts of expected revenue included in this report. In the case of combined contracts to build and operate facilities, expected revenue amounts reflect total revenue expected to be generated from both services. In addition, we issue guarantees, post performance bonds and assume other contingent financial obligations from time to time in the ordinary course in connection with our contracts. We do not believe that any of these guarantees and obligations are material to our business as a whole, except for those described in "Item 5. Operating and Financial Review and Prospects."

Water

In France, we won a contract to modernize the Archeres wastewater treatment plant in the Yvelines region, which treats a large portion of the wastewater from the Paris area, with estimated total revenue of (euro)390 million. We also won a 15-year contract with Arcelor Packing, which manufactures steel for packaging and finished sheet metal for household electrical appliances, to treat effluents at its Florange site in the Moselle region, with estimated total revenue of (euro)27 million. In addition, we won a 12-year contract with Smurfit Cellulose du Pin to manage industrial effluents at its Factice/Bigonas paper factory in the Gironde region, with estimated total revenue of (euro)11 million.

In the Netherlands, we were declared the winning bidder of a 30-year contract to design, construct and operate wastewater treatment plants in the city and region of The Hague (estimated total revenue of (euro)1.5 billion). This contract and related agreements are expected to be finalized over the course of 2003.

In the Czech Republic, we extended a contract awarded in 2001 from 13 to 28 years under which we manage water services in Prague and its surrounding area with 1.2 million residents.

In the United States, we were awarded the largest-ever contract for outsourced management of municipal water in Indianapolis. USFilter, our subsidiary, will operate and maintain potable water services, rehabilitate infrastructure and provide client services for a 20-year period in this city serving 1.1 million residents (estimated total revenue of US \$1.5 billion). We also won a 20-year contract with Alon to provide water and wastewater management services to its refinery in Big Spring, Texas, with estimated total revenue of approximately US \$66 million.

In Morocco, we won a 26-year contract for the outsourced management of water, purification and electricity services for the region of Rabat-Sale (2 million residents), with estimated total revenue of (euro)4.6 billion.

In China, we won an international public bid for the management of water services in Pudong, a Shanghai business area with 1.9 million residents, for 50 years with estimated total revenue of (euro)10 billion (of which (euro)5 billion is attributable to us based on our interest in the operator). We also won two outsourcing contracts with the Chinese cities of Baoji (500,000 residents) and Zhuhai (1.2 million residents).

In Malaysia, we won an outsourcing contract with Petronas, an oil company, to provide water treatment and distribution services to its petrochemical complex in Kertith for a 20-year period (estimated total revenue of (euro)200 million).

Waste Management

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In the United Kingdom, Onyx renewed a contract for 7 years to collect residential and commercial waste and provide urban cleaning services in the London areas of Westminster (with 200,000 residents and 1 million visitors per day and representing estimated total revenue of (euro)350 million) and Camden (estimated total revenue of approximately (euro)190 million). On the southern coast, Onyx won a contract to collect and recycle residential and commercial waste in the city of Portsmouth (190,000 residents) for a 7-year period (estimated total revenue of approximately (euro)38 million), which will be signed in 2003.

In Asia, Onyx expanded its 2001 contract to collect waste in Singapore to include urban cleaning in the city center for 5 years with estimated total revenue of (euro)45 million. In China, Onyx won a contract for 8 years for the design and operation of a residential waste storage center in Guangzhou (Canton at the Xingfent site), with 20 million cubic meters of capacity and capable of treating 5,000 tons of waste per day by 2003 (estimated total revenue of (euro)37 million). This site, which will satisfy the most stringent international regulatory standards, will enable us to increase our exposure in Asia.

In Egypt, we commenced operations under our waste management contract in the city of Alexandria (3.5 million inhabitants), which we won in 2001. Under this contract, we are collecting and treating approximately 2,500 tons of household waste per day, taking measures to secure old landfills, developing an existing waste storage center, building a waste transfer station and providing urban cleaning services.

In Morocco, we commenced providing urban cleaning services in the city of Rabat-Hassan under a contract awarded in 2001. Under this 6-year contract, we are collecting household and organic waste, cleaning roadways and beaches and eliminating unmanaged landfills, with particular attention to historical and governmental sites (estimated annual revenue of (euro)2.6 million). We are also providing training to a significant number of local personnel.

In Australia, Onyx won a contract for the global management of the industrial waste at 670 sites throughout Australia of BTP Boral Limited, a business materials production and trading group (estimated total revenue of (euro)10 million). Onyx is the only operator to propose waste management solutions in the six Australian states.

In the United States, Onyx won a 6-year outsourcing contract to operate a waste-to-energy facility in Savannah, Georgia, and a 7-year outsourcing contract to operate another waste-to-energy facility in Charleston, South Carolina. We also won a contract to recycle municipal waste at Highland Park (estimated annual revenue of US \$2.6 million) and Saint Charles (estimated annual revenue of US \$1.4 million), in Illinois.

In Chile, Proactiva, our joint venture with FCC, commenced operating the Maipu landfill serving the Santiago de Chile, which was designed to receive 700,000 tons of waste per year and is an example of our technological capabilities.

Energy Services

In France, Dalkia renewed for 25 years a contract to outsource the public services concession of the urban area in Mons-en-Baroeul (North), with the installation of co-generation plant capable of producing 7MW of power (estimated annual revenue of (euro)5.1 million). Dalkia also partially renewed for 5 years a contract to provide thermal management services in Paris, which includes measures to prevent the risk of legionella bacteria (estimated annual revenue of (euro)2.9 million). In addition, Dalkia won a 3-year facilities management contract for 220 agencies of Credit Mutuel du Nord's Northern Europe

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network, with estimated annual revenue of (euro)4.3 million.

In Belgium, Dalkia was awarded a 5-year multi-technical contract in respect of the entire real estate holdings of the European Commission, which include 68 buildings with 1.5 million cubic meters of space and will require the deployment of 200 employees (estimated annual revenue of (euro)11.5 million).

In the Netherlands, Dalkia acquired DBU, a Dutch company specializing in the provision of technical services and the supply of mechanical and electro-technical industrial installations (estimated annual revenue of (euro)50 million).

In the United Kingdom, Dalkia was selected to participate in the first public bid by the British government to award permits for greenhouse gas emissions. To motivate the bidders, the British government offered payment of (euro)350 million over 5 years. Among the 34 companies selected, Dalkia was the only company in the energy services sector and has committed to reduce carbon dioxide emissions in the United Kingdom by 100,000 tons by 2006, representing a 37% reduction in respect of the reference target. To attain these objectives, Dalkia will collaborate with 4 hospitals and 134 commercial buildings for which it operates energy installations and with whom it will share the fees paid for each ton of carbon dioxide saved.

In Sweden, Dalkia acquired 5 companies in the Maintech group, a subsidiary of PEAB, a Swedish public works company that specializes in industrial maintenance services, for approximately (euro)4.9 million (after price adjustments), which we estimate will generate annual revenue of (euro)40 million.

In the Czech Republic, Dalkia was hired by the city of Ostrava to take over the municipal heating distribution company, ZTO, for approximately (euro)19.1 million. ZTO recorded (euro)43 million in revenue in 2001 and currently has 315 steam boilers, 160 kilometers of network and 233 sub-stations that service 84,000 residences and 900,000 square meters of commercial buildings.

In Italy, Dalkia signed a 10-year contract to supply electricity, heating and cooling to Manulifilm, one of the main European manufacturers of films used in packaging, plasticizing, adhesive tapes and tobacco products, with estimated total revenue of (euro)7 million.

In Malaysia, Citelum, a Dalkia subsidiary specialized in street and building lighting, won a contract to light the twin towers of Petronas, the highest inhabited towers in the world at 452 meters, with estimated total revenue of (euro)117,000.

Transportation

In France in January 2002, Connex acquired Transports Verney for approximately (euro)47.1 million. Transports Verney is present in more than 30 departments in France, particularly in the Great West and Rhone-Alpes regions, and focuses essentially on operating urban and inter-city networks. Transports Verney recorded more than (euro)150 million in revenue in 2001.

In Ireland, Connex won a 5-year contract to operate the new "Luas" light metro network in Dublin, with 40 trains used on 2 lines serving 36 stops and estimated total revenue of (euro)55 million.

