

VEOLIA ENVIRONNEMENT  
Form 6-K  
March 08, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULES 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

March 8, 2004

VEOLIA ENVIRONNEMENT

(Exact name of registrant as specified in its charter)

36-38, avenue Kléber

75116 Paris, France

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.)

Form 20-F  Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)):

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)):

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_.

March 8<sup>th</sup>, 2004

## PRESS RELEASE

**Increase in operating performance excluding completed and announced disposals**

**Improvement of return on capital employed (ROCE)**

**Positive free cash flow and significant reduction to net debt,**

**ahead of announced targets**

**Net results impacted by the writedown of assets taken in the first half of the year**

- Consolidated revenue: 28.6 billion (-4.9%); up 5.4% at constant exchange rates and excluding assets sold in 2002 and 2003 <sup>(1)</sup>
- Consolidated EBIT (operating income): 1,751 million (-11.2%); down 1.8% at constant exchange rates and excluding assets sold in 2002 and 2003
- Net loss: 2,055 million Recurring net income: 250 million
- Net financial debt <sup>(3)</sup> reduced to 11.8 billion compared with 13.1 billion at December 31, 2002
- Improvement in after-tax return on capital employed <sup>(4)</sup> excluding assets sold in 2002 and 2003 to 7% compared with 6.4% in 2002
- Net dividend to be proposed to Annual Shareholders Meeting on May 12, 2004: 0.55 per share

At its meeting on March 5, 2004, the Veolia Environnement Board of Directors examined and closed the company's accounts for 2003.

### **A CLEAR STRATEGY WHICH HAS BEGUN TO DELIVER RESULTS**

Reported consolidated revenue came to 28,603.0 million compared with 30,078.7 million in 2002. Revenue excluding assets sold in 2002 and 2003 was 28,418.2 million, up 5.4% at constant exchange rates.

- (1) Excluding assets sold in 2002 and 2003 is defined as follows: non-core businesses of USFilter (Filtration & Separation, Plymouth Products and Distribution US) and Bonna Sabla in France, all sold in 2002, and Surface Preparation sold in 2003. Revenue from Everpure, taken into account for the whole of 2003, is not classified in this category due to the date of the disposal (December 2003).
- (2) Recurring net income (loss) corresponds to the EBIT + recurring goodwill amortization and the writedown of intangible assets with indefinite lives, net financial income (expense), share in recurring earnings of companies accounted for by the equity method, minority interests and nominal income tax.
- (3) Net debt is defined as follows: long-term financial debt + short-term financial debt - short-term financial receivables - long-term financial receivables - marketable securities - cash and cash equivalents.

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- (4) Return on capital employed is defined as the relation between the results of operations, net of tax, and the average amount of capital invested in the business over the same period.

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Veolia Environnement continued its development by signing many new long-term contracts in 2003 and early 2004. Municipal service contracts were signed in Europe (East Sussex in the UK and Oslo in Norway), Asia (Shenzhen, Quingdao and Laogang in China) and the United States (California and Alabama). Contracts for industrial services included that signed with Peugeot. In addition, Veolia Environnement strengthened its market positions through contract renewals (Metz and Rennes in France) and significant extensions (Melbourne, Australia).

In line with the strategy announced at the end of September 2003, Veolia Environnement is implementing its refocusing plan in Water in the United States.

### **IMPROVEMENT IN CASH FLOWS AND STRONG REDUCTION IN NET DEBT**

Cash flow from operations was affected by the impact of disposals (- 106 million) and exchange rate fluctuations (- 180 million), and amounted to 2,701 million compared with 2,780 million in 2002. Excluding these factors, cash flow from operations increased 7%.

This improvement in cash flow from operations was accompanied by a considerable reduction in working capital requirement and continued control over capital expenditures and financial investments, which amounted to 2,930 million compared with 3,738 million in 2002, allowing for all targets for financial balance to be met in 2003. Free cash flow <sup>(1)</sup> in 2003 was 168 million.

Including the sales of non-core businesses Surface Preparation and Everpure, disposals amounted to 720 million in 2003, of which 226 million for the disposal of industrial assets.

