



VIVENDI

Environnement

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Presentation

First Half Results, 2002

Henri Proglio

**Chairman of the
Management Board**

First-half 2002 highlights

- Good operating performance
- Significant contracts signed (Indianapolis, Shanghai, etc.)
- Additional new contracts won of over €18bn for the first half year 2002
- Continued focus on core businesses
- Recomposition and increase in equity capital

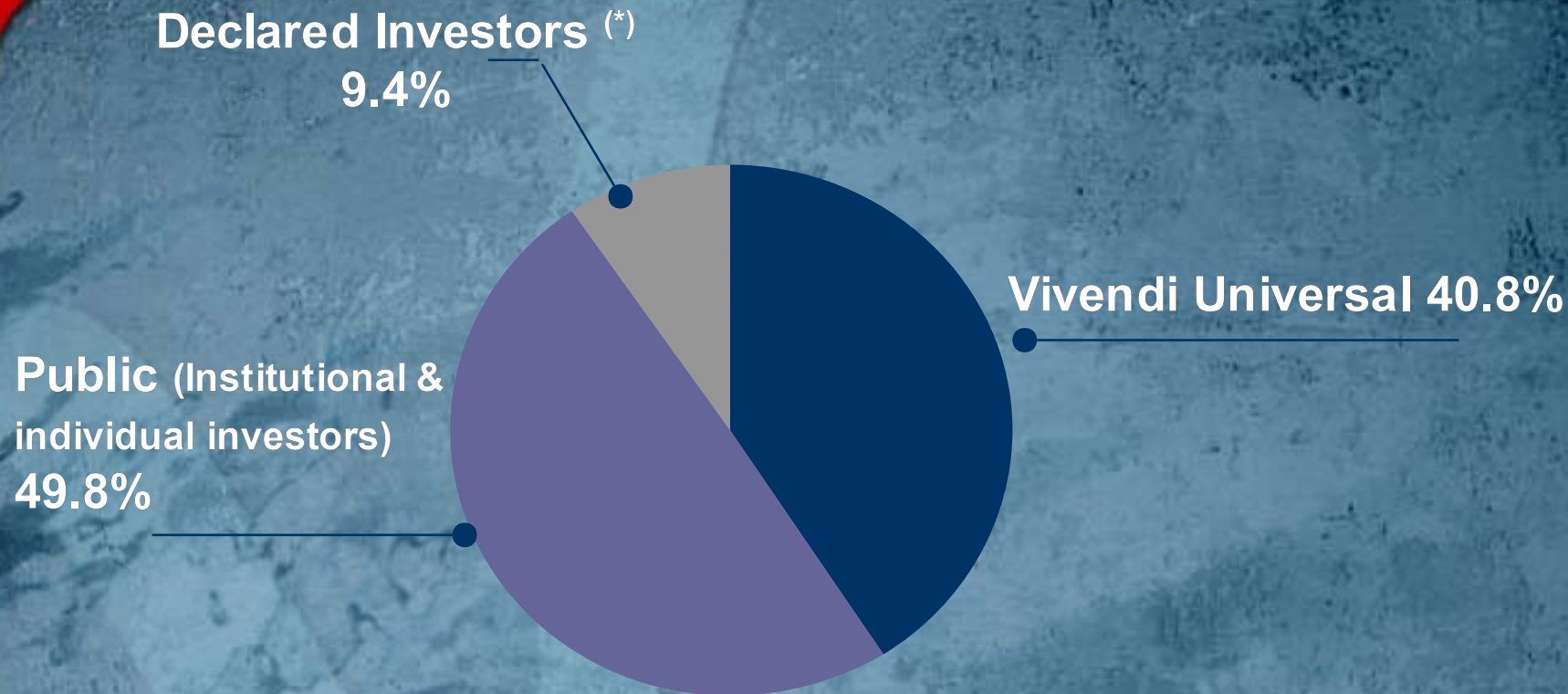
History of Vivendi Universal's interest in Vivendi Environnement's equity capital

- 1999 Formation of Vivendi Environnement (VE), owned **100%** by Vivendi Universal (VU)
- July 20, 2000 IPO
VU owns **72.3%**
- December 17, 2001 VU sells 9.3%
VU owns **63%**
- June 25, 2002 VU sells 15.5%
VU owns **47.5%**
- August 2, 2002 1.5 billion euro capital increase for VE
VU owns **40.8%**