In Great Britain, Connex renegotiated its compensation for 2003 and the duration of a contract to operate the rail network in southeast London. Connex's compensation increased by (euro)90 million for 2003 and is currently being negotiated for the 2004-2006 period. This contract will now expire in 2006

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instead of 2011.

In Germany, Connex inaugurated in December 2002 the Lausitzbahn rail network in the Gorlitz region (estimated annual revenue of (euro)4 million) and commenced operating two long distance inter-regional lines that link the southern part of Eastern Germany, Berlin and the Baltic Sea region (estimated total revenue of (euro)13 million).

In Sweden, Connex won two public tenders for the operation of passenger rail networks in Norrland and Goteborg and a public tender for the operation of the urban and inter-urban network of Ekilstuna. Connex also obtained a 5-year extension of its contract to operate the metro system and three tramway lines in Stockholm. These new contracts and the extension of the Stockholm contract represent an estimated increase of more than (euro)1 billion in estimated total revenue in this country.

In Slovenia, acquired from another private operator the operation of the Certus urban and inter-urban transportation network in Maribor for a 10-year period (estimated total revenue of (euro)180 million).

Business Overview

Our Market

Traditionally, environmental management services, which include water treatment and distribution services, waste treatment and management services, energy services (excluding the production, trading and sale of electricity) and transportation services, have been provided in an uncoordinated manner, each by a different entity. A provider of energy services, for example, would not also offer water treatment or waste disposal services, nor would it integrate its services with those of a customer's other environmental service providers. Public authorities and industrial and commercial companies, moreover, have typically met many of their own environmental needs without looking to private firms that specialize in these areas. This situation has changed fundamentally in recent years, however, as industrial and commercial companies have continued to expand on a global scale and increasingly require environmental management services providers with a global reach that matches the international scope of their customers' operations.

We are leading a trend toward the creation of comprehensive packages of large-scale, customized, integrated environmental management services to governmental and private clients around the world. We believe that we possess the core competencies necessary to provide our environmental management services in an integrated, global manner, including:

- o long-term contract management—the ability to win and successfully manage long-term contracts (up to 50 years) with public authorities and industrial and commercial companies;
- o operating within highly regulated or contractually restricted conditions—the ability to conduct operations while satisfying complex legal requirements and to adapt quickly to evolutions in those requirements;
- o workforce management—the ability to successfully convert government employees or non-core environmental services employees of an industrial or commercial company through training and management into a competitive, technically expert, core environmental services workforce;
- o financial strength and the ability to finance large-scale environmental infrastructure projects to meet a wide range of

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customer needs;

- o technical expertise—the ability to conceive and manage complex, technologically advanced environmental operations at multiple sites creatively and efficiently and to coordinate those operations so as to provide a seamless package of integrated services of consistently high quality; and
- o global scale—the ability to bring all the foregoing skills to bear in key markets around the world.

We believe that demand for integrated, customized packages of environmental management services is likely to grow around the world for the following reasons:

- o In a world that combines accelerated urbanization with demographic growth, major investments in environmental projects and services are needed to meet increasingly stringent environmental standards, provide growing urban populations with adequate environmental services and replace existing environmental infrastructure. In addition, there is also an increase in public demand for high-quality and extremely reliable environmental products and services.
- o Governments throughout the world face budgetary constraints and often lack the technical and operational skills of private sector firms to address environmental issues efficiently. As a result, public authorities are increasingly turning to the private sector to address their environmental needs.
- o Industrial and commercial companies are increasingly delegating tasks outside their core areas of expertise to third parties in order to reduce costs and comply with increasingly stringent environmental standards. Few industrial or commercial companies have core competencies in environmental services; consequently, the market for outsourced environmental services is expanding.
- o Public and private entities are increasingly attempting to simplify the administration of their complex operations by outsourcing a wide variety of responsibilities to a single partner, creating an opportunity for companies capable of offering a broad range of environmental management services in an integrated fashion.
- o Large private firms and public authorities increasingly recognize that a "one size fits all" approach will not meet their unique and changing needs. As a result, demand for customized environmental management services has grown.
- o The increasingly multinational profile of many large industrial and commercial firms encourages them to outsource non-core activities to companies with similar geographic reach to simplify administration and ensure they receive consistent service at each of their facilities.

We think that each of these trends, taken individually, has created significant opportunities for companies with our expertise, and, taken as a whole, they allow us in particular to provide innovative, integrated environmental management services in markets around the world on a one-stop shopping basis. We have created specialized teams led by our Industrial Markets Department to guarantee continuity in the solutions we offer. In addition, the employee training programs developed by our Institut de l'Environnement Urbain

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(or Urban Environment Institute) allow us to integrate within our own personnel several designated employees of our customers.

Our Clients

We are the leading provider of environmental management services in the world and we increasingly provide our services in innovative, integrated and customized packages. We provide environmental management services to a wide range of public authorities, industrial and commercial customers and individuals around the world.

Our revenue from services to public authorities represented approximately 65% of our total revenue in 2002, while our industrial and commercial customers represented approximately 35% of total revenue in 2002.

The demand from public authorities has been particularly influenced and strengthened by recent trends relating to privatization, intercommunal conglomerations (which involves the grouping of several French municipalities into communal areas or conglomerations) and a heightened sensitivity to environmental issues, including the management of water resources, air pollution, mass transportation policies and energy consumption.

At the same time, the development of our industrial customer base has become a major growth factor in our business. Our expertise in multi-service solutions, our capacity to limit the environmental impact of industrial activities and our ability to deliver customized solutions on each of the five continents allow us to respond to the demands of our large industrial customers. In addition, during 2002 we significantly increased our presence in a variety of commercial and other professional fields, including through the provision of services to hospitals, airports, hotels and transportation-related companies.

While we provide services around the world, our largest market is Europe and, to a lesser extent, the United States. In 2002, we generated 45.3% of our revenue in France, 34.9% in the rest of Europe, 12% in North America, 3.8% in the Asia-Pacific region and 4% in the rest of the world. We are not materially dependent upon any particular customer, and no one contract represented more than approximately 1.6% of our revenue in 2002.

Our Strategy

Our overall strategy is to use our broad range of services and extensive experience to capitalize on increased demand for reliable, integrated and global environmental management services. The major elements of this strategy are to:

- o Leverage our expertise and our leading market position in environmental management services to deliver strong internal growth

Providing environmental management services has been the core business of our company and its predecessor for nearly 150 years. We have demonstrated technological, financial and management expertise and routinely enjoy success in bidding for contracts offered through public tenders by public authorities and industrial or commercial companies. We have vast experience in the management of long-term relationships with public authorities. We also have a track record of using our technological and management expertise to deliver the highest quality of service at the most competitive cost. We intend to use our broad range of expertise and experience to take advantage of increasing demand for privatized and outsourced environmental management services. Our core businesses generated internal

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growth of 5% in 2002.

- o Develop partnerships through unique, integrated, multi-service offerings or by taking advantage of synergies

We are integrating our environmental operations to meet increasing demand for comprehensive environmental management services. We also sometimes pursue this approach with other companies in order to harness their capabilities. This integration allows our clients to benefit from technical synergies and better control economic performance and environmental risk, and is the key element of our service offerings, particularly to commercial clients. For example, such technical synergies are possible in the "waste to energy" field with the treatment of industrial effluents and related sludge and the supply of de-mineralized water-based industrial heating.

The integration of our capabilities may take the form of an integrated service contract. In 2002, for example, we won a number of integrated multi-service contracts with industrial customers, including British Petroleum (BP), Arcelor, Accor and Pharmacia. We also offer integrated services to public authorities, such as our integrated contract to provide a variety of environmental management services in the city of Bromley, United Kingdom. The integration of capabilities may also result from the synergies that arise from the award of separate contracts to several of our divisions by a single customer (or by different customers that have relationships among themselves), such as, for example, our contracts in Shanghai.

In order to fully benefit from the advantages of the integration of our services and the synergies between our divisions, we regrouped our company's senior management and the senior management of each of our divisions at our corporate headquarters in Paris in the second quarter of 2002.

