OFFERING MEMORANDUM **CONFIDENTIAL**

vivendi

$1,400,000,000

$700,000,000 5.750% Notes due 2013
$700,000,000 6.625% Notes due 2018

The 5.750% Notes due 2013 (the "Five-Year Notes") will bear interest at a rate of 5.750% per year and the 6.625% Notes due 2018 (the "Ten-Year Notes", and together with the Five-Year Notes, the "Notes") will bear interest at a rate of 6.625% per year. Interest on the Notes is payable on April 4 and October 4 of each year, beginning on October 4, 2008. The Five-Year Notes and the Ten-Year Notes will mature on April 4, 2013 and April 4, 2018, respectively. The issuer may redeem the Notes in whole or in part at any time at the redemption prices specified herein. See "Description of the Notes — Redemption".

The Notes will be our senior unsecured obligations and will rank equally with all of our other unsecured senior indebtedness.

The Notes are expected to be assigned a rating of "Baa2" by Moody's Investors Service, Inc., "BBB" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. and "BBB" by Fitch Ratings. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organization.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 11.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. Accordingly, the Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act ("Rule 144A") and outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"). Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "Plan of Distribution" and "Notice to Investors".

Price of the 5.750% Notes due 2013: 99.397% plus accrued interest, if any, from April 4, 2008
Price of the 6.625% Notes due 2018: 99.675% plus accrued interest, if any, from April 4, 2008

It is expected that the Notes will be delivered to purchasers in book entry form through The Depository Trust Company ("DTC") and through the Euroclear System and Clearstream, Luxembourg (as participants in DTC) on or about April 4, 2008.

Joint Book-Running Managers

Banc of America Securities LLC **Barclays Capital** **Citi**

Co-Managers

Fortis **Natixis Bleichroeder Inc.** **Société Générale Corporate & Investment Banking**

The date of this Offering Memorandum is April 1, 2008

You should rely only on the information contained in this offering memorandum. We have not, and the Initial Purchasers (as defined below) have not, authorized anyone to provide you with different information, and you should not rely on any such information. We are not, and the Initial Purchasers are not, making an offer of these securities in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this offering memorandum. The Issuer and Banc of America Securities LLC, Barclays Capital Inc. and Citigroup Global Markets Inc. (the "Initial Purchasers"), reserve the right to withdraw the offering of the Notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities.

Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure or any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

Notwithstanding anything in this offering memorandum to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future. We have furnished the information contained in this offering memorandum. The Initial Purchasers have not independently verified any of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of any such information.

None of the Securities and Exchange Commission (the "SEC"), any state securities commission nor any other regulatory authority in the United States, France, the United Kingdom, Japan or any member State of the European Economic Area, have approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In connection with the issue of the Notes, Banc of America Securities LLC, Barclays Capital Inc. and Citigroup Global Markets Inc. (the "stabilizing managers") (or persons acting on behalf of the stabilizing managers) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilizing managers (or persons acting on behalf of the stabilizing managers) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the stabilizing managers (or person(s) acting on behalf of the stabilizing managers) in accordance with all applicable laws and rules.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled "Plan of Distribution" and "Notice to Investors." In making an investment decision, prospective investors must rely on their own examination of the issuer and the terms of the offering,

including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

We accept responsibility for the information contained in this offering memorandum, having taken all reasonable care to ensure that such is the case, the information contained in the offering memorandum is in accordance with facts and contains no omission likely to affect its import. To the best of our knowledge and belief, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

In this offering memorandum, we rely on and refer to information and statistics regarding our industry. We obtained this market data from independent industry publications or other publicly available information. Although we believe that these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information. Where information has been sourced from a third party, we confirm that this information has been accurately reproduced and that as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been included, its source has been stated.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. Copies of certain documents referred to herein will be made available to prospective investors upon request to us or the Initial Purchasers.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN REGULATORY ISSUES

European Economic Area

This offering memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive 2003/71/EC, as implemented in member states of the European Economic Area (the "EEA"), from the requirement to produce an offering memorandum for offers of securities. Accordingly any person making or intending to make any offer within the EEA of Notes which are the subject of the placement contemplated in this offering memorandum should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce an offering memorandum for such offer. Neither the Issuer nor any of the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of Notes contemplated in this offering memorandum.

France

Each of the Initial Purchasers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France *(appel public à l'épargne)*, and has not

distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the offering memorandum or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will only be made in France through an international syndicate to (i) persons providing a portfolio management service for third parties *(service d'investissement de gestion de portfeuille pour compte de tiers)* to (ii) qualified investors *(investisseurs qualifiés)* and/or to (iii) a restricted group of investors *(cercle restreint d'investisseurs)*, as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-2 of the French Monetary and Financial Code *(Code monétaire et financier)*.

Prospective investors are informed that:

a) this offering memorandum has not been submitted for clearance to the French Financial Markets Authority *(Autorité des marchés financiers)*; and

b) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 to L. 621-8-3 of the French *Code monétaire et financier.*

United Kingdom

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

AVAILABLE INFORMATION AND INFORMATION INCORPORATED BY REFERENCE

While any Notes are "restricted securities" within the meaning of Rule 144(a)(3), the Issuer shall, during any period in which it is not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act make available to any qualified institutional buyer who is a holder and any prospective purchaser of a Note who is a qualified institutional buyer designated by such holder, upon the request of such holder or prospective purchaser, the information concerning the Issuer required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act.

The Issuer's consolidated financial statements as of and for the year ended December 31, 2005 and December 31, 2006 and the reports of the Issuer's independent auditors relating thereto, except for the inclusion by reference appearing at the bottom of page 171 of the consolidated financial statements as of and for the year ended December 31, 2005 are incorporated by reference in and form part of this offering memorandum excluding the disclaimers appearing on pages 178 and 180 of the 2006 Annual Report. Copies of these financial statements and the auditors' report can be found on pages 169-285 of Vivendi's 2005 Annual Report and pages 175-284 of Vivendi's 2006 Annual Report. The 2005 and 2006 consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Issuer's 2006 financial report excluding the inclusion by reference appearing on page 134, the 2004 financial data and any related comparison of financial data for the year ended December 31, 2005 versus comparison of financial data for the year ended December 31, 2004 and the disclaimer appearing on page 174 (the 2006 Financial Report) is also incorporated by reference in and forms part of this offering memorandum. A copy of the 2006 Financial Report can be found on pages 119-174 of Vivendi's 2006 Annual Report. Vivendi's 2005 and 2006 Annual Reports may be found on the English section of the website of Vivendi, at www.vivendi.com, under "Regulated Information." No part of any Annual Report other than the foregoing financial statements and the related auditors' report and the financial report (excluding the 2004 financial data and any related comparison of financial data for the year ended December 31, 2005 versus financial data for the year ended December 31, 2004) is or should be considered part of this offering memorandum.

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PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

Our audited consolidated financial statements as of and for the fiscal years ended December 31, 2007, December 31, 2006, and December 31, 2005 have been prepared in accordance with IFRS as adopted by the European Union (the "EU"). IFRS as adopted by the EU differs in certain respects from IFRS as published by the International Accounting Standards Board (the "IASB"). We do not believe that our historical financial statements for the periods presented would be materially different had they been prepared in accordance with IFRS as published by the IASB. IFRS differs in significant respects from generally accepted accounting principles in the United States of America.

Some financial information in this offering memorandum has been rounded, and as a result the numbers shown as totals may vary slightly from the exact arithmetical aggregation of the relevant figures.

In this offering memorandum, we present certain financial measures, including adjusted net income, attributable to equity holders of the parent, which are not recognized by IFRS. These measures are presented because we believe that they and similar measures are relevant indicators of the group's operating and financial performance. These measures may not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles, and thus should not be considered substitutes for the information contained in our audited financial statements.

Industry Data

We have obtained the market data and information related to markets, market size, market share, growth rates and other industry data pertaining to our business and markets used in this offering memorandum under the captions "Risk Factors" and "Business," from internal surveys, industry sources, estimates based on management's knowledge of our sales and markets and our own and third-party research. This research includes private and publicly available surveys or studies. Where information has been sourced from a third party, it has been accurately reproduced and so far as we are aware and are able to ascertain from information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this offering memorandum. Any statements about our expectations, beliefs, plans, strategies, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "believe," "anticipated," "estimated," "intends," "expects," "plans," "seek," "projection" and "outlook". These statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this offering memorandum. 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 of our control, including, but not limited to:

- our ability to consummate the Acquisitions, as defined herein, and successfully integrate the acquired operations;
- our ability to obtain necessary regulatory approvals in connection with certain transactions;
- fluctuations in currency exchange rates (particularly the US dollar euro exchange rate) and currency devaluations;
- difficulties in obtaining or renewing licenses issued by regulatory authorities;
- competitive product and pricing pressures;
- pressures to develop new technologies and to launch new products and services;

- the commercial success of our production and distribution of audio recordings, films and interactive games;
- difficulties in enforcing intellectual property rights;
- the challenges of conducting activities in various markets around the world;
- potential risks to health posed by mobile telephones or Wi-Fi terminals;
- declines in the audio recording market; and
- piracy and counterfeiting.

These and other risk factors are discussed in "Risk Factors" beginning on page 11 of this offering memorandum.

Because the factors referred to in this offering memorandum could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this offering memorandum by us or on our behalf, we caution you against relying on any of these forward-looking statements.

Furthermore, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict such factors. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

CURRENCY PRESENTATION

In this offering memorandum, references to "€" "euro" and "euro cents" are to the single currency of the participating member states ("Member States") in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. References to "U.S. dollars," "U.S.$" and "$" are to the United States dollar and references to "cents" are to United States cents, each the lawful currency of the United States of America.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rates for the euro expressed in U.S. dollars per euro. Information concerning the U.S. dollar exchange rate is based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate"). These rates are provided solely for convenience and no representation is made that euro were, could have been, or could be, converted into U.S. dollars at these rates or at any other rate. These rates were not used by us in the preparation of our audited and unaudited consolidated

financial statements included elsewhere in this offering memorandum. The noon buying rate on March 28, 2008 was 1.5759 per euro.

	U.S. Dollars per Euro Exchange Rate			
	Closing Rate	Average Rate(1)	High	Low
Year ended December 31,				
2007	1.4603	1.3705	1.4862	1.2904
2006	1.3197	1.2661	1.3327	1.1860
2005	1.1842	1.2400	1.3476	1.1667
2004	1.3538	1.2478	1.3625	1.1801
2003	1.2597	1.1411	1.2597	1.0361
Month				
March 2008 (through March 28, 2008)	—	—	1.5798	1.5195
February 2008	1.5187	1.4759	1.5187	1.4495
January 2008	1.4841	1.4728	1.4877	1.4574

(1) The average rate for each period is the average of the noon buying rates on the last day of each month during that period.

SUMMARY

In this offering memorandum, references to "Vivendi", the "Issuer","we", "our", and "us" refers to Vivendi, a société anonyme established with limited liability in the Republic of France, together with our consolidated subsidiaries, unless stated otherwise or the context otherwise requires. The following summary may not contain all the information that may be important to you. Before making an investment decision, you should read this entire document, including the "Risk Factors" section and the financial statements, together with the related notes to the financial statements, included in this offering memorandum.

The following summary should be read as an introduction to the offering memorandum. Any decision to invest in the securities should be based on consideration of the offering memorandum as a whole by an investor.

Overview

Vivendi is a leader in digital entertainment with operations in mobile, television, music, cinema, Internet and games. The group's companies are all leaders in their respective fields:

- *SFR:* France's No. 2 mobile telecommunications operator, with approximately 18.8 million customers, which holds an approximate 40% interest in Neuf Cegetel, France's No. 2 fixed-line telecommunications operator;
- *Canal+ Group:* a major player in premium and theme channel distribution and programming in France with more than 10.5 million subscriptions to its pay-TV offerings and a major player in the financing, acquisition and distribution of motion pictures in France and the rest of Europe;
- *Maroc Telecom:* Morocco's leading mobile, fixed-line and Internet access operator with 13.3 million mobile customers and approximately 1.3 million fixed lines;
- *Universal Music Group:* the world's No. 1 music content company, selling more than one out of every four albums worldwide, with significant positions in the digital music market;
- *Vivendi Games:* the world's No. 1 player in the massively multiplayer online role-playing (MMORPG) games category with more than 10 million subscribers worldwide.

Vivendi owns 20% of NBC Universal, one of the world's leading media companies, which is engaged in a variety of businesses, including the production of live and recorded television programs, the production and distribution of motion pictures and the operation of theme parks.

Vivendi is a world leader in digital entertainment. Vivendi's strategy is to expand its business operations in content creation and distribution as well as its digital services. The entertainment industry is a fast-growing sector driven by the evolution of consumer leisure time (including changing lifestyles, increased life expectancy and the development of leisure activities), an increased desire for unique experiences, and new technologies that provide quality digital content any time, anywhere at decreasing prices. Leisure activities are considered to be "very important" by 35% of the world's population (from 14% in China to 55% in Sweden, 45% in the United Kingdom, 43% in the United States and 31% in France (Human Beliefs and Values: a Cross-Cultural Sourcebook: Inglehart, Basanez and Moreno, The University of Michigan Press)). Entertainment has become a key component of everyday life to which consumers allocate an ever-increasing share of their budget. All of Vivendi's businesses aim to meet the growing demand for entertainment-related products and services and are positioned take advantage of this profitable and important source of growth.

The strengthening of Vivendi's businesses leadership positions on their respective markets is facilitated by their belonging to the group. Vivendi is well positioned to facilitate large investments made by its subsidiaries such as the Canal+/TPS merger, the development of the *World of Warcraft* game, the development of 3G services, the acquisition of BMG Music Publishing, the proposed combination of Vivendi Games and Activision and the proposed acquisition of the Louis Dreyfus Group's stake in Neuf Cegetel by SFR.

Vivendi's businesses share important common denominators; they leverage strong brands (SFR, Maroc Telecom, Universal Music, Canal+ and Blizzard) to reach their final customers, and they offer their customers creative digital content on a subscription basis. These denominators give Vivendi a strong competitive advantage; in particular, they allow the group, through the exchange of know-how and technology, to develop substantial

expertise in subscriber management, brand management, distribution platforms, content creation, copyrights and digital technologies. The digitization of content and the development of consumer networks (driven by shared tastes and preferences), combined with the increasing development and adoption of broadband distribution technologies, pose major new challenges and opportunities. Vivendi's strength lies in anticipating consumer needs, identifying future growth drivers for the group and reinforcing its businesses.

Recent Developments

The Acquisitions

On December 2, 2007, we announced our intention to combine Vivendi Games, our interactive entertainment business, with Activision, Inc. ("Activision") through the merger of a new, wholly-owned subsidiary of Activision with and into Vivendi Games and to acquire a majority ownership interest in the combined entity (the "Activision Acquisition"). In addition, on December 20, 2007, we announced our intention to acquire an additional 29.5% stake of Neuf Cegetel through our mobile phone unit, SFR (the "Neuf Acquisition" and, together with the Activision Acquisition, the "Acquisitions").

On February 29, 2008, we entered into a new €3.5 billion syndicated bank facility comprised of three tranches:

- 18-month €1.5 billion bridge loan to be mandatorily repaid with any share capital increase in relation to the Neuf Acquisition,
- 3-year €1.0 billion general corporate purpose revolving credit facility, and
- 5-year €1.0 billion general corporate purpose revolving credit facility.

In addition, we have additional undrawn credit facilities amounting to approximately €4.0 billion. The new facility, together with available cash, a portion of our other existing undrawn bank facilities and the proceeds of the offering, will permit us to finance the Acquisitions, capital expenditures or other expenditures. The offering will also allow us to extend our overall debt maturity, diversify our sources of financing and create a natural hedge to our U.S. dollar assets. See "Use of Proceeds."

Activision Acquisition

On December 1, 2007, Activision and Vivendi entered into an agreement to combine Vivendi Games with Activision, a leading worldwide developer, publisher and distributor of interactive entertainment and leisure products with net revenues of $1.5 billion for the fiscal year ended March 31, 2007.

Under the terms of the business combination agreement, a newly formed, wholly-owned subsidiary of Activision will merge with and into Vivendi Games. As a result of the merger, Vivendi Games will become a wholly-owned subsidiary of Activision. In the merger, a subsidiary of Vivendi will receive approximately 295.3 million newly issued shares of Activision common stock, which number is based upon a valuation of Vivendi Games at $8.121 billion and a per share price for Activision common stock of $27.50. Simultaneously with the merger, Vivendi will purchase from Activision 62.9 million newly issued shares of Activision common stock, at $27.50 per share, for an aggregate purchase price of approximately $1.731 billion in cash. Immediately following completion of the merger and share purchase, Vivendi and its subsidiaries are expected to own approximately 52.2% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis. Upon closing of the transaction, the combined company will be renamed Activision Blizzard, Inc. and will continue to operate as a public company traded on The NASDAQ National Market under Activision's current ticker "ATVI."

Within five business days after the closing of the transaction, Activision Blizzard will commence a cash tender offer for up to 146.5 million of its shares at $27.50 per share. According to the terms of the business combination agreement, the tender offer will be funded as follows: (a) the first $2.928 billion of aggregate tender offer consideration will be funded from Activision Blizzard's available cash on hand, including the $1.731 billion in proceeds received from the Vivendi share purchase, short term investments (excluding restricted cash) and, if necessary, borrowings made under one or more new credit facilities from Vivendi or third party lenders, (b) if the aggregate tender offer consideration exceeds $2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of $27.50 per share, additional newly issued shares of Activision Blizzard common

stock in an amount up to $700 million, and (c) if the aggregate tender offer consideration exceeds $3.628 billion, any remaining funds required to complete the tender offer will be borrowed by Activision Blizzard from Vivendi or third-party lenders. If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of Activision Blizzard on a fully diluted basis.

The business combination agreement provides that, concurrent with the closing of the merger and share purchase, Activision Blizzard will obtain new credit facilities from either third party lenders or Vivendi, on market terms and conditions, that provides the availability to borrow funds needed to pay up to $400 million of the aggregate tender offer consideration (as described above), up to $375 million for working capital purposes, plus amounts necessary to cover certain fees and expenses.

Under the terms of the business combination agreement, Vivendi and Activision gave a number of reciprocal commitments customary for this type of transaction, notably certain representations and warranties and undertakings.

The parties have also agreed to enter into various ancillary agreements at the closing of the Activision Blizzard transaction, including a tax sharing and indemnity agreement. The transaction is subject to the approval of Activision's stockholders and the satisfaction of customary closing conditions and regulatory approvals. In addition, Activision agreed to pay Vivendi a termination fee of $180 million if the business combination agreement is terminated due to the occurrence of certain events.

Following the transaction, Vivendi will have the ability to nominate a majority of the Activision Blizzard board. Prior to the fifth anniversary of the closing date, the approval of certain matters by the Activision Blizzard board of directors will require the affirmative vote of (a) a majority of the votes present or otherwise able to be cast, and (b) at least a majority of the independent directors. These matters include, in particular, the declaration and payment of any dividend on Activision Blizzard's common stock, provided that after the first anniversary of the closing date, this restriction will not apply if Activision Blizzard's pro forma net debt amount, after giving effect to such dividend, does not exceed $400 million.

Vivendi will fully consolidate Activision Blizzard from the closing date of the merger and share purchase transactions. Upon closing of these transactions, Vivendi will own a majority of the issued and outstanding shares of Activision Blizzard common stock and will be entitled to exercise its shareholder's rights and therefore, strictly from an accounting perspective, will be deemed to have control of Activision Blizzard.

From an accounting perspective, Vivendi Games will be deemed the acquirer of Activision, and after consummation both of the merger and share purchase transactions under the business combination agreement and the completion of the tender offer (assuming that such tender offer is fully subscribed), Vivendi would hold a 68% controlling interest in Activision Blizzard and the transaction would be recorded as follows:

- the dilution of Vivendi's interest in Vivendi Games by approximately 32%; the dilution gain is expected to be approximately $2.5 billion (€1.8 billion); and
- the acquisition of a controlling interest of approximately 68% in Activision for a consideration of $5.0 billion; the allocation of the purchase price is expected to result in preliminary goodwill amounting to $5.0 billion (€3.5 billion), before allocation of the purchase price to the assets and liabilities of Activision.

Neuf Acquisition

On December 20, 2007, SFR and the Louis Dreyfus Group signed a draft agreement under which the Louis Dreyfus Group would sell its entire approximately 28% interest in Neuf Cegetel to SFR, at a price of €34.50 per share, with 2007 coupons attached, for a total amount of approximately €2.1 billion. This amount could increase by up to €40 million depending on the date of the transaction. If this transaction is completed, it will increase SFR's stake in Neuf Cegetel to 67.95% after dilution. On February 19 and 20, 2008, this draft agreement received positive opinions from SFR and Neuf Cegetel labor relations and employee representative committees, respectively. A definitive agreement was entered into on February 29, 2008. Subject to the receipt of all necessary regulatory approvals, SFR would acquire the Louis Dreyfus Group's stake in Neuf Cegetel.

After the closing of the Louis Dreyfus Group transaction, SFR will, in accordance with applicable securities laws, launch a cash tender offer for the publicly held Neuf Cegetel shares, followed by a squeeze out if applicable, at a price of €36.50 per share, with 2007 coupons attached.

Under the terms of the agreement with the Louis Dreyfus Group, Vivendi has agreed to pay the Louis Dreyfus Group €66 million in the event the transaction is not completed.

SFR intends to finance this transaction for a total amount of approximately €4.5 billion with debt, notably with Vivendi granting a loan to SFR under market terms. To repay this loan, SFR has agreed to reduce dividend payments that it would otherwise pay in the next three fiscal years. This transaction is expected to optimize Vivendi's financial structure. In order to preserve its strategic and financial flexibility, Vivendi plans to raise €1- €2 billion from its shareholders at the appropriate time. The definitive amount of this capital increase and the precise timetable will depend on market conditions and the proceeds of this capital increase will be used to repay our €1.5 billion bridge loan under our new €3.5 billion syndicated bank facility.

The Offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes.

Issuer	Vivendi S.A.
Notes Offered	$700,000,000 aggregate principal amount of 5.750% Notes due 2013 (the "Five-Year Notes"). $700,000,000 aggregate principal amount of 6.625% Notes due 2018 (the "Ten-Year Notes"). We refer to the Five-Year Notes and the Ten-Year Notes in this offering memorandum collectively as the "Notes". The Five-Year Notes and the Ten-Year Notes will, in each case, be issued under an indenture expected to be dated as of April 4, 2008 (the "Indenture") between us and US Bank National Association, as Trustee. The Five-Year Notes and the Ten-Year Notes will each be treated as a separate series of Notes and, as such, they will vote and act, and may be redeemed, separately.
Issue Date	April 4, 2008.
Maturity Date	April 4, 2013 for the Five-Year Notes and April 4, 2018 for the Ten-Year Notes.
Interest Rate	The Five-Year Notes and the Ten-Year Notes will bear interest from the issue date at the rate of 5.750% and 6.625%, respectively, per annum, payable semi-annually in arrears.
Interest Payment Dates	April 4 and October 4 of each year, commencing on October 4, 2008.
Interest Periods	Interest will begin to accrue on the Notes commencing on April 4, 2008. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.
Optional Redemption	The Issuer will have the right at its option to redeem the Notes, in whole or in part, at any time or from time to time prior to their maturity, subject to having given not more than sixty (60) nor less than thirty (30) days' prior notice as provided in the Indenture. See "Description of the Notes — Optional Redemption."
Redemption for Tax Reasons	If, by reason of change in French law the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay certain additional amounts, the Issuer may, on an Interest Payment Date, redeem all, but not less than all, of the Notes, at their principal amount with accrued interest (if any) to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter. See "Description of the Notes — Redemption for Taxation Reasons."

Repurchase Upon a Change of Control Offer	If at any time while any Note remains outstanding (a) there occurs a Change of Control (as defined), and (b) within the Change of Control Period (as defined) a Rating Downgrade occurs (a "Put Event"), then each Noteholder will have the option (the "Put Option"), unless prior to the Issuer giving Noteholders notice of the Put Event the Issuer gives notice of its intention to redeem the Notes, to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, such Noteholder's Notes on the Change of Control Redemption Date at 101% of their principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Change of Control Redemption Date. See "Description of the Notes — Change of Control and Rating Downgrade."
Payment of Additional Amounts	If French law should require that payments of principal or interest in respect of any Note be subject to deduction or withholding in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, the Republic of France or any authority therein or thereof having power to tax, the Issuer shall, to the extent then permitted by law, pay such additional amounts ("Additional Amounts") as may be necessary in order that the holder of each Note, after such deduction or withholding, receives the full amount due and payable thereon in the absence of such deduction or withholding, subject to certain exceptions. See "Description of the Notes — Additional Amounts."
Covenants of the Issuer	The offering memorandum describes certain covenants of the Issuer with respect to the Notes. See "Description of the Notes — Negative Pledge" and "Description of the Notes — Consolidation, Merger and Sale of Assets."
Ranking of the Notes	The obligations of the Issuer in respect of the Notes constitute direct, unconditional unsecured and unsubordinated obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and equally and ratably with all other present or future unsecured and unsubordinated obligations of the Issuer. See "Description of the Notes — Status of the Notes."
Denominations, Form and Registration of Notes	The Notes will be issued in registered form without coupons and transferable in denominations of US$2,000 and integral multiples of US$1,000 in excess thereof.
Governing Law	The State of New York.
Listing	None.
Defeasance	The Issuer at any time may terminate all its obligations under the Notes and the Indenture, except for certain obligations. The Issuer at any time may terminate: (a) its obligations under the covenants described under Conditions 2.2, 4.5 and 4.6 in the "Description of the Notes" and (b) the operation of clauses (ii) through (vii) described under "Description of the Notes — Events of Default." See "Description of the Notes — Defeasance."
Further Issuances	The Issuer may issue further Notes and increase the principal amount of the Notes having the same ranking, interest rate, maturity, and

	CUSIP numbers as the Notes being offered pursuant to the Offering Memorandum and other terms as the issued series; provided that such issue constitutes a "qualified reopening" or such further notes are issued with less than de minimis original issue discount for U.S. federal income tax purposes. Purchasers of Notes after the date of any further issue will not be able to differentiate between Notes sold as part of the further issue and previously issued Notes. The Issuer may not issue additional Notes if an Event of Default has occurred.
Use of Proceeds	Our net proceeds from this offering will be approximately U.S.$1.387 billion, after deducting the Initial Purchasers' fees and commissions and the expected offering expenses payable by us. We intend to use the net proceeds from the offering, together with available cash, a portion of our approximately €4.0 billion in existing undrawn bank facilities and a portion of the proceeds of our new €3.5 billion syndicated bank facility to finance the Acquisitions and for capital expenditures, other expenditures, and refinancing of other debt. See "Use of Proceeds."
Trustee	US Bank National Association
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on resale and transfer.
Timing and Delivery	We currently expect delivery of the Notes to occur on April 4, 2008.
Ratings	The Notes are expected to be assigned a rating of "Baa2" by Moody's Investors Service, Inc., "BBB" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. and "BBB" by Fitch Ratings. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant credit organization.
CUSIP	
Five-Year Notes	144A: 92852E AK1 Regulation S: F7063C AU0
Ten-Year Notes	144A: 92852E AL9 Regulation S: F7063C AV8
ISIN	
Five-Year Notes	144A: US92852EAK10 Regulation S: USF7063CAU02
Ten-Year Notes	144A: US92852EAL92 Regulation S: USF7063CAV84
COMMON CODE	
Five-Year Notes	144A: 035694072 Regulation S: 035694129
Ten-Year Notes	144A: 035694137 Regulation S: 035694153

RISK FACTORS

An investment in the Notes entails risk. There are a number of factors, including those specified below, which may adversely affect our ability to make payments under the Notes. You could therefore lose a substantial portion or all of your investment in the Notes. Consequently, an investment in the Notes should only be considered by persons who can assume such risk. You should note that the risks described below are not the only risks that we face. We have described all risks we consider to be material. However, there may be additional risks that we currently consider immaterial or of which we are currently unaware, and any of these risks could have the effects set forth above.

Risks Relating to Our Business

Legal Risks

Risks associated with regulations applicable to the group's activities

In the conduct of its business, Vivendi has to comply with complex, restrictive and changing regulations, particularly those that govern the telecommunications and broadcasting sectors in France, Morocco, the United States and other countries where it does business worldwide.

Changes in the nature, interpretation or application of these regulations by governmental, administrative, judicial or other authorities could result in Vivendi incurring additional costs or altering the services that it offers, which could have a material adverse effect on its business, financial situation, financial results and development prospects.

In addition, certain activities of the group are dependent upon obtaining or renewing licenses issued by regulatory authorities (e.g., the French telecommunications regulator (ARCEP), the French audiovisual counsel (CSA) and the French national association for technical research (ANRT)). The process for obtaining or renewing such licenses can be long, complex and costly. If Vivendi is unable to obtain or renew in a timely manner the licenses required to conduct, continue or expand its activities or if it was unable to retain them (particularly due to non-compliance with commitments given in connection with such licenses), its ability to achieve its strategic objectives could be impaired, which could have a material adverse effect on its business, financial situation, financial results and development prospects.

In 2004, the French Ministry of Finance granted Vivendi authorization to use the Consolidated Global Profit Tax System under Article 209 *quinquies* of the French tax code for a period ending with the taxable year as of December 31, 2008. Vivendi intends to apply for permission to use the Consolidated Global Profit Tax System for an additional three-year period, in accordance with applicable law. In the event that Vivendi does not obtain permission to extend this period, the related costs could have a material negative impact on its financial situation and financial results.

For a detailed description of the regulatory environment of each of the group's activities refer to "Business — Description of the Group's Businesses" under the headings "Universal Music Group — Regulatory Environment; Canal+ Group — Regulatory Environment; SFR — Regulatory Environment; Maroc Telecom — Regulatory Environment; and Vivendi Games — Regulatory Environment."

Risks associated with litigation

The group is or is likely to become involved in a number of contentious proceedings or investigations commenced by shareholders, subscribers, consumer associations, competitors or regulatory authorities. When the group fails to negotiate an amicable settlement, damages could be claimed or penalties imposed in the context of certain such proceedings.

In particular, the group is currently involved as a co-defendant in a class action suit in the United States District Court for the Southern District of New York. An unspecified amount of damages is claimed by the plaintiff, and the group cannot predict the final outcome of the existing suit or the size and nature of any settlement or judgment which could result.

For a more in-depth description of the facts of this class action, as well as the principal proceedings or investigations in which the group is involved, refer to Item 27 of the Notes to the Consolidated Financial Statements for the Year ended December 31, 2007 and "Business — Litigation."

An unfavorable ruling or settlement in any of our current proceedings could have a material impact on the group's financial situation in a particular fiscal quarter or fiscal year.

Risks associated with commitments given by Vivendi

Vivendi has given a certain number of conditional commitments in connection with various dispositions and other transactions, the most significant of which are described in Item 26 of the Notes to the Consolidated Financial Statements for the Year ended December 31, 2007. These include share purchase and sale commitments, guarantees, and indemnities, some of which are not limited in amount or duration. Whether a counter party exercises any share purchase and sale commitments is largely not within the control of Vivendi, and neither are the factors which could lead to a guarantee or indemnity being drawn by the counterparty.

If Vivendi were obliged to make a payment in respect of one or more of these commitments or to defend a claim related to such commitments, the related costs could have a material negative impact on its financial situation and financial results.

Risks Associated with the Group's Activities

Risks associated with piracy and counterfeiting

Over the past few years, the reduction in the cost of computer and electronic equipment and associated technologies has facilitated the unauthorized reproduction of musical and video works. At the same time, increased access to high-speed internet connections has enabled, and continues to enable, computer users to share such works more easily (and in greater volumes), without the authorization of the copyright holders and without paying the corresponding royalties.

The continued difficulties in passing and applying suitable laws and in enforcing court rulings, particularly in certain regions of the world where piracy is endemic and where Vivendi's businesses are present, represent a threat to Vivendi's businesses, which depend heavily on the intellectual property rights owned by the group or for which it holds licenses.

The decline in the market for audio recordings, which is already affected by a certain number of factors (including the increasing number and diversification of leisure-related offerings), could therefore continue in the next few years which would continue to affect UMG's results if Vivendi does not manage to find ways of protecting its businesses against piracy and counterfeiting.

Furthermore, in the absence of adequate means to prevent piracy and counterfeiting, Vivendi's activities related to the production and distribution of cinematographic films at Canal+ and the production and publication of interactive games at Vivendi Games may experience a significant decline in revenues.

Refer to "Business — Description of the Group's Businesses" for a detailed analysis of the effects of piracy under the headings "Universal Music Group — Piracy; Canal+ Group — Piracy; SFR — Piracy; and Vivendi Games — Piracy."

Risks associated with the intensification of commercial and technical competition

The industries in which Vivendi operates are highly competitive. This competition could intensify in the near future due to the trend towards concentration among existing companies or the entry of new competitors into the relevant markets. For example, if the French government decides to grant a fourth 3G telecommunications license in France, or if the Moroccan market is opened up to additional competitors, SFR or Maroc Telecom would face increasing competition which could have an adverse effect on their respective businesses, financial results and development prospects.

In addition, Vivendi could lose customers, among other things, if it does not manage to supply products and services that are competitive in terms of price and quality or if it does not maintain a favorable image for its brands. Vivendi's development depends in part on its ability to adapt its offerings to the preferences of an increasingly demanding customer base, in industries that are subject to rapid and significant changes in technology. The necessity for Vivendi to respond to such changes in consumer preference and technology, or in certain cases to anticipate them, may require substantial investments by the group without any assurance that the new products and services it develops will not become obsolete within a short period of time.

If we are unable to maintain or acquire licenses to intellectual property, we may publish fewer "hit" titles and our revenue may decline

Many of our products are based on intellectual property and other character or story rights acquired or licensed from third parties. These license and distribution agreements are limited in scope and time, and we may not be able to renew key licenses when they expire or to include new products in existing licenses. The loss of a significant number of our intellectual property licenses or of our relationships with licensors, or inability to obtain additional licenses of significant commercial value could have a material adverse effect on our ability to develop new products and therefore on our business and financial results. Additionally, the failure of intellectual property acquired by us to be popularly received could impact the market acceptance of our products in which the intellectual property is included. Such lack of market acceptance could result in the write-off of the unrecovered portion of acquired intellectual property assets, which could cause material harm to our business and financial results. Furthermore, the competition for these licenses and distribution agreements is often intense. Competition for these licenses may also drive up the advances, guarantees, and royalties that we must pay to the licensor, which could increase our costs.

Our games business is highly dependent on the success, timely release and availability of new video game platforms, on the continued availability of existing video game platforms, as well as our ability to develop commercially successful products for these platforms

Our games business derives most of its revenue from the sale of products for play on video game platforms manufactured by third parties, such as Sony's PlayStation 2 and PlayStation 3, Microsoft's Xbox 360 and Nintendo's Wii and DS. The success of this business is driven in large part by the availability of an adequate supply of these video game platforms, our ability to accurately predict which platforms will be successful in the marketplace, and our ability to develop commercially successful products for these platforms. We must make product development decisions and commit significant resources well in advance of the anticipated introduction of a new platform. A new platform for which we are developing products may be delayed, may not succeed or may have a shorter life cycle than anticipated. Alternatively, a platform for which we have not devoted significant resources could be more successful than we had initially anticipated, causing us to miss out on a meaningful revenue opportunity. If the platforms for which we are developing products are not released when anticipated, are not available in adequate quantities to meet consumer demand, or do not attain wide market acceptance, our revenue will suffer, we may be unable to fully recover the investments we have made in developing our games products, and the financial performance of our games business will be harmed.

Transitions in console platforms could have a material impact on the market for interactive entertainment software in the video games business

In fiscal 2006, Microsoft released Xbox and in fiscal 2007, Sony and Nintendo introduced their respective next-generation hardware platforms, the PlayStation 3 and Wii. When new console platforms are announced or introduced into the market, consumers typically reduce their purchases of game console entertainment software products for current console platforms in anticipation of new platforms becoming available. During these periods, sales of our game console entertainment software products may be expected to slow or even decline until new platforms are introduced and achieve wide consumer acceptance. This decline may not be offset by increased sales of products for the new console platforms. As console hardware moves through its life cycle, hardware manufacturers typically enact price reductions and decreasing prices may put downward pressure on our software prices. During platform transitions, we may simultaneously incur costs both in continuing to develop and market new titles for prior-generation video game platforms, which may not sell at premium prices, and also in developing products for next-generation platforms, which will not generate immediate or near-term revenue. As a result, the operating results of our games business during platform transitions may be more volatile and more difficult to predict than during other times.

Risks associated with lack of commercial success in the production or distribution of audio recordings, cinematographic films and interactive games

The production and distribution of musical, cinematographic and audiovisual works as well as the production and publication of interactive games represent a substantial part of Vivendi's revenues. The commercial success of such works is dependent upon the response of the public, which cannot always be predicted.

The commercial success of a particular work among a wide audience also depends on a range of other factors, including the existence and success of competing leisure activities as well as the general economic situation.

Finally, these activities are based on content provided by third parties. Given the increasingly competitive nature of the markets for these activities, there can be no certainty that such third parties will continue to transfer their rights under conditions that are commercially viable or that the cost of obtaining these rights will not increase.

Risks associated with the changes in the distribution of our music products

Global recorded music market conditions remained difficult in 2007 with declining revenues from CD sales across the industry in all of the major markets and digital gains which have not yet been able to offset the drop in physical sales. The music industry competes for consumer discretionary spending with other entertainment products such as video games and motion pictures. UMG is facing intensified competition for shelf space at retailers in recent years due to declining CD sales and further consolidation in the retail sector in the US and in Europe. Furthermore, we are increasingly dependent on a limited number of online music stores for the online sale of our music recordings and they are able to significantly influence the pricing structure for online music stores.

The conduct of activities in various countries is subject to additional risks

Vivendi conducts its activities in various markets around the world. The main risks associated with the conducting of its business internationally are as follows:

- restrictions imposed on the repatriation of capital;
- unexpected changes in the regulatory environment;
- the various tax systems that may have an adverse affect on Vivendi's operating results or its cash flows, including regulations relating to the setting of transfer costs, withholding tax on repatriated funds and other payments made by affiliated companies and subsidiaries;
- tariff barriers, customs duty, export controls and other trade barriers; and
- insufficient provisions for pension obligations.

Vivendi may not be able to protect itself against or hedge these risks and may not be able to guarantee its compliance with all the applicable regulations without having to incur additional costs.

We are subject to various market risks

Vivendi is subject to various market risks including financial liquidity, interest rate, foreign currency exchange rate and equity market risks. For a detailed analysis of these market risks, refer to Item 24 of the Notes to the Consolidated Financial Statements for the Year ended December 31, 2007. In the event that we are unable to manage these risks, it could have a material negative impact on our financial situation and financial results.

Unfavorable exchange rate fluctuations could adversely affect the results of Vivendi's business operations

A portion of Vivendi's assets and liabilities, as well as part of its sales and costs, are denominated in foreign currencies. To prepare and close its consolidated financial statements, Vivendi must translate them into euros at the applicable exchange rates. Consequently, increases and decreases in the value of the euro versus other currencies will affect the amount of these items in its consolidated financial statements, even if their value has not changed in their original currency. These translations could result in significant changes to the results of operations of the company.

Furthermore, since Vivendi incurs expenses that are not always denominated in the same currency as that of the corresponding income, these expenses may represent a higher percentage of the sales figure as a result of exchange rate fluctuations, thus affecting its profitability and cash flows.

Potential risks to health posed by mobile telephones or Wi-Fi terminals

Over the past few years, concerns have been expressed, on an international level, regarding the potential risks to human health posed by electromagnetic radiation from mobile phones and mobile transmission sites.

The potential risks or those perceived by the public may have a significant negative affect on Vivendi's results or financial situation if, as a result of such alleged risks, it loses customers, customers reduce their use of Vivendi's

products and services, contentious claims are brought against the group, or if Vivendi experiences any other negative consequences due to such allegations. Furthermore, Vivendi cannot be certain that future, medical or scientific research will not find a link between the emission of radio frequencies and risks to human health. The production of evidence of such a link could have a negative impact on Vivendi's activities and financial situation.

Refer to "Business — Description of the Group's Businesses — Universal Music Group — Health and Environment" for a detailed description of these risks.

Risk Relating to the Acquisitions

There is no assurance that the Acquisitions will occur

The Activision Acquisition and the Neuf Acquisition are each subject to a number of conditions, including approval from all regulatory authorities and certain other conditions. There is no assurance that either the Activision Acquisition or the Neuf Acquisition will occur. In particular, the Neuf Acquisition is subject to the approval of French antitrust authorities with respect to competition issues; and the Activision Acquisition is subject to the approval of the European commission and to a vote of the Activision shareholders.

In the event the Acquisitions are consummated, we cannot at this time determine the number of shares of each company that we will be able to purchase in the subsequent tender offers, and accordingly we do not know what our ultimate ownership interest in each entity would be or the ultimate cost to Vivendi of consummating the Acquisitions. This offering is not conditioned on the closing of either Acquisition.

The integration of Activision and of Neuf following the Acquisitions may present significant challenges

We may face significant challenges in combining the operations of Activision and Neuf, respectively, into our operations in a timely and efficient manner and in retaining key Activision and Neuf personnel. The integration of these acquisitions will also require significant time and attention of our management at a business and a corporate level.

The failure to integrate successfully and to manage successfully the challenges presented by the integration process of each business may result in us not achieving the anticipated benefits of the Acquisitions.

Risks Relating to the Notes

The Notes are unsecured obligations

The Notes will be senior, unsecured indebtedness and will rank *pari passu* with all of our existing and future unsecured and unsubordinated obligations. As a result, in any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of our secured debt may assert rights against the secured assets in order to receive full payment of their debt before the assets may be used to pay the holders of the Notes. As at December 31, 2007, we had a total of €65.0 million secured indebtedness. For more information on the ranking of the Notes, see "Description of the Notes — Status and Negative Pledge".

The Indenture does not restrict the amount of additional debt that we may incur, which may make it difficult to satisfy our obligations under the Notes or reduce the value of the Notes

The Notes and the Indenture under which the Notes will be issued do not place any limitation on the amount of unsecured debt that we may incur. Our incurrence of additional debt may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes, a loss in the trading value of your Notes, if any, and a risk that the credit rating of the Notes is lowered or withdrawn.

The Notes are structurally subordinated to any liabilities of our subsidiaries

We conduct substantially all of our operations through our subsidiaries, and none of our subsidiaries have any obligations with respect to the Notes. The Notes will be effectively subordinated to creditors (including trade creditors) and preferred shareholders (if any) of our subsidiaries. As at December 31, 2007, the total liabilities of our subsidiaries were approximately €13.8 billion, excluding liabilities owed exclusively to us or to our subsidiaries, but including trade payables. Moreover, the Indenture does not impose any limitation on the incurrence of additional indebtedness by us or our subsidiaries.

We depend upon our subsidiaries for cash to meet our obligations, including our obligations under the Notes

We are structured as a holding company that operates a number of direct and indirect subsidiaries. Accordingly, we rely upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of dividends, interest payments or otherwise to pay our debt, operating, financing and investing obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends is subject to statutory requirements and contractual restrictions and, in some cases, restrictions imposed on the repatriation of capital. For example, in connection with the Neuf Acquisition, SFR will receive a loan from Vivendi. To repay this loan, SFR has agreed to reduce dividend payments that it would otherwise pay in the next three fiscal years. In addition, dividends and other payments by some of our direct and indirect subsidiaries, including SFR and, upon consummation of the Activision Acquisition, Activision Blizzard, are shared with substantial minority stockholders of some of those subsidiaries and some of those subsidiaries have independent directors on their boards who must agree to declare dividends. Our ability to meet our obligations, including our obligations under the Notes, will be negatively affected if we do not receive dividends or other payments from our subsidiaries.

The provisions in the Indenture that govern the Notes relating to change of control transactions will not necessarily protect you in the event of a highly leveraged transaction

The provisions contained in the Indenture will not necessarily afford you protection in the event of a highly leveraged transaction that may adversely affect you, including a reorganisation, restructuring, merger or other similar transaction involving us. These transactions may not involve a change in voting power or beneficial ownership or, even if they do, may not involve a change of the magnitude or rating circumstances required under the definition of a "Put Event" in the Indenture to trigger these provisions. Except as described under "Description of the Notes— Redemption and Purchase", the Indenture does not contain provisions that permit the holders of the Notes to require us to repurchase the Notes in the event of a takeover, recapitalization or similar transaction.

We may not be able to repurchase all of the Notes upon a Put Event

As described under "Description of the Notes — Redemption and Purchase", we will be required to offer to repurchase the Notes upon the occurrence of a Put Event. We may not have sufficient funds to repurchase the Notes in cash at such time or have the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the Notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time.

The ability of holders to transfer the Notes will be limited

The Notes issued in this offering have not been registered under the Securities Act or any U.S. state securities laws and may not be offered or sold in the U.S. except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws or pursuant to an effective registration statement. We are not obligated, and do not intend, to file a registration statement with respect to the Notes.

There may not be a liquid trading market for the Notes

The Notes are new securities with no established trading market. The Initial Purchasers have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time, at their sole discretion. If an active market for the Notes does not develop, the price of the Notes and the ability of a holder of Notes to find a ready buyer will be adversely affected. As a result, we cannot assure you as to the liquidity of any trading market for the Notes.

An increase in market interest rates could result in a decrease in the value of the Notes

If market interest rates increase above the current levels, the Notes will generally decline in value because debt instruments of the same face value priced at market interest rates will yield higher income. Consequently, if you purchase Notes and market interest rates increase above the current interest rates, the market value of your Notes may decline. We cannot give any assurance regarding the future level of market interest rates.

Changes in our credit ratings are expected to affect the value of the Notes

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings may affect the trading value of the Notes. However, because your return on the Notes depends upon factors in addition to our ability to pay our obligations, an improvement in our credit ratings will not reduce the other investment risks related to the Notes.

The Notes are subject to optional redemption by us

The Notes may be redeemed at our option. The optional redemption feature may affect the market value of the Notes. The market value of the Notes generally is unlikely to rise substantially above the price at which they can be redeemed.

An issuer is generally likely to, and we may therefore elect to, redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. Potential investors should consider reinvestment risk.

There are exchange rate risks and exchange controls associated with the Notes

We will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar, or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

You may not be able to effect claims or enforce judgments against us or our directors or officers for violations of the U.S. securities laws

We are a *société anonyme* organized under the laws of France. A majority of our directors and officers are non-U.S. residents. A substantial portion of our assets and the assets of our directors and officers are, and we expect will continue to be, located outside the United States. Consequently, you may not be able to effect service of process within the United States upon us or most of these persons, enforce judgments against us or them in the United States courts of enforce or obtain judgments in French courts against us or these persons predicated upon the securities laws of the United States.

USE OF PROCEEDS

Our net proceeds from this offering will be approximately U.S.$1.387 billion, after deducting the Initial Purchasers' fees and commissions and the expected offering expenses payable by us.

We intend to use the net proceeds from the offering, together with available cash, a portion of our approximately €4.0 billion in existing undrawn bank facilities and a portion of the proceeds of our new €3.5 billion syndicated bank facility to finance the Acquisitions, capital expenditures, other expenditures and refinancing of other debt.

Refinancing of other debt could include the repayment of all or part of any of our currently drawn facilities or any currently undrawn credit facilities if those are drawn in the future. See "Operating and Financial Review — Treasury and Capital Resources" for a description of our existing debt. Each of the Initial Purchasers is a lender to the Issuer under our existing drawn and undrawn credit facilities, including the €3.5 billion facility.

The offering will allow us to extend our overall debt maturity, diversify our sources of financing and create a natural hedge to our U.S. dollar assets.

This offering is not conditional upon the consummation of either the Activision Acquisition or the Neuf Acquisition, each of which is subject to various conditions outside our control. In addition, funding under the new syndicated bank facility is subject to customary conditions and, in the case of the €1.5 billion bridge loan tranche, certain additional conditions including approval by French anti-trust authorities of the Neuf Acquisition. In the event that either or both of the Activision Acquisition or the Neuf Acquisition does not occur, we intend to use the net proceeds of this offering for general corporate purposes, which may include future acquisitions, capital expenditures or other expenditures and refinancing of other debt.

CAPITALIZATION

The following table sets forth our unaudited consolidated capitalization as at December 31, 2007 and as adjusted to give effect to the offering and sale of the Notes and the application of the estimated net proceeds therefrom as described in "Use of Proceeds". Other than as noted below, there have been no material changes in the consolidated capitalization of Vivendi since December 31, 2007.

	As of December 31, 2007(1)			
	Actual		As Adjusted	
	€	U.S.$	€	U.S.$
	(In millions)			
Cash, cash equivalents and short-term deposits				
Cash and cash equivalents	2,049	2,971	466(1)	676
Derivative financial instruments and short-term deposits	141	204	141	204
Total cash, cash equivalents, derivative financial instruments and short-term deposits	2,190	3,175	607(1)	880
Indebtedness				
Notes offered hereby:				
U.S.$700 million of 5.750% Notes repayable in 2013	—	—	482	700
U.S.$700 million of 6.625% Notes repayable in 2018	—	—	482	700
Long-term borrowings	4,524	6,560	8,677(1)	12,582
Short-term borrowings	1,722	2,497	1,722	2,497
Derivative financial instruments	53	77	53	77
Commitments to purchase minority interests	1,077	1,561	1,077	1,561
Total indebtedness	7,376	10,695	12,493	18,117
Total equity	22,242	32,251	22,242	32,251
Total capitalization	29,618	42,946	34,735	50,368

(1) Figures based on completion of the Activision Acquisition for €2.2 billion and of the Neuf Acquisition for €4.5 billion funded by €1,583 million of available cash and cash equivalents and the drawdown of €4,153 million under available bank credit lines (including those existing as of December 31, 2007 and those contracted since then).

SELECTED KEY CONSOLIDATED FINANCIAL DATA

The following table presents selected consolidated financial information prepared in accordance with IFRS and other data for each of the periods indicated. This information and data should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and the notes thereto included elsewhere in this offering memorandum and the information under the section entitled "Operating and Financial Review."

Consolidated Data	Year Ended December 31,			
	2007	2006	2005	2004
	(In € millions, except per share amounts)			
Revenues	21,657	20,044	19,484	17,883
EBITA(1)	4,721	4,370	3,985	3,504
Earnings attributable to equity holders of the Issuer	2,625	4,033	3,154	3,767
Adjusted net income(1)	2,832	2,614	2,218	1,498
Financial Net Debt(1)	5,186	4,344	3,768	4,724
Equity	22,242	21,864	21,608	18,092
of which attributable to equity holders of the Issuer	20,342	19,912	18,769	15,449
Cash flow from operations (CFFO)(1)	4,881	4,466	4,157	4,354
Capital expenditures, net (capex, net)(2)	1,626	1,645	1,291	1,004
Financial investments	846	3,881	1,481	394
Financial divestments	(456)	(1,801)	(155)	(5,264)
Dividends paid relating to previous fiscal year	1,387	1,152	689	—
Per share amounts				
Weighted average number of shares outstanding	1,160.20	1,153.40	1,149.60	1,144.40(3)
Adjusted net income per share	2.44	2.27	1.93	1.31
Number of shares outstanding at the end of the period (excluding treasury shares)	1,164.70	1,155.70	1,151.00	1,144.90(3)
Equity per share, attributable to equity holders of the Issuer	17.47	17.23	16.31	13.49
Dividends per share relating to previous fiscal year	1.20	1.00	0.60	0.00

(1) Vivendi considers that the non-GAAP measures EBITA, Adjusted net income, Financial Net Debt, and Cash flow from operations (CFFO) are relevant indicators of the group's operating and financial performance. Each of the indicators is defined in the appropriate section of the financial report or in the notes to the Consolidated Financial Statements for the year ended December 31, 2007. These indicators should be considered in addition to, not as a substitute for, other GAAP measures of operating and financial performances as presented in the Consolidated Financial Statements and the related notes or described below under "Operating and Financial Review." Moreover, it should be emphasized that other companies may define and calculate these indicators differently than Vivendi, thereby affecting comparability.

(2) Capex, net consists of capital expenditures, net of proceeds from property, plant and equipment and intangible assets.

(3) Includes shares to be issued under notes mandatory redeemable for new Vivendi shares which matured in November 2005.

OPERATING AND FINANCIAL REVIEW

On February 26, 2008, the Management Board approved the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2007, which were presented to the Audit Committee on February 27, 2008. On February 28, 2008, the Supervisory Board reviewed the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2007, as approved by the Management Board on February 26, 2008.

The Consolidated Financial Statements for the year ended December 31, 2007 are audited and certified by the Statutory Auditors with no qualified opinion. The Statutory Auditors' Report on the Consolidated Financial Statements is included in the preamble to the Financial Statements.

Summary of 2007, 2006 and 2005 Main Developments

Over the last three years, Vivendi's main goal was to support the development of its core businesses, to achieve a dividend distribution rate of at least 50% of the adjusted net income and to preserve its strategic and financial flexibility while maintaining its credit ratings of "investment grade".

Over this three year period, Vivendi achieved the following:

2007

- On January 4th, Canal+ Group and TPS combined their pay-TV activities in France.
- On February 9th, Maroc Telecom acquired a 51% stake in Gabon Telecom.
- In April, Vivendi paid a dividend amounting to €1.20 per share for fiscal year 2006, representing a total distribution of €1,387 million.
- On May 25th, UMG acquired BMG Music Publishing.
- On July 20th, SFR acquired the fixed telephony and broadband activities of Télé2 France.
- On August 2nd, UMG acquired Sanctuary Group Plc, an artists services group.
- On December 1st, the agreement to combine Vivendi Games with Activision to create Activision Blizzard was signed.
- On December 7th, Vivendi acquired a 2% stake in Maroc Telecom, increasing its stake from 51% to 53%.
- On December 20th, SFR announced the proposed takeover of Neuf Cegetel.

2006

- On February 7th, Vivendi acquired the approximate 7.7% interest held by Matsushita Electric Industrial Co, Ltd. in Universal Studios Holding I Corp., the subsidiary that principally held 100% of UMG and 20% of NBC Universal. Vivendi's North American organizational structure was thereafter simplified.
- In May, Vivendi paid a dividend amounting to €1.00 per share for fiscal year 2005, representing a total distribution of €1,152 million.
- During the second and third quarters, SFR increased its stake in Neuf Cegetel to approximately 40%. Neuf Cegetel shares have been trading on the Eurolist of Euronext Paris SA since October 24, 2006.
- At the beginning of June, Vivendi signed an agreement with the United States Internal Revenue Service (IRS) to terminate their dispute concerning the amount of tax due on the redemption by DuPont of certain of its shares held by Seagram in April 1995.
- On July 6th, Vivendi sold its residual 5.3% stake in Veolia Environnement.

- On August 3rd, Vivendi terminated its deposit agreement with The Bank of New York relating to its American Depositary Receipts (ADRs). At the end of October, Vivendi terminated its reporting obligations under the U.S. Securities Exchange Act of 1934.
- On December 14th, Vivendi amended its agreement with General Electric Company regarding certain liquidity rights with respect to Vivendi's stake in NBC Universal.
- On December 29th, Maroc Telecom acquired a 51% stake in Onatel (Burkina Faso).

2005

- On January 4th, Vivendi completed the acquisition of an additional 16% stake in Maroc Telecom to reach 51%, perpetuating the majority control it had acquired following the privatization of Maroc Telecom at the beginning of 2001.
- In May, Vivendi paid a dividend amounting to €0.60 per share for fiscal year 2004, representing a total distribution of €689 million.
- On June 7th, NBC Universal acquired InterActiveCorp (IACI)'s minority interest in Vivendi Universal Entertainment (VUE) and an agreement was reached regarding an outstanding tax dispute between Vivendi and IACI.
- On August 22nd, Cegetel and Neuf Telecom (in which SFR held a 28.2% equity interest at that date) completed their combination creating Neuf Cegetel.

2008 Events

- On February 6, 2008, following the completion of a bidding process, the French Professional Football League awarded Canal+ Group nine out of the ten television lots offered for League 1 broadcasting rights (2008-2009 to 2011-2012).

In 2008, the priority aim of Vivendi will be to complete the combination of Vivendi Games with Activision in order to create Activision Blizzard and the proposed takeover of Neuf Cegetel by SFR, as described in "Main Developments — Transactions underway as of December 31, 2007."

Main Developments

Main Developments in 2007

Acquisitions/ Divestitures of Consolidated Companies

- Combination of the Canal+ Group and TPS Pay-TV Activities in France

The combination of the Canal+ Group and TPS pay-TV activities in France was completed on January 4, 2007.

A detailed description of the transaction and its impact on Vivendi's financial statements for the year ended December 31, 2007 are presented in Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2007. In particular, Vivendi accrued a dilution profit of €239 million resulting from the sale of a 10.18% equity interest in Canal+ France to Lagardère. Furthermore, the transaction resulted in a decrease of €214 million in Financial Net Debt, considering the repayment of the advance paid to TF1 and M6 in January 2006, upon the signing of the draft combination agreement (€150 million), and the recognition of the net cash of TPS, which has been consolidated since January 4, 2007 (€64 million).

- Consolidation of Onatel (Burkina Faso) by Maroc Telecom

On December 29, 2006, Maroc Telecom acquired a 51% stake in Onatel, the national telecommunications operator in Burkina Faso, for a purchase price of €222 million (including acquisition costs) paid in 2006. Onatel has been fully consolidated since January 1, 2007. The recognition of Onatel's net debt resulted in a €54 million increase in Financial Net Debt. Please refer to Note 2.2 to the Consolidated Financial Statements for the year ended December 31, 2007.

• Acquisition of a 51% stake in Gabon Telecom by Maroc Telecom

On February 9, 2007, Maroc Telecom acquired a 51% stake in Gabon Telecom, the national telecommunications operator of Gabon. Gabon Telecom has been fully consolidated since March 1, 2007. Considering the cash paid (€29 million, excluding acquisition costs) and the recognition of Gabon Telecom's net debt, this acquisition resulted in an increase of €106 million in Financial Net Debt. Please refer to Note 2.3 to the Consolidated Financial Statements for the year ended December 31, 2007.

• Acquisition of BMG Music Publishing by UMG

On September 6, 2006, Universal Music Group (UMG) entered into an agreement with Bertelsmann AG to purchase 100% of BMG Music Publishing (BMGP). UMG paid Bertelsmann AG €1,639 million in cash on December 15, 2006. On May 25, 2007, the acquisition of BMGP was completed following receipt of the European Commission clearance. BMGP has been fully consolidated since that date. The acquisition price paid by UMG was €1,641 million including capitalized transaction costs and the benefit of cash generated by BMGP operations during the period from July 1, 2006 to May 25, 2007.