Total number of shares: **403,887,288**

Average number of shares for year: **370,230,014**

Breakdown of Vivendi Environnement's equity capital



(*) Declared investors: Institutions from the following groups:
CDC, Groupama, BNP Paribas, Société Générale, Dexia, Assurances
Générales de France, Crédit Lyonnais, Caisse Nationale des Caisses
d'Epargne, Natexis Banques Populaires

Jérôme Contamine

Senior Executive Vice President and Chief Financial Officer

VIVENDI
Environnement

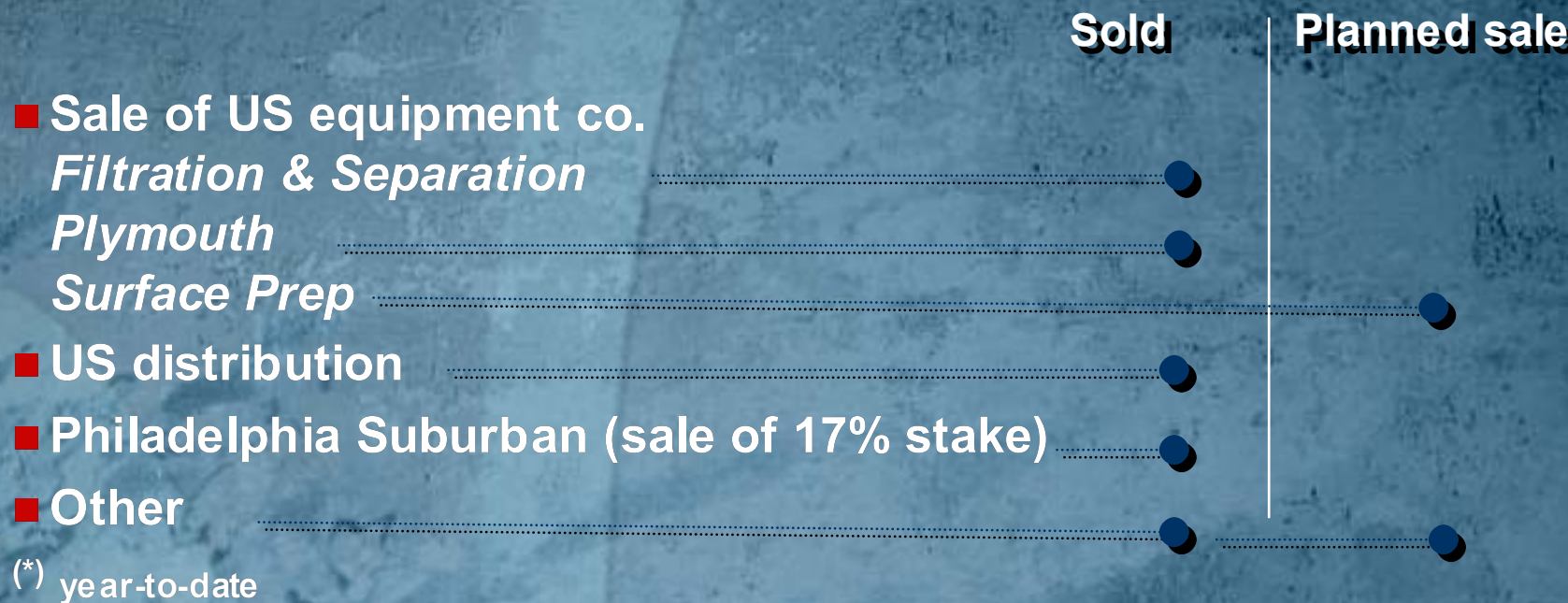
Key data at June 30, 2002 (in €m)

Δ 30/06/01/30/06/02

Δ30/06/01/30/06/02

	Published		Core businesses	
■ Revenue	14,971	+7.2%	13,821	+9%
■ EBITDA	1,951	+10.6%	1,864	+12.8%
■ Cash flow from operations	1,439	+28%	-	-
■ EBIT	1,018	+5.2%	948	+8%
■ Net income	213	(22.5%)	-	-
■ Recurring net income	216	+38.5%	-	-
■ Net debt	14,779	-	-	-

Sale of non-core businesses (*)