- o Achieve and maintain "best-in-class" performance in each of our business segments by investing in technology and personnel

The projects we undertake require extensive technical know-how and excellent management capabilities. We make significant investments in both technology and personnel training to ensure that we deliver the highest quality environmental services possible. Our goal is to achieve and maintain best-in-class service across our business segments, permitting us to realize important productivity gains and to anticipate, at low cost, changes in regulations. 600 of our researchers are dedicated to consider technological issues specific to our industrial clients. We have also established key measures to assure our industrial and commercial clients that we respect the highest standards of hygiene, safety and environmental protection in the areas surrounding their sites.

- o Seize opportunities arising from our worldwide reach

Because our operations span the globe, we can offer multinational industrial companies a uniform quality of service, on the one hand, and centralized environmental services management, on the other. We are one of the only environmental services companies with the ability to offer services on a worldwide basis. Based on this capability, in 2002 we renewed our 5-year contract with Renault to provide global waste management services at 15 of its

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factories and expanded the services we provide under the contract, which will require support from our other divisions and the performance of services at new factories abroad.

Our worldwide presence also allows us to quickly seize opportunities to enter markets that experience sustained growth of environmental management services, particularly in Europe, the United States and Asia, particularly China. The extensive experience we have acquired in dealing with a wide variety of legal and political environments facilitates our entry into these markets.

- o Focus on high value-added environmental services

We intend to focus on providing high value-added environmental services and to limit our exposure to low-margin commodity supply businesses. This focus will also enable us better to take advantage of our core strength: our ability to provide creative, customized, integrated environmental services to clients with large, geographically diverse and complex operations. In line with our strategy to focus on our environmental services business, we launched in 2001 a divestiture program for non-strategic assets pursuant to which we generated proceeds of (euro)1.7 billion in 2002. As part of this program in 2002, our subsidiary USFilter sold all of its US distribution and points of sale activities, through which it supplied materials relating to gates, pipes and meters.

- o Pursue a selective policy of acquisitions to expand our service offerings and geographic reach

We intend to acquire environmental services-related companies when the opportunity to do so on favorable terms arises. The purpose of these acquisitions will be to expand the portfolio of services we can offer clients and to extend our geographic reach. In France, for example, Connex acquired Transports Verney in 2002, which operates in more than 30 departments throughout the country. If we decide to pursue acquisition opportunities that arise, we may decide to sell other activities in order to re-balance our asset portfolio.

Our Services

We are a world leader in services related to the environment. We have operations in over 100 countries on each of the five continents providing water to over 110 million people, treating 47 million tons of waste and satisfying the energy requirements of hundreds of thousands of buildings for our industrial, municipal and individual customers.

We believe that we offer a more comprehensive array of environmental services than any other company in the world. We have the expertise, for example, to supply water to and recycle wastewater in a customer's facility, collect, treat and recover waste generated in the facility, supply heating and cooling services and optimize industrial processes used in the facility, all in an integrated service package designed to address the customer's unique circumstances.

Our operations are conducted primarily through four subsidiaries, each of which specializes in a single business segment: Vivendi Water (for water), Dalkia (for energy services), Onyx (for waste management) and Connex (for transportation). We also have a 49% interest in, and shared control over, the holding company that controls FCC, a Spanish group that operates in the

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construction industry and provides a range of environmental-related services.

Although our divisions operate independently from one another, they are capable of proposing an integrated service offering. For example, in 2002 BP renewed its trust in our company by awarding us a contract (in partnership with Air Liquide) for the complete management of its thermoelectric heating facility at its Lavera factory, where Connex has provided a complete package of logistical services since 1987 and Vivendi Water operates the facility's water treatment units. We also won a significant number of outsourcing contracts with Arcelor in 2002 that require services from each of our four divisions in France, including a 7-year contract to provide energy production, water treatment and waste management services at its Montataire site and a 15 year outsourcing contract for water services and steam production at its Florange site. In addition, we entered into a worldwide partnership with the Accor group, which allows us to secure our position as the favored supplier of an extensive range of services to the Accor hotels, including heating, air conditioning, selective waste collection and removal, water systems management and maintenance and transportation of guests and personnel. We study experimental applications to better preserve the environment at new sites, including, for example, the desalination of sea water and the use of renewable energy or clean fuels. Finally, our water and waste management divisions cooperate closely in connection with our large industrial clients in the United States in the context of "Operation Synergy." As a result of the close collaboration between our company and one of the leading pharmaceuticals companies in the world, Onyx won a contract in 2002 to provide waste management services at a majority of this company's industrial sites.

The following table shows the contribution of selected geographic markets to our revenue by division and to our consolidated revenue for 2002, after elimination of all inter-company transactions:

((euro)billions)	Water	Waste	Energy Services	Transport	FCC (1)
	-----	-----	-----	-----	-----
Europe	8.5	4.0	4.5	3.2	2.5
of which France	6.2	2.5	3.0	1.3	--
Americas	3.7	1.6	n.m	0.1	0.2
Rest of the World	1.1	0.5	0.1	0.1	--
of which:					
Africa-Middle East	0.5	0.1	n.m	n.m.	--
Asia-Pacific	0.6	0.4	n.m	0.1	--
	-----	-----	-----	-----	-----
Total	13.3	6.1	4.6	3.4	2.7
	=====	=====	=====	=====	=====
in %	44%	20%	15%	12%	9%

n.m. = Not Material.

(1) Figures reflect a 49% share of FCC's revenue. Under French GAAP, we proportionally consolidate FCC based on our 49% interest in the holding company that controls it. Under U.S. GAAP, FCC would be accounted for using the equity method. See Note 27A to our consolidated financial statements.

Water

Vivendi Water, our main water services subsidiary, is the world's leading provider of water services and one of the leading designers and

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manufacturers of water treatment facilities, systems and standard equipment for industrial, commercial and municipal customers in the world. With its 77,600 employees around the world (including 100% of the employees of companies that are proportionally consolidated by our company and 50% of the employees in Proactiva's water activities), Vivendi Water is present in approximately 100 countries and serves over 110 million people throughout the world under more than 7,000 operating contracts. Vivendi Water's three principal subsidiaries are Compagnie Generale des Eaux, which is the leading European water and wastewater services company and has operations worldwide, United States Filter Corporation, which is one of North America's leading water services and equipment company, and Vivendi Water Systems, a designer and provider of water treatment systems and standard equipment.

The following table shows the consolidated revenue and EBIT of our water operations in each of the last three fiscal years, after elimination of all inter-company transactions:

((euro)millions) (1)	2002	2001	2000 (2)
	-----	-----	-----
Revenue (3)	13,294	13,641	12,768
EBIT (4)	1,024	1,090	n.a.

- (1) Includes 100% of the results of the water activities of Proactiva, our joint venture with FCC. Excluding the results of Proactiva, revenue from our core water business would have been (euro)11,143 million in 2002, (euro)10,770 million in 2001 and (euro)12,541 million in 2000.

- (2) Restated to reflect the changes in our accounting methods and presentation of accounts in 2001. See "Item 5. Operating and Financial Review and Prospects-- Overview-- Presentation of Information in this Section-- Changes In Accounting Methods and Presentation of Accounts."

- (3) Excluding revenue from our non-core water businesses, revenue from our core water businesses amounted to (euro)11,027 million in 2001 and (euro)11,288 million in 2002. Revenue from our non-core water businesses amounted to (euro)2,614 million in 2001 and (euro)2,006 million in 2002. See "Item 5. Operating and Financial Review and Prospects -- Overview -- Presentation of Information in this Section -- Historical and Comparable Information" for a discussion of the scope of our core and non-core businesses. (4) EBIT from our core water businesses amounted to (euro)875 million in 2001 and (euro)900 million in 2002. See "Item 5. Operating and Financial Review and Prospects -- Overview -- Presentation of Information in this Section -- Historical and Comparable Information" for a discussion of the scope of our core and non-core businesses.