On February 25, 2008, UMG completed the sale of certain music publishing catalogs, including Rondor UK, Zomba UK, 19 Music, 19 Songs and BBC Catalog, to CP Masters BV and ABP, thus complying with the European Commission mandated conditions of the BMG Music Publishing acquisition by UMG. Please refer to Note 2.4 to the Consolidated Financial Statements for the year ended December 31, 2007.

• Acquisition of the fixed telephony and broadband activities of Télé2 France by SFR

On October 2, 2006, SFR signed an agreement with the Télé2 AB Group to acquire all of fixed telephony and broadband activities of Télé2 France. The acquisition was completed on July 20, 2007, for an enterprise value (on a cash and debt free basis) of €345 million. This transaction resulted in an increase of €315 million in Financial Net Debt, considering the net cash acquired from Télé2 France. Télé2 France, which had 350,000 broadband customers and 2.3 million fixed-line customers as of the acquisition date, reported revenues of approximately €225 million for the first half of 2007. Please refer to Note 2.5 to the Consolidated Financial Statements for the year ended December 31, 2007.

• Acquisition of Sanctuary Group Plc by UMG

On June 15, 2007, UMG made an offer for the share capital of The Sanctuary Group Plc ("Sanctuary"), a company listed on the London Stock Exchange. Sanctuary is an international music group encompassing recorded product, merchandising and artist services. UMG declared the offer wholly unconditional and gained control of the company on August 2, 2007, having received valid acceptances of the offer from shareholders representing 60% of the issued share capital of Sanctuary and having acquired a further 30% of the issued share capital, for a cash consideration of €19 million. Sanctuary was de-listed from the London Stock Exchange on September 3, 2007, and, pursuant to the provisions of the English Companies Act 2006, UMG acquired the remaining Sanctuary shares to obtain 100% legal ownership of the company on September 27, 2007. The total acquisition price paid by UMG was €163 million (excluding acquisition costs), including €63 million in cash and Sanctuary's net debt of €100 million. Sanctuary has been fully consolidated since August 2, 2007. Please refer to Note 2.6 to the Consolidated Financial Statements for the year ended December 31, 2007.

• Acquisition of a 2% stake in Maroc Telecom by Vivendi

On December 7, 2007, Vivendi and the Moroccan Group Caisse de Dépôt et de Gestion (CDG) completed the transactions contemplated by the agreement announced on October 25, 2007. As a result of these transactions, CDG became a 0.6% shareholder of Vivendi and Vivendi acquired 2% of the share capital of Maroc Telecom from CDG, increasing its stake in Maroc Telecom from 51% to 53%. The acquisition took the form of an exchange of shares, with CDG receiving 7,118,181 Vivendi shares previously acquired on the market for a cash consideration of €214 million.

Risk Management of Retirement Pension Obligations

Vivendi inherited from Seagram significant obligations related to pension plans and post-retirement benefits, mainly in the US and the UK related to the employees and retired employees of the Seagram's Spirits and Wine business which was sold to Diageo and Pernod Ricard at the end of 2001, those of Universal Music Group (UMG) and, to a lesser extent, those of Vivendi Universal Entertainment (VUE) (such business was sold in the middle of 2004).

As of December 31, 2007, according to the evaluation performed by independent actuaries, these obligations amounted to €924 million (compared to €1,478 million in 2006), covered by financial assets of €443 million (compared to €911 million in 2006), resulting in a deficit of €481 million (compared to €567 million in 2006), against which net provisions of €422 million are recorded on the balance sheet (compared to €464 million in 2006). Please refer to Note 20 to the Consolidated Financial Statements for the year ended December 31, 2007.

The majority of the plans' deficits result from unfavorable financial market trends. Although starting from a generally balanced position at the end of 2000, Vivendi's pension funds have been widely exposed to the following factors:

- a drop in interest rates that increased the discounted present value of liabilities more than the present value of assets due to the lower maturity of the latter;
- a steep decline in the equity markets in which the plan assets had been heavily invested; and
- a higher inflation forecast which resulted in increased liability of the partial indexation of plans in certain countries.

More than two years ago, Vivendi established a risk management strategy to meet its retirement pension obligations based on the following three approaches:

- capping financial risks related to the obligations by ceasing further benefit accruals under defined benefit plans and transferring active employees to defined contribution plans;
- reducing financial risks related to the plans through the use of financial derivatives (interest rate, inflation and equity derivatives) to hedge actuarial liabilities and the related plan assets; and
- canceling financial risks by the definitive transfer of the pension plans to insurance companies whenever market conditions are favorable.

The aim is to transform certain actuarial and highly volatile liabilities with regards to pension obligations into financial, controlled and hedged liabilities, with no exposure to interest rate changes or changes in the equity markets. In this respect, Vivendi has performed the following transactions:

- in May 2006, Vivendi purchased an insurance policy for $95 million (€78 million) to cover the cost of pension and life insurance benefits for former Seagram senior executives in the United States. As a result of this purchase, Vivendi no longer has any on-going funding obligations with respect to this plan;
- in December 2007, Vivendi purchased an insurance policy for $476 million (€349 million), in order to cover its principal US defined benefit plan (approximately 10,000 Seagram Spirits and Wine, UMG and VUE vested members and retirees). As a result of this purchase, Vivendi no longer has any on-going funding obligations with respect to this plan;
- in December 2007, Vivendi entered into an agreement with M. Edgar Bronfman, Jr., in order to settle its commitments to M. Bronfman arising under a supplementary pension plan *(Benefit Equalization Plan)*; and
- moreover, Vivendi is currently reviewing terms and conditions in order to set up a similar policy in other countries.

To conclude, the actions undertaken mainly in the United States, the United Kingdom and Canada had the following impacts on the Consolidated Financial Statements:

- a positive impact of +€22 million on EBITA in 2007 (compared to +€56 million in 2006);

- the purchase of insurance policies in the United States and Canada for −€356 million in 2007, financed by pension fund assets of €351 million and by a net cash contribution from Vivendi of €5 million (compared to −€78 million in 2006); and

- the decrease in the provision for pensions in the amount of −€29 million in 2007, following a decline of −€228 million in 2006.

As a result, the actions undertaken during fiscal years 2006 and 2007 as part of the risk management of retirement pension obligations led to the total purchase of insurance policies for €434 million and a decrease in pension and post-retirement benefits liabilities of €257 million. After taking into account the associated plan assets of those pension plans, the net cash contribution by Vivendi amounted to −€167 million. Consequently, the pension and post-retirement benefits liability decreased to €481 million as of December 31, 2007, from €770 million as of December 31, 2005. For a detailed presentation of the employee benefit commitments, please refer to Note 20 of the Consolidated Financial Statements for the Year Ended December 31, 2007.

Completion of Withdrawal from the Real Estate Business

Over the last two years, Vivendi has withdrawn from the majority of its remaining real estate business commitments. In particular, Vivendi sold the last tower it owned in La Défense and withdrew from or covered rental guarantees in Germany. Finally at the beginning of 2008, Vivendi sold Vivendi Valorisation, the management structure for its real estate business.

Divestiture of the last Philip Morris Building at La Défense. The divestiture of the Colisée building (26,000 square meters) located at La Défense in the third quarter of 2006 generated cash proceeds of approximately €39 million, a €102 million decrease in Financial Net Debt and a capital gain of €32 million.

Early settlement of rental guarantees related to the Berlin building Quartier 207. This transaction, which took place in June 2006, resulted in the payment of €52 million to cancel a residual guarantee and a €240 million reduction in contractual commitments recorded off-balance sheet via the termination of rental guarantees granted by Vivendi to the buyer of this building in 1996. This transaction was neutral on earnings due to impairment losses previously recorded.

Early settlement of rental guarantees related to the last three buildings in Germany (Lindencorso, Anthropolis/Grindelwaldweg, Dianapark). This transaction, which took place in November 2007, generated a capital gain of €59 million, as a result of impairment losses previously recorded. In addition, the transaction involved a payment of €120 million in order to recapitalize the operating entities prior to divestiture and a €60 million decrease in Financial Net Debt, due to the deconsolidation of debt relating to finance lease commitments (€180 million, net of related cash deposit). Vivendi continues to guarantee certain rental payment obligations of the companies it sold in the transaction in the amount of €383 million, but received in return for such guarantee a pledge over the cash of the divested companies and a counter-guarantee provided by the purchaser in the amount of €200 million. Consequently, Vivendi's economic exposure to these guarantees is now covered and Vivendi may recognize additional income of up to €50 million as a result of definitive settlement.

Divestiture of Vivendi Valorisation (SIG 35). On October 5, 2007, Vivendi entered into an agreement with a buyer for the sale of SIG 35 on January 1, 2008, gave some commitments in favor of the buyers for a maximum amount of €4 million (which expire on June 30, 2012) and granted standard guarantees, including tax indemnities. In exchange, Vivendi received a rank pledge on the assets of SIG 35 for €7 million. Previously certain SIG 35 assets were sold directly by Vivendi.

Others

Minority stake in Amp'd. On June 1, 2007, Amp'd Mobile filed for Chapter 11 bankruptcy protection. As a result, Vivendi has written-off its 19.7% minority stake in this company ($75 million) as well as a related loan ($10 million). The impairment loss amounted to €65 million. On July 23, 2007, Amp'd Mobile filed for a Chapter 7 bankruptcy proceeding.

Dividend paid with respect to fiscal year 2006. At the Annual Shareholders' Meeting held on April 19, 2007, Vivendi's shareholders approved the Management Board's recommendations relating to the allocation of distributable earnings for fiscal year 2006. As a result, the dividend was set at €1.20 per share, representing a total distribution of €1,387 million which was paid on April 26, 2007.

Voluntary redundancy plan at the Canal+ Group level, described in Note 32 to the Consolidated Financial Statements of Vivendi for the year ended December 31, 2006 (page 273 of the 2006 Annual Report). Pursuant to the method agreement, the Works Councils issued their opinion on April 6, 2007 and the new organization is therefore being implemented. The plan resulted in approximately 250 employees leaving the company.

Main Developments since December 31, 2007

The main developments that occurred between December 31, 2007 and February 26, 2008, the date of the Management Board meeting which approved the financial statements for the fiscal year 2007, are as follows:

- Planned acquisition of KinoWelt by StudioCanal: please refer to Note 29 of the Consolidated Financial Statements for the year ended December 31, 2007;
- Vivendi obtained a new syndicated loan: please refer to "Treasury and Capital Resources — Main Financing Characteristics and Credit Ratings";
- Results of the Ligue1 Soccer bidding process: please refer to Note 29 of the Consolidated Financial Statements for the year ended December 31, 2007; and
- Sales of certain music publishing catalogs by UMG in connection with the European Commission mandated conditions of the BMG Music Publishing acquisition: please refer to "Main Developments — Main Developments in 2007."

Transactions underway as of December 31, 2007

Creation Project of Activision Blizzard

On December 1, 2007, Activision, Inc. and Vivendi entered into an agreement to combine Vivendi Games with Activision, Inc., a leading worldwide developer, publisher and distributor of interactive entertainment and leisure products with net revenues of $1.5 billion for the fiscal year ended March 31, 2007.

Under the terms of the business combination agreement, a newly formed, wholly-owned subsidiary of Activision will merge with and into Vivendi Games. As a result of the merger, Vivendi Games will become a wholly-owned subsidiary of Activision. In the merger, a subsidiary of Vivendi will receive approximately 295.3 million newly issued shares of Activision common stock, which number is based upon a valuation of Vivendi Games at $8.121 billion and a per share price for Activision common stock of $27.50. Simultaneously with the merger, Vivendi will purchase from Activision 62.9 million newly issued shares of Activision common stock, at $27.50 per share, for an aggregate purchase price of approximately $1.731 billion in cash. Immediately following completion of the merger and share purchase, Vivendi and its subsidiaries are expected to own approximately 52.2% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis. Upon closing of the transaction, the combined company will be renamed Activision Blizzard, Inc. and will continue to operate as a public company traded on The NASDAQ National Market under Activision's current ticker "ATVI."

Within five business days after the closing of the transaction, Activision Blizzard will commence a cash tender offer for up to 146.5 million of its shares at $27.50 per share. According to the terms of the business combination agreement, the tender offer will be funded as follows: (a) the first $2.928 billion of aggregate tender offer consideration will be funded from Activision Blizzard's available cash on hand, including the $1.731 billion in proceeds received from the Vivendi share purchase, short term investments (excluding restricted cash) and, if necessary, borrowings made under one or more new credit facilities from Vivendi or third party lenders, (b) if the aggregate tender offer consideration exceeds $2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of $27.50 per share, additional newly issued shares of Activision Blizzard common shock in an amount up to $700 million, and (c) if the aggregate tender offer consideration exceeds $3.628 billion, any remaining funds required to complete the tender offer will be borrowed by Activision Blizzard from Vivendi or

third-party lenders. If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of Activision Blizzard on a fully diluted basis.

The business combination agreement provides that, concurrent with the closing of the merger and share purchase, Activision Blizzard will obtain new credit facilities from either third-party lenders or Vivendi, on market terms and conditions, that provide the availability to borrow funds needed to pay up to $400 million of the aggregate tender offer consideration (as described above), up to $375 million for working capital purposes, plus amounts necessary to cover certain fees and expenses.

Under the terms of the business combination agreement, Vivendi and Activision gave a number of reciprocal commitments customary for this type of transaction, notably certain representations and warranties and undertakings. The parties have also agreed to enter into various ancillary agreements at the closing of the Activision Blizzard transaction, including a tax sharing and indemnity agreement. The transaction is subject to the approval of Activision's stockholders and the satisfaction of customary closing conditions and regulatory approvals. In addition, Activision agreed to pay Vivendi a termination fee of $180 million if the business combination agreement is terminated due to the occurrence of certain events.

Following the transaction, Vivendi will have the ability to nominate a majority of the Activision Blizzard board. Prior to the fifth anniversary of the closing date, the approval of certain matters by the Activision Blizzard board of directors will require the affirmative vote of (a) a majority of the votes present or otherwise able to be cast, and (b) at least a majority of the independent directors. These matters include, in particular, the declaration and payment of any dividend on Activision Blizzard's common stock, provided that after the first anniversary of the closing date, this restriction will not apply if Activision Blizzard's pro forma net debt amount, after giving effect to such dividend, does not exceed $400 million.

Vivendi will fully consolidate Activision Blizzard from the closing date of the merger and share purchase transactions. Upon closing of these transactions, Vivendi will own a majority of the issued and outstanding shares of Activision common stock and will be entitled to exercise its shareholder's rights and therefore, strictly from an accounting perspective, will be deemed to have control of Activision Blizzard.

From an accounting perspective, Vivendi Games will be deemed the acquirer of Activision, and after consummation both of the merger and share purchase transactions under the business combination agreement and the completion of the tender offer (assuming that such tender offer is fully subscribed), Vivendi would hold a 68% controlling interest in Activision Blizzard and the transaction would be recorded as follows:

- the dilution of Vivendi's interest in Vivendi Games by approximately 32%; the dilution gain is expected to be approximately $2.5 billion (€1.8 billion); and
- the acquisition of a controlling interest of approximately 68% in Activision for a consideration of $5.0 billion; the allocation of the purchase price is expected to result in preliminary goodwill amounting to $5.0 billion (€3.5 billion), before allocation of the purchase price to the assets and liabilities of Activision.

Proposed Takeover of Neuf Cegetel by SFR

On December 20, 2007, SFR and the Louis Dreyfus Group signed a draft agreement under which the Louis Dreyfus Group would sell its entire approximately 28% interest in Neuf Cegetel to SFR, at a price of €34.50 per share, with 2007 coupons attached, for a total amount of approximately €2.1 billion. This amount could increase by up to €40 million depending on the date of the transaction. If this transaction is completed, it will increase SFR's stake in Neuf Cegetel to 67.95% after dilution. On February 19 and 20, 2008, this draft agreement received positive opinions from SFR and Neuf Cegetel labor relations and employee representative committees, respectively. A definitive agreement was entered into on February 29, 2008. Subject to the receipt of all necessary regulatory approvals, SFR would acquire the Louis Dreyfus Group's stake in Neuf Cegetel.

After the closing of the Louis Dreyfus Group transaction, SFR will, in accordance with applicable securities laws, launch a cash tender offer for the publicly held Neuf Cegetel shares, followed by a squeeze out if applicable, at a price of €36.50 per share, with 2007 coupons attached.

Under the terms of the agreement with the Louis Dreyfus Group, Vivendi has agreed to pay the Louis Dreyfus Group €66 million in the event the transaction is not completed.

SFR intends to finance this transaction for a total amount of approximately €4.5 billion with debt, notably with Vivendi granting a loan to SFR under market terms. To repay this loan, SFR has agreed to reduce dividend payments that it would otherwise pay in the next three fiscal years. This transaction is expected to optimize Vivendi's financial structure. In order to preserve its strategic and financial flexibility, Vivendi plans to raise €1- €2 billion from its shareholders at the appropriate time. The definitive amount of this capital increase and the precise timetable will depend on market conditions and the proceeds of this capital increase will be used to repay our €1.5 billion bridge loan under our new €3.5 billion syndicated bank facility.

Statement of Earnings Analysis

Consolidated Earnings and Consolidated Adjusted Net Income

CONSOLIDATED STATEMENT OF EARNINGS			ADJUSTED STATEMENT OF EARNINGS		
	Year Ended December 31		Year Ended December 31,		
	(In € millions, except per share amounts)				
	2007	2006	2007	2006	
Revenues	**21,657**	**20,044**	**21,657**	**20,044**	**Revenues**
Cost of revenues(1)	(9,876)	(9,636)	(9,876)	(9,636)	Cost of revenues
Margin from operations	**11,781**	**10,408**	**11,781**	**10,408**	**Margin from operations**
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations(1)	(6,901)	(6,043)	(6,901)	(6,043)	Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations
Restructuring charges and other operating charges and income	(159)	5	(159)	5	Restructuring charges and other operating charges and income
Amortization of intangible assets acquired through business combinations	(301)	(223)			
Impairment losses of intangible assets acquired through business combinations	(34)	—			
EBIT	**4,386**	**4,147**	**4,721**	**4,370**	**EBITA**
Income from equity affiliates	373	337	373	337	Income from equity affiliates
Interest	(166)	(203)	(166)	(203)	Interest
Income from investments	6	54	6	54	Income from investments
Other financial charges and income	(83)	311			
Earnings from continuing operations before provision for income taxes	**4,516**	**4,646**	**4,934**	**4,558**	**Adjusted earnings from continuing operations before provision for income taxes**
Provision for income taxes	(747)	547	(881)	(777)	Provision for income taxes
Earnings from continuing operations	**3,769**	**5,193**			
Earnings from discontinued operations	—	—			
Earnings	**3,769**	**5,193**	**4,053**	**3,781**	**Adjusted net income before minority interests**
Attributable to:					
Equityholders of the parent	**2,625**	**4,033**	**2,832**	**2,614**	**Adjusted net income**
Minority interests	1,144	1,160	1,221	1,167	Minority interests

CONSOLIDATED STATEMENT OF EARNINGS			ADJUSTED STATEMENT OF EARNINGS		
	Year Ended December 31		Year Ended December 31,		
	(In € millions, except per share amounts)				
	2007	2006	2007	2006	
Earnings, attributable to equityholders of the parent per share — basic (in euros)	**2.26**	**3.50**	**2.44**	**2.27**	**Adjusted net income per share — basic (in euros)**
Earnings, attributable to equityholders of the parent per share — diluted (in euros)	**2.25**	**3.47**	**2.43**	**2.25**	**Adjusted net income per share — diluted (in euros)**

(1) Beginning January 1, 2007, in order to be consistent with the accounting practices of other business segments, subscriber management and acquisition costs, as well as television distribution costs incurred by Canal+ Group, are included in selling, general and administrative expenses instead of cost of revenues. Pursuant to IAS 1, Vivendi has applied these presentation changes to all the periods presented in these financial statements. The reclassified costs amounted to €510 million for the year ended December 31, 2006.

2007 and 2006 Earnings Review

In 2007, **adjusted net income** amounted to €2,832 million (representing adjusted net income per share of €2.44), compared to adjusted net income of €2,614 in 2006 (representing adjusted net income per share of €2.27), an increase of €218 million (+8.3%).

In 2007, **earnings attributable to equity holders of the parent** totaled €2,625 million (representing earnings per share of €2.26), compared to earnings of €4,033 million in 2006 (representing earnings per share of €3.50), a decrease of €1,408 million (−34.9%). This decrease results from the positive impact of certain non-recurring items in 2006 which mainly included the gain resulting from the settlement of the tax dispute concerning the DuPont shares (+€984 million), the capital gain generated on the sale of the Veolia Environnement shares (+€832 million) and the capital loss incurred on the PTC shares (−€496 million). The reconciliation of earnings attributable to equity holders of the parent with adjusted net income is presented in Note 7 to the Consolidated Financial Statements for the year ended December 31, 2007.

The €218 million improvement in **adjusted net income** was primarily due to the following positive impacts:

- a €351 million increase from the strong growth in EBITA, that reflects Vivendi's business units' superior performance, attributable to Canal+ Group (+€325 million), Maroc Telecom (+€179 million), and Vivendi Games (+€66 million). This performance also includes lower non-recurring positive impacts at Holding & Corporate and other non core operations.
- a €36 million increase in income from equity affiliates; and
- a €37 million reduction in interest.

These positive impacts were partially offset by the following negative items:

- a €48 million decrease in income from investments;
- a €104 million increase in tax expense; and
- a €54 million increase in the share of earnings attributable to minority interests.

Breakdown of the main items from the statement of earnings

Revenues amounted to €21,657 million (compared to €20,044 million in 2006), an increase of €1,613 million (+8.0%, representing +9.7% at constant currency).

For a breakdown of revenues by business segment, please refer to "Business Segment Performance Analysis."

Costs of revenues amounted to €9,876 million (compared to €9,636 million in 2006), representing an additional charge of €240 million.

Margin from operations increased by €1,373 million to reach €11,781 million (compared to €10,408 million in 2006), mainly due to Canal+ Group (+€642 million), Maroc Telecom (+€349 million), SFR (+€252 million) and Vivendi Games (+€233 million).

Selling, general and administrative expenses, excluding amortization losses on intangible assets acquired through business combinations amounted to €6,901 million (compared to €6,043 million in 2006), representing an additional charge of €858 million. This increase notably includes the impact of higher customer acquisition and retention costs for SFR (due to higher volumes of post-paid recruitments and retention initiatives and to the penetration of 3G devices among SFR's customer base), and higher compensation costs related to profit sharing and equity-based talent retention plans for Vivendi Games.

Depreciation and amortization of tangible and intangible assets are part of either selling, general and administrative expenses or cost of revenues. Depreciation and amortization, excluding amortization of intangible assets acquired through business combinations, were €1,498 million (compared to €1,357 million in 2006), representing an additional charge of €141 million. This increase is primarily due to the consolidation of Onatel and Gabon Telecom in 2007 and major capital expenditures realized by SFR during the last years in order to improve the coverage and capacity of its 2G and 3G/3G+ networks.

Restructuring charges and other operating charges and income represented a charge of €159 million (compared to an income of €5 million in 2006), representing a decrease of €164 million. In 2007, it included restructuring expenses at UMG, resulting from the acquisition of BMG Publishing and Sanctuary, and from restructuring of the recorded music division, and at Canal+ Group, resulting from its voluntary redundancy plan, as well as SFR's higher amortization of obsolete investments, and the impact of certain litigations, in particular at Holding & Corporate. These items were notably offset by the favorable effect of the settlement in Vivendi S.A.'s favor of a litigation instigated by it regarding its right to deduct VAT (+€73 million) and the sale of residual real estate assets in Germany (+€59 million). In 2006, it notably included the gain resulting from the sale of residual real estate assets in La Défense (+€32 million) partly offset by restructuring expenses at UMG, and at Maroc Telecom resulting from its voluntary redundancy plan.

EBITA totaled €4,721 million (compared to €4,370 million in 2006), representing an increase of €351 million (+8.0%, representing +9.1% at constant currency).

For a breakdown of EBITA by business segment, please refer to "Business Segment Performance Analysis".

Amortization of intangible assets acquired through business combinations was €301 million (compared to €223 million in 2006), representing an additional charge of €78 million, notably due to the amortization of music catalogs and publishing rights for BMG Publishing, since May 2007.

Impairment losses of intangible assets acquired through business combinations amounted to €34 million for 2007, mainly corresponding to the write off of the TPS trade name following the termination of the TPS branded program bouquet. Impairment losses of intangible assets acquired through business combinations were nil in 2006.

EBIT amounted to €4,386 million (compared to €4,147 million in 2006), representing an increase of €239 million (+5.8%).

Income from equity affiliates totaled €373 million (compared to €337 million in 2006), representing an increase of €36 million. Our pro rata share of the income earned by NBC Universal was stable in 2007 compared to 2006, amounting to €301 million. The decline of the US dollar compared to the euro entirely offset the growth at NBC Universal ($410 million compared to $375 million in 2006). Our pro rata share of the income earned by Neuf Cegetel amounted to €78 million in 2007, compared to €38 million in 2006.

Interest amounted to €166 million (compared to €203 million in 2006), representing an improvement of €37 million. This improvement reflected the increase in interest income generated by cash and cash equivalents (+€30 million), offset by the increase of interest expense incurred on borrowings (−€15 million). Interest expense on borrowings rose due to the increase in average outstanding borrowings (€7.2 billion for 2007 (compared to

€6.7 billion for 2006), calculated on a daily basis), despite the relative stability in the average financing rate over the period (4.18% for 2007, compared to 4.20% for 2006). Furthermore, between January 1st and May 25, 2007, the capitalization of interest relating to the acquisition of BMG Publishing amounted to €25 million.

For more information, please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2007.

Income from investments totaled €6 million (compared to €54 million in 2006), a decrease of €48 million. It includes interest of €5 million (€18 million in 2006) received on long-term financial receivables and dividends from investments in non-consolidated companies of €1 million (€36 million in 2006). The decrease is notably due to the sale of the DuPont shares in June 2006 and the sale of the Veolia Environnement shares in July 2006. Vivendi received dividends from these investments in 2006 of €10 million and €18 million, respectively.

Other financial charges and income generated a net charge of €83 million (compared to a net income of €311 million in 2006), an unfavorable difference of €394 million. In 2007, this line item mainly included the dilution gain resulting from the entry of Lagardère into the share capital of Canal+ France (+€239 million, in addition to the dilution gain of €128 million recorded in the fourth quarter of 2006; please refer to "Main Developments — Main Developments in 2007"), notably offset by the write-off of the minority stake in Amp'd (−€65 million), as well as the undiscounting effect of long term liabilities (−€75 million). In 2006, this line item principally included capital gains generated on the sales of Veolia Environnement shares (+€832 million), Sogecable shares (+€66 million) and the residual 20% stake in Ypso (+€56 million), partly offset by the capital losses incurred on the PTC shares (−€496 million) and on the sale of the DuPont shares (−€98 million), as well as by the additional provision recognized in connection with the vendor warranties given as part of the sale of Xfera in 2003 (−€54 million).

Please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2007.

Income taxes was a net expense of €747 million (compared to a net income of €547 million in 2006). In 2006, it mainly included non-recurring items, in particular, the gain related to the settlement of the dispute concerning the DuPont shares (€1,082 million) and the reversal of tax liabilities (€218 million). Excluding the impact of these non-recurring items and the other items excluded from adjusted net income, income taxes was a net expense of €881 million, compared to €771 million in 2006, representing a €104 million increase which reflects the improved earnings of the group.

Earnings attributable to minority interests, mainly SFR and Maroc Telecom, as well as Canal+ France following the entry of Lagardère, TF1 and M6 into its share capital in January 2007, amounted to €1,144 million, compared to €1,160 million in 2006.

Cash Flow from Operations Analysis

Vivendi considers that the non-GAAP measures cash flow from operations (CFFO) and cash flow from operations after interest and taxes (CFAIT) are relevant indicators of the group's operating and financial performance. These indicators should be considered in addition to, not as substitutes for, other GAAP measures as reported in Vivendi's cash flow statement, presented within the group's Consolidated Financial Statements.

In 2007, cash flow from operations after interest and income tax paid (CFAIT) totaled €3,594 million (compared to €2,912 million in 2006), up €682 million (+23.4%). This improvement mainly resulted from the increase in cash flow from operations before capital expenditures generated by businesses (+6.5%, to €6,507 million) and the fact that the settlement of the DuPont litigation in 2006 resulted in the payment of income taxes in the amount of €521 million.

Cash flows from operations (CFFO) generated by businesses totaled €4,881 million (compared to €4,466 million in 2006), an increase of €415 million (+9.3%). This improvement reflects the increase in EBITDA (after changes in net working capital) and dividends received from NBC Universal and Neuf Cegetel, as well as the control of capital expenditures, which decreased slightly to €1,626 million (compared to €1,645 million in 2006), partially offset by the increase in content investments and by restructuring costs amounting to €99 million (compared to €48 million in 2006). In addition, in 2007, the CFFO included the repayment of tax payments

previously made by Vivendi S.A. following the settlement in Vivendi's favor of the litigation instigated by it concerning its right to deduct VAT (+€50 million). Furthermore, in 2006, the CFFO was impacted by the payment made for the transfer of certain US pension plans by Holding & Corporate (€152 million), partially offset by the recovery of a cash deposit by UMG with respect to the TVT litigation (+€50 million).

		Year Ended December 31,		
		2007	2006	% Change
		(In € millions)		
Revenues		21,657	20,044	8%
Operating expenses excluding depreciation and amortization		(15,375)	(14,306)	−7%
EBITDA		6,282	5,738	9%
Restructuring changes paid		(99)	(48)	−106%
Content investments, net		(97)	(111)	13%
of which payments to artists and repertoire owners, net at UMG payment to artists and repertoire owners		(638)	(620)	−3%
recoupment of advances and other movements		605	601	1%
		(33)	(19)	−74%
of which film and television rights, net at the Canal+ Group acquisition of film and television rights		(676)	(599)	−13%
consumption of film and television rights		719	581	24%
		43	(18)	n/a*
of which sports rights, net at the Canal+ Group acquisition of sports rights		(785)	(683)	−15%
consumption of sports rights		727	717	1%
		(58)	34	na*
of which advances to games' developers, net at Vivendi Games payment of advances		(58)	(63)	8%
recoupment of advances		19	62	−69%
		(39)	(1)	na*
Neutralization of change in provisions included in EBITDA		19	158	−88%
Other cash operating items excluded from EBITDA		41	2	na*
Other changes in networking capital		20	67	−70%
Net cash provided by operating activities before income tax paid	**(a)**	**6,166**	**5,806**	**6%**
Dividends received from equity affiliates	**(b)**	340	271	25%
of which NBC Universal		305	**262**	16%
Dividends received from unconsolidated companies	**(b)**	1	34	−97%
Capital expenditures, net (capex, net)	**(c)**	(1,626)	(1,645)	1%
of which SFR		(1,020)	**(1,133)**	10%
of which Maroc Telecom		(363)	**(255)**	−42%
Cash flow from operations (CFFO)		**4,881**	**4,466**	**9%**
Interest paid	**(d)**	(191)	(206)	7%
Other cash items related to financial activities	**(d)**	(24)	33	na*
Cash impact of currency hedging		(14)	**59**	na*

		Year Ended December 31,		
		2007	2006	% Change
			(In € millions)	
Financial activities cash payments		**(215)**	**(173)**	−24%
Payment received from the French State Treasury as part of the Consolidated Global Profit Tax System		603	**505**	19%
Income tax paid with respect to DuPont settlement with IRS (June)		—	**(521)**	na*
Other taxes paid		(1,675)	**(1,365)**	−23%
Income tax (paid)/collected	**(a)**	**(1,072)**	**(1,381)**	**22%**
Cash flow from operations after interest and income tax paid (CFAIT)		**3,594**	**2,912**	**23%**

* na: not applicable.

(a) As presented in operating activities of Vivendi's Statement of Cash Flows (please refer to "— Treasury and Debt Capital Resources — Analysis of Financial Net Debt changes").

(b) As presented in investing activities of Vivendi's Statement of Cash Flows (please refer to "— Treasury and Debt Capital Resources — Analysis of Financial Net Debt changes").

(c) Consists of capital expenditures, net of proceeds from property, plant and equipment and intangible assets as presented in investing activities of Vivendi's Statement of Cash Flows (please refer to "— Treasury and Debt Capital Resources — Analysis of Financial Net Debt changes").

(d) As presented in financing activities of Vivendi's Statement of Cash Flows (please refer to "— Treasury and Debt Capital Resources — Analysis of Financial Net Debt changes").

Business Segment Performance Analysis

Revenues, EBITA and cash flow from operations by business segment

	Year Ended December 31,			
	2007	2006	% Change	% Change at Constant Rate
	(In € millions)			
Revenues				
Universal Music Group	4,870(a)	4,955	−1.7%	3.0%
Canal+ Group	4,363(b)	3,630	20.2%	20.0%
SFR	9,018	8,678	3.9%	3.9%
Maroc Telecom	2,456	2,053	19.6%	21.8%
Vivendi Games	1,018	804	26.6%	33.5%
Noncore operations and others, and elimination of intersegment transactions	(68)	(76)	10.5%	10.5%
Total Vivendi	**21,657**	**20,044**	**8.0%**	**9.7%**
EBITA				
Universal Music Group	624	744	−16.1%	−12.9%
Canal+ Group	400	75	5.3x	5.3x
SFR	2,517	2,583	−2.6%	−2.6%
Maroc Telecom	1,091	912	19.6%	22.0%
Vivendi Games	181	115	57.4%	59.7%
Holding & Corporate	(81)	(113)	28.3%	27.4%
Non core operations and others	(11)	54	na*	na*
Total Vivendi	**4,721**	**4,370**	**8.0%**	**9.1%**
Cash flow from operations (CFFO)				
Universal Music Group	559	720	−22.4%	
Canal+ Group	317	261	21.5%	
NBC Universal dividends	305	262	16.4%	
SFR	2,551	2,430	5.0%	
Maroc Telecom	1,001	943	6.2%	
Vivendi Games	283	115	146.1%	
Holding & Corporate	(123)	(279)	55.9%	
Noncore operations and others	(12)	14	na*	
Total Vivendi	**4,881**	**4,466**	**9.3%**	

* na: not applicable.

(a) Includes BMGP and Sanctuary, fully consolidated by UMG as of May 25, 2007 and August 2, 2007, respectively.

(b) Includes TPS, fully consolidated by Canal+ France as of January 4, 2007.

Comments on Revenues, EBITA and Cash Flow from Operations for Controlled Business Segments

Universal Music Group (UMG) (100% Vivendi Economic Interest)

	Year Ended December 31,			
	2007	2006	% Change	% Change at Constant Currency
	(In € millions, except for margins)			
Revenues				
North America	1,830	2,119	−13.6%	−5.9%
Europe	1,802	1,837	−1.9%	−1.7%
Asia	426	436	−2.3%	7.3%
Rest of the world	195	192	1.6%	2.3%
Recorded Music	**4,253(a)**	**4,584**	**−7.2%**	**−2.6%**
Artist Services	66(a)	8	8.3x	8.7x
Publishing	589(b)	406	45.1%	51.0%
Elimination of intercompany	(38)	(43)	11.6%	5.4%
Total UMG	**4,870**	**4,955**	**−1.7%**	**3.0%**
EBITA	**624(c)**	**744**	**−16.1%**	**−12.9%**
EBITA/Revenues (%)	**12.8%**	**15.0%**	**−2.2pts**	
EBITDA	**735**	**811**	**−9.4%**	**−5.8%**
Cash flow from operations (CFFO)	**559**	**720**	**−22.4%**	

2007 Artist	Units	2006 Artist	Units
Best-selling titles (physical units sold, in millions)			
Amy Winehouse	5	U2	4
High School Musical 2 Soundtrack	4	Andrea Bocelli	3
Mika	4	Snow Patrol	3
Rihanna	3	The Pussycat Dolls	3
Nelly Furtado	3	Nelly Furtado	3
Hannah Montana 2: Meet Miley Cyrus Soundtrack	3	The Killers	3
Tinbaland	3	Rihanna	3
Fergie	3	Nickleback	3
Maroon 5	3	Fergie	2
Kanye West	3	Jay-Z	2
Bon Jovi	3	Black Eyed Peas	2
50 Cent	3	Scissor Sisters	2
Fall Out Boy	3	Hinder	2
Akon	2	Ne-Yo	2
Andrea Bocelli	2	Jack Johnson & Friends	2
% of top 15 of total units sold by UMB	**12%**		**9%**

(a) Includes Sanctuary's revenues, consolidated since August 2, 2007, for a total of €67 million (consisting of €12 million for the recorded music division and €55 million for artist services). For reference, Sanctuary's revenues amounted to €101 million during the period January 1 through August 1, 2007.

(b) Includes BMGP's revenues, consolidated since May 25, 2007, for a total of €213 million (before elimination of intercompany transactions). For reference, BMGP's revenues amounted to €140 million during the period January 1 through May 24, 2007.

(c) Includes BMGP's and Sanctuary's EBITA for €37 million and -€8 million, respectively.

Revenues

Global recorded music market conditions remained difficult in 2007 with declines in all of the major markets as digital gains failed to offset the drop in physical sales.

For the full year 2007, Universal Music Group increased market share in all of its major markets. Universal Music Group's revenues amounted to €4,870 million versus €4,955 million in 2006 (−1.7%).

Revenues increased 3.0% at constant currency reflecting revenues from the acquisitions in 2007 of BMG Music Publishing (BMGP) and Sanctuary, as well as strong digital sales growth and a better than market performance. Excluding these acquisitions and at constant currency, revenues were 3% less than the previous year reflecting a difficult music market and lower license and legal settlement income.

Digital sales of €676 million grew 51% compared to 2006 at constant currency, representing 14% of total revenues.

Best sellers included titles from Amy Winehouse, Mika, Rihanna and the High School Musical 2 Soundtrack. Regional best sellers included titles from Japan's Hideaki Tokunaga and Greeeen, Brazil's Ivete Sangalo and Australia's Powderfinger.

EBITA

Universal Music Group (UMG) posted an operating margin of 12.8% in 2007 and EBITA amounted to €624 million.

2007 EBITA declined by 16.1% (12.9 at constant currency) compared to 2006. This is because 2006 included notably the recovery of a cash deposit in the TVT matter (€50 million) and certain legal settlements, whereas 2007 includes restructuring costs higher by €52 million, due mainly to the acquisitions of BMGP and Sanctuary. Underlying 2007 EBITA performance is thus comparable to 2006.

Cash flow from operations (CFFO)

Cash flow from operations of €559 million declined compared to 2006 due to the timing of payments of certain major accounts payable and receivable and costs associated with the integration of BMGP and Sanctuary, and the restructuring of the recorded music division. In 2006, cash flow also benefited from the return of the deposit from the TVT matter, advance payments received in respect of license agreements and legal settlements.

The Canal+ Group (100% Vivendi Economic Interest; Vivendi Economic Interest in Canal+ France: 65%)

	Year Ended December 31,		
	2007	2006	% Change
	(In € millions, except for margins)		
Revenues			
Pay-TV — France(a)	3,747	3,001	24.9%
Other core operations(b)	616	592	4.1%
Other(c)	—	37	na*
Total Canal+ Group	**4,363**	**3,630**	**20.2%**
EBITA, excluding transaction costs related to the combination with TPS	490	252	94.4%
Transaction costs related to the combination with TPS	(90)	(177)	49.2%
EBITA	**400**	**75**	**5.3x**
EBITA/Revenues(%)	**9.2%**	**2.1%**	**+7.1pts**
EBITDA	**628**	**239**	**2,6x**
Cash flow from operations (CFFO)	**317**	**261**	**21.5%**
Subscriptions (in thousands)			
Analog	1,432	1,902	—24.7%
Digital	3,119	2,612	19.4%
Individual subscribers	4,551	4,514	0.8%
Collective	440	425	3.5%
Overseas (individual and collective)	215	198	8.6%
Africa (individual and collective)	114	101	12.9%
Total Canal+ (premium channel)	**5,320**	**5,238**	**1.6%**
CanalSat	5,224(d)	3,581	45.9%
Total subscriptions in France	**10,544**	**8,819**	**19.6%**

* na: not applicable.

(a) Revenues of the French pay-TV division include those of Canal+ France, which includes all the activities of Group Canal+ in France except Canal+ Régie and i>Télé. It notably includes TPS, consolidated by Canal+ France as of January 4, 2007, when Vivendi and Canal+ Group gained control of TPS. For information, TPS' revenues and EBITA amounted to €596 million and €1 million for the year 2006, respectively.

(b) Other core operations corresponds to cinema activities, pay-TV activities in Poland (Cyfra+), Canal+ Régie and i>Télé.

(c) "Other" includes companies that have been sold, mainly PSG (until June 2006).

(d) Includes TPS subscriptions in 2007. As of December 31, 2006, TPS reached more than 1.44 million subscriptions.

Revenues

For the full year 2007, Canal+ Group's revenues amounted to €4,363 million, a 20.2% increase compared to 2006.

Pay-TV in France

Revenues from pay-TV operations in France increased by €746 million (+24.9%) compared to 2006. Pay-TV operations benefited from the TPS acquisition, as well as increased revenues from its subscription portfolio and higher advertising revenues. CanalOverseas also had a positive impact.

As of December 31, 2007, Canal+ Group's total portfolio amounts to more than 10.5 million pay-TV subscriptions (individual and collective, in France and overseas, including Africa). Net additions over the year totaled 280,000 subscriptions. This figure included net additions of 330,000 subscriptions and a negative adjustment of approximately 50,000 subscriptions resulting from a portfolio change of scope to include viable contracts only.

Canal+'s total subscriptions at the end of the year reached 5.3 million, which represented a net increase of more than 80,000 over the year. The proportion of Canal+ Le Bouquet subscriptions reached 71% of the total Canal+ portfolio, up from 61% a year ago. The churn rate was 12.8%.

CanalSat and TPS' total subscriptions were more than 5.2 million, which represented a net increase of 200,000, compared to the end of 2006. CanalSat's churn rate was 10%.

Other core operations

Revenues from Canal+ Group's other operations (excluding PSG, sold in June 2006) grew €24 million or 4.1%, as a result of the good performance of Canal+ in Poland and higher advertising revenues from i>Télé. StudioCanal posted lower revenues (€352 million in 2007 versus €362 million in 2006) despite good international performances driven by the growth of Optimum.

EBITA

Canal+ Group's full year EBITA, excluding transition costs linked to the TPS merger, was €490 million (+94% compared to 2006). Including transition costs (€90 million in 2007), EBITA was €400 million versus €75 million in 2006.

Pay-TV in France

Pay-TV operations performance in France strongly improved with an EBITA, excluding transition costs, increasing by €245 million (€155 million in 2006 and €400 million in 2007). These strong results, achieved during the TPS integration process, were mainly due to increased revenues, subscription portfolio growth and the benefits of merger-related synergies. During 2007, the financial benefit of synergies linked to the TPS merger exceeded company targets by reaching €150 million and covered all activities: channel production, distribution, technical and structural costs.

In 2007, Canal+ increased investment in content, including the launch of Canal+ Family, the continued drive to further develop original programming and the launch of new theme channels on CanalSat.

Other core operations

EBITA from other operations (excluding pay-TV in France) was €89 million, compared to €97 million in 2006.

Cash flow from operations (CFFO)

Cash flow from operations was €317 million, representing an increase of 21.5% compared to 2006. This increase was mainly due to increased revenues and the benefits of merger-related synergies on pay-TV operations in France. Nevertheless, cash flow from operations was impacted by non-recurring items, such as transition costs linked to TPS merger and the unfavorable impact of the timing of payments to the French Professional Football League relating to League 1 Broadcasting Rights.

SFR (56% Vivendi Economic Interest)

	Year Ended December 31,		
	2007	2006	% Change
	(In € millions, except for margins)		
Revenues			
Mobile service revenues	8,382	8,311	0.9%
Equipment sales, net	403	333	21.0%
Mobile	8,785	8,644	1.6%
Fixed and ADSL(a)	233	34	na*
Total SFR	**9,018**	**8,678**	**3.9%**
EBITA	**2,517**	**2,583**	**−2.6%**
EBITA/Revenues(%)	**27.9%**	**29.8%**	**−1.9pt**
EBITDA			
Mobile	3,476	3,462	0.4%
Fixed and ADSL	(45)	(13)	na*
Total SFR	**3,431**	**3,449**	**−0.5%**
Capital expenditures, net (Capex net)	**1,020**	**1,133**	**−10.0%**
Cash flow from operations (CFFO)	**2,551**	**2,430**	**5.0%**
Mobile			
Customers (end of period, in thousands)(b)			
Postpaid	12,294	11,618	5.8%
Prepaid	6,472	6,265	3.3%
Total SFR trade name	**18,766**	**17,883**	**4.9%**
Wholesale customers total base (estimated)(c)	1,208	602	100.7%
Total SFR network	**19,974**	**18,485**	**8.1%**
3G customers (in thousands)	4,082	2,686	52.0%
Marketshare (customer base) (b)	33.9%	34.6%	−0.7pt
ARPU (in euros/year)(d)			
Postpaid	570	596	−4.4%
Prepaid	191	202	−5.4%
Total	**440**	**455**	**−3.3%**
Data ARPU (in euros/year)	**64**	**61**	**4.9%**
Text message (in billions)	7.3	6.3	15.2%
Data revenues compared to total mobile service revenues (in %)	13.7%	12.8%	+0.9pt
Acquisition costs of postpaid customers (euro per acquisition)	214	193	10.9%
Acquisition costs of prepaid customers (euro per acquisition)	25	23	4.9%
Cost of acquisition compared to total mobile service revenues (in %)	7.5%	6.0%	+1.5pts
Cost of retention compared to total mobile service revenues (in %)	5.3%	4.7%	+0.6pt
Fixed and ADSL			
ADSL customers based (in thousands)	415	ns**	na*
Voice customers number (in thousands)	2,036	ns**	ns*

* na: not applicable; **ns: not significant.

(a) Includes fixed and ADSL activities of the former Télé2 France, consolidated since July 20, 2007. For reference, revenues and EBITA from these activities amounted to €220 million and €5 million for the second half of 2006, respectively.

(b) Source: ARCEP.

(c) The estimated wholesale customers total base excludes pre-activations since January 1, 2007. Information provided for 2006 is consistent.

(d) ARPU (Average Revenue Per User) is defined as revenues net of promotions and net of third-party content provider revenues, excluding roaming revenues and equipment sales divided by the average ARCEP total customer base for the last twelve months.

Revenues

For the full year 2007, SFR's revenues increased by 3.9% to €9,018 million compared to 2006. Mobile revenues increased by 1.6% to € 8,785 million compared to 2006. Mobile service revenues increased by 0.9% to €8,382 million.

The favorable effects of an increase in the customer base along with growth in "voice" and "data" usage and the Enterprise segment dynamism were largely offset by strong cuts on mobile voice termination rates (21%) as of January 1, 2007, and on SMS termination rates (30%) as of mid-September 2006. SFR's ARPU decreased by 3.3% to €440 at the end of December 2007 (versus €455 at the end of December 2006).

Excluding the impacts of regulated tariff cuts, SFR mobile service revenues would have increased by 4.4%. In 2007, SFR added 883,000 net new customers, taking its registered customer base to 18.766 million, a 4.9% increase versus last year. The contract customer base grew by 5.8% year-on-year to 12.294 million (676,000 net additions), leading to an improved customer mix of 0.5 percentage point in one year.

In 2007, SFR confirmed its leadership in mobile broadband networks and services both in Enterprise Segment and Mass Market:

- SFR number one in network quality in 2007 ARCEP survey for the fourth consecutive year (SFR was rated first or first placed equal on 30 out of 32 criteria measured by Arcep);
- SFR leader in 3G/3G+ customer number with 4.1 million customers at the end of December 2007, compared to 2.7 million at the end of December 2006;
- Successful mobile Internet access offers with "Illimythics" launched in November 2007 and selected by more than 250,000 customers (more than 175,000 customers at the end of 2007) and more than 40,000 3G+ USB modems for laptops sold since July 2007; and
- Successful "Happy Zone" offer with more than 400,000 "Happy Zone" customers at the end of the year.

Despite the impact of the regulator's cut on SMS termination rates, net data revenues improved by 8.1% mainly due to interpersonal services (SMS and MMS), content (music, TV-Videos and games) and the development of mobile Internet and corporate segment operations. Net data revenues represented 13.7% of service revenues at the end of December 2007, compared to 12.8% at the end of December 2006. The number of text messages (SMS) sent by SFR customers grew by 15.2% on a year-on-year basis to 7.3 billion and revenues from data services, excluding SMS and MMS, increased by 21.4%.

Fixed and ADSL revenues reached €233 million, mainly reflecting the integration of Télé2 France since July 20, 2007. In total, SFR had 415,000 ADSL customers and 2.036 million fixed voice customers at the end of December 2007.

EBITA

SFR's mobile EBITDA increased by €14 million to €3,476 million. This increase was achieved due to a 0.9% increase in mobile service revenues and the strong control of other costs. It was, however, offset by a 2.1 percentage point increase in customer acquisition and retention costs to 12.8% of mobile service revenues (due to higher volumes of post-paid recruitments and retention initiatives and to the penetration of 3G devices among SFR's

customers). Mobile depreciation costs increased by €31 million following years of investment at very high levels, in particular in the deployment of 2G and 3G/3G+ networks.

SFR's fixed and ADSL EBITDA was -€45 million, and EBITA was -€64 million, reflecting the launch of SFR ADSL and the integration of Télé2 France operations.

SFR's EBITDA amounted to €3,431 million and EBITA amounted to €2,517 million, decreases of 0.5% and 2.6% respectively compared to 2006.

Cash flow from operations (CFFO)

Cash flows from operations amounted to €2,551 million, representing a 5.0% increase compared to 2006. This increase was mainly due to mobile EBITDA growth (+€14 million at €3,476 million) and the decrease in mobile net capital expenditure (-€170 million, i.e., -15.2% at €949 million) and was achieved despite the launch of SFR ADSL and the integration of Télé2 France operations.

Maroc Telecom (53% Vivendi Economic Interest)*

	Year Ended December 31,			
	2007	2006	% Change	% Change at Constant Currency
	(In millions of euros, except for margins)			
Revenues				
Mobile(a)	1,721	1,352	27.3%	29.6%
Fixed and Internet(a)	989	936	5.7%	7.5%
Elimination of intercompany transactions	(254)	(235)	−8.1%	−10.1%
Total Maroc Telecom	**2,456**(b)	**2,053**	**19.6%**	**21.8%**
EBITA	**1,091**	**912**	**19.6%**	**22.0%**
EBITA/Revenues (%)	**44.4%**	**44.4%**	—	
EBITDA	**1,397**	**1,194**	**17.0%**	**19.2%**
Capital expenditures, net (Capex, net)	**363**	**255**	**42.4%**	
Cash flow from operations (CFFO)	**1,001**	**943**	**6.2%**	
Data relating to the activities in Morocco				
Mobile				
Number of customers (end of period, in thousands)(c)	**13,327**	**10,707**	**24.5**	
% of prepaid customers	96%	96%		
Market share (as per ANRT)	**67%**	**67%**		
ARPU (in euros/month)(d)				
Postpaid	62.5	63.8	−2.0%	
Prepaid	7.5	7.9	−5.1%	
Total	**9.7**	**10.1**	**−4.0%**	
Churn rate (in %/year)				
Postpaid	14%	13%	+1pt	
Prepaid	26%	21%	+5pts	
Total	**25%**	**20%**	**+5pts**	
Fixed and Internet (in thousands)				
Number of lines(e)				
Residential	825	813	1.5%	
Public phone(f)	160	157	1.9%	
Professional and corporate	304	296	2.7%	
Total	**1,289**	**1,266**	**1.8%**	
Number of Internet subscribers	**476**	**391**	**21.7%**	
Number of ADSL subscribers	470	384	22.4%	

* *Since the agreement between Vivendi and Moroccan Caisse de Dépôt et de Gestion (CDG), Vivendi increased its stake in Maroc Telecom from 51% to 53% in December 2007. Please see "— Main Developments- Main Developments in 2007."*

(a) Revenues linked to incoming international traffic towards Maroc Telecom mobile and to outgoing international traffic from Maroc Telecom mobile has been directly accounted for in mobile operations since January 1, 2007, whereas it was previously accounted for as transit revenue in fixed and Internet operations. Information provided for 2006 is consistent. This has no impact on Maroc Telecom's global net revenues.

(b) Includes Onatel, consolidated since January 1, 2007 and Gabon Telecom, consolidated since March 1, 2007. Gabon Telecom accounts have not been restated according to the IFRS Standards, and will be in the first quarter

2008. For information, Onatel's and Gabon Telecom's aggregate revenues and EBITA amounted to €209 million and -€10 million in 2006, respectively.

(c) The customer base is calculated as the sum of prepaid customers giving or receiving a voice call during the last three months and the number of active postpaid customers.

(d) ARPU (Average Revenue Per User) is defined as revenues (from incoming and outcoming calls and data services), net of promotions, excluding roaming revenues and equipment sales, divided by the average customer base over the period.

(e) Excludes Internet customers.

(f) Includes "Téléboutique" lines and Maroc Telecom's public phones.

Revenues

For the full year 2007, Maroc Telecom's revenues increased by 19.6% to €2,456 million compared to 2006 (+10.5% at constant currency and at constant perimeter (Constant perimeter illustrates the full consolidation of Onatel and Gabon Telecom as if these transactions had occurred at the beginning of 2006 for Onatel and on March 1, 2006 for Gabon Telecom. Moreover, 2006 comparables of Onatel and Gabon Telecom have been restated of exceptional items and have been settled according to comparable accounting methods of those used for the 2007 closing)).

Mobile revenues

Mobile revenues grew by 27.3% to €1,721 million compared to 2006 (+21.4% at constant currency and at constant perimeter).

Despite increased competition, the customer base experienced strong growth and reached 13,327 million customers, a 24.5% increase compared to December 2006 (or a net increase of 2,620 million customers over the year 2007), driving the sharp evolution of mobile revenue.

The blended ARPU reached €9.6, a 4.9% decrease at constant currency compared to 2006, mainly due to a strong increase in the customer base. The average price decrease driven by promotional offers, in particular unlimited offers, allowed strong customer usage growth.

Fixed and Internet revenues

Fixed and Internet revenues grew by 5.7% to €989 million compared to 2006 (-6% at constant currency and at constant perimeter).

Fixed customer base reached 1.289 million lines, experiencing a net increase of 22,620 lines over the year due to the success of unlimited offers launched at the end of 2006. However, the average "voice" invoice amount decreased by 3.5% (at constant currency) over the same period. The ADSL customer base still experienced strong growth, due to the active promotions policy and reached 470,000 lines, displaying a net increase of more than 86,000 lines in 2007 and increasing by 22.4% compared to December 2006.

EBITA

Maroc Telecom's EBITA increased by 19.6% to €1,091 million compared to 2006 (+23.3% at constant currency and at constant perimeter).

This performance resulted from the combined effect of revenue growth (+10.5% at constant currency and constant perimeter), the control of acquisition costs in the context of steady growth in the mobile customer base and the control of operational expenses. Excluding exceptional provisions recorded in 2006 that were partially reversed in 2007, Maroc Telecom's EBITA increased by 17.4% at constant currency and at constant perimeter.

Mobile EBITA increased by 29.9% to €853 million compared to 2006 (+31.0% at constant currency and constant perimeter). Mobile activity evolution was driven by strong revenue growth (+21.4% at constant currency and constant perimeter) and by controlling costs in the context of sustainable mobile customer base growth. Fixed

and Internet EBITA decreased by 6.5% to €239 million compared to 2006 (+2.1% at constant currency and constant perimeter).

Cash flow from operations (CFFO)

Cash flow from operations amounted to €1,001 million, increasing by €58 million compared to 2006 (+6.2%). Cash flow from operations generated by EBITDA grew by 17.0% to €1,397 million. This growth was partly offset by the strong increase in net capital expenditures for €363 million (+42.4%) necessary in order to respond to the growth of the mobile (+24.5%) and the deployment (+12% in mobile prepaid, +17% in mobile postpaid and +27% in fixed), and to modernize and develop the existing network infrastructure in new subsidiaries acquired. As in 2006, the management of working capital was a matter of concern for Maroc Telecom with an improvement of €92 million in 2007, compared to €105 million in 2006.

Vivendi Games (100% Vivendi Economic Interest)

	Year Ended December 31,			
	2007	2006	% Change	% Change at Constant Currency
	(In € millions, except for margins)			
Revenues	**1,018**	**804**	**26.6%**	**33.5%**
EBITA	**181**	**115**	**57.4%**	**59.7%**
EBITA/Revenues (%)	**17.8%**	**14.3%**	**+3.5pts**	
EBITDA	**234**	**155**	**51.0%**	**55.1%**
Cash flow from operations (CFFO)	**283**	**115**	**146.1%**	
% sales				
Online games	77%	61%		
PC	6%	8%		
Console	15%	31%		
Other	2%	ns*		
Breakdown of revenues by geographical area				
North America	47%	51%		
Europe	41%	35%		
Asian Pacific and rest of the world	12%	14%		

Best-selling titles	2007	2006
	World of Warcraft	*World of Warcraft*
	World of Warcraft: The Burning Crusade	*Scarface*
	Crash of the Titans	*Ice Age 2*
	Spyro: The Eternal Night	*Eragon*
	F.E.A.R	*The Legend of Spyro*
	Timeshift	*F.E.A.R.*
	World in Conflict	*50 Cent: Bulletproof*

* *ns: not significant.*

Revenues

For the first time, Vivendi Games exceeded €1 billion in revenues. Vivendi Games' 2007 revenues of €1,018 million were 26.6% above the prior year (a 33.5% increase on a constant currency basis).

Blizzard Entertainment, Inc.'s revenues of €814 million were higher than 2006 (up 58%), while the Sierra Entertainment, Sierra Online and Vivendi Games Mobile revenues were lower at €204 million (-29%). Each of the business segments were impacted by unfavorable currency exchange movements.

Blizzard Entertainment's revenues increased strongly, driven by the continued momentum of *World of Warcraft*, its award-winning subscription-based massively multiplayer online role-playing game (MMORPG) and the very successful first quarter 2007 release of *World of Warcraft: The Burning Crusade*, Blizzard Entertainment's first *World of Warcraft* expansion. As a result of Blizzard's 2007 subscriber acquisition initiatives *World of Warcraft's* subscriber base increased by 2 million during the year, reaching more than 10 million players worldwide.