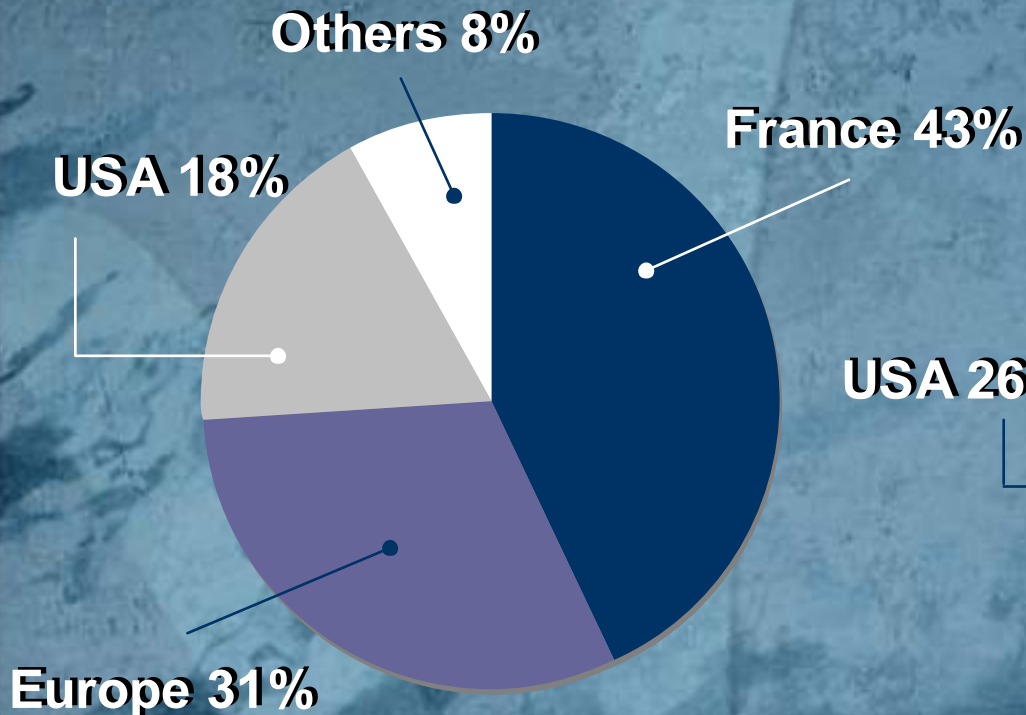


2001 full-year for non-core businesses

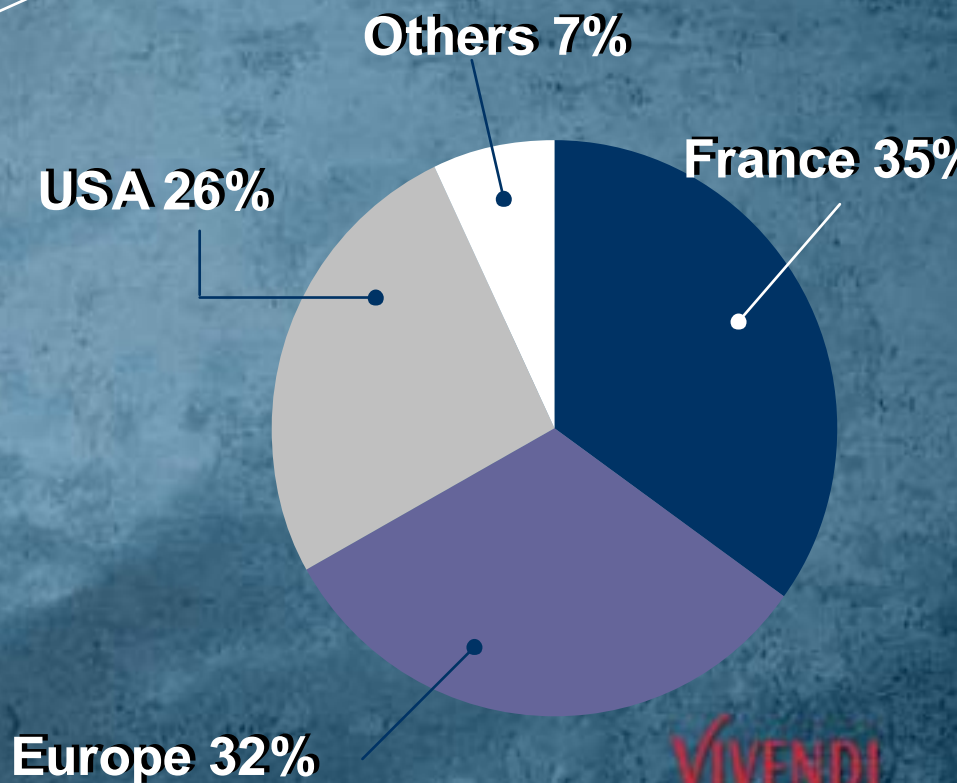
Revenue	€2,600m
EBITDA	€230m