After taking into account the disposal of these non-core financial assets, **net free cash flow amounted to 662 million in 2003.**

**Net financial debt was lowered from 13.1 billion at December 31, 2002 to 11.8 billion at December 31, 2003.**

### **IMPROVEMENT IN OPERATING PERFORMANCE EXCLUDING DISPOSALS COMPLETED AND ANNOUNCED**

Total EBIT amounted to 1,751 million compared with 1,971 million in 2002. The decrease is due mainly to the negative impact of exchange rate fluctuations for 65 million and disposals accounting for 122 million. EBIT excluding assets sold in 2002 and 2003 amounted to 1,749 million, down 1.8% at constant exchange rates.

2003 operating performance was affected by the decrease in the profitability of the US Water businesses in the process of being sold, in particular in the area of equipment sales, as well as by a charge for 67 million as a result of the review of assets carried out in preparation for the disposals. The remaining Water activities outside the United States, Waste, Energy Services and FCC made satisfactory progress. EBIT excluding assets sold or in the process of being sold <sup>(2)</sup> rose over 6% at constant exchange rates.

Analyzed by division, EBIT trends were as follows:

EBIT for the **Water** businesses amounted to 783.9 million ( 1,024.3 million in 2002). Excluding assets sold in 2002 and 2003 and the impact of exchange rate fluctuations, the decrease was 10.2%. This is principally attributable to the US businesses that are scheduled for disposal in 2004. **EBIT growth excluding assets sold or in the process of being sold <sup>(2)</sup>, was 6% at constant exchange rates.**

EBIT for the **Waste businesses** reached 380.0 million ( 385.2 million in 2002). Growth was 7.3% at constant exchange rates, driven by the positive impact of contract renegotiations in France and good performance in Northern Europe and the United States.

(1) Free cash flow is defined as follows: the change in cash generated by the operations - effect of securitization programs and Dailly (i.e. discounting of receivables) - capital expenditures and financial investments + disposals of industrial assets.

(2) Other than the assets sold in 2002 and 2003 defined above, these include Everpure, sold in December 2003 for \$215 million, Culligan, and equipment and short-term contract businesses that are in the process of being sold.

(3) Excluding Proactiva. Including Proactiva, growth was 6.6% at constant exchange rates.

### **IMPROVEMENT IN OPERATING PERFORMANCE EXCLUDING DISPOSALS COMPLETED AND ANNOUNCED**

EBIT for **Energy Services** increased to 274.4 million ( 244.0 million in 2002), up 14.3% at constant exchange rates. The increase is attributable to businesses in France, excluding engineering subsidiaries, and to satisfactory developments outside France, especially in Southern and Eastern Europe.

EBIT for the **Transportation businesses** declined 19% at constant exchange rates to 92.6 million ( 115.6 million in 2002). Despite very satisfactory profitability for the urban networks in France and a good start to the Boston contract in the United States, the year was affected in particular by the difficulties for operations in the United Kingdom.

EBIT for **FCC** <sup>(1)</sup> totaled 275.3 million ( 250.3 million in 2002). The 10% increase was mainly due to the construction business and municipal services.

The EBITDA <sup>(2)</sup> for Veolia Environnement amounted to 3,675.1 million compared with 3,886.9 million in 2002. Excluding assets sold in 2002 and 2003, EBITDA totaled 3,670.7 million in 2003, up 2.7% at constant exchange rates as compared with 2002.

### **COST OF FINANCING REDUCED**

Net financial expense was 750 million compared with 648 million in 2002. This expense was impacted by non-recurring items, in particular an exceptional write-down on financial assets carried by USFilter.

There was an improvement in the cost of financing, which was reduced from 681 million in 2002 to 624 million in 2003 and reflects the decrease in net debt. The average interest rate remained stable at 4.3%.

### **NON-RECURRING ITEMS**

Non-recurring items amounted to an expense of 2,305 million. They include a 2,226 million charge on the reassessment of the market value of USFilter assets that was taken in the first half of 2003, and restructuring costs of 93 million in 2003 compared with restructuring costs of 57 million in 2002.

