VIVENDI UNIVERSAL
Form 20-F
May 28, 2002

**As filed with the Securities and Exchange Commission on May 28, 2002**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 20-F

**o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**for the fiscal year ended December 31, 2001**

**OR**

**o TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**for the transition period from to**

**Commission File Number:**

# VIVENDI UNIVERSAL

**(Exact name of Registrant as specified in its charter)**

| | | |
|---|---|---|
| **N/A**<br>**(Translation of Registrant s name into English)** | **42, avenue de Friedland**<br>**75380 Paris Cedex 08**<br>**France**<br>**(Address of principal executive offices)** | **Republic of France**<br>**(Jurisdiction of incorporation or organization)** |

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

| Title of Each Class: | Name of Each Exchange on Which Registered: |
|---|---|
| American Depositary Shares (as evidenced by American Depositary Receipts), each representing one ordinary share, nominal value 5.50 per share | The New York Stock Exchange |

**Ordinary shares, par value 5.50 per share***

**Securities registered or to be registered pursuant to Section 12(g) of the Act: None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

| | |
|---|---|
| American Depositary Shares | 107,854,197 |
| Ordinary Shares, nominal value 5.50 per share | 1,085,827,519 |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes x No o

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 o Item 18 x

* Listed, not for trading or quotation purposes, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

## PRESENTATION OF INFORMATION

This Annual Report on Form 20-F (referred to herein as this annual report or this document ) has been filed with the United States Securities and Exchange Commission (SEC).

Vivendi Universal refers to Vivendi Universal, S.A. (the Company), a company organized under the laws of France, and its direct and indirect subsidiaries. Vivendi refers to Vivendi, S.A., the predecessor company to Vivendi Universal. Shares refer to the Company s ordinary shares. The principal trading market for the ordinary shares of Vivendi Universal is EuroNext Paris S.A. (the Paris Bourse). ADS or ADR refers to the Company s American Depositary Shares or Receipts, respectively, which are listed on the New York Stock Exchange (NYSE), each of which represents the right to receive one Vivendi Universal ordinary share.

This annual report includes Vivendi Universal s consolidated financial statements for the years ended December 31, 2001, 2000 and 1999 and as at December 31, 2001 and 2000. Vivendi Universal s consolidated financial statements, including the notes thereto, are included in Item 18 Financial Statements and have been prepared in accordance with generally accepted accounting principles in France, which we refer to in this annual report as French GAAP . Unless otherwise noted, the financial information contained in this annual report is presented in accordance with French GAAP. French GAAP is based on requirements set forth in French Law and in European regulations, and differs significantly from generally accepted accounting principles in the United States, which we refer to in this annual report as US GAAP . See Note 14 to our consolidated financial statements for a description of the significant differences between French GAAP and US GAAP, a reconciliation of net income and shareholders equity from French GAAP to US GAAP and condensed consolidated US GAAP balance sheets and statements of income.

Various amounts in this document are shown in millions for presentation purposes. Such amounts have been rounded and, accordingly, may not total. Rounding differences may also exist for percentages.

## CURRENCY TRANSLATION

Under the provisions of the Treaty on European Union negotiated at Maastricht in 1991 and signed by the then 12 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. The following 12 member states participate in the EMU and have 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 (Euro, euro or ) was fixed on December 31, 1998 at 1.00 = FF6.55957, and we have translated French francs into euros at that rate.

Share capital in the Company is represented by ordinary shares with a nominal value of 5.50 per share. Our shares are denominated in euros. Because we intend to pay cash dividends denominated in euros, exchange rate fluctuations will affect the US dollar amounts that shareholders will receive on conversion of dividends from euros to dollars.

We publish our consolidated financial statements in euros. Unless noted otherwise, all amounts in this annual report are expressed in euros. The currency of the United States will be referred to as US dollars or US$ or $ or dollars . For historical exchange rate information, refer to Item 3 Key Information Exchange Rate Information . For a discussion of the impact of foreign currency fluctuations on Vivendi Universal s financial condition and results of operations, see Item 5 Operating and Financial Review and Prospects .

## 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. 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. All statements that express forecasts, expectations and projections with respect to future matters, including the launching or prospective development of new business initiatives and products, anticipated music or motion picture releases, Internet or theme park projects and anticipated cost savings or synergies are forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from our forward-looking statements as a result of certain risks and uncertainties, many of which are outside of our control, including but not limited to:

- Changes in global and localized economic and political conditions, which may affect purchases of our consumer products, the performance of our filmed entertainment operations and attendance and spending at our theme parks;
- Changes in financial and equity markets, including significant interest rate and foreign currency rate fluctuations, which may affect our access to, or increase the cost of financing for, our operations and investments;
- Increased competitive product and pricing pressures and unanticipated actions by competitors that could impact our market share, increase expenses and hinder our growth potential;
- Changes in consumer preferences and tastes, which may affect all our business segments;
- Adverse weather conditions or natural disasters, such as hurricanes and earthquakes, which may, among other things, impair performance at our theme parks in California, Florida, Japan and Spain;
- Legal and regulatory developments, including changes in accounting standards, taxation requirements and environmental laws;
- Technological developments that may affect the distribution of our products or create new risks to our ability to protect our intellectual property rights; and
- The uncertainties of litigation and other risks and uncertainties detailed from time to time in our regulatory filings.

We urge you to review and consider carefully the various disclosures we make concerning the factors that may affect our business, including the disclosures made in Item 3 Key Information Risk Factors, page 5, Item 5 Operating and Financial Review and Prospects, page 39, and Item 11 Quantitative and Qualitative Disclosures About Market Risk, page 111. 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

Unless otherwise indicated, all references to our competitive positions made in this document are in terms of revenue generated.

## ENFORCEABILITY OF CIVIL LIABILITIES AGAINST FOREIGN PERSONS

Vivendi Universal is a corporation organized under the laws of France. Many of Vivendi Universal s directors and officers are citizens or residents of countries other than the United States. Substantial portions of Vivendi Universal s assets are located outside the United States. Accordingly, it may be difficult for investors:

- to obtain jurisdiction over Vivendi Universal or its directors or officers in courts in the United States in actions predicated on the civil liability provisions of the US federal securities laws;

to enforce against Vivendi Universal or its directors or officers judgments obtained in such actions;

to obtain judgments against Vivendi Universal or its directors or officers in original actions in non-US courts predicated solely upon the US federal securities laws; or

to enforce against Vivendi Universal or its directors or officers in non-US courts judgments of courts in the United States predicated upon the civil liability provisions of the US federal securities laws.

Actions brought in France for enforcement of judgments of US courts rendered against French persons, including directors and officers of Vivendi Universal, would require those persons to waive their right to be sued in France under Article 15 of the French Civil Code. In addition, actions in the United States under the US federal securities laws could be affected under certain circumstances by the French law of July 16, 1980, which may preclude or restrict the obtaining of evidence in France or from French persons in connection with those actions.

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**Item 1: Identity of Directors, Senior Management and Advisers**

Not applicable

**Item 2: Offer Statistics and Expected Timetable**

Not applicable

**Item 3: Key Information**

**Selected Financial Data**

The selected consolidated financial data at year end and for each of the years in the three-year period ended December 31, 2001 has been derived from our consolidated financial statements and the related notes appearing elsewhere in this annual report. The selected consolidated financial data at year end and for each of the years in the two-year period ended December 31, 1998 has been derived from our consolidated financial statements not included in this annual report. You should read this section together with the section entitled Operating and Financial Review and Prospects and our consolidated financial statements included in this annual report.