Sierra Entertainment's revenues were lower overall, while the Sierra Online and Vivendi Games Mobile divisions each showed growth. Sierra's 2007 PC and console releases, including *Crash of the Titans*, *Spyro: The Eternal Night*, *F.E.A.R.* expansion and compilations, *Timeshift* and *World in Conflict*, were not as strong as the 2006 release slate, which included *Scarface*, *Ice Age 2*, *Eragon*, *Spyro: A New Beginning* and *F.E.A.R.*

EBITA

2007 was an outstanding year for Vivendi Games. Revenues were over €1 billion for the first time. EBITA growth was very strong, 57.4% higher than the prior year (+59.7% at constant currency) at €181 million. Vivendi Games posted a 17.8% operating margin.

Blizzard Entertainment's EBITA (excluding allocation of Group costs to the different divisions (€84 million) (which include commercialization and support services)), reached €345 million, a 37% increase compared to 2006. Development costs at Sierra Entertainment, Vivendi Games Mobile and Sierra Online created an overall negative impact4 of €80 million.

Blizzard Entertainment's full year EBITA performance was driven by the continued momentum of *World of Warcraft*, including the very successful release of *World of Warcraft: The Burning Crusade*. Following the launch of this expansion pack in the first quarter of 2007, the *World of Warcraft* subscriber base increased to over 10 million subscribers worldwide by the end of the fourth quarter of 2007. EBITA was also impacted by higher compensation costs related to talent retention plans and by the current development of *World of Warcraft: Wrath of the Lich King* and of *StarCraft II*.

Cash flow from operations (CFFO)

Vivendi Games' cash flow from operations was €283 million, more than double compared to 2006. This strongly increased performance was primarily due to the higher operating performance of Blizzard's *World of Warcraft*, excluding non-cash charges for stock-based compensation. Also, working capital was favorably impacted by the timing of new releases, as 2007 included the very successful release of *World of Warcraft: The Burning Crusade* in the first quarter of 2007, while 2006 was heavily dependant on revenues from releases in the fourth quarter. Additionally, capital expenditures were lower in 2007, as 2006 included investments in server upgrades and additional capacity for *World of Warcraft* in preparation for the 2007 launch of *The Burning Crusade.* Partially offsetting these favorable impacts were higher expenditures for Sierra's advances to external developers and lower collections of World of Warcraft deferred revenues.

Holding & Corporate

	Year Ended December 31,	
	2007	**2006**
	(In € millions)	
EBITA	**(81)**	**(113)**
Cash flow from operations (CFFO)	**(123)**	**(279)**

EBITA

Holding & Corporate EBITA amounted to an expense of −€81 million, a €32 million increase compared to 2006. This increase was primarily due to the favorable impact of the settlement in Vivendi S.A.'s favor in February 2007 of a litigation instigated by it regarding its right to deduct VAT. This resulted in the recognition of income of €73 million, comprising the repayment of amounts paid following a tax audit of €50 million and reversals of provisions recorded in respect of fiscal years open to audit of €23 million. In addition, in 2007, EBITA included the positive impact of the sale of residual real estate assets in Germany (€59 million according to provisions previously recorded), and the non-recurring gains resulting from actions implemented as part of the management of retirement pension obligations (€19 million, compared to €56 million in 2006), offset by the impact of certain legal proceedings for −€84 million.

Cash flow from operations (CFFO)

Cash flow from operations amounted to −€123 million in 2007 compared to −€279 million in 2006, representing a €156 million increase. In 2007, it notably included the repayment of tax payments previously made by Vivendi S.A. following the settlement in Vivendi's favor of the litigation instigated by it concerning its right to deduct VAT (+€50 million). In 2006, it included the payment made for the transfer of certain US pension plan obligations by Holding & Corporate (−€152 million).

Non Core Operations and Others

	Year Ended December 31,	
	2007	2006
	(In € millions)	
Revenues		
Non core operations and others	11	29
Elimination of intersegment transactions	(79)	(105)
Total revenues	**(68)**	**(76)**
EBITA	**(11)**	**54**
Cash flow from operations (CFFO)	**(12)**	**14**

Revenues

Non core and others revenues amounted to €11 million (compared to €29 million in 2006), representing an €18 million decrease, following the change in the scope of consolidation.

EBITA

Non core and others EBITA amounted to -€11 million (compared to €54 million in 2006), representing a €65 million decrease. In 2006, EBITA was attributable to capital gains realized on the sale of real estate at La Défense (€32 million).

Treasury and Capital Resources

The analysis of Vivendi's financial position is based on the analysis of changes in the group's Financial Net Debt, as defined hereafter (please refer to the preliminary comments below), and the Consolidated Statement of Cash Flows. Cash flow information is useful to users of financial statements as it provides a basis for assessing Vivendi's ability to generate sufficient cash for its operations as well as its ability to use such cash. The Statement of Cash Flows, when used in conjunction with the other financial statements, provides information that enables users to assess changes in the group's net assets and its financial structure (including its liquidity and solvency). The Statement of Cash Flows reports cash flows resulting from operating, investing and financing activities. The

analysis of Vivendi's financial position is also based on an analysis of the main characteristics of the group's financing activities (maturity, rating, financial covenants, etc.). This analysis consists of the following elements:

- changes in Financial Net Debt (Paragraph 5.1);
- analysis of Financial Net Debt (Paragraph 5.2); and
- main financing characteristics (Paragraph 5.3).

Vivendi believes that cash generated by its operations, cash and cash equivalents and the amounts available through its credit lines, including those under the process of syndication, will be sufficient to finance its operating expenses, capital investment needs, debt service, dividend payments and transactions underway as of December 31, 2007.

In addition, as part of the takeover of Neuf Cegetel by SFR and in order to preserve its strategic and financial flexibility, Vivendi plans to raise €1 to €2 billion from its shareholders at the appropriate time. The definitive amount of this capital increase and the precise timetable will depend on market conditions.

Overview

- Vivendi considers Financial Net Debt, a non-GAAP measure, to be an important indicator measuring Vivendi's indebtedness. Financial Net Debt is calculated as the sum of long-term and short-term borrowings and other long-term and short-term financial liabilities as reported on the Consolidated Statement of Financial Position, less cash and cash equivalents as reported on the Consolidated Statement of Financial Position as well as derivative financial instruments in assets and cash deposits backing borrowings (included in the Consolidated Statement of Financial Position under "financial assets"). Financial Net Debt should be considered in addition to, not as a substitute for, Vivendi's borrowings and other financial liabilities and cash and cash equivalents reported on the Consolidated Statement of Financial Position, as well as other measures of indebtedness reported in accordance with GAAP. Vivendi Management uses Financial Net Debt for reporting and planning purposes, as well as to comply with certain of Vivendi's debt covenants.
- In addition, cash (and cash equivalents) is not fully available for debt repayments since it is used for several purposes, including but not limited to, acquisitions of businesses, capital expenditures, dividends, contractual obligations and working capital.
- Furthermore, Vivendi S.A. centralizes daily cash surpluses (cash pooling) of all controlled entities which do not have a significant minority shareholder and which are not subject to local regulations restricting the transfer of financial assets. In such cases, cash surpluses are not pooled daily by Vivendi S.A. but rather distributed via dividend, or, as the case may be, used to finance investments of the subsidiary.

Financial Net Debt changes

In 2007, Financial Net Debt amounted to €5,186 million (compared to €4,344 million as of December 31, 2006).

	Refer to Note in Consolidated Financial Statements	At December 31, 2007	At December 31, 2006
		(In € millions)	
Borrowings and other financial liabilities		7,376	7,315
of which long-term(a)	22	5,610	4,714
of which short-term(a)	22	1,766	2,601
Derivative financial instruments in assets(b)	15	(69)	(52)
Collateralized cash received from Lagardère(b)	15	—	(469)
Cash deposits backing borrowings(b)	15	(72)	(50)
		7,235	**6,744**
Cash and cash equivalents(a)	17	(2,049)	(2,400)
Financial Net Debt		**5,186**	**4,344**

(a) As presented in the Consolidated Statement of Financial Position.

(b) Included in the Financial Assets item of the Consolidated Statement of Financial Position.

In 2007, Financial Net Debt increased by €842 million, mainly due to the adverse impact of non-cash activities (€491 million).

- Net cash used during the period amounted to €351 million, reflecting net cash provided by operating activities in the amount of €5,094 million, more than offset by net cash used for investing activities (€1,675 million, including €1,626 million due to capital expenditures, net, and €846 million due to financing investments, including Télé2 France for €313 million, partially offset by disinvestment of €456 million), and net cash used for financing activities (€3,759 million, including the dividend paid by Vivendi S.A. to its shareholders in the amount of €1,387 million, the dividends paid by the consolidated subsidiaries to their minority shareholders amounting to €1,048 million and the repayment net of borrowings amounting to €1,046 million).

- Non-cash activities impacting Financial Net Debt amounted to €491 million. These mainly included the recognition of the put options granted to TF1 and M6 on their 15% interest in Canal+ France (€1,034 million — refer to "Main Developments — Main Developments in 2007"), the elimination of the cash received from Lagardère (€469 million; see above table) that was deducted from Financial Net Debt as of December 31, 2006, the inclusion of the financial debt of recently acquired companies (€291 million), the impact of the early settlement of rental guarantees related to the last three buildings in Germany (€180 million, net of related cash deposits), and the net decrease in borrowings (€1,046 million).

	Cash and Cash Equivalents	Borrowings and Other(a)	Impact on Financial Net Debt
		(In € millions)	
Financial Net Debt as of December 31, 2006	**(2,400)**	**6,744**	**4,344**
Outflows/(inflows) generated by:			
Operating activities	(5,094)	—	(5,094)
Investing activities	1,675	510	2,185
Financing activities	3,759	(24)	3,735
Foreign currency translation adjustments	11	5	16
Change in financial net debt over the period	351	491	842
Financial Net Debt as of December 31, 2007	**(2,049)**	**7,235**	**5,186**

(a) "Other" comprises commitments to purchase minority interests, derivative financial instruments and cash deposits backing borrowings.

Analysis of Financial Net Debt changes

In 2007, the analysis of financial net debt changes is presented as follows:

	Refer to Section	Year Ended December 31, 2007		
		Impact on Cash and Cash Equivalents	Impact on Borrowings and Other	Impact on Financial Net Debt
			(In € millions)	
EBIT	2	(4,386)	—	(4,386)
Adjustments		(1,857)	—	(1,857)
Content investments, net		97	—	97
Gross cash provided by operating activities before income tax paid		**(6,146)**	—	**(6,146)**
Other changes in networking capital		(20)	—	(20)
Net cash provided by operating activities before income tax paid	3	**(6,166)**	—	**(6,166)**

	Refer to Section	Year Ended December 31, 2007 — Impact on Cash and Cash Equivalents	Impact on Borrowings and Other	Impact on Financial Net Debt
		(In € millions)		
Income tax paid	3	1,072	—	1,072
Operating activities	**A**	**(5,094)**	—	**(5,094)**
Financial investments				
Purchases of consolidated companies, after acquired cash	1.1.1	398	291	689
of which consolidation of TPS by Canal + Group (January)		(81)	17	(64)
of which consolidation of Onatel by Maroc Telecom (January)		(6)	60	54
of which acquisition of Gabon Telecom by Maroc Telecom (February)		26	80	106
of which acquisition of Télé2 France by SFR (July)		313	2	315
of which acquisition of Sanctuary by UMG (August)		56	107	163
Purchase of investments in equity affiliates		254	—	254
of which capital increase subscribed of NBC Universal		176	—	176
Increase in financial assets		194	(70)	124
Total financial investments		**846**	**221**	**1,067**
Financial divestments				
Proceeds from sales of consolidated companies, after divested cash		(304)	280	(24)
of which unwinding of the cash collateral related to the creation of Canal+ France (January)	1.1.1	(469)	469	—
of which vendor warranty related to the divestiture of Xfera in 2003 (July)		71	—	71
of which early settlement of rental guarantees related to the last three buildings in Germany (November)	1.13	120	(180)	(60)
Sales of investments in equity affiliates		(23)	9	(14)
Decrease in financial assets		(129)	—	(129)
of which repayment of the advance paid to TFI and M6 related to the creation of Canal+ France (January)	1.1.1	(150)	—	(150)
Total financial divestments		**(456)**	**289**	**(167)**
Financial investment activities		**390**	**510**	**900**
Dividends received from equity affiliates	3	(340)	—	(340)
of which NBC Universal		(305)	—	(305)
Dividends received from unconsolidated companies	3	(1)	—	(1)
Investing activities excluding capital expenditures and proceeds from sales of property, plant equipment and intangible assets, net		**49**	**510**	**559**
Capital expenditures		1,647	—	1,647
Proceeds from sales of property, plant, equipment and intangible assets		(21)	—	(21)
Capital expenditures, net	3	**1,626**	—	**1,626**
Investing activities	**B**	1,675	510	2,185

	Refer to Section	Year Ended December 31, 2007 Impact on Cash and Cash Equivalents	Impact on Borrowings and Other	Impact on Financial Net Debt
			(In € millions)	
Transactions with shareholders				
Net proceeds from issuance of common shares		(149)	—	(149)
of which exercise of stock options by executive management and employees		(117)	—	(117)
of which capital increase subscribed by employees in connection with the stock purchase plan		(31)	—	(31)
(Sales) purchases of treasury shares		212	—	212
of which acquisition to exchange for an additional 2% interest in Maroc Telecom	1.1.1	214	—	214
Dividends paid by Vivendi SA, €l20 per share (April)	1.1.4	1,387	—	1,387
Dividends paid by consolidated companies to their minority shareholders		1,048	—	1,048
of which SFR		710	—	710
of which Maroc Telecom		303	—	303
Total dividends and other transactions with shareholders		***2,498***	—	***2,498***
Transactions on borrowings and other financial liabilities				
Setting up of long-term borrowings and increase in other long-term financial liabilities		(758)	758	—
Principal payments on long-term borrowings and decrease in other financial liabilities		180	(180)	—
Principal payments on short-term borrowings		1,805	(1,805)	—
Other changes in short-term borrowings and other short-term financial liabilities		(181)	181	—
Non cash transactions		—	1,022	1,022
of which put options granted to TFI and M6 on their interest in Canal+France	1.1.1	—	1,034	1,034
Interest paid	3	191	—	191
Other cash items related to financial activities	3	24	—	24
Total transactions on borrowings and other financial liabilities		**1,261**	**(24)**	**1,237**
Financing activities	**C**	**3,759**	**(24)**	**3,735**
Foreign currency translation adjustments	**D**	11	5	16
Change in Financial Net Debt	**A+B+C+D**	**351**	**491**	**842**

For further information about net cash provided by operating activities before income tax paid, income tax paid and capital expenditures, net, please refer to "Cash Flow from Operations Analysis".

Main Financing Characteristics and Credit Ratings

Financing Put in Place after December 31, 2007

On February 27, 2008, in anticipation of financing requirements resulting from the transactions involving Activision and Neuf Cegetel, Vivendi entered into a new €3.5 billion syndicated loan underwritten by a pool of banks. This new facility consists of 3 tranches:

- a €1.5 billion tranche under a bridging loan repayable with capital raised through a rights issue in the approximate same amount to be carried out upon completion of the acquisition of Neuf Cegetel. This credit line will be available following the approval by the authorities of merger control regulations regarding the acquisition of shares held by the Louis Dreyfus Group; and

- a €2 billion tranche under a "revolver" facility, half of which will be available during a three year period and the other half during a five year period. These credit lines should be available as of February 29, 2008.

Available Undrawn Facilities as of February 26, 2008

• **Vivendi S.A.**

As of February 26, 2008, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2007, Vivendi had available two syndicated loan facilities in the amount of €2 billion each:

- The first, maturing on April 2012; and
- The second, maturing on August 2012, can be extended by one year, subject to the approval of the lenders.

Considering the amount of Vivendi treasury notes outstanding on that day, these two syndicated loans were available in an aggregate amount of €3,882 million.

• **SFR**

As of February 26, 2008, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2007, SFR had available a credit line of €1.2 billion (maturing April 2011) and a credit line of €450 million (maturing November 2012). Considering the amount of SFR treasury notes outstanding on that day, the two credit lines were available in an aggregate amount of €157 million.

Credit Ratings

As of February 26, 2008, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2007, the credit ratings were as follows:

Rating Agency	Rating Date	Type of Debt	New Ratings		Outlook
Standard & Poor's . .	July 27, 2005	Long-term *corporate*	BBB	}	
		Short-term *corporate*	A-2	}	Stable
		Senior unsecured debt	BBB	}	
Moody's	September 13, 2005	Long-term senior unsecured debt	Baa2		Stable
Fitch Ratings	December 10, 2004	Long-term senior unsecured debt	BBB		Stable

Average Maturity

The average term of the different instruments included in Vivendi's consolidated debt may be assessed using two methodologies:

- The "accounting" average term takes into account short-term draw-downs on medium-term credit lines for the term of the short-term draw-down. At the end of 2007, the "accounting" average term of Vivendi Group debt was 2.7 years (compared to 3 years at the end of 2006).
- The "economic" average term considers that all undrawn amounts on available medium-term credit lines may be used to repay group borrowings with the shortest term. As of December 31, 2007, under this definition, the average term of Vivendi's consolidated debt was 4.2 years (compared to 4.9 years at the end of 2006).

Description of Main Covenants

Vivendi and its subsidiary SFR are subject to certain financial covenants which require them to maintain various financial ratios computed at the end of each half-year, as described hereunder. As of December 31, 2007, Vivendi and SFR were in compliance with applicable financial ratios.

• *Loans*

Regarding Vivendi, the two syndicated facilities (each in the amount of €2.0 billion, set up in April 2005 and in August 2006) contain customary provisions related to events of default and restrictions in terms of negative pledge

and divestiture and merger transactions. In addition, Vivendi is required to maintain a ratio of Proportionate Financial Net Debt to proportionate EBITDA at a maximum of three for the duration of the loan. "Net Debt" is defined as Vivendi Financial Net Debt less the share of Financial Net Debt attributable to minority shareholders of SFR and Maroc Telecom. "EBITDA" is defined as Vivendi modified EBITDA less modified EBITDA attributable to minority shareholders of SFR and Maroc Telecom plus the dividends received from entities that are not consolidated.

Regarding SFR, the two credit lines (€1.2 billion and €450 million) contain customary default, negative pledge and merger and divestiture restrictions. These facilities are subject to a change in ownership clause. In addition, SFR must comply at the end of each semester with the two following financial ratios: (i) a ratio of Financial Net Debt to EBITDA not exceeding 3.5: 1 and (ii) a ratio of Earnings from operations to Net Financing costs (interest) equal to or greater than 3: 1.

Lastly, on January 4, 2005, SPT "Société de Participations dans les Télécommunications" issued a MAD 6 billion facility to finance the acquisition of an additional 16% of Maroc Telecom. The borrowing is comprised of two tranches: a MAD 2 billion tranche that was early terminated in May 2006 and a MAD 4 billion tranche with a 2011 maturity date. In connection therewith, Vivendi has granted a security (jointly liable guarantee) to SPT which contains the same financial ratios as those included in the €2 billion syndicated loan, set up in April 2005.

- *Bonds*

Bonds issued by Vivendi (total of €2,926 million as of December 31, 2007) and its subsidiary SFR (€1,000 million as of December 31, 2007) contain customary provisions related to default, negative pledge and rights of payment (pari-passu ranking). In addition, the last two bonds issued in October 2006 by Vivendi for a total amount of €1.2 billion, contain a change-of-control trigger if their rating is downgraded below investment grade status (Baa3/BBB-) as a result of such an event.

Financial Net Debt of SFR and Maroc Telecom

As of December 31, 2007, the Financial Net Debt of SFR amounted to €2,813 million (compared to €2,233 million as of December 31, 2006) and included borrowings of €2,982 million (compared to €2,346 million as of December 31, 2006). As of December 31, 2007, borrowings notably included a revolving credit facility of €700 million, with a margin of 0.15% based on the Euribor rate, granted by Vivendi S.A. to SFR as of December 31, 2006 for a period three years. In addition, on January 2008, SFR paid its fourth interim dividend with respect to fiscal year 2007 (€448 million, of which €197 million was paid to Vodafone). As of December 31, 2007, Maroc Telecom's positive net cash position was €126 million (compared to €241 million as of December 31, 2006).

BUSINESS

Description Of The Group

Vivendi is a leader in digital entertainment with operations in music, television, cinema, mobile, Internet and games. The group's companies are all leaders in their respective fields:

- *Universal Music Group:* the world's No. 1 music content company, selling more than one out of every four albums worldwide, with significant positions in the digital music market;
- *Canal+ Group:* a major player in premium and theme channel distribution and programming in France with more than 10.5 million subscriptions to its pay-TV offerings and a major player in the financing, acquisition and distribution of motion pictures in France and the rest of Europe;
- *SFR:* France's No. 2 mobile telecommunications operator, with approximately 18.8 million customers, which holds an approximate 40% interest in Neuf Cegetel, France's No. 2 fixed-line telecommunications operator;
- *Maroc Telecom:* Morocco's leading mobile, fixed-line and Internet access operator with 13.3 million mobile customers and approximately 1.3 million fixed lines;
- *Vivendi Games:* the world's No. 1 player in the massively multiplayer online role-playing (MMORPG) games category with more than 10 million subscribers worldwide.

Vivendi owns 20% of NBC Universal, one of the world's leading media companies, which is engaged in a variety of businesses, including the production of live and recorded television programs, the production and distribution of motion pictures and the operation of theme parks.

Strategy

Vivendi is a world leader in digital entertainment. Vivendi's strategy is to expand its business operations in content creation and distribution as well as its digital services. The entertainment industry is a fast-growing sector driven by the evolution of consumer leisure time (including changing lifestyles, increased life expectancy and the development of leisure activities), an increased desire for unique experiences, and new technologies that provide quality digital content any time, anywhere at decreasing prices. Leisure activities are considered to be "very important" by 35% of the world's population (from 14% in China to 55% in Sweden, 45% in the United Kingdom, 43% in the United States and 31% in France (Human Beliefs and Values: a Cross-Cultural Sourcebook: Inglehart, Basanez and Moreno, The University of Michigan Press)). Entertainment has become a key component of everyday life to which consumers allocate an ever-increasing share of their budget. All of Vivendi's businesses aim to meet the growing demand for entertainment-related products and services and are positioned take advantage of this profitable and important source of growth.

The strengthening of Vivendi's businesses leadership positions on their respective markets is facilitated by their belonging to the group. Vivendi is well positioned to facilitate large investments made by its subsidiaries such as the Canal+/TPS merger, the development of the *World of Warcraft* game, the development of 3G services, the acquisition of BMG Music Publishing, the proposed combination of Vivendi Games and Activision and the proposed acquisition of the Louis Dreyfus Group's stake in Neuf Cegetel by SFR.

Vivendi's businesses share important common denominators; they leverage strong brands (Universal Music, Canal+, SFR, Maroc Telecom and Blizzard) to reach their final customers, and they offer their customers creative digital content on a subscription basis. These denominators give Vivendi a strong competitive advantage; in particular, they allow the group, through the exchange of know-how and technology, to develop substantial expertise in subscriber management, brand management, distribution platforms, content creation, copyrights and digital technologies. The digitization of content and the development of consumer networks (driven by shared tastes and preferences), combined with the increasing development and adoption of broadband distribution technologies, pose major new challenges and opportunities. Vivendi's strength lies in anticipating consumer needs, identifying future growth drivers for the group and reinforcing its businesses.

Highlights

2007 Highlights

January

- Vivendi and the Canal+ Group announce the creation of Canal+ France following the merger of the pay-TV assets of the Canal+ Group and TPS. In this transaction, TF1 and M6 contribute TPS to Canal+ France in exchange for 15% (9.9% and 5.1%, respectively) of the newly-formed entity. Concurrently, Lagardère contributes its 34% interest in CanalSat and an additional cash payment to acquire 20% of Canal+ France. Canal+ France, controlled exclusively by Vivendi through the Canal+ Group, is a leading French player in the audiovisual market comparable in size to the largest European media companies.
- CanalSat Mobile and SFR strengthen their partnership by offering the first unlimited TV package on Vodafone *live!* This service provides customers with unlimited access to over 40 live channels offered by CanalSat Mobile on SFR mobile phones.
- Blizzard Entertainment (a division of Vivendi Games) releases *World of Warcraft: The Burning* Crusade, the first expansion pack of its *World of Warcraft* game. Almost 2.4 million copies of *The Burning Crusade* were sold in just 24 hours and, at the end of the first day of sales, more than 1.7 million players logged on to play the new version online. *World of Warcraft* passes the 8 million-player mark worldwide and establishes new regional records, with more than 2 million players in North America, more than 1.5 million players in Europe and more than 3.5 million players in China.

February

- The Césars, the French film awards, single out three StudioCanal films: *Je Vais Bien, Ne T'en Fais Pas* (Most Promising Actress and Best Supporting Actor), *Days of Glory* (Best Original Screenplay) and *Orchestra Seats* (Best Supporting Actress).
- Maroc Telecom acquires 51% of Gabon Telecom, Gabon's historical telecommunications operator, after an international call for tenders. Gabon Telecom has approximately 250,000 mobile phone customers (representing an approximate 30% market share) and more than 30,000 fixed-line subscribers (based on Gabon Telecom estimates at year-end 2006).
- Blizzard Entertainment (a division of Vivendi Games) and The9 enter into an agreement for the operation of *World of Warcraft: The Burning Crusade in China*.

March

- CanalSat launches its new offering with nearly 300 channels and services, 55 of which are broadcast exclusively via satellite and ADSL. CanalSat subscribers benefit from an enhanced film offering and have access to twelve new channels.
- The Canal+ Group obtains exclusive broadcasting rights for the French Top 14 rugby matches for the next four seasons.
- SFR launches "Happy Zone", a new offering which provides a simple and competitive offer to all those who want unlimited voice calls to fixed-lines via their mobile phones made while at their home.

April

- The Canal+ Group and SFR launch Canal+ Chaîne Mobile, a new channel for mobile phones, available 24 hours a day, 7 days a week on Vodafone live! Canal+ Chaîne Mobile enables SFR clients to watch live all unscrambled Canal+ programs as well as special sports programming, including the J*ournal du Sport*, the French League 1 football results, the Top 5 goals of Calcio (the Italian league), and multi-broadcasting of unscrambled programs.
- In addition to "Happy Zone", SFR launches SFR "Happy Zone + ADSL", which offers unlimited calls from home and close to home as well as ADSL access (including voice over IP and television) with SFR quality and continuity of service between PC and mobile devices.

- Maroc Telecom begins the installation of Atlas Offshore, an underwater cable network between Morocco and France. This optic fiber cable network, with an initial capacity of 40 Gbit/s (expandable to 320 Gbit/s), enhances Maroc Telecom's ability to meet the growing demand for international capacity, in particular the needs of foreign companies in Morocco, and the increasing use of services such as Internet driven by ADSL.

May

- Universal Music Group (UMG) completes the acquisition of BMG Music Publishing (BMGP). Already number one worldwide in recorded music, UMG takes the lead in music publishing.
- Maroc Telecom launches its mobile virtual network operator, Mobisud, in Belgium. Thanks to Mobisud, which uses Belgacom's network, communications between Belgium and Morocco become easier and more accessible. Mobisud's services have been available in France since December 2006 and in Morocco since March 1, 2007.
- Eight months after its release, the game *Scarface: The World Is Yours* sells more than 2 million copies. Published by Sierra Entertainment (a division of Vivendi Games) for PC, PS2 and Xbox, *Scarface: The World Is Yours* is based on the character created by Brian de Palma.

June

- R&B artist, Akon (SRC/Universal Motown Recording, a UMG label), sells more than 11 million master-tones, breaking all historical records.
- The Canal+ Group launches TNTSat, which provides access to free digital terrestrial television (DTT) channels via satellite; in areas with no DTT airwave broadcast coverage, viewers will be able to access the 18 free DTT channels by satellite. The pilot phase starts in the Metz basin in Lorraine, then the Var region, around Draguignan in a second stage.
- SFR launches its 3G+ Internet key which provides immediate access to mobile Internet for all portable PCs. The 3G+ Internet key is simply connected to the USB port of any PC and requires no installation.
- Maroc Telecom launches Internet access service on its 3G network.

July

- UMG and Chinese label Dong Music International enter into an exclusive agreement for the promotion and development of Dong Music's artist roster throughout the world. Under the terms of the agreement, UMG holds the physical and digital licensing and distribution rights to the Dong Music catalog.
- SFR launches its best of the web mobile offer (Dailymotion, MySpace, YouTube, eBay, Windows Live Messenger and Google Maps) with set rates and a format adapted to mobile screens.
- SFR closes the acquisition of the fixed-line and ADSL activities of Tele2 France. This transaction, a major step for SFR, enables it to continue and accelerate its development. With this transaction, SFR acquires approximately 350,000 ADSL customers and 2.3 million fixed-line customers.

August

- UMG completes the acquisition of the Sanctuary Group plc (Sanctuary), a company with operations encompassing recorded music, merchandising and artist services including artist management and live agency.
- StudioCanal and Universal announce the formation of a joint venture for video marketing and distribution. It is anticipated that Universal StudioCanal Vidéo GIE will be one of the leaders in the French market of video distribution. By pooling their know-how in sales, marketing and distribution, StudioCanal and Universal will strengthen their presence in a market of more than €1.5 billion.
- The Canal+ Group and Disney-ABC International Television announce the signing of a new agreement for video — on-demand (VOD) distribution of recently released films and films from a library with more than 170 titles.

September

- After joining forces with TPS, CanalSat offers the best television offering in the market with approximately 300 channels and services by satellite (more than 100 channels by ADSL). New channels are added to the package, including, Disney Cinemagic (the best of Disney) and Planète Justice. CanalSat also develops its high-definition offerings with 10 HD channels, including Sci Fi, 13ème Rue and National Geographic.
- SFR launches HSUPA (High Speed Uplink Packet Access) which offers communication sessions from handset to network at speeds greater than 1Mb/s. This evolution of the 3G+ network, which will be deployed in France's major cities in the first half of 2008, will offer even more innovative 2.0 mobile Internet services to SFR customers.

October

- Vivendi increases its stake in Maroc Telecom, Morocco's leading mobile and fixed-line telecommunications and Internet access operator, by 2% to hold a 53% interest.
- Canal+ Le Bouquet enhances its offerings with the launch of Canal+Family, the first channel devoted to families and children. Canal+Family is a commercial-free family channel, which offers carefully selected programs to its viewers.
- SFR Entreprises launches "SFR One Solution", a comprehensive fixed and mobile package adjusted to the various degrees of mobility of corporate users, which supplements its voice solution packages.
- SFR enhances its ADSL offering with the launch of combined offers: "ADSL Box + 3G+ Internet key" and "ADSL Box + Mobile" — the first quadruple play package (mobile, Internet, unlimited telephony and television) sold in France through a unique offering.

November

- Deutsche Grammophon (a UMG label) launches DG Web Shop (www.dgwebshop.com) and becomes the first classical label to make a large part of its vast catalogue available online for download. With this site, fans of classical music in 40 countries will be able to legally download classical music of a high technical quality.
- SFR launches its "Illimythics" package which democratizes 3G+ mobile Internet usage. For the first time, an operator is providing all mobile Internet services (including surfing, messaging, music and live television) without restrictions on time or download volumes.
- For the fourth consecutive year, the survey conducted in 2007 by the *Autorité de Régulation des Communications Electroniques et des Postes* (the French telecommunications regulator, ARCEP) on the quality of mobile networks in France ranks SFR No. 1 in quality of service for voice communications and multimedia services simultaneously on its 2G and 3G/3G+ networks. SFR ranks first or ties for first in 30 out of the 32 criteria measured by ARCEP.

December

- Vivendi and Activision announce their intention to create Activision Blizzard, the world's largest and most profitable pure-play video game company. The entity resulting from this transaction will combine Activision's successful games — *Guitar Hero, Call of Duty, Tony Hawk* — with the portfolio of games for PC and online games of Blizzard Entertainment (a division of Vivendi Games), including *World of Warcraft*, the world's No. 1 subscription-based massively multi-player online role-playing game, as well as other franchises *StarCraft, Diablo* and *Warcraft*.
- Vivendi and its subsidiary SFR announce that they reached an agreement with the Louis Dreyfus group, pursuant to which SFR would acquire Louis Dreyfus group's approximate 28% stake in Neuf Cegetel. SFR would then launch a tender offer for the remaining Neuf Cegetel shares. This transaction constitutes an important step in SFR's strategy. It will give SFR sizeable investment capacity in optic fiber and accelerate its strategy of fixed-line/mobile convergence, while enabling it to integrate a growing asset.

- The Canal+ Group enters into an agreement to acquire Occade Sport, a company specialized in the organization of sporting events. The aim is to consolidate Canal+ Group's presence in the world of sports and to expand its activities in the production and programming of sporting events through the acquisition of a recognized player in the sector.
- SFR is the leader in net sales in metropolitan France for 2007.
- SFR exceeds 350,000 subscribers for its television packages on 3G/3G+ mobile phones at year-end 2007, compared to 70,000 at year-end 2006 (a five-fold increase in one year). The considerable growth in the number of subscribers in 2007, and particularly in the last quarter of the year, can be explained by the breadth of SFR's television product offerings and by the success of the new unlimited formulas (SFR Illimythics).
- In 2007, SFR Music strengthens its No. 1 position as leading mobile music platform in France and becomes No. 1 in terms of volume of digital tracks in the last quarter of 2007.
- Maroc Telecom passes the 12 million mobile customer mark.
- Blizzard Entertainment's *World of Warcraft* surpasses 10 million subscribers worldwide.

2008 Highlights

January

- In anticipation of financing requirements associated with the transactions involving Activision and Neuf Cegetel, Vivendi enters into a commitment for a €3.5 billion syndicated loan underwritten by a pool of banks. These new sources of financing supplement credit lines in the amount of €4 billion (maturing in 2012) and available cash of more than €1 billion at year-end 2007. They will enable Vivendi to have the complete security and flexibility to meet its future commitments.
- Universal Music Publishing Group (UMPG) and the French *Société des Auteurs, Compositeurs et Editeurs de Musique* (SACEM), the French society of writers, composers and publishers of music announce that they have entered into an agreement to set up a joint framework for the licensing and administration of rights relating to multi-territory online and mobile exploitation in Europe.
- StudioCanal announces the proposed acquisition of Kinowelt, Germany's leading independent group specializing in film acquisition and distribution. With Kinowelt, StudioCanal will be the European leader in film distribution and will join the American majors as the only companies to offer an all-media distribution network (theaters, video, audiovisual and VOD) covering a population of more than 230 million people in the UK, France and Germany.
- SFR and Assus launch "Eee PC + Internet 3G+ Key" the first package combining an ultra compact PC and unlimited Internet access for less than €200.
- Maroc Telecom launches 3G+ services in the major cities of Morocco, for both post-paid and prepaid customers, and new innovative and attractive offerings, which supplement the 3G+ Internet. Due to 3G+ technology, Maroc Telecom customers are entering a new communication era and enjoy a wide range of valuable services (including videophone service, high-speed mobile Internet, emails and multimedia content access).

February

- The 50th Grammy Awards again recognize UMG artists, who win 38 awards, including some of the most prestigious. Amy Winehouse (Universal Republic/Island Records UK) wins five awards: Record of the Year, Song of the Year and Best Female Pop Vocal performance for her song "Rehab"; Best Pop Vocal Album for her album *Back to Black*; and Best New Artist of the Year. The Album of the Year award goes to *River: The Joni Letters* by Herbie Hancock (Verve). Kanye West (Rock-A-Fella Records) wins four awards including Best Rap Album of the Year for Graduation.
- UMG exceeds one billion videos streamed on its YouTube channel. The UMG channel becomes one of the most popular video channels on YouTube.

- UMG and Univision Communications Inc., the leading Spanish-language media company in the US, announce a definitive agreement under which UMG will acquire Univision Music Group, including its music recording and publishing division. The acquisition is subject to regulatory approvals and customary closing conditions.

- The Canal+ Group acquires the rights for nine of the ten television packages of French League 1 football for the four seasons 2008-2012. With these packages, the Canal+ Group continues to be the biggest promoter of French League 1 football, providing its unique programming know-how: expertise of its editorial staff, prestigious consultants, technological innovations and production standards on par with the world's great competitions.

- The Canal+ Group exceeds 250,000 customers for its mobile TV services Canal+ Mobile and CanalSat Mobile.

- SFR and TomTom, the world's biggest provider of portable GPS navigation solutions, enter into an exclusive partnership to bring TomTom High-Definition (HD) Traffic to France. Traffic data is securely transferred to TomTom devices in real time through SFR's patented machine-to-machine solution.

- Vivendi Mobile Entertainment launches the beta version of zaoza.com for its 100,000 VIP subscribers. Zaoza is a service offering unlimited access to exclusive and premium content — games, music, videos, pictures, ringtones — which can be shared with relatives and friends either from a PC or a mobile phone.

March

- The French *Victoires de la Musique* mark the triumph of UMG artists. Renan Luce (Best Debut Album and Best Debut Live Act) and Vanessa Paradis (Best Pop Album and Best Female Artist) are the ceremony's big winners. Abd Al Malik is named Best Male Artist and Feist garners the award for Best Video.

- The number of TNTSat receivers sold by Canal+ Group surpasses 350,000. In regions where households cannot receive signals from terrestrial antennas, the TNTSat offering over the Astra satellite allows 100% coverage of the French territory and access to the free DTT channels.

- Canal+ Group launches "Canal+ à la demande", its catch-up TV service. Canal+ Le Bouquet subscribers can now watch their favorite programs whenever they want. The programs are posted online as soon as they are broadcast and are then available for viewing for a period of up to one month following their first run on Canal+ Le Bouquet.

- After being the first operator to democratize mobile Internet in France in late 2007, SFR enhances its offering with three new "Illimythics" offerings, three new "Essentiel" offerings and, for the first time in the French market, 100% unlimited voice calls (including calls to fixed-lines, voice over IP and mobiles 24 hours a day, 7 days a week).

Financial Communication Policy and Value Creation

Value creation for shareholders requires increased profitability of the group's businesses and investments for them to develop and improve their positions in their respective markets. It also requires a level of indebtedness allowing Vivendi to distribute dividends and to maintain a quality rating from ratings agencies.

Investment projects are selected based on the results of multi-criteria analysis:

- the ability to generate growth and the impact on increased adjusted net income per share as well as the group's ability to generate cash;

- the return on capital employed versus the weighted average cost of capital, as well as the medium and long-term return on investment;

- in-depth risk assessment; and

- the development of the group's businesses and the strengthening of their leadership positions in entertainment content and distribution.

Formalized investment procedures were established in 2002 and have been reinforced since 2003, as part of the group's priorities. Please refer to "Management — Financial Information and Communication Procedures Committee".

Financial Communication Policy

The objective of financial communication is to provide all shareholders with accurate, precise and sincere information on the group's strategy, position, results and financial development in compliance with the procedures set up pursuant to applicable French standards (including the Financial Security Act of 2003).

The following documents, in French and English, are made available to shareholders or provided to them upon request: annual reports, quarterly financial statements, half-year financial statements, press releases, financial notices, presentation brochures and sustainable development reports. Shareholders can also visit Vivendi's website (www.vivendi.com) and a hotline is available to shareholders in France (0 811 902 209, at the cost of a local call from a fixed-line phone) or by calling +33 1 71 71 34 99 from outside France.

The Investor Relations department, in Paris and New York, maintains relations with analysts at brokerage firms, investment fund managers and analysts. The department provides information on a regular basis to give financial markets a clear understanding of the various events affecting the group's current and future performance. This team also manages the investor relations section (business, financial and market information; news and current events) of the group's website (www.vivendi.com) which is updated regularly. This section is primarily directed at institutional investors.

Vivendi's communication with institutional investors is conducted through meetings organized in the main financial markets around the world and through the participation of its executives at investor conferences.

In 2007, 57 meetings were organized with investors to comment upon the group's position and outlook. Vivendi executives participated in 37 of these meetings, SFR executives participated in 4 of these meetings and 409 institutions attended these events. Maroc Telecom organized 12 meetings. These events are followed up by meetings with analysts and investors throughout the year. The executive officers of Vivendi and its subsidiaries participated in 23 investor conferences. Several meetings were organized with analysts and SRI (socially responsible investments) investors in Paris and London.

Vivendi's Investor Relations team received the award for Best 2007 IR Team within the European media sector. The team had already received the award in 2006. As in 2006, Vivendi's Head of Investor Relations received the individual accolade for Best 2007 IR Professional of the sector.

Based on the world's most accurate, independent and comprehensive assessment of investor relations activity, and audited by Deloitte, the Thomson Extel Pan-European IR Excellence Awards are the largest gathering of Europe's investor relations directors with votes from approximately 5,000 buy-side individuals from 1,449 firms in over 49 countries, and approximately 1,500 sell side analysts from 128 brokerage firms.

Value Creation in 2007

In 2007, the group continued to focus on its results and the development of the performance of its businesses and to invest in the strengthening of their positions in their respective markets and growth creation.

From January 1st to December 31, 2007, the return on a financial investment in a Vivendi share amounted to 10%, including capital gain and dividend pay-out.

Several significant value-creating events occurred throughout the year 2007:

- The combination of the pay-TV activities of the Canal+ Group and TPS in France within Canal+ France, a newly-created entity, was completed on January 4, 2007, in conformity with publicly-announced agreements. This new entity, controlled exclusively by Vivendi, through the Canal+ Group, is a leading French player in the audiovisual market comparable in size to the largest European media companies and is in a position to face the new competitive environment and to drive the development of the television market in the best interests of consumers. This transaction will solidly contribute to the creation of value by 2010.

- Following the acquisition of 51% of Onatel, the incumbent telecommunications operator in Burkina Faso, in December 2006, Maroc Telecom completed the acquisition of 51% of the telecommunications operator Gabon Telecom on February 9, 2007. These investments will generate growth vectors and value for Maroc Telecom.

- The acquisition by Universal Music Group (UMG) of the music publishing assets of BMG Music Publishing was completed on May 25, 2007, following the receipt of the European Commission clearance. This transaction strengthens UMG's strategic position as a world leader in both recorded music and music publishing.

- The acquisition by SFR of the ADSL and fixed telephony assets of Tele2 France was completed on July 20, 2007, following from the receipt of the European Commission clearance.

- The acquisition by UMG of Sanctuary Group Plc, whose primary business is merchandising and artist services. These activities represent new sources of music revenue streams.

- Vivendi's acquisition of an additional 2% interest in Maroc Telecom, to raise its stake to 53%.

- The agreement to merge Vivendi Games and Activision (one of the top independent publishers of interactive entertainment), to create Activision Blizzard, a world leader in online and console games. Under the terms of the agreement, Vivendi has agreed to contribute Vivendi Games, valued at US$8.1 billion, and US$1.7 billion in cash to acquire a 52% interest in Activision Blizzard. Activision Blizzard will then launch a tender offer for 146.5 million Activision shares. If the tender offer is fully subscribed, Vivendi would own 68% of Activision Blizzard on a fully diluted basis.

- The draft agreement between SFR and the Louis Dreyfus group would result in SFR's acquisition of the Louis Dreyfus group's interest in Neuf Cegetel, a high-growth asset. This transaction would raise SFR's stake in Neuf Cegetel to approximately 68%. SFR would then launch a tender offer for the remaining publicly-held Neuf Cegetel shares. This transaction would create an operator present in all segments of a telecommunications market, a market characterized by the accelerating fixed-mobile convergence strategy for businesses and consumers, with the capacity to invest in fiber optic. This project is an opportunity for SFR, which has been present in fixed telephony since 1997, to hasten the implementation of growth vectors.

In 2007, the group continued to invest in its businesses to develop their products and services with capital expenditure (net) of €1.626 billion.

As of December 31, 2007, the group's financial net debt amounted to €5.186 billion. Due to the expected execution of a financing announced in January 2008 in anticipation of the cash needed for the Activision and Neuf Cegetel transactions, Vivendi will maintain its flexibility to continue its strategy of creating value and to fulfill its commitment of a dividend pay-out ratio representing at least 50% of its adjusted net income.

Share Price

Vivendi shares are listed on the compartment A of NYSE EuronextTM Paris (ISIN code FR0000127771). On December 31, 2007, Vivendi shares were trading at €31.38 per share (+5.98% since December 29, 2006, compared with an increase of 1.31% for the CAC40 index over the same period).

Dividend per Share

A dividend of €1.20 per share was distributed in 2007 for fiscal year 2006.

The payment of a dividend of €1.30 per share in 2008 for fiscal year 2007 (an 8% increase compared to fiscal year 2006), representing a total payment of €1.5 billion (compared with €1.39 billion for 2006), will be submitted for the approval of the Combined Ordinary and Extraordinary Shareholders' Meeting to be held on April 24, 2008. If approved, the dividend will be payable on May 14, 2008.

Sustainable Development Policy

Vivendi's goal is to make it possible for present and future generations to fulfill their desire for entertainment, to satisfy their curiosity, to develop their talents and to foster dialog.

Vivendi's approach to sustainable development takes into consideration the three dimensions of its corporate responsibility program — economic, social and environmental — which lay the foundation for the group's long-term future. This approach has led Vivendi to be especially attentive to the impact a company that produces and distributes content may have on society as a whole.

This approach requires Vivendi to report on its values and responsibilities to all of its partners including employees, shareholders, customers, suppliers, authorities and civil society.

Vivendi was admitted to the FTSE4 Good Global index, the international sustainable development index established by FTSE, the ASPI Eurozone index established by the Vigeo ratings agency and the Ethibel Sustainability Index (ESI) established by Ethibel.

Corporate Responsibility

Vivendi's process is based on formal commitments that are set forth in the Compliance Program, the group Charters (Values Charter, Safety at Work Charter, Fundamental Social Rights Charter, Supplier Relations Charter, Environmental Charter and the Internet Confidence Charter) and the Environmental, Health and Occupational Safety Compliance Program.

Some of the guidelines of Vivendi's sustainable development approach include: reducing risks through the mobilization of different teams within the group; innovating by focusing on intangible assets that need to be identified, developed, and protected; and improving the manner in which the group addresses the environmental challenges it faces.

Specific Challenges to Vivendi

In 2003, as Vivendi refocused on its strategic businesses, sustainable development issues specific to the group's content production and distribution businesses were defined: protection of minors, cultural diversity and information sharing. These issues are addressed in light of new uses of our products and services resulting from the heightened combination of mobile telephony and broadband.

Protecting minors is a major social issue. Vivendi must strike a balance between the development of content and services driven by new technologies and the protection of young audiences against uses or behaviors that may be damaging to them. Mobile phones, the Internet, games and movies can all carry sensitive content or generate consumption methods that are inappropriate for a young audience. The response to this issue at the group level is reflected in a cooperative effort between the business units and Vivendi's Sustainable Development department.

Vivendi has chosen to promote cultural diversity, sharing the vision of UNESCO which, in its Convention on the Protection and Promotion of the Diversity of Cultural Expressions entered into force in March 2007, states that cultural diversity is a "mainspring for sustainable development for communities, peoples and nations." Encouraging diversity of musical repertoires, promoting diversity in cinematographic expression and enhancing an understanding of our heritage are all concerns shared by the group's various businesses.

Sharing knowledge supports Vivendi's goal to achieve the following objectives: to deliver quality content, to raise public awareness regarding sustainable development challenges and to develop a dialog among different cultures. Through its position as a global company, the group exerts influence over the representation of cultures and can contribute to fostering mutual understanding.

Vivendi is developing a network of experts within civil society in order to benefit from a vision that is as large as possible in implementing these various objectives.

Implementation of the Sustainable Development Policy

During the past few years, the sustainable development approach has developed considerably throughout the group.

Jean-Bernard Lévy, CEO and Chairman of the Management Board, regularly invites experts from the civil society to meetings to share with them an analysis on how the group addresses sustainable development issues.

The Sustainable Development department manages the process and coordinates follow-up within the subsidiaries. In association with the General Counsel's office, the department ensures the application of the environmental, health and workplace safety compliance program adopted by the Vivendi group in 2000. The Sustainable Development department also ensures coordination of the Compliance Program within the group and among its various partners.

The Sustainable Development department is backed up by a Sustainable Development Committee established in 2003. The members of this committee are individuals dedicated to sustainable development issues within the group's businesses and representatives of the functional corporate departments (General Counsel's office, Finance, Human Resources, Audit, Corporate Communications and Public Affairs). The committee meets six times a year.

Vivendi publishes a Sustainable Development Report every year. For the sixth consecutive fiscal year, the 2007-2008 Sustainable Development Report will be reviewed by Salustro Reydel, a member firm of KPMG International, one of Vivendi's auditors, which will review the procedures implemented by the group to report, validate, and consolidate social and environmental performance indicators. In February 2008, Vivendi's 2006-2007 sustainable development report was awarded the Top Com Corporate Business Bronze Trophy in France.

Human Resources

Employee Share Ownership and Employee Savings Plans

In 2007, the increase in the amounts paid by the companies of the group under various profit-sharing plans contributed to the growth of employee share ownership within the Vivendi group. In 2007, the capital increase reserved for employees reached a new record of €31.4 million in terms of the amount of collected savings. Concurrently, employee savings continued to grow within the group's French companies taken as a whole while becoming more diversified.

In 2007, the total amounts paid by the group's French companies (including companies within the group eligible for the group's savings plan, *Plan d'Epargne Groupe* or PEG) for optional profit-sharing *(intéressement)*, statutory profit-sharing *(participation)* and the employer's contribution to the PEG reached €75.6 million. This total amount represents a 7.5% increase compared to 2006, on a constant basis.

In 2007, the total amount of employee savings generated during the year amounted to €75.8 million (+15% compared to 2006), €64.5 million of which was invested in the various PEG funds, with the remaining €11.3 million allocated by employees to various funds specific to their companies.

In 2007, employee investments were characterized by a significant growth in the savings invested in diversified vehicles (+26% compared to 2006), which represented 58.5% of the total amount of employee investments.

Share Capital Increase for the Benefit of Employees

The annual share capital increase reserved to group employees through the PEG was approved by the Management Board on February 27, 2007, and was successfully completed on July 18, 2007. It generated savings of €31.4 million, representing a 3% increase over 2006. This share capital increase resulted in the issuance of 1,276,227 new shares at a preferential price of €24.60 per share (representing a 20% discount) for the benefit of the 5,692 employees who participated in the offering, representing 42% of eligible employees, the same percentage as in 2006.

In 2007, the Management Board emphasized its commitment to employee shareholding by implementing an ambitious policy to bolster employee shareholding. The allotment of shares, or share equivalents, to all group employees worldwide was authorized during December 2006 and completed in the first half of 2007. In October

2007, the Management Board approved the principle of an international employee leveraged share purchase plan, which will be implemented in 2008.

Allocation of Vivendi Shares or Share Equivalents to Employees

The plan to allot 15 Vivendi shares, or share equivalents, to all group employees, which was approved by the Management Board on December 12, 2006, as an exceptional measure, was implemented during the first half of 2007.

Under French law, this allocation plan has a four-year term. Upon expiration of such plan, the beneficiaries may freely sell their shares.

In a certain number of countries, including the US, where French law governing these plans is less favorable to employees for tax reasons, or where the allocation plan cannot be implemented, a plan to allocate 15 "equivalent shares" (or "Restricted Stock Units", RSUs) was implemented, which duplicates the features of the French allocation plan, particularly with respect to the value of allocations and the duration of the plan.

On January 24, 2007, the grant of 15 Vivendi shares under terms identical to the grant of December 12, 2006, was implemented for TPS employees, upon completion of the merger of TPS with and into Canal+ Group, 578 employees benefited from this specific grant.

As a result, a total of 33,573 employees of Vivendi and its subsidiaries benefited from this exceptional plan.

Dialog Between Management and Labor

In 2007, at the group level, the corporate partners of the group Works' Council, the European Authority for Dialog between Management and Labor, and the headquarters' Works' Council were regularly informed of the group's strategy, financial position, social policy and main achievements for the fiscal year. Discussions were held throughout the year and included a three-day training seminar for the members of the European Authority for Dialog between Management and Labor and the members of the group Works' Council to keep them apprised of the group's activities.

As training is both a key component of the recruitment of young professionals and an asset for the company, Vivendi entered into the French national "Training Charter", under which it undertook to hire apprentices and students at all levels to allow them to acquire the necessary qualifications for employment, to increase the number of apprentices within the group and to observe cultural and ethnic diversity. At year-end 2007, Vivendi employed 215 trainees, compared to 188 trainees in 2006, on a constant consolidation basis.

The training policy implemented by the Vivendi group encourages employees to acquire and reinforce the skills needed to achieve their objectives and to pursue their professional development. Employee training requests and needs are identified and discussed by the Management and employee representatives, as well as during each employee's annual evaluation. The percentage of payroll devoted to training in the group remains much higher compared to French legal requirements.

In 2007, the Vivendi group continued to focus on occupational safety. The work performed by the health, safety and working conditions committees made it possible to significantly reduce the industrial accident frequency rate (2.18 in 2007, compared to 3.21 in 2006). In 2007, 2,835 group employees received safety training.

The Vivendi group encourages mobility among its different businesses with the help of its "Invivo" application on the group's Intranet site which displays internal vacancies for each business unit. In addition, regular meetings of the intra-group mobility network encourage an ongoing exchange among the various businesses. As a result of improved procedures for advertising vacancies and a clearer definition of the positions available within the group, 1,310 employees were able to take advantage of transfer measures in 2007, either within their own entity or to another business unit.

Contribution to the Development of Employment

In 2004, Vivendi undertook vis-à-vis the French government to create jobs in certain areas significantly affected by unemployment and industrial restructuring. These commitments are divided into two categories:

- the creation, through subcontractors, of two call centers linked to the group's activities, one in Belfort (territory of Belfort) in late 2005 and the other in Douai (in the North of France) in late 2006. Each center provides 300 full-time equivalent jobs, *i.e.*, 600 jobs in total at year-end 2007,
- the contribution to the creation of jobs in 10 regions identified by the Ministry of Economy (€5 million per year over a five-year period — *i.e.*, €25 million in total — to create 1,000 jobs within three years and 1,500 jobs within five years) unrelated to Vivendi's businesses in the form of financial support for viable projects to create or expand businesses.

At year-end 2007, a total of 749 jobs were created at these two locations:

- 440 in Belfort (the equivalent to 361 full-time jobs); and
- 309 in Douai.

The commitments were fulfilled sooner than expected. The percentage of women recruited exceeded 70% at both locations. Due to the impetus of SFR's customer service department, an emphasis was placed on the employment of handicapped personnel (27 in Belfort and 18 in Douai). Téléperformance and Duacom, the two employing companies in these areas are developing the activity of these call centers by contracting with new customers.

At year-end 2007, 3,006 jobs had been approved by the commitments committee and 1,624 jobs were created, *i.e.*, 50% of the certified jobs. Since the first employment area was created in March 2005, Vivendi took only three years to fulfill its five year global commitment for the 10 operational employment areas.

Regarding the Arles and Oise employment areas, job creation exceeded the three-year objectives by 50% and will noticeably increase if the proposed jobs are approved. The Dreux and Chalon employment areas reached half of the objectives in just two years, a remarkable achievement considering the time-lag between the approval and the actual creation of a job. In barely one year, jobs approved in the Somme employment area exceed the three-year job creation objective. The first three missions (Sarrebourg and Château-Salins, Oise and Arles) are completed in terms of prospecting, instruction and the review of applications by the commitments committee (the last applications were completed in December 2007). Companies in charge of the economic development in these areas are still present to monitor the good course of the selected projects and to insure that the approved jobs will result in effective job creation.

In fall 2007, Vivendi was entrusted with a new employment area located in the area of Saint-Claude in the Haut Jura region. This mission will commence in March 2008.

80% of the companies which were offered assistance in the employment areas were in the industrial, agribusiness, construction and industrial services businesses and 15% related to the trade and craft industry. The remaining percentage is related to tourism and personal home services. 70% of the aided projects relate to the development of existing companies, 26% to the creation of new companies and 4% to acquisitions. 93% of the assisted companies are small and medium sized companies or very small companies; 7% are subsidiaries of medium sized groups. 87% of all projects are endogenous. Dreux is the only exception with 60% of exogenous projects.

Out of the €23.71 million relating to the 2005 contractual global commitment concerning the 10 operational employment areas, €15.02 million had been allocated at the end of the third year. Loans and subsidies granted represented 75% of the total allocated amount, the remaining 25% represented external services provider fees.

Equality of Chance

By creating the "Telecom Engineer Passport" *(Passeport Ingénieur Télécoms)* in 2005, SFR and the French public authorities intended to facilitate access to engineering schools for young people in depressed areas and offer the prospect of high-level careers in communication technology businesses. SFR's objective is to create, within

neighborhoods and companies, examples of academic and professional success of young people, using the appeal generated by the telecommunications business. This program is the first to include all key players including teachers, companies, higher education institutions, local policy-makers and young people.

In 2006, SFR's initiative gained more momentum with the creation of the "Telecom Promotion Passport Circle" association. This association, chaired by the Chairman and Chief Executive Officer of SFR, brings together SFR and major telecommunications equipment manufacturers and operators in France (Alcatel-Lucent, Ericsson France, Motorola France, Nokia France, Siemens France and Orange). Together, the seven companies, along with the French government represented by three Ministries: the Ministry of Employment, Social Cohesion and Housing; the Ministry of Higher Education and Research and the Ministry of National Education have made concrete commitments to equal opportunity and the professional development of young people from depressed areas.

The 2007-2008 academic year recorded several notable changes:

- the participation of Crédit Mutuel and Formule 1 hotels, which will alleviate the financial constraints on young people with minimum resources but with the potential to undertake advanced studies;
- the participation of Orange, which will strengthen the presence of the Circle with regard to the commitment of the telecommunications sector to equal opportunity and social promotion;
- the mobilization of the Alcatel-Lucent Foundation, from the United States, with a network of 70 English-speaking tutors which offer English classes over the telephone to young people assisted by the Circle; and
- a network of 42 high schools and 29 engineering and business-management schools as official partners in the Telecom Passport Circle which will reinforce the Circle's legitimacy.

During the 2006-2007 academic year, approximately 900 young students received group tutoring in preparatory classes or in one of the partner schools from the partner companies. In addition, 397 of those students received individual tutoring.

In June 2007, 273 students who received tutoring took the entrance exams for an engineering or business-management school. 237 of those students (87%) passed the exam, including 70 in 29 Circle partner schools. For the 2007-2008 academic year, 406 students will benefit from individual tutoring from the Circle. 74% of the students assisted by the Circle hold scholarships from the French government.