Vivendi Water manages a large number of municipal water and wastewater services around the world, including, in France, Paris (right bank) and its suburbs, Lyon and Marseilles, and in the rest of the world, Berlin (Germany), London's north suburbs (U.K.), Budapest (Hungary), Prague (Czech Republic), Bucharest (Romania), Adelaide (Australia), Indianapolis (U.S.), Pudong (a district of Shanghai) and Tianjin (China) and Libreville (Gabon). Vivendi Water also has a number of important industrial clients, including General Motors, Conoco, Hyundai, Danone, British Petroleum (BP), Renault and Arcelor. About two-thirds of Vivendi Water's individual customers are in North America, with the remainder located mainly in Europe.

Strategy

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Our water division's strategy for its outsourced management activities is to promote selective growth by leveraging our current position and obtaining new key contracts. In the medium-term, Vivendi Water expects to refocus on developed countries with well-controlled risk exposures. Despite increasing competition in France, Vivendi Water intends to rely on the experience and commercial dynamism of our teams to continue providing high level services with the goal both to renew contracts nearing expiration and win new contracts for public water and wastewater treatment services, as well as develop further the services it offers to industrial and municipal customers. In continental Europe, Vivendi Water seeks to consolidate its leadership by capitalizing on key contracts won in the past three years, particularly in Berlin, Bucharest, Budapest and Prague and by focusing on both municipal clients and industrial and commercial companies. In the United States, after the implementation of the plan to shift its strategic focus after the acquisition of USFilter, Vivendi Water offers water services to industrial and public entities, targeting unregulated activities where it is the uncontested leader with operations that are four times larger than that of its nearest competitor. In Asia, Vivendi Water expects to target opportunities in countries with strong growth potential, such as China, South Korea and Japan, which it considers as crucial to the development of its activities in the region.

In designing and building water treatment equipment and systems, Vivendi Water seeks opportunities in newly opened markets as well as in the operation of water services. Vivendi Water's strategy is to research and develop synergies between equipment services and sales and design, construction and outsourcing services. In the United States, where the current economic climate is difficult, USFilter's Equipment & Systems division capitalizes on its commercial resourcefulness and the performance of its technologies to maintain its leading market positions. Our main water systems subsidiary, Vivendi Water Systems, is close to completing the integration and restructuring of USFilter International's subsidiaries and is pursuing a plan of selectivity to increase its profitability. Vivendi Water Systems is positioning itself to offer design and construction services and create both standardized and customized package systems that meet the specific needs of certain industrial sectors or allows it to offer municipal and industrial clients temporary or more long-term solutions to their water quality problems.

Vivendi Water also provides services to individuals through Proxiserve (a joint venture with Dalkia), Culligan and, more recently, Generale des Eaux Services, a subsidiary of Compagnie Generale des Eaux, which offers services and products in France that are not tied to public water services, such as assistance and repair services and solutions for individual environments. Vivendi Water also continues to develop a complete range of high value-added services to individuals and commercial enterprises.

Description of Activities

Municipal and Industrial Outsourcing

The main focus of our water business is on water and wastewater management services for public authorities and industrial and commercial customers. Vivendi Water provides integrated services that cover the entire water cycle, from collection from natural sources and treatment to storage and distribution to collection and treatment of waste water. Vivendi Water's activities include the design, construction, management and operation of large-scale, customized potable water plants, wastewater treatment and recycling plants, potable water distribution networks and wastewater collection networks. It also provides water treatment services to end users.

Municipal Outsourcing

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Vivendi Water and its subsidiaries have provided outsourced water services to public authorities in France and in the rest of the world for 150 years under long-term contracts adapted to local environments. Vivendi Water uses its experience, technology and know-how to capitalize on the worldwide trend towards privatization of municipal water and wastewater services.

In France, Vivendi Water operates in over 8,000 municipalities in France under the trade name "Generale des Eaux," where it distributes water to approximately 26 million people and treats wastewater generated by approximately 17 million people. The market has become increasingly competitive as a growing number of contracts are expiring, as new local and international competitors enter the market and as certain municipalities decide to manage water services internally. In 2002, Compagnie Generale des Eaux proved its competitive edge by winning 43 new contracts, two thirds of which are for water treatment services. Of its 256 contracts nearing expiration, Vivendi Water successfully renewed 217 of the 236 contracts that were re-offered through public tenders. The 39 contracts that were not renewed represented only 0.25% of revenue from our water activities in France, which increased by 3% in 2002. The performance of our water division also benefited from a notable increase in the public services provided by Compagnie Generale des Eaux, including the maintenance of water treatment networks, technical network assistance and research on leakages.

In Europe, Vivendi Water, already present in Great Britain, Germany and Eastern Europe for a number of years, reinforced its leading market position in providing services to municipalities by winning a number of significant contracts. In the Netherlands, Vivendi Water was declared the winning bidder for a contract in September 2002 to design, construct and operate wastewater treatment plants in the city and region of The Hague for a 30-year period (estimated total revenue of (euro)1.5 billion). This contract and related agreements are expected to be finalized over the course of 2003. In October 2002, it extended from 13 to 28 years a contract won in 2001 for the city of Prague (1.2 million inhabitants) to treat and distribute potable water and collect and treat wastewater. Vivendi Water also increased its stake in PVK (Compagnie des Eaux de Prague) from 66% to 100%.

In Asia, which we consider a focus of strategic expansion, Vivendi Water has operations in Malaysia, South Korea, Thailand and, in particular, China. In May 2002, Vivendi Water won an international public bid to manage water services in Pudong, the business district of Shanghai, for a period of 50 years (estimated total revenue of (euro)10 billion, of which (euro)5 billion is attributable to Vivendi Water based on its interest in the operator). Pudong is one of the main commercial and financial centers in Asia and currently has nearly 1.9 million inhabitants. In November and December 2002, Vivendi Water won two outsourcing contracts for water management in the cities of Baoji and Zhuhai in China. The 23-year Baoji contract involves the rehabilitation, extension and operation of two potable water treatment facilities that serve 500,000 inhabitants (estimated total revenue of (euro)300 million). Under the Zhuhai contract (1,2 million inhabitants), our first water treatment contract in China, Vivendi Water will operate for 30 years two wastewater treatment facilities, one of which already exists and one which must be built (estimated total revenue of (euro)400 million).

In the United States, where USFilter sold various non-core businesses to refocus on providing water services and reinforce its leadership in the water equipment and systems market, Vivendi Water is continuing to develop its activities in the unregulated municipal market by winning several significant contracts. In March 2002, USFilter won a 20-year contract to manage the municipal water services of the city of Indianapolis, which is the largest-ever outsourcing contract for municipal water services in the United States, with estimated total revenue of US \$1.5 billion. Under this contract, USFilter will operate and maintain the city's potable water services, which serve 1.1 million residents, and will rehabilitate related infrastructure and provide

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client-relations services. In August 2002, USFilter signed a long-term contract with the city of Atlanta to upgrade and manage a program to treat sludge issued by the city's wastewater facilities (estimated total revenue of US \$200 million). In May 2002, USFilter won a 20-year contract to treat wastewater in Richmond, California (estimated total revenue of US \$60 million) and in November 2002, USFilter renewed its wastewater management contract with Oklahoma City for five years (estimated total revenue of US \$36 million).

In North Africa, in October 2002 Vivendi Water took over an outsourcing contract to provide water, wastewater treatment and electricity services for 26 years in the Rabat-Sale region of Morocco (2 million inhabitants), with estimated total revenue of (euro)4.6 billion.

Industrial Outsourcing

Vivendi Water's outsourcing contracts with industrial and commercial customers generally last three to ten years, but some last as long as 20 years. Vivendi Water's industrial outsourcing activities grew in 2002.

In France, Vivendi Water won several important contracts. In the paper sector, Smurfit Cellulose du Pin chose Vivendi Water in January 2002 to treat industrial effluents for 12 years at its kraft paper factory in Factice/Biganos, the Gironde region, which is one of the largest paper factories in Europe, and to construct a new biological treatment station (estimated total revenue of (euro)11 million). In the chemicals sector, Vivendi Water signed an agreement with Rhodia in July 2002 to manage and improve a wastewater treatment plant at its Saint-Fons site near Lyon for a 5-year period. This plant also treats wastewater from CIBA's site and another Rhodia site located in Belle Etoile (with estimated total revenue of (euro)6 million). In the steel manufacturing sector, Vivendi Water signed a 15-year contract in March 2002 with Arcelor Packaging to treat effluents at its Florange site in Moselle (estimated total revenue of (euro)27 million). In the food processing sector, Vivendi Water signed a number of contracts with, among others, LU, LDC, Laurent Perrier, Stalaven and Saupiquet.