Our consolidated financial statements have been prepared in accordance with French GAAP, which differs in certain significant respects from US GAAP. The principal differences between French GAAP and US GAAP, as they relate to us, are described in Note 14 to our consolidated financial statements. For a discussion of significant transactions and accounting changes that affect the comparability of our consolidated financial statements and the financial data presented below, refer to Operating and Financial Review and Prospects and the notes to our consolidated financial statements.

Our consolidated financial statements and the selected financial data presented below are reported in euros. For periods presented prior to January 1, 1999, our financial statements are reported in French francs and translated into euros using the official fixed exchange rate of 1.00 = FF6.55957, applicable since December 31, 1998.

| | Years Ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2001** | **2000(1)** | **2000** | **1999(2)** | **1999** | **1998** | **1997** |
| | Millions of euros, except per share amounts | | | | | | |
| **Income Statement** | | | | | | | |
| ***Amounts in accordance with French GAAP*** | | | | | | | |
| Revenue | 57,360 | 41,580 | 41,798 | 40,855 | 41,623 | 31,737 | 25,477 |
| Revenue outside France | 33,075 | 20,647 | 20,624 | 17,244 | 17,829 | 10,313 | 8,205 |
| Operating income | 3,795 | 1,823 | 2,571 | 1,836 | 2,281 | 1,331 | 596 |
| Exceptional items, net | 2,365 | 3,812 | 2,947 | (846) | (838) | 249 | 879 |
| Goodwill amortization | 15,203 | 634 | 634 | 606 | 612 | 210 | 375 |
| Minority interest | 594 | 625 | 625 | (159) | 5 | 212 | (115) |
| Net income (loss) | (13,597) | 2,299 | 2,299 | 1,435 | 1,431 | 1,121 | 822 |
| Basic earnings (loss) per share | (13.53) | 3.63 | 3.63 | 2.70 | 2.70 | 2.46 | 2.09 |
| Diluted earnings (loss) per share | (13.53) | 3.41 | 3.41 | 2.49 | 2.49 | 2.40 | 2.00 |
| Dividends per share | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.9 | 0.8 |
| Average shares outstanding (millions) | 1,004.8 | 633.8 | 633.8 | 530.5 | 530.5 | 456.6 | 393.6 |
| Shares outstanding at year-end (millions) | 1,085.8 | 1,080.8 | 1,080.8 | 595.6 | 595.6 | 478.4 | 402.1 |

| | Years Ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2001 | 2000(1) | 2000 | 1999(2) | 1999 | 1998 | 1997 |
| | Millions of euros, except per share amounts | | | | | | |
| **Financial Position** | | | | | | | |
| ***Amounts in accordance with French GAAP*** | | | | | | | |
| Shareholders equity | 36,748 | 56,675 | 56,675 | 10,777 | 10,892 | 7,840 | 6,847 |
| Minority interest | 10,208 | 9,787 | 9,787 | 3,755 | 4,052 | 2,423 | 1,742 |
| Net financial debt(3) | 28,879 | 25,514 | 25,514 | 22,833 | 22,833 | 6,502 | 4,177 |
| Total assets | 139,002 | 150,738 | 150,738 | 84,614 | 82,777 | 48,982 | 39,365 |
| Total long-term assets | 99,074 | 112,580 | 112,580 | 47,916 | 45,341 | 26,073 | 20,810 |
| **Cash Flow Data** | | | | | | | |
| Net cash provided by operating activities | 4,500 | 2,514 | 2,514 | 772 | 1,409 | 2,898 | 1,601 |
| Net cash provided by (used for) investing activities | 4,340 | (1,481) | (1,481) | (12,918) | (13,556) | (2,926) | (3,106) |
| Net cash provided by (used for) financing activities | (7,469) | (631) | (631) | 13,746 | 13,746 | 223 | 1,664 |
| Capital expenditures | 5,338 | 5,800 | 5,800 | 6,154 | 6,792 | 4,478 | 2,713 |

(1) Restated to give effect to changes in accounting policies adopted in 2001 (see Note 1 to our consolidated financial statements).

(2) In order to facilitate the comparability of 2000 and 1999 consolidated financial results, the 1999 consolidated results are presented in accordance with accounting policies in effect in 2000.

(3) Net financial debt is defined as the sum of long-term debt, bank overdrafts and other short-term borrowings, cash and cash equivalents, other marketable securities and financial receivables. The first four components are separate line items in the Consolidated Balance Sheet. Financial receivables are comprised of short-term loans receivable (also a separate line item in the Consolidated Balance Sheet) and net interest bearing long-term loans receivable (included in other investments in the Consolidated Balance Sheet). Net interest bearing long-term loans receivable were 1,455 million and 1,503 million, respectively, at December 31, 2001 and December 31, 2000.

**Supplemental Data (French GAAP Basis)**

**Media & Communications EBITDA Reconciled to Operating Income**

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | **2001** | **2000(1)** | **2000** | **1999(2)** |
| | Millions of euros | | | |
| **EBITDA(3)** | | | | |
| Music | 1,158 | 94 | 94 | |
| Publishing | 817 | 493 | 493 | 410 |
| TV & Film | 1,224 | 526 | 526 | 85 |
| Telecoms | 2,307 | 1,131 | 1,303 | 494 |
| Internet | (209) | (183) | (183) | (34) |
| | 5,297 | 2,061 | 2,233 | 955 |
| Holding and Corporate | (261) | (137) | (137) | (76) |
| **Media & Communications EBITDA** | 5,036 | 1,924 | 2,096 | 879 |
| Depreciation and amortization | (2,605) | (1,329) | (1,501) | (729) |
| Film amortization at CANAL+ Group | (223) | (142) | (142) | (122) |
| Book plate amortization at Vivendi Universal Publishing | (49) | (36) | (36) | (26) |
| Other one-time items(4) | (192) | (456) | | |
| Restructuring charges | (129) | | | |
| **Media & Communications operating income (loss)** | 1,838 | (39) | 417 | 2 |
| Environmental Services operating income | 1,964 | 1,589 | 1,897 | 1,483 |
| Non-Core businesses operating income (loss) | (7) | 273 | 257 | 351 |
| **Total Vivendi Universal operating income** | 3,795 | 1,823 | 2,571 | 1,836 |

(1) Restated to give effect to changes in accounting policies adopted in 2001 (see Note 1 to our consolidated financial statements).

(2) In order to facilitate the comparability of 2000 and 1999 consolidated financial results, the 1999 consolidated results are presented in accordance with accounting policies in effect in 2000.

(3) As defined by Vivendi Universal, EBITDA consists of operating income before depreciation, amortization (including film amortization at CANAL+ Group and book plate amortization at Vivendi Universal Publishing), restructuring charges and other one-time items (principally reorganization costs at CANAL+ Group), and does not reflect adjustment for any minority interests in fully consolidated subsidiaries. EBITDA is presented and discussed because Vivendi Universal management considers it an important indicator of the operational strength and performance of its Media & Communications businesses, including the ability to provide cash flows to service debt and fund capital expenditures. However, it should be noted that EBITDA is not a substitute for operating income, net income, cash flows and other measures of financial performance and Vivendi Universal EBITDA may not be strictly comparable to similarly titled measures widely used in the US or reported by other companies.

(4) Other one-time items primarily related to reorganization costs at CANAL+ Group.