EBIT	€190m

Contribution by region

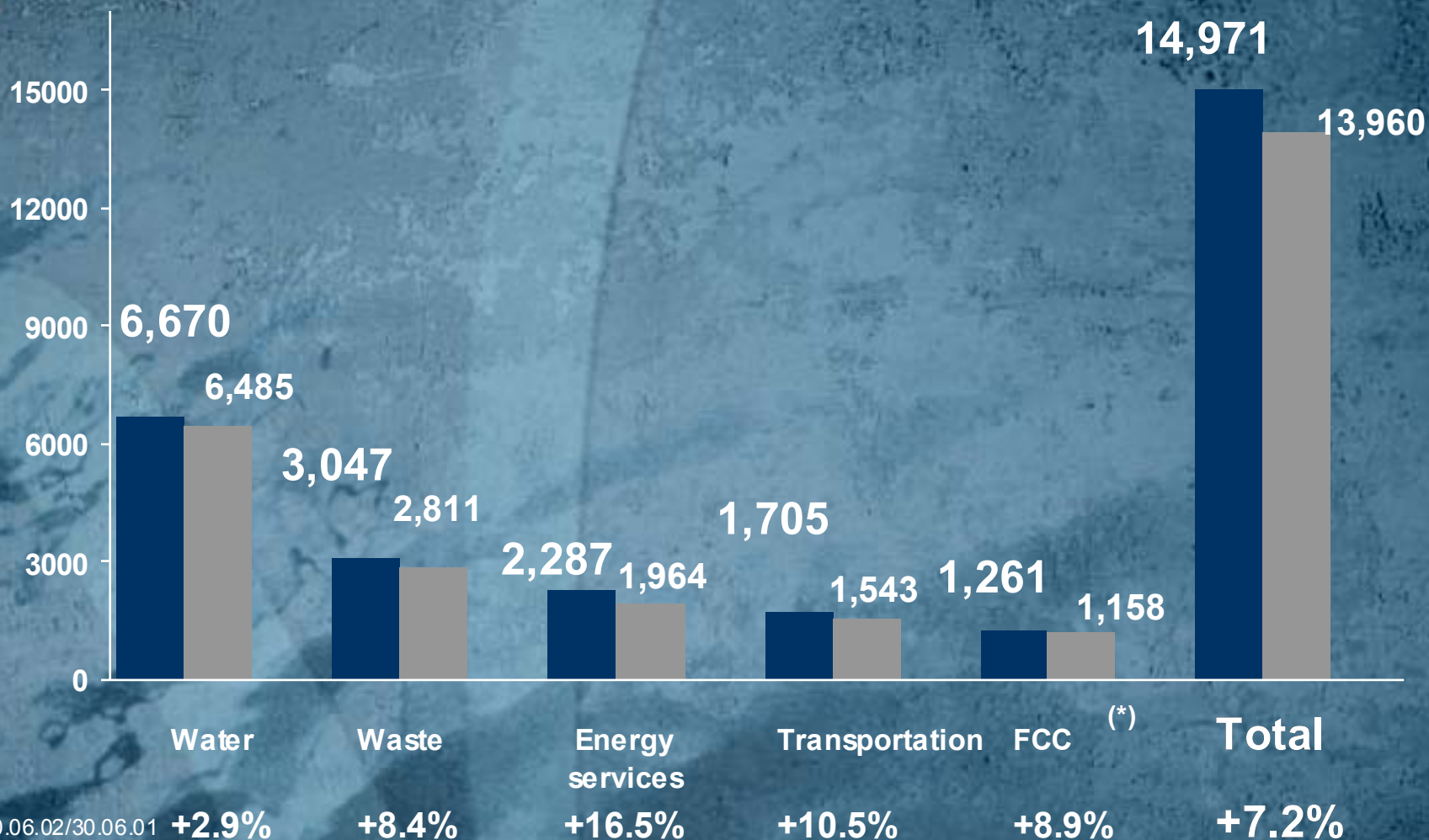
Revenue at June 30, 2002



EBIT at June 30, 2002



Consolidated revenue (in €m)