### **RECURRING NET INCOME**

Excluding non-recurring items, consolidated net income was 250 million in 2003 compared with 429 million in 2002. Given the average number of shares outstanding in 2003, recurring net income per share came to 0.62 compared with 1.16 in 2002. The decrease is attributable to asset disposals, changes in currency parity and the low level of contribution from USFilter's businesses.

Taking into account non-recurring items, the consolidated net loss for Veolia Environnement was 2,055 million at December 31, 2003, compared with net income of 339 million at December 31, 2002.

### **IMPROVEMENT TO THE RETURN ON CAPITAL EMPLOYED (ROCE)**

The ROCE of Veolia Environnement increased to 7% in 2003 from 6.4% in 2002 due in particular to improvement in the Water, Waste and Energy Services divisions.

**A net dividend per share of 0.55 will be proposed to the Annual Shareholders Meeting on May 12, 2004.**

(1) Veolia Environnement's share

(2) EBITDA = EBIT + depreciation and long term provisions + renewal expenses

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## Outlook

In September 2003, Veolia Environnement announced an efficiency plan with targeted savings of 300 million for the full-year 2006. The initial actions have been put into place and should have a positive impact of at least 80 million on the 2004 income statement.

Under the new consolidation scope <sup>(1)</sup>, Veolia Environnement confirms its targets for 2004 and 2005: revenue growth of between 4% and 8% per year, positive free cash flow and an improvement to the return on capital employed (between 8% and 9% in 2005), which should be achieved due to the disposal of assets, the maturation of contracts and the implementation of the Veolia 2005 efficiency plan.

### Important Disclaimer

Veolia Environnement is a corporation listed on the NYSE and Euronext Paris. This press release contains forward-looking statements within the meaning of the provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside our control, including but not limited to: the risk of suffering reduced profits or losses as a result of intense competition, the risk that changes in energy prices and taxes may reduce Veolia Environnement's profits, the risk that governmental authorities could terminate or modify some of Veolia Environnement's contracts, the risk that Veolia Environnement's compliance with environmental laws may become more costly in the future, the risk that currency exchange rate fluctuations may negatively affect Veolia Environnement's financial results and the price of its shares, the risk that Veolia Environnement may incur environmental liability in connection with its past, present and future operations, as well as the risks described in the documents Veolia Environnement has filed with the U.S. Securities and Exchange Commission. Veolia Environnement does not undertake, nor does it have, any obligation to provide updates or to revise any forward-looking statements. Investors and security holders may obtain a free copy of documents filed by Veolia Environnement with the U.S. Securities and Exchange Commission from Veolia Environnement.

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*Press release also available on our web site: <http://www.veoliaenvironnement-finance.com>*

Dial-in number for the broadcast of the 2003 results presentation in English: +44 207 515 23 58  
 Replay number in English: +44 208 797 2499 (UK) (code 972883#), +1 303 590 3000 (US) (code 571213#)  
 Replay available from March 8<sup>th</sup> at 12.30 CET until March 10<sup>th</sup> AT 12.30 CET

<sup>(1)</sup> Other than the assets sold in 2002 and 2003 defined above, these include Everpure, sold in December 2003 for \$215 million, Culligan, and equipment and short-term contract businesses that are in the process of being sold.

## FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

(in millions of euros)	2003	2002
Revenue	28,603.0	30,078.7
Revenue excluding assets sold in 2002 and 2003	28,418.2	28,072.7
<b>A</b> EBIT (operating income)	1,750.9	1,971.3

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	EBIT excluding assets sold in 2002 and 2003	1,748.6	1,847.3
<b>B</b>	Restructuring costs	-99.3	-56.6
<b>A-B</b>	<b>Operating income before goodwill amortization</b>	<b>1,657.6</b>	<b>1,914.7</b>
	Goodwill amortization (1)	-2,424.5	-327.2
	<b>Operating income /(expense) after goodwill amortization</b>	<b>-776.9</b>	<b>1587.5</b>
	Cost of financing	-623.7	-680.9
	Other financial income and expense	-126.2	32.8
	<b>Net financial expense</b>	<b>-749.9</b>	<b>-648.1</b>
	<b>Operating income /(expense) less net financial expense before equity and minority interests</b>	<b>-1,516.8</b>	<b>939.4</b>
	Other income and expense	-62.4	-59.7
	<b>Income /(expense) before tax</b>	<b>-1,579.2</b>	<b>879.7</b>
	Income tax	-274.4	-437.3