**Exchange Rate Information**

| Year | Period End | Average Rate(1) | High | Low |
|---|---|---|---|---|
| **US dollar/** | | | | |
| May 24, 2002 | 0.92 | 0.91 | 0.93 | 0.90 |
| April 2002 | 0.90 | 0.89 | 0.90 | 0.88 |
| March 2002 | 0.87 | 0.88 | 0.88 | 0.87 |
| February 2002 | 0.87 | 0.87 | 0.88 | 0.86 |
| January 2002 | 0.86 | 0.88 | 0.90 | 0.86 |
| December 2001 | 0.88 | 0.89 | 0.90 | 0.88 |
| November 2001 | 0.89 | 0.88 | 0.90 | 0.88 |
| 2001 | 0.89 | 0.89 | 0.95 | 0.84 |
| 2000 | 0.94 | 0.92 | 1.03 | 0.83 |
| 1999 | 1.00 | 1.06 | 1.17 | 1.00 |
| **French franc/ US dollar** | | | | |
| 1998 | 5.59 | 5.90 | 6.21 | 5.38 |
| 1997 | 6.02 | 5.85 | 6.35 | 5.19 |

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

**Dividends**

The table below sets forth the total dividends paid per Vivendi Universal ordinary share and Vivendi Universal American Depositary Share (ADS) in 1997 to 2001. The amounts shown exclude the *avoir fiscal*, a French tax credit described under Item 10 Additional Information Taxation . The Company historically paid annual dividends in respect of its prior fiscal year. We have rounded dividend amounts to the nearest cent.

| | Dividend per Ordinary Share | Dividend per ADS |
|---|---|---|
| | (1) | $(2) |
| 1997(3) | 0.76 | 0.17 |
| 1998(3) | 0.92 | 0.17 |
| 1999 | 1.00 | 0.22 |
| 2000(4) | 1.00 | 0.89 |
| 2001 | 1.00 | 0.89 |

(1) Until 1999 (i.e., until the dividend for the year ended December 31, 1998), the Company paid dividends in French francs. Amounts in French francs have been translated at the official fixed exchange rate of 1.00 = FF6.55957.

(2) Translated solely for convenience into dollars at the noon buying rates on the respective dividend payments date, or on the following business day if such date was not a business day in the US. The noon buying rate may differ from the rate that may be used by the depositary to convert euros to dollars for the purpose of making payments to holders of ADSs.

(3) Restated for a 3 for 1 stock split which occurred on May 11, 1999.

(4) Prior to December 8, 2000, the date of the completion of the Vivendi S.A., The Seagram Company Ltd. and Canal Plus S.A. merger transactions (described below under Item 4 Information on the Company History and Development of the Company ), each Vivendi ADS represented one-fifth of a Vivendi ordinary share, while each Vivendi Universal ADS now represents one Vivendi Universal ordinary share.

**Capitalization and Indebtedness**

As of March 31, 2002, Vivendi Universal had an equity market capitalization of approximately 48 billion and net outstanding indebtedness in French GAAP of approximately 27 billion, of which approximately 1 billion was secured or guaranteed.

**Risk Factors**

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

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

The majority of the industries in which we operate are highly competitive and require substantial human and capital resources. Many other 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 and introduce new technologies or services, or improve the quality of their services. We may lose business if we are unable to match the prices, technologies or service quality offered by our competitors.

In addition, content and integration of content with communications access are increasingly important parts of the media and communications businesses and are key elements of our strategy. In accordance with that strategy, our Media & Communications businesses rely on some important third-party content. There is no assurance that the desired rights to content will be available on commercially reasonable terms, and as the media and communications businesses become more competitive, the cost of obtaining this third-party content could increase. Any of these competitive effects could have an adverse effect on our business and financial performance.

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

We need to maintain, renew or obtain a variety of permits and approvals from regulatory authorities to conduct and expand each of our businesses. The process for obtaining these permits and approvals is often lengthy, complex and unpredictable. Moreover, the cost for renewing or obtaining permits and approvals may be prohibitive. If we are unable to retain or obtain the permits and approvals we need to conduct and expand our businesses at a reasonable cost and in a timely manner in particular, licenses to provide telecommunications services our ability to achieve our strategic objectives could be impaired. The regulatory environment in which our businesses operate is complex and subject to change, and adverse changes in that environment could impose costs on us and/or limit our revenue.

***Demand for our integrated Media & Communications and Environmental Services Businesses may be less than we expect.***

We believe that important factors driving our growth in the next several years will be increased demand for (i) integrated media and communications content and services that are accessible through a variety of communications devices and (ii) large-scale, integrated environmental management services. Although we expect markets for both types of services to develop rapidly, our expectations may not be realized. If either market does not grow or does not grow as quickly as we expect, our profitability and the return we earn on many of our investments may suffer.

***The integration of the entertainment assets of USA Networks, Inc. and Universal Studios, Inc. into the newly-formed entity, Vivendi Universal Entertainment LLLP, may not result in the benefits currently anticipated.***

We may not be able to integrate profitably the operations of the entertainment assets of USA Networks, Inc. (USA) and the film, TV and recreation businesses of Universal Studios, Inc. (Universal Studios) into Vivendi Universal s new entertainment group, Vivendi Universal Entertainment LLLP (VUE). VUE may not achieve the profitability increases or cost savings currently expected from the operations of these merged assets. To realize the anticipated benefits from VUE s operations, VUE s management must implement a business plan that effectively integrates these assets.

***We may have difficulty enforcing our intellectual property rights.***

The decreasing cost of electronic equipment and related technology has made it easier to create unauthorized versions of audio and audiovisual products such as compact discs, videotapes and DVDs. A substantial portion of our revenue comes from the sale of audio and audiovisual products that are potentially subject to unauthorized copying. Similarly, advances in Internet technology have increasingly made it possible for computer users to share audio and audiovisual information without the permission of the copyright owners and without paying royalties to holders of applicable intellectual property or other rights. Intellectual property rights to information that is potentially subject to widespread, uncompensated dissemination on the Internet represents a substantial portion of our market value. If we fail to obtain appropriate relief through the judicial process or the complete enforcement of judicial decisions issued in our favor, or if we fail to develop effective means of protecting our intellectual property or entertainment-related products and services, our results of operations and financial position may suffer.

***We may not be able to meet anticipated capital requirements for certain transactions.***

We routinely engage in projects that may require us to seek substantial amounts of funds through various forms of financing. Our ability to arrange financing for projects and the cost of capital depends on numerous factors, including general economic and capital market conditions, availability of credit from banks and other financial institutions, investor confidence in our businesses, success of current projects, perceived quality of new projects and tax and securities laws that are conducive to raising capital. We may forego attractive business opportunities and lose market share if we cannot secure financing on satisfactory terms.

***Our content assets in TV, motion pictures and music may not be commercially successful.***

We expect a significant amount of our revenue to come from the production and distribution of content offerings such as feature films, television series and audio recordings. The success of content offerings depends primarily upon their acceptance by the public, which is difficult to predict. The commercial success of a film, television series or audio recording depends on the quality and acceptance of competing offerings released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which can change quickly. Because we expect the popularity of our content offerings to be a significant factor driving the growth of our communications services, our failure to produce films, television series and audio recordings with broad consumer appeal could materially harm our business and prospects for growth.

***We may not be successful in developing new technologies or introducing new products and services.***

Many of the industries in which we operate are subject to rapid and significant changes in technology and are characterized by the frequent introduction of new products and services. Pursuit of necessary technological advances may require substantial investments of time and resources and we may not succeed in developing marketable technologies. Furthermore, we may not be able to identify and develop new product and service opportunities in a timely manner. Finally, technological advances may render our existing products obsolete, forcing us to write off investments made in those products and services and to make substantial new investments.