In Europe, in December 2002 Vivendi Water expanded the scope of its relationship with Cutisin, one of the most important companies in the Czech Republic, to provide complete water services to its subsidiary in Jilemnica for 10 years, with estimated total revenue of (euro)5 million.

In Malaysia, Vivendi Water signed in August 2002 an important outsourcing contract with the Petronas oil group to provide water treatment and distribution services at the Kerith petrochemical complex for a 20-year period (estimated total revenue of (euro)200 million).

In the United States, USFilter signed a 20-year contract with Alon in April 2002 to outsource its water and wastewater treatment services at its Big Spring refinery in Texas (estimated total revenue of almost US \$66 million).

Water Treatment Design, Construction, Equipment and Systems

Through United States Filter Corporation and Vivendi Water Systems, Vivendi Water is one of the world's leading designers and manufacturers of water and wastewater treatment equipment and systems for public authorities and private companies. Vivendi Water treats ground water, surface water and wastewater using a wide range of separation processes and technologies and it engineers customized systems to reduce or eliminate water impurities. Vivendi Water's recycle/re-use systems provide customers with the ability to circulate treated water back into plant processes, thereby reducing water usage, operating costs and environmental damage.

Vivendi Water also designs, engineers, manufactures, installs, operates

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and manages standardized and semi-standardized water equipment and systems designed to treat water for particular public service and commercial and industrial uses. Vivendi Water builds and operates a large number of installations, which gives it a competitive advantage in terms of cost, performance and reliability, especially for services to commercial and industrial firms. For example, many manufacturing processes—particularly those used in the food and beverage, pharmaceutical, microelectronics, paper, chemical processing and oil/petrochemical industries—require treated water to improve product quality and reduce equipment degradation. Vivendi Water uses a broad range of physical, biological and chemical treatment technologies that can be combined and configured to treat water to a customer's individual specifications.

Through SADE, Vivendi Water also designs, builds, renovates and rehabilitates urban and industrial potable water and wastewater treatment networks and conducts related work in France and around the world. SADE intervenes at each stage of the water cycle, from its collection to its release, and its public and industrial customers benefit from SADE's expertise in this domain.

Revenue from Vivendi Water's systems and equipment business declined in 2002 as a result of the global economic environment, an increasingly selective policy on investments and the divestment of non-core businesses, despite the fact that it won several important contracts during this period.

Municipalities

In France, Vivendi Water Systems signed a major contract in October 2002 to modernize the wastewater treatment plant in Acheres Seine Aval in the Yvelines region, which treats a large portion of the wastewater in the Paris area (estimated total revenue of (euro)390 million).

Outside France, Vivendi Water Systems will design and build the installations related to the outsourcing contracts won in The Hague (Netherlands), Baoji and Zhuhai (China) and Ashkelon (Israel). In Ashkelon, in particular, the initial capacity of the factory already under construction will be doubled. In addition, Vivendi Water Systems won a number of other important contracts in 2002, including, for example, a contract to construct a water station in Machala, Ecuador, with estimated total revenue of (euro)16.2 million.

Despite a challenging economic environment in the United States, USFilter was awarded a significant number of equipment contracts by municipalities, including, for example, a contract with Orange County, California, to install the largest micro filtration station in the world, which will treat the county's wastewater for purposes of re-injecting it into the aquifer and prevent the infiltration of seawater (estimated revenue of US \$25 million).

SADE also won a significant number of contracts to construct and renovate water networks for municipalities in France and elsewhere.

Industrial and Commercial Customers

In France, Vivendi Water Systems will design and construct installations under several industrial outsourcing contracts won by Vivendi Water, including the agreement with Smurfit and LDC to build biological treatment stations. SADE also signed several contracts to reinforce water treatment networks and protect industrial sites from fire.

In addition, Vivendi Water Systems won a number of contracts with industrial and commercial companies around the world. Among the most significant agreements, Celluloso Aranco y Constitucion SA selected Aquaflow-Vivendi Water

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Systems to design and implement solutions to manage the water cycle at the future factory in the Cruse Rivers Valley, Chile (estimated revenue of (euro)4 million), and TyskieE, an important Polish brewery that belongs to the South African Breweries group, chose Vivendi Water Systems to construct its treatment station (estimated revenue of (euro)5.8 million).

Despite difficult economic conditions in North America, USFilter won a number of treatment equipment and systems contracts, including a contract to build and install a demineralization system at the Genespee Power Station in Canada and, in May 2002, a contract to build and install a salt crystallization system for Saltville Gas Storage Co. in Virginia.

Services to Individuals

Through USFilter, Vivendi Water supplies bottled drinking water to North American and European consumers under the "Culligan" brand, as well as a variety of water treatment products, including, for example, water softeners and filtration systems. Vivendi Water's distribution network for Culligan products and services consists of more than 1,200 suppliers, of which 75% are located in North America and the rest principally in Europe. Vivendi Water also markets water filtration systems under the brand name "Everpure" through 50,000 suppliers throughout the world, which are used by 1.5 million food service companies and restaurateurs. Culligan constantly develops new channels to market its products through department and retail stores and its bottled drinking water through supermarkets. In 2002, revenue from these products recorded strong growth due to an increase in sales of bottled drinking water in North America and elsewhere.

In France, Vivendi Water offers a complete array of services to individuals through Proxiservice, a joint venture between Vivendi Water and Dalkia, which offers household technical services (including the distribution of utilities, maintenance of plumbing and heating and air conditioning systems and other maintenance services) and through Generale des Eaux Services, which provides services and products that are not related to municipal water services to individuals and commercial enterprises (including assistance and repair services and solutions for individual environments).

Acquisitions and Divestitures in 2002

In 2002, Vivendi Water continued to implement the policy adopted in 2000 to refocus its operations on its core water businesses. Vivendi Water's divestments worldwide represented (euro)1.5 billion in 2002.

In the United States, Vivendi Water sold the rest of USFilter's Filtration & Separation business (which specializes in filtration and separation technologies with non-water-based industrial applications), all of USFilter's distribution and points of sale activities (supplying gates, pipes and meters) in the United States and a peripheral subsidiary of Culligan, Plymouth Products. Vivendi Water also sold its 17% interest in Philadelphia Suburban Corporation, a company that operates in the regulated water sector.

In Europe, Vivendi Water sold its minority stakes in two British water distribution companies (a 24.1% interest in Bristol Water Holding and a 31.7% interest in South Staffordshire) and in SVZ, a peripheral incineration subsidiary of BWB, the water services operator in Berlin, for an aggregate amount of (euro)168 million. In France, Vivendi Water sold a significant part of its interest in Bonna Sabla, a cement products manufacturer that operates primarily in the public works sector, for (euro)87 million. Vivendi Water still holds a 19.85% interest in Bonna Sabla.

Waste Management

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Onyx, our main waste management subsidiary, is the second largest waste management company in the world and one of the global leaders in hazardous industrial waste management. With its 73,300 employees around the world (including 100% of the employees of companies that are proportionally consolidated by our company and 50% of the employees in Proactiva's waste management activities), Onyx operates in all segments of the solid, liquid and hazardous waste management business, serving municipalities and industrial clients on each continent. Providing services along the entire waste management chain, Onyx collects, transfers and treats waste in centers devoted to sorting, composting, energy production or storing, before recovering the waste by producing recycled materials, energy, heat and compost.

Present in 49 countries in all continents, Onyx has expanded the range of its services in the past several years, adapting its offerings to the specific needs of the market and focusing in particular on the outsourcing of environmental management services. Onyx is very active in "traditional" waste management activities (collection, treatment and recovery) as well as in "related" services such as urban, commercial and industrial cleaning and recovery and treatment of land in abandoned industrial sites.

The following table shows the consolidated revenue and EBIT of our waste management operations in each of the last three fiscal years, after elimination of all inter-company transactions:

((euro)millions) (1)	2002	2001	2000 (2)
Revenue	6,139	5,914	5,260
EBIT	385	391	n.a.