△ 30.06.02/30.06.01

Core businesses: +9%, of which Water +6%

■ June 30, 2002

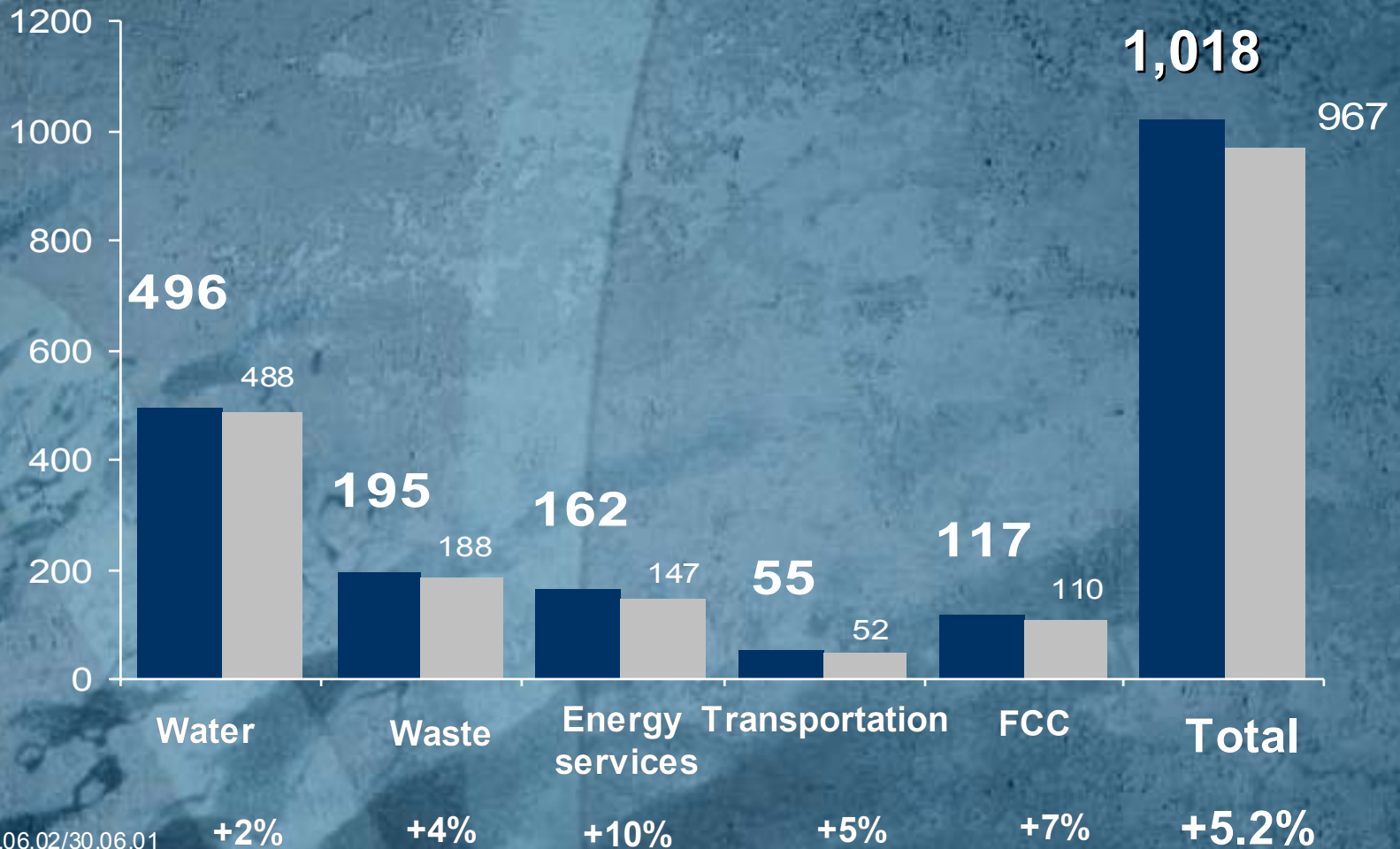
■ June 30, 2001

(*) all mention of FCC is for Group share

Contribution to EBITDA

	EBITDA		Margin	
	€m	Δ 30.06.02 / 30.06.01	30/06/02	30/06/01
■ Water	867	+8.0%	13.0%	12.4%
■ Waste	470	+6.6%	15.4%	15.7%
■ Energy services	307	+16.1%	13.4%	13.4%
■ Transportation	148	+22.7%	8.7%	7.8%
■ FCC	166	+8.1%	13.2%	13.3%
■ Holding company	(7)	-	-	-
TOTAL	1,951	+10.6%	13.0%	12.6%

Contribution to EBIT (in €m)



△ 30.06.02/30.06.01

Core businesses: +8%, of which Water +8%

■ June 30, 2002

■ June 30, 2001

Main elements by division: revenue and earnings

Water

EBIT margin 7.4%

France

Good trend for both revenue and earnings
Increase in water distribution
Return to profit for Vivendi Water Systems

USA

Stable performance for core businesses and continued slowdown in sales of non-core equipment
Consumer business stable

RoW

Increased contribution from Central Europe, and start-up of major contracts in Asia (Hynix, Chengdu)

Waste

EBIT margin 6.4%

France

Partial impact of restructuring measures in progress

UK

Revenue growth of 14%
EBIT x 1.5 (positive impact of recovery plan, Sheffield and Bromley)

USA

Weakness in "industrial services" and upturn for "toxic waste" activities

Asia

Excellent performance from PWM: 10% rise in revenue and further improvements in margin

Main elements by division: revenue and earnings

Energy services

EBIT margin 7.1%

France

Strong growth in cogeneration and service contracts

Impact of business mix on margin

Europe

Revenue growth in Southern and Central Europe

EBIT x 4 in Italy due to integration of Siram

Good contribution from Estonia and Poland

Transportation

EBIT margin 3.2%

France