***Currency exchange rate fluctuations may negatively affect our financial results, the market value of our ADSs and the value of dividends received by holders of our ADSs.***

We hold assets and liabilities, earn income and pay expenses of our subsidiaries in a variety of currencies. Because our financial statements are presented in euros, we must translate our assets, liabilities, revenue, income and expenses in currencies other than the euro into euros at then-applicable exchange rates when we prepare our financial statements. Consequently, increases and decreases in the value of the euro will affect the value of these items in our financial statements, even if their value has not changed in their original currency. In this regard, an increase in the value of the euro may result in a decline in the reported value, in euros, of our interests held in other currencies. To the extent this has a negative effect on our financial condition as presented in our financial statements, it could cause the market price of our ordinary shares and ADSs to decline. In addition, dividends to holders of our ADSs will be converted from euros to US dollars prior to payment. As a result, changes in currency exchange rates could affect the value of dividends received by our ADS holders.

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

We conduct business in markets around the world. The risks associated with conducting business in some countries outside of Western Europe, the US and Canada can include, among other risks, slower payment of invoices, nationalization of businesses, social, political and economic instability, increased currency exchange risk and currency repatriation restrictions. We may not be able to insure or hedge against these risks. Furthermore, financing may not be available in countries with less than investment grade sovereign credit ratings. As a result, it may be difficult to create or maintain profit-making operations in developing markets.

***Our recreation group may continue to be negatively affected by international, political and military developments.***

The terrorist attacks of September 11, 2001 on the United States and their aftermath resulted in significant reductions in domestic and international travel that negatively affected our US theme park and resort activities. These developments have had a continued impact on vacation travel, group conventions and tourism in general. The magnitude and duration of the effects on the results of our recreation business is unknown at this point.

***The market place of our ordinary shares and our ADSs may be subject to the volatility generally associated with Internet and technology company shares.***

The market for shares of Internet and technology companies has, over the past two years, experienced extreme price and volume volatility that has often been unrelated or disproportionate to the operating performance of those companies. Because our value is based in part on our Internet and other high technology operations, the price of our ordinary shares and ADSs may be subject to similar volatility.

***Provisions in many of the environmental contracts of our subsidiary, Vivendi Environnement, may create significant restrictions or obligations on its business.***

Contracts with governmental authorities make up a significant percentage of the revenue of our 63% owned subsidiary, Vivendi Environnement. Vivendi Environnement is subject to various statutes and regulations that apply to governmental contracts which differ from laws governing private contracts. In civil law countries such as France, for instance, governmental contracts often provide for unilateral amendment or termination by the governmental authority, under certain circumstances. Although Vivendi Environnement is generally entitled to full indemnification in the event of such unilateral modification or termination, its revenue and/or profits could be reduced if full indemnification is not available.

***We may incur environmental liability in connection with past, present and future operations.***

Each of our businesses, primarily in the case of Vivendi Environnement, is subject to extensive and increasingly stringent environmental laws and regulations. In some circumstances, we could be required to pay fines or damages under these environmental laws and regulations even if we exercise due care in conducting our operations, we comply with all applicable laws and regulations, and the quantity of pollutant is very small.

In addition, courts or regulatory authorities may require us to undertake investigatory and/or remedial activities, curtail operations or close facilities temporarily or permanently in connection with applicable environmental laws and regulations. We could also become subject to claims for personal injury or property damage. Being required to take these actions or to pay environmental damages could substantially impair our business or affect our ability to obtain new business.

***Some provisions of our* statuts *could have anti-takeover effects.***

Our organizational documents (called *statuts*) contain provisions that are intended to impede the accumulation of our ordinary shares by third parties seeking to gain a measure of control of the Company. For example, in the case where a quorum of less than 60% is present at a shareholders meeting, our *statuts* adjust the rights of each shareholder that owns in excess of 2% of our total voting power through the application of a formula pursuant to which the voting power of each such shareholder will be equal to that which it would possess if 100% of our shareholders were present or represented at the shareholders meeting at which the vote takes place. In addition, our *statuts* provide that any person or group that fails to notify us within 15 days of acquiring or disposing of at least 0.5% or any multiple of 0.5% of our ordinary shares may be deprived of voting rights for those shares in excess of the unreported fraction.

***Pre-emptive rights may not be available for US persons.***

Under French law, shareholders have pre-emptive rights to subscribe for cash issuances of new shares or other securities giving rights to acquire additional shares on a pro rata basis. US holders of our ordinary shares may not be able to exercise pre-emptive rights for our shares unless a registration statement under the US Securities Act of 1933, as amended (the Securities Act), is effective with respect to such rights or an exemption from the registration requirements imposed by the Securities Act is available. 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. If so, US holders of our shares will be unable to exercise their pre-emptive rights.

***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 shareholders in some companies incorporated in the US would. 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 depositary agreement.

***We are exempt from certain requirements under the Exchange Act.***

As a foreign private issuer for the purposes of the US federal securities laws, we are exempt from rules under the US Securities and Exchange Act of 1934, as amended (the Exchange Act), that impose certain disclosure and procedural requirements in connection with proxy solicitations under Section 14 of the Exchange Act. In addition, 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 purchase and sale of our ordinary shares. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as companies that do not qualify as foreign private issuers and whose securities are registered under the Exchange Act, nor are we required to comply with Regulation FD, which restricts the selective disclosure of material information. Accordingly, there may be less information concerning our company publicly available than there is for companies that do not qualify as foreign private issuers .

***Judgments of US courts may not be enforceable against Vivendi Universal.***

Judgments of US courts, including those predicated on the civil liability provisions of the federal securities laws of the US, may not be enforceable in French courts. As a result, shareholders who obtain a judgment against Vivendi Universal in the US may not be able to require it to pay the amount of the judgment.

***We could be adversely affected if member firms of Andersen Worldwide are unable to perform required audit-related services for us or if the SEC ceases accepting financial statements audited or reviewed by member firms of Andersen Worldwide.***

Our independent auditor, Barbier Frinault & Cie, is a member firm of Andersen Worldwide. On March 14, 2002, Arthur Andersen LLP, the US-based member firm of Andersen Worldwide, was indicted on federal obstruction of justice charges in connection with its role as the auditor for Enron Corporation. Although the SEC has said that it will continue to accept financial statements audited by Arthur Andersen LLP and foreign affiliates of Arthur Andersen LLP so long as Arthur Andersen LLP and such foreign affiliates are able to make certain representations to its clients, our access to the US capital markets and our ability to make SEC filings timely could be impaired if the SEC ceases accepting financial statements audited by member firms of Andersen Worldwide or if for any reason any member firm of Andersen Worldwide performing auditing services for us is unable to perform such auditing services. In such event, we may also incur significant expense in familiarizing new auditors with our accounting. Furthermore, relief which may be available under the federal securities laws against auditing firms may not be available as a practical matter against member firms of Andersen Worldwide if such firms should either cease to operate or be financially impaired.

***We could be adversely affected if rating agencies downgrade our debt ratings.***

At the beginning of May 2002, Moody s and S&P lowered Vivendi Universal s senior and short-term debt ratings, respectively. Further downgrades by either S&P or Moody s could result in liquidity problems and could affect our ability to make payments on outstanding debt instruments and to comply with other existing obligations.

## Item 4: Information on the Company

### History and Development of the Company

The legal and commercial name of our company is Vivendi Universal. Vivendi Universal is a *société anonyme*, a form of limited liability company, initially organized under the name Sofiée, S.A. on December 11, 1987 for a term of 99 years in accordance with the French commercial code. Vivendi Universal is the surviving parent entity of the merger transactions among Vivendi S.A. (Vivendi), The Seagram Company Ltd. (Seagram) and Canal Plus S.A. (Canal Plus), which were completed on December 8, 2000 (the Merger Transactions). Our registered office is located at 42, avenue de Friedland, 75380 Paris Cedex 08, France, and the telephone number of our registered office is (33)(1) 71 71 1000. Our agent in the US is Vivendi Universal US Holding Co.; located at 375 Park Avenue, 6th Floor, New York, New York 10152. All matters addressed to our agent should be to the attention of the President.