Insurance

Vivendi maintains a centralized risk management policy with respect to insurance programs applicable to its majority-controlled businesses.

The insurance programs supplement on-site risk prevention processes. Moreover, in addition to environmental protection processes, business continuity plans and backups have been developed in the event of a disaster affecting a critical location for a given business activity.

In 2007, Vivendi subscribed to or renewed the following main insurance programs.

Damages and Operating Losses

As of the date of this report, general insurance programs are in effect for the entire group with a total global coverage of up to €400 million per claim. This coverage insures against damages resulting from fire, flood, natural disasters, terrorism (in conformity with applicable legislative constraints in each relevant country/state) and resulting operating losses. As a general rule, the retention limit per claim is €100,000 for industrial sites and €50,000 for other locations.

General Liability

Policies covering operating and product liability resulting from damages to third parties are in effect as of the date of this report, for an aggregate amount of €150 million per annum for the entire group. This amount is in excess

of the various so-called "first-line" policies subscribed by the group's subsidiaries (including, Universal Music Group, Canal+ Group, SFR, Maroc Telecom and Vivendi Games) for amounts comprised between US$2 million to US$15 million or €2 million to €15 million, as applicable.

Industrial Accidents

Certain policies are specific to certain business activities in the US, in particular those covering industrial accidents, which the employer is required by law to provide. All workers compensation policies meet the requirements of the various Federal and State laws, as applicable, and are in effect as of the date of this report.

Description Of The Group's Businesses

Universal Music Group

Universal Music Group (UMG) is the largest music content company in the world and is comprised of two core businesses: the recorded music *(In 2006, UMG held 25.7% of the recorded music market (Music & Copyright). Most recent data available)* business and the music publishing *(Music & Copyright)* business.

The recorded music business acquires, markets and distributes recorded music through a network of subsidiaries, joint ventures and licensees around the world. UMG also sells and distributes music videos, DVD products and licenses recordings. UMG participates in and encourages the distribution of music over the Internet and over cellular, cable and satellite networks by making a significant amount of its content available in a digitalized form.

The music publishing business owns and acquires rights to musical compositions (as opposed to recordings) in order to license them for use in recordings and related uses, such as in films, advertisements or live performances. In May, 2007, following clearance from the European Commission, the acquisition of BMG Music Publishing closed making UMG's music publishing division the largest in the world.

In August 2007, UMG acquired the assets of the Sanctuary Group Plc (Sanctuary), a UK company which encompassed recorded music, merchandising and artist services including artist management and live agency. Sanctuary's recording and publishing operations were integrated by their UMG counterparts while the merchandising and artist management businesses will provide a springboard for UMG's expansion into music related businesses.

Recorded Music

UMG's recorded music business is the largest in the world with particularly strong positions in the important North American and European markets, which together account for nearly three quarters of global sales. UMG is not dependent on any particular artist or music trend reflecting it's diverse array of labels in the major markets and local representation across the globe that complement each other through their focus on different genres and music segments, thereby mitigating the effect of changes in consumer tastes.

UMG's major recording labels include popular music labels (Island Def Jam Music Group, Interscope Geffen A&M Records, Lost Highway Records, MCA Nashville, Mercury Nashville, Mercury Records, Polydor and Universal Motown Republic Group), classical labels (Decca, Deutsche Grammophon and Philips) and jazz labels (Verve and Impulse! Records).

Best-selling albums in 2007 included releases from Mika, Rihanna, Timbaland, Maroon 5 and Kanye West. Other best-sellers were albums from Amy Winehouse, Nelly Furtado and Fergie, all originally released in 2006. Regional best-sellers included titles from Japan's Spitz and Dreams Come True, Australia's Wolfmother, Brazil's Kid Abelha and Gregory Lemarchal in France. Best selling albums released under distribution agreements included Disney's *High School Musical 2* and *Hannah Montana 2*: *Meet Miley Cyrus*.

Sales from prior releases account for a significant and stable part of UMG's recorded music revenues each year. UMG owns the largest catalog of recorded music in the world with performers from the US, the UK and around the world including ABBA, Louis Armstrong, Chuck Berry, James Brown, The Carpenters, Eric Clapton, Patsy Cline, John Coltrane, Count Basie, Def Leppard, Dire Straits, Ella Fitzgerald, The Four Tops, Marvin Gaye, Johnny

Hallyday, Jimi Hendrix, Billie Holiday, Buddy Holly, The Jackson Five, The Jam, Elton John, Herbert von Karajan, Kiss, Andrew Lloyd Webber, Lynyrd Skynyrd, The Mamas & The Papas, Bob Marley, Van Morrison, Nirvana, Luciano Pavarotti, Tom Petty, Edith Piaf, The Police, Smokey Robinson, The Rolling Stones, Diana Ross & The Supremes, Michel Sardou, Cat Stevens, Rod Stewart, Caetano Veloso, Muddy Waters, Barry White, Hank Williams and The Who.

UMG markets its recordings and artists through advertising and exposure in magazines, on radio and TV, via the Internet and through other media and point-of-sale material. Public appearances and performances are also important elements in the marketing process. TV marketing of both specially compiled products and new albums is increasingly important. Marketing is carried out on a country-by-country basis, although global priorities and strategies for certain artists are determined centrally.

UMG has outsourced the bulk of its manufacturing and distribution facilities to third parties or through joint ventures with other record companies. UMG retains distribution facilities in the UK and France.

Music Publishing

Music publishing involves the acquisition of the rights to, and the licensing of, musical compositions (as opposed to recordings). UMG enters into agreements with composers and authors of musical compositions for the purpose of acquiring an interest in the underlying copyright so that the compositions may be licensed for use in sound recordings, films, videos, commercials and by way of live performances and other public performances (*e.g.*, broadcasting and film performance). UMG also licenses compositions for use in printed sheet music and song folios. UMG generally seeks to acquire rights, but also administers musical compositions on behalf of third-party owners such as other music publishers and authors who have retained or re-acquired rights.

In September 2006, UMG agreed to acquire BMG Music Publishing, a global leader in production music, classical music and contemporary christian music. The acquisition received final clearance from the European Commission in May 2007, clearing the way for UMG to close the transaction.

Including the recently closed BMG acquisition, UMG's combined publishing catalog includes approximately two million titles that are owned or administered, including some of the world's most popular songs, such as "R.E.S.P.E.C.T.", "American Pie", "Strangers in the Night", "Copacabana", "Born to be Wild", "Good Vibrations", "I Want to Hold Your Hand", "Sweet Dreams (Are Made of This)", "I Will Survive", "Smoke Gets in your Eyes" and "(Sitting on) the Dock of the Bay", among many others. Some of the significant artists/songwriters whose works are represented include Justin Timberlake, ABBA, The Mamas & the Papas, 50 Cent, Coldplay, The Beach Boys, Mary J. Blige, Jon Bon Jovi, Maroon 5, The Corrs, Gloria Estefan, Linkin Park, Prince, André Rieu, Renan Luce, Andrew Lloyd Webber and U2. Legendary composers whose works are represented include Leonard Bernstein, Puccini, Paul Simon, Ravel, Elton John and Bernie Taupin and Henry Mancini, among others. During 2007, UMG signed a number of new publishing deals, including Juanes, Mika, Lil Jon, The Klaxons, Ayo and Eminem, among many others.

Legal Digital Distribution of Music

In 2007, digital business represented 14% of UMG's total sales. Online and mobile businesses experienced strong growth.

In North America, online downloads continued to dominate activity with strong growth in sales of both digital tracks and albums. According to SoundScan, digital album sales increased 54% in the US year over year while digital track sales increased 45%. In August 2007, UMG started broadly testing the impact of selling open MP3s in the online download market, as a means of offering an interoperable product that could be sold by any retailer and play on any device. The test is anticipated to conclude in 2008. The ability to sell MP3s brought Amazon into the download market in September 2007. The major European markets also enjoyed strong online revenue growth and digital track sales were up 185% in the UK according to the Official Chart Company.

In 2007, mobile revenues continued to strengthen largely due to relevant artist repertoire, improvements in the mobile retail sector and greater product offerings. Mastertones continued to be the second largest digital revenue generating product (behind online track downloads). Over-the-air (OTA) downloads showed very significant

growth in the US, and strong growth in this sector is expected in 2008 as more enabled handsets enter the market and OTA downloads become available on AT&T. In 2007, ringback tone revenue grew significantly. With increased carrier support, further growth in this product line is expected in 2008. Mobile sales continued to outpace online sales outside of North America particularly in Asia where mobile represents over 80% of total digital activity.

Subscriptions saw steady revenue growth year on year. Looking forward, the growth in this area is expected to be driven by services bundled with other devices or other services, e.g. music phones, mobile data plans and broadband Internet services, as well as improved marketing and subscription enabled devices.

In 2005, UMG started to generate revenue from ad-supported video streams on sites such as Yahoo!, AOL and MTV and through the sale of video downloads through iTunes. Those revenue streams have continued to grow in 2007 driven by the entry of YouTube into the marketplace. UMG looks to drive even more ad-supported video consumption in 2008, both through existing partners and through new business initiatives, the entry of new retailers into the sector and well as more devices in the marketplace that are able to render the videos.

Strong growth across all digital sectors is anticipated in 2008. New business lines will also fuel expansion such as the development of an ad-supported audio streaming product, which is coming into its own in the coming year with sites such as iMeem and the transition of even more advertising spending to the Internet from traditional broadcast media.

Seasonality

Music sales are weighted towards the last quarter of the calendar year when approximately one-third of annual revenues are generated. Growth in digital activity, which is generally accounted one to three months after the retail sale, has resulted in a modest shift in activity to the first quarter of the calendar year. Growth of the digital sector is likely to see this trend accelerate. For more information on the reporting of revenues, please refer to Note 1.1.1.1 to the Consolidated Financial Statements for the year ended December 31, 2007.

Regulatory Environment

UMG's businesses are subject to laws and regulations in each jurisdiction in which they operate. In the US, certain UMG companies entered into a Consent Decree in 2000 with the Federal Trade Commission (FTC) under which they agreed for twenty years not to make the receipt of any co-operative advertising funds for their pre-recorded music products contingent on the price or price level at which such product is offered for sale. In 2003, following a lawsuit filed by the FTC, the FTC issued an order that generally prohibits UMG from entering into agreements with unaffiliated entities (i) to fix, raise or stabilize prices or price levels for sales of audio or video products in the United States and (ii) to prohibit, restrict, regulate or otherwise limit truthful, non-deceptive advertising for audio or video products in the United States. Also in the United States, a UMG company entered into a Consent Decree with the FTC in 2004, under which it agreed to comply with the provisions of the Children's Online Privacy Protection Act and to maintain records demonstrating compliance. In 2006, a UMG company entered into an agreement with the New York State Attorney General regarding business dealings with radio stations as well as its use of independent radio promoters. As part of its agreement, the UMG company agreed to a series of business reforms related to radio promotion practices, as well as a payment in the amount of US$12.1 million.

Piracy

The recorded music business continues to be adversely affected by pressed disc and CD-R piracy, home CD burning and an increasing amount of illegal downloading from the Internet. According to the International Federation of the Phonographic Industry (IFPI), the recording industry trade association, the worldwide music market decreased by 5% in value in 2006, despite digital sales increasing 85%, due to an 11% decline in physical music sales. While pressed CD and cassette pirate sales continued to decline in 2006 and CD-R piracy flattened, there was a significant shift towards digital and private copying. P2P networks are a significant source of online piracy and the number of infringing music files on the Internet is estimated by the IFPI to be just under one billion. There has also been increased diversification of online piracy and in certain regions such as Asia a significant increase in illegal downloading to mobile phones.

Online music services continue to be developed to offer consumers a viable and legal online source of music. The industry and UMG continued their anti-piracy activities with a multi-pronged approach focusing on legal action, including participation in industry legislative efforts, public relations and education, and technical countermeasures while offering consumers new products and services.

Competition

The profitability of a recorded music business depends on its ability to attract, develop and promote recording artists, the public acceptance of those artists and the recordings released within a particular period. UMG competes for creative talent both for new artists and for those artists who have already established themselves through another label with the following major record companies: EMI, Sony BMG Entertainment and Warner Music Group. UMG also faces competition from independent labels that are frequently distributed by other major record companies. Although independent labels have a significant combined market share, no label on its own has influence over the market. Changes in market share are essentially a function of a company's artist roster and release schedules.

The music industry competes for consumer discretionary spending with other entertainment products such as video games and motion pictures. UMG is facing intensified competition for shelf space in recent years due to declining CD sales and further consolidation in the retail sector in the US and in Europe.

Finally, the recorded music business continues to be adversely affected by pressed disc and CD-R piracy, home CD burning and illegal downloading from the Internet (see "Piracy" above).

Raw Materials

The primary raw materials used by Vivendi's businesses include polycarbonate for CD and DVD production and paper for product packaging. There have been no price variations for these raw materials that are likely to have a significant impact on Vivendi.

Vivendi's operations are not dependent upon suppliers of raw materials.

Research and Development

UMG aims to pursue digital distribution opportunities and to protect its copyrights and the rights of its contracted artists from unauthorized digital or physical distribution. UMG has established eLabs, a division, which reviews and considers emerging technologies for application in UMG businesses, such as technological defenses against piracy and new physical formats. Research and development costs incurred by UMG are immaterial.

Canal+ Group

Pay-TV in France

The Canal+ Group is a major player in the programming and production of premium and specialized channels, the broadcasting of pay-TV services and a pioneer in the development of new television services. At year-end 2007, the Canal+ Group had over 10.5 million subscriptions to its different product offerings.

Programming Activities

Canal+ Le Bouquet

Canal+ Le Bouquet offers a unique genre of general premium channels with films, sports, news, drama, documentaries, and entertainment programs broadcasted on six channels: Canal+, Canal+ Cinéma, Canal+ Sport, Canal+ Family, Canal+ Hi Tech and Canal+ Décalé. Each of the channels has its own identity and content. The six channels of Canal+ Le Bouquet constitute a unique offering of new, exclusive and original programs.

In 2007, Canal+ broadcast 452 films, representing more than 35 first-releases every month. Canal+ offers subscribers all genres of films, as well as exclusive coverage of major film industry events (including the Cannes Film Festival, the Césars and the Oscars). In 2007, Canal+ devoted approximately €150 million to the acquisition of original French-language films.

Canal+ has developed recognized expertise in sports coverage, characterized by exclusive programs, the absence of commercial breaks, sufficient airtime to offer pre-match, half-time and post-match items, accurate and relevant commentary with prestigious commentators and enhanced production with original camera positions and technical innovations.

As of December 31, 2007, the Canal+ premium channel had 5.3 million subscriptions (collective and individual, in France and within French overseas departments and territories), a net increase of more than 80,000 subscriptions compared to 2006. In 2007, there were approximately 600,000 gross new subscriptions to the channel. At 12.8%, Canal+'s churn rate remains one of the lowest in Europe.

TPS Star completes the Canal+ premium offer. An exclusive, first-release channel, TPS Star primarily offers films (French and American) and sports events (football, boxing and basketball).

Theme Channels

The Canal+ Group programs twenty channels covering the most popular themes on television: films (CinéCinéma channels), sports (Sport+, Infosport), news (i>Télé), documentaries (Planète channels), entertainment (Comédie!), lifestyle (Cuisine TV, Seasons), series (Jimmy), and youth (Piwi, Télétoon).

Distribution Activities

CanalSat

The Canal+ Group operates the CanalSat satellite platform, France's first digital package of theme channels. As the leading digital service provider, CanalSat had nearly 5.2 million subscriptions at year-end 2007, a net increase of approximately 200,000 subscriptions compared to 2006. In 2007, CanalSat recruited over 560,000 new subscribers, while lowering its churn rate to approximately 10%.

CanalSat offers a selection of approximately 300 channels and services, 55 of which are satellite exclusives. CanalSat has a multi-platform strategy: in addition to satellite and ADSL services, since November 2005, CanalSat has offered a "Minipack" of pay digital terrestrial television (DTT) services. A package of channels specially designed for 3G mobile phones is also available on SFR's and Bouygues Telecom's 3G networks.

Since March 2006, the Canal+ Group has been a pioneer in satellite high definition in France providing the most complete and diversified HD offer in the French market with 10 channels, including Canal+ Hi-Tech HD (a channel produced entirely in 16/9 with 30 hours of native HD programs per week), the major events of TF1 and M6, National Geographic HD, CinéCinéma Premier, Disney Cinéma Magic HD, 13ème Rue HD and Sci-Fi HD.

Canal Overseas

Canal Overseas, a wholly-owned subsidiary of Canal+ France, is the operator of Canal+ and CanalSat in the French overseas departments and in sub-Saharan Africa and is the only French overseas network. Canal Overseas operates four satellite platforms (Africa, Caribbean, Indian Ocean and Pacific) in which it is the majority shareholder, covering a potential worldwide audience of 500 million and two-thirds of all French-speaking territories. Canal Overseas, via its subsidiary Multi TV Afrique, also publishes the Canal+ Horizons and Canal+ Essentiel channels.

Canal Overseas also manages Cyfra+, the Polish satellite platform, and the development of the Canal+ Group abroad.

By developing packages of French-language channels for direct satellite reception, Canal Overseas continues to fulfill its mission to promote French culture and language outside France. At year-end 2007, Canal Overseas had a total of 820,000 active individual subscriptions in French overseas departments and territories and in Africa.

Cyfra+ (Poland)

The Canal+ Group is one of the leading satellite players in Poland through its subsidiary Cyfra+, in which it holds a 75% interest. Cyfra+ programs the Canal+ package, which includes the Canal+ premium channel, Canal+ Film, Canal+ Film HD, Canal+ Sport, Canal+ Sport 2 and Canal+ HD. The Polish subsidiary programs five theme channels, which include Ale Kino, Zigzap, Minimini, Planete and Kuchnia TV.

Cyfra+ offers subscribers 80 television and radio channels, 63 of which are broadcast in Polish, as well as approximately one hundred additional channels available free-to-air via satellite. At year-end 2007, it had more than one million subscribers.

ADSL TV

The Canal+ Group began television broadcasting via ADSL in the first quarter of 2004, in order to reach new households, especially those in large cities. Canal+ Group's Canal+ Le Bouquet and CanalSat packages (100 channels and services) are available via SFR Box, Neuf Cegetel, Orange, Free and Darty Box.

Digital Terrestrial Television (DTT)

Since November 2005, Canal+ Group's DTT offering includes two pay-TV packages. The first package, consisting of Canal+, Canal+ Cinéma and Canal+ Sport, is the only premium multi-channel package immediately accessible via plug-and-play. The second package, which includes Planète, Canal J, Eurosport and Paris Première, is a supplemental low-cost theme channel offering. Along with these pay packages, the Canal+ Group broadcasts i>Télé, its general news channel free-to-air on a continuous basis.

In June 2007, the Canal+ Group launched TNTSat, free DTT via satellite. This service offers the entire French population the possibility of receiving the 18 free-to-air DTT channels, as well as the France Ô channel and the 24 regional switchovers from France 3. TNTSat is available on the Astra satellite and requires no subscription or set-top box rental.

Television via Mobiles and Mobile Television

The Canal+ Group offers two mobile television packages. The first package, marketed under the CanalSat Mobile brand, is comprised of more than 30 channels accessible live, covering the main themes of pay-TV (film, sports, children's programming and documentaries). This package, which also includes the free-to-air programs of the Canal+ premium channel, is available on SFR's and Bouygues Telecom's networks.

The second package Canal+ Mobile is a VOD multimedia package primarily based on the content of the Canal+ channel: film, sports, comedy, news and adult content. For each category, this service offers phone-adapted videos. It is available from all three French mobile phone operators (SFR, Orange and Bouygues Telecom).

As of February 2008, the Canal+ Group had more than 250,000 customers for its CanalSat Mobile and Canal+ Mobile product offerings.

Personal Mobile Television

In September 2005, the French Audiovisual Council *(Conseil Supérieur de l'Audiovisuel*, CSA) authorized the Canal+ Group, a driving force in the development of new television usages, particularly personal mobile television (PMT), to launch mobile television experiments in September 2005 with the DVB-H standard in order to test the quality of service coverage and understand consumer expectations.

In early 2007, the Canal+ Group participated in the public consultation on the conditions for the launch of PMT. The Canal+ Group was also a candidate for three PMT channels in a call for tenders launched on November 8, 2007 by the CSA.

Legal Downloading of Video and Video-On-Demand

CanalPlay is the legal video downloading service of the Canal+ Group. CanalPlay offers a variety of approximately 3,000 titles, available on PCshtpp:/// and on television via Free's ADSL television service, including more than 1,500 recently released films, some in high definition. CanalPlay is also the only platform in France to offer permanent downloading with DVD burning.

Each month, CanalPlay records over 200,000 orders and has recorded over 5 million downloads since its launch two years ago.

Video-on-demand was regulated by an inter-industry agreement, dated December 20, 2005 (see "Regulatory Environment" below).

TPS

In March 2007, following the merger of CanalSat and TPS in January 2007, a unified multi-channel offering, combining the best of both packages, was launched under the CanalSat brand. To give the 1.3 million TPS satellite subscribers the benefit of this new offering, a technical migration process has been under way since October 2007. This operation includes redirecting the dish antennas currently pointed at Eutelsat toward Astra, which was selected as the group's satellite partner. This operation, performed by the partner distributors of the Canal+ Group, implies no additional cost for subscribers, who benefit from an expanded offering with rates equivalent to those they previously paid. The migration will continue through year-end 2008.

Films

StudioCanal, a wholly-owned subsidiary of the Canal+ Group, is a major player in France and Europe in the financing, acquisition and distribution of motion pictures. Alongside Canal+, StudioCanal is one of the leading partners of the French film industry through its financial involvement in co-productions and guaranteed minimum amounts for film distribution. In 2007, in the international production segment, StudioCanal strengthened its co-production agreements with Working Title (*Bridget Jones, Pride and Prejudice, Elizabeth*, etc.) and entered into a five-year contract with Dark Castle.

StudioCanal has an extensive film library with over 5,000 French, British and American titles, including *Basic Instinct, Les Bronzés, The Pianist* and *Podium*. Certain rights are held by StudioCanal for the entire world, others are limited to Europe or France. In 2007, StudioCanal expanded its rights portfolio by finalizing the purchase of a number of libraries, including those of Christian Fechner (including *Chouchou* and *Les Enfants du Marais*), PanEuropéenne and Nord Ouest Production.

In 2007, StudioCanal optimized its operating capacities through the formation of economic interest groups with LionsGate in the United Kingdom and Universal Pictures in France (which are responsible for the marketing and distribution of their respective video rights) and the renewal of its video and television distribution agreements with LionsGate in the United States and Universal Pictures for the rest of the world through year-end 2010.

Optimum Releasing, the UK distribution company acquired in 2006, generated exceptional growth in 2007, due primarily to relationships developed with independent producers and access to films such as Guillermo del Toro's *Pan's Labyrinth* and Shane Meadow's *This is England*.

In January 2008, StudioCanal announced the proposed acquisition of 100% of Kinowelt, the leading German independent group in film acquisition and distribution. With the acquisition of Kinowelt, StudioCanal will become the European leader in film distribution. Its operations will cover the three main European markets (United Kingdom, France and Germany) via local wholly-owned subsidiaries. The transaction will substantially increase StudioCanal's library, which already contains more than 5,000 titles. Kinowelt holds the largest film library in Germany.

Other Businesses

On December 26, 2007, Canal+ Group announced the proposed acquisition of the sports event organization company Occade Sport and the creation of Canal+ Events. The objective is to expand Canal+ Group's presence in the world of sports and to develop its upstream sports production and programming through the acquisition of a recognized player. This transaction was finalized in early 2008 with the acquisition of 100% of the stock of Occade Sport SAS, which was held by its single shareholder, Gones & Sports. Occade Sport was integrated into Canal+ Events in the publishing division within Canal+ Group's sports department. Formed in 1997 through the merger of Occade and GMO Sport, the company is based in Lyons (France). Its activities consist primarily of event organization and the operation of sports events and clubs.

Seasonality

The pay-TV business of the Canal+ Group is based on subscription contracts. Considering the duration of these contracts, monthly income is regular and revenues are therefore predictable. New subscriptions follow a cyclical pattern over the year with over 50% of new subscriptions taken in the last four months of the year.

Regulatory Environment

The audiovisual communications industry in Europe is subject to national laws and regulations which are enforced by regulatory authorities such as the French audiovisual council (CSA) in France. In general, these authorities grant broadcasting licenses for specific periods. In France, Canal+ has a license to broadcast the Canal+ channel via terrestrial networks and networks that do not use frequencies assigned by the CSA, such as satellite, cable and ADSL. In December 2000, this license was renewed for a five-year period, then extended for another five years following a decision by the CSA on November 22, 2005 (published in France's official gazette *"Journal Officiel"* dated December 4, 2005), after the launch of the DTT channel. In accordance with the French "Television for the Future" law dated March 5, 2007, the premium channel's terrestrial broadcasting license was renewed for a 10 year-period.

The European Union regularly issues directives governing the activities of the Canal+ Group with respect to competition. The European Union also adopted a series of directives that affect the communications industry, in particular the "Television without Frontiers" directive, and directives concerning intellectual property, e-commerce, data protection and telecommunications.

Under French law, the Canal+ Group may not hold more than a 49% interest in the programming activities of the Canal+ channel. The Canal+ Group, through its subsidiary Canal+ France, holds a controlling interest in Canal+ SA, the company which holds the authorization to broadcast the Canal+ premium channel and which is listed for trading on compartment B of NYSE Euronext Paris. Furthermore, a non-EU shareholder may not hold more than 20% of the company that holds the broadcasting license.

Under its broadcasting license in France, Canal+ SA must comply with the following requirements: 60% of the audiovisual works and films broadcast by the channel must be European works and 40% of them must be original French-language films.

In addition, Canal+ must invest 4.5% of its revenue in audiovisual works (including television fiction, documentaries and series) which contribute to the development of both European and original French-language audiovisual works (two-thirds of this percentage must be dedicated to the development of independent production).

On May 16, 2004, Canal+ and the French film industry organizations entered into a five-year agreement forging a stronger partnership with the film industry and providing for an expanded film offering for Canal+ subscribers. This agreement, effective as of January 1, 2005, provides for:

- new broadcasting slots on Canal+ to expand film exposure; the channel can now offer feature films to its subscribers every weekday evening (on Friday evenings without restriction tied to box-office sales, on Saturday evenings with the broadcast of films with box-office ticket sales of less than 1.5 million) and on Wednesday afternoons;
- an enhanced digital offering from the encrypted channel: one-third of the programs from the digital versions of Canal+ may now differ from the premium channel programs; and
- a more ambitious diversity policy: Canal+ dedicates 17% of its obligation to acquire original French-language films to those films with a budget less than or equal to €4 million.

The channel also ensures that it contributes to the financing of a broad variety of films and that its contribution is equally distributed over all budget segments of the market.

Canal+ renewed its financial commitment to the film industry and must dedicate at least 12% of its revenues to the acquisition of European films, 9% of which must be original French-language films. This investment may reach 12.5% as a result of the development of the success bonus system. Under this agreement, Canal+ has agreed to maintain its pre-purchase policy by continuing to dedicate 80% of its French film obligations to the pre-purchase of films before the first day of filming. This agreement, dated May 16, 2004, was ratified by changes to the regulations applicable to film channels and by the signature on January 6, 2005, of an amendment to the agreement signed by Canal+ and the CSA.

On March 9, 2007, the Canal+ Group and film professionals entered into a second amendment to that certain May 16, 2004 agreement, primarily to integrate the acquisition of TPS. Pursuant to this amendment, the Canal+

Group was authorized to launch a new premium channel, Canal+ Family, within its Canal+ Le Bouquet offering, and obtained less stringent requirements for its film programming on Saturday evenings.

French Law No. 86-1067, dated September 30, 1986, on the freedom of communications was further amended by Law No. 2004-669, dated July 9, 2004, governing electronic communications and audiovisual communications services, primarily on two points that could have an impact on the business activities of the Canal+ Group:

- confirmation and standardization of the must-carry system, which is the obligation for distributors of services on networks that do not use terrestrial frequencies allocated by the CSA (in particular: cable, satellite and ADSL):
  - to make available free-of-charge to their subscribers the services of the channels belonging to the France Télévisions group (France 2, France 3 and France 5), Arte and TV5, as well as the services specifically intended for viewers within France (excluding overseas territories) programmed by RFO, unless these programmers believe that the service offering is incompatible with their public service missions. The transmission and broadcast costs are paid by the service distributors;
  - to make available free-of-charge to their subscribers in French overseas territories the RFO services that are broadcast via the terrestrial network within the community, unless RFO believes that the service offering is incompatible with its public service missions. The transmission and broadcast costs are paid by the service distributors;
  - to broadcast the programs and interactive services of La Chaîne Parlementaire (the parliamentary channel) free-to-air and at their own expense, using broadcast technologies equivalent to those employed by the French national television companies, unless such broadcast is denied by the companies which produce La Chaîne Parlementaire;
  - to make services for the deaf and hearing-impaired associated with the television services offered freely available to the general public (the required technical measures are at their expense); and
  - any service distributor via a network which does not use frequencies allocated by the CSA and is not a satellite network must make available to its subscribers the local public initiative services intended to provide local information, subject to certain limitations and conditions which are set forth in Decree No. 2005-1355, dated October 31, 2005, on notification requirements for the distributors of audiovisual communication services,
- increase in the number of licenses: the number of licenses that one person may hold either directly or indirectly for a national television service broadcast via the digital terrestrial network was increased from five to seven.

The Canal+ Group holds five DTT broadcasting authorizations: four for its pay-TV channels (Canal+, Canal+ Cinéma, Canal+ Sport and Planète) and one for its free-to-air channel (i>Télé).

The "Television of the Future" Law — which sets the termination date of analog broadcast services and their replacement by digital broadcast as of December 16, 2010 for Canal+, in anticipation of the implementation of the high definition television — was adopted by the French parliament on February 22, 2007 and published in France's official gazette *"Journal Officiel"*, dated March 8, 2007. This law also covers the allocation of an additional TNT broadcasting license to Canal+ upon termination of its analog broadcasting services.

Regarding Canal+ Active's video-on-demand business, the inter-industry agreement, dated December 20, 2005, expired. This agreement, entered into for a 12-month period, integrated the new video-on-demand method of film distribution in the media release chronology. New discussions are currently in progress among the interested parties.

Vivendi and the Canal+ Group made 59 significant commitments to ensure that the merger of TPS and CanalSat would not have anti-competitive impacts on any of the relevant markets. These commitments are described in "2.2.7 Competition".

Piracy

The Canal+ Group actively combats piracy of its programs in order to protect its own commercial interests, as well as those of its beneficiaries.

The Canal+ Group acts effectively against the various forms of audiovisual piracy through resources dedicated to technology watch and research, including fifteen employees. This team maintains ongoing contact with manufacturers (including components, set-top boxes and access control) and with specialized entities. It relies on leading-edge technologies and expertise in this area.

For example, in 2003 the Canal+ Group and Nagra+ entered into an agreement pursuant to which the Canal+ Group was able to change all analog keys in February 2005 to improve the security of its system. This protection is still effective today.

In terms of legal actions, the Canal+Group undertakes all criminal actions required against pirates.

Competition

On January 4, 2007, the pay-TV activities of the Canal+ Group and TPS in France were combined within Canal+ France, a newly-formed company in which the Canal+ Group holds a 65% interest, Lagardère holds a 20% interest, TF1 holds a 9.9% interest and M6 holds a 5.1% interest.

Pursuant to analyses and recommendations of the French Competition Council and the DGCCRF (*Direction générale de la concurrence, de la consummation et de la repression des frauds*, the French General Directorate for Competition Policy, Consumer Affairs and Fraud Control), Vivendi and the Canal+ Group made 59 significant commitments to ensure that the merger would not have anti-competitive impacts on any of the relevant markets. Without questioning the pay-TV business model or the industrial logic of the merger and the resulting benefits to the consumer, these commitments pursue the following objectives *(Only the text of the undertakings as approved by the French Minister of the Economy have legal and enforceable value)*:

- to facilitate TV and VOD operators' access rights to attractive audiovisual content, in particular recent French and American films and sports events;
- to make available to pay-TV distributors (except DTT and cable operators) on a non-exclusive basis, seven quality channels to allow for the development of attractive offers, *i.e.*, the TPS Star channel, three film channels, two children's channels and the Sport+ sports channel; and
- to guarantee the carrying of a minimum number of "independent" pay-TV channels in the satellite package of the new entity.

All of these commitments were made for a maximum period of six years, with the exception of the commitments made with regard to channel availability and VOD, which cannot exceed five years.

In the French pay-TV sector, the main competitors of the Canal+ Group in channel distribution are the cable operator Noos-Numéricâble (resulting from the 2006 merger of UPC-Noos and NC Numéricâble) and ADSL operators. According to internal estimates, at year-end 2007 Canal+ France held approximately 78% of pay-TV subscriptions in the French market.

The increase in the number of digital broadcast channels driven by technological developments such as broadband (digital terrestrial television and mobile broadcast standards), encourages the entry of newcomers in the pay-TV sector. As a result, multi-service competition is increasing. Since 2004, telecommunications operators have developed multi-service offers, known as triple play, which combine telephone, Internet and television access.

Digitization of content on physical media (DVD) or electronic media, which was bolstered by the emergence of high-tech equipment such as home cinema equipment and the new generations of personal multimedia players, is another source of competition for a premium channel like Canal+.

Similarly, the very rapid growth of VOD has generated increasingly strong competitive pressures on traditional film pay-TV services. For ADSL operators, VOD is a significant area of development.

In the theme channels market, competition is generated both from international brand expansion initiated by the communications companies and the American film studios, such as Discovery, MTV, Fox Kids and the Disney Channel and from the emerging development of channels by third-party operators.

In the film sector, StudioCanal competes with American, European and French film production companies.

Raw Materials

See "Universal Music Group — Raw Materials."

Research and Development

As in 2006, the Canal+ Group did not incur significant research and development expenses in 2007.

SFR

SFR was formed in 1987 and is the second largest mobile telecommunications operator in France with approximately 18.8 million customers as of December 31, 2007, representing 34% of the French market (source: *Autorité de Régulation des Communications Electroniques et des Postes*, ARCEP, and SFR data). SFR is also active in the fixed-line telecommunications market with approximately 415,000 ADSL customers and 2 million fixed-line voice customers.

SFR provides the following services in metropolitan France and in La Réunion and Mayotte via its wholly-owned subsidiary, Société Réunionnaise du Radiotéléphone (SRR):

- To individual customers:
  - mobile telephony retail services, access to mobile multimedia data services (including messaging (SMS and MMS) and broadcasting of images and sound) and mobile Internet access (including transmission and receipt of emails and Internet browsing). SFR offers these services on a subscription basis (post-paid) and on a prepaid basis via phone cards (prepaid), with or without handsets; and
  - fixed telephony retail services and broadband Internet access (including multiplay offerings that combine broadband Internet access, telephone, IP telephony and ADSL television service and other non-package services). These services were launched for SFR's customers in 2007, under the SFR brand and then additionally under the Tele2 brand following the July 2007 acquisition of 100% of the fixed and ADSL operations of Tele2 France (The acquisition of 100% of the fixed-line and ADSL operations of Tele2 France was approved by the European Commission on July 18, 2007 (COMP/M.4504, SFR/Tele2 decision, dated July 18, 2007).
- To professional and business customers:
  - mobile telephony retail services, access to mobile data services (particularly secure remote access to networks and business applications), mobile Internet access (including transmission and receipt of emails and Internet browsing), machine-to-machine solutions in data communications, telemetry, electronic banking and security; and
  - combined voice fixed/mobile offerings since early 2007.
- To Mobile Virtual Network Operators (MVNO) which are not authorized to use mobile telephony wholesale service frequencies to enable them to provide a set of retail access and mobile outgoing call services.

SFR currently holds approximately 40% of the share capital of Neuf Cegetel, the leading alternative fixed-line telecommunications operator in France (in terms of revenues and number of customers) within the consumer, professional, business and operator segments. At year-end 2007, Neuf Cegetel had approximately 3.2 million customers for its ADSL Internet services.

In December 2007, SFR and the Louis Dreyfus group announced that they had reached an agreement for the sale of the Louis Dreyfus group's approximate 28% stake in Neuf Cegetel. Pursuant to this transaction SFR will increase its stake in Neuf Cegetel to 67.95% (on a fully-diluted basis). This transaction, which received the positive

opinions of the employee representatives of SFR and Neuf Cegetel, is subject to the approval of the antitrust authorities. Pursuant to French market regulations, if SFR acquires the interest held by the Louis Dreyfus group, it would then be required to file a tender offer for the shares of Neuf Cegetel held by the public with the French Autorité des Marchés Financiers, which would then be followed, if necessary, by a squeeze-out of the remaining publicly-held Neuf Cegetel shares.

This transaction would be a major step in SFR's strategy which would accelerate the implementation of growth vectors due to the complementary nature of both companies' businesses in terms of customer bases, networks and expertise.

Performance and services

According to the ARCEP, the mobile telecommunications market continued to expand in France during 2007, with a customer base that increased by 3.7 million (a net annual growth rate of 7.1%). The mobile telecommunications market, which continues to grow, is becoming a replacement market, with about four gross sales for one net sale. The number of mobile customers in France totaled 55.4 million as of December 31, 2007. The market penetration rate was 87.6% at year-end 2007, a 81.8% increase compared to 2006.

In 2007, the French market was characterized by heavy regulatory pressures and intense competition due to:

- cuts in regulated rates for call termination to a mobile network imposed by the French regulator, and tariff cuts for international roaming as imposed by the European Commission;
- the continued development of MVNOs within the French market, with the arrival of new MVNOs such as Afone/Leclerc for the SFR network and pursuant to the agreement entered into between Numéricâble and Bouygues Telecom;
- the expansion of bundled offers (voice and data) and the growth in the penetration of third generation telephony offers (3G/3G+), which contributed significantly to both voice usage and data-service growth. The year 2007 was also marked by the emergence of the mobile Internet; and
- the development of fixed/mobile convergent offerings, mainly for businesses, launched by the historical operator and ISPs (Internet service providers).

SFR not only took advantage of this dynamic context, but was the operator which led the market with the launch of innovative offerings for consumers and businesses such as "Happy Zone", "Illimythics" and "SFR One Solution."

In 2007, SFR ranks first in 3G/3G+ with nearly 4.1 million customers, a 2.7 million customer increase compared to year-end 2006. The 2007 ARCEP survey ranks SFR first in network quality for the fourth year in a row.

SFR recorded 883,000 new customers in 2007 (representing 24% of net market sales), including 657,000 during the fourth quarter of 2007, which took it to a leading position in terms of net acquisitions in metropolitan France. SFR increased its customer base to 18.8 million, a 4.9% increase compared to 2006. SFR also carries 1,208,000 (SFR Estimate) customers on its network for MVNOs, representing nearly 50% of all VNO customers in the market. In 2007, SFR's share of the mobile telephony market in France, excluding MVNOs, was 33.9% compared to 34.6% in 2006 (source: ARCEP).

In 2007, mobile Internet grew substantially and SFR was a pioneer in that field with the marketing of highly successful innovative offerings:

- "Illimythics" which was launched in November 2007 provides packages that offer all mobile Internet uses on an unlimited basis, without restrictions on time or downloads. These packages were subscribed to by more than 250,000 customers within three months (more than 175,000 customers at year-end 2007) and more than 40,000 Internet 3G+ keys (instantaneous mobile Internet access from portable PCs, with no need to install anything) have been sold since July 2007;
- SFR and certain Internet players (Dailymotion, MySpace, Yahoo, Wikipedia, eBay, YouTube, Google and Microsoft) entered into service agreements which enable SFR to offer "Best of Web" mobile services; and

- the growth in mobile Internet was driven by increasingly high-performance handsets (including storage capacity, screen size and 3G/3G+).

Offers to substitute mobile for fixed-line telephony experienced true success with more than 400,000 customers for the "Happy Zone" option launched in April 2007. This option is also available in combination with ADSL access in the "SFR Happy Zone + ADSL" offer for everyone who wants ADSL access with the SFR service quality and a continuity of services between their mobile phone and their computer.

Data service usages continued to expand in 2007. At year-end 2007, "data" services represented 13.7% of mobile services revenues, compared to 12.8% at year-end 2006.

The main services offered by SFR include:

- Personal messaging services: the transmission of text and multimedia messages continued to increase with 7.3 billion SMS (Short Messaging Services) at year-end 2007, compared to 6.3 billion in 2006 (+15.2%).
- Music:
  - in the fourth quarter of 2007, SFR Music ranked first among the legal downloading platforms for digital tracks in France. Such ranking was achieved as a result of: (i) the strategic agreements entered into with the major record companies pursuant to which SFR offers a music catalog of over 1 million tracks; (ii) the cut in SFR's download fees by half in November 2006; and (iii) SFR's innovative fee policy. At year-end 2007, SFR had recorded nearly 5.6 million downloads, an increase of approximately 4 million compared to 2006; and
  - one year after its launch, SFR Jeunes Talents, the leading mobile and Internet portal to showcase young music artists (together with graphics, photos, video and text), generated an average of 180,000 hits per month. Ten Jeunes Talents Music artists were able to record in a studio with professionals. One of those artists, Zoé Avril, signed an agreement with Universal Music Group.
- TV-video: SFR's mobile TV-Video offer, which had more than 350,000 subscribers at year-end 2007, has 92 channels (including 56 channels in the CanalSat package, which had nearly 180,000 customers at year-end 2007, the five channels of the Canal+ package and the 31 channels of the SFR package) and content adapted to mobile handsets: VOD and content loops *(Têtes à Claques, Heroes, Prison Break and 24)*.
- Games: over 5 million video games were downloaded in 2007 with more than 600 games available for download, including ten multiplayer games. At year-end 2007, SFR launched a new high-definition multiplayer games offer, accessible to all SFR customers equipped with a Java mobile. With this offer, which is revolutionizing the mobile game experience, customers can play online with their friends from their mobile phone in quasi real-time, due to a technological innovation installed in SFR's GSM/3G/3G+ networks.
- Videophony: the use of videophony expanded with a use rate of one 3G customer out of four in 2007, compared to one 3G customer out of five in 2006.

For business services, 2007 was marked by a strong sales momentum which has continued for several years, and by major strategic innovations. The development of mobile offerings for businesses is emblematic of SFR's desire to promote a global approach for businesses:

- an increase of 17% in the number of business lines compared to 2006,
- very strong growth in data services, with a 57% increase in one year in the number of remote access lines and a 61% increase in the "Business Mail" mobile messaging offerings;
- very strong sales in machine communications. Machine-to-machine communication, which allows a central server to exchange data with a remote group of fixed or mobile machines, is becoming a true growth vector. This area covers four segments: data communication (vehicle fleet location and management), which is the most mature segment; telemetry (*e.g.* remote meter reading); electronic banking (e.g., Vélib project in Paris), and the safety of property and people (e.g., SMS break-in alerts) The machine-to-machine base more than doubled in one year with approximately 200,000 lines; and

- the launch of “SFR One Solution” during the fall of 2007, which completes the SFR business voice solution offering and provides a package of unlimited mobile calls to a company’s SFR mobile and fixed-line telephones in France and 40 countries abroad.

SFR entered into GSM roaming agreements with nearly 250 countries or destinations, 175 countries or destinations for GPRS and 70 countries or destinations for UMTS. In November 2005, SFR launched the Vodafone Passport option which, in return for the payment of a connection fee, allows calls from abroad to be billed at domestic call rates in 56 countries. In addition, in 2007, SFR applied the eurotarif more than one month in advance of the deadline set under European regulations.

2007 was also the year during which SFR entered new growth territories:

- in March 2007, the launch of the ADSL option for SFR customers under the SFR ADSL brand. In 2007, this offering was improved with the introduction of the enhanced “Box ADSL + mobile” and “Box ADSL + 3G+ Internet Key” offerings. After the completion of the acquisition of the fixed-line and ADSL operations of Tele2 France, at year-end 2007, SFR had approximately 2 million fixed voice customers, 415,000 ADSL customers and an ADSL market share of approximately 2.5% (source: Arcep);
- the launch of combined voice fixed/mobile offers for businesses with “SFR One Solution”; and
- in December 2007, the execution of an agreement with the Louis Dreyfus group to increase SFR’s stake in the share capital of Neuf Cegetel.

Finally, SFR is implementing an investment strategy in its own telecommunications network infrastructures, particularly in its UMTS (Universal Mobile Telecommunication Service or 3G) network which strategy is also based on the introduction of the HSDPA function (High Speed Downlink Packet Access or 3G+). HSDPA enables (i) SFR to respond and manage the growth in customer usage by significantly increasing available voice capacity and data transfer speeds, and (ii) to offer the best quality to its customers. As the SFR 3G/3G+ network is now broadly deployed (SFR has the largest 3G+ network in Europe with 70% of the French population covered), investments in the network and information systems declined to approximately €1 billion in 2007.

SFR has also strengthened its commercial coverage throughout France with approximately 8,000 points of sale, including 765 “espace SFR” boutiques.

Network

SFR’s mobile phone services operate either on the GSM (Global System for Mobile Communications)/GPRS (Global Packet Radio Service) network, the international standard for mobile communications systems and the dominant digital standard in Europe, or alternatively on the UMTS network.

At year-end 2007, the SFR GSM/GPRS network covered more than 98% of the French population and more than 87% of the French territory. The UMTS (3G/3G+) network covered 70% of the population in 2007, a 65% increase compared to 2006. Moreover, SFR deployed the HSDPA (3G+) function on its 3G network, which covered its entire 3G network at year-end 2007. With this technology, the theoretical transfer rate was 3.6 Mbit/sec at the year-end 2007.

In September 2007, SFR introduced the HSUPA (High Speed Uplink Packet Access) service for the first time in France. This service offers communication sessions from handset to network at speeds greater than 1Mb/s. SFR plans to deploy this functionality in most of the major French cities during the first half of 2008 in order to continue offering its customers the best technology available.

In addition, SFR decided to improve its GSM/GPRS coverage by introducing the EDGE (Enhanced Data for Global Evolution) standard in areas not covered by the UMTS network, in order to offer its business customers higher communication speeds compared to those provided by the GSM/GPRS network. At year-end 2007, the EDGE/3G/3G+ high-speed network covered 91% of the French territory.

The priority given to quality customer service is reflected in quality and customer satisfaction surveys conducted by the ARCEP. SFR was ranked first or equal to first in 30 of the 32 criteria considered by ARCEP in its

2006/2007 annual audit on the quality of mobile telecommunications networks in France, significantly ahead of its closest competitor, making SFR the only operator to have obtained this ranking for four consecutive years.

Regarding licenses, under the terms of renewal of its GSM license, which expired on March 25, 2006, SFR has paid, since that date and for a term of 15 years, an annual fee that includes a fixed portion of €25 million and a variable portion of 1% of the related revenues. In addition, SFR was granted a UMTS license in 2001 by the French government for a period of 20 years (2001-2021), in consideration for the payment of €619 million in September 2001, and an annual fee of 1% of revenues to be generated by this third generation network.

In 2007, the WiFi technology was available to SFR customers through 10,000 hotspots (points or terminals allowing for wireless communication) worldwide, and more than 30,000 hotspots in France made possible by domestic and international agreements entered into by SFR. In 2007, SFR deployed the first step of its urban WiFi network in the city of Paris, including approximately 400 hotspots. In addition, SFR officially launched the WiFi Cité networks in the cities of Nantes and Metz.

With its WiMax licenses obtained in 2006 for the Île-de-France and Provence-Alpes-Côte d'Azur regions, through SHD (Société du Haut Débit), a joint venture between SFR and Neuf Cegetel, SFR, on behalf of SHD, deployed 88 WiMAX radio sites in these regions.

Moreover, SFR initiated the transition of its network towards the convergence of access and services on IP (Internet Protocol), so that the network core will be all-IP by 2009. IP is the data transfer protocol of the future, providing flexibility, upgradeability and security at the lowest cost. In 2007, SFR deployed a national transmission network using the IP-MPLS (Multi-Protocol Label Switching) technology, based on a national optical loop infrastructure of more than 8,000 km. SFR also began the deployment of a new switching architecture based on software servers (Softswitch) and the R4 technology, which will gradually replace traditional switching elements (MSC) of SFR's network until mid-2009. At year-end 2007, more than 2 million SFR subscribers generated traffic under the R4 environment.

Seasonality

SFR's sales (i.e., gross acquisition of customers) are characterized by significant seasonal variations at year-end.

Regulatory Environment

As a service operator, SFR does not directly operate any industrial process. The different elements of the network infrastructure, as well as the terminals and the SIM cards that SFR sells to its customers are purchased from various suppliers to avoid any dependency.

SFR has entered into a number of industrial and service agreements in the context of its operations, which fall into two separate categories:

- agreements entered into with the manufacturers of telecommunications network infrastructures, service platforms and mobile handsets, and agreements for the integration or development of software solutions (network and management software): these agreements provide either for the grant of a license to use the supplier's intellectual property rights to the relevant SFR entity, or the transfer of ownership of the software together with software enhancements; or
- agreements entered into for marketing services developed by third parties: under these agreements the SFR entity may include in its own service offering services developed by third parties. The rights granted under each agreement generally depend upon the scope of the services.

2007 major regulatory developments included:

- in July 2007, a new ARCEP Decision No. 2007-0810 (published on October 4, 2007) concerning tariffs for voice call terminations for the period between January 1, 2008 through June 30, 2009. The tariff cut is 13.3% for SFR (7.5 cts/min down to 6.5 cts/min), representing approximately 2% of SFR's revenues, and 8.0% for Bouygues Télécom; and

- a framework for the wholesale and retail European roaming fees following the adoption of EC Regulation No. 717/2007 of June 27, 2007, upon the recommendation of the European Commission. This regulation reduces the rates on calls placed and/or received from outside the country of origin within the Europe of 27. For the first time, it regulates retail prices by introducing the "eurotarif": 0.49 euro per minute to call from abroad (excluding taxes) and 0.24 euro per minute to receive a call from abroad (excluding taxes).

2007 was the year of sector measures favorable to consumers: a number of those measures were adopted pursuant to the consulting work performed within the French National Consumer Council and successive round table discussion groups with Ministers responsible for the sector. The last of those meetings, held on September 25, 2007, established a report on the measures so initiated. SFR participated in this work and often anticipated the implementation of some of those measures such as the implementation of portability within ten days, an important factor in market fluidity and a demonstration of free competition. This mechanism was implemented on May 21, 2007, and now allows a customer to subscribe with a new operator, without having to fulfill any formalities with his/her former operator within a maximum period of ten days. The September 2007 round table discussion was followed by the filing of a new bill (the Chatel Law) on "Competition for the Benefit of Consumers" which was adopted by the French Parliament on January 3, 2008.

The Chatel Law mainly provides for:

- the reduction to ten days of the contract termination notice period which SFR had already implemented;
- a framework for the return of security deposits, with a return period which must not exceed ten days from the date of return of the guaranteed item to the professional;
- a ban on contracts which terms exceed 24 months. Pursuant to the Chatel Law, consumers may terminate their contracts with terms of greater than 12 months as early as the end of the twelfth month, in consideration for the payment of a termination fee which may not exceed one-fourth of the amount due for the non-accrued portion of the minimum contract period;
- a ban on making the grant of loyalty points dependent upon a recommitment clause to be entered into by consumers; and
- with respect to operator hotlines (i.e., access to after-sales services, technical assistance or any other services responsible for handling claims), hold time to access hotlines for "on net" calls (calls placed from the network of the supplier concerned) and calls via a non-geographic, fixed number must now be free of charge and not taxed from another local loop.

The World Radiocommunication Conference (WRC) held in Geneva from October 22nd to November 16, 2007 recognized a digital frequency band of 72 MHZ, giving a strong signal to manufacturers to begin the development of base stations and mobile terminals in the 790 – 862 MHz band. The French Prime Minister will have to define the allocation of these frequencies at the appropriate time (*i.e.*, at the end of analog transmission which is scheduled for November 30, 2011). The 2007 WRC also identified a set of four new frequency bands harmonized at the global level. They combine (i) high frequencies ($>$ 2 GHz) to increase capacity and provide more service in heavily populated areas; and (ii) low frequencies ($<$ 1 GHz) to cover less populated areas in order to provide broadband mobile services everywhere. These four new bands are: 450 – 470 MHz, 790 – 862 MHz in both region 1 (Europe, Africa, Middle East and Russia) and region 3 (Asia-Pacific), and 698 – 806 MHz in region 2 (United States, Canada and Latin America) and nine Asian countries, 2.3 – 2.4 GHz, 3.4 – 3.6 GHz. The 2007 WCR also took measures designed to protect current users of the bands identified for international mobile telecommunications in neighboring countries: broadcast and airport radar in the 790 – 862 MHz band and fixed satellite service in the 3.4 – 3.6GHz band.

The bid tender process for the award of a fourth 3G mobile telecommunications license in France launched in 2006 was unsuccessful. The fourth mobile telephony license was not granted (under the financial terms set for the three previous licenses: a fixed amount of €619 million and a variable amount of 1% per annum of the total revenues generated by the 3G service). In August 2007, the ARCEP rejected the bid from the only operator who expressed an interest (Free, a subsidiary of Iliad), as Free rejected the financial terms for the license. The process remains within

the hands of the French government which may or may not decide to change the financial terms for the grant of the license.

The European regulatory landscape in the electronic communications sector will change significantly under the "telecom package", the European process to amend the existing telecom directives. On November 13, 2007, the European Commission proposed directives that will be debated before the European Parliament and within the Council of Ministers in 2008 and which promulgations are expected no sooner than 2009/2010.

In early December 2007, the French government and regulator announced planned measures for the acceleration of the development of very high speed transmissions in France. These proposals include a legislative provision requiring fiber optic pre-wiring for new buildings, and the "right to an antenna", the establishment of a right to fiber optic for building co-owners. Following a market analysis (and pursuant to the new recommendation on relevant markets from the European Commission on November 13, 2007), the French regulator will work to regulate the civil engineering of France Telecom. The regulator has also expressed its intention that the legislature define the specific conditions for sharing the terminal portion of these networks; a law could extend its jurisdiction to allow it to impose this "symmetrical" regulation, i.e., required for all operators deploying fiber optics.

Dead Zones

At year-end 2007, SFR had deployed 569 sites in dead zones, covering nearly 900 communities in France. With savings of approximately one hundred sites achieved as a result of high-performance radio engineering, SFR will have exceeded its initial commitment to cover approximately 1,000 communities at the end of the program. 2007 saw the satisfaction of the commitments made by the public authorities, local communities and mobile telephony operators, including SFR, to meet the major challenges of covering dead zones in France.

Health and the Environment

The rapid development of mobile telephony in recent years has stirred an international debate on the potential risks of electromagnetic fields on the human health. At year-end 2000, SFR set up a department assisted by a scientific board comprised of an epidemiologist, an environmental specialist and a sociologist. Its objectives are to monitor the research in these areas, improve understanding of the expectations from various stakeholders and recommend, where necessary, appropriate measures to be validated by a sustainable development committee chaired by the Chairman and Chief Executive Officer of SFR.

Comprehensive analysis of the scientific data available on the effects of electromagnetic fields does not currently indicate any harmful effects on human health below the limits established at the international level. In Ottawa, in July 2005, the World Health Organization (WHO) confirmed its position adopted in June 2000, *i.e.*: "To date, all the opinions from experts on the health effects of exposure to radio waves have reached the same conclusion: no negative effect has been established at levels of exposure to radio waves lower than international recommendations," while it called for "continued scientific research." This finding is reiterated in various expert reports throughout the world, particularly in the report of the French Agency for Environmental and Occupational Health Safety (AFSSET), published in June 2005. SFR carefully monitors international expert studies.

With respect to base station antennas, health authorities concur that base station antennas are not harmful. In its memorandum No. 304, dated May 2006, on *Base Stations and Wireless Technologies*, the WHO concludes: "Given the very low levels of exposure and the results of research studies obtained to date, there is no supporting scientific element confirming any harmful effects of base stations and wireless networks on human health."

Unlike studies on base station antennas, which benefit from studies carried out on other radiofrequency transmitters such as radio and television antennas, studies on the possible health effects of the use of mobile phones are more recent. The scientific community agrees on the need for more in-depth studies on certain matters, particularly regarding the long term effects of the use of radiofrequencies and on intensive uses. For these reasons, research in this area is continuing. The International Agency for Research on Cancer (IARC) was authorized by the WHO to conduct a large-scale epidemiological study called the "Interphone Study", involving thirteen countries, with the comprehensive summary still to be published, even though several countries (nine at year-end 2007) have already published their results.

Pending these results, expert groups recommend certain precautions for use, such as favoring areas where reception is good or using a pedestrian kit (provided free of charge in all SFR packages, since September 2002). If a pedestrian kit is used, French departmental order dated October 8, 2003, recommends that pregnant women keep the telephone away from the abdomen and that adolescents keep it away from the lower abdomen, but specifies that "this advice is given as a precaution, since no hazard related to the use of a mobile phone has been found to date." SFR has been indicating the exposure levels provided by the manufacturers of the telephones it sells on its website and in its sales brochures since mid-2002 and on shelf displays at its outlets since early 2003.

In connection with its active attempts to promote scientific research on the effects of radiofrequencies on human health, with the support of the French ministry responsible for research and in partnership with other manufacturers, SFR made every effort during 2004 to set up a "Health and Radiofrequencies Foundation." The mission of this foundation, officially recognized as beneficial to the general public in January 2005, is to define, promote and finance research programs on the effects of human exposure to the electromagnetic fields used in particular for electronic communications and to publish the knowledge acquired in these fields among professionals and the general public. To organize a study on society's expectations with respect to research and information and the answers to be provided, the foundation has set up an advisory committee open to all stakeholders.

Finally, in addition to complying with applicable regulations in France, SFR has continually worked to inform the public, local authorities and its lease holders of the current state of knowledge and the regulations in this sector. In particular, SFR is involved in the French Association of Mobile Phone Operators (*Association Française des Opérateurs Mobiles* — AFOM), established in February 2002, to further its efforts to establish dialog and transparency, which have been intensified in recent years. In 2007, the AFOM published two new versions of its information brochure entitled *My Mobile and My Health and A Base Station Near Me* (available on the AFOM and SFR websites). The new *My Mobile and My Health* brochure is also available in all SFR sales boutiques.