(1) Recurring and non recurring

**BALANCE SHEET - CONSOLIDATED ASSETS**

(in millions euros)	2003	2002
Intangible assets	2,749.1	3,904.9
Goodwill	4,238.4	6,152.8
Tangible assets	14,419.2	14,540.8
Financial assets	1,814.1	1,969.5
of which long-term financial receivables	409.8	487.6
<b>Total fixed assets</b>	<b>23,220.8</b>	<b>26,568.0</b>
Current operating assets	11,500.7	12,320.3
Short-term financial receivables	457.9	487.6
Marketable securities	1,202.6	260.6
Cash and equivalents	2,538.4	2,381.9
<b>Total current assets</b>	<b>15,699.6</b>	<b>15,450.4</b>

<b>Total assets</b>	<b>38,920.4</b>	<b>42,018.4</b>
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### BALANCE SHEET - CONSOLIDATED LIABILITIES

(in millions of euros)	2003	2002
Shareholders equity (group's share)	3,574.8	6,329.6
Minority interests	2,679.8	2,585.2
Subsidies and deferred income	1,475.0	1,413.4
Provisions	2,913.9	2,946.1
Long-term financial debt	12,586.4	12,913.0
Other long-term liabilities	399.3	427.5
<b>Long-term capital</b>	<b>23,629.2</b>	<b>26,614.8</b>
Accounts payable	11,464.5	11,607.7
Short-term financial debt	3,826.7	3,795.9
of which bank overdrafts	685.4	745.9
<b>Total current liabilities</b>	<b>15,291.2</b>	<b>15,403.6</b>
<b>Total shareholders equity and liabilities</b>	<b>38,920.4</b>	<b>42,018.4</b>

### CONSOLIDATED CASH FLOW STATEMENT

	(in millions of euros)	2003	2002
<b>A</b>	<b>Cash and equivalents at beginning of year</b>	<b>1,636</b>	<b>2,090</b>
	Cash flow from operations	2,701	2,780
	Change in working capital requirement	397	-463
	<i>of which is linked to operations</i>	151	-241
	<i>of which is linked to securitization program and</i>		
	<i>Daily (discounting of receivables)</i>	246	-222
<b>B</b>	<b>Net change from operating activities</b>	<b>3,098</b>	<b>2,317</b>
	Capital expenditures	-2,456	-2,603
	Financial investments	-474	-1,131
	Disposal of industrial assets	226	198
	Disposal of financial assets	494	1,573
	Change in financial receivables	26	-152
	Purchase/sale of securities	-928	6
	<i>Including purchase of medium-term certificates</i>		
	<i>of deposit issued by financial institutions</i>	-975	-
<b>C</b>	<b>Net change from investment activities</b>	<b>-3,112</b>	<b>-2,109</b>
	Change in debt	740	-1,708
	Increase in capital	10	1,554
	Dividends	-309	-300
	Others	-	-116
<b>D</b>	<b>Net change from financing activities</b>	<b>441</b>	<b>-570</b>
<b>E</b>	<b>Impact of currency exchange and other</b>	<b>-210</b>	<b>-92</b>
		<b>1,853</b>	<b>1,636</b>

Cash and cash equivalents at end of year = A + B + C + D  
+ E

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**DETERMINATION OF FREE CASH-FLOW**

(in millions of euros)	2003
<b>Cash flow from operations</b>	<b>2,701</b>
<b>Change in working capital linked to operations</b>	<b>151</b>
<b>Disposal of industrial assets</b>	<b>226</b>
<hr/>	
<b>Resources</b>	<b>3,078</b>
<hr/>	
<b>Industrial investments</b>	<b>-2,456</b>
<b>Financial investments</b>	<b>-474</b>
<b>Impact of consolidation scope and other</b>	<b>+20</b>
<hr/>	
<b>Use</b>	<b>-2,910</b>
<hr/>	
<b>Free cash flow</b>	<b>+168</b>