Contribution from Verney (acquisition)

UK

Difficult market, decline in passenger numbers

Other

(Europe/USA)

Full impact of new contracts in Northern and Central Europe

Start-up of new contracts

FCC

EBIT margin 9.3%

Two-figure increase:

- in services: rise in demand for waste management services
- in cement business

From EBIT to net income (in €m)

	June 30, 02	June 30, 01	Δ %
EBIT	1,018	967	+5.2%
Net financial expense	(379)	(413)	
Nominal tax charge	(226)	(195)	
Equity method companies	25	28	
Minority interests	(97)	(107)	
Recurring net income before goodwill	341	280	+21.8%
Recurring goodwill	(125)	(124)	
Recurring net income after goodwill	216	156	+38.5%
Non recurring (expense) / income	(3)	118	
Net income	213	274	

Lower financial charges at June 30, 2002

(in €m)

	June 30, 02	June 30, 01
Cost of financing	(316)	(402)
Provisions and other	(63)	(11)
inc. amortization of OCEANE premium	(15)	
treasury stock	(25)	
miscellaneous and other	(23)	
Net financial expense	(379)	(413)

Financial ratios: **targets confirmed**

EBITDA/financial charges: **4.5 to 5 x 2002**

Net debt/EBITDA: **< 4 x 2002**

Net non-recurring expense (in €m)

■ Tax (including bonus on tax consolidation)	58.6
■ Capital gain from disposal of Bristol	12.6
■ SVZ provisions (*)	(26.4)
■ Risks provisions and goodwill depreciation for Latin America	(41.8)
■ Restructuring	(5.7)
■ Others	(0.7)
Total	(3.4)

(*) Berlin Water subsidiary

Investments at June 30, 2002 (in €m)

	Maintenance	Growth	Total 30/06/02	Total 30/06/01	
Water	273	619	892	762	Pudong, Earth Liquid, Berlin
Waste	163	170	333	348	Incinerators in France Hampshire
Energy services	47	182	229	191	Poznan/Tallin
Transportation	53	86	139	192	Verney
FCC	67	80	147	113	
Total	603	1,137	1,740	1,605	

Cash flow statement (in €m)