In 2007, the AFOM and the French Mayors' Association renewed their partnership by updating the *Good Practices Guide* entered into between mayors and operators (initially signed in 2004), and renaming it *Guide to Relations Between Operators and Communities*. This confirmed the relevance and effectiveness of the provisions of the guide implemented in 2004 to provide mayors with additional leverage to manage base stations in their communities and the accuracy of the update of the Guide's sections relating to science, research and regulations. The mobilization of SFR's regional technical teams has been maintained with expanded campaigns to measure electromagnetic fields carried out by independent testing organizations accredited by the French Accreditation Committee, in accordance with the official procedure of the French Frequency Agency (ANFR).

In December 2007, regarding the environment, SFR obtained ISO 14001 certification for its Environmental Management System (EMS) with a much broader perimeter than in 2006, *i.e.*:

- the strategic sites maintenance and deployment business;
- the relay stations maintenance and deployment business; and
- the three tertiary sites in Rennes, Lyon Saint-Priest and Massy.

The Séquoia site in Paris has been certified for its EMS coordination business operations. The certification issued by AFAQ/AFNOR guarantees both the efficiency of SFR's processes and of its EMS since 2001. The commitments made by SFR to protect the environment have been fully recognized through this certification process.

In 2007, SFR's two historic environmental projects entered a mature stage: 95% of the new base station antennas installed during the year were adapted to the surrounding landscape and approximately 100,000 used mobile phones were collected throughout the "espace SFR" distribution network.

In 2007, a business travel project was initiated:

- SFR deployed a travel policy more protective of the environment through its "Eco-attitude" program: recommendation sheets on business travel, home/work travel, and eco-driving for SFR employees are all available on the company's Intranet; and

- SFR launched its first business travel plan at the pilot site of Rennes, the first tertiary site ISO 14001 certified, in collaboration with Rennes Métropole (the Rennes metropolitan area). With the active participation of all employees, the first two concrete initiatives emerged: a lesson on public transportation in Rennes and encouragement for SFR employees to carpool.

In the same area, SFR Développement launched a new carpooling service with mobile interface to work for the same goal: to change transportation habits and fight climate change.

In 2007, a major energy project was in progress. Following the completion of energy diagnostics, SFR's network department identified measures on both the strategic sites and the base stations. These measures which should optimize energy consumption include the deployment of new generation bays (2G and 3G), giving consideration to the energy rating before the purchase of equipment, remote metering and the implementation of real-time consumption monitoring. For the tertiary sites, an energy mapping of all SFR sites has been initiated. The establishment of objectives and energy performance measures will follow in 2008.

In 2007, SFR inaugurated a mobile telephony base station powered by solar energy for the first time on its mobile telephony network in Fitou in Aude.

Piracy

SFR follows an active anti-piracy policy for its music download services. The protection of music titles and the traceability of the corresponding rights are priorities for SFR. Standard DRM (Digital Rights Management) solutions have already been developed within the Open Mobile Alliance (OMA), a standardization body that includes the entire chain of mobile communication players (including operators, publishers and handset manufacturers). SFR is a member of the OMA. SFR is currently using DRM solutions to the OMA 1.0 standard. SFR continues to work with partner music publishers to install the necessary upgrades to the rights protection solutions (DRM 2.0 or other solutions) within the current French legal framework.

Competition

SFR faces very strong competition in the French mobile telephony market, which remained dynamic in 2007, with a penetration rate increase of 5.8 points, from 81.8% at year-end 2006, to 87.6% at year-end 2007.

SFR's mobile telephony competitors are network operators Orange France and Bouygues Telecom, and MVNOs such as Auchan Telecom, Carrefour Mobile, Neuf Cegetel (as of December 31, 2007, SFR owned approximately 40% of Neuf Cegetel) , Tele 2 Mobile, MobiSud (a Maroc Telecom subsidiary), NRJ Mobile and ISPs that offer convergent solutions.

At year-end 2007, there were 12 MVNOs, seven of which were on the SFR network. The market share held by SFR's competitors was 44% for Orange France, 17% for Bouygues Telecom and 5% for the MVNOs and other operators in France (excluding overseas territories), compared to 34% for SFR (source: ARCEP and operator publications).

The SFR network market share, including MVNOs on its network, was approximately 36% at year-end 2007, stable compared to 2006 (source: ARCEP and SFR estimates).

Raw Materials

See "Universal Music Group- Raw Materials."

Research and Development

In 2007, SFR's investments in research and development were primarily focused on three areas: the quality of customer service (including "real-time tax collection" work), service platforms, and the exploration of new telecommunications technologies in radio (video-broadcast, HSxPA and WiMax), core network (IMS/SIP and IPV6) or terminals, through studies and/or experiments conducted on pilot platforms.

Based on its structure and size, SFR has adopted a network research strategy (academic and industrial) through collaborative projects. This helps to optimize investments and to ensure that project results are effectively shared. The results of these multi-party projects have generated new patents, particularly in the fields of networks, security and multimedia services.

SFR's research and development expenses are estimated at €63 million for the year ended December 31, 2007, compared to €64 million for the year ended December 31, 2006.

Maroc Telecom

Maroc Telecom was formed in 1998, following its spin-off from the *Office national des postes et télécommunications*, the Moroccan national postal and telecommunications office. Maroc Telecom is Morocco's historical global telecommunications operator in the fixed-line, mobile and Internet business segments, in which it continues to be the domestic market leader (source: *Agence Nationale de Réglementation des Télécommunications* — ANRT — the Moroccan telecommunications regulator).

Maroc Telecom is listed on both the Paris and the Casablanca stock exchanges and has two major shareholders: Vivendi and the Moroccan State.

In 2001, Vivendi became the Kingdom of Morocco's strategic partner in Maroc Telecom after acquiring a 35% equity interest in the company, following an auction process organized by the Moroccan government. On November 18, 2004, the Kingdom of Morocco and Vivendi announced that they had reached an agreement regarding the sale of an additional 16% stake in Maroc Telecom to Vivendi.

The Moroccan government continued the privatization of Maroc Telecom by conducting an equity offering of 14.9% of Maroc Telecom's share capital. The success of the equity offering led to the simultaneous listing of Maroc Telecom on the Casablanca and Paris stock exchanges on December 13, 2004.

During 2006, the Kingdom of Morocco sold 0.1% of Maroc Telecom's share capital on the market. On July 2, 2007, the Moroccan State sold 4% of the capital of Maroc Telecom on the Casablanca Stock Exchange at the price of 130 dirhams per share. This sale was reserved for Moroccan and international institutional investors through a book-building process from June 26th through June 28, 2007. Following completion of the transaction, the Moroccan State held 30% of the capital and voting rights of Maroc Telecom and the free float of the share capital rose from 15% to 19%.

In December 2007, pursuant to the share exchange transaction with the Caisse de Dépôt et de Gestion du Maroc, Vivendi acquired an additional 2% interest in Maroc Telecom. As a result of this transaction, 53% of Maroc Telecom's share capital is held by Vivendi, 30% is held by the Kingdom of Morocco and 17% is held by the public.

Maroc Telecom took steps to accelerate its growth outside of Morocco in late 2006 and early 2007. Since April 2001, Maroc Telecom, together with a group of local investors, holds 51% of the share capital of Mauritel, Mauritania's historical operator. Through international calls for tenders, Maroc Telecom acquired a 51% stake in the historical operators of Burkina Faso (Onatel, on December 29, 2006) and of Gabon (Gabon Telecom, on February 9, 2007). In addition, Maroc Telecom launched a Mobile Virtual Network Operator (MVNO), named Mobisud in France on December 1, 2006 and in Belgium on May 2, 2007.

Mobile Telephony

The Moroccan mobile telecommunications market grew significantly as a result of the introduction of prepaid offerings in 1999 and the liberalization of the sector in 2000.

In July 2006, Maroc Telecom secured one of the 3G mobile telecommunications licenses following an international tender offer.

At year-end 2007, the market penetration rate for mobile telephony in Morocco was 65.7% and Maroc Telecom held a 66.5% market share, stable compared to 2006 (source: ANRT). In 2007, Maroc Telecom's mobile customer base increased by 2.6 million, up 24.5% to 13.3 million customers, 96% of which were prepaid customers.

The prepayment system meets customers' needs by allowing them to better control their communication costs while remaining within their contract packages.

Maroc Telecom continued to improve its commercial offer and introduce new services in order to retain existing customers and attract new ones.

In 2007, in the prepaid segment, Maroc Telecom again lowered the minimum tariff to 10 dirhams (approximately €0.90) including tax and continued its promotions policy in order to develop mobile phone usage by means of unlimited voice and data communication offerings during specific periods and promotions on phone cards. In addition, Maroc Telecom launched a new prepaid mobile offering, named Mobisud, which offers calls at favorable tariffs to all national fixed and mobile telecommunications operators as well as to Mobisud mobiles in France and Belgium.

In the post-paid segment, Maroc Telecom continued to promote its unlimited calls option and to introduce new services.

Maroc Telecom, a forerunner in the Moroccan telecom business, introduced new mobile services such as the Blackberry, the 3G mobile Internet, personalized ringtones and mobile instant messaging as well as address books. Furthermore, in order to equip all its customers with the latest technologies, Maroc Telecom expanded its range of handsets and reduced its rates with packages starting at 249 dirhams (approximately €23) including tax.

As a result of the rapid growth of its customer base and the decrease of access fees, the average churn rate stood at 25.4% at year-end 2007 (compared to 20.3% at year-end 2006). In 2007, the average revenue per user (ARPU) amounted to 108 dirhams (approximately €10), a 4% decrease compared to 2006.

Maroc Telecom remains the benchmark for short messaging services (SMS) and multimedia messaging services (MMS) in Morocco and offers MMS roaming to all its customers and GPRS roaming to post-paid customers. In 2007, the total number of outgoing SMS messages on Maroc Telecom's network reached approximately 1.3 billion, a 10% increase compared to 2006.

Fixed-line Telephony, Data and Internet

Until the end of 2006, Maroc Telecom was the sole provider of fixed-line telecommunications services and the main provider of Internet and data services in the Moroccan market. In 2005, these markets were opened to competition, with the granting of fixed-line licenses to two new operators, which started operating in 2007.

The principal fixed-line telecommunications services provided by Maroc Telecom are:

- telephony services;
- interconnection services with national and international operators;
- data transmission services for professional customers and Internet service providers, as well as for other telecoms operators;
- Internet services (which include Internet access services and related services such as hosting); and
- television via ADSL.

The number of fixed lines was 1.289 million at year-end 2007, a 1.8% increase compared to 2006. The residential customer base amounted to 825,000 lines at year-end 2007, an increase of 1.5%, compared to 2006. The line of products dedicated to this segment, marketed under the El Manzil brand, includes calling plans, packages and capped-fee plans with recharge options. In 2006, in order to build customer loyalty and attract new clients, Maroc Telecom had launched a new unlimited fixed telephony offering under the brand "Phony" allowing customers to make both local and national unlimited calls to Maroc Telecom fixed-line numbers. The success of this offering accounts for a large part of the increase in the residential customer base in 2007, as approximately two-thirds of the customers in this segment take advantage of this offer.

The number of professional and corporate users was approximately 305,000 at year-end 2007, representing a 3.0% increase compared to 2006.

Public telephony is comprised of a network of telephone booths and an extensive network of phone shops. At year-end 2007, the number of lines reached 160,000, an increase of 1.9% compared to 2006.

Data transmission services provided by Maroc Telecom to corporate customers include X25, frame relay, digital and analog lease lines, and IP VPN links.

Maroc Telecom offers Internet access packages to residential and corporate customers under the Menara brand. Since the launch of ADSL services in October 2003, Maroc Telecom's Internet customer base has increased considerably. At year-end 2007, as a result of both the regular ADSL rate decreases, and regular promotions, Maroc Telecom had nearly 476,000 subscribers to its Internet access services, approximately 99% of whom were ADSL subscribers. In 2006, Maroc Telecom launched television via ADSL, a first in Morocco and Africa and within the Arab world, offering its customers four different network packages and more than 80 national and international channels. In 2007, this offer was enhanced with additional channels, including Canal+.

Distribution

Maroc Telecom has an extensive, direct and indirect, distribution network comprising more than 44,000 points-of-sale which are subject to distribution agreements entered into with local resellers or national retailers.

As of December 31, 2007, the various distribution channels were as follows:

- a direct network, comprised of 300 sales agencies;
- a local indirect network comprised of independent resellers which are subject to exclusivity agreements and which are managed by the nearest Maroc Telecom commercial agency. A significant part of these resellers operate phone shops;
- an independent local network, established by national and regional retailers. In 2006, Maroc Telecom entered into agreements with three new retailers in addition to its agreement with GSM Al Maghrib; and
- retailers with nationwide networks whose main business is not telecommunications (supermarkets, newspaper and magazine retailers, tobacco shops or Moroccan post offices).

Network

Maroc Telecom's fixed-line telephony and data transmission network has a switching capacity of more than 1.87 million lines and provides national coverage due to the company's focus on offering services to newly created urban residential areas.

Maroc Telecom manages a fully digitized network, as well as a fiber optic interurban transmission infrastructure capable of carrying data at high speed. To meet the needs of Internet users, the international Internet bandwidth has more than doubled from 12.1 Gbits/s at year-end 2006 to 24.8 Gbits/s. In 2007, in response to the increasing need for international bandwidth for off-shoring activities and Internet broadband in Morocco, Maroc Telecom installed a sub-marine cable network, named Atlas Offshore, between Asilah and Marseilles with a capacity of 40 Gbits/s, which can be increased to 320 Gbits/s.

In mobile telephony, Maroc Telecom has focused on enhancing both population and geographic coverage. At year-end 2007, Maroc Telecom had more than 5,000 GSM sites (compared to 4,600 GSM sites in 2006) covering more than 97% of the Moroccan population. As of December 31, 2007, Maroc Telecom had entered into a total of 417 roaming agreements with operators in 212 countries for its post-paid customers. In addition, Maroc Telecom also offers roaming to its pre-paid customers through 83 operators in 53 countries, and MMS and GPRS roaming through 96 operators in 65 countries.

Mauritel Group

On April 12, 2001, Maroc Telecom acquired a 54% stake in Mauritania's historical telecommunications operator. In 2002, it transferred its stake to a holding company subsidiary (Compagnie Mauritanienne de Communications or CMC) and then sold 20% of its stake to a group of Mauritanian investors. In 2003,

MarocTelecom allocated 3% of Mauritel SA's shares to the company's employees. Maroc Telecom currently holds 80% of the share capital of CMC, which in turn holds 51.5% of the share capital in the Mauritel Group.

The Mauritel Group was comprised of Mauritel SA and its wholly-owned subsidiary Mauritel Mobiles. In 2007, the shareholders' meetings of each entity approved the merger of the two companies with Mauritel SA being the surviving entity.

Mauritel SA is the principal fixed-line telecommunications operator in Mauritania. It provides both fixed-line telecommunications (voice and data) and Internet access services. At year-end 2007, the customer base for fixed-lines was approximately 36,500 lines, a 2.6% decrease compared to 2006, representing a 1.3% penetration rate. In 2006, the Mauritanian telecom regulator (ARE) granted a fixed-line telecommunications license to a new operator, Chinguitel, which commenced operations in 2007. As of December 31, 2007, Mauritel held an estimated 97% of the fixed-line market and 90% of the Internet access market (Mauritel estimates).

Mauritel Mobiles is focused on mobile telecommunications. Mauritel Mobiles' customer base increased from less than 7,200 customers at year-end 2000, to approximately 905,000 customers at year-end 2007, a 50% increase compared to year-end 2006. The penetration rate for mobiles in Mauritania is estimated at approximately 43% (Mauritel estimates).

Mauritel Mobiles is the leading mobile telecommunications operator in Mauritania with an estimated 65% market share (Mauritel Mobiles estimate) ahead of its competitor, Mauritano-Tunisienne de Télécommunications (Mattel) with a 27% market share. In 2006, ARE granted a 3G license to Mauritel Mobiles and second and third generation licenses to a new operator, Chinguitel. During 2007, this new operator launched its mobile services by using Code Division Multiple Access (CDMA) technology, which is used to transmit several channels on the same carrier frequency. Chinguitel's market share is estimated at 8% at year-end 2007 (Mauritel estimates).

Onatel Group

On December 29, 2006, Maroc Telecom acquired a 51% interest in Onatel (Office National des Télécommunications), Burkina Faso's historical operator, pursuant to an international call for tender for the privatization of the company. The Onatel Group comprises Onatel and its wholly-owned subsidiary, Telmob. Onatel is the only fixed-line telecommunications operator in Burkina Faso.

The estimated fixed-line penetration rate was approximately 1% at year-end 2007. At year-end 2007, Onatel's fixed customer base totaled approximately 122,000 lines, a 22.9% increase compared to 2006 and the number of Internet subscribers totaled approximately 12,000, representing an increase of approximately 62% compared to 2006.

The estimated mobile telecommunications penetration rate in Burkina Faso was approximately 7.6% at year-end of 2007. Three operators intervene in the market: Telmob, Celtel and Telecel. As of December 31, 2007, estimated market shares were as follows: 46% for Celtel, 40% for Telmob and 14% for Telecel. At year-end 2007, Telmob's customer base totaled 564,000 active customers, a 131% increase compared to year-end 2006.

Gabon Telecom Group

On February 9, 2007, Maroc Telecom acquired 51% of Gabon Telecom, Gabon's historical operator, by way of an international bid for tender for the privatization of the company. The Gabon Telecom Group comprises Gabon Telecom and its wholly-owned subsidiary, Libertis.

Currently, Gabon Telecom is the only fixed-line operator in Gabon where the fixed telecommunications density is estimated at 2%. The fixed-line telephony customer base of Gabon Télécom reached 24,000 lines at year-end 2007, a 5.2% increase compared to year-end 2006.

At year-end of 2007, Libertis' mobile telephony customer base reached approximately 386,000 customers, a 60% increase compared to year-end 2006.

The estimated mobile telephony penetration rate was 71% at year-end 2007. Three operators intervene in the market: Libertis, Celtel and Moov. As of December 31, 2007 estimated market shares were as follows: 63% for Celtel, 35% for Libertis and 2% for Moov.

Mobisud

Maroc Telecom launched Mobisud, its mobile virtual network operator, in France on December 1, 2006, and in Belgium on May 2, 2007. Mobisud uses SFR's network in France and Proximus' network in Belgium. Mobisud France has three shareholders: Maroc Telecom which holds 66% of the share capital, SFR which holds 16% of the share capital, and the Moroccan group Saham which holds 18% of the share capital. Mobisud Belgium is wholly-owned by Maroc Telecom. At year-end 2007, the combined customer base of Mobisud in France and Belgium reached more than 160,000 customers.

Seasonality

In Morocco, revenues in mobile and public telephony traditionally increase in July and August, with the return of Moroccans residing abroad, and in the two-week period preceding Aïd El Adha (which was on December 21st in 2007), while the month of Ramadan (from September 14th to October 13, 2007) is a low point in consumption for both fixed-line and mobile telephony.

Regulatory Environment

The ANRT prepares the research and regulatory acts regarding the telecommunications sector and verifies operators' compliance with the regulation in force. As such, among other things, it prepares and implements the procedures for the granting of licenses through competitive bidding, manages and oversees, on behalf of the State, the spectrum of radio electric frequencies, controls the tariffs of the major operators exercising significant influence on a given market, and the compliance of all operators with the fair competition conditions in the market.

In 2004, the ANRT published a policy paper for the liberalization of the sector for the 2004-2008 period.

The aim of the paper was to set out the framework for the future liberalization process and specifically set forth (i) the specific measures to be taken with respect to regulation, and (ii) the aim of the liberalization strategy, which was over the long-term, to establish competition between three operators (including those already established) in all segments of both the fixed and mobile markets.

In 2005, acts related to interconnection and general conditions for the operation of a telecommunications network were modified and supplemented, respectively, by Decrees No. 2-05-770 and No. 2-05-771, each dated as of July 13, 2005. These two decrees and an additional Decree No. 2-05-772, dated July 13, 2005, which relate to ANRT court submissions, were published in the official Moroccan official gazette *(Bulletin Officiel)* No. 5336, dated as of July 21, 2005.

The ANRT also made the following decisions during its Board meeting held on December 23, 2005:

- the launch, of an invitation to tender for 3G mobile licenses, on May 2, 2006; and
- the implementation of regulatory controls in accordance with the following schedule: pre-selection of the carrier on July 8, 2006, partial unbundling of the local loop on January 8, 2007, and total unbundling of the local loop on July 8, 2008.

In 2005, after an unsuccessful first attempt in 2002, the ANRT once again issued a call for bids for two fixed telephony licenses.

In 2006, the ANRT announced the following schedule for the implementation of number portability: January 1, 2007 (postponed to February 1, 2007) for mobile number portability and March 31, 2007 at the latest fixed-line number portability.

The various stages of the liberalization process in that sector were as follows:

- two fixed-line telephony licenses were granted: one to Médi Télécom, including a local loop without mobility restriction for national and international traffic, in July 2005, and another to Maroc Connect (later renamed Wana), including a local loop with mobility restriction for national and international traffic, in September 2005;
- in 2006, three third generation mobile licenses (UMTS) were granted to Maroc Telecom, Wana and Médi Télécom. After granting these licenses, the ANRT stated that the finalization of this process constituted the last stage of the Moroccan telecommunications sector's liberalization as defined in the Prime Minister's policy paper for the 2004-2008 period;
- the pre-selection of the carrier has been effective since July 8, 2006;
- a partial unbundling offer was included in the fixed telephony interconnection catalog of Maroc Telecom for 2007 at the tariff of 50 dirhams per month; and
- on June 1, 2007, number portability became operational in agreement with the ANRT and all the operators.

Maroc Telecom fulfils its obligations as set forth in its contract specifications as a fixed-line and mobile operator by providing universal service. Universal service obligations in Morocco comprise telecommunications services including: telephone service of a specified quality at affordable prices; value-added services, the content and performance standards of which are set forth in the contract specifications of operators of public telephony networks (including services allowing Internet access); the routing of emergency calls, and the provision of an information service and a telephone directory, in printed or electronic form. Maroc Telecom is required to dedicate 2% of its revenues, exclusive of tax and of interconnection fees, to universal service, by applying the pay or play principle, which offers a choice of paying all or part of one's contribution to the universal service fund and/or creating programs approved by the universal service management committee.

Competition

Eighteen telecommunications operator licenses have been allocated in Morocco, to date:

- three public fixed telecommunications network operator licenses (Maroc Telecom, Médi Télécom and Wana);
- two GSM operator licenses (Maroc Telecom and Médi Télécom);
- three UMTS licenses (Maroc Telecom, Médi Télécom and Wana);
- five licenses for GMPCS-type satellite telecommunications networks;
- three licenses for operators of VSAT type satellite-based telecommunications networks; and
- two licenses for operators of shared resources radio electric networks (3RP).

Fixed-line Telephony

In 2007, the operators holding the two new fixed-line licenses launched their services. There was, however, already competition in the public telephony market sector and the professional sector before these new license grants.

In the public telephony market, competition started in 2004 with the opening of phone shops using GSM technology by Médi Télécom. At the end of September 2007, Maroc Telecom's market share in the public telephony market represented approximately 90.9% of the number of lines (source: ANRT).

Médi Télécom, through the installation of GSM gateways, also known as "Link Optimization Boxes" (LO Boxes), entered the professional fixed-line market. The installation of this equipment for outgoing PABX lines facilitates the transformation of fixed-to-mobile traffic into mobile-to-mobile traffic, without using Maroc Telecom's fixed-line network.

Competition in data transmission services is relatively limited. Maroc Telecom's main competitors include ISPs, satellite operators and Equant, an international operator.

In February 2007, Wana launched limited mobility services using CDMA (Code Division Multiple Access) technology based on wireless local loop. At year-end 2007, Wana had approximately 1.1 million clients according to the ANRT.

Mobile

Maroc Telecom's competitor in this sector is Médi Télécom, a mobile license holder since August 1999. The majority shareholders of Médi Télécom are Telefonica and Portugal Telecom, each holding 32.18% of the share capital and a group of Moroccan investors led by Banque Marocaine du Commerce Extérieur. As of December 31, 2007, Maroc Telecom held 66.95% of the mobile market, a 0.4 percentage point decrease compared to 2006 (source: ANRT).

Internet

Maroc Telecom holds more than 90.4% of the Internet market. Its main competitors include Wana with a market share of approximately 9%, as well as other ISPs (source: ANRT). Maroc Telecom has a very strong position in the high-growth ADSL market with a market share of more than 98% (source: ANRT).

Raw Materials

See "Universal Music Group- Raw Materials."

Research and Development

Maroc Telecom's research and development activities focus on the introduction of new Maroc Telecom products and/or services and development or improvement of existing products. These research activities may not be considered as inventions or patentable processes.

Maroc Telecom's research and development expenses were immaterial in 2007 and 2006.

Vivendi Games

Vivendi Games is a global developer, publisher and distributor of multi-platform interactive entertainment. The company, through its division Blizzard Entertainment, is the leader in terms of subscriber base and revenues in the subscription-based massively multiplayer online role-playing games (MMORPG) category. It also has a traditional PC, console and handheld business through its Sierra Entertainment division, and has entered the casual online and mobile gaming market segments via its dedicated new divisions Sierra Online and Vivendi Games Mobile. Each of these divisions employs its own creative and marketing teams, but all divisions are supported by Vivendi Games' collective global retail sales, operations and support services in order to leverage economies of scale. Vivendi Games maintains relationships with strategic partners such as NBC Universal, Universal Music Group and 20th Century Fox.

On December 2, 2007, Vivendi and Activision announced their intention to merge Vivendi Games and Activision to create Activision Blizzard — the world's largest, most profitable pure-play video game publisher. The combination, which was approved by Vivendi's Management and Supervisory Boards and by Activision's Board of Directors, is subject to the approval of Activision's shareholders and regulatory authorities. Subject to these approvals, the Activision Blizzard transaction is expected to close at the end of the first half of 2008. For more information about this transaction, please refer to "Operating and Financial Review — Creation Project of Activision Blizzard."

Blizzard Entertainment® is a world-renowned development studio and publisher best known as the creator of World of Warcraft®, Diablo®, StarCraft® and Warcraft®. World of Warcraft is the world's most popular game in the MMORPG category and surpassed 10 million subscribers in December 2007. World of Warcraft is currently available in seven languages including simplified and traditional Chinese. Blizzard Entertainment has established

in-game support services for players in multiple regions. In January 2007, Blizzard Entertainment released its expansion pack, World of Warcraft: The Burning Crusade. The Burning Crusade broke the day-one sales record to become the fastest-selling PC game ever in North America and Europe, with a worldwide total of nearly 2.4 million copies sold in the first 24 hours of availability.

Blizzard Entertainment plans to continue expanding its customer base in the subscription-based MMORPG market with the release of its second expansion pack, World of Warcraft: Wrath of the Lich King and will continue to provide additional content patches bringing attractive new features to the game. Blizzard Entertainment's track record includes nine top-selling games and multiple "Game of the Year" awards.

Sierra Entertainment creates and publishes innovative, high-quality console, PC and handheld games. By virtue of its original intellectual property, creative in-house talent and popular entertainment licensing, Sierra Entertainment is well-positioned for continued growth across all platforms. Sierra Entertainment features four integrated internal studios providing development capabilities across numerous genres for gamers worldwide: High Moon Studios (San Diego, CA), developer of the upcoming The Bourne Conspiracy game; Massive Entertainment (Malmö, Sweden), creator of the critically acclaimed World in Conflict PC title; Radical Entertainment (Vancouver, B.C.), an expert in the creation of open world games, including Scarface: The World is Yours; and Swordfish Studios (Birmingham, England), which focuses on developing first person shooter (FPS) titles.

Sierra Entertainment has developed a number of franchises and hit products. World in Conflict was selected as the Best Strategy Game of E3 (Electronic Entertainment Expo) 2007 and debuted at the top of the worldwide PC sales charts in the game's first week on retail shelves in September 2007. Sierra also extended its Crash Bandicoot, Spyro the Dragon and F.E.A.R. franchises in 2007, and released new titles such as Timeshift.

Sierra Online, a division formed in 2006, focuses on developing and publishing high quality short-session and mid-session casual online games for PC, Xbox Live Arcade and all other viable platforms. Sierra Online includes studios in Santiago, Chile; Seattle, Washington (US) and Shanghai, China. Sierra Online has released Assault Heroes, 3D Ultra Minigolf, Carcassonne, Battlestar Galatica, Switchball and Arkadian Warriors. In 2007, Switchball was named Team Xbox's Downloadable Game of E3 and 2007 Xbox Live Arcade Game of the Year.

Vivendi Games Mobile creates and publishes games for the worldwide mobile market. The division has its headquarters, operations and an internal development team in Paris and a US-based team in Los Angeles. Vivendi Games Mobile also has teams in San Mateo, CA and Bucharest, Romania. The company publishes a wide range of action, strategy, casual and arcade games based on its own original intellectual property, entertainment licenses and classic Sierra Entertainment titles, which are distributed by more than 90 operators and dozens of web portals in 60 countries around the world. Key titles include: Crash of the Titans, Delta Force, Leisure Suit Larry, Spyro the Dragon, Surviving High School, The Incredible Machine and Urban Attack. In December 2007, The Incredible Machine was named "Best Casual Game of the Year" by Spike TV.

In the US, Vivendi Games operates an assembly and distribution facility in Fresno, CA. All property and equipment in the building are owned by Vivendi Games. In Europe and Australia, Vivendi Games uses external partners for manufacturing and distribution.

Seasonality

PC and console software sales are historically higher in the fourth quarter. The subscription-based MMORPG business provides a more consistent revenue stream throughout the year as consumers are required to pay a monthly subscription fee or purchase hourly time cards in order to play.

The more continuous revenue flow from World of Warcraft has helped reduce the seasonal effect of Vivendi Games' revenues. For mobile games, there is a slight increase in sales at the end of the year due to the acquisition of cellular phones during the holidays.

Regulatory Environment

Vivendi Games voluntarily participates in self-regulatory rating systems established by various industry organizations around the world. In Europe and the US for example, Vivendi Games adheres to the principles

adopted by the Entertainment Software Rating Board (ESRB). It also adheres to the Pan European Game Information (PEGI) rating system pursuant to which Vivendi Games displays on its product packaging and advertising the age group for which a particular product is intended, respects advertising guidelines and online privacy principles and provides a brief description of the product's content on its packaging.

Vivendi Games is the leader of the MMORPG market with the success of *World of Warcraft*. A massively multiplayer online role-playing game is a video game played only online via a broadband Internet connection simultaneously with thousands of other players who are also connected. The player, after having purchased a copy of the game and installed it on a computer, takes out a subscription for a period of his or her choice, allowing access to the game universe, whose principal characteristic is constancy. As a result of this principle, customer assistance needs to be on hand 24/7. This service is provided by "game masters" who step in at any time to help players overcome their difficulties, whether technical incidents or problems related to illicit behaviour by other players. Managers of communities of players take notes of ideas, comments and complaints from subscribers who express themselves in discussion forums.

In 2005, Vivendi Games implemented parental control for parents whose children share the adventures that are part of the story of the multiplayer online role-playing game World of Warcraft. The system allows parents, who are the holders of the account, to ensure that their children's gaming time stays within reasonable limits. By enabling the parental control system, parents can define the days and times during which their children may play (weekends exclusively, one or several predetermined weekdays between certain hours) and the frequency of breaks (every thirty minutes or once an hour). Anyone attempting to log on to the game outside the authorized times is not allowed to connect to the game.

Piracy

Piracy is a serious concern for game publishers, and one that Vivendi Games' anti-piracy department combats directly and in collaboration with third parties such as publishers and trade associations. Vivendi Games has pursued emerging business models, such as MMORPG games by Blizzard Entertainment, which embrace the Internet while at the same time using technology to prevent piracy. Another international enforcement challenge comes in the form of unauthorized server systems, which facilitate game-playing through the use of pirated software. Vivendi Games is pursuing aggressive investigations to address these threats and intends to launch legal proceedings against high-priority targets.

Competition

Vivendi Games holds the number one position in the subscription-based MMORPG games market with Blizzard's *World of Warcraft* (source: NPD box sales). *World of Warcraft* is the only MMORPG that plays in all key markets and the game is available in seven languages including simplified and traditional Chinese. Competitors in the MMORPG category include NC Soft and Sony Online Entertainment.

Competitors in console and PC games include EA, Activision, Take 2, THQ and Ubisoft. Competitors in the casual PC Online space include Atari, Buena Vista Games, EA and PopCap Games Insert market share data. Publishers that compete in the mobile gaming industry include Digital Chocolate, EA Mobile, Gameloft, Glu Mobile, Hands-On Mobile and Namco Bandai.

Raw Materials

See "Universal Music Group — Raw Materials."

Research and Development

Research and development costs include internal development expenses as well as capitalized advances to external developers and license owners. Research and development costs were €322 million in 2007 (excluding the impact of write-downs and reserves on cancelled titles and excluding the effect of net amortization of capitalized software development costs), compared with €255 million in 2006.

Other Activities

NBC Universal

In May 2004, Vivendi completed the combination of the businesses of NBC with those of Vivendi Universal Entertainment and certain related assets to create NBC Universal (NBCU), one of the world's leading media companies. Vivendi holds 20% of NBCU.

NBCU is engaged in a variety of media and entertainment businesses, including: the production of live and recorded television programs; the production and distribution of motion pictures; the operation, under licenses from the Federal Communications Commission (FCC), of television broadcasting stations; the furnishing of US network television services to affiliated stations, the ownership of several cable/satellite networks around the world; the operation of theme parks and investment and programming activities in multimedia and the Internet. The NBC television network is one of four major US commercial broadcast television networks and serves 230 affiliated stations in the US. NBCU owns and operates Telemundo, a leading US Spanish-language commercial broadcast television network.

As of December 31, 2007, NBCU owned and/or operated 26 VHF (Very High Frequency) and UHF (Ultra High Frequency) full-power television stations including those located in the following television markets: Los Angeles, San Francisco, San Diego, Hartford, Miami, Chicago, New York, Philadelphia, Dallas and Washington, D.C. Broadcasting operations of the NBC Television Network, the Telemundo Network, other broadcast programming and the company's owned or operated stations are subject to FCC regulation.

NBCU operations also include programming, distribution and investment activities in cable television, principally through USA Network, Bravo, CNBC, Sci Fi Channel, MSNBC, Oxygen, Hallmark International, CNBC Europe, CNBC Asia, and other entertainment channels across Europe and Latin America. NBCU has equity investments in Arts and Entertainment, The History Channel, the Sundance Channel, ValueVision Media, Inc. and a non-voting interest in ION Media Networks. Many of these activities or investments in the United States also are subject to FCC regulation.

NBCU has secured exclusive US television rights to the Olympic Games through 2012.

Vivendi Mobile Entertainment

Vivendi Mobile Entertainment (VME), which was formed in early 2007, is a wholly owned subsidiary of Vivendi, dedicated to marketing multimedia services and content primarily for cell phones but also for PCs — games, short programs, music downloads and all related products for personalizing mobile phones, such as ringtones, SMS alerts and wallpapers — to end consumers (primarily the 15-25 age group).

VME exploits the Vivendi group's content and distribution networks and markets the content of other groups. VME also produces its own content and works with many independent companies. Its services will be available via all fixed-line and mobile networks.

Organized around a small group of seasoned professionals in mobile telephony, the Internet, media and content, VME primarily devoted 2007 to building up the company's base, in France and in Germany, and expanding its offerings and technology platforms. VME has already entered into multiple agreements with partners around the world.

After a period of concept and product development in its principal geographic territories, VME launched its subscription model offering through its portal Zaoza. Zaoza is an international concept that meets two strong public expectations: unlimited access to quality content for a monthly subscription cost of a few euros and the ability to share content legally for the first time with friends and family over PCs or mobile phones.

In late November 2007, VME inaugurated its pre-launch site "Magic zaOza" and, in approximately a month, had approximately 100,000 enrollments of "VIP" members, who constitute an important group of ambassadors of the brand and future subscribers. In mid-February 2008, VME launched its first version of Zaoza in France; in mid-2008, Zaoza will be deployed in Germany, the first stage in an international expansion.

Litigation

Vivendi is subject to various litigation, arbitrations or administrative proceedings in the normal course of its business.

To the company's knowledge, there are no legal or arbitration proceedings or any facts of an exceptional nature which may have or have had in the recent past a significant effect on the company and on its group's financial position, profit, business and property, other than those described therein.

COB/AMF Investigation Opened in July 2002

On December 19, 2006, the Commercial Chamber of the French Supreme Court (Cour de Cassation), upon appeal of the *Autorité des Marchés Financiers* (AMF), partially reversed the Paris Court of Appeal's decision held on June 28, 2005. In its decision, the Commercial Chamber of the French Supreme Court ruled that the statements made orally by Jean-Marie Messier at the company's 2002 Annual Shareholders' Meeting were binding on the company, regardless of whether such statements were accurate or complete, due to the fact that he made the statements while performing his duties as chief executive officer of the Company. However, the French Supreme Court confirmed the accuracy and appropriateness of the consolidation methods applied by Vivendi. The case has been partially remanded to the Paris Court of Appeal in a different composition. A procedural hearing is scheduled on March 31, 2008.

Investigation by the Financial Department of the Parquet de Paris

In October 2002, the financial department of the Parquet de Paris (the public prosecution service in Paris) initiated an investigation for publication of false or misleading information regarding the financial situation or forecasts of the company, as well as the publication of untrue or inaccurate financial statements (for financial years 2000 and 2001). Additional prosecution's charges joined this investigation related to purchases by the company of its own shares between September 1, 2001 and December 31, 2001 further to the submission, on June 6, 2005, to the *Parquet de Paris* of an AMF investigation report. Vivendi joined the investigation as a civil party. On January 15, 2008, the judges notified the parties of the termination of the investigation.

PSG Transfers

In 2005, an investigation of the terms of transfer of certain PSG soccer players and the remuneration of certain intermediaries between 1998 and 2002 was opened and entrusted to a judge in France. PSG is a former subsidiary of the Vivendi group. The investigation is ongoing.

Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi, Messrs. Jean-Marie Messier and Guillaume Hannezo in the United States District Court for the Southern District of New York and in the United States District Court for the Central District of California. On September 30, 2002, the New York court decided to consolidate these claims in a single action under its jurisdiction entitled In re Vivendi Universal S.A. Securities Litigation.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934. On January 7, 2003, they filed a consolidated class action suit that may benefit potential groups of shareholders. Damages of unspecified amount are claimed. Vivendi contests these allegations.

Fact discovery and depositions closed on June 30, 2007.

In parallel with these proceedings, the Court, on March 22, 2007, has decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that the persons from the United States, France, England and the Netherlands who purchased or acquired shares or ADSs of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class. On April 9, 2007, Vivendi filed an appeal against this decision. On May 8, 2007, the United States Court of Appeals for the Second Circuit denied both Vivendi's and some other plaintiffs' petitions seeking review of the district court's decision with respect to class certification. On August 6, 2007, Vivendi filed a petition with the Supreme Court of the United

States for a Writ of Certiori seeking to appeal the Second Circuit's decision on class certification. On October 9, 2007, the Supreme Court denied the petition.

Following the March 22, 2007 order, a number of individual cases have recently been filed against Vivendi by plaintiffs who were excluded from the certified class. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action. The trial is scheduled to commence in October 2008.

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, Mssrs. Messier and Hannezo for claims arising out of a merger agreement entered into by Vivendi and Liberty Media relating to the formation of Vivendi Universal Entertainment in May 2002. Liberty Media seeks rescission damages. The case has been consolidated with the securities class action.

Elektrim Telekomunikacja

As of today, Vivendi is a 51% shareholder in each of Elektrim Telekomunikajca Sp. z o.o. (Telco) and Carcom Warszawa (Carcom), companies organized under and existing under the laws of Poland which own, either directly or indirectly, 51% of the capital of Polska Telefonia Cyfrowa Sp. Z.o.o. (PTC), one of the primary mobile telephone operators in Poland. These shareholdings are the subject of several litigation proceedings. Some of the most recent developments in these proceedings are described below (please also refer to the previous Annual Reports).

Exequatur Proceedings of the Arbitral Award rendered in Vienna on November 26, 2004

On January 18, 2007, following the appeal filed by Telco, the Polish Supreme Court overturned the decision authorizing the exequatur of the Arbitral Award rendered in Vienna on November 26, 2004. The case was remanded to the Warsaw Tribunal of first instance.

Arbitration Proceedings before the London Court of International Arbitration (LCIA)

On August 22, 2003, Vivendi and Vivendi Telecom International SA (VTI) lodged an arbitration claim with an arbitration court under the auspices of the London Court of International Arbitration (LCIA) against Elektrim, Telco and Carcom. This request for arbitration relates to the Third Amended and Restated Investment Agreement dated September 3, 2001, entered into by and among Elektrim, Telco, Carcom, Vivendi and VTI (the "TIA"). The purpose of the TIA, amongst other things, is to govern relations between Vivendi and Elektrim within Telco and Carcom. The subject matter of the dispute mainly relates to alleged breaches of the TIA by Vivendi and Elektrim.

On March 19, 2008, the arbitral tribunal issued an award in favor of Vivendi and found that Elektrim breached the basic premise of the TIA by systematically acting against the interest of Telco in furtherance of its own interest and by refusing to acknowledge Telco's right to the economic benefit of the PTC Shares, and breached several provisions of the TIA. It dismissed all of Elektrim's counterclaims against Vivendi.

Proceedings against Deutsche Telekom before the Paris Commercial Court

In April 2005, Vivendi summoned Deutsche Telekom (DT) before the Paris Commercial Court for wrongful termination of negotiations. In September 2004, DT ended, without prior notice and without legitimate justification, tri-party negotiations with Elektrim and Vivendi which had begun one year earlier in relation to the transfer of 51% of PTC to DT. On March 18, 2008, the Paris Commercial Court rejected Vivendi's claim.

Arbitral Proceedings in Geneva under the aegis of the International Chamber of Commerce

On April 13, 2006, Vivendi initiated arbitration proceedings in Geneva against DT and Elektrim under the aegis of the International Chamber of Commerce to obtain the recognition of an agreement negotiated in February and March 2006 among Vivendi, Elektrim and DT, which aimed, in particular, to settle all pending litigation in connection with PTC. Vivendi is seeking enforcement of this contract or compensation of approximately €3 billion.

Proceedings against DT before the Federal Court in the State of Washington (USA)

On October 23, 2006, Vivendi filed a civil Racketeer Influenced and Corrupt Organizations Act (RICO) complaint in federal court in the State of Washington, claiming that T-Mobile had illegally appropriated Vivendi's investment in PTC through a pattern of fraud and racketeering. Named in the complaint are T-Mobile USA, Inc.,

T-Mobile Deutschland GmbH Deutsche Telekom AG and Mr Zygmunt Solorz-Zak, Elektrim's main shareholder. Vivendi is claiming compensation in the amount of approximately €7.5 billion.

Tort Claim initiated by Elektrim against Vivendi before the Warsaw District Court

Elektrim started a tort action against Vivendi before the Warsaw District Court on October 4, 2006, claiming that Vivendi prevented Elektrim from recovering the PTC shares following the Vienna Award. Elektrim is claiming compensation for an amount of approximately €2.2 billion corresponding to the difference between the fair market value of 48% of PTC and the price paid by DT to Elektrim as a result of the exercise of its call option.

Arbitration proceedings in Vienna

On January 10, 2007 and July 5, 2007, DT lodged arbitration claims in Vienna against Elektrim Autoinvest, a 51% indirect subsidiary of Vivendi, and Carcom, which own 1.1% and 1.9% of the share capital of PTC, respectively. DT alleges that Elektrim Autoinvest and Carcom breached the PTC Shareholders' agreement by supporting Telco and opposing the implementation in Poland of the Arbitration Award rendered in Vienna on November 26, 2004 and claims it has a call option on Carcom's and Elektrim Autoinvest's shareholding in PTC.

On June 12, 2007, DT lodged an arbitration claim in Vienna against Vivendi, VTI, Carcom and Elektrim Autoinvest. DT alleges that the defendants committed a fault when they opposed the implementation in Poland of the Arbitral Award rendered in Vienna on November 24, 2006 and claims damages of at least €1.2 billion.

Tort Claim initiated by T-Mobile against Telco before the Warsaw Tribunal

T-Mobile initiated a tort action against Telco before the Warsaw Tribunal on November 15, 2007. T-Mobile is claiming damages in the amount of approximately €3.5 billion as compensation for alleged misconducts in connection with the litigation involving the PTC shares.

Vivendi's Case against the Polish State

On August 10, 2006, Vivendi and VTI served the Republic of Poland with a request for arbitration on the basis of the treaty signed on February 14, 1989, between France and Poland relating to the reciprocal encouragement and protection of investments. In its request, Vivendi claimed that the Republic of Poland failed to comply with its obligations to protect and fairly treat foreign investors under such treaty. Vivendi is claiming compensation in the amount of €1.9 billion.

French Competition Council — Mobile Telephone Market

On June 29, 2007, the Commercial Chamber of the French Supreme Court partially reversed the decision rendered by the Court of appeal on December 12, 2006, confirming the order rendered by the French Competition Council ordering SFR to pay a fine of €220 million, and recognizing that an illegal agreement existed due to exchange of information among French mobile telephone operators between 1997 and 2003 and imposing a financial penalty on this basis. The French Supreme Court remanded the case to the Paris Court of Appeal otherwise composed.

SFR is involved in contentious proceedings connected with this order brought by customers and consumer associations before the Commercial Court of Paris. Since SFR is challenging the merits of these proceedings, it is not in a position to determine the potential impact of their outcome.

Claim against a Former Seagram Subsidiary

A former Seagram subsidiary, sold in December 2001 to Diageo PLC and Pernod Ricard SA, as well as those companies and certain of their subsidiaries, were sued by the Republic of Colombia and certain of its political subdivisions before the United States District Court for the Eastern District of New York, for alleged unlawful practices, including alleged participation in a scheme to illegally distribute their liquor products in Colombia and money laundering, claimed to have had an anti-competitive effect in Colombia. Vivendi is not a party to this litigation. Diageo and Pernod Ricard have demanded indemnification from Vivendi with respect to their purchase of Vivendi's former Seagram subsidiary in 2001 and Vivendi has reserved its rights with respect to the indemnity demand. The defendants have denied that they have any liability for any of the claims asserted in the complaint. The discovery process is just beginning.

Compañia de Aguas de Aconquija and Vivendi against the Republic of Argentina

On August 20, 2007, the International Center for Settlement of Investment Disputes (ICSID) issued an arbitration award in favor of Vivendi and its Argentine subsidiary Compañia de Aguas de Aconquija, relating to a dispute that arose in 1996 regarding the water concession in the Argentine Province of Tucuman, which was entered into in 1995 and terminated in 1997. The arbitration award held that the actions of the Provincial authorities had infringed the rights of Vivendi and its subsidiary, and were in breach of the provisions of the Franco-Argentine Bilateral Investment Protection Treaty.

The arbitration tribunal awarded Vivendi and its subsidiary damages of US$105 million plus interest and costs. On December 13, 2007, the Argentine Government filed an application for the arbitration award to be set aside, in particular on the basis of an alleged conflict of interest concerning one of the arbitrators. ICSID is expected to appoint an ad hoc committee to issue a ruling on this application, during the first quarter of 2008.

Claim against Compagnie Immobilière Phénix Expansion

Compagnie Immobilière Phénix Expansion (CIP Expansion), a former subsidiary of Vivendi, is the subject of a claim by Tso Yaroslavstroi, the Russian public corporation, relating to a contract for the construction of prefabricated houses in the Yaroslav region. On March 30, 2005, Tso Yaroslavtroi filed a claim against CIP Expansion with the ICC International Court of Arbitration, seeking an order for the payment of sums representing, in particular, the loss of profits envisaged from the sale of the prefabricated houses and compensation for the loss suffered. The award is expected to be issued during the first quarter of 2008.

Fermière de Cannes

On March 19, 2003, Anjou Grandes Opérations, Anjou Patrimoine and Anjou Services, three subsidiaries of Vivendi resulting from the split-off of Compagnie Immobilière Phénix (CIP), became the subject of a shareholders' action (*ut singuli*) brought by shareholders of Fermière de Cannes claiming that funds were owed to the company. Following a judgment of the French Supreme Court ("Cour de Cassation"), the Paris Court of Appeal, in a judgment dated as of December 6, 2007, upheld the claim of the shareholders and ordered two company officers of CIP and Fermière de Cannes, jointly and severally, to pay €67 million resulting from the offences of aiding and abetting, and concealing, the misappropriation of company assets in the exercise of their functions. The case against Anjou Services and the former subsidiaries of CIP was dismissed. The two company officers have filed an appeal with the French Supreme Court.

SCI Carrec

In October 2006, SCI Carrec filed a claim against the company Gambetta Défense V before the tribunal of first instance of Nanterre seeking indemnification for its prejudice suffered in connection with the sale of a building in 1988. As part of this sale, SCI Carrec was granted an indemnity by Compagnie Générale des Eaux, the predecessor of Vivendi.

Parabole Réunion

In July 2007, the group Parabole Réunion filed a claim against Groupe Canal+ before the tribunal of first instance of Paris following the termination of the distribution of the TPS channels in Réunion Island, Mayotte, Madagascar and Mauritius on an exclusive basis. Pursuant to a decision dated September 18, 2007, Group Canal+ was enjoined, under fine, from allowing the broadcast of these channels by a third party, unless it offers to Parabole Réunion the replacement of these channels by other channels of a similar attractivity, to be distributed on an exclusive basis. Group Canal+ appealed this decision.

Universal Music Group

Investigations into Prices in the Online Music Distribution Market

In December 2005, the New York State Attorney General opened an investigation into matters concerning the pricing of digital downloads. In February 2006, the United States Justice Department commenced a similar investigation. In connection with those inquiries, both the New York State Attorney General and the Department of

Justice served subpoenas on the four major record companies. UMG has responded to the subpoenas served by the New York State Attorney General and the Department of Justice.

Brazilian Tax Dispute

The State of São Paolo, Tax Authority (Brazil) filed an action disputing certain deductions taken by a UMG company in Brazil for sales tax payments on account of copyright and neighboring rights payments for domestic Brazilian repertoire.

Class action against Activision in the United States

In February 2008, a purported class action was filed in the United States by an Activision shareholder against Activision and its directors regarding the combination of Activision and Vivendi Games, and against Vivendi and its concerned subsidiaries. Vivendi intends to defend this action vigorously.

MANAGEMENT

The Supervisory Board

General Provisions

In accordance with the provisions of the company's by-laws, the Supervisory Board is comprised of a maximum of eighteen members. Each member of the Supervisory Board serves for a term of four years (Article 7 of the by-laws).

Each member of the Supervisory Board must hold at least 1,000 of the company's shares during his/her term of office (Article 7-2 of the by-laws).

Pursuant to the AFEP/MEDEF joint-recommendation, dated January 9, 2007, the use of derivative financial instruments as a means to hedge transactions of any nature is prohibited.

Throughout the periods defined below and communicated to the members of the Supervisory Board by the General Counsel of the company, sale and purchase transactions involving the company's securities carried out by the members of the Supervisory Board whether on the open market or in off-market block trading, be it directly or indirectly, are forbidden:

- the period from the date on which the members of the Supervisory Board become aware of specific market information concerning the company's business, progress or prospects which, if made public, would be likely to have a significant effect on the company's share price, up to the date on which this information is made public; and
- the period of 30 calendar days up to and including the day of publication of the company's quarterly, half-yearly and annual consolidated financial statements.

The Chairman of the Corporate Governance Committee shall be informed as soon as possible by the members of the Supervisory Board of any material purchase, subscription, sale or swap transactions relating to securities issued by the Company which, while not falling within the scope of the preceding paragraph, are entered into by any of its parent companies or by entities connected with such a parent or its parents, and where such transaction has been recommended by him or he has been informed of its existence. The Chairman of the Corporate Governance Committee shall also be informed by the Company's General Counsel of any transactions the subject of a declaration pursuant to the preceding paragraph.

The mandatory retirement age for members of the Supervisory Board is 70 years of age. At the end of each annual Shareholders' Meeting approving the financial statements for the prior fiscal year, the number of members of the Supervisory Board over the age of 70, as of the closing date of the prior fiscal year, must not exceed one-third of the acting members in office. In the event that this limit is exceeded, the oldest members are deemed to have resigned at the end of said Shareholders' Meeting (Article 7-3 of the by-laws).

The Supervisory Board is comprised of a majority of independent members. A member is deemed independent when he/she has no direct or indirect relationship, other than a non-substantial shareholding of the company, of any kind, with the company, its group or its management which could interfere with the exercise of his/her independent judgment (as such term is defined in the recommendations report of the AFEP — MEDEF working group, dated September 2002).

The classification as an independent director as well as the criteria used to make such determination are examined by the Corporate Governance Committee at the time of the examination of the candidacies for appointment to the Supervisory Board and when the functioning of the Supervisory Board is discussed. In the event of a change in the status of a member of the Supervisory Board during his/her term of office, the Corporate Governance Committee examines, if necessary, this new status in the context of the relevant criteria.

Each member of the Supervisory Board undertakes to regularly attend Supervisory Board meetings and annual Shareholders' Meetings. Members of the Supervisory Board may attend meetings by videoconference or by any other means of telecommunication in compliance with applicable law (Article 10 of the by-laws).

Composition of the Supervisory Board

The Supervisory Board is currently comprised of eleven members, eight of them are independent directors. Four of its members are of a nationality other than French. These four members include three citizens of European Union member states (excluding France) and one American citizen.

Detailed information about the members of the Supervisory Board is included in "Main Activities of Current Members of the Supervisory Board."

In 2007, the Supervisory Board met nine times. The attendance rate at meetings of the Supervisory Board was 94%.

Full Name	Position	Age as of 03/01/2008	Date of appointment or renewal to the Supervisory Board	Committee member	Term of office	Number of shares held
Jean-René Fourtou	Chairman of the Supervisory Board	68	04/28/2005	—	AM 2008(c)	513,620*
Henri Lachmann	Vice-Chairman and Member of the Supervisory Board(a)	69	04/28/2005	B	AM 2008(c)	7,000
Claude Bébéar	Member of the Supervisory Board	72	04/28/2005	A and D	AM 2008(c)	5,000
Gérard Brémond	Member of the Supervisory Board(a)	70	04/28/2005	A and C	AM 2008(c)	3,160
Mehdi Dazi	Member of the Supervisory Board(a)	41	03/06/2007	A	AM 2008(c)	2,200
Fernando Falcó y Fernández de Córdova	Member of the Supervisory Board(a, b)	68	04/20/2006	C and D	AM 2010	3,000
Sarah Frank	Member of the Supervisory Board(a, b)	61	04/28/2005	A and C	AM 2009	3,265
Gabriel Hawawini	Member of the Supervisory Board(a)	60	04/20/2006	B and D	AM 2010	3,500
Andrzej Olechowski	Member of the Supervisory Board(b)	60	04/28/2005	A and D	AM 2009	3,140
Pierre Rodocanachi	Member of the Supervisory Board(a)	69	04/28/2005	B and C	AM 2008(c)	4,400
Karel Van Miert	Member of the Supervisory Board(a, b)	66	04/28/2005	A and B	AM 2008(c)	3,700
Total						551,985**

(a) Independent member.

(b) Non-French citizen.

(c) Renewal as member of the Supervisory Board to be proposed to the Shareholders' Meeting to be held on April 24, 2008.

A: Strategy Committee.

B: Audit Committee.

C: Human Resources Committee.

D: Corporate Governance Committee.

* Of which 128,622 are held in usufruct.

** Representing 0.05% of the share capital.

Members of the Supervisory Board whose appointments are to be proposed to the Combined Shareholders' Meeting to be held on April 24, 2008: Mssrs Jean-Yves Charlier and Philippe Donnet.

Main Activities of Current Members of the Supervisory Board

Jean-René Fourtou, Chairman of the Supervisory Board

68, French nationality.

Business address

Vivendi – 42 avenue de Friedland, 75008 Paris, France.

Expertise and experience

Mr. Jean-René Fourtou was born in Libourne on June 20, 1939 and is a graduate of the *Ecole Polytechnique*. In 1963, he joined Bossard & Michel as a consultant. In 1972, he became Chief Operating Officer of Bossard Consultants and Chairman and Chief Executive Officer of the Bossard Group in 1977. In 1986, he was appointed Chairman and Chief Executive Officer of the Rhône-Poulenc Group. From December 1999 to May 2002, he served as Vice Chairman and Chief Operating Officer of Aventis. He is the Honorary Chairman of the International Chamber of Commerce. Mr. Fourtou co-chairs the Franco-Moroccan Economic Impetus Group created in September 2005, the objective of which is to propose measures for the improvement of economic relations between the two countries.

Positions currently held

Vivendi Group
Groupe Canal+, Chairman of the Supervisory Board
Maroc Telecom, Member of the Supervisory Board
Axa Group
Axa, Vice-Chairman of the Supervisory Board
Axa Millésimes SAS, Member of the Executive Committee

Other

NBC Universal (United States), Director
Cap Gemini, Director
Sanofi Aventis, Director
Nestlé (Switzerland), Director
Franco-Moroccan impetus group, Co-chairman
ICC, International Chamber of Commerce, Honorary Chairman

Positions previously held that expired during the last five years

Veolia Environnement, Chairman of the Supervisory Board
USI Entertainment Inc. (United States), Chief Operating Officer
Axa Assurances IARD Mutuelle, Vice-Chairman of the Board of Directors and Axa's Permanent representative on the Board
Finaxa, Permanent Representative of Axa Assurances IARD Mutuelle

Henri Lachmann, Vice-Chairman and Member of the Supervisory Board

69, French nationality.

Business address

Schneider Electric – 43-45, bd Franklin Roosevelt, 92500 Rueil-Malmaison, France.

Expertise and experience

Mr. Henri Lachmann was born on September 13, 1938 and is a graduate of the *Ecole des Hautes Etudes Commerciales* and holds an accounting degree. In 1963, he joined Arthur Andersen, the international auditing firm, where he served successively as Auditor, then, as manager of the Accounting Review Department. In 1970, he joined the Strafor Facom Group where he held various management positions until June 1981, when he was appointed Group Chairman. Director of Schneider Electric since 1996, Mr. Henri Lachmann became Chairman and Chief Executive Officer of the Schneider Electric group in 1999. Since 2006, he is Chairman of the Supervisory Board of the Schneider Electric group.