Vivendi Universal s businesses focus primarily on two core areas Media & Communications and Environmental Services. Our Media & Communications business operates a number of leading and integrated businesses in the music, multimedia and publishing, film and pay TV, telecommunications and Internet industries. Our Environmental Services business includes world-class water, waste management, transportation and energy services operations.

***Vivendi***

Vivendi was founded in 1853 and, prior to the Merger Transactions, was one of Europe s largest companies. In May 1998, Vivendi s shareholders approved its name change from Compagnie Générale des Eaux to Vivendi to reflect the expansion of its core businesses in media and communications and environmental management services, as well as the increasingly international scope of its business. In 1999, Vivendi transferred its environmental management services businesses to its subsidiary, Vivendi Environnement. In July 2000, Vivendi issued approximately 37% of the share capital of Vivendi Environnement in a public offering in Europe and a private placement in the US.

***Seagram***

Prior to the Merger Transactions, Seagram operated in four business segments:

*Music.* Through the Universal Music Group (UMG), the world s largest recorded music company, Seagram developed, acquired, produced, marketed and distributed recorded music globally, produced, sold and distributed music videos globally, and engaged in music publishing.

*Filmed Entertainment.* Primarily through Universal Pictures, Seagram produced and distributed motion picture, TV and home video productions worldwide, owned and operated a number of international TV channels, and licensed merchandising and filmed property rights.

*Recreation and Other.* Seagram owned and operated theme parks, entertainment complexes and specialty retail stores in the US and elsewhere.

*Spirits and Wine.* Seagram produced, marketed and distributed distilled spirits, wines, coolers, beers and mixers in more than 190 countries and territories worldwide.

***Canal Plus***

Prior to the Merger Transactions, Canal Plus was Europe s leading pay TV company and a European leader in film and TV production, distribution and rights management. The businesses that Vivendi Universal acquired from Canal Plus are now operated collectively as Groupe Canal+ S.A. (CANAL+ Group).

As a result of the Merger Transactions, Vivendi Universal is now one of the world s leading media and communications companies, with assets that, among other things, include one of the largest motion picture studios, one of the most comprehensive film libraries and a leading global TV business.

See Our Services below for a complete description of our businesses.

No third parties have made public takeover offers with respect to Vivendi Universal since we began operations. Public takeover offers of other companies that we have made are described under Historical Acquisitions and Dispositions and Recent Developments below. For additional discussion of important events that have occurred since January 1, 2001, see Item 5 Operating and Financial Review and Prospects and Item 18 Financial Statements . For additional information about our principal capital expenditures and divestitures for the last three financial years, as well as, those currently in progress, see Item 5 Operating and Financial Review and Prospects .

**Historical Acquisitions and Dispositions**

In 2001, we significantly expanded the assets of our Media & Communications businesses through strategic acquisitions and joint ventures, and we made several significant dispositions. Set forth below is a summary of these material and significant acquisitions and dispositions:

***Acquisitions***

*Acquisition of Uproar Inc.* In February 2001, Vivendi Universal s Publishing business, through its subsidiary, Flipside Inc., announced a plan to merge with Uproar Inc., by acquiring all of Uproar s outstanding stock for $128 million. The surviving entity is a global leader in web-based interactive games.

*Acquisition of Maroc Telecom.* In April 2001, Vivendi Universal became a strategic partner in the partial privatization of Maroc Telecom, Morocco s national telecommunications operator, for approximately 2.4 billion.

*Acquisition of EMusic.com.* On June 14, 2001, Vivendi Universal acquired all of the outstanding shares of EMusic.com Inc. for a net purchase price of approximately $24 million.

*Acquisition of Houghton Mifflin.* In July 2001, Vivendi Universal acquired leading US educational publisher Houghton Mifflin Company for approximately $2.2 billion in cash, including the assumption of Houghton Mifflin s average net debt of approximately $500 million. Vivendi

Universal thereby became the second-largest educational publisher in the world and increased its share of the US textbook market.

*Acquisition of MP3.com.* On August 28, 2001, Vivendi Universal acquired all of the issued and outstanding common stock of MP3.com, Inc., for cash and stock, with a purchase price of approximately

$400 million ($5.00/share). This acquisition was a significant strategic step in creating a distribution platform for our music business and acquiring state-of-the-art internet technology.

***Divestitures***

*Sale of Eurosport Interests.* In January 2001, CANAL+ Group sold its 49.5% interest in Eurosport International and its 39% interest in Eurosport France for 303 million. At the same time, Havas Image sold its interest in Eurosport France, bringing the total proceeds for Vivendi Universal to 345 million.

*Sale of Havas Advertising Interest.* In June 2001, Vivendi Universal sold its 9.9% interest in Havas Advertising for 484 million to institutional investors and Havas Advertising. At the end of 2001, Vivendi Universal sold the Havas name to Havas Advertising for approximately 4.6 million.

*Sale of Interest in France Loisirs.* In July 2001, Vivendi Universal sold its interest in France Loisirs to Bertelsmann for approximately 153 million, which generated a capital loss of 1 million.

*Sale of Vivendi Environnement Shares.* In December 2001, Vivendi Universal sold 32.4 million shares of Vivendi Environnement for 38/share (totaling 9.3% of Vivendi Environnement s stock), generating pre-tax capital gains of 116 million. Vivendi Universal continues to hold 63% of Vivendi Environnement following this sale. Simultaneously, Vivendi Environnement issued warrants, free of charge, to all shareholders, on a basis of one warrant per outstanding share. Each holder of seven warrants is entitled to purchase one share of Vivendi Environnement at 55 from December 2001 to March 2006.

*Spirits and Wine Sale.* On December 21, 2001, Vivendi Universal consummated the sale of its Spirits and Wine business to Diageo plc and Pernod Ricard S.A. for approximately $8.1 billion in cash.

**Recent Developments**

***Shareholders Meeting of April 24, 2002***

On May 2, 2002, Vivendi Universal announced that it had filed a joint petition with the Paris Commercial Court, together with Société Générale and Compagnie de Saint Gobain, following a malfunction in voting that occurred at the Shareholders Meeting on April 24th.

Following the May 2nd hearing, the Court:

Officially noted a malfunction in the tabulation of the votes cast during the Shareholders Meeting; and

Formally acknowledged to Vivendi Universal that its Board of Directors would have the authority to convene another Shareholders Meeting as soon as possible. The aim of this meeting would be to re-determine the vote count on the resolutions that were not adopted on April 24th, the results of which may have been affected by this malfunction. The Court also gave its permission for a re-vote to take place on the resolutions that were approved by the shareholders, in order to confirm the original results, if necessary.

Based on the foregoing and the fact that the Court determined that the resolutions passed at the meeting would stand as voted, the 1 dividend per share approved by the shareholders on April 24th was paid to holders of ordinary shares on May 13, 2002 and is payable to holders of ADSs on June 4, 2002. The record date for payment to both holders of ordinary shares and ADSs was May 13, 2002.

Lastly, the Court agreed to Vivendi Universal s request for an independent expert to investigate the voting aberrations within six weeks. The expert s assignment is to ascertain the origin of the malfunction in the voting system and, in particular, to determine whether a possible hacking of the voting system took place at the April 24th meeting.

Set forth below are our key acquisitions, investments and dispositions for 2002.

***Acquisitions***

*Acquisition of USA Networks Entertainment Assets.* On December 16, 2001, Vivendi Universal, Universal Studios, Liberty Media Corporation (Liberty), USA and Mr. Barry Diller entered into agreements whereby Vivendi Universal agreed to acquire control of USA s entertainment assets (programming, TV distribution, cable networks and film businesses, including USA Films LLC, Studios USA LLC and USA Cable LLC). These assets will be combined with Universal Studios existing film, TV and recreation businesses to form a new entertainment group, VUE, whose common interests will be 93.06% owned by Universal Studios and its affiliates. The transaction is valued at approximately $10.3 billion, and will be financed through a combination of cash and securities. The transaction closed on May 7, 2002.