(1) Includes 100% of the results of the waste management activities of Proactiva, our joint venture with FCC. Excluding the results of Proactiva, our revenue would have been (euro)5,966 million in 2002, (euro)5,686 million in 2001 and (euro)5,047 million in 2000.

(2) Restated to reflect the changes in our accounting methods and presentation of accounts in 2001. See "Item 5. Operating and Financial Review and Prospects-- Overview-- Presentation of Information in this Section-- Changes In Accounting Methods and Presentation of Accounts."

Onyx provides waste management services to 272,000 industrial and commercial clients and, through its municipal contracts, serves almost 76 million people.

Onyx's specialization in waste management allows it to apply its outstanding technological capability to the outsourced management of public services for local communities and to offer customized solutions to large and small and mid-sized industrial and commercial clients' environmental challenges. Onyx offers a comprehensive range of services to its industrial customers, which can outsource all of their waste management needs to a single provider and concentrate on their core businesses and realize economies of scale. Onyx also customizes its service offerings to industrial and commercial customers according to their sectors of activities, including chemicals, food processing, automobile, electronic, pharmaceutical, metallurgical, paper, oil, health, distribution and retail sectors.

Because it has operations around the world and offers services that are adapted to local conditions and regulations, Onyx has become a major global player in the treatment of hazardous waste. In addition, Onyx offers a number of recycling services, including cardboard and glass, and is developing all of the

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other main recycling services, including textiles, scrap iron, metals, plastics, electric and electronics equipment, recoverable wood and construction site waste, oil waste products, cinders, tires and solvents.

The duration of Onyx's waste management contracts usually depends upon the nature of the services provided, applicable local regulations and the level of capital expenditure required under the contract. Collection contracts usually last from three to five years. The length of treatment contracts ranges from one year for operations in landfills that Onyx owns to up to 30 years for contracts involving the construction, financing and operation of new waste treatment facilities. Collection contracts with industrial and commercial customers typically last one to three years, while treatment contracts with these customers last an average of five years.

Strategy

Onyx's main goals are to:

- o develop its waste treatment capabilities,
- o strengthen its offering to industrial clients by capitalizing on its expertise throughout the complete waste management chain and its ability to generate synergies with our other operating divisions,
- o consolidate its international network,
- o increase the profitability of its activities by integrating the evolution of the cost structure of its activities, and
- o widen its technological lead in waste treatment and recovery.

Description of Activities

Our core waste management activities are the collection, treatment and recovery of household, commercial and industrial waste. We divide these activities into two main categories: waste collection and related services and waste treatment and recovery.

Waste Collection and Related Services

Collection and Transfer

Onyx collected approximately 35 million tons of waste from individuals, municipalities and industrial and commercial sites in 2002, compared to 31.5 million tons in 2001. Onyx provided waste collection services to more than 63 million people around the world in 2002.

Onyx also collects hazardous waste for its industrial and commercial customers. Onyx collected approximately 1.7 million tons of hazardous waste in 2002. Onyx also offers its industrial and commercial clients a range of services related to the collection of hazardous waste, such as preliminary studies of future waste collection needs and waste tracking after collection.

Onyx transports collected waste to transfer and sorting stations, where it is separated by type and then sorted before being sent to an adapted treatment center. Hazardous waste is usually transported to specialized physico-chemical treatment centers, recycling units, special industrial waste incineration units or storage centers designed to receive hazardous waste.

Urban Cleaning and Maintenance of Public Spaces

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Onyx provides urban cleaning services in a large number of cities throughout the world, including London (U.K.), Paris (France), Alexandria (Egypt), Rabat (Morocco), Singapore and Chennai (China). Onyx's services include mechanized street cleaning, treatment of building facades to eliminate graffiti and other markings and treatment and deep-cleaning of surfaces to remove paint, solvents, oil, chewing gum and other items. Onyx has developed a range of sophisticated mechanized cleaning equipment to ensure the quality and efficiency of our services.

Liquid Waste Management and Draining and Maintenance of Potable Water Networks

Through its subsidiary SARP, Onyx provides liquid waste management services that consist primarily of pumping and transporting liquids related to sewer networks and oil residues to treatment centers. Onyx also provides pumping and transportation services to industrial and commercial companies on short notice following accidents and other incidents involving liquid waste. Onyx has developed liquid waste management procedures that emphasize environmental protection, such as the on-site collection, recycling and reuse of water during the provision of its liquid waste management services. SARP also collects untreated oil residues, which present a hazard to the environment if released into water systems, and delivers them to SARP Industries, an Onyx subsidiary that specializes in hazardous waste management, for treatment and recovery, which evidences the complementarity of Onyx's different activities.

Commercial and Industrial Cleaning

Onyx provides cleaning services to its industrial and commercial clients' installations, including cleaning of offices and sites and maintenance of production lines. In the commercial sector, we provide these services mainly in train stations, subway networks, airports, museums and commercial centers, where cleanliness is associated with quality and security. In the industrial sector, we provide these services principally in food processing plants and heavy and high-tech industrial sites, where we offer specialized high or extremely high pressure cleaning services, cryogenics and reservoir cleaning in refineries and other petrochemical sites. We have recently received an ISO 9001 certification in recognition of the quality of our cleaning services at food-processing plants, which operate under strict hygiene regulatory requirements. Onyx has developed advanced technological cleaning systems, including specialized robots, that enhance the quality of the cleaning services offered, reduce the time required to complete cleaning operations and increase the safety of employees. Onyx offers its commercial and industrial cleaning services in most industrialized countries, including Germany, Australia, Canada, the United States, France and Scandinavia. We have also developed emergency services to treat the potential contamination of a site due to incidents or accidents that occur at the facilities of our industrial customers.

Waste Treatment and Recovery

In 2002, Onyx treated 54 million tons of waste, compared with 47 million metric tons in 2001, at its sorting centers, composting units, hazardous waste treatment units, incineration units and storage centers.

Sorting and Recycling

Our recycling activities generally involve the selective or separate collection of paper, cardboard, glass, plastic, wood and metal that customers either separate into different containers or mingle with other recyclable materials. Our customers are increasingly separating different types of recyclable waste into separate containers, which requires selective collection services. Onyx received approximately 7 million tons of solid waste at its 220

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sorting, recycling and transfer units in 2002 (compared to 184 units in 2001), of which 4.6 million tons were recycled, including 2 million tons of paper. Onyx also provides disassembly and recycling services for complex waste products at specialized treatment centers, such as electric and electronic products and fluorescent lamps. Onyx works in partnership with upstream industrial customers and with its CREED research center in order to develop new recycling activities.

We sell recycled material to intermediaries or directly to industrial and commercial clients. Onyx is one of the European leaders in recycling waste paper and cardboard and has substantial waste paper recycling operations in the United States. Sorting and recycling are also becoming larger components of the environmental management services we provide to industrial and commercial companies. We design and develop recycling systems that enable our industrial and commercial customers to optimize their production chains by reusing certain waste by-products generated in the manufacturing process, such as our glass recycling system that enables electronic consumer products companies to reuse glass waste in their tube production cycles after treatment at one of Onyx's recycling centers.

Composting

Onyx and Vivendi Water work together to recover sludge from wastewater treatment plants, which shows the synergies within our group. The quality of the sludge product depends on the quality of the wastewater treatment procedure, which conditions the composting process used. In 2002, Onyx recovered almost 2 million tons of urban and food processing sub-products and sludge produced by Vivendi Water's wastewater treatment plants at its 99 composting units, compared to 80 composting units in 2001. Somergie, a subsidiary jointly owned by Onyx and the city of Metz, was awarded the European Ecolabel for its urban compost in 2002. In addition, Onyx launched in 2002 the "Biodiv" service for industrial companies that generate vegetable waste, which includes specialized container storage, frequent collection and on-site composting services, as well as the tracking of waste throughout the cycle from collection to recovery. We offer these services mainly to manufacturers, food processing companies and national interest and distribution markets (including fruits, vegetables, flowers and bread).