Positions currently held

Schneider Electric S.A., Chairman of the Supervisory Board
Axa Group
Axa, Member of the Supervisory Board
Axa Assurances IARD Mutuelle, Director

Other

Norbert Dentressangle group, Member of the Supervisory Board
Fimalac, Censor (non-voting Board Director)
Tajan, Censor (non-voting Board Director)
ANSA, Director
Marie Lannelongue Surgical Center, Chairman of the Board of Directors
Foundation for continental law, President
Conseil des Prélèvements Obligatoires, Member
Orientation Committee of the Institut de l'entreprise, Member

Positions previously held that expired during the last five years

Schneider Electric SA, Chairman and Chief Executive Officer
Finaxa, Director
CNRS, Director
Etablissements De Dietrich et Cie, Director
Fimalac Investissements, Director
Daimler Benz, Member of the International Committee
Axa Courtage Assurance Mutuelle, Director
Axa Assurances Vie Mutuelle, Director
Axa ONA (Morocco), Director

Claude Bébéar, Member of the Supervisory Board

72, French nationality.

Business address

Axa, 25, avenue Matignon – 75008 Paris, France.

Expertise and experience

Mr. Claude Bébéar was born on July 29, 1935 and is a graduate of the *Ecole Polytechnique*. Mr. Bébéar has spent his entire career, which began in 1958, in the insurance sector. From 1975 to 2000, he headed a group of insurance companies which became Axa in 1984. Currently, Claude Bébéar is Chairman of the Supervisory Board of the Axa Group and Chairman and Chief Executive Officer of Finaxa.

Mr. Bébéar established and chairs the *Institut du mécénat de solidarité*, a humanitarian and social welfare organization, as well as the *Institut Montaigne*, an independent political think tank.

Positions currently held

Axa Group
Axa, Chairman of the Supervisory Board
Axa Assurances IARD Mutuelle, Director
Axa Assurances Vie Mutuelle, Director

Other

BNP Paribas, Director
Schneider Electric SA, Censor (non-voting Board Director)
Institut du mécénat de solidarité, Chairman
Institut Montaigne, Chairman

Positions previously held that expired during the last five years

Finaxa, Chairman and Chief Executive Officer
Axa Group, Director of various Axa companies
Schneider Electric S.A., Director
Axa Courtage Assurance Mutuelle, Director

Gérard Brémond, Member of the Supervisory Board

70, French nationality.

Business address

Pierre et Vacances – L'Artois Pont de Flandre, 11 rue de Cambrai, 75947 Paris cedex 19, France.

Expertise and experience

Mr. Gérard Brémond was born on September 22, 1937 and is an economic sciences graduate and holder of a diploma from the *Institution d'administration des entreprises*. At the age of 24, he joined a family construction business which builds homes, offices and warehouses. An architecture enthusiast, his meeting with Jean Vuarnet, the Olympic ski champion, led to the creation and development of the mountain resort of Avoriaz. Mr. Brémond developed other resorts, both in the mountains and on the coast and created the Pierre et Vacances Group. By successively acquiring Orion, Gran Dorado, Center Parcs and Maeva, the Pierre et Vacances Group has become one of leading tourism operators in Europe. Mr. Brémond also founded two communications companies (television and film production).

Positions currently held

Pierre et Vacances Group
Pierre et Vacances S.A., Chairman and Chief Executive Officer
SA Pierre et Vacances Maeva Tourisme, Chairman
SA Pierre et Vacances Tourisme Europe, Chairman
SA Pierre et Vacances Conseil Immobilier, Chairman
SA Pierre et Vacances Promotion Immobilière, Chairman
SA Pierre et Vacances Développement France International, Chairman

Société d'Investissement Touristique et Immobilier S.A.
SA Société d'Investissement Touristique et Immobilier — SITI, Chairman and Chief Executive Officer
Peterhof, SERL, Lepeudry et Grimard and CFICA companies, Permanent Representative for SA Société d'Investissement Touristique et Immobilier — SITI

GB Développement SA
GB Développement SA, Chairman and Chief Executive Officer

Other

Center Parcs Europe NV (Netherlands), Member of the Supervisory Board SITIR, Manager

Positions previously held that expired during the last five years

SITI Participation and SITI Participation 2, Permanent Representative for SA Société d'Investissement Touristique et Immobilier — SITI
Marathon and Marathon International, Permanent Representative for OG Communication
SAS Maeva, Chairman
SA Orion Vacances, Chairman of the Board of Directors
Med Pierre et Vacances SL, Director
Holding Green BV (Netherlands), Director
Ciné B, Permanent Representative for GB Développement SA
Groupe Maeva SAS, Director

Mehdi Dazi, Member of the Supervisory Board

41, French and Algerian nationalities.

Business address

E.I.I.C. – Po box 2301, Abu Dhabi, United Arab Emirates.

Expertise and experience

Mr. Mehdi Dazi was born on May 5, 1966, and is a graduate of the *Institut d'Etudes Politiques de Paris* and of Columbia University in New York.

In 1992, he joined the United Nations Development Program, in New York, where he served as a consultant. During the same year, he joined Deutsche Morgan Grenfell where he served successively as a Research analyst and a Portfolio Manager. In 1995, he held the position of Senior Manager at Scudder Kemper Investments. In 2001, he was appointed Chief Executive Officer of Founoon Holdings, in Egypt. In 2002, he was appointed Director of Estithmaar Ventures. In 2004, he joined the Emerging Market Partnership where he currently holds the position of Co-Chief Executive Officer. Since 2005, he has been Chief Executive Director of Emirates International Investment Company, an investment company in the United Arab Emirates and Chairman of Paris International Investment.

Positions currently held

Emirates International Investment Company, Chief Executive Officer
EMP Mena Fund (Emerging Market Partnership), Co-Chief Executive Officer
Paris International Investment, Chairman
Global Alumina (Canada), Director

Positions previously held that expired during the last five years

Estithmaar Ventures, Director
JV Deutsche Bank and TIO, Director
Orascom Telecom (Algeria), Director

Fernando Falcó y Fernández de Córdova, Member of the Supervisory Board

68, Spanish nationality.

Business address

FCC – Torre Picasso, Plaza Pablo Ruiz Picasso, 28020 Madrid, Spain.

Expertise and experience

Mr. Fernando Falcó y Fernández de Córdova was born in Seville on May 11, 1939. After his legal studies at the University of Desto, he obtained his masters degree from the University of Valladolid. Mr. Fernando Falcó served as Chairman of the Organization and Union of Riesgos del Tiétar and of Réal Automóvil Club de España for 27 years, Chairman of the Group Vins René Barbier, Conde de Caralt et Segura Viudas, Vice Chairman de Banco de Extremadura and served as a member of the Board of Directors of various companies. Mr. Falcó has established and managed various agricultural businesses, as well as family businesses involved in export of agricultural products. He contributed to the creation of services and safety measures for motorists with the implementation of technical assistance and travel assistance services in Spain, Europe and throughout the world. In this capacity, he represented Spain on the FIA (International Automobile Federation), as well as on the AIT (International Tourism Alliance). Mr. Falcó is a member of the Spanish Higher Council for Traffic and Road Safety (Ministry of the Interior) and is part of the Group for Urban Mobility (Madrid). Until 2002, he was Vice Chairman of the World Council for Tourism and Motoring of the FIA, which is headquartered in Paris. In June 1998, he was appointed Chairman of the AIT based in Geneva, a position he held until 2001. He is a member of the Regional Council of the ASEPEYO of Madrid.

Positions currently held

Cementos Portland Valderrivas (Spain), Director and Member of the Executive Committee
Fomento de Construcciónes y Contratas (FCC) (Spain), Director
FCC Construcción (Spain), Director
Realia (Spain), Director
Vinexco (Groupe Falcó) (Spain), Director

Positions previously held that expired during the last five years

Comité Organizador del Salón Internacional del Automóvil de Madrid (Spain), Chairman
Sogecable (Spain), Director and Vice-Chairman
Digital+, Vice-Chairman

Sarah Frank, Member of the Supervisory Board

61, American nationality.

Business address

1 Lincoln Plaza, Second Floor, New York, NY 10023, USA.

Expertise and experience

Ms. Sarah Frank was born on June 25, 1946, and has been active in business for over thirty years in the international and U.S. television sectors, but especially in the production and distribution of high-quality entertainment and educational programming. From 1990 to 1997, Ms. Frank was President and Chief Executive Officer of BBC Worldwide Americas, a subsidiary of the British Broadcasting Corporation, for North and South America. In 1993, the American newspaper USA Today named her one of the 25 most influential people in American television. In 1994, she received the Matrix Award from *New York Women in Communications*. Ms. Frank was Vice President and Director of Education at Thirteen/WNET/New York, the flagship public television channel in New York City where she directed the station's educational programs. In addition, she created a television series aimed at helping teenagers understand the consequences of the events of September 11, 2001, as well as a website for parents and teachers called *Dealing with Tragedy*. Ms. Frank managed the expansion of the National Teacher Training Institute, the channel's national program to promote the integration of new technology into classroom curricula. Most recently, she was executive producer of *They Made America*, a documentary series based on the book by Sir Harold Evans, with WGBH Boston.

Positions currently held

Foundation of the New York Chapter of the National Academy of Television, Arts and Sciences, Director
Leadership Committee of the UROP program at the University of Michigan, Member
Lightspeed Audio Labs, Inc., Member of the Advisory Board
New York Women's Forum, Member
CQCM — Coalition for Quality Children's Media, Honorary Director

Positions previously held that expired during the last five years

Eugene Lang College, The New School for Liberal Arts, New York City, Director
Branded Media Corporation, Inc., Director

Gabriel Hawawini, Member of the Supervisory Board

60, French nationality.

Business address

56 Alyce Lane – Centennial Mill – Voorhees – New Jersey 08043 – USA.

Expertise and experience

Mr. Gabriel Hawawini was born in Alexandria, Egypt on August 29, 1947. After obtaining a degree in Chemical Engineering from the University of Toulouse, he obtained his doctorate in Economics and Finance at New York University in 1977. He taught at New York and Columbia Universities from 1974 to 1982. Mr. Hawawini was Vice-Chairman of the French Finance Association from 1984 to 1986 and served on editorial Committees for several university publications. Mr. Hawawini is the author of twelve books, and over seventy research publications about management based on value creation, risk appraisal, asset valuation, portfolio management and the structure of financial markets. Most notably, he is the author of *Mergers and Acquisitions in the U.S. Banking Industry*, published by North Holland in 1991 and *Finance for Executives: Managing for Value Creation* (South Western Publishing, 2006), which is in its third edition. He has advised many private companies on the implementation of management systems based on value creation. Since 1982, he has organized, directed and participated in several programs to improve management methods worldwide.

Former Dean of the INSEAD, he is currently Professor of Investment Banking and since September 25, 2006, Professor of Finance at the Wharton School of the University of Pennsylvania.

Positions currently held

Professor of Investment Banking at INSEAD and Professor of Finance at the Wharton School of the University of Pennsylvania.
Rémy Cointreau, Director
International Accreditation Committee for Business Schools (European Foundation for Management Board Development), Chairman

Positions previously held that expired during the last five years

Dean at INSEAD.

Andrzej Olechowski, Member of the Supervisory Board

60, Polish nationality.

Business address

Ul. Traugutta 7/9, 00-067 Warsaw, Poland.

Expertise and experience

Mr. Andrzej Olechowski was born in Krakow on September 9, 1947, and holds a doctorate in economy from the Warsaw Business School. From 1989 to 1991, Mr. Olechowski was Deputy Governor of the National Bank of Poland. He held various functions in the Polish government. In 1991, he was appointed Secretary of State to the Trade Ministry, and in 1992, he became Minister of Finance, and from 1993 to 1995, he became the Minister of Foreign Affairs, a period during which he served as economic advisor to President Lech Walesa. From 1994 to 1998, Mr. Olechowski served as Chairman of the City Council of Wilanow. In 2000, he was a candidate in the Presidential elections in Poland. In 2001, he was one of the creators of the Civic Platform (a Polish centrist political party). From May 1998 to June 2000, Mr. Olechowski was Chairman of Bank Handlowy w Warszawie, of which he is currently a Member of the Supervisory Board. He sits on the boards of several public, charitable and educational organizations. Since 1995, Mr. Olechowski has served as a consultant for the Central Europe Trust Polska. He is a lecturer at the Jagiellonian University in Krakow and the Collegium Civitas in Warsaw. Mr. Olechowski is the author of a number of publications on international trade and foreign policy.

Positions currently held

Central Europe Trust Polska (Poland), Senior Advisor
Euronet (United States), Director
Bank Handlowy w Warszawie (Poland), Vice-Chairman of the Supervisory Board
Textron (United States), Member of the International Advisory Board
Citigroup (United Kingdom), Member of the European Advisory Board
Conseil DG (Poland), Director
Macquarie European Infrastructure Fund II, Member of the Advisory Board
Layetana Developments Polska (Poland), Chairman of the Supervisory Board
ACE Limited (Bermuda), Member of the International Advisory Board

Positions previously held that expired during the last five years

Europejski Fundusz Hipoteczny (Poland), Chairman of the Supervisory Board
PKN Orlen (Poland), Vice-Chairman of the Supervisory Board

Pierre Rodocanachi, Member of the Supervisory Board

69, French nationality.

Business address

MP Conseil – 40, rue La Pérouse, 75116 Paris, France.

Expertise and experience

Mr. Pierre Rodocanachi was born on October 2, 1938 and is a physics graduate of the University of Paris, science faculty. He is a Director of several not-for-profit organizations, including the American Chamber of Commerce in France, which he chaired from 1997 to 2000, and of humanitarian and social welfare organizations, including the Institut du mécénat de solidarité, where he serves as treasurer and was one of the founders and Special Olympics France.

Mr. Rodocanachi is Chairman of the Strategic Committee at Booz Allen Hamilton, an international strategy and management consultancy firm. He joined Booz Allen Hamilton in 1973 and became Chief Executive Officer of its French subsidiary in 1979. In 1987, Mr. Rodocanachi was appointed Senior Vice Chairman and became a member of the Strategic Committee and of the Operations Committee of Booz Allen Hamilton Inc. and manager of all its activities for Southern Europe. Prior to joining Booz Allen Hamilton, Mr. Rodocanachi began his career as a researcher in a solids physics laboratory at the *Centre national de la recherche scientifique* (CNRS). Then, for a period of five years, he managed the planning department of the French General Delegation for Scientific and Technical Research (DGRST). Between 1969 and 1971, he served as Technical Consultant on Scientific Matters for

the French Minister of Industry and, from 1971 to 1973, was the Deputy Director of the National Agency for Research Valuation (ANVAR).

Mr. Rodocanachi is a Chevalier of the *Légion d'honneur*, a recipient of the National Order of Merit and is a member of the French Olympic Medalists Association.

Positions currently held

Management Patrimonial Conseil, Chief Operating Officer
DMC (Dollfus Mieg & Cie), Director, member of the Executives/Compensation commission
Prologis European Properties, Director

Positions previously held that expired during the last five years

Carrefour, Director and Chairman of the Audit Committee
OBC (Odier Bungener Courvoisier) Bank, Director and Chairman of the Audit Committee
La revue d'économie politique Commentaire, Director

Karel Van Miert, Member of the Supervisory Board

66, Belgian nationality.

Business address

Putte Straat 10, 1650 Beersel, Belgium.

Expertise and experience

Mr. Karel Van Miert was born in Oud-Turnhout, Belgium on January 17, 1942. He is a former Vice-President of the European Commission and a former President of Nyenrode University. He graduated with a degree in diplomatic relations from the University of Ghent, prior to obtaining a doctorate degree at the Center for European Studies in Nancy. Between 1968 and 1970, he worked for the National Scientific Research Fund and then for several European Commissioners, including Sicco Mansholt in 1968, and as a member of the Private Office of Henri Simonet in 1973, as Vice President of the European Commission at that time. After starting his political career with the Belgian Socialist Party as International Secretary in 1976, Mr. Van Miert became Head of the Private Office of Willy Claes, Minister of Economic Affairs in 1977. He chaired the Socialist Party from 1978 to 1988 and became Vice Chairman of the Confederation of European Social Democratic Parties in 1978. From 1986 to 1992, Mr. Van Miert was Vice President of the International Socialist Party. He was a member of the European Parliament from 1979 to 1985 and then took a seat in the Belgian Chamber of Representatives. In 1989, Mr. Van Miert was appointed as a member of the European Commission responsible for transport, credit, investment and consumer policy. For six years, he served under President Jacques Delors. As Vice President of the European Commission, Mr. Van Miert was responsible for competition policy from 1993 to 1999. From April 2000 to March 2003, Mr. Van Miert chaired the University of Nyenrode in the Netherlands. He continues to lecture on European competition policy.

He is the author of several publications on European integration. In 2003, Mr. Van Miert chaired the European Union high level group on trans-European transport networks.

Positions currently held

Agfa-Gevaert NV (Mortsel), Director
Anglo American plc (London), Director
De Persgroep (Asse), Director
Royal Philips Electronics NV (Amsterdam), Director
Solvay SA (Brussels), Director
Münchener Rück (Munich), Director
RWE AG (Essen), Director
Sibelco NV (Antwerp), Director

Positions previously held that expired during the last five years

Fraport AG (Frankfurt), Director
Wolters Kluwer NV, Director
DHV Holding, Director

Details about the members of the Supervisory Board whose appointments are proposed to the Combined Shareholders' Meeting to be held on April 24, 2008:

Mr. Jean-Yves Charlier

44, Belgian nationality.

Business address

Promethean House, Lower Philips Road, Blackburn, Lancashire BB1 5th, United Kingdom.

Expertise and experience

Mr. Jean-Yves Charlier was born on November 29, 1963 in Belgium, and holds a Master of Business Administration (MBA) from Wharton Business School. He started his career at Wang in France in 1987 occupying a series of posts in Sales and Marketing before heading the European Network Integration Business in London from 1993 to 1995 and becoming Vice President of Wang International in 1995. In 1996 he joined Equant as Head of its Network Integration Business, ultimately becoming President of worldwide Marketing, Sales and Services. In 2002, Jean-Yves Charlier became Chief of Operations with BT Global Services responsible for all BT's operations in continental Europe. He joined Fidelity International in 2004 as a Director and was appointed as Chief Executive Officer of Colt Telecom Group in charge of turning around the European alternative operator. Since 2007, Jean-Yves Charlier has been Chief Executive Officer of Promethean, an interactive learning technology and teaching solutions specialist.

Mr. Philippe Donnet

47, French nationality.

Business address

89 rue Taitbout – 75009 Paris – France

Expertise and experience

Mr. Philippe Donnet was born on July 26, 1960 in France. He is a graduate of Ecole Polytechnique and a qualified member of the French Institute of Actuaries (IAF). In 1985, Philippe Donnet started working for the Axa Group in France. From 1997 to 1999, he was Deputy Chief Operating Officer of Axa Conseil (France), before being appointed as director of Axa Assicurazioni (Italy) in 1999. He was then appointed member of the Axa Executive Committee as regional Chief Operating Officer for the Mediterranean Region, Latin America and Canada in 2001. In March 2002, he was appointed Chairman and Chief Executive Officer of Axa Re and Chairman of Axa Corporate Solutions. In March 2003, Philippe Donnet was appointed Chief Operating of Axa Japan. He led the outstanding turn-around of the company through a new asset-liability policy along with the launch of highly profitable new products, despite a very challenging environment. In October 2006, Philippe Donnet was appointed Chairman of Axa Japan and Chief Executive Officer of Asia-Pacific Region of Axa. Philippe Donnet joined Wendel as Managing Director for Asia-Pacific in April 2007. He remains non-executive Chairman of the Board of Axa Japan.

Positions currently held

Wendel Investissement Asia-Pacific, Managing Director
Axa (Japan), Chairman

Family Relationships

There are no family relationships among members of the Supervisory Board.

Absence of Conflicts of Interest

To the knowledge of the Company, there are no actual or potential conflicts of interest between Vivendi and the members of the Supervisory Board with regard to their personal interests or other responsibilities.

Absence of any Sentence for Fraud, Liability with a Business Failure or Public Incrimination and/or Sanction

To the knowledge of the company, over the last five years:

- no member of the Supervisory Board has been convicted for any fraudulent-related matter;
- no member of the Supervisory Board has been associated with a bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body;
- no official public incrimination and/or sanction has been delivered against any member of the Supervisory Board; and
- no member of the Supervisory Board has been prevented by a court from acting as a member of an administrative, management or supervisory body or participating in the management of a public issuer.

Agreement between the Company and a Member of the Supervisory Board — Services Contract

The services contract, authorized by the Supervisory Board at its meeting held on June 7, 2005, between Vivendi and Conseil DG, a company chaired by Mr. Andrzej Olechowski, a member of the Supervisory Board, terminated on July 7, 2007. For the year 2007, Vivendi paid a *prorata temporis* fee of €35,000, excluding taxes (refer to the Statutory Auditors' special report on regulated related-party agreements and commitments) under this contract.

Loans and Guarantees Granted to Members of the Supervisory Board

The company has not granted any loans or issued any guarantees to any member of the Supervisory Board.

Internal Regulations and Jurisdiction of the Supervisory Board

Role and Powers of the Supervisory Board under Applicable Law and the Company's By-laws

The Supervisory Board shall continuously monitor the management of the company by the Management Board, as required by law. It may proceed with any verification or control that it deems appropriate and shall be provided with all documents it deems useful to the fulfillment of its mission.

Internal Regulations

The Internal Regulations of the Supervisory Board are an internal document, intended to supplement the company's by-laws, by setting forth the Supervisory Board's operational procedures and the rights and duties of its members. The internal regulations are not enforceable against third parties who are not entitled to rely on them against members of the Supervisory Board.

Pursuant to the legal and regulatory developments and practices implemented by the company since the adoption of the corporate structure with a Management Board and a Supervisory Board, the Supervisory Board decided to amend its Internal Regulations, as well as those of the Committees and of the Management Board, at its meeting held on March 6, 2007.

Role and Powers of the Supervisory Board under the Internal Regulations

The following transactions are subject to the approval of the Supervisory Board, prior to their implementation:

- disposals of real properties and the sale of all or part of investments in companies, whenever any one transaction exceeds an amount of €300 million;
- issues of securities giving direct or indirect access to the share capital of the company and issues of convertible bonds in excess of €100 million;
- issues of non-convertible bonds in excess of €500 million, with the exception of any transactions to renew debentures under more favorable terms than those granted to the company;
- proposals of share repurchase programs for approval at the Ordinary Shareholders' Meeting;
- financing transactions which are significant or likely to substantially alter the financial structure of the company;
- acquisition transactions in whatever form in excess of €300 million;
- granting of securities, including endorsements and guarantees, by the Management Board, in favor of third parties subject to the dual limitation of an amount of €100 million per obligation and of €1 billion, in respect of all obligations. This authorization given to the Management Board for 12 months is re-examined every year;
- substantial internal restructuring transactions, transactions falling outside the publicly-disclosed strategy of the company and strategic partnership agreements;
- setting up stock option plans or restricted stock plans or any other mechanisms with similar purpose or effect;
- granting of stock options or shares of restricted stock or any other mechanisms with similar purpose or effect to the members of the Management Board; and determination of the terms and conditions applicable to each member of the Management Board with respect to shares remitted upon the exercise of stock options during their terms of office; and
- proposals to the Shareholders' Meeting to amend the company's by-laws, to allocate profits and to fix a dividend.

Information Provided to the Supervisory Board

Members of the Supervisory Board shall be provided with all the information necessary for the fulfillment of their mission. Prior to any meeting, they may request all the documents they consider useful. The right of members of the Supervisory Board to obtain information is subject to the practical terms and conditions set out below.

Information Provided Prior to Meetings of the Supervisory Board

The Chairman of the Supervisory Board, assisted by the Secretary of the Board, shall send the appropriate information to the other members of the Board, depending on circumstances and the matters on the agenda.

Information Provided to the Supervisory Board on a Regular Basis

Members of the Supervisory Board are kept informed by the Management Board or its Chairman on a regular basis of the financial situation, cash flows and obligations of the company, as well as of any significant events and transactions relating to the company. The Management Board presents a quarterly report to the Supervisory Board on its activities and the group's operations.

Requests for information from members of the Supervisory Board relating to specific matters are sent to the Chairman and to the Secretary of the Board, who, in liaison with the Chairman of the Management Board, is responsible for responding to such requests as soon as reasonably practicable.

In order to supplement the information provided to them, members of the Supervisory Board are entitled to meet with Board Members and the principal managers of the company, whether in the presence of members of the Management Board or not, after proper notice is given to the Chairman of the Supervisory Board.

Collective Nature of the Deliberations of the Supervisory Board and Confidentiality of Information

The Supervisory Board works and deliberates collectively; its decisions bind all of its members. The members of the Supervisory Board and any person attending meetings of the Supervisory Board are bound by confidentiality obligations with respect to confidential information which they receive in the context of meetings of the Board and of its Committees or information identified as such which is presented by the Chairman of the Supervisory Board or of the Management Board.

If the Supervisory Board is aware of confidential information of a precise nature which, if published, could have even an immaterial effect on the share price of the company or of the companies under its control, as such term is defined by Article L. 233-3 of the French Commercial Code, the members of the Board must refrain from both disclosing such information to any third party and from dealing in the company's securities, until such information has been made public.

Activities of the Supervisory Board in 2007

In 2007, the Supervisory Board met nine times. The average attendance rate was 94%. In particular, the following matters were addressed:

- the review of the statutory financial statements for fiscal year 2006, the 2007 budget, the half-year 2007 condensed financial statements prepared by the Management Board and the 2008 preliminary budget;
- the review of the quarterly reports prepared by the Management Board;
- the growth prospects of the group, principal strategic initiatives and opportunities and the 5-year strategic plan;
- the position of the group's main business units;
- the communication on the group strategy;
- the consultation on and approval of merger, transfer or acquisition transactions in progress (*e.g.,* the agreement for the combination of Vivendi Games and Activision, the review of a potential acquisition of a stake in Oger Telecom, the acquisition by SFR of the stake held by Groupe Louis Dreyfus in Neuf Cegetel, and the exchange of Vivendi/Maroc Telecom shares with the Caisse de Dépôt et de Gestion du Maroc), as well as the examination of the bid on broadcasting rights for the French League 1 of football and the stake held by Vivendi in NBC Universal;
- the monitoring of the telecommunication assets in Poland;
- the assessment of the Management Board and its Chairman;
- the monitoring of current litigation and legal proceedings; and
- the examination of the situation of the directors of Vivendi regarding the provisions of the Law, dated August 21, 2007 (*loi en faveur du travail, de l'emploi et du pouvoir d'achat* (TEPA law)).

Evaluation of the Performance of the Supervisory Board

On a regular basis, and at least every three years, the Supervisory Board performs a formal assessment of its performance under the direction of the Corporate Governance Committee.

In accordance with its internal regulations, the Supervisory Board discussed its own performance at its meeting held on December 18, 2007.

Supervisory Board Committees

Organization and Operating Procedures of the Committees

The Supervisory Board has set up four specialized Committees and has defined their composition and the powers conferred to them: the Strategy Committee, the Audit Committee, the Human Resources Committee and the Corporate Governance Committee.

The missions of each Committee can have for effect neither the delegation to a Committee of powers granted to the Supervisory Board by law or by the company's by-laws, nor the reduction or limitation of the powers of the Management Board. Within its area of competence, each Committee issues proposals, recommendations and/or advice.

The Supervisory Board has appointed a Chairman for each Committee. The four Committees of the Supervisory Board are comprised of Board Members, appointed by the Supervisory Board. These members are appointed on a personal basis and cannot be represented. Each Committee determines the frequency of its meetings. These are held at the registered office of the company or in any other place decided by the Chairman of the Committee. The meetings of such Committees may be held by telephone conference or videoconference.

The Chairman of each Committee sets the agenda for the meetings, after consultation with the Chairman of the Supervisory Board. The minutes of each Committee meeting are drawn up by the Secretary of the Board, under the authority of the Chairman of the relevant Committee, and are transmitted to the members of said Committee. The minutes are included in the materials of the Supervisory Board meetings during which the Committees' activities are presented. Information about the work of the Committees is included in this section.

Each Committee may request from the Management Board any document it deems useful for the fulfillment of its missions. The Committee may carry out or commission research to provide information for the Supervisory Board's discussions and may request external consulting expertise as required.

The Chairman of each Committee may decide to invite all members of the Supervisory Board to attend a meeting of his or her Committee. Only the members of the Committee can take part in its deliberations. Each Committee may decide to invite any person of its choice to its meetings, as and when required.

In addition to the permanent Committees, the Supervisory Board may establish ad hoc committees composed of all or some of its members, each for a limited term and for specific purposes which are exceptional by virtue of their importance or nature.

Strategy Committee

Composition

The Strategy Committee is currently comprised of six members, five of whom are independent. Its members are: Claude Bébéar (Chairman), Gérard Brémond, Mehdi Dazi, Sarah Frank, Andrzej Olechowski and Karel Van Miert.

Missions and activities

The Strategy Committee's main activities involve the following matters:

- the strategic direction of the company;
- strategic joint-venture agreements;
- major acquisitions or disposals;
- granting of securities, including endorsements and guarantees in favor of third parties, the amount of which exceeds the power delegated to the Management Board;
- substantial internal restructuring transactions;
- transactions outside the scope of the announced strategy; and

- major financing transactions or transactions that are likely to significantly affect the financial structure of the company.

During 2007, the Strategy Committee met three times. The attendance rate was 100%. Its activities primarily focused on the following issues:

- the group's growth prospects, the principal strategic initiatives and opportunities and the 5-year strategic plan;
- the composition of the company's shareholding structure;
- developments in telecommunications, games and the Internet;
- maintaining the company's stake in NBC Universal; and
- monitoring of the telecommunication assets in Poland.

Audit Committee

Composition

The Audit Committee is comprised of four members, all of whom are independent and have finance or accounting expertise. Its members are Henri Lachmann (Chairman), Gabriel Hawawini, Pierre Rodocanachi and Karel Van Miert.

Missions and activities

The Audit Committee's main activities involve the following matters:

- the review of the annual and half-year consolidated financial statements, as well as the statutory financial statements prepared by the Management Board, prior to their presentation to the Supervisory Board;
- the review of the cash position of the company;
- the review of the tax aspects or risks and their accounting impact;
- the review of the assessment of the operating and financial risks of the company, their coverage, review of the insurance program;
- internal control methods and standards;
- the consistency and effectiveness of the company's internal control procedures and review of the Chairman of the Supervisory Board's report to the Shareholders' Meeting on the conditions governing the preparation and organization of the Supervisory Board's procedures and the internal control procedures implemented by the company;
- the procedure for appointing Statutory Auditors, issuance of an opinion for fees paid for the performance of their legal audit functions, certain specific missions and monitoring of the rules ensuring their independence;
- monitoring of the work programs of the external and internal Auditors and review of their work conclusions;
- the application of accounting methods and principles, the scope of the company's consolidation and the risks and off-balance sheet commitments of the company;
- review of the annual assessment of the company's Compliance Program, proposals to improve the efficiency of such program and, if necessary, the issuance of an opinion related thereto; review of the rules of conduct in competition and ethics areas; and
- any matter it considers likely to create or constitute a risk on or to the company; review of any potential procedural failure or corruption cases.

During 2007, the Audit Committee met three times. The attendance rate was 100%. Its activities primarily comprised the review of:

- the financial statements for the fiscal year 2006, half-year financial statements for 2007 and the Statutory Auditors' reports;
- the internal audit and internal control procedures within the group;
- the activities of the Risks Committee;
- the Internal Regulations of the Audit Committee of Canal+ France;
- the fees due to the Statutory Auditors; and
- control of the implementation and follow-up of compliance procedures in force within each business unit.

At the time of their appointment, members of the Audit Committee receive information on accounting, financial and operational standards in force within the company and the group.

Human Resources Committee

Composition

The Human Resources Committee has four members, all of whom are independent. Its members are Pierre Rodocanachi (Chairman), Gérard Brémond, Fernando Falcó y Fernández de Córdova and Sarah Frank.

Missions and activities

The Human Resources Committee's main activities involve the following matters:

- the compensation, representation and travel expenses of the Directors and principal officers; and
- the adoption of stock option plans and free grants of shares, or any other mechanisms with similar purpose or effect.

During 2007, the Human Resources Committee met three times. The attendance rate was 92%. Its activities primarily concerned:

- the fixed and variable compensation, representation and travel expenses of the directors;
- the stock option and shares of restricted stock plans for executive officers and employees of the group;
- the review of the proposed contracts of the future main senior executives of Activision Blizzard, and
- the share capital increase reserved for employees of the Group through an international company mutual fund.

Corporate Governance Committee

Composition

The Corporate Governance Committee has four members, three of whom are independent. Its members are Claude Bébéar (Chairman), Gabriel Hawawini, Fernando Falcó y Fernández de Córdova and Andrzej Olechowski.

Missions and activities

The Corporate Governance Committee's main activities involve the following matters:

- the appointment of members of the Supervisory Board, of the Supervisory Board's Committees and of the Management Board;
- the determination and review of independence criteria for members of the Supervisory Board;

- the terms of payment and distribution of the directors' fees granted to the Members of the Supervisory Board and its Committees;
- succession plans for certain members of the Management Board; and
- the assessment of the organization and performance of the Supervisory Board.

During 2007, the Corporate Governance Committee met twice. The attendance rate was 100%. Its activities primarily concerned:

- the review of internal regulations of the Supervisory Board and of its Committees and the Management Board;
- the extension, in accordance with Article 12 of the Company's by-laws, for a two-year period, of the term of office as member of the Management Board of the Chairman and CEO of Universal Music Group;
- the proposed renewal of the terms of office of several members of the Supervisory Board in 2008;
- the assessment of the functioning of the Supervisory Board;
- the assessment of the functioning of the Management Board and its Chairman;
- the review of the holding periods for shares obtained upon the exercise of stock options by the corporate officers; and
- the examination of the situation of the directors of Vivendi regarding the provisions of the Law dated August 21, 2007 (*loi en faveur du travail, de l'emploi et du pouvoir d'achat* (TEPA law)).

The Management Board

General Provisions

In accordance with the provisions of the company's by-laws (Article 12), the Management Board shall consist of a minimum of two members and a maximum of seven members. Members of the Management Board are appointed by the Supervisory Board to serve for four-year terms. The mandatory retirement age for members of the Management Board is 68 years of age. However, when a member of the Management Board reaches the age of 68, the Supervisory Board may prolong his or her term, on one or more occasion, for a period which may not exceed two years in total (Article 12 of the by-laws).

Composition of the Management Board

The Management Board is currently comprised of seven members, including four French citizens, one German citizen, one American citizen and one Moroccan citizen. During its meeting held on April 28, 2005, the Supervisory Board appointed the members of the Management Board and its Chairman to serve four-year terms, which expire on April 27, 2009, except for Mr. Philippe Capron, appointed by the Supervisory Board on April 19, 2007, to replace Mr. Jacques Espinasse for the same duration.

In 2007, the Management Board met a total of fourteen times. The attendance rate at Management Board meetings was 99%. In accordance with Article 14 of the company's by-laws, each member of the Management Board may attend meetings by videoconference, teleconference or by other means in accordance with applicable legislation. Information about individual members of the Management Board is included in "Main activities of current members of the Management Board."

List of Current Members of the Management Board

Full Name	Position	Number of shares held directly and via the PEG*
Jean-Bernard Lévy	Chairman	94,978(a)
Abdeslam Ahizoune	Member and Chairman of the Management Board of Maroc Telecom	10,000
Philippe Capron	Member and Chief Financial Officer of Vivendi	10,429
Frank Esser	Member and Chief Executive Officer of SFR	56,459
Bertrand Meheut	Member and Chairman of the Management Board of Canal+ Group	74,253(b)
Doug Morris	Member and Chief Executive Officer of Universal Music Group	10,000
René Pénisson	Member, Chairman of Vivendi Games and Senior Executive Vice President, Human Resources of Vivendi	54,115

* *Shares held in the Group Saving's Plan (PEG) have been valued on the basis of the Vivendi share price at close of business on December 31, 2007, i.e. €31.38.*

(a) *In addition, each of his four children holds 3,197 company shares and his spouse holds 1,000 company shares.*

(b) *In addition, his spouse holds 248 company shares.*

Main Activities of Current Members of the Management Board

Jean-Bernard Lévy, Chairman of the Management Board

53, French nationality.

Business address

Vivendi — 42 avenue de Friedland, 75008 Paris, France

Expertise and experience

Mr. Jean-Bernard Lévy was born on March 18, 1955 and is a graduate of the *Ecole Polytechnique* and the *Ecole nationale supérieure des télécommunications*. Mr. Lévy was appointed Chairman of the Management Board of Vivendi on April 28, 2005. Previously, he served as Chief Operating Officer of Vivendi from August 2002. From 1998 to 2002, Mr. Lévy was Managing Partner, Corporate Finance, at Oddo & Cie. He was Chairman and Chief Executive Officer of Matra Communication from 1995 to 1998. From 1993 to 1994, Mr. Lévy was Chief of Staff to Mr. Gérard Longuet, the French Minister for Industry, Postal Services, Telecommunications and Foreign Trade. From 1988 to 1993, he was General Manager, Communication Satellites, of Matra Marconi Space. From 1986 to 1988, Mr. Lévy acted as Technical Adviser to Mr. Gérard Lonquet, the French Minister for Postal and Telecommunications Services and from 1978 to 1986, he was an engineer with France Télécom.

Positions currently held

Canal+ France, Chairman of the Supervisory Board
Groupe Canal+, Vice-Chairman of the Supervisory Board
Maroc Telecom, Vice-Chairman of the Supervisory Board
SFR, Director
Vivendi Games, Inc. (United States), Director
NBC Universal, Inc. (United States), Director

Other

Vinci, Director
Institut Pasteur, Director
Viroxis, Chairman of the Supervisory Board

Positions previously held that expired during the last five years

VU Net, Chairman and Chief Executive Officer
VTI, Chairman and Chief Executive Officer
UGC, Director
Cegetel, Member of the Supervisory Board
HCA, Director

Abdeslam Ahizoune, Member of the Management Board

52, Moroccan nationality.

Business address

Maroc Telecom — Avenue Annakhil, Hay Riad, Rabat, Morocco

Expertise and experience

Mr. Abdeslam Ahizoune was born on April 20, 1955 and holds an engineering degree from the *Ecole Nationale Supérieure des Télécommunications* in Paris, France (1977). He was appointed Chairman of the Management Board of Maroc Telecom in February 2001 and was appointed to Vivendi's Management Board on April 28, 2005.

Mr. Ahizoune served as Chairman and Chief Executive Officer of Maroc Telecom from 1998 to 2001. He held the position of Minister of Telecommunications from 1997 to 1998 and Managing Director of the *Office National des Postes et Télécommunications* (ONPT) from February 1995 to August 1997, Minister of Postal and Telecommunications Services and Managing Director of the ONPT from August 1992 to February 1995 and Director of Telecommunications in the Ministry of Post and Telecommunications from 1983 to 1992. Mr. Ahizoune is a member of the several Boards of Directors including: various Maroc Telecom subsidiaries; the Lalla Salma association against cancer (since November 2005); the Mohammed V Solidarity Foundation (*Fondation Mohamed V pour la Solidarité*), since April 2004; Al Akhawayne University, since November 2003; and the Mohammed VI Foundation for the Environment (*Fondation Mohamed VI pour l'Environnement*), since June 2001. Since end of 2006, he also serves as Chairman of the Royal Moroccan Federation of Athletics. In 2007, he was also appointed Director of Axa Assurance Maroc and Holcim SA (Morocco).

Positions currently held

Maroc Telecom, *Chairman of the Management Board* CMC SA (Mauritania), *Chairman of the Board of Directors* Onatel (Burkina Faso), *Director*

Other

Axa Assurance Maroc (Morocco), Director
Holcim SA (Morocco), Director
Royal Moroccan Federation of Athletics (Morocco), Chairman
Lalla Salma Association against cancer (Morocco), Director
Mohammed V Foundation for Solidarity (Morocco), Director
Mohammed VI Foundation for the Environment (Morocco), Director
Al Akhawayne University (Morocco), Director

Positions previously held that expired during the last five years

Mauritel SA (Mauritania), Permanent representative of Maroc Telecom to the Board of Directors
Mauritel Mobiles (Mauritania), Director
Mobisud SA (France), Chairman of the Board of Directors
Gabon Telecom (Gabon), Director

Philippe Capron, Member of the Management Board

49, French nationality.

Business address

Vivendi — 42 avenue de Friedland, 75008 Paris, France

Expertise and experience

Mr. Philippe Capron was born on May 25, 1958 in Paris and is a graduate of the *Ecole des Hautes Etudes Commerciales* (HEC) and of the Paris *Institut d'Etudes Politiques* (IEP). From 1979 to 1981, he was assistant to the Chairman and Secretary of the Management Board of Sacilor. After leaving the *Ecole Nationale d'Administration* (ENA) in 1985 he became an Inspector of Finance. Advisor to the Chairman and CEO of Dumenil Leblé (the Cerus group) from 1990 to 1992, he then became a Partner in the management consulting firm, Bain & Company, from 1992 to 1994. From 1994 to 1997 he was the director of international development and a member of the Executive Committee of the Euler group, and then was Chairman and CEO of Euler-SFAC from 1998 to 2000. In November 2000 he joined the Usinor group as Chief Financial Officer and was also a member of the Executive Committee until 2002 when he was appointed Executive Vice-President of the Arcelor group, responsible for the packaging steels division and then the distribution and international trading businesses. At the beginning of 2006 he became Chief Financial Officer and a member of the Management Committee of Arcelor. In January 2007, Mr. Philippe Capron joined Vivendi.

Positions currently held

SFR, Director and Chairman of the Audit Committee
Groupe Canal+, Member of the Supervisory Board
Canal+ France, Member of the Supervisory Board and Chairman of the Audit Committee
Maroc Telecom, Member of the Supervisory Board and Chairman of the Audit Committee
Vivendi Games, Inc. (USA), Director
NBC Universal, Inc. (USA), Director

Other

Groupe Virbac, Member of the Supervisory Board, Chairman of the Audit Committee
Member of the Société d'Economie Politique.

Positions previously held that expired during the last five years

Arcelor Packaging International, Chairman and Chief Executive Officer
Eko-Stahl (Germany), Member of the Supervisory Board
Solvi, Chairman and Chief Executive Officer
Eco Emballage, Director
Arcelor Treasury, Manager
Sollac Ambalaj (Turkey), Chairman of the Board of Directors
Arcelor International (Luxembourg), Chairman
Arcelor Projects (Luxembourg), Chairman
Skyline (USA), Chairman of the Board of Directors

Cockerill-Sambre (Belgium), Director
Achatpro, Chairman of the Supervisory Board

Frank Esser, Member of the Management Board

49, German nationality.

Business address

SFR — Tour Séquoia, 1 place Carpeaux, 92915 Paris La Défense cedex, France.

Expertise and experience

Mr. Frank Esser was born on September 5, 1958 and holds a doctorate in economics from the University of Fribourg. Mr. Esser was appointed Chairman of SFR in December 2002 and has been with the group since September 2000, when he was appointed Chief Executive Officer. He was appointed to Vivendi's Management Board on April 28, 2005. Since February 2003, Mr. Esser has been a member of the Board of Directors of the GSM Association and became Chairman of its Public Policy Committee in 2004. Prior to joining SFR, Mr. Esser was Executive Vice President at Mannesmann, in charge of international business and business development.

Positions currently held

SFR, Chairman and Chief Executive Officer
SHD, Chairman and Chief Executive Officer
Neuf Cegetel, Director
Jet Multimédia, Director
Vivendi Telecom International, Director
Vizzavi France, Chairman of the Board of Directors
Maroc Telecom (Morocco), Member of the Supervisory Board

Other

Fédération Française des Télécoms, Chairman
Vodafone D2, Member of the Supervisory Board
Faurecia, Director
GSM Association, Director
LTB-R, Permanent Representative of SFR to the Board of Directors

Positions previously held that expired during the last five years

Cegetel, Chairman and Chief Executive Officer
Cegetel Group, Chief Operating Officer
Cegetel Entreprises, Director
Cofira, Director

Bertrand Meheut, Member of the Management Board

56, French nationality.

Business address

Groupe Canal+ — 1 place du Spectacle, 92263 Issy Les Moulineaux cedex 9, France.

Expertise and experience

Mr. Bertrand Meheut was born on September 22, 1951 and graduated from *l'École des Mines* in France. He joined Groupe Canal+ in October 2002, as Vice Chairman and Chief Operating Officer. He was appointed Chairman

of the Executive Board of Groupe Canal+ on February 7, 2003, and Chairman and Chief Executive Officer of Canal+ SA on February 20, 2003. Mr. Meheut was appointed to Vivendi's Management Board on April 28, 2005. Mr. Meheut has spent most of his career in various positions in the chemicals industry, primarily in the life sciences sector. He held a number of top posts at Rhône-Poulenc, which became Aventis after merging with Germany's Hoechst.

He served as Chairman and Chief Executive Officer of Aventis CropScience, an Aventis and Schering subsidiary, running agrichemicals and biotechnologies operations.

Positions currently held

Groupe Canal+, Chairman of the Executive Board
Canal+ France, Chairman of the Management Board
Canal+, Chairman of the Board of Directors and Director of some of its subsidiaries
SFR, Director
Canal+ Distribution, Chairman of the Board of Directors
StudioCanal, Chairman of the Supervisory Board
Kiosque, Manager and Permanent Representative of Groupe Canal+
NPA Production, Manager and Permanent Representative of Canal+
Canal Overseas, Member of the Executive Committee
Sport+ (ex Pathé Sport), Permanent Representative of Groupe Canal+ on the Board of Directors

Other

Aquarelle, Director

Positions previously held that expired during the last five years

Canal+, Chairman and Chief Executive Officer
Cegetel, Director
StudioCanal, Chairman of the Board of Directors
Holding Sports & Evénements, Chairman of the Board of Directors

Doug Morris, Member of the Management Board

69, US nationality.

Business address

Universal Music Group — 1755 Broadway, New York, NY 10019, USA

Expertise and experience

Doug Morris was born on November 23, 1938. He has served as Chairman and Chief Executive Officer of Universal Music Group since November 1995 and was appointed to Vivendi's Management Board on April 28, 2005. A graduate of Columbia University, Mr. Morris began his music career as a songwriter for music publisher Robert Mellin, Inc. In 1965, Mr. Morris joined Laurie Records, as a writer and producer and was later promoted to Vice President and General Manager. Following this, Mr. Morris created his own label, Big Tree Records, which was distributed and eventually acquired by Atlantic Records in 1978. At this time, Mr. Morris was appointed President of ATCO Records, beginning his 17-year association with Warner Music. In 1980, Mr. Morris was appointed President of Atlantic Records and, in 1990, assumed the position of Co-Chairman and Co-CEO (with Ahmet Ertegun) of the Atlantic Recording Group. In 1994, Mr. Morris was promoted to President and Chief Operating Officer of Warner Music U.S. and was soon thereafter appointed Chairman. Mr. Morris began his association with the MCA Music Entertainment Group (now Universal Music Group) in July 1995, by forming a joint venture, New York City-based full service record label. Throughout his career, Mr. Morris has worked with some of the most popular and influential artists of the past four decades, including the Rolling Stones, Phil Collins,

Pete Townsend, Led Zeppelin, Stevie Nicks, Bette Midler, Tori Amos, INXS, Erykah Badu and Mariah Carey. Mr. Morris serves on the Boards of the Robin Hood Foundation and the Cold Spring Harbor Laboratory. Mr. Morris is a Director of the Rock and Roll Hall of Fame. In 2003, the National Academy of Recording Arts and Sciences (NARAS) awarded Mr. Morris with the President's Merit Award.

Positions currently held

Universal Music Group, Chairman and Chief Executive Officer
Universal Music Group, Director of various subsidiaries

Other

Robin Hood Foundation, Director
Rock and Roll Hall of Fame, Director
CASA Foundation, Director

Positions previously held that expired during the last five years

Universal Music Group, Director of various subsidiaries
CBS Corporation, Director

René Pénisson, Member of the Management Board

66, French nationality.

Business address

Vivendi — 42 avenue de Friedland, 75008 Paris, France

Expertise and experience

Born on February 2, 1942, Mr. René Pénisson graduated from *l'École Supérieure de Chimie* in Lyon with an engineering degree. He holds a doctorate in engineering from the *Université de Lyon* and a degree from the French Management Institute. He was appointed Chairman of Vivendi Games in January 2004 and Senior Executive Vice-President, Human Resources of Vivendi in April 2004. He was appointed to Vivendi's Management Board on April 28, 2005. Prior to these positions, Mr. Pénisson served as adviser to the Chairman and Chief Executive Officer, Social Relations and Organization of Vivendi from September 2002.

From 1999 to 2002, he was a member of the Executive Committee of Aventis, Senior Executive Vice President, Human Resources of Aventis, Chairman of Aventis Animal Nutrition and Chairman of the RP Industrialisation company. From 1997 to 1999, he served as member of the Executive Committee of Rhône Poulenc SA. From 1982 to 1997, Mr. Pénisson was successively Executive Vice President, Basic Chemicals Division of Rhône Poulenc, Chief Operating Officer of Rhône Poulenc Chimie, and Senior Executive Vice President, Human Resources of the Rhône Poulenc Group.

Positions currently held

Vivendi Games Inc. (United States), Chairman
Vivendi Games Europe, Director
Canal+ France, Member of the Supervisory Board

Positions previously held that expired during the last five years

Aventis, Member of the Executive Committee
Aventis Animal Nutrition, Chairman
RP Industrialisation, Chairman

Family Relationships

There are no family relationships among the members of the Management Board.

Absence of Conflicts of Interest

Management is not aware of any current or potential conflict of interest between Vivendi and the members of the Management Board and their personal interests or other obligations.

Absence of any Conviction for Fraud, Liability with a Business Failure or Public Incrimination and/or Sanction

To the knowledge of the company, over the past five years, no member of the Management Board has been convicted for any fraud-related matter, no official public incrimination and/or sanction has been delivered against any member of the Management Board or has been associated with a bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body of a public company or has been prevented by a court from acting as a member of an administrative, management or supervisory body or participating in the management of a public issuer.

Agreements Entered into Between the Company and One of its Management Board Members — Services Contract

The members of the Management Board, senior executives and corporate officers benefit from an employment contract with the company, except for Mr. Jean-Bernard Lévy, Chairman of the Management Board, whose employment contract is suspended for the duration of his term of office, and Mr. Doug Morris, who holds an employment contract with Universal Music Group.

No member of the Management Board is covered by a service contract with Vivendi or any of its subsidiaries, nor do they expect that any benefits will be granted under the terms of such a contract.

Loans and Guarantees Granted to Members of the Management Board

The company has not made any loans or granted any guarantees to any member of the Management Board.

Jurisdiction and Internal Regulations of the Management Board

Role and Powers of the Management Board under Applicable Law and the Company's By-laws

With respect to third parties, the Management Board is granted the broadest powers to act in any circumstance on behalf of the company, except in those situations where such power is expressly reserved to the Supervisory Board and/or the Shareholders and subject to the scope of the company's corporate purpose and to matters that require the prior authorization of the Supervisory Board.

Internal Regulations

The Internal Regulations of the Management Board is a proprietary document intended to ensure that the company's Management Board functions properly and adheres to the most recent rules adopted in furtherance of good corporate governance. Third parties have no recourse against members of the Management Board using these internal regulations.

The Management Board, after having considered recent legal and regulatory developments and the different practices implemented by the company since the adoption of the corporate structure involving a Management Board and a Supervisory Board, has amended its Internal Regulations.

Role and Powers of the Management Board under the Internal Regulations

The Management Board is responsible for the day-to-day management of the company and for the conduct of its business. It intervenes in any of the following matters:

- the review and drafting of the financial statements, forecasts, cash flows, debt obligations and company liabilities;
- the implementation of company strategy in conjunction with the Supervisory Board;
- sale, merger and acquisition transactions not exceeding the thresholds requiring approval of the Supervisory Board;
- the development of human resources policies and industrial relations;
- the development of communications policies;
- compliance activities;
- the development of internal audit and internal control procedures;
- the monitoring of risk assessments and duties of the Risks Committee;
- the monitoring of litigation and legal proceedings;
- the monitoring environmental matters; and
- the monitoring of insurance matters.

In accordance with applicable law, the company's by-laws and Internal Regulations of the Supervisory Board, the Management Board must obtain prior approval from the Supervisory Board under certain circumstances (refer to the Internal Regulations of the Supervisory Board above).

Activities of the Management Board in 2007

The Management Board met fourteen times in 2007. Its activities mainly involved the following:

- the review and approval of the statutory financial statements for fiscal year 2006, the 2007 budget, the quarterly and half-year 2007 condensed financial statements and the 2008 preliminary budget;
- the preparation of quarterly reports for the Supervisory Board;
- growth prospects for the group, principal strategic initiatives and opportunities and the 5-year strategic plan;
- monitoring of the status of the group's main business units;
- the review and approval of the agreement for the combination of Vivendi Games and Activision, the examination of a potential acquisition of a stake in Oger Telecom, the acquisition by SFR of the stake held by Groupe Louis Dreyfus in Neuf Cegetel, the exchange of Vivendi/Maroc Telecom shares with the Caisse de Dépot et de Gestion du Maroc, the acquisition by UMG of Sanctuary Group, the acquisition of the Kinowelt group in Germany, the monitoring of the stake held by Vivendi in NBC Universal and the bid on broadcasting rights for the French League 1 of football;
- the convening of the Combined Shareholders' Meeting held on April 19, 2007;
- the granting of stock options and shares of restricted stock;
- the share capital increase reserved for employees of the Group through an international company mutual fund;
- the review of the Sustainable Development report;
- the monitoring of the telecommunication assets in Poland; and
- the monitoring of current litigation and legal proceedings.

Compensation of Directors and Officers

Compensation of the Members of the Supervisory Board and its Chairman

Compensation of the Chairman of the Supervisory Board

As presented to the Annual Shareholders' Meeting held on April 19, 2007, the Supervisory Board, at its meeting held on March 6, 2007, upon recommendation of the Human Resources Committee at its meeting held on March 2, 2007, resolved to maintain the level of the annual gross compensation of its Chairman, which remains at €1 million. He receives no directors' fee from Vivendi or any of its subsidiaries.

He benefits from the use of a company car and the availability of a chauffeur. His travel expenses and other expenditures incurred in connection with his duties are paid by the company.

Compensation Paid to The Chairman of the Supervisory Board

	2007	2006	2005
		(In euros)	
Fixed	1,000,000	1,000,000	666,667(a)

(a) Chairman of the Supervisory Board since April 28, 2005.

Directors' Fees

Within the limit approved by the Combined Shareholders' Meeting held on April 28, 2005 (€1.2 million per year), payment of directors' fees for members of the Supervisory Board and its Committees is based on actual attendance at meetings and depends on the number of meetings held by the Supervisory Board and the Committees. The Supervisory Board at its meeting held on March 6, 2007, resolved that the payment of the directors' fees, starting in 2007, would be made on a half-year basis. The gross amount of directors' fees paid for 2007 was €955,434, compared to €1,172,150 in 2006. The amount of the directors' fees due for the first half of 2007, paid in 2007, amounted to €420,434. The fees for the second half of 2007, paid in January 2008, amounted to €535,000. Details of directors' fees paid on an individual basis are presented below.

For services rendered, each member of the Supervisory Board receives a fixed directors' fee of €20,000 for a full year of service and a variable amount of €3,500 per meeting, dependent upon actual attendance at meetings. Each member of the Audit Committee receives a fixed directors' fee of €20,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €3,400 per meeting, dependent upon actual attendance at meetings. Each member of the Strategy Committee receives a fixed directors' fee of €14,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €2,900 per meeting, dependent upon actual attendance at meetings. Each member of the Human Resources Committee receives a fixed directors' fee of €12,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €2,900 per meeting, dependent upon actual attendance at meetings. Each member of the Corporate Governance Committee receives a fixed directors' fee of €10,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €1,900 per meeting, dependent upon actual attendance at meetings.

A directors' fee of €1,500 per meeting is paid to members of the Supervisory Board who attend meetings of committees of which they are not members.

Individual Amount of Directors' Fees (In Euros — Rounded):

Members of the Supervisory Board	2007 directors' fees to be paid in 2008	Paid in 2007	Paid in 2006
Jean-René Fourtou (a)	—	—	—
Claude Bébéar	59,800	70,500	127,500
Gérard Brémond	46,300	63,000	91,500
Mehdi Dazi (b)	37,400	24,134	NA
Fernando Falcó y Fernández de Córdova	47,700	56,100	95,000
Sarah Frank	52,700	59,500	96,000
Gabriel Hawawini	56,200	66,600	123,300
Henri Lachmann	60,800	70,300	135,300
Andrzej Olechowski	47,800	59,500	89,000
Pierre Rodocanachi	68,600	82,100	126,800
Karel Van Miert	57,700	70,000	118,800
Paul Fribourg (c)	—	—	62,000
Patrick Kron (d)	—	14,900	84,000
TOTAL	**535,000**	**636,634(e)**	**1,149,200(f)**

(a) Mr. Fourtou waived his rights to receive directors' fees, allocated to Board members of the company and its subsidiaries.

(b) Member of the Supervisory Board since March 6, 2007.

(c) Member of the Supervisory Board until June 7, 2006.

(d) Member of the Supervisory Board until December 13, 2006.

(e) Including €420,434 due for the first half of 2007 and €216,200 due for the fourth quarter of 2006.

(f) Including €955,950 due for the three first quarters of 2006 and €193,250 due for the fourth quarter of 2005.

At its meeting held on February 28, 2008, the Supervisory Board resolved that each member of the Supervisory Board shall hold a number of company shares equivalent to a year of directors' fees paid.

Compensation of the Members of the Management Board and its Chairman

Compensation of corporate officers and of the company's principal executives is established by the Supervisory Board upon recommendation of the Human Resources Committee. The compensation is composed of a fixed component and a variable component.

The variable component of compensation for 2007 was set by the Supervisory Board at its meeting held on March 6, 2007, pursuant to a proposal from the Human Resources Committee at its meeting held on March 2, 2007, based upon the following criteria: (1) for corporate officers and senior executives of the headquarters: (a) financial objectives (66%) linked to both adjusted net income attributable to equity holders of the parent (41%) and cash flows from operations (25%) and (b) general management's priority objectives (34%), and (2) for corporate officers (including the subsidiaries' chairmen or executives): (a) the group's financial objectives (15%), (b) the financial objectives of their entity (60%) and (c) priority objectives for their entity (25%).