*Strategic Alliance with EchoStar Communications.* On January 22, 2002, Vivendi Universal completed a $1.5 billion investment in EchoStar Communications Corporation ( EchoStar ) for 5,760,479 shares of newly issued EchoStar Series D mandatorily convertible participating preferred stock. This investment represents an approximate 10% holding in EchoStar. Each share of Series D preferred stock has a liquidation preference equal to its issue price, which was approximately $260 per share. Also, each share of Series D preferred stock is convertible, at the option of Vivendi Universal or mandatorily upon the occurrence of certain events, into ten shares of EchoStar Class A common stock. In addition, Vivendi Universal received one contingent value right associated with each share of Class A common stock it received, which affords Vivendi Universal certain downside protection in the event the Class A common stock trades below $26.04 per share. This transaction enables the commencement of a long-term alliance, whereby we plan to develop and provide to EchoStar s DISH Network US satellite TV customers a variety of programming and interactive TV services, including five new channels of basic and niche programming content and expanded pay-per-view and video-on-demand movies. As a signal of the strength of our new alliance with EchoStar, our CEO and Chairman, Jean-Marie Messier, has become a member of EchoStar s Board of Directors. EchoStar may use some or all of our investment to help finance its pending merger with Hughes Electronics Corporation, DirecTV s parent. Assuming completion of Echostar s merger with Hughes Electronics, Vivendi Universal will have access to the distribution assets of the combined company.

*First Acqua Acquisition.* Vivendi Environnement announced on May 13, 2002 that its subsidiary, Vivendi Water UK, signed an agreement with First Aqua Holdings Limited (FAH) to acquire First Aqua (JVCo) Limited (First Aqua), the holding company of Southern Water. The consideration is based on an enterprise value of 2 billion pounds sterling, equal to that used for FAH s acquisition of Southern Water in April 2002 and Southern Water s estimated average gross regulatory asset value as of March 2002. The deal is conditioned on receipt of UK and European Union regulatory approval, as well as the closing of FAH s acquisition of Southern Water. In addition, the completion of the acquisition of First Aqua by Vivendi Water UK is subject to the availability of satisfactory long-term, non-recourse financing to refinance First Aqua and Southern Water debt. Following implementation of the refinancing, Vivendi Water UK will invest approximately 420 million pounds sterling, thereby holding a majority of First Aqua s ordinary equity.

***Divestitures***

*Sale of Professional Publishing Business.* Vivendi Universal has entered into an agreement to sell Vivendi Universal Publishing s business-to-business (B2B) and health divisions to two newly formed investment companies led by the Cinven investment fund. Additionally, Vivendi Universal will acquire a 25% interest in the investment companies.

*Sale of Interest in Elektrim Telekomunikacja.* In March 2002, Vivendi Universal announced that it had signed a non-binding Memorandum of Understanding (MoU) with a consortium of financial investors, led by Citigroup Investments, to sell its 49% interest in Elektrim Telekomunikacja. The MoU provides for Vivendi Universal to retain a minority interest in the consortium and to be granted a put option regarding such interest (with the consortium holding a call option on this same interest).

**Business Overview**

***General***

Vivendi Universal operates in two global core businesses: Media & Communications and Environmental Services. The Media & Communications business is divided into five business segments: Music, Publishing, and TV & Film, which constitute our content businesses, and Telecoms and Internet, which constitute our access businesses. Our Music business produces, markets and distributes recorded music of all major genres throughout the world, manufactures, sells and distributes video products in the US and internationally, and licenses music copyrights. Our Publishing business is a worldwide content leader in its core markets: publishing, including education and literature, games and consumer press. It provides content across multiple platforms including print, multimedia, the Internet, and Personal Digital Assistants (PDAs) via Wireless Application Protocol (WAP) technology. Our TV & Film business produces and distributes motion picture, TV and home video/ DVD products worldwide, operates and has ownership interests in a number of cable and pay TV channels, engages in the licensing of merchandising and film property rights, and operates theme parks and retail stores around the world. Our Telecoms business provides a broad range of telecommunications services, including mobile and fixed telephony, internet access, and data services and transmission, principally in Europe. Our Internet business manages strategic internet initiatives and new online ventures for Vivendi Universal. Utilizing advanced digital distribution technology, the Internet business develops e-commerce, e-services and thematic portals that offer access to the internet through a variety of devices, including mobile phones, PDAs, interactive TV and computers.

Vivendi Environnement, 63% owned by Vivendi Universal, operates the Environmental Services business, with operations around the globe. Vivendi Environnement provides environmental management services, including water treatment and systems operation, waste management, energy services (excluding the sale, production and trading of electricity), and transportation services, to a wide range of public authorities and industrial, commercial and residential customers. Vivendi Environnement files reports with the SEC in the ordinary course of its business, and has outstanding shares represented by ADSs listed on the NYSE (ticker symbol: VE ).

***Segment Data***

The contribution of our business segments to our consolidated revenues for each of 2001, 2000 and 1999, in each case after the elimination of intersegment transactions, follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2001** | **2000(1)** | **2000** | **1999(2)** |
| | (In millions of euros) | | | |
| **Revenues** | | | | |
| ***Amounts in accordance with French GAAP*** | | | | |
| Music | 6,560 | 495 | 495 | |
| Publishing | 4,286 | 3,540 | 3,540 | 3,278 |
| TV & Film | 9,501 | 4,248 | 4,248 | 1,151 |
| Telecoms | 7,639 | 5,270 | 5,270 | 3,913 |
| Internet | 129 | 48 | 48 | 2 |
| Total Media & Communications | 28,115 | 13,601 | 13,601 | 8,344 |
| Environmental Services | 29,094 | 26,294 | 26,512 | 20,959 |
| Non-core businesses | 151 | 1,685 | 1,685 | 11,552 |
| **Total Vivendi Universal** | 57,360 | 41,580 | 41,798 | 40,855 |

(1) Restated to give effect to changes in accounting policies adopted in 2001.

(2) In order to facilitate the comparability of 2000 and 1999 financial results, the 1999 results are presented in accordance with accounting policies in effect in 2000.

***Geographic Data***

The contribution of selected geographic markets to our consolidated revenue for each of 2001, 2000 and 1999 follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2001** | **2000(1)** | **2000** | **1999(2)** |
| | (In millions of euros) | | | |
| **Revenues** | | | | |
| France | 24,285 | 20,933 | 21,174 | 23,611 |
| United Kingdom | 4,170 | 2,992 | 2,969 | 3,241 |
| Rest of Europe | 10,456 | 7,421 | 7,421 | 7,355 |
| United States of America | 12,654 | 7,009 | 7,009 | 4,659 |
| Rest of World | 5,795 | 3,225 | 3,225 | 1,989 |
| | 57,360 | 41,580 | 41,798 | 40,855 |

(1) Restated to give effect to changes in accounting policies adopted in 2001.

(2) In order to facilitate the comparability of 2000 and 1999 financial results, the 1999 results are presented in accordance with accounting policies in effect in 2000.