Treatment and Recovery of Hazardous Waste

Through its specialized subsidiary SARP Industries, Onyx is one of the world leaders in treating, recycling and recovering hazardous waste, with a particularly strong presence in France, Hungary, Israel, Portugal, South America and, through Onyx Environment Service, in the United States. Onyx provides advisory services (engineering and customized solutions) and treatment and recovery services adapted to each industrial sector and type of waste, such as solvent and resin regeneration, hydrocarbon waste recovery, recycling of batteries, fluorescent tubes and soiled packaging, and retrieval and recycling of precious or rare metals.

With 53 units in 18 countries, Onyx treated 3.2 million tons of hazardous waste in 2002, of which 975,000 tons were incinerated at its 21 special industrial waste incineration units, 1.06 million tons were stored at its 7 Class 1 storage centers, 1 million tons were treated in 36 units by physico-chemical and stabilization processes and the remaining 160,000 tons were recovered at its 32 specialized treatment centers. The principal methods used for treating industrial hazardous waste are incineration (for organic liquid waste, solvents, salt-water and sludge), solvent recycling, waste stabilization followed by treatment in specially-designed landfills, and physico-chemical treatment of inorganic liquid waste.

Waste-to-Energy and Incineration

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Onyx treats approximately 8.4 million tons of non-hazardous solid waste (consisting mainly of urban waste) per year at its 70 waste-to-energy recovery and incineration plants. Energy is generated from the heat created by incinerating waste at these plants. Onyx uses this energy to supply district thermal networks or for sale to electricity providers. Waste-to-energy recovery and incineration is often the recommended waste treatment solution in densely populated areas where landfill space is scarce. Onyx continuously develops innovative waste-to-energy procedures and techniques to broaden the range of waste that may be converted into energy, optimize the production of energy and operate in strict compliance with environmental regulations, including restrictions on smoke and ash treatment processes.

Waste Storage and Waste-to-Energy Recovery of Biogas Emissions

Onyx treated approximately 33 million tons of non-hazardous solid waste in 139 storage centers in 2002. Onyx has developed the expertise to treat waste through methods that reduce emissions of liquid and gas pollutants and that permit it to use its storage sites in compliance with the most stringent environmental regulations. Onyx currently has 111 storage centers equipped to retrieve and treat biogas emissions from the anaerobic fermentation of waste, of which 29 centers have recovery systems to transform biogas emissions into alternative energies.

Recovery of Polluted Sites and Land

Onyx has recently commenced leveraging its expertise in waste management to provide treatment and related services for the recovery of land in abandoned industrial sites where unmanaged waste treatment or industrial accidents have resulted in high levels of contamination. Onyx's engineers design, develop and implement treatment and recovery strategies on a case-by-case basis for each industrial site.

Main Developments in 2002

As in 2001, Onyx focused in 2002 on consolidating its business in France, Europe, the United States and Asia, while at the same time winning several major contracts in these regions. Through Onyx, we won new contracts with local municipalities that will generate significant revenue and reinforced our industrial client base (272,000 industrial clients) despite difficult economic conditions, particularly in Europe and the United States. Onyx continued to grow in 2002, although at a slower pace than in 2001.

In France, our activities grew at a satisfying rate despite a restrictive legislative environment that led to costly reorganizations as we implemented the reduced 35-hour work week. One of our priorities in 2003 will be to improve the profitability of Onyx's operations in France. Regarding services to industrial customers, Onyx was selected by Sanofi Synthelabo to provide global waste management services for 3 years at two research and development sites in Toulouse and Labege (estimated total revenue of (euro)245,000) and renewed its partnership with Renault for the cleaning and treatment of waste at 15 of Renault's industrial sites for 4 years (estimated total revenue of approximately (euro)88 million). Onyx also signed a contract with Societe Generale to provide cleaning services for 230,000 square meters of office space at 18 sites in the Paris region and in Nantes (estimated total revenue of (euro)1.8 million). In the retail distribution sector, Onyx renewed its main contracts and increased its client portfolio by (euro)12 million in 2002 with chains such as Auchan, Casino, Monoprix and Conforama. Onyx also obtained several contracts with Exxon Mobil for waste collection and cleaning services. In the chemical sector, Onyx won a contract to provide comprehensive waste management services at Solvay's site in Dombasle (estimated total revenue of (euro)1 million). Onyx also renewed a 3-year industrial cleaning and maintenance contract with Sollac at its Fos-sur-Mer site (estimated annual revenue of

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(euro)5 million). Through VALTECH, a subsidiary of Onyx that specializes in site recovery, we were awarded the disassembly of the Renault site at Boulogne Billancourt, where we treated 40,000 tons of land and 10,000 tons of concrete.

Regarding public authorities, Onyx won a 3-year contract to clean tourist locations in Paris, including the Champs-Élysées, the Beaubourg Esplanade and the area around Notre Dame cathedral. Onyx also obtained the renewal of a 3-year contract to collect, transport and treat waste from 41 facilities of the Paris Hospitals in the Ile-de-France region (estimated annual revenue of (euro)3.8 million), which may be extended for an additional 2 years, and of a global waste management contract with the Marne Department to establish a network of 5 transfer stations and a waste-to-energy platform for household waste that will include a composting unit and a waste-to-energy unit outside of Chalons-en-Champagne (estimated total revenue of approximately (euro)250 million). Onyx was chosen by Lens-Lievin and Henin-Carvin communal groups to crush, transport by river and compost 40,000 tons of recyclable waste produced each year by these municipal conglomerations and opened two new waste-to-energy units to treat biogas emissions at the Boves site in Picardie and at the Puy-Long site in Auvergne. Onyx renewed contracts to operate the incineration unit at Rungis for 16 years (estimated total revenue of (euro)50 million) and to operate the Montchanin storage center in the Saone-et-Loire region. Onyx commenced operating the waste-to-energy unit at Halluin in Picardie and won a contract to collect waste and provide urban cleaning services in the downtown area of Nîmes (approximately 100,000 residents). Onyx also obtained the renewal of contracts to operate the sorting and transfer center at Romainville, to collect household and urban waste in several districts of Paris (estimated annual revenue of approximately (euro)20 million) and to collect household waste in Rennes and Nanterre and provide urban cleaning services in Nantes (270,000 residents). Finally, Onyx also obtained the extension of its contract to operate the sorting center of Grenoble.

Through Renosol, Onyx also provides transportation cleaning services and won 4 new contracts with air and rail transportation operators, including the cleaning of 110 trains on the TGV Atlantic for 6 years (estimated total revenue of (euro)45 million), the Rennes train station and the new Rennes subway for 6 years (estimated total revenue of approximately (euro)3 million) and Air France's airplanes at the Orly (Paris) airport for 3 years (estimated total revenue of (euro)12 million). Onyx also won a contract to clean the Nice airport facilities for 3 years and renewed for 6 years its contract to clean the TGV Nord, the Thalys and the Eurostar high-speed trains (estimated total revenue of (euro)54 million).

In Europe, we made major advances in the United Kingdom where Onyx's subsidiary won a number of large contracts. Onyx considerably reinforced its partnerships with the public sector and demonstrated its expertise in establishing and developing integrated solutions by winning several major contracts. In October 2002, Onyx won a 7-year contract (to be signed in 2003) to collect and recycle household and commercial waste for the city of Portsmouth (estimated total revenue of approximately (euro)38 million), the 7-year renewal of a contract to collect household and commercial waste and provide urban cleaning services in the Westminster area of London (with 200,000 inhabitants and 1 million visitors per day) (estimated total revenue of (euro)350 million) and a 7-year contract beginning in April 2003 to collect household and commercial waste and provide urban cleaning services in the central London area of Camden (estimated total revenue of approximately (euro)190 million). In November 2002, Onyx extended its contract with the County of Hampshire for a 5-year period, including the construction of three additional recycling centers for household waste. Onyx won a 5-year contract with Royal Mint in the south of Wales (one of production sites for euro coins) to treat liquid waste, install containers, collect dry waste and remove hazardous waste and a contract to collect solid waste for Chubb, an insurance company, in Birmingham for 12 years. In Italy, Onyx won the most important European contract to decontaminate soil at

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the site of the former Agip refinery in Rho near Milan, where we will treat more than 240,000 tons of soil contaminated by hydrocarbons through heat desorption, and commenced operations at its new Technoborgo waste-to-energy unit in Piacenza, south of Milan, with an estimated annual treatment volume of 105,000 tons. In Poland, Onyx renewed for 3 years its contract to provide snow removal services in the city of Kielce.