The variable component of compensation for 2008 was set by the Supervisory Board at its meeting held on February 28, 2008, pursuant to a proposal from the Human Resources Committee approved at its meeting held on February 27, 2008 based upon the following criteria: (1) for corporate officers and senior executives of the headquarters: (a) financial objectives (67%) linked to both adjusted net income attributable to equity holders of the parent (42%) and cash flows from operations (25%) and (b) general management's priority objectives (33%), and (2) for corporate officers (including the subsidiaries' chairmen or executives): (a) the group's financial objectives (15%), (b) the financial objectives of their entity (60%) and (c) priority objectives for their entity (25%).

Compensation of the Chairman of the Management Board

Mr. Jean-Bernard Lévy's employment contract as Deputy Chief Executive Officer of the company, effective from August 12, 2002, was suspended when he was appointed Chairman of the company's Management Board. He is not entitled to any severance payments as a result of the termination of his mandates of Chairman or member of the Management Board.

The compensation of the Chairman of the Management Board for 2007 was set by the Supervisory Board upon recommendation of the Human Resources Committee as follows: a gross annual fixed salary of €860,000, a target bonus of 120% determined according to the criteria above, up to a maximum of 200%. His travel expenses and other expenditures incurred in connection with his duties are paid by the company. In 2007, the Chairman of the Management Board was granted 360,000 non-discounted stock options with an exercise price of €30.79 and 30,000 shares of restricted stock based on the achievement of certain performance targets (refer to "Corporate Governance — Grants of Shares of Restricted Stock" in the 2007 Annual Report).

The Supervisory Board meeting held on February 28, 2008, upon recommendation of the Human Resources Committee at its meeting held on February 27, 2007, has set forth the following elements of compensation for 2008: an annual fixed salary of €885,800 and a target bonus of 140%, up to a maximum of 240%.

As approved by the Combined Shareholders' Meeting held on April 20, 2006, the Chairman of the Management Board is eligible to participate in the pension plans adopted by the company (refer to "— Pension Plans".)

Compensation of the Members of the Management Board

Employment contracts for members of the Management Board, other than the Chairman, remain in force based on their ongoing functions within the group; no compensation or allowance is granted to them in relation to their corporate appointment within Vivendi SA.

Details of Management Board members' compensation are presented in the chart below (in euros):

	Jean-Bernard Lévy	Abdeslam Ahizoune	Philippe Capron(a)	Jacques Espinasse(c)	Frank Esser	Bertrand Meheut	Doug Morris	René Pénisson
				(in euros)				
2007 compensation								
Fixed	860,000	527,947	325,000(b)	153,333	685,000	685,000	4,436,453	485,000
Variable portion : 2007 bonus paid in 2008	1,651,000	752,325	423,000(b)	285,000(d)	1,195,000	1,288,000	7,268,857	970,000
Benefits in kind and other*	7,631	7,434	6,478	51,088	24,843	21,847	119,623	25,035
2007 TOTAL	**2,518,631**	**1,287,706**	**754,478(b)**	**489,421**	**1,904,843**	**1,994,847**	**11,824,933(g)**	**1,480,035**
2006 compensation								
Fixed	800,000	530,379	—	460,000	650,000	650,000	4,673,060	460,000
Variable portion: 2006 bonus paid in 2007	1,485,000	372,000	—	854,000	1,150,000	1,248,000	8,714,211	854,000
Benefits in kind and other*	12,781	1,434	—	22,564	24,758	21,696	112,559	29,922
2006 TOTAL	**2,297,781**	**903,813**	—	**1,336,564**	**1,824,758**	**1,919,696**	**13,499,830(g)**	**1,343,922**
2005 compensation								
Fixed	800,000	512,757	—	460,000	650,000	650,000	4,453,144	460,000
Variable portion: 2005 bonus paid in 2006	1,472,000(e)	346,958	—	846,400(e)	1,150,500	1,189,500	9,881,733(f)	846,400(e)
Benefits in kind and other*	195,047**	—	—	10,164	13,727	28,014	127,525	22,000
2005 TOTAL	**2,467,047**	**859,715**	—	**1,316,564**	**1,814,227**	**1,867,514**	**14,462,402(g)**	**1,328,400**

(a) Member of the Management Board since April 19, 2007.

(b) In full year.

(c) Member of the Management Board through April 19, 2007.

(d) 2007 Bonus paid in April 2007 at time of the termination of employment.

(e) Includes €76,225 paid in December 2005.

(f) Includes the 2006 payment for a deferred long-term bonus under the Universal Music Group contract. The 2005 portion amount is €3,977,800. These figures also include the annual part of the 5-year bonus for 2001-2005 which amounted to €18.6 million for said period.

(g) Euros/Dollars exchange rate as of payment dates.

* This amount includes employer's pension contributions in excess of the legal tax-deductible threshold and which have been added to the taxable salary, as well as the benefit in kind of a company car, the 2006 profit-sharing paid in 2007 and the value of vacation days transferred from the time saving account (*compte épargne temps*) to the pension savings plan.

** Includes holiday pay for his previous salaried position (€181,595).

Compensation for termination of employment of the members of the Management Board

On December 18, 2007, the Supervisory Board, upon recommendation from the Corporate Governance Committee on the same day, examined the status of each member of the Management Board in the context of the provisions of the Law, dated August 21, 2007, to promote work, employment and purchasing power (also known as the TEPA Law, *loi du 21 août 2007 en faveur du travail, de l'emploi et du pouvoir d'achat*). It found that since no members of the Management Board could claim payment of remuneration or compensation of any kind in respect of termination of their employment as corporate officers of Vivendi, the provisions of the TEPA Law did not apply to them.

Pursuant to their employment contracts, each member of the Management Board is entitled to a gross severance payment (except in the event of dismissal for serious misconduct), determined as follows:

- Mr. Jean-Bernard Lévy (employment contract, dated August 9, 2002, suspended during his term of office as Chairman of the Management Board): six months fixed and variable salary, regardless of the unexpired term of his notice period, based on the compensation set forth in his employment contract;
- Mr. Abdeslam Ahizoune (employment contract with Vivendi Group, dated December 2000, as amended on July 8, 2004): 24 months fixed salary and target bonus paid by Vivendi SA and Maroc Telecom, as well as certain indemnity payments as required by law;
- Mr. Philippe Capron (employment contract, dated November 16, 2006): no contractual severance payment;
- Mr. Frank Esser (employment contract, dated May 22, 2000, as amended on October 4, 2002): 24 months fixed salary and target bonus, as well as certain indemnity payments as required by law;
- Mr. Bertrand Meheut (employment contract, dated September 20, 2002): €2 million, as well as certain indemnity payments as required by law;

In the case of termination initiated by the employer before the age of 60, Mr. Bertrand Meheut can opt for a payment equivalent to the amount provided by the complementary pension plan adopted in 1985, with seniority effective beginning September 1, 1992, which would supersede the current pension plan benefit;

- Mr. Doug Morris (employment contract with Universal Music Group, dated February 6, 2001, as amended on August 4, 2005 — effective until termination of his contract as Chairman and Chief Executive Officer of Universal Music Group, *i.e*., December 31, 2008): equal to the fixed salary and target bonus to be paid until the termination of his contract (December 31, 2008) but in no event, less than one year's salary;
- Mr. René Pénisson (employment contract, dated September 20, 2002): no contractual severance payment.

Pension Plans

Members of the Management Board, holding an employment contract with Vivendi, are eligible to participate in the complementary pension plan adopted in December 1985 and in the additional pension plan adopted in

December 2005, as described in the Statutory Auditors' special report approved by the Shareholders' Meeting held on April 20, 2006. In 2007, no amendments were made to these pension plans.

The 2007 pension plan provision for members of the Management Board was €1,957,819.

Mr. Doug Morris, member of the Management Board and Chairman and the Chief Executive Officer of Universal Music Group (UMG), who holds an American employment contract, is entitled to receive benefits under the Seagram pension plan for a part of his career within the Group. The company is no longer required to make contributions to that plan. He benefits from UMG pension plans covering all UMG employees within the United States, to which UMG makes supplementary contributions, in excess of employee contributions, up to a maximum amount of €15,979 per year.

Compensation of Senior Executives of the Group

The aggregate gross amount of the top ten compensation packages paid by Vivendi SA globally in 2007 was €13.78 million, including benefits in kind. In addition, in 2007, the aggregate gross amount of the top ten compensation packages paid to senior executives within the group globally (nine of whom are non-French citizens) was €51.2 million, including benefits in kind.

In accordance with governance rules existing within the Vivendi group, all senior executives have waived their rights to receive directors' fees in compensation for serving as Board Members or permanent representatives within controlled subsidiaries, in accordance with Article L. 233-16 of the French Commercial Code.

Financial Information and Communication Procedures Committee

This Committee, established in 2002, is responsible for regularly assessing the methods used to prepare and disclose the company's financial information.

Composition

The Committee Members are appointed by the Chairman of the Management Board. At a minimum, the Committee shall comprise those Vivendi executives holding the following positions:

- the General Counsel (Chairman of the Committee);
- the group's Chief Financial Officer, member of the Management Board;
- the Executive Vice President, Communications;
- the Deputy Chief Financial Officers;
- the Senior Vice President, Audit and Special Projects;
- the Executive Vice President, Investor Relations; and
- the Senior Vice President, Head of Legal Department.

The members of the Committee may appoint additional members as their substitutes, who are executives from the aforementioned departments. The Committee is currently comprised of 15 regular attendees.

Powers

The Committee assists the Chairman of the Management Board and the group's Chief Financial Officer in their mission to ensure that Vivendi fulfills its disclosure requirements with respect to investors, the public and the regulatory and market authorities, in particular the Autorité des Marchés Financiers (AMF) and NYSE Euronext Paris in France.

Mission

In carrying out its mission, the Committee ensures that Vivendi has set up adequate controls and procedures so that:

- any financial information that must be disclosed to investors, the public or to the regulatory authorities is reported within the deadlines stipulated by applicable laws, regulations and notifications;
- all communications are subject to appropriate verifications in accordance with the procedures set up by the Committee;
- all information requiring a release to investors and/or appearing in the documents recorded or filed with any regulatory authority is communicated to the company's senior management, including the Chairman of the Management Board and the group's Chief Financial Officer, prior to release so that decisions concerning the information to be disclosed can be made in a timely manner;
- oversight is provided over assessments of Vivendi's procedures and its Business Units for controlling information as well as over internal control procedures, under the supervision of the Chairman of the Management Board and of the group's Chief Financial Officer;
- the Chairman of the Management Board and the group's Chief Financial Officer are advised of any significant procedural problems about which the Committee should be informed and which is likely to affect Vivendi's procedures for controlling information and its internal control procedures. The Committee issues recommendations, as necessary, for changes to be made to these controls and procedures. The Committee supervises the implementation of modifications approved by the Chairman of the Management Board and the group's Chief Financial Officer; and
- more generally, the Chairman of the Management Board and the group's Chief Financial Officer are assured that they will receive all information they may request.

Deliberations in 2007

The Committee meets at the request of the Chairman of the Management Board, the Chief Financial Officer, and its Chairman or of one of its members. Meetings are held at least once each quarter in accordance with the schedule for releasing financial information on the group's results and before each Audit Committee meeting.

The Committee met eleven times in 2007. Its deliberations primarily concerned the:

- the review of the financial information published in the annual, half-year and quarterly results and published in the Annual Report;
- the review of the annual and half-year certification letters signed by the Chairman and Chief Financial Officer of each of the group's business units; and
- the review of progress questionnaires for assessing internal controls within the Business Units.

Deliberations are not limited to matters listed in meeting agendas.

The Committee reports to the Chairman of the Management Board and to the Audit Committee. The Committee Chairman may present his report orally.

DESCRIPTION OF THE NOTES

The Issuer will issue the Notes under an Indenture (the **"Indenture"**) to be dated April 4, 2008 with US Bank National Association as trustee (the **"Trustee"**) for the Notes. The following is a summary of the material provisions of the Indenture. Because this is a summary, it may not contain all the information that is important to holders of the Notes (the **"Noteholders"**). The Noteholders should read the Indenture in its entirety and are deemed to have notice of the provisions thereof. Copies of the Indenture are available without charge at the specified offices of the Trustee. The Notes, which will be deemed to be issued outside the Republic of France, are the US$700,000,000 aggregate principal amount of 5.750% Notes due 2013 (the **"Five-Year Notes"**) and the US$700,000,000 aggregate principal amount of 6.625% Notes due 2018 (the **"Ten-Year Notes"** and, together with the Five-Year Notes, the **"Notes"**) of Vivendi, a French *société anonyme* (the **"Issuer"**). The issuance of the Notes was authorized by a resolution duly adopted by the Supervisory Board of the Issuer on February 28, 2008 and a resolution duly adopted by the Management Board (*Directoire*) on February 26, 2008.

References below to **"Conditions"** are, unless the context otherwise requires, to the numbered paragraphs contained in the terms and conditions of the Notes set forth herein.

1. FORM AND DENOMINATION

The Notes will be issued in registered form only without coupons in denominations of US$2,000 principal amount and in integral multiples of US$1,000 in excess thereof. Except in limited circumstances, the Notes will be issued in the form of global notes. See "Book-Entry, Delivery and Form".

2. STATUS AND NEGATIVE PLEDGE

2.1 Status of the Notes

The obligations of the Issuer in respect of the Notes constitute direct, unconditional, (subject to Condition 2.2 "Negative Pledge" below) unsecured and unsubordinated obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and equally and ratably with all other present or future unsecured and unsubordinated obligations of the Issuer.

2.2 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Indenture), the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien (other than a lien arising by operation of law) or other form of encumbrance or security interest (**"Security"**) upon the whole or any part of its undertakings, assets or revenues present or future (including any uncalled capital) to secure any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, its obligations under the Notes (a) are secured equally and ratably therewith or (b) have the benefit of such other security or other arrangement as shall be approved by the Trustee pursuant to the Indenture.

For the purposes of this Condition, **"Relevant Debt"** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that, at the time of issue, are, or are intended to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

3. INTEREST

Each of the Five-Year Notes and the Ten-Year Notes will bear interest from, and including, April 4, 2008 (the **"Issue Date"**) at the rate of 5.750% per annum in the case of the Five-Year Notes and 6.625% per annum in the case of the Ten-Year Notes, payable semi-annually in arrears on April 4 and October 4 of each year (each an **"Interest Payment Date"**), commencing on October 4, 2008, to holders of record on the fifteenth (15th) calendar day preceding the interest payment date.

Interest will begin to accrue on the Notes commencing on April 4, 2008. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any payment with respect to the Notes is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next succeeding Business Day, and no additional interest shall accrue. **"Business Day"** means any day except a Saturday, Sunday or other day on which commercial banks in New York City, Paris, France or in the city where the corporate trust office of the Trustee is located are authorized by law to close.

Each Note will cease to bear interest from the date on which it is to be redeemed, unless payment of the full amount due in respect of the Note is improperly withheld or refused on such date by the Issuer. In such event, such Note shall continue to bear interest in accordance with this Condition until the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day the Trustee received all sums due in respect of all Notes up to that day.

Interest payments will be made subject to, and in accordance with, the provisions of Condition 5.

4. REDEMPTION AND PURCHASE

The Notes may not be redeemed other than in accordance with this Condition 4 or Condition 7.

4.1 Maturity

Unless previously redeemed or purchased and cancelled, the Five-Year Notes will be redeemed in cash at their principal amount on April 4, 2013 (the **"Five-Year Note Maturity Date"**) and the Ten-Year Notes will be so redeemed on April 4, 2018 (the **"Ten-Year Note Maturity Date"**).

4.2 Redemption for Taxation Reasons

(i) If, by reason of change in French law, or any change in the official application or interpretation of such law, becoming effective (x) after the Issue Date or (y) in the case of a successor Person that has assumed the Issuer's obligations pursuant to Condition 4.6, after the date of such assumption, the Issuer or such successor Person would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 6, the Issuer or such successor Person may, on an Interest Payment Date, subject to having given not more than sixty (60) nor less than thirty (30) days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 8, redeem all, but not less than all, of the Notes, at their principal amount with accrued interest (if any) to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer or any successor Person could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

(ii) If the Issuer would on the next payment of principal or interest in respect of the Notes, be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 6, then the Issuer shall forthwith give notice of such fact to the Trustee and the Issuer shall upon giving not less than seven (7) days' prior notice to the Noteholders redeem all, but not less than all, of the Notes, then outstanding at their principal amount plus any accrued interest to the date set for redemption provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or if such date has passed, as soon as practicable thereafter.

4.3 Optional Redemption

The Issuer will, have the right at its option to redeem the Notes, in whole or in part, at any time or from time to time prior to their maturity, subject to having given not more than sixty (60) nor less than thirty (30) days' prior notice as provided in the Indenture. On or before the redemption date, the Issuer will deposit with the Trustee money sufficient to pay the redemption price and (unless the redemption date shall be an interest payment date) any accrued interest to the redemption date on the Notes to be redeemed on such date. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee in accordance with the guidelines of the applicable clearing system, if any. The Notes may be redeemed at a redemption price equal to the greater of

(1) 100% of the principal amount of the Notes and (2) the sum of the present values of each remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at (a) with respect to the Five-Year Notes, the Treasury Rate plus 50 basis points and (b) with respect to the Ten-Year Notes, the Treasury Rate plus 50 basis points, in each case plus accrued interest (including additional amounts, if any) on the principal amount up to, but not including, the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Issuer.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer" means each of Banc of America Securities LLC, Barclays Capital Inc. and Citigroup Global Markets Inc. or their respective affiliates or successors which are primary U.S. government securities dealers and two other leading primary U.S. government securities dealers in New York City reasonably designated by the Issuer; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a **"Primary Treasury Dealer"**), the Issuer will substitute therefore another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing or email to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

4.4 Purchases

The Issuer may, in accordance with all applicable laws and regulations, at any time purchase Notes in the open market or otherwise, without any limitation as to price or quantity, including in connection with a tender offer.

4.5 Change of Control and Rating Downgrade

If at any time while any Note remains outstanding (a) there occurs a Change of Control, and (b) within the Change of Control Period (as defined below) a Rating Downgrade occurs (a **"Put Event"**), then each Noteholder will have the option (the **"Put Option"**), unless prior to the Issuer giving the Put Event Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes, to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, such Noteholder's Notes on the Change of Control Redemption Date (as defined below) at 101% of its principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Change of Control Redemption Date.

"Change of Control" shall be deemed to have occurred upon: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of the Issuer's assets and the assets of its subsidiaries, taken as a whole, to any Person, other than the Issuer or one of its subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Issuer's outstanding voting stock or other voting stock into which the Issuer's voting stock is reclassified, consolidated,

exchanged or changed, measured by voting power rather than number of shares; or (3) the Issuer consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the Issuer's outstanding voting stock or the voting stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Issuer's voting stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the voting stock of the surviving Person or any direct or indirect parent company of the surviving Person immediately after giving effect to such transaction.

Notwithstanding the foregoing, a transaction will not be deemed to involve a change of control under clause (2) above if (i) the Issuer becomes a direct or indirect wholly-owned subsidiary of a holding company and (ii)(A) the direct or indirect holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's voting stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the voting stock of such holding company. The term **"Person,"** as used in this definition, has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

"Change of Control Period" means:

(i) the period commencing on the date of the consummation of the Change of Control and ending on the date which is 60 days thereafter (the **"Post-Change of Control Period"**); or

(ii) the period commencing 60 days prior to the date of the first public announcement of the relevant Change of Control and ending on the date of the consummation of the Change of Control (the **"Pre-Change of Control Period"**),which period will be extended so long as the rating of the Notes is under publicly announced consideration for a possible downgrade by any of the ratings agencies.

"Rating Agency" means any of the following: Moody's Investors Services Limited; Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. and Fitch Inc.; any other rating agency of equivalent international standing requested from time to time by the Issuer to grant a rating — and, in each case, their respective successors or affiliates.

A "Rating Downgrade" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period (A) the rating previously assigned to the Notes by at least two of the Rating Agencies is (x) withdrawn or (y) changed from an investment grade rating (Baa3 / BBB−, or its respective equivalents for the time being, or better) to a noninvestment grade rating (Ba1 / BB+ or below, or their respective equivalents for the time being, or worse) or (z) if the rating previously assigned to the Notes by at least two of the Rating Agencies was below an investment grade rating (as described above), lowered by at least one full rating notch (for example, from Ba1 / BB+ to Ba2 / BB or their respective equivalents) and (B) neither such rating is within the Change of Control Period subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) either to an investment grade credit rating (in the case of (x) and (y)) or to its earlier credit rating or better (in the case of (z)) by any such Rating Agency; provided however that any Rating Downgrade has to be confirmed in a letter sent to the Issuer and publicly disclosed.

Promptly after the date of occurrence of the Change of Control (if a Put Event has occurred during the Pre-Change of Control Period) or promptly upon the Issuer becoming aware that a Put Event has occurred (if such Put Event has occurred during the Post-Change of Control Period), the Issuer shall give notice (a **"Put Event Notice"**) to the Noteholders in accordance with Condition 8 specifying the nature of the Put Event and the circumstances giving rise to it, the procedures for exercising the Put Option and the redemption date, which shall be, subject to any contrary requirements of applicable law, the tenth Business Day following the end of the specified period (the **"Put Period"**) commencing on the date of the Put Event Notice and ending within 45 days thereafter.

4.6 Consolidation, Merger and Sale of Assets

The Issuer may not, without the consent of the holders as set forth under "Modification and Waiver", undergo any transaction listed in clauses (1) – (3) of the definition of "Change of Control", *unless*: the Person referred to in the relevant clause (the "successor Person") shall be a corporation, partnership or trust, organized and validly incorporated under the laws of England and Wales, Canada, Australia, Scotland, the Channel Islands, the United

States, any State thereof or the District of Columbia, any member state of the European Economic Area or Switzerland, and:

(1) such Person expressly assumes the Issuer's obligations under the Indenture and the Notes, it being understood that, in the case of any transaction listed in clause (3) of the definition of "Change in Control", the jurisdiction of incorporation of such Person and the laws and taxes thereof shall be deemed to be substituted for "the Republic of France", "French law" and "French taxes", as applicable, for purposes of Conditions 4.2 and 6.2 hereof;

(2) immediately after giving effect to the relevant Change of Control transaction, no Event of Default (as defined below), shall have occurred and be continuing; and

(3) the Issuer has delivered to the Trustee an officer's certificate and opinion of counsel each stating that the relevant Change of Control transaction complies with the applicable provisions of the Indenture.

The successor Person shall succeed to, and be substituted for, and may exercise every right and power of the Issuer under the Indenture and the Notes and the Issuer will be released from all of its liabilities and obligations under the Indenture and under the Notes.

4.7 Cancellation

The Issuer at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated which the Issuer has not issued and sold. The Trustee will cancel all Notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures. The Issuer may not issue new Notes to replace Notes it has paid in full or delivered to the Trustee for cancellation.

5. PAYMENTS

5.1 Method of Payment

The Notes shall be payable as to principal, premium, if any, and interest in U.S. dollars at the office or agency of the Issuer maintained for such purpose, or, at the option of the Issuer, payment of interest may be made by check mailed to the Holders at their addresses set forth in the Register; *provided*, *however*, that payment by wire transfer of immediately available funds shall be required with respect to principal of and interest and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Issuer or the Paying Agent. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Issuer or a Subsidiary thereof, holds as of 11:00 a.m. Eastern Time on the due date money deposited by the Issuer in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. Payments of principal, interest and other amounts on the Notes will, in all cases, be made subject to any applicable fiscal or other laws and regulations in the place of payment. No commission or expenses shall be charged by the Issuer or the Trustee to the Noteholders in respect of such payments.

5.3 Trustee

The name of the initial Trustee and its specified office are set forth below.

TRUSTEE

US Bank National Association
Corporate Trust Services
60 Livingston Avenue
St. Paul, MN 555107-2292

The Indenture contains provisions for the indemnification of the Trustee and for its relief from responsibility. The obligations of the Trustee to any Noteholder are subject to the immunities and rights set forth in the Indenture. The Trustee may resign at any time by written notice to the Issuer. The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by written notice to the Trustee. A resignation or removal of the

Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee, and so long as no Default is continuing, with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer will promptly appoint a successor Trustee.

6. TAX STATUS

6.1 Certain French Tax considerations

Please refer to the Tax Considerations section of the present Offering Memorandum.

6.2 Additional Amounts

If French law should require that payments of principal or interest in respect of any Note be subject to deduction or withholding in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, the Republic of France or any authority therein or thereof having power to tax (**"Taxes"**), the Issuer shall, to the extent then permitted by law, pay such additional amounts (**"Additional Amounts"**) as may be necessary in order that the holder of each Note, after such deduction or withholding, receives the full amount due and payable thereon in the absence of such deduction or withholding. However, the Issuer shall not be liable to pay any such Additional Amounts in respect of any Note where:

(i) the holder of the Note is subject to such Taxes in respect of such Note by reason of his having some connection with the Republic of France other than the mere holding of such Note;

(ii) such Taxes would not have been imposed but for the presentation of a Note (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable (except to the extent that the Holder would have been entitled to Additional Amounts had the Notes been presented for payment on the last day of such period);

(iii) such Taxes are any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other similar governmental charge;

(iv) such Taxes which are payable otherwise than by withholding or deduction from payment of (or in respect of) principal, premium or interest on the Notes;

(v) such Taxes are imposed or withheld by reason of the failure by the holder or the beneficial owner of the Note to comply with a written request of the Issuer or the Trustee addressed to the holder or the beneficial owner to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters which are required by a statute, regulation or administrative practice of France as a precondition to exemption from all part or part of such Taxes.

(vi) such Taxes are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with or, introduced in order to conform to, such Directive; or

(vii) such Taxes result from any combination of the above.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 6.2.

7. EVENTS OF DEFAULT

Each of the following is an **"Event of Default"**:

(i) default is made for a period of 15 days or more in the payments of any amount on the Notes when and as the same shall become due and payable;

(ii) default is made in the performance of, or compliance with, any other obligation of the Issuer under the Notes, if such default shall not have been remedied within 30 days after receipt by the Trustee of written notice of such default;

(iii) after there shall be a default by the Issuer in the due and punctual payment of the principal of, or premium or interest on, any indebtedness for borrowed monies of or assumed or guaranteed by the Issuer when and as the same shall become due and payable and giving effect to any applicable grace periods, there shall be an acceleration of any such indebtedness or guarantee, or there shall be a failure to pay such indebtedness upon maturity, provided that the aggregate amount of the relevant indebtedness for borrowed money in respect of which any one or more of the events mentioned in this sub-paragraph has or have occurred equals or exceeds €100,000,000 (or its equivalent);

(iv) the Issuer applies for the appointment of a *mandataire ad hoc* or enters into an amicable settlement *(procédure de conciliation)* with its creditors or any judgment is issued for its judicial liquidation *(liquidation judiciaire)* or the transfer of the whole of its business *(cession totale de l'entreprise)* or, to the extent permitted by law, it ceases payments on its debts or is subject to any insolvency or bankruptcy proceeding or makes a conveyance or assignment for the benefit of, or enters into a composition with, its creditors;

(v) the Issuer sells or otherwise disposes of all or substantially all of its assets or ceases or threatens to cease to carry on the whole or substantially all of its business or an order is made or an effective resolution passed for its winding-up, dissolution or liquidation, unless such winding-up, dissolution, liquidation or disposal is made in connection with a merger, consolidation or sale of assets permitted by Condition 4.6;

(vi) all or any substantial part of the property, assets or revenues of the Issuer shall be attached or shall become subject at any time to any order of court or the enforcement of any security interests *(sûretés réelles)* and such attachment or order shall remain in effect and not be discharged for, or the steps taken to enforce any such security interests shall not be withdrawn or stayed within 30 calendar days; or

(vii) after there shall be a default by any Material Subsidiary in the due and punctual payment of the principal of, or premium or interest on, any indebtedness for borrowed monies of or assumed or guaranteed by any Material Subsidiary when and as the same shall become due and payable and giving effect to any applicable grace periods, there shall be an acceleration of any such indebtedness or guarantee, or there shall be a failure to pay such indebtedness upon maturity, provided that the aggregate amount of the relevant indebtedness for borrowed money in respect of which any one or more of the events mentioned in this sub-paragraph has or have occurred equals or exceeds €100,000,000 (or its equivalent).

If an Event of Default with respect to the Notes of any series (other than an Event of Default described under clause (iv) above) shall have occurred and be continuing, the Trustee or the registered holders of not less than 25% in aggregate principal amount of the Notes of such series then outstanding may declare to be immediately due and payable the principal amount of all the Notes then outstanding, plus accrued but unpaid interest to the date of acceleration, plus Additional Amounts, if any. In case an Event of Default described under clause (iv) above shall occur, such amounts with respect to all the Notes then outstanding shall be due and payable immediately without any declaration or other act on the part of the Trustee or the holders of the Notes. After any such acceleration, but before a judgment or decree based on acceleration is obtained by the Trustee, the registered holders of at least a majority in aggregate principal amount of the Notes of any series then outstanding may, under certain circumstances, rescind and annul such acceleration with respect to such series if all Events of Default, other than the nonpayment of accelerated principal, premium or interest, have been cured or waived as provided in the Indenture.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of the Notes, unless such holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the holders of at least a majority in aggregate principal amount of the Notes of any series then outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes of such series.

No holder of Notes of any series will have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any remedy thereunder, unless:

(i) such holder has previously given to the Trustee written notice of a continuing Event of Default; (ii) the registered holders of at least 25% in aggregate principal amount of the Notes of such series then outstanding have made a written request and offered reasonable indemnity to the Trustee to institute such proceeding as trustee;

(iii) the Trustee shall not have received from the registered holders of at least a majority in aggregate principal amount of the Notes then outstanding a direction inconsistent with such request; and

(iv) the Trustee shall have failed to institute such proceeding within 60 days.

However, such limitations do not apply to a suit instituted by a holder of any Note for enforcement of payment of the principal of, and premium, if any, or interest on, such Note on or after the respective due dates expressed in such Note.

For the purposes of this Condition,

"Material Subsidiary" means:

(a) any Subsidiary (as defined below) of the Issuer which is consolidated by way of global integration *(intégration globale)* in the audited consolidated financial statements of the Group (as defined below): (i) whose total revenues (consolidated in the case of a Subsidiary which itself has a Subsidiary) represent not less than 5% of consolidated total revenues of the Group (as shown in the then latest audited consolidated financial statements of the Group); and/or (ii) whose EBITDA (as defined below) represents not less than 5% of the EBITDA of the Issuer (as shown in the then latest audited consolidated financial statements of the Group), in the case of a Subsidiary, as calculated from the then latest annual financial statements (consolidated or, as the case may be, unconsolidated), audited if prepared, of that Subsidiary;

(b) the Subsidiary of the Issuer which owns the interest of the Group in National Broadcasting Company Universal Inc. and each direct or indirect Holding Company (as defined below) of that Subsidiary;

(c) each Subsidiary of the Issuer that acquires any assets or shares having, at the time of the acquisition, a value equal to 5% or more of the consolidated total assets of the Group (as shown in the then latest audited consolidated financial statements of the Group) and each direct or indirect Holding Company of that Subsidiary; and

(d) any other Subsidiary of the Issuer (the **"receiving Subsidiary"**) to which after the date of the latest audited consolidated financial statements of the Group is transferred either: (i) all or substantially all the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary (the **"disposing Subsidiary"**); or (ii) sufficient assets such that the receiving Subsidiary would have been a Material Subsidiary had the transfer occurred on or before the date of the latest audited consolidated financial statements of the Group, where, in the case of (i) above, the disposing Subsidiary shall forthwith upon the transfer taking place cease to be a Material Subsidiary.

"EBITDA" means consolidated operating income adjusted by:

(a) adding back depreciation of tangible assets and amortization of intangible assets (to the extent that such depreciation and amortization are deducted in computing the operating income);

(b) deducting any gain (or adding back any loss) in connection with the disposal of any tangible and intangible asset (otherwise than in the ordinary course of trading) by a member of the Group during a Measurement Period; and

(c) deducting any one-time gain and adding back any one-time loss, including any restructuring charges.

"Group" means the Issuer and its Subsidiaries.

"Holding Company" of any other person means a company in respect of which that other person is a Subsidiary.

"Measurement Period" means a period of 12 months ending on a Testing Date.

"Subsidiary" means, in relation to a person, an entity from time to time of which that person has direct or indirect control (in the case of a company incorporated in France, within the meaning of Article L.233-3 I.1 and I.2 of the French *Code de Commerce* (as the same is in force on the date of this Prospectus)) or an entity more than 50% of the voting rights in, or share capital of, which are owned by that person.

"Testing Date" means December 31st of each year.

8. NOTICES

Except as otherwise expressly provided in the Indenture, any notice or communication to a Holder will be deemed given when mailed to the Holder at its address as it appears on the register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, as agreed by the Company, the Trustee and DTC. Copies of any notice or communication to a Holder, if given by the Company, will be mailed to the Trustee at the same time.

9. PRESCRIPTION

There is no express term in the Indenture as to any time limit on the validity of claims of holders to interest and repayment of principal, but any such claims will be subject to any statutory limitation period prescribed under New York law.

10. FURTHER ISSUES

The Issuer may issue further Notes and increase the principal amount of the Notes having the same ranking, interest rate, maturity, and CUSIP numbers as the Notes being offered pursuant to the Offering Memorandum and other terms as the issued series; provided that such issue constitutes a "qualified reopening" or such further notes are issued with less than *de minimis* original issue discount for U.S. federal income tax purposes. Purchasers of Notes after the date of any further issue will not be able to differentiate between Notes sold as part of the further issue and previously issued Notes. The Issuer may not issue additional Notes if an Event of Default has occurred.

11. MODIFICATION AND WAIVER

Subject to certain exceptions, the Issuer and the Trustee with the consent of the registered holders of at least a majority in aggregate principal amount of the Notes of any series then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes) may amend the Indenture and the Notes with respect to such series, and the registered holders of at least a majority in aggregate principal amount of the Notes of any series outstanding may waive any past default or compliance with any provisions of the Indenture and the Notes with respect to such series (except a default in the payment of principal, premium, interest, including Additional Amounts, if any, and certain covenants and provisions of the Indenture which cannot be amended without the consent of each holder of an outstanding Note of such series). However, without the consent of each holder of an outstanding Note, no amendment may, among other things,

(1) reduce the amount of Notes whose holders must consent to an amendment or waiver,

(2) reduce the rate of, or extend the time for payment of, interest, including Additional Amounts, if any, on, any Note,

(3) reduce the principal of, or extend the stated maturity of, any Note,

(4) make any Note payable in money other than that stated in the Note,

(5) impair the right of any holder of the Notes to receive payment of principal of, premium, if any, and interest, including Additional Amounts, if any, on, such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes,

(6) reduce the amount payable upon the redemption of any Note once notice of redemption has been given, or change the time at which it must thereupon be redeemed,

(7) modify or change any provision of the Indenture affecting the ranking of the Notes, or

(8) amend or modify the provisions described under "Additional Amounts".

The Indenture and the Notes may be amended by the Issuer and the Trustee without the consent of any holder of the Notes to:

(1) cure any ambiguity, omission, defect or inconsistency,

(2) provide for the assumption by the successor Person of the obligations of the Issuer under the Indenture, as contemplated by "Consolidation, Merger and Sale of Assets",

(3) add any guarantees with respect to the Notes as provided or permitted by the terms of the Indenture,

(4) secure the Notes, add to the covenants of the Issuer for the benefit of the holders of the Notes or surrender any right or power conferred upon the Issuer,

(5) make any change that does not adversely affect the rights of any holder of the Notes, or

(6) provide for the issuance of additional Notes in accordance with the Indenture as contemplated in "Further Issues".

The consent of the holders of the Notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment becomes effective, the Issuer is required to mail to each registered holder of the Notes at such holder's address appearing in the Security Register a notice briefly describing such amendment. However, the failure to give such notice to all holders of the Notes, or any defect therein, will not impair or affect the validity of the amendment.

12. SATISFACTION AND DISCHARGE

The Issuer will be discharged from its obligations on the Notes, other than its obligation to register the transfer of and to exchange Notes, if:

(1) the Issuer delivers all outstanding Notes to the Trustee for cancellation; or

(2) all Notes not so delivered for cancellation have either become due and payable or will become due and payable at their stated maturity within one year or are to be called for redemption within one year, and the Issuer has deposited with the Trustee in trust an amount of cash sufficient to pay the entire indebtedness of such Notes, including interest to the stated maturity or applicable redemption date.

The Trustee will execute proper instruments acknowledging the satisfaction and discharge of the Indenture with respect to all the Notes upon delivery of an officer's certificate and legal opinion reasonably satisfactory to the Trustee.

13. DEFEASANCE

The Issuer at any time may terminate all its obligations under the Notes and the Indenture **("legal defeasance")**, except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes. The Issuer at any time may terminate:

(1) its obligations under the covenants described under Conditions 2.2, 4.5 and 4.6 above, and

(2) the operation of clauses (ii) through (vii) described under "— Events of Default" above **("covenant defeasance")**.

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clauses (ii) through (vii) under "Events of Default" above or because of the failure of the Issuer to comply with its obligations under the covenants described under Conditions 2.2, 4.5 and 4.6 above.

The legal defeasance option or the covenant defeasance option may be exercised only if:

(1) the Issuer irrevocably deposits in trust with the Trustee money in U.S. dollars or U.S. Government Obligations, or any combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants (at the Company's expense), for the payment of principal of, premium, if any, and interest on the Notes to maturity or redemption, as the case may be and any amounts payable to the Trustee (in any of its capacities hereunder);

(2) the Issuer delivers to the Trustee an officer's certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Notes being defeased over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others;

(3) no Event of Default has occurred and is continuing on the date of such deposit and after giving effect thereto (other than an Event of Default resulting from the borrowing of funds to be applied to such deposit);

(4) such deposit does not constitute a default under any other material agreement or instrument binding on the Issuer;

(5) in the case of the legal defeasance option, the Issuer delivers to the Trustee a legal opinion of counsel in the U.S. stating that:

(1) the Issuer has received from the Internal Revenue Service a ruling, or

(2) since the date of the Indenture there has been a change in the applicable U.S. federal income tax law,

in either case, to the effect that, and based thereon such legal opinion shall confirm that, the holders of the Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such legal defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same time as would have been the case if such legal defeasance had not occurred;

(6) in the case of the covenant defeasance option, the Issuer delivers to the Trustee a legal opinion of counsel in the U.S. to the effect that holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(7) the Issuer delivers to the Trustee an officer's certificate and a legal opinion, each stating that all conditions precedent to the defeasance and discharge of the Notes have been complied with as required by the Indenture.

14. GOVERNING LAW AND JURISDICTION

The Indenture and the Notes are governed by, and shall be construed in accordance with, the laws of the State of New York. The Issuer has irrevocably submitted to the non-exclusive jurisdiction of any state or U.S. federal court located in the City of New York, and County of New York, in relation to any legal action or proceeding (i) arising out of, related to or in connection with the Notes. The Issuer has appointed Vivendi Holding I Corp. as its authorized agent for service of process in any such suit or action.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes that are initially offered and sold in the United States to QIBs will be represented by beneficial interests in one or more global notes (the **"Rule 144A Global Notes"**) in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for and registered in the name of Cede & Co. as nominee of DTC. DTC is referred to as the **"depositary"**. You will hold beneficial interests in the Notes through DTC in book-entry form. This means that the Issuer will not issue certificates to each holder.

The Notes that are offered and sold in reliance on Regulation S will be represented by beneficial interests in one or more global notes (the **"Regulation S Global Notes"**) in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for and registered in the name of Cede & Co., as nominee of DTC.

Beneficial interests in the Global Notes may be held only through DTC (or any successor clearing system) and its participants Euroclear and Clearstream, Luxembourg. Investors may hold their interests in the Global Notes directly through DTC if they are participants in or indirectly through organizations which are participants in such system. As used in this Offering Memorandum, **"Global Notes"** refers to both the Rule 144A Global Notes and the Regulation S Global Notes.

So long as DTC or its nominee is the registered holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the applicable Global Note for all purposes under the Indenture and the Notes (except as the context otherwise requires in respect of additional amounts). The Notes (including beneficial interests in the Global Notes) will be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear a legend regarding such restrictions as set forth under "Notice to Investors". Under certain circumstances, transfers may be made only upon receipt by the transfer agent of a written certification (in the form set out in the Indenture).

Transfers within Global Notes

Subject to the procedures and limitations described herein, including under "Notice to Investors", transfers of beneficial interests within a Global Note may be made without delivery to the Issuer or the Trustee of any written certifications or other documentation by the transferor or transferee.

Transfers between the Global Notes

A beneficial interest in the Rule 144A Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Regulation S Global Note, only upon receipt by the transfer agent of a written certification (in the form set out in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or, in the case of an exchange occurring following the expiration of the distribution compliance period, Rule 144.

Prior to the expiration of the distribution compliance period, a beneficial interest in the Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Rule 144A Global Note only upon receipt by the transfer agent of a written certification (in the form set out in the Indenture) from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. After the expiration of the distribution compliance period, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to applicable transfer restrictions under the Securities Act and the laws of any state of the United States and other jurisdictions.

Any beneficial interest in the Rule 144A Global Note or the Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly,

will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

Transfers or Exchanges from Global Notes to Definitive Notes

No Global Note may be exchanged in whole or in part for Notes in definitive registered form (**"Definitive Notes") unless:**

- the depositary notifies the Issuer that it is unwilling or unable to hold the applicable Global Note or the depositary ceases to be a clearing agency registered under the Exchange Act, and in each case the Issuer does not appoint a successor depositary which shall be registered under the Exchange Act within 90 days;
- a payment default has occurred and is continuing;
- in the event of a bankruptcy default, the Issuer fails to make payment on the Notes when due; or
- the Issuer shall have determined in its sole discretion that the Notes shall no longer be represented by the applicable Global Notes.

The holder of a Definitive Note may transfer such note by surrendering it at the specified office of the registrar or any transfer agent. Upon the transfer, exchange or replacement of Definitive Notes bearing the applicable legend set forth under "Notice to Investors", or upon specific request for removal of such legend on a Definitive Note, the Issuer will deliver only Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Each such Definitive Note will include terms substantially in the form of those set forth in the Indenture. Except as set forth in this paragraph, no Global Note may be exchanged in whole or in part for Definitive Notes.

Clearing and Settlement

The information set out below in connection with DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC as currently in effect. The information about DTC set forth below has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any of the Initial Purchasers takes any responsibility for the accuracy of the information. Neither the Issuer nor any of the Initial Purchasers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in Notes held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The description of the clearing systems in this section reflects the Issuer's understanding of the rules and procedures of DTC as they are currently in effect. DTC could change its rules and procedures at any time.

Under the rules, regulations, and procedures creating and affecting DTC and its operations (the **"Rules"**), DTC is required to make book-entry transfers of Notes among DTC participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system as described below (the **"DTC Notes"**) and to receive and transmit distributions of the nominal amount and interest on the DTC Notes. DTC participants and indirect DTC participants with which beneficial owners of DTC Notes **("owners")** have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective owners. Accordingly, although owners who hold DTC Notes through DTC participants or indirect DTC participants will not possess Notes, the Rules by virtue of the requirements described above, provide a mechanism by which such owners will receive payments and will be able to transfer their interests with respect to the Notes.

Transfers of ownership or other interests in the Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers.

So long as DTC, or its nominee, is the registered holder of a Global Note, payments on the applicable Notes will be made in immediately available funds to DTC. DTC's practice is to credit DTC participants' accounts on the applicable payment date in accordance with their respective holdings shown on its records, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices, and will be the responsibility of the DTC participants and not of DTC, or any other party, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the paying agent. Disbursement of payments for DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of the beneficial interests to pledge Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

DTC will take any action permitted to be taken by an owner only at the direction of one or more DTC participants to whose account with DTC such owner's DTC Notes are credited. Additionally, DTC has advised the Issuer that it will take such actions with respect to any percentage of the beneficial interest of owners who hold Notes through DTC participants or indirect participants only at the direction of and on behalf of DTC participants whose account holders include undivided interests that satisfy any such percentage.

To the extent permitted under applicable law and regulations, DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC participants whose account holders include such undivided interests.

Ownership of interests in the Global Notes will be shown on, and the transfer of those ownership interests will be effected only through records maintained by, DTC, the DTC participants and the indirect DTC participants, including Euroclear and Clearstream, Luxembourg. Transfers between participants in DTC, as well as transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with DTC rules.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between DTC, on the one hand, and participants in Euroclear and Clearstream, Luxembourg on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear and Clearstream, Luxembourg as the case may be. Such cross-market transactions, however, will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to DTC to take action to effect final settlement on its behalf by delivering or receiving payment in accordance with DTC's Same-Day Funds Settlement System.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants of DTC, Euroclear and Clearstream, Luxembourg they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Limitation on Responsibilities

Although the foregoing sets out the procedures of the depositaries established in order to facilitate the transfer of interests in the Global Notes among their participants, none of the depositaries is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

DTC has no knowledge of the actual beneficial owners of interests in a Global Note. DTC's records reflect only the identity of the DTC participants to whose accounts those Global Notes are credited, which may or may not be the beneficial owners of interests in a Global Note.

None of the Issuer, the Initial Purchasers, nor any of their respective agents will have any responsibility for the performance by any depositary or their respective participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Upon the issue of a Global Note deposited with DTC or a custodian therefore, DTC or its custodian, as the case may be, will credit, on its internal system, the respective nominal amount of the individual beneficial interest represented by such relevant DTC Note or Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant dealers. Ownership of beneficial interest in a DTC Note will be limited to DTC participants or indirect DTC participants, including Euroclear and Clearstream, Luxembourg.

Ownership of beneficial interests in DTC Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC Participants (with respect to interests of indirect DTC participants).

Investors that hold their interests in a DTC Note will follow the settlement procedures applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Secondary Market

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date. Although DTC has agreed to the following procedures in order to facilitate transfers of interests in Global Notes deposited with DTC or a custodian therefore among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor any agent of the Issuer will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Secondary market trading between DTC participants will be settled using the procedures applicable to global bond issues in same-day funds.

Payments

So long as any of the Notes remains outstanding, the Issuer will maintain in New York City, an office or agency (a) where the Notes may be presented for payment, (b) in the case of the Issuer, where the Notes may be presented for registration of transfer and for exchange and (c) where notices and demands to or upon the Issuer or the Trustee may be served. The Issuer will give the Trustee written notice of the location of any such office or agency and of any change of location thereof. The Issuer will initially designate the Trustee for such purposes.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes or where such notices or demands may be served and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuer of any obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Issuer shall give written notice to the Trustee of any such designation or rescission and of any such change in the location of any other office or agency.

A holder of Notes may transfer or exchange Notes in accordance with their terms. The Trustee will not be required to accept for registration or transfer any Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer may from time to time agree with the Trustee.

Notwithstanding any statement herein, the Issuer reserves the right to impose or remove such transfer, certification, substitution or other requirements, and to require such restrictive legends on the Notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws or as may be required by any stock exchange on which the Notes are listed.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes and any other expenses (including the fees and expenses of the Trustee). No service charge will be made for any such transaction.

The Trustee will not be required to exchange or register a transfer of (i) any Notes for a period of 15 calendar days ending on the due date for any payment of principal in respect of the Notes or the first mailing of any notice of redemption of Notes to be redeemed, or (ii) any Notes selected, called or being called for redemption.

The Notes will be issued in registered form without coupons and transferable in denominations of US$2,000 and integral multiples of US$1,000 in excess thereof.

The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in the Global Notes is limited to such extent.

CERTAIN TAX CONSIDERATIONS

The following summary of certain French and U.S. federal income tax considerations is based upon laws, regulations, decrees, rulings, administrative practice and judicial decisions in effect at the date of this offering memorandum. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect the tax consequences to holders of the Notes, possibly on a retroactive basis, and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the Notes. Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including, without limitation, the consequences of the receipt of interest and (if applicable) any premium on, and of the sale or redemption of, the Notes or any interest therein.

Certain French Tax Considerations

General

The following is a summary of certain French tax considerations relating to the purchase, ownership and disposition of the Notes by a beneficial holder of the Notes which (i) is not a French resident for tax purposes, (ii) does not hold the Notes in connection with a permanent establishment or a fixed base in France and (iii) does not currently hold shares of the Issuer and are not otherwise affiliated with the Issuer (such holder being hereafter referred to as a **"Non-French Holder"**). This summary is based on the tax laws and regulations of France, as currently in effect and applied by the French tax authorities, all of which are subject to change or to different interpretation.

This summary is for general information only and does not purport to address all French tax considerations that may be relevant to specific holders in light of their particular situation. Furthermore, this summary does not address any French estate or gift tax considerations. Persons considering the purchase of Notes should consult their own tax advisers as to French tax considerations relating to the purchase, ownership and disposition of Notes in light of their particular situation.

Withholding tax

Pursuant to section 131 *quater* of the French tax code *(Code général des impôts — **"CGI"**)*, interest paid by a French company benefit from a withholding tax exemption in France provided that (i) the beneficiary of the payments is a non-French lender or a French lender acting through a foreign office the profits of which are subject to tax in the country where it is established and (ii) the payments are made pursuant to a loan agreement which had been entered into prior to the initial release of the borrowed funds.

In circular 5 I-11-98 dated September 30, 1998, the French tax authorities have indicated that bonds (obligations) denominated in euros are deemed issued out of France and are thus eligible for the exemption. This analysis was extended to bonds denominated in any currency, which notably includes US Dollars, in a public advance ruling dated January 8, 2008 *(RES n° 2007/59 (FP))*.

Because the Notes constitute obligations under French law and are denominated in US Dollars, payment of interest and other revenue with respect to the Notes to Noteholders who are not shareholders of the Issuer benefit from a withholding tax exemption in France in accordance with section 131 quater of the French CGI.

Sale or other disposition of the Notes

A Non-French Holder will generally not be subject to income or withholding taxes in France with respect to gains realized on the sale, exchange or other disposition of the Notes.

Stamp duty and similar taxes

No transfer taxes or similar duties are payable in France in connection with the issuance or redemption of the Notes, as well as in connection with the transfer of the Notes and the payment of interest on the Notes.

European Union Directive on taxation of savings income

Under Council Directive 2003/48/EC on taxation of savings income, Member States are required, from July 1, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date. This Directive has been implemented in French law under articles 242 ter of the French CGI.

Certain United States Federal Income Tax Considerations

General

To comply with IRS Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum is not intended or written to be used, and cannot be used by you, for the purposes of avoiding penalties that may be imposed on you under the U.S. Internal Revenue Code of 1986, as amended (the "Code"); (b) such discussion is being used in connection with the promotion and marketing by the Issuer of the transactions or matters addressed therein; and (c) prospective investors should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following is a summary of certain U.S. federal income tax considerations relevant to the purchase, ownership, and disposition of the Notes by a U.S. Holder (as defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based on the Code, the United States Treasury Regulations thereunder, and administrative and judicial interpretations thereof, all as currently in effect and all of which are subject to change, possibly with retroactive effect. We have not and will not seek any rulings or opinions from the Internal Revenue Service ("IRS") regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the purchase, ownership, or disposition of the Notes that are different from those discussed below.

This discussion does not address all of the tax consequences that may be relevant to holders in light of their particular circumstances, (including the potential application of the U.S. alternative minimum tax) or to holders subject to special tax rules, such as: insurance companies; banks, thrifts or certain other financial institutions; taxpayers that have elected mark-to-market accounting; persons who have elected to treat all interest as original issue discount; dealers in securities or currencies; tax-exempt investors; persons holding the Notes as part of a short-sale, hedging transaction, straddle, conversion transaction or other integrated transaction; persons whose functional currency is not the U.S. dollar; persons owning, directly, indirectly or by attribution, 5% or more of our voting power; or U.S. expatriates or former long-term residents of the United States.

In the case of a holder of the Notes that is a partnership (or other entity treated as a partnership) for U.S. federal income tax purposes, the tax treatment of the Notes to a partner of the partnership generally will depend upon the tax status of the partner and the activities of the partnership. A partner or a partnership holding the Notes should consult its own tax advisor.

In addition, this summary is limited to persons purchasing the Notes for cash pursuant to this offering. This discussion deals only with Notes held as capital assets within the meaning of Section 1221 of the Code. Moreover, the effect of any applicable state, local or foreign tax laws and U.S. non-income tax laws are not discussed. In addition, it is expected, and this discussion assumes, that the Notes will be issued with no or de minimus original issue discount.

This summary is for general information purposes only. Persons considering the purchase of Notes should consult their own advisors concerning the application of U.S. federal income, estate and gift tax laws, as well as the laws of any state, local or foreign taxing jurisdiction which may be relevant to their particular situations.

The term "U.S. Holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence test under Section 7701(b) of the Code;
- a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any of its states or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (a) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) has a valid election in place under applicable Treasury Regulations to be treated as a United States Person.

Additional Amounts and Early Redemption True-up Payment

Because we believe the possibility that we will pay Additional Amounts on the Notes or may offer to redeem some or all of the Notes prior to maturity in certain circumstances is remote or incidental (within the meaning of the applicable U.S. Treasury Regulations) or will not reduce the yield on the Notes, we do not intend to treat that possibility as affecting the yield to maturity of the Notes for purposes of the original issue discount provisions of the Code. Accordingly, we believe that the possible payment of Additional Amounts or true-up payment will not cause the Notes to be treated as having been issued with original issue discount for U.S. federal income tax purposes.

Taxation of Interest

Interest on the Notes (without reduction for any withholding taxes imposed) will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for U.S. federal income tax purposes. Generally, this interest will constitute income from sources outside the United States and will be treated for U.S. foreign tax credit purposes as "passive income," or under certain circumstances (e.g., income of a financial services entity) as "general category income." A U.S. Holder will not be allowed to claim foreign tax credits (but will instead be allowed a deduction) for foreign taxes imposed on income with respect to the Notes unless the U.S. Holder (i) holds such Notes for more than 15 days during the 31-day period beginning on the date that is 15 days before the right to receive payment arises (disregarding any period during which the U.S. Holder has a diminished risk of loss with respect to such Notes) and (ii) is not under an obligation to make related payments with respect to positions in substantially similar or related property. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holder's particular circumstances. Accordingly, investors are urged to consult their tax advisors regarding their ability to claim a credit for any foreign withholding taxes paid with respect to the Notes.

Sale or Other Taxable Disposition of the Notes

A U.S. Holder of a Note will generally recognize gain or loss upon the sale, exchange, redemption, or other disposition of the Note. The amount of gain or loss will generally equal the difference between (i) the amount of cash received plus the fair market value of any property received upon the disposition (other than amounts attributable to accrued but unpaid interest, which will be taxable as interest income) and (ii) the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note will, in general, be equal to the dollar cost of the Note to the U.S. Holder (net of accrued interest), less any principal payments received by the U.S. Holder with respect to the Note.

Gain or loss realized by a U.S. Holder on the sale, exchange or redemption, of a Note generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if the holding period for the Note exceeds one year. In the case of a U.S. Holder who is an individual, estate, or trust, long-term capital gain is subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

U.S. Holders of Notes may be subject, under certain circumstances, to information reporting regarding payments of interest, Additional Amounts and the proceeds from the sale or other disposition (including a retirement or redemption) of Notes. U.S. Holders may also be subject to backup withholding at the then applicable rate (currently at a rate of 28%) on payments of interest and on the gross proceeds from the disposition (including a retirement or redemption) of, the Notes. Certain U.S. Holders (including, among others, corporations) are generally not subject to information reporting and backup withholding. Backup withholding applies only if the U.S. Holder is not otherwise exempt and such holder:

- fails to furnish its taxpayer identification number ("TIN") certified under penalties of perjury within a reasonable time after the request therefor;
- furnishes an incorrect TIN;
- has been notified by the IRS that it is subject to backup withholding because it failed to report all of its interest on its tax returns; or
- under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN furnished is correct and that such U.S. Holder is not subject to backup withholding.

Backup withholding is not an additional tax. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules is allowable as a credit, and may entitle such holder to a refund, against such U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

PLAN OF DISTRIBUTION

Pursuant to a purchase agreement dated April 1, 2008 (the "purchase agreement"), the Initial Purchasers have severally agreed with the Issuer, subject to the satisfaction of certain conditions, to purchase $700,000,000 principal amount of the Five-Year Notes and $700,000,000 principal amount of the Ten-Year Notes. The respective principal amount of Five-Year Notes and Ten-Year Notes to be purchased by each of the Initial Purchasers from the Issuer is set forth opposite their respective names below:

Initial Purchaser	Principal Amount of Five-Year Notes	Principal Amount of Ten-Year Notes
Banc of America Securities LLC	$233,332,000	$233,332,000
Barclays Capital Inc.	$233,330,000	$233,330,000
Citigroup Global Markets Inc.	$233,332,000	$233,332,000
Fortis Bank nv-sa	$ 2000	$ 2000
Natixis Bleichroeder Inc.	$ 2000	$ 2000
Société Générale	$ 2000	$ 2000
Total	$700,000,000	$700,000,000

The purchase agreement entitles the Initial Purchasers to terminate the purchase of the Notes in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities in connection with the offer and sale of the Notes and may be required to contribute to payments the Initial Purchasers may be required to make in respect thereof.

The Initial Purchasers, or certain of their respective affiliates acting as selling agents, initially propose to offer part or all of the Notes at the offering prices set forth on the cover page hereof. After the initial offering of the Notes, the offering prices may from time to time be varied by the Initial Purchasers.

The Issuer will not, for the period between the execution of the purchase agreement and the Closing Date, without the prior written consent of Banc of America Securities LLC, Barclays Capital Inc. and Citigroup Global Markets Inc. offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Issuer or any affiliate of the Issuer or any person in privity with the Issuer or any affiliate of the Issuer), directly or indirectly, or announce the offering, of any debt securities issued or guaranteed by the Issuer (other than the Notes).

The Notes are new issues of securities with no established trading market. The Initial Purchasers are not obligated to make a market in the Notes and accordingly no assurance can be given as to the liquidity of, or trading market for, the Notes. In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of Notes in excess of the principal amount of the Notes to be purchased by the Initial Purchasers in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of pegging, fixing or maintaining the price of the Notes.

The Initial Purchasers may impose a penalty bid. Penalty bids permit the Initial Purchasers to reclaim selling concessions from a syndicate member when they, in covering syndicate positions or making stabilizing purchases, repurchase Notes originally sold by that syndicate member.

Any of these activities may cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be effected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers, as applicable.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or the possession, circulation or distribution of any material relating to the issuer in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may any offering material or advertisement in connection with the Notes (including this document and any amendment or supplement hereto) be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Initial Purchasers and their affiliates have performed certain investment and commercial banking or financial advisory services for us and our affiliates from time to time, for which they have received customary fees and commissions, and they expect to provide these services to us and our affiliates in the future, for which they expect to receive customary fees and commissions. In addition, affiliates of some of the Initial Purchasers are lenders under certain of our drawn and undrawn credit facilities, including our new €3.5 billion syndicated bank facility described under "Recent Developments."