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**CONSOLIDATED DATA AFTER DISPOSALS (unaudited figures)**
Total consolidated

	2003	2002	Variation 2003/2002	
			Current exchange rates	Constant exchange rates
Revenue	28,603.0	30,078.7	-4.9%	-0.9%
EBIT	1,750.9	1,971.3	-11.2%	-7.9%

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Total excluding assets sold in 2002 and 2003 (\*)

	2003	2002	Variation 2003/2002	
			Current exchange rates	Constant exchange rates
Revenue	28,418.2	28,072.7	1.2%	5.4%
EBIT	1,748.6	1,847.3	-5.3%	-1.8%

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(\*) "Excluding assets sold in 2002 and 2003" is defined as follows: non-core businesses of USFilter (Filtration & Separation, Plymouth and Distribution US) and Bonna Sable in France, all sold in 2002, and Surface Preparation, sold in 2003.

New consolidation scope after all planned disposals (\*\*)


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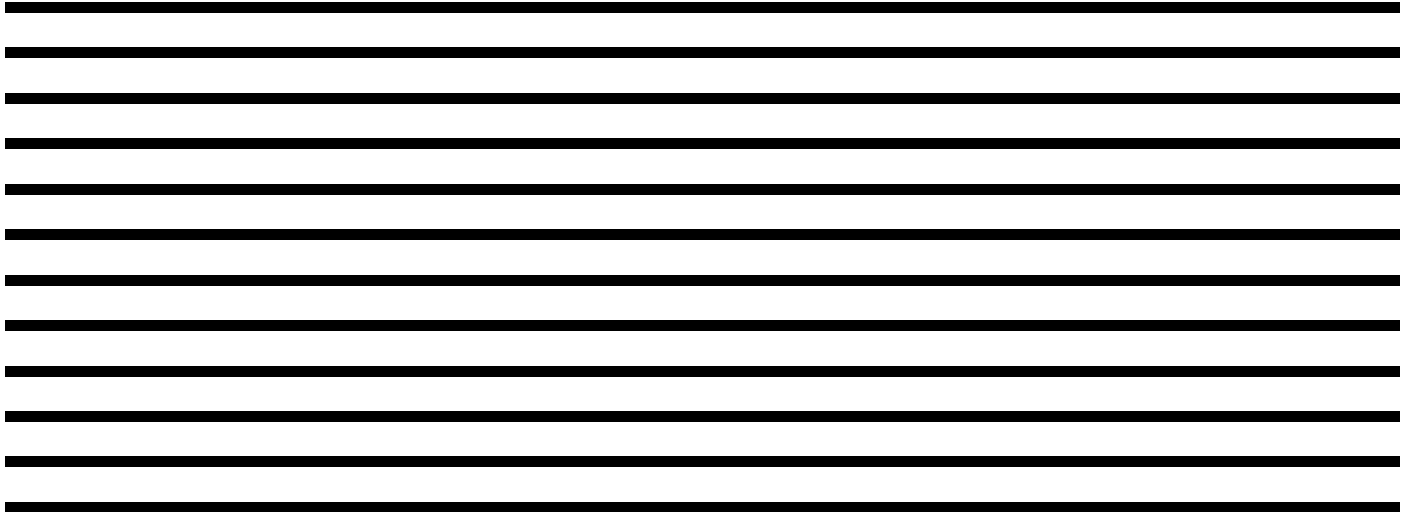


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	2003	2002	Variation 2003/2002	
			Current exchange rates	Constant exchange rates
Revenue	26,872.9	26,299.6	2.2%	5.4%
EBIT	1,713.6	1,669.2	2.7%	6.1%

(\*\*) After disposals in 2002 and 2003 (Filtration & Separation, Plymouth Products, US Distribution, Surface Preparation and Bonna Sabla) and disposals under way in the United States: Everpure (sold Dec. 2003), Culligan, equipment and short-term services.

Annex I  
Presentation of the Financial Statements  
to Financial Analysts



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 8, 2004

VEOLIA ENVIRONNEMENT

By: /s/ Jérôme Contamine  
Name: Jérôme Contamine  
Title: Chief Financial Officer