In the Middle East, Onyx provides comprehensive waste management services in Alexandria, Egypt (3.5 million residents), since October 2001, including the collection and treatment of 2,500 tons of household waste each day. In addition, Onyx will secure old landfills, develop an existing waste storage center, build a waste transfer station and provide urban cleaning services. This contract also provides for training of local personnel and a campaign to heighten public awareness of urban hygiene issues.

In Asia, we met our expectations for development in these new markets, where we are present in 11 countries. In Singapore, a city with some of the most stringent environmental standards in the world, Onyx expanded its 2001 waste management collection contract with the community of Tanglin Bukit-Merah to provide urban cleaning services in the city center, including mechanized sweeping of streets and sidewalks, cleaning of commercial zones, purification networks and beaches as well as waste removal from public trash cans, for a period of 5 years (estimated total revenue of (euro)45 million). In China, Onyx won an 8-year contract to design and operate the household waste storage center in Canton (Guangzhou), which will have a total capacity of 20 million cubic meters by the end of 2003 (estimated total revenue of (euro)37 million). This contract is the first of its kind won by a foreign company in China, and this new site will not only meet the most stringent international regulatory standards, but will also illustrate Onyx's know-how in Asia. As a result of the experience acquired over the past few years in China through the development of storage centers, biogas waste-to-energy services and industrial hazardous waste treatment, Onyx has established the strategic platform necessary to continue to grow in Asia. In particular, Onyx has reinforced its position during the past two years by winning new contracts in Hong Kong, mainland China, Taiwan and India.

In North America, which is the most important market in the world and where Onyx generates nearly a quarter of its revenue, Onyx continues to expand its operations progressively by winning a number of important global waste management contracts, particularly in the automobile industry, where Ford Motors awarded Onyx several important global waste management contracts for its sites in Atlanta, Memphis, Dearborn and Livonia for a 3-year period. In addition, Onyx won a national 5-year contract with Chevron Phillips Chemical to provide industrial cleaning services and contracts to collect and recycle municipal waste in Highland Park (estimated annual revenue of US \$2.6 million) and Saint Charles (estimated annual revenue of US \$1.4 million), in Illinois. Onyx also won an outsourcing contract to operate a waste-to-energy unit in Savannah, Georgia, for 6 years (estimated total revenue of approximately (euro)42 million) and another waste-to-energy unit in Charleston, South Carolina, for 7 years. Finally, Onyx won contracts to restore the wastewater treatment networks of Toronto, Ottawa and Saint-Thomas (Ontario) in Canada.

In the rest of the world, Onyx won or commenced operations under a number of contracts in 2002. For example, Onyx provided urban cleaning services for the first full year under its contract with the city of Rabat-Hassan in Morocco for a period of 6 years (estimated annual revenue of (euro)2.6 million). Onyx also won a 7-year waste management contract with the city of Oujda, Morocco, which has 410,000 residents and generates 110,000 tons of waste per year (estimated annual revenue of (euro)2.7 million). In South Africa, a consortium formed by Onyx, Anglo Platinum and Zimelec took over the operation of a waste storage center for the platinum factory in Rustenburg, which is located to the northwest of Johannesburg. In Australia, Onyx signed a 3-year contract

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with Boral Limited to treat industrial waste at 670 sites around the country (estimated total revenue of (euro)10 million) and acquired Vactech. In New Zealand, Onyx won a contract to manage the municipal waste storage center Poirua for a 5-year period (estimated annual revenue of (euro)400,000), a 3-year contract to provide urban cleaning services in the city of Waitakere, in the Auckland region (estimated annual revenue of (euro)500,000) and a contract with ABI Group to provide the cleaning services of the city of Auckland (estimated annual revenue of (euro)450,000).

Acquisitions and Divestitures in 2002

In France, Onyx focused on the reorganization of its activities by region and the rationalization of its operations in 2002. Outside France, Onyx implemented a similar reorganization by geographic zones. Despite these reorganizations, there were no major overall changes in Onyx's scope of consolidation between 2001 and 2002.

In 2002, Onyx integrated 52 companies into its group, of which 15 companies were located in France, 8 companies in Norway, 9 companies in North America, 8 companies in the rest of Europe (Poland, Spain, Portugal Italy, Hungary, Germany, United Kingdom and Czech Republic), 2 companies in South America, 8 companies in Australia and 2 companies in Asia. At the same time, Onyx ceased consolidating 39 companies of its group in 2002, of which 23 companies were merged and the remaining 16 were sold, dissolved or liquidated. In total, Onyx's group included 602 companies in 2002 (compared to 566 companies in 2001), of which 524 companies were fully consolidated, 31 companies were proportionally consolidated and 47 companies were accounted for by the equity method.

Energy Services

Dalkia, our main energy services subsidiary, is the leading European provider of "services associated with energy" to companies and municipalities, according to a study by Credit Suisse First Boston. Dalkia provides energy and environmental optimization solutions, including services relating to heating and cooling networks, thermal and multi-technical systems, industrial utilities, installation and maintenance of production equipment and integrated facilities management. The broad range of services offered by Dalkia allows its clients to optimize the energy chain from production to systems operation or equipment maintenance. Dalkia also offers public electricity services through its subsidiary Citelum and services to individuals through Proxiserve, a subsidiary jointly owned by Dalkia and Vivendi Water. Present in 32 countries, Dalkia offers a very extensive geographical coverage in Europe and the strength of its international network allows it to accompany its customers around the world and offer them services of the same quality through local teams. Dalkia has almost 40,100 employees around the world (including 100% of the employees of companies that are proportionally consolidated by our company).

Dalkia is partly owned by EDF, which holds 34% of its share capital and with whom Dalkia is developing joint international offerings for international customers and eligible clients in France (i.e., those consuming more than 7 gigawatts of electricity per year). Under an agreement entered into in December 2000, we have agreed that EDF's stake in Dalkia will eventually rise to 50% at a price based on Dalkia's market value as the market deregulation process continues and the current limitations on EDF's ability to provide energy services are further removed. Dalkia's French operations are conducted through Dalkia France, a wholly-owned subsidiary of Dalkia. Outside France, Dalkia conducts its activities through Dalkia International, for which it holds a 76% interest and EDF holds the remaining 24%.

The following table shows the consolidated revenue and EBIT of our energy services operations in each of the last three fiscal years, after

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elimination of all inter-company transactions:

((euro)millions)	2002	2001	2000(1)
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Revenue	4,571	4,017	2,988
EBIT	244	221	n.a.

- (1) Restated to reflect the changes in our accounting methods and presentation of accounts in 2001. See "Item 5. Operating and Financial Review and Prospects-- Overview-- Presentation of Information in this Section-- Changes In Accounting Methods and Presentation of Accounts."

Dalkia provides energy management services to public and private clients with whom it has formed long-term partnerships. Its core activity focuses on optimal energy management. To respond to clients' needs for increasingly complete and integrated services, Dalkia has progressively established a range of activities linked to energy management, including heating and cooling systems, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, integrated facilities management and electrical services on public streets and roads.

Dalkia's contracts to operate urban heating systems are typically long-term, lasting up to 25 or 30 years, while its contracts to operate thermal and multi-technical installations for public or private clients may last up to 16 years. Contracts to provide industrial utilities services generally have shorter terms, while contracts in the facilities management sector generally last 3 to 5 years.

Dalkia offers innovative multi-energy and management solutions to ensure cost effectiveness, reliability and environmental protection. When practicable, Dalkia uses renewable energy and alternative energy sources such as geothermal energy, biomass (organic material), heat recovered from household waste incineration, "process" heat (heat produced by industrial processes) and thermal energy produced by co-generation projects.

Dalkia is one of the French leaders in co-generation and on-site energy generation. Co-generation involves the simultaneous production of heat and electricity, which optimizes the efficiency and profitability of Dalkia's customers' installations. French law requires the operators of the electricity distribution network to purchase at specified rates energy produced by co-generation installations with a capacity not exceeding 12 MW of electricity. Dalkia's total electric power production capacity (including co-generation facilities, peaking plants and stand-by generating units) is 3,900 MW i