	June 30, 02	June 30, 01	
Cash flow from operations	1,439	1,123	+28%
CAPEX for maintenance	(603)	(491)	
Operating cash flow available before growth operations	836	632	+32%
CAPEX for growth	(1,137)	(1,219)	
Impact of change in consolidation scope	(64)	(417)	
Change in WCR	(436)	(495)	
Disposals	573	277	
Net requirement to finance growth	(228)	(1,222)	
Capital increase	0	101	
Dividends	(243)	(280)	
Impact of currency exchange and other	340	(393)	
Change in securitized receivables	(365)	-	
Net balance	(496)	(1,794)	
Net debt at June 30, 2002	<u>14,779</u>	<u>14,981</u>	
Net debt at December 31	<u>14 283</u>	<u>13,187</u>	

Debt structure

- Average debt maturity: **3.8 years (nearly 40% of debt > 5 years)**
- **25%** of debt in US dollars
- Fixed rate/variable rate: **50/50%**
- Ratings : Standard & Poor's **BBB+ / Stable / A2**
Moody's **Baa1 / Negative / P2**

Henri Proglio

Outlook

Johannesburg summit

- **Meeting of all stakeholders involved in sustainable development**
- **Proposals**
 - A model for Public-Private Partnerships
 - Development of technical processes to protect the environment that take into account the cultural diversity of the countries concerned
- **An overall approach for all partners**
 - Conserve resources
 - Avoid pollution
 - Universal access to water
 - Increase research

2002: further commercial successes

■ Major achievements

→ *Pudong*

1st significant public-private partnership in water industry in China

Investment: **€266m**

Duration: **50 years**

Expected annual average revenue: **~ €200m**

→ *Indianapolis*

biggest contract for municipal outsourcing services in the United States

Investment: *n.s.*

Duration: **20 years**

Expected annual average revenue: **~ €75m**

2002: further commercial successes

■ ... and also,

		Estimated total revenue
→ <i>Water</i>	Atlanta	(€200m, over 20 yrs)
→ <i>Waste</i>	Singapore	(€45m, over 5 yrs)
	Savannah (Georgia - USA)	(€42m, over 6 yrs)
	Département de la Marne	(€300m, over 20 yrs)
→ <i>Energy Services</i>	Poznan	(€1.7bn, over 25 yrs)
	Parme Hospital (Italy)	(€35m, over 9 yrs)
→ <i>Transportation</i>	Dublin metro	(€160m, over 5 yrs)
	Train lines in Rhenania of North Westphalia	(€180m, over 10 yrs)
→ <i>Industrial Outsourcing</i>	Alon refinery (Texas)	(€60m, over 20 yrs)
	BP Lavéra refinery	(€45m, over 12 yrs)
	Renault (15 industrial sites)	(€88m, over 4 yrs)
	Petronas (Malaysia)	(€200m, over 20 yrs)

United States: 2002, first signs of recovery

■ Water

- Buoyant level of business in municipal and industrial outsourcing services
- Upturn in equipment sales to municipalities
- Revenue stabilized for equipment sales to industrial companies
- Slight upturn in sales for Culligan

■ Waste management

- Business generally better despite uncertainties about level with major industrial customers at end of year
- Mexico
 - recovery in line with Mexican economy
 - restructuring completed

Estimated 2002 revenue from US, excluding non-core businesses: ~ \$4,000m, of which 2/3 from water

Free cash flow and asset decisions

(in €m)	2000	2001	2002 (e)
Operating cash flow before disposals and after CAPEX for maintenance	758	1,073	1,250
Disposals		600	1,300
		1,673	2,550

... which covers *CAPEX for growth and financial investments of between €1.5bn and €2bn per year on average*,

while meeting our targets for financial ratios for the period 2002-2004

 **EBITDA / financial charges** ~5 x
Net debt / EBITDA <4 x

Outlook for 2002-2004

- **2002 is a transition year:** growth in revenue and EBIT for our core businesses excluding strong exchange impact and despite:
 - Weaker economic environment
 - Particularly difficult operating conditions in some countries (floods)
 - Negative impact on cost of insurance

- **2003 and 2004: sources of improved profitability**
 - Positioning in geographical regions undergoing strong growth for our four divisions (Central Europe, North America, Asia)
 - Increasingly selective approach to investments
 - Efficiency improvement plans (structural savings programs of €100m over 2 years)

Outlook for 2002–2004

Excluding non-core businesses:

- Continued growth in revenue for all four divisions
- Operating margins to improve by at least the same percentage as revenue
- Positive free cash flow in 2003 and 2004