***Segment and Geographic Data for 2001***

The contribution of selected geographic markets to the revenue of our business segments and to our consolidated revenue for 2001, in each case after the elimination of intersegment transactions follows:

| | Year Ended December 31, 2001 | | | | | |
|---|---|---|---|---|---|---|
| | **France** | **United Kingdom** | **Rest of Europe** | **United States of America** | **Rest of World** | **Total** |
| | (In millions of euros) | | | | | |
| **Revenues** | | | | | | |
| Music | 617 | 844 | 1,193 | 2,753 | 1,153 | 6,560 |
| Publishing | 1,659 | 135 | 560 | 1,508 | 424 | 4,286 |
| TV & Film | 3,118 | 552 | 2,093 | 2,899 | 839 | 9,501 |
| Telecoms | 6,371 | | 244 | | 1,024 | 7,639 |
| Internet | 55 | 1 | 4 | 69 | | 129 |
| Total Media & Communications | 11,820 | 1,532 | 4,094 | 7,229 | 3,440 | 28,115 |
| Environmental Services | 12,341 | 2,638 | 6,338 | 5,425 | 2,352 | 29,094 |
| Non-core businesses | 124 | | 24 | | 3 | 151 |
| **Total Vivendi Universal** | 24,285 | 4,170 | 10,456 | 12,654 | 5,795 | 57,360 |

***Strategy***

Vivendi Universal is a media and communications company for the digital age. Vivendi Universal s content businesses (Music, Publishing (in particular, its Games activities) and TV & Film) have strong market positions both globally and locally. This strength provides an excellent foundation for developing incremental revenue streams from cross-promotions and leveraging intellectual property across all content businesses. Vivendi Universal s distribution assets (Telecoms, Internet, Pay TV) enable each business to achieve faster time-to-market for new content applications.

Vivendi Universal s mission is to become the world s preferred creator and provider of entertainment, education and personalized services to consumers anywhere, at any time, and across all distribution platforms and devices. Vivendi Universal believes that demand for the delivery of content over portable and broadband devices will increase in the future. Vivendi Universal expects to generate earnings growth by leveraging its content businesses and utilizing its global brands to increase its subscriber base and to forge profitable alliances with other distribution partners.

**Our Services**

***Music***

Our music business is operated through UMG, the largest recorded music business in the world, which acquires, manufactures, markets and distributes recorded music through a network of subsidiaries, joint ventures and licensees in 63 countries. UMG also manufactures, sells and distributes music video and DVD products, licenses music copyrights, publishes music and owns mail-order music/video clubs throughout the world.

In 2001, UMG increased its worldwide market share and is now responsible for 1 out of every 4 albums sold worldwide, 1 out of every 4 albums sold in the US, and 1 out of every 3 albums sold in France. In 2001, 62 albums reached worldwide sales in excess of one million units and sold more than 5 million units in the year. We have the largest music catalogue in the world and hold the leading positions in jazz and classical musical, with our classical music sales representing approximately 40% of worldwide classical music sales for the industry.

Our labels include:

the popular labels Interscope, Geffen, A&M, Island Def Jam Music Group, MCA Records, MCA Nashville, Mercury Records, Mercury Nashville, Motor Music, Motown, Polydor, Barclay and Universal Records;

the classical labels Decca, Deutsche Grammophon and Philips; and

the jazz labels Verve, GRP and Impulse! Records.

*Artists.* We believe that the scope and diversity of our popular music labels and our strong management team allow us to respond to shifts in consumer tastes. Approximately 60% of our global sales represent sales by artists in their home territory. The US and the UK continue to be the primary source of internationally selling popular repertoire.

Artists who are currently under contract with UMG, directly or through third parties, include, among others:

Alizée, A*Teens, Erykah Badu, Cecilia Bartoli, Bee Gees, George Benson, Mary J. Blige, Blink 182, Andrea Bocelli, Bon Jovi, Boyzone, Mariah Carey, Jacky Cheung, Sheryl Crow, DMX, Dr. Dre, Eminem, Mylene Farmer, Masaharu Fukuyama, Gabrielle, Johnny Hallyday, Herbie Hancock, Enrique Iglesias, India.Arie, Al Jarreau, Ja Rule, Jay-Z, Elton John, Juanes, Ronan Keating, B.B. King, Diana Krall, Lighthouse Family, Limp Bizkit, Los Tucanes de Tijuana, Reba McEntire, Brian McKnight, Metallica (outside North America), Nelly, No Doubt, Padre Marcelo Rossi, Anne-Sophie Mutter, Florent Pagny, Luciano Pavarotti, Puddle of Mudd, Rammstein, Andre Rieu, Rosana, Paulina Rubio, Sandy & Junior, S Club 7, Shaggy, Sting, George Strait, Ibrahim Tatlises, Texas, Shania Twain, Caetano Veloso, Weezer, Lee Ann Womack, Stevie Wonder, and U2.

In addition to recently released recordings, we also market and sell recordings from our library of prior releases. Sales from this library account for a significant and stable part of our recorded music revenues each year. We own the largest catalogue of recorded music in the world, with performers from the US and the UK and around the world, such as:

ABBA, Louis Armstrong, Chuck Berry, James Brown, Eric Clapton, Patsy Cline, John Coltrane, Count Basie, Bill Evans, Ella Fitzgerald, The Four Tops, Marvin Gaye, Jimi Hendrix, Billie Holiday, Buddy Holly, The Jackson Five, Antonio Carlos Jobim, Herbert von Karajan, Bob Marley, Nirvana, The Police, Smokey Robinson, Diana Ross & The Supremes, Rod Stewart, Muddy Waters, Hank Williams and The Who.

*Artist Contracts, Production, Marketing and Distribution.* We seek to contract with our popular artists on an exclusive basis for the marketing of their recordings (both audio and audiovisual) in return for a percentage royalty on the wholesale or retail selling price of the recording. We generally seek to obtain rights on a worldwide basis, although certain of our artists have licensed rights for certain countries or regions to other record companies. Established artists command higher advances and royalty rates. Therefore, it is not unusual for a recording company to renegotiate contract terms with a successful artist.

For artists without a recording history, we are often involved in selecting producers, recording studios, additional musicians, and songs to be recorded, and we may supervise the output of recording sessions. For established artists, we are usually less involved in the recording process.

Marketing involves advertising and otherwise gaining exposure for our recordings and artists through magazines, radio, TV, internet, other media and point-of-sale material. Public performances are also considered an important element in the marketing process, and we provide financing for concert tours by some artists. TV marketing of both specially compiled products and new albums is becoming increasingly important. Marketing is carried out on a country-by-country basis, although global priorities and strategies for certain artists are set centrally.

In all major countries except Japan and Brazil we have our own distribution services for the warehousing and delivery of finished product to wholesalers and retailers. In certain countries we have entered into distribution joint ventures with other record companies. We also sell music and video product directly to the consumer, principally through two direct mail club organizations: Britannia Music in the UK and D.I.A.L in France.

*E-Commerce and Electronic Delivery.* We are at the forefront of the development of new methods to distribute, market, sell, program, and syndicate music and music-related programming by exploiting the potential of new technological platforms. We believe that emerging technologies will be strategically important to the future of the music business. Evolving technology will allow current customers to sample and purchase music in a variety of new ways and will expose potential customers to new music. Through a variety of independent initiatives and strategic alliances, we continue to invest resources in the technology and electronic commerce areas that will allow the music business to be conducted over the internet, cellular networks, cable and satellite.

UMG s e-businesses were restructured during 2001 with internet portal businesses GetMusic and EMusic.com Inc. combined with those of VU Net (see Our Services Internet below), which includes most of Vivendi Universal s internet initiatives such as Vizzavi and MP3.com. Pressplay, our on-demand subscription-based music service joint venture with Sony Music Entertainment, was launched successfully in December 2001. InsideSessions.com, an online/ CD ROM-based distance learning program joint venture with Putnam, Inc. offering an insider s tour of the music business, was launched in early 2002.

*Music Publishing.* Music publishing involves the acquisition of rights to, and licensing of, musical compositions (as compared to recordings). We enter into agreements with composers and authors of musical compositions for the purpose of licensing the compositions for use in sound recordings, films, videos and by way of live performances and broadcasting. In addition, we license compositions for use in printed sheet music and song folios. We also license and acquire catalogues of musical compositions from third parties such as other music publishers and composers and authors who have retained or re-acquired rights. Major acquisitions in 2001 included compositions by Prince, Dave Matthews Band (outside North America), Alexander Kronlund (writer for Britney Spears and others), Eve, Ja Rule and DMX.

Our publishing catalogue includes more than 850,000 titles that we own or administer, including some of the world s most popular songs, such as American Pie , Strangers in the Night , Good Vibrations , I Wanna Hold Your Hand, Candle in the Wind, I Will Survive and Sitti Dock of the Bay, among many others. Among the significant artists and songwriters represented are ABBA, George Brassens, Bon Jovi, Eddy Mitchell, Andre Rieu, Shania Twain, Andrew Lloyd Webber and U2; legendary composers represented include Leonard Bernstein, Elton John and Bernie Taupin, and Henry Mancini.

*Seasonality.* The music business is not subject to concerns regarding seasonality.

*Raw Materials.* UMG does not, in any material way, rely on the supply of raw materials to conduct its business.

***Publishing***

Vivendi Universal Publishing (VUP) is a multi-cultural, multi-platform publishing company with global reach operating in six market segments: literature, reference, education, kids, games and consumer press. VUP offers creative content in printed and CD-ROM versions, as well as through the internet, PDAs and specific media such as electronic books and electronic schoolbags. In addition, VUP operates in logistics and distribution, primarily through its subsidiary Vivendi Universal Publishing Services. VUP is the world s third-largest publisher. Ranked second in educational publishing, it is one of the world leaders in reference works. It is also ranked No. 2 in games for PC and Mac, and No. 1 for educational CD-ROMs in the world.

VUP acquired Houghton Mifflin, the prestigious American educational publisher, in July 2001. To finance this acquisition, VUP has agreed to dispose of its B2B and health divisions. See Recent Developments Divestitures in this Item 4 above.

VUP s pro forma operations in Europe accounted for approximately 37% of its business in 2001, while its operations in the US accounted for around 52%. VUP also operates in Latin America and Asia, which accounted for approximately 6% and 5%, respectively, of its business.

*Literature.* In France, VUP published more than 2,000 new titles in literature. In addition, several books featured among the bestseller lists in France, the US and Spain. Houghton Mifflin sold over 5 million units of J.R.R. Tolkien s books in the US, while Univers Poche sold almost 800,000 in France. In small format books, Univers Poche had an exceptional year in France, selling over 20.5 million books. Le Pré aux Clercs also published two books in France about the film Lord of the Rings.

VUP authors also won several prizes. V.S. Naipaul was awarded the 2001 Nobel Prize for Literature; he is published in France by Plon. *The Pianist* by Wladyslaw Szpilman, published by Robert Laffont, was voted Best Book of the Year by the French magazine Lire. In the US, Houghton Mifflin authors also won awards. Philip Roth s *The Human Stain* received the PEN/ Faulkner award for fiction, and *American Vintage* by Paul Lukas received three prizes: the International Association of Culinary Professionals Award, the James Beard Foundation Award and the Veuve Clicquot Award.

*Reference.* There was continued growth in reference works worldwide. The VUP subsidiary, Larousse, is the only truly global publisher in this market, selling in 50 countries and 35 languages. The Petit Larousse dictionary remains a bestseller, with over 1 million units alone sold in France. The Petit Larousse is also a leader in the Spanish and Latin American markets, with 300,000 units sold. The French version of the CD-ROM Encyclopédie Universelle Larousse was successfully launched, and will be followed by the Spanish version in 2002. In addition, the six-volume Grand Robert French dictionary was released in November and already sold almost 17,000 units by early 2002.

*Education.* In educational publishing, Vivendi Universal s acquisition of Houghton Mifflin boosted VUP from fifth to second place worldwide. Houghton Mifflin is one of the leading publishers in this market segment in the US. In addition, in 2001, Houghton Mifflin s McDougal Littell s high school educational programs posted a 27% growth. On January 9, 2002, the state of California, the biggest educational materials market in the US, adopted the K-6 reading programs that the state s primary schools will use in 2002 and the coming years. Houghton Mifflin s A Legacy of Literacy series of reading manuals was one of the two series adopted. For the sixth to eighth grades, Houghton Mifflin s McDougal Littell Reading & Language Arts was also selected (in addition to the programs of three other publishers).

On January 21, 2002, four of Houghton Mifflin s books received the highest awards for children s literature from the American Library Association:

- *The Three Pigs*, written and illustrated by David Wiesner (Clarion Books), received the prestigious Randolph Caldecott Medal, which honors the best illustrator;

*A Single Shard* by Linda Sue Park (Clarion Books) won the John Newbery Medal, which honors the author of the best contribution to American children s literature;

*Black Potatoes: The Story of the Great Irish Famine, 1845-1850* by Susan Campbell Bartoletti (Houghton Mifflin Children s Books) received the ALSC/ Robert F. Sibert prize awarded to the best informational book;

*Breaking Through* by Francisco Jiménez, also from Houghton Mifflin Children s Books, received the Pura Belpré Award, which is presented to a writer of Latin American origin whose book celebrates the Latino cultural experience in an outstanding work of literature for children and youth.

In the school sector, Nathan and Bordas had a strong year in France, with 380,000 textbooks sold. In Brazil, Atica & Scipione also had a very successful year. Anaya published and sold almost 200,000 textbooks in Spain.

There was strong growth in the university sector, including 8% for the Houghton Mifflin College publications. In France, Dalloz s legal publications enjoyed high sales, with more than 152,000 units of three of its key works sold.

The internet portal, education.com, was launched in February 2001 in three languages (French, English and German) and four countries (France, Germany, the UK and the US). VUP is developing and tailoring the content of this portal for these countries.

*Kids.* Interactive products generated growth in this market sector. Coktel successfully launched Adibou 3 Lecture and Adibou 3 Calcul in France, Adi 5 in Germany (160,000 units sold), Italy and Spain, and the first Adiboud Chou titles for kindergarten-age children in English, German, Spanish and Italian.

Knowledge Adventure, the US leader in educational software, launched its successful series Jumpstart Learning System for game consoles. VUP also started exploiting synergies with Universal Studios through a license covering Jurassic Park products (380,000 units with three titles).

*Games.* In the games segment, multi-platform products were the growth drivers. Ranked No. 2 in the world for games on PC and Mac, the VUP games division was also successful in the console market. The main events of the year were the integration of the Universal Interactive studio and some spectacular new releases, including Spyro: Season of Ice for the Game Boy Advance console and Crash Bandicoot: Wrath of Cortex for PlayStation 2. Blizzard Entertainment continued to benefit from the worldwide success of Diablo II by releasing a sequel, Diablo II: Lord of Destruction. At the end of 2001, Sierra Entertainment launched Empire Earth for PC, and Partner Publishing Group launched Dark Age of Camelot .

*Consumer Press.* In the consumer press segment in France, the Express and Expansion magazine groups merged at the beginning of January 2002 to form the Express-Expansion Group. The Express group formed its own publishing house, L Express Editions, in 2001 and published *La première guerre du 21ème siècle*, which sold 20,500 units.

*Seasonality.* The sales curve for publishing follows the traditional pattern of leisure products, with peaks at Christmas and other times of intense consumer purchasing. For the school segment, there is a peak at the beginning of each academic year (February in Brazil, September in France, Spain and the US) and another when the national education authorities change the syllabus.