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (i) outside the U.S. in reliance on Regulation S under the Securities Act and (ii) within the U.S. to QIBs in accordance with Rule 144A.

Each Initial Purchaser has represented and agreed with the issuer that, except as permitted by the purchase agreement, (i) it has not offered or sold, and will not offer or sell, any Notes within the United States as part of their distribution at any time except (x) to those it reasonably believes to be "qualified institutional buyers" (as defined in Rule 144A under the Act) or (y) in accordance with Rule 903 of Regulation S, (ii) neither it nor any person acting on its behalf has made or will make offers or sales of the Notes in the United States by means of any form of general solicitation or general advertising (within the meaning of Regulation D) in the United States, (iii) in connection with each sale pursuant to (i)(x), it has taken or will take reasonable steps to ensure that the purchaser of such Notes is aware that such sale may be made in reliance on Rule 144A, (iv) neither it, nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and (v) it is an "accredited investor" (as defined in Rule 501(a) of Regulation D);

Terms used in the preceding two paragraphs have the meanings ascribed to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the U.S. by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

European Economic Area

This offering memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce an offering memorandum for offers of securities. Accordingly any person making or intending to make any offer within the EEA of Notes which are the subject of the placement contemplated in this offering memorandum should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce an offering memorandum for such offer. Neither the Issuer nor any of the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of Notes contemplated in this offering memorandum.

France

No offering memorandum (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Notes that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*. Each of the Initial Purchasers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, the Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this offering memorandum or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will only be made in France through an international syndicate to (i) persons providing a portfolio management service for third parties (*service d'investissement de gestion de portefeuille pour compte de tiers*), (ii) qualified investors (*investisseurs qualifiés*) and/or to (iii) a restricted group of investors (*cercle restreint d'investisseurs*), as defined in, and in accordance with, Articles L.411-1, L.411-2, D. 411-1, D.411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*, except that qualified investors shall not include individuals. The direct or indirect distribution to the public in France of any Notes so acquired may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier* and applicable regulations thereunder.

United Kingdom

Each Initial Purchaser has represented and agreed with the issuer that:

- it has communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of any Notes in circumstances in which section 2(1) of the FSMA does not apply to the issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and the Initial Purchasers have not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of the Securities and Exchange Law available thereunder and otherwise in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

CUSIP

Five-Year Notes	144A: 92852E AKI Regulation S: F7063C AU0
Ten-Year Notes	144A: 92852E AL9 Regulation S: F7063C AV8

ISIN

Five-Year Notes	144A: US 92852EAK10 Regulation S: USF7063CAU02
Ten-Year Notes	144A: US92852EAL92 Regulation S: USF7063CAV84

COMMON CODE

Five-Year Notes	144A: 035694072 Regulation S: 035694129
Ten-Year Notes	144A: 035694137 Regulation S: 035694153

NOTICE TO INVESTORS

The Notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the Notes are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States," "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

1. It is:

    - a qualified institutional buyer, is aware that the sale of the Notes to it is being made in reliance on Rule 144A and is acquiring the Notes for its own account or for the account of a qualified institutional buyer; or

    - it is not a U.S. person and is purchasing the Notes outside the United States in compliance with Regulation S.

2. It understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Notes have not been registered under the Securities Act.

3. If it is acquiring the Notes in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer Notes prior to the date that is two years after the later of the original issue date of the Notes and the last date on which the Issuer or any of its affiliates was the owner of that Note (or any predecessor of that Note) except:

    - to the Issuer;

    - inside the United States to a qualified institutional buyer in compliance with Rule 144A;

    - outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;

    - in a transaction complying with Rule 144 under the Securities Act (if available); or

    - pursuant to an effective registration statement under the Securities Act,

    in each case in accordance with any applicable securities laws of any state of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those Notes from it of the resale restrictions referred to above.

4. If it is acquiring the Notes in a sale being made in reliance upon Rule 144A, it understands that the Notes will, until two years after the later of the original issue date of the Notes and the last date on which the Issuer or any of its affiliates was the owner of that Note (or any predecessor of that Note), unless otherwise agreed by the Issuer and the beneficial owner of such Note, bear a legend substantially to the following effect:

    "This security has not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of such registration or unless such transaction is exempt from, or not subject to, such registration. The holder of this security or any interest therein by its acceptance hereof (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security or any interest therein, prior to the date (the "resale restriction termination date") which is two years after the later of the original issue date hereof and the last date on which the Issuer or any affiliate of the

Issuer was the owner of this security (or any predecessor of such security), only (a) to the Issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer", that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, in a principal amount of not less than U.S.$100,000, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, (e) pursuant to another available exemption from the registration requirements of the Securities Act, subject to the receipt by the Issuer of an opinion of counsel that such sale or transfer is in compliance with the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed upon the request of the holder after the resale restriction termination date."

5. If it is acquiring the Notes in a sale being made in reliance upon Regulation S, it understands that the Notes will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

   "This security has not been registered under the United States Securities Act of 1933, as amended ("Securities Act"), or the securities laws of any state or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only (a) to the Issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act or (e) pursuant to another available exemption from the registration requirements of the Securities Act, subject to the receipt by the Issuer of an opinion of counsel that such sale or transfer is in compliance with the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed after 40 consecutive days beginning on and including the later of (a) the day on which the securities are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the date of the closing of the original offering. As used herein, the terms "offshore transaction", "United States" and "U.S. person" have the meanings given to them by Regulation S under the "Securities Act."

6. If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the Notes shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

7. It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

8. It acknowledges that the Issuer and the Initial Purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of Notes are no longer accurate, it will promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

Vivendi is incorporated under the laws of the Republic of France. In addition, substantially all of the assets are located outside the United States. The Indenture governing the Notes and the Notes are governed by New York law. The directors and executive officers of the Company are, and will continue to be, non-residents of the United States. As a consequence, you may not be able to effect service of process on the Issuer or our non-U.S. resident directors and executive officers in the United States or to enforce judgments against such parties outside of the United States, including judgments of the U.S. courts predicated upon the civil liability provisions of the U.S. securities laws.

Our French counsel has advised us that the United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non-ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter in accordance with French rules of international conflicts of jurisdiction (including, without limitation, whether the dispute is clearly connected to the United States) and the French courts did not have exclusive jurisdiction over the matter;
- the court that rendered such judgment has applied a law which would have been considered appropriate under French rules of international conflicts of laws;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1978, as amended by French law No. 80-538 of July 16, 1980 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons) and Ordinance No. 2000-916 of September 19, 2000, which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action.

We have been advised by our French counsel that if an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French public policy. In an action brought in France on the basis of U.S. federal or state securities laws, French courts could not have the requisite power to grant all the remedies sought.

In the absence of an applicable bilateral or multilateral treaty on jurisdiction, our French counsel has also advised us that according to Articles 14 and 15 of the French Civil Code, in the event that a party brings an action outside France against a French national (either a company or an individual), the latter may refuse to be brought before non-French courts and require the plaintiff to bring his/her action in France; in addition, a French national may decide to bring an action before the French courts, regardless of the nationality of the defendant. The French national may waive its rights to refuse to be brought before a non-French court or to bring an action before a French court against a non-French defendant.

INDEPENDENT AUDITORS

The consolidated financial statements of Vivendi as of and for the fiscal years ended December 31, 2007 , 2006 and 2005 have been audited by Ernst & Young et Autres, Chartered Accountants and Registered Auditors, 41, rue Ybry, 92576 Neuilly-sur-Seine Cedex and Salustro Reydel, a member firm of KPMG International, 1 Cours Valmy, 92923 Paris-La Défense Cedex.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Weil, Gotshal & Manges LLP, New York, New York. The Initial Purchasers have been represented by Davis Polk & Wardwell.

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II — Consolidated Financial Statements for the Year ended December 31, 2007

Statutory Auditors' Report on the Consolidated Financial Statements

To the shareholders,

In compliance with the assignment entrusted to us by your general meetings, we have audited the accompanying consolidated financial statements of Vivendi for the year ended December 31, 2007.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion set out hereafter.

We certify that the consolidated financial statements give a true and fair view of the assets and liabilities, and of the financial position as well as the results of operations of the Group of individuals and entities included in the consolidation, in accordance with the IFRSs as adopted by the EU.

Without qualifying our opinion, we draw attention to the matter discussed in note 1.3.4.2 to the financial statements which exposes the changes in presentation performed of some costs of Canal+ Group.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- In the context of our assessment of the accounting rules and principles used by your company, we verified that note 1.1 to the financial statements provides appropriate information concerning the accounting method your company maintained concerning the acquisition of an additional interest in a consolidated subsidiary and the commitments to purchase minority interests in its subsidiaries, as well as expected changes in accounting treatment when the revised standards IFRS 3 and IAS 27 will be endorsed by the EU.

- Your company does not consolidate its shareholding in PTC and in 2006 reduced to zero the value of these shares in the balance sheet due to the litigation related to this shareholding, as described in note 27 to the financial statements. Within the scope of our assessment of the accounting rules and principles used by your company, we have assessed the assumptions used and ensured the reasonableness of the approach used.

- On each closing date, your company systematically performs impairment tests of goodwill and assets with indefinite lives and also assess if there is an indication for any loss of value of other tangible and intangible assets, under the conditions indicated in note 1.3.5.6 to the financial statements. We examined the implementation conditions of these impairment tests and checked that note 1.3.5.6. gives the appropriate information.

- Your company reassessed the value of NBC Universal shares accounted for under the equity method under the conditions indicated in note 14 to the financial statements. We examined the valuation methods used by your company. Within the scope of our assessment of such methods, we assessed the assumptions used and ensured the reasonableness of the resulting valuations.

- Your company recognizes provisions to cover risks related to financial transactions undertaken, share-based compensation, pension commitments, litigation, taxes payable, tax risks and other risks, as described in notes 6, 19, 20, 21 and 27 to the financial statements. We assessed the methods used by your company, described in the notes, on the basis of information available to date, and carried out tests in order to verify

their application through sampling. Within the scope of our assessment, we ensured the reasonableness of the resulting estimates.

The assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion set out in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, February 28, 2008

The Statutory Auditors

Salustro Reydel Membre de KPMG International	Ernst & Young et Autres
Benoît Lebrun Marie Guillemot	Dominique Thouvenin

Consolidated Statement of Earnings

	Note	Year Ended December 31, 2007	2006
		In millions of euros, except per share amounts, in euros.	
Revenues	4.1	**21,657**	**20,044**
Cost of revenues	4.1	(9,876)	(9,636)
Selling, general and administrative expenses		(7,202)	(6,266)
Restructuring charges and other operating charges and income		(159)	5
Impairment losses of intangible assets acquired through business combinations	4.4	(34)	—
Earnings before interest and income taxes (EBIT)		**4,386**	**4,147**
Income from equity affiliates	14	373	337
Interest	5	(166)	(203)
Income from investments		6	54
Other financial charges and income	5	(83)	311
Earnings from continuing operations before provision for income taxes		**4,516**	**4,646**
Provision for income taxes	6.3	(747)	547
Earnings from continuing operations		**3,769**	**5,193**
Earnings from discontinued operations		—	—
Earnings		**3,769**	**5,193**
Attributable to:			
Equity holders of the parent		**2,625**	**4,033**
Minority interests		1,144	1,160
Earnings from continuing operations, attributable to the equity holders of the parent per share-basic	8	2.26	3.50
Earnings from continuing operations, attributable to the equity holders of the parent per share-diluted	8	2.25	3.47
Earnings, attributable to the equity holders of the parent per share-basic	8	**2.26**	**3.50**
Earnings, attributable to the equity holders of the parent per share-diluted	8	2.25	3.47
Adjusted net income	8	**2,832**	**2,614**
Adjusted net income per share-basic	8	**2.44**	**2.27**
Adjusted net income per share-diluted	8	2.43	2.25

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

	Note	December 31, 2007	December 31, 2006
		(In millions of euros)	
ASSETS			
Goodwill	9	15,427	13,068
Non-current content assets	10	3,127	2,120
Other intangible assets	11	2,772	2,262
Property, plant and equipment	12	4,675	4,379
Investments in equity affiliates	14	6,825	7,032
Non-current financial assets	15	1,215	3,164
Deferred tax assets	6	1,422	1,484
Non-current assets		**35,463**	**33,509**
Inventories		429	358
Current tax receivables	6	646	617
Current content assets	10	964	842
Trade accounts receivable and other	16	5,208	4,489
Short-term financial assets	15	187	833
Cash and cash equivalents	17	2,049	2,400
		9,483	9,539
Assets held for sale		133	—
Current assets		**9,616**	**9,539**
TOTAL ASSETS		**45,079**	**43,048**
EQUITY AND LIABILITIES			
Share capital		6,406	6,364
Additional paid-in capital		7,332	7,257
Treasury shares		(2)	(33)
Retained earnings and other		6,606	6,324
Equity, attributable to Vivendi S. A.'s shareholders	**18**	**20,342**	**19,912**
Minority interests		1,900	1,952
Total equity		**22,242**	**21,864**
Non-current provisions	19	1,594	1,388
Long-term borrowings and other financial liabilities	22	5,610	4,714
Deferred tax liabilities	6	1,096	1,070
Other non-current liabilities	16	1,078	1,269
Non-current liabilities		**9,378**	**8,441**
Current provisions	19	705	398
Short-term borrowings and other financial liabilities	22	1,766	2,601
Trade accounts payable and other	16	10,784	9,297
Current tax payables	6	204	447
Current liabilities		**13,459**	**12,743**
Total liabilities		**22,837**	**21,184**
Contractual obligations and other commitments	26	—	—
TOTAL EQUITY AND LIABILITIES		**45,079**	**43,048**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Note	Year Ended December 31, 2007	Year Ended December 31, 2006
		(In millions of euros)	
Operating activities			
EBIT		4,386	4,147
Adjustments		1,857	1,703
Including amortization and depreciation of tangible and intangible assets	***4.4***	***1,833***	***1,580***
Content investments, net	**10**	(97)	(111)
Gross cash provided by operating activities before income tax paid		***6,146***	***5,739***
Other changes in networking capital	16	20	67
Net cash provided by operating activities before income tax paid		***6,166***	***5,806***
Income tax paid	6.4	(1,072)	(1,381)
Net cash provided by operating activities		**5,094**	**4,425**
Investing activities			
Capital expenditures		(1,647)	(1,690)
Purchases of consolidated companies, after acquired cash	*2*	(398)	(1,022)
Investments in equity affiliates	14	(254)	(724)
Increase in financial assets	15	(194)	(2,135)
Investments		***(2,493)***	***(5,571)***
Proceeds from sales of property, plant, equipment and intangible assets		21	45
Proceeds from sales of consolidated companies, after divested cash	*2*	304	7
Disposals of equity affiliates	14	23	42
Decrease in financial assets	15	129	1,752
Divestitures		***477***	***1,846***
Dividends received from equity affiliates	14	340	271
Dividends received from unconsolidated companies		1	34
Net cash provided by (used for) investing activities		**(1,675)**	**(3,420)**
Financing activities			
Net proceeds from issuance of common shares		149	60
Sales (purchases) of treasury shares	18	(212)	16
Dividends paid by Vivendi S. A. to its shareholders		(1,387)	(1,152)
Dividends and reimbursements of contribution of capital paid by consolidated companies to their minority shareholders		(1,048)	1,034)
Transactions with shareholders		***(2,498)***	***(2,110)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	*22*	758	1,919
Principal payment on long-term borrowings and decrease in other long-term financial liabilities	*22*	(180)	(576)
Principal payment on short-term borrowings	*22*	(1,805)	(723)
Other changes in short-term borrowings and other financial liabilities	*22*	181	178
Interest paid	5	(191)	(206)
Other cash items related to financial activities		(24)	39
Transactions on borrowings and other financial liabilities		***(1,261)***	***631***
Net cash provided by (used for) financing activities		**(3,759)**	**(1,479)**
Foreign currency translation adjustments		(11)	(28)
Change in cash and cash equivalents		**(351)**	**(502)**
Cash and cash equivalents			
At beginning of the period		**2,400**	**2,902**
At end of the period		**2,049**	**2,400**

In 2007, investing and financing activities that do not have an impact on cash relate to the acquisition of a 2% stake in Maroc Telecom by means of an exchange of Vivendi shares (please report to Note 2.7). In 2006, they amounted to €21 million.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	Note	Number of Shares (Common Shares)	Amount (Common Shares)	Additional Paid-in Capital	Treasury Shares	Retained Earnings	Net Unrealized Gains (Losses)	Foreign Currency Translation Adjustments	Total	Equity, Attributable to Equity Holders of the Parent	Minority Interests	Total Equity
		Year Ended December 31, 2007										
		Attributable to Vivendi S. A. Shareholders				Retained Earnings and Other						
		(In thousands)	(In millions of euros, except number of shares)									
BALANCE AS OF DECEMBER 31, 2006		**1,157,034**	**6,364**	**7,257**	**(33)**	**7,907**	**96**	**(1,679)**	**6,324**	**19,912**	**1,952**	**21,864**
Dividends paid by Vivendi S. A. (€12 per share)		—	—	—	—	(1,387)	—	—	(1,387)	(1,387)	—	**(1,387)**
Exercise of stock options	21	7,733	43	74	—	—	—	—	—	117	—	**117**
Capital increase in connection with the employee Share Purchase Plan (July 18, 2007)	21	1,276	6	25	—	—	—	—	—	31	—	**31**
Treasury shares cancellation	18.1	(1,300)	(7)	(24)	31	—	—	—	—	—	—	**—**
Other transactions with shareholders		—	—	—	—	62	—	—	62	62	—	**62**
Dividends and other transactions with Vivendi S. A. shareholders		**7,709**	**42**	**75**	**31**	**(1,325)**	**—**	**—**	**(1,325)**	**(1,177)**	**—**	**(1,177)**
Dividends		—	—	—	—	—	—	—	—	—	(1,047)	**(1,047)**
Other transactions with minority interests		—	—	—	—	—	—	—	—	—	(133)	**(133)**
Transactions with minority interests		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,180)**	**(1,180)**
Earnings		—	—	—	—	2,625	—	—	2,625	2,625	1,144	**3,769**
Charges and income directly recognized in equity		—	—	—	—	2	38	(1,058)	(1,018)	(1,018)	(16)	**(1,034)**
Total recognized charges and income for the period	18.3	**—**	**—**	**—**	**—**	**2,627**	**38**	**(1,058)**	**1,607**	**1,607**	**1,128**	**2,735**
Total changes over the period		*7,709*	*42*	*75*	*31*	*1,302*	*38*	*(1,058)*	*282*	*430*	*(52)*	*378*
BALANCE AS OF DECEMBER 31, 2007		**1,164,743**	**6,406**	**7,332**	**(2)**	**9,209(a)**	**134**	**(2,737)**	**6,606**	**20,342**	**1,900(b)**	**22,242**

(a) Mainly includes previous years' earnings which were not distributed and 2007 earnings attributable to equity holders of the parent.

(b) Includes cumulative foreign currency translation adjustments of -€53 million.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity — Continued

	Note	Number of Shares (In thousands)	Amount	Additional Paid-in Capital	Treasury Shares	Retained Earnings	Net Unrealized Gains	Foreign Currency Translation	Total	Equity, Attributable to Equity Holders of the Parent	Minority Interests	Total Equity
		Year Ended December 31, 2006										
		Attributable to Vivendi S. A. Shareholders										
		Common Shares				Retained Earnings and Other						
		(In thousands)	(In millions of euros, except number of shares)									
BALANCE AS OF DECEMBER 31, 2005		**1,153,477**	**6,344**	**6,939**	**(60)**	**5,349**	**899**	**(702)**	**5,546**	**18,769**	**2,839**	**21,608**
Dividends paid by Vivendi S. A. (€1.0 per share)		—	—	—	—	(1,152)(a)	—	—	(1,152)	**(1,152)**	—	**(1,152)**
Termination of Vivendi Exchangeco shares		—	—	278	—	(278)	—	—	(278)	—	—	—
Other transactions with shareholders		3,557	20	40	27	(14)(b)	—	—	**(14)**	**73**	—	**73**
Dividends and other transactions with Vivendi S. A. shareholders		**3,557**	**20**	**318**	**27**	**(1,444)**	—	—	**(1,444)**	**(1,079)**	—	**(1,079)**
Acquisition of an additional 7.7% stake in USHI		—	—	—	—	—	—	—	—	—	(832)	**(832)**
Dividends and reimbursements of contribution of capital paid by subsidiaries to minority interests		—	—	—	—	—	—	—	—	—	(1,232)	**(1,232)**
Other transactions with minority interests		—	—	—	—	—	—	—	—	—	22	**22**
Transactions with minority interests		—	—	—	—	—	—	—	—	—	**(2,042)**	**(2,042)**
Earnings		—	—	—	—	4,033	—	—	4,033	**4,033**	1,160	**5,193**
Charges and income directly recognized in equity		—	—	—	—	(31)	(803)	(977)	(1,811)	**(1,811)**	(5)	**(1,816)**
Total recognized charges and income for the period	18.3	—	—	—	—	**4,002**	**(803)**	**(977)**	**2,222**	**2,222**	**1,155**	**3,377**
Total changes over the period		*3,557*	*20*	*318*	*27*	*2,558*	*(803)*	*(977)*	*778*	*1,143*	*(887)*	*256*
BALANCE AS OF DECEMBER 31, 2006		**1,157,034**	**6,364**	**7,257**	**(33)**	**7,907**	**96**	**(1,679)**	**6,324**	**19,912**	**1,952**(c)	**21,864**

(a) Includes €5 million paid to shareholders of Vivendi Exchangeco (former Seagram shareholders).

(b) Includes the counterpart of the share-based compensation cost related to equity-settled instruments for the period (€53 million) and the reclassification of the estimated value of the vested rights as of May 15, 2006, of the ADS option plans, converted into SAR plans, in liabilities, as non-current provisions (-€67 million). Please refer to Note 21 "Share-based compensation".

(c) Includes cumulative foreign currency translation adjustments of -€36 million.

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Vivendi is a limited liability company *(société anonyme)* incorporated under French law, and subject to French commercial company legislation and, in particular, the French Commercial Code *(Code de commerce)*. Vivendi was incorporated on December 18, 1987, for a term of 99 years expiring on December 17, 2086, except in the event of an early dissolution or unless extended. Its registered office is located at 42 avenue de Friedland 75008 Paris (France). Vivendi is listed on the Eurolist of NYSE — Euronext Paris S.A. (Compartment A).

Vivendi is a leader in entertainment with activities in music, TV, cinema, mobile, fixed and internet, and games.

The Consolidated Financial Statements reflect the financial and accounting situation of Vivendi and its subsidiaries (the "group"), together with interests in equity affiliates and joint ventures. They are reported in euros, and all values are rounded to the nearest million.

On February 26, 2008, the Management Board approved the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2007, which were presented to the Audit Committee on February 27, 2008. On February 28, 2008, the Supervisory Board reviewed the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2007, as approved by the Management Board on February 26, 2008.

On April 24, 2008, the Consolidated Financial Statements for the year ended December 31, 2007 will be submitted for approval at Vivendi's Annual General Shareholders' meeting.

Note 1. Accounting Policies and Valuation Methods

1.1. Compliance with Accounting Standards

The Consolidated Financial Statements of Vivendi S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed in the European Union (EU) with a mandatory application as of December 31, 2007. These standards and interpretations applied to Vivendi's financial statements present no difference with the standards published by the International Accounting Standards Board (IASB).

In addition, Vivendi applied the following options in the preparation of its 2007 Consolidated Financial Statements and its 2006 comparative financial statements:

- in the event of the acquisition of an additional interest in a subsidiary, Vivendi recognizes the excess of the acquisition cost over the carrying amount of minority interests acquired as goodwill,
- in accordance with IAS 32, put options granted by Vivendi to holders of minority interests in its subsidiaries are reported as financial liabilities at the present value of the cost of acquisition. Vivendi accounts for as goodwill the difference arising on initial recognition of these options, between the carrying amount of the minority interests and the present value of the cost of acquisition. The subsequent change in this present value is also accounted for as goodwill representing the excess of the cost of acquisition over the fair value of purchased minority interests.

While the applied accounting treatment differs from that set out in the revised standards IFRS 3 and IAS 27, as published by the IASB on January 10, 2008, with a mandatory application on or after January 1, 2010, but not yet endorsed in the EU, it has been maintained in 2007 in order to apply a uniform and identical accounting treatment to the considered periods. The accounting treatment in the revised standards IFRS 3 and IAS 27, in the event of the acquisition of an additional interest in a subsidiary, will recognize the excess of the acquisition cost over the carrying amount of minority interests acquired, deducted from equity attributable to Vivendi S.A. shareholders.

Vivendi applied the following new standards and interpretations:

- IFRS 7 "Financial instruments: disclosures" and Amendment to IAS 1 "Presentation of financial statements: capital disclosures".

On August 18, 2005, the IASB issued IFRS 7 "Financial instruments: disclosures" and an amendment to IAS 1 "Presentation of financial statements: capital disclosures". This standard and amendment, both of which were endorsed in the EU on January 11, 2006 and published in the Official Journal of the EU on January 27, 2006, are with mandatory application for periods beginning on or after January 1, 2007.

The objective of IFRS 7 is to bring together all disclosures relating to financial instruments in a new standard, after having redefined those disclosures currently required by IAS 32 — Financial instruments: disclosure and presentation, and IAS 39 — Financial instruments: recognition and measurement. Amendment to IAS 1 adds requirements for qualitative disclosures on the objectives, policies and processes of operations impacting capital and for quantitative data on what elements constitute a component of the share capital.

- IFRIC 10 "Interim Financial Reporting and Impairment" endorsed in the EU on June 1, 2007 and published in the Official Journal of the EU on June 2, 2007. IFRIC 10 clarifies that impairment losses on goodwill and certain financial assets ("available for sale" equity investments and non-quoted equity instruments measured at cost) that are recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements.

- IFRIC 13-IAS18 Interpretation " Customer Loyalty Programmes " as published by the IFRIC but not yet endorsed by the EU.

  The accounting treatment applied by Vivendi is consistent with this interpretation and therefore its adoption has no impact on Vivendi's Consolidated Financial Statements. This interpretation applies to the recognition of awards associated with loyalty programs and granted by SFR, Maroc Telecom and Canal+ Group to their customers in the form of free or discounted goods or services.

The IFRIC-13 Interpretation relies upon the principle of valuing loyalty awards at their fair value, defined as the excess price over the sales incentive that would be granted to any new customer, and, if any such excess price exists, results in deferring the revenue recognition associated with the subscription for the amount of this excess price. In the specific case of SFR, Maroc Telecom and Canal+ Group, the application of IFRIC-13 Interpretation leads to the following:

- Whenever a loyalty award granted to an existing customer does not represent an excess price over the sales incentive that would be granted to a new customer at the inception date of a subscription or at the purchase of a package of goods and/or services, revenue recognition is not deferred; whenever an excess price exists, the corresponding deferred revenue associated with the subscription would be spread over its duration.

- Whenever loyalty points are convertible into free services, the revenue corresponding to the value of those points is deferred and then recognized when the customer uses these points.

1.2. Presentation of the Consolidated Financial Statements

1.2.1 Presentation of the consolidated statement of earnings

Pursuant to IAS 1, the main line items presented in the consolidated statement of earnings of Vivendi are revenues, income from equity affiliates, interest, provision for income taxes, earnings from discontinued operations and earnings.

The presentation of the consolidated statement of earnings now includes a subtotal known as "EBIT" which is the difference between charges and income that do not result from financing activities, equity affiliates, discontinued operations and taxes.

1.2.2 Presentation of the consolidated statement of cash flows

In accordance with IAS 7, the presentation of the consolidated statement of cash flows is as follows:

Net cash provided by operating activities

Net cash provided by operating activities is calculated using the indirect method based on EBIT. EBIT is adjusted for non-cash items and the change in net working capital. Net cash provided by operating activities excludes the cash impact of financial charges and income and the net change in working capital related to property, plant and equipment and intangible assets.

Net cash used for investing activities

Net cash used for investing activities includes the change in net working capital related to property, plant and equipment and intangible assets as well as the cash impact of income received from financial investments (particularly dividends received from equity affiliates).

Net cash used for financing activities

Net cash used for financing activities includes the net interest paid on borrowings and cash and cash equivalents, as well as the cash impact of other items related to financing activities such as premiums paid in connection with the early redemption of borrowings, the unwinding of derivative instruments and the cash impact of foreign currency hedging.

1.2.3 Presentation of the operating performance by business segment and of the group

EBITA

Vivendi Management evaluates the performance of the business segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations).

Vivendi considers EBITA, a non-GAAP measure, as the key operating performance measure of the business units reported in the segment data. The method used in calculating EBITA therefore eliminates the accounting impact of the amortization of intangible assets acquired through business combinations. This enables the operating performance of the business segments to be measured on a comparable basis, regardless of whether their activity results from the company's internal growth or acquisitions and without the accounting impact of amortization with no cash impact.

The difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations and the impairment of goodwill and other intangibles acquired through business combinations that are included in EBIT.

Adjusted net income

Vivendi considers adjusted net income, a non-GAAP measure, to be a relevant indicator of the group's operating and financial performance. Vivendi Management uses adjusted net income because it better illustrates the performance of continuing operations by excluding most non-recurring and non-operating items.

Adjusted net income, includes the following items: EBITA (**), income from equity affiliates (*) (**), interest (*) (**), income from investments (**) and taxes and minority interests related to these items.

It does not include the following items: impairment losses of goodwill and other intangibles acquired through business combinations (*) (**); the amortization of intangibles acquired through business combinations (**); other financial charges and income (*) (**); earnings from discontinued operations (**); provisions for income taxes and minority interests relating to these adjustments; and non-recurring tax items (notably the changes in deferred tax

assets relating to the Consolidated Global Profit Tax System and the reversal of tax liabilities relating to risks extinguished over the period).

(*) Items as presented in the consolidated statement of earnings. (**) Items as reported by each business unit segment.

1.2.4 Presentation of the consolidated statement of financial position

Assets and liabilities expected to be realized in, or intended for sale or consumption in, the entity's normal operating cycle which generally consists of 12 months, are recorded as current assets or liabilities. If their maturity exceeds this period, they are recorded as non-current assets or liabilities.

Segment assets include goodwill, content assets, other intangible assets, property, plant and equipment, investments in equity affiliates, financial assets, inventories and trade accounts receivable and other. They do not include deferred tax assets, current tax receivables, cash and cash equivalents and assets held for sale.

Segment liabilities include provisions, other non-current liabilities and trade accounts payable. They do not include borrowings and other financial liabilities, deferred tax liabilities, current tax payables and liabilities associated with assets held for sale.

1.3. Principles Governing the Preparation of the Consolidated Financial Statements

Pursuant to IFRS accounting policies, the Consolidated Financial Statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below. The Consolidated Financial Statements include the financial statements of Vivendi and its subsidiaries after eliminating the main intragroup items and transactions.

Vivendi has a December 31st year-end. Subsidiaries that do not have a December 31st year-end prepare interim financial statements, except when their year-end falls within the three months prior to December 31st.

Subsidiaries acquired are included in the Consolidated Financial Statements from the date of acquisition, or, for convenience reasons and if the impact is not material, the date of the most recent Consolidated Statement of Financial Position.

1.3.1 Use of estimates

The preparation of Consolidated Financial Statements in compliance with IFRS requires group management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions by Vivendi Management, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of group assets, liabilities, equity or earnings.

The main estimates and assumptions relate to the measurement of:

- *deferred taxes:* estimates concerning the recognition of deferred tax assets, updated annually for factors such as the expected tax rate and the future tax results of the group (please refer to Notes 1.3.10 and 6);
- *provisions:* risk estimates, performed on an individual basis, noting that the occurrence of events during the course of procedures may lead to a reassessment of the risk at any time (please refer to Notes 1.3.9 and 19);
- *employee benefits:* assumptions updated annually, such as the probability of employees remaining with the group until retirement, expected changes in future compensation, the discount rate and the inflation rate (please refer to Notes 1.3.9 and 20);
- *share-based compensation:* assumptions updated annually, such as the estimated term, volatility and the estimated dividend yield (please refer to Notes 1.3.11 and 21);
- *certain financial instruments:* fair value estimates (please refer to Notes 1.3.7 and 23);

- *revenue recognition:* estimates of provisions for returns deducted from certain revenue items (please refer to Notes 1.3.4 and 4);
- *goodwill:* valuation methods adopted for the identification of intangible assets acquired via business combinations (please refer to Notes 1.3.5.1 and 9);
- *goodwill, indefinite useful life intangible assets and assets in progress:* assumptions updated annually following impairment tests performed on each of the group's cash-generating units (CGUs) determined by future cash flows and discount rates (please refer to Notes 1.3.5.6 and 9); and
- *UMG and Vivendi Games content assets:* estimates of the future performance of beneficiaries to whom advances recognized in the statement of financial position are granted (please refer to Notes 1.3.5.2 and 10).

1.3.2 Principles of consolidation

A list of Vivendi's major subsidiaries, joint ventures and other associated entities is presented in Note 28 "Major consolidated entities".

Full consolidation

All companies in which Vivendi has a controlling interest, specifically those in which it has the power to govern the financial and operational policies to obtain benefit from their operations, are fully consolidated.

A controlling position is presumed to exist when Vivendi holds, directly or indirectly, a voting interest exceeding 50%, and where no other shareholder or group of shareholders exercises substantive participating rights which would enable it to veto or to block ordinary decisions taken by Vivendi.

A controlling position also exists when Vivendi, holding an interest of 50% or less in an entity, has (i) control over more than 50% of the voting rights by virtue of an agreement with other investors, (ii) the power to govern the financial and operational policies of the entity by virtue of a statute or contract, (iii) the right to appoint or remove from office the majority of the members of the board of directors or other governing body, or (iv) the power to assemble the majority of voting rights at meetings of the board of directors or other governing body.

Vivendi consolidates special purpose entities that it controls in substance because it has the right to obtain a majority of benefits, or because it retains the majority of residual risks inherent in the special purpose entity or its assets.

Proportionate consolidation

Companies that are controlled jointly by Vivendi or another member of the group and a limited number of other shareholders under the terms of a contractual arrangement are proportionally consolidated.

Equity accounting

Entities over which Vivendi exercises significant influence are accounted for under the equity method.

Significant influence is presumed to exist when Vivendi holds, directly or indirectly, at least 20% of an entity's voting rights unless it can be clearly demonstrated otherwise. Significant influence can be demonstrated on the basis of other criteria, such as representation on the board of directors or the entity's equivalent governing body, participation in policy-making processes, material transactions with the entity or interchange of managerial personnel.

1.3.3 Foreign currency translation

The Consolidated Financial Statements are presented in millions of euros. The presentation currency and the functional currency of the group is the euro.

Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the transaction date. At the closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed, apart from differences on borrowing in foreign currencies, which constitute a hedge of the net investment in a foreign entity. These differences are allocated directly to equity until the divestiture of the net investment.

Financial statements denominated in a foreign currency

Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures and other associated entities for which the functional currency is not the euro, are translated into euros as follows: the Consolidated Statement of Financial position is translated at the exchange rate at the end of the period; and the Consolidated statement of Earnings and the Consolidated Statement of Cash Flow are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation differences in equity. In accordance with the provisions of IFRS 1 "First time adoption of International Financial Reporting Standards", Vivendi elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2004. These foreign currency translation differences resulted from the translation into euro of the financial statements of subsidiaries having foreign currencies as their functional currencies. Consequently, on the subsequent divestiture of the subsidiaries, joint ventures or other associated entities, whose functional currency is not the euro, these adjustments are not taken to earnings.

1.3.4 Revenues from operations and associated costs

Revenues from operations are reported when it is probable that future economic benefits will be obtained by the group and when these revenues can be reliably measured.

1.3.4.1 Universal Music Group (UMG)

"Physical" music sale

Revenues from the sale of "physical" recorded music, net of a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates, are recognized upon shipment to third parties, at the shipping point for products sold free on board (FOB) and on delivery for products sold free on destination.

"Digital" music sale

Revenues from the sale of "digital" recorded music are recognized when the distribution platform (on-line or mobile music distributor) notifies UMG of a sale to the final customer.

Cost of revenues includes manufacturing and distribution costs, royalty expenses, copyright expenses, artists' costs, recording costs and direct overheads. Selling, general and administrative expenses notably include marketing and advertising expenses, selling costs, provisions for doubtful receivables and indirect overheads.

1.3.4.2 The Canal+ Group

Pay television

Revenues from television subscription services for terrestrial, satellite or cable pay television programming are recognized over the service period. Revenues from advertising are recognized over the period during which advertising commercials are broadcast. Revenues from ancillary services (such as interactive services or video-on-demand services) are recognized over the service period. Beginning January 1, 2007, in order to be consistent with the accounting practices of other business segments, subscriber management and acquisition costs, as well as television distribution costs incurred by Canal+ Group, are included in selling, general and administrative

expenses instead of cost of revenues. Pursuant to IAS 1, Vivendi has applied these presentation changes to all the periods presented in these financial statements. The reclassified costs amounted to €510 million for 2006.

Theatrical film and television programming distribution

Theatrical revenues are recognized as the films are screened. Revenues from film distribution and from video and television or pay television licensing agreements are recognized when the films and television programs are available for telecast and all other conditions of sale have been met. Home video product revenues, less a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates, are recognized upon shipment and availability of the product for retail sale to the ultimate customer. Amortization of film and television capitalized and acquisition costs, theatrical print costs, home video inventory costs and television and home video marketing costs are included in cost of revenues.

1.3.4.3 SFR and Maroc Telecom

Revenues from telephone packages are recognized as multiple-element sales in accordance with IAS 18. Revenues from the sale of telecommunications equipment (mobile phones and other), net of discounts granted to the customers through the distribution channel, are recognized upon activation of the line. Revenues from telephone subscriptions are recognized on a straight-line basis over the subscription contract period. Revenues from incoming and outgoing traffic are recognized when the service is rendered.

Customer acquisition and loyalty costs for mobile phones, principally consisting of rebates on the sale of equipment to customers through distributors, are recognized as a deduction from revenues. Customer acquisition and loyalty costs consisting of premiums not related to the sale of equipment as part of telephone packages and commissions paid to distributors are recognized as selling and general expenses.

Sales of services provided to customers managed by SFR and Maroc Telecom on behalf of content providers (mainly toll numbers) are accounted for gross, or net of content providers' fees when the provider is responsible for the content and for setting the price to be paid by subscribers.

Cost of revenues comprises purchasing costs (including purchases of mobile phones), interconnection and access costs, and network and equipment costs. Selling, general and administrative expenses notably include commercial costs consisting of marketing and customer care expenses.

1.3.4.4 Vivendi Games

Revenues from the sale of boxes for Massively Multiplayer Online Role Playing Games (MMORPG), as well as revenues from the sale of boxes for other games, are recorded upon transfer of the ownership and related risks to the distributor, net of a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates. Revenues generated by subscriptions and prepaid cards for online games are recorded on a straight-line basis over the duration of the service.

Cost of revenues includes manufacturing, warehousing, shipping and handling costs, royalty expenses, research and development expenses, and the amortization of capitalized software development costs.

1.3.4.5 Other

Provisions for estimated returns are deducted from sales of products to customers through distributors. They are estimated based on past sales statistics and take into account the economic environment and product sales forecasts to final customers.

Selling, general and administrative expenses principally include salaries and employee benefits, rents, consulting and services fees, insurance costs, travel and entertainment expenses, administrative department costs (e.g, Finance department, General Counsel comprising legal department, etc.), provisions for receivables and other operating expenses.

Advertising costs are expensed as incurred.

Slotting fees and cooperative advertising expenses are recorded as a reduction in revenues. However, cooperative advertising at UMG and Vivendi Games is treated as a marketing expense and expensed when the expected profit is individualized and can be estimated.

1.3.5 Assets

1.3.5.1 Goodwill and business combinations

In accordance with the provisions of IFRS 1, Vivendi elected not to restate business combinations prior to January 1, 2004.

In accordance with the provisions of IFRS 3, business combinations are recorded using the purchase method. Under this method, on the initial consolidation of an entity over which the group has acquired exclusive control, the assets acquired and the liabilities and contingent liabilities assumed are recognized at their fair value at the acquisition date. At this date, goodwill is initially measured at cost, being the excess of the cost of the business combination over Vivendi's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If goodwill is negative, it is recognized directly in the statement of earnings.

Subsequently, goodwill is measured at cost less accumulated impairment losses recorded (please refer to Note 1.3.5.6 hereof). In the event of a loss in value, an impairment loss is recorded in losses of intangible assets acquired through business combinations.

In addition, the following principles are applied to business combinations:

- if possible on the acquisition date, goodwill is allocated to each cash-generating unit likely to benefit from the business combination;

- in the event of acquisition of an additional interest in a subsidiary, the excess of the acquisition cost over the carrying amount of minority interests acquired is recognized as goodwill; and

- goodwill is not amortized.

1.3.5.2 Content assets

UMG

Music publishing rights and catalogs include music catalogs, artists' contracts and publishing rights acquired in December 2000, as part of the acquisition of The Seagram Company Ltd. or more recently. They are amortized over 15 years in selling, general and administrative expenses.

Royalty advances to artists, songwriters and co-publishers are capitalized as an asset when their current popularity and past performances provide a reasonable basis for concluding that the probable future recoupment of such royalty advances against earnings otherwise payable to them is reasonably assured. Royalty advances are recognized as an expense as subsequent royalties are earned by the artist, songwriter or co-publisher. Any portion of capitalized royalty advances not deemed to be recoverable against future royalties is expensed during the period in which the loss becomes evident. These expenses are recorded in cost of revenues.

Royalties earned by artists, songwriters and co-publishers are recognized as an expense in the period in which the sale of the product takes place, less a provision for estimated returns.

The Canal+ Group

Film, television or sports broadcasting rights

When signing contracts for the acquisition of film, television or sports broadcasting rights, the rights acquired are presented as contractual commitments. They are recorded in the statement of financial position, classified as content assets, as follows:

- film and television broadcasting rights are recognized at their acquisition cost, when the screening certificate has been obtained and the programming is available for exhibition; they are expensed over their broadcasting period;
- sports broadcasting rights are recognized at their acquisition cost, on the opening of the broadcasting period of the related sports season or upon the first payment and are expensed as they are broadcast; and
- expensing of film, television or sports broadcasting rights is included in cost of revenues.

Theatrical film and television rights produced or acquired to be sold

Theatrical film and television rights produced or acquired before their initial exhibition, to be sold, are recorded as a content asset at capitalized cost (mainly direct production and overhead costs) or at their acquisition cost. Theatrical film and television rights are amortized, and other related costs are expensed, pursuant to the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis). Such revenues are estimated to be generated over a maximum 12-year period. Where appropriate, estimated losses in value are provided in full against earnings of the period, on an individual product basis, in which the losses are estimated.

Film and television rights catalogs

Catalogs are comprised of film rights acquired for a second television exhibition, or film and television rights produced or acquired that are sold after their first television exhibition (i.e., after the first broadcast on a terrestrial channel). They are recognized as an asset at their acquisition or transfer cost, and amortized as groups of films or individually, based on the estimated revenue method, respectively.

Vivendi Games

In the ordinary course of its business, Vivendi Games pays advances on royalties and license fees to entitled beneficiaries for the use of their intellectual property content for developing new games (e.g., software developments, graphics and editorial contents). Such royalty and license fee advances are recognized as an expense, based on contractual rates, in the period in which revenues from the sale of the games integrating the intellectual property content are recognized. Any portion of capitalized royalty and license fee advances not deemed to be recoverable from future royalties and license fees is expensed during the period in which the loss becomes evident.

1.3.5.3 Research and development costs

Research costs are expensed when incurred. Development expenses are capitalized when the feasibility and profitability of the project can reasonably be considered certain.

Cost of software for rental, sale or commercialization

Capitalized software development costs comprise costs incurred during the internal development of products. Software development costs are capitalized when the technical feasibility of the software has been established and they are considered recoverable. These costs are mainly generated by Vivendi Games as part of games development and are amortized over a four month-period starting when the product is placed on sale. Technical feasibility is determined individually for each product. Non-capitalized software development costs are immediately recorded in research and development costs.

Cost of internal use software

Direct internal and external costs incurred for the development of computer software for internal use, including web site development costs, are capitalized during the application development stage. Application development stage costs generally include software configuration, coding, installation and testing. Costs of significant upgrades and enhancements resulting in additional functionality are also capitalized. These capitalized costs, mainly recognized at SFR, are amortized over 4 years. Maintenance and minor upgrade and enhancement costs are expensed as incurred.

1.3.5.4 Other intangible assets

Intangible assets acquired separately are recorded at cost, and intangible assets acquired in connection with a business combination are recorded at their fair value at acquisition date. The historical cost model is applied to intangible assets subsequent to their initial recognition. Amortization is accrued for assets with a finite useful life. Useful life is reviewed at the end of each reporting period.

Music catalogs, trade names, subscribers' bases and market shares generated internally are not recognized as intangible assets.

SFR and Maroc Telecom

Licenses to operate telecom networks are recorded at historical cost based upon the discounted value of deferred payments and amortized on a straight-line basis from the effective service start date over their estimated useful life until maturity. Licenses to operate in France are recognized in the amount of the fixed upfront fee paid upon the granting of the license. The variable fee which cannot reliably be determined (equal, in the case of the UMTS and GSM licenses, to 1% of the revenues generated by the activity) is recorded as an expense when incurred.

Vivendi has chosen not to apply the option provided in IFRS 1 involving the remeasurement of certain intangible assets at their fair value as of January 1, 2004.

1.3.5.5 Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to moving an asset to its physical location and preparing it for use in operations. When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

Property, plant and equipment mainly consist of the networks equipments of telecommunications activities, each part of which is amortized generally over 4 to 20 years. The useful lives of the main parts are as follow:

- buildings: over 8 to 20 years;
- pylons: over 15 to 20 years;
- radio and transmission equipment: over 8 to 10 years;
- switch centers: 8 years; and
- servers and hardware: over 4 to 8 years.

Assets financed by finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and market value and the related debt is recorded in "borrowings and other financial liabilities". These assets are amortized on a straight-line basis over their estimated useful life. Amortization expenses on assets acquired under such leases are included in amortization expenses.

Subsequent to initial recognition, the cost model is applied to property, plant and equipment.

Vivendi has elected not to apply the option provided by IFRS 1, involving the remeasurement of certain property, plant and equipment at their fair value as of January 1, 2004.

On January 1, 2004, in accordance with the provisions of IFRS 1, Vivendi decided to apply IFRIC Interpretation 4 "Determining whether an arrangement contains a lease" to commercial contracts for the supply of the Canal+ Group satellite capacity and to commercial contracts for the supply of SFR and Maroc Telecom telecommunications services (please refer to Note 26.1).

1.3.5.6 Asset impairment

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment and assets in progress, Vivendi re-examines the value of these assets. In addition, goodwill, other indefinite life intangible assets as well as assets in progress are subject to an annual impairment test during the fourth quarter of each fiscal year. This test is performed in order to compare the carrying amount of each group's operating units to the carrying amount of the corresponding assets (including goodwill).

The recoverable amount is determined as the higher of the value in use and the fair value (less costs to sell) as described hereafter, for each individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the group of assets. In particular, an impairment test of goodwill is performed by Vivendi for each CGU (Cash Generating Unit) or group of CGUs, depending on the level at which Vivendi management measures return on operations.

The value in use of each asset or group of assets is determined as the discounted value of the future cash flows (discounted cash flow method (DCF)) by using cash flow projections consistent with the most recent budget and three-year business plan approved by Vivendi management and presented to the Management Board. The applied discount rates reflect the current assessment by the market of the time value of money and risks specific to each asset or group of assets. In particular, the perpetual growth rates used for the evaluation of CGUs are those used to prepare budgets and three-year business plans, and beyond the period covered, are consistent with growth rates estimated by the company by extrapolating the growth rates used in the budgets and three-year business plans, without exceeding the long-term average growth rate for the markets in which the group operates.

The fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions or stock market prices) or, on discontinued future cash flows in the absence of reliable data.

If the recoverable amount is less than the carrying amount of an asset or group of assets, an impairment loss is recognized for the difference. In the case of a group of assets, this impairment loss is recorded first against goodwill.

The impairment losses recognized in respect of property, plant and equipment and intangible assets (other than goodwill) may be reversed in a later period if the recoverable amount becomes greater than the carrying amount, within the limit of impairment losses previously recognized. Impairment losses recognized in respect of goodwill cannot be reversed.

1.3.5.7 Financial assets

Financial assets consist of financial assets measured at fair value and financial assets recognized at amortized cost. Financial assets are initially recognized at the fair value of the consideration given, for which the best evidence is the transaction price (including associated transaction costs, if any).

Financial assets at fair value

Financial assets at fair value include available-for-sale securities, derivative financial instruments with a positive value (please refer to Note 1.3.7 below) and other financial assets measured at fair value through profit or loss.

Most of these financial assets are actively traded in organized public markets, their fair value being determined by reference to the published market price at the period end. For financial assets for which no published market price exists in an active market, fair value is estimated. As a last resort, the group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

Available-for-sale securities consist of unconsolidated interests and other securities not qualifying for classification in the other financial asset categories described below. Unrealized gains and losses on available-for-sale securities are recognized in equity until the financial asset is sold, collected or removed from the statement of financial position in another way, or until there is objective evidence that the investment is impaired, at which time the accumulated gain or loss previously reported in equity is expensed in other financial charges and income.

Other financial assets measured at fair value through profit or loss mainly consist of assets held for trading which Vivendi intends to sell in the near term (primarily marketable securities). Unrealized gains and losses on these assets are recognized in other financial charges and income.

Financial assets at amortized cost

Financial assets at amortized cost consist of **loans and receivables** (primarily loans to affiliates and associates, current account advances to equity affiliates and unconsolidated interests, cash deposits, securitized loans and receivables and other loans and receivables, and debtors) and **held-to-maturity investments** (financial assets with fixed or determinable payments and fixed maturity). At the end of each period, these assets are measured at amortized cost using the effective interest method. If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying amount and its recoverable amount (equal to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate) is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases.

1.3.5.8 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost comprises purchase costs, production costs and other supply and packaging costs. It is usually computed using the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less estimated completion costs and estimated selling costs.

1.3.5.9 Trade accounts receivable

Trade accounts receivable are recognized at the fair value, which corresponds generally to the nominal value. Provisions for impairment of receivables are specifically evaluated in each business unit, generally using a default percentage based on the unpaid amounts during one reference period related to revenues for this same period. Accounts receivable on resiliated clients, on clients with whom Vivendi is involved in litigation or a dispute are generally depreciated in full.

1.3.5.10 Cash and cash equivalents

The "cash and cash equivalents" category consists of cash in banks, euro-denominated and international monetary UCITS (Undertakings for Collective Investments in Transferable Securities), which satisfy the recommendation No. 2005-02 of the AMF, and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities longer than three months without early

exit possibilities and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets.

1.3.6 Assets held for sale and discontinued operations

A non-current asset or a group of assets and liabilities is held for sale when its carrying amount will be recovered principally through its divestiture and not by continuing utilization. To meet this definition, the asset must be available for immediate sale and divestiture must be highly probable. These assets and liabilities are recognized as assets held for sale and liabilities associated with assets held for sale, without offset. The related assets recorded as assets held for sale are valued at the lower of fair value, net of divestiture fees, and cost less accumulated depreciation and impairment losses, and are no longer depreciated.

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for sale have been met or when Vivendi has sold the asset. Discontinued operations are presented on a single line of the statement of earnings for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to sell the assets and liabilities making up the discontinued operations. In addition, the cash flows generated by discontinued operations are presented on one separate line of the statement of consolidated cash flows for the periods presented.

1.3.7 Financial liabilities

Long and short-term borrowings and other financial liabilities include:

- notes and facilities, as well as miscellaneous other borrowings (including treasury bills and debt related to finance leases) and related accrued interest;
- obligations arising in respect of commitments to purchase minority interests; and
- the negative value of other derivative financial instruments. Derivatives with positive fair values are recorded as financial assets in the statement of financial position.

Borrowings

All borrowings are initially accounted for at the fair value of the consideration received, for which the best evidence is the transaction price, net of transaction costs directly attributable to the borrowing. Borrowings bearing interest are subsequently valued at amortized cost, applying the effective interest method. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the borrowing. In addition, where the borrowing comprises an embedded derivative (e.g., an exchangeable bond) or an equity instrument (e.g., a convertible bond), the amortized cost is calculated for the debt component only, after separation of the embedded derivative or equity instrument (please refer to Note 1.3.8). In the event of a change in expected future cash flows (e.g., early redemption not initially expected), the amortized cost is adjusted against earnings in order to reflect the value of the new expected cash flows, discounted at the initial effective interest rate.

Commitments to purchase minority interests

Vivendi has granted commitments to purchase minority interests to certain shareholders of its fully consolidated subsidiaries. These purchase commitments may be optional (e.g., put option) or firm (e.g., forward purchase contracts). As indicated in Note 1.1 above, the following accounting treatment has been adopted in accordance with prevailing IFRS:

- on initial recognition, the commitment to purchase minority interests is recognized as a financial liability for the present value of the purchase consideration under the put option or forward purchase contract, mainly offset through minority interests and the balance through goodwill;

- subsequent changes in the value of the commitment are recognized as a financial liability by an adjustment to goodwill;
- where applicable, at the time of initial recognition or the recognition of subsequent changes, any expected loss on purchase is recognized in other financial charges and income; and
- on maturity of the commitment, if the minority interests are not purchased, the entries previously recognized are reversed; if the minority interests are purchased, the amount recognized in financial liabilities is reversed, offset by the cash outflow relating to the purchase of the minority interests.

Derivative financial instruments

Vivendi uses derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and stock prices. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. These instruments include interest rate and currency swaps and forward exchange contracts. They also include stock options used to hedge debt where principal repayment terms are based on the value of Vivendi or other stock, as well as Vivendi stock purchase option plans granted to executives and employees. All derivative financial instruments are used for hedging purposes.

When these contracts qualify as hedges for accounting purposes, the gains and losses arising on these contracts are offset in earnings against the gains and losses relating to the hedged item. When the derivative financial instrument hedges exposures to fluctuations in the fair value of an asset or a liability recognized in the statement of financial position or of a firm commitment which remains unrecognized in the balance sheet, it is a fair value hedge. The instrument is remeasured at fair value through earnings, with the gains or losses arising on remeasurement of the hedged portion of the hedged item offset on the same line of the statement of earnings. When the derivative financial instrument hedges cash flows, it is a cash flow hedge. The hedging instrument is remeasured at fair value and the portion of the gain or loss that is determined to be an effective hedge is recognized through equity, whereas its ineffective portion is recognized through earnings. When the hedged item is realized, accumulated gains and losses recognized in equity are released to the statement of earnings and recorded on the same line as the hedged item. When the derivative financial instrument hedges a net investment in a foreign operation, it is recognized in the same way as a cash flow hedge. Derivative financial instruments which do not qualify as hedges for accounting purposes are remeasured at fair value and resulting gains and losses are recognized directly in earnings, without remeasurement of the underlying instrument.

Furthermore, income and expenses relating to foreign currency instruments used to hedge highly probable budget exposures and firm commitments, contracted pursuant to the acquisition of editorial content rights (sports, audiovisual, film rights, etc.) are recognized in EBIT. In all other cases, gains and losses arising on the fair value remeasurement of instruments are recognized in other financial charges and income.

1.3.8 Compound financial instruments

Certain financial instruments comprise a liability component and an equity component.

The various components of these instruments are accounted for in equity and borrowings and other financial liabilities according to their classification, as defined in IAS 32 “Financial Instruments: Disclosure and Presentation”.

The component classified as borrowings and other financial liabilities is valued at the issuance date at the present value discounted at the market rate (taking into account credit risk at the issuance date) of the future contractual cash flows (including interest and repayment of the nominal value) of similar instruments with the same characteristics (maturity and cash flows) but without any option for conversion or redemption in shares.

The component classified as equity is defined as the difference between the fair value of the instrument and the fair value of the financial liability component.

1.3.9 Other liabilities

Provisions

Provisions are recognized when at the end of the reporting period, Vivendi has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that an outflow of resources (for no consideration) will be required to settle the obligation and the obligation can be reliably estimated. Where the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money. If no reliable estimate can be made of the amount of the obligation, no provision is recorded and a disclosure is made in the Notes to the Consolidated Financial Statements.

Employee benefit plans

In accordance with the laws and practices of each country in which it operates, Vivendi participates in, or maintains, employee benefit plans providing retirement pensions, post-retirement health care, life insurance and post-employment benefits, principally severance, to eligible employees, former employees, retirees and their beneficiaries fulfilling the required conditions. Retirement pensions are provided for substantially all employees through defined contribution plans, which are integrated with local social security and multi-employer plans, or defined benefit plans which are generally managed *via* group pension plans. The plan funding policy implemented by the group is consistent with applicable government funding requirements and regulations.

Defined contribution plans

Contributions to defined contribution and multi-employer plans are expensed during the year.

Defined benefit plans

Defined benefit plans may be funded by investments in various instruments such as insurance contracts or equity and debt investment securities, excluding Vivendi shares or debt instruments.

Pension expenses are determined by independent actuaries using the projected unit credit method. This method is based on assumptions updated annually, which include the probability of employees remaining with Vivendi until retirement, expected changes in future compensation and an appropriate discount rate for each country in which Vivendi maintains a pension plan. The assumptions adopted in 2006 and 2007, and the means of determining these assumptions, are presented in Note 20 “Employee benefits”. In this way, the group recognizes pension-related assets and liabilities and the related net expense over the estimated term of service of Vivendi’s employees.

A provision is recorded in the statement of financial position equal to the difference between the actuarial value of the related benefits (actuarial liability) and the fair value of any associated plan assets, net of prior services costs and unrecognized actuarial gains and losses which remain unrecognized in the balance sheet in accordance with the “corridor method”. Where financial assets exceed recognized obligations, a financial asset is recognized up to the maximum cumulative amount of net actuarial losses, unrecognized past service costs and the present value of future redemptions and the expected decrease in future contributions.

Actuarial gains and losses are recognized through profit and loss for the year using the “corridor method”: actuarial gains and losses in excess of 10% of the greater of the obligation and the fair value of plan assets are divided by the average remaining service period of active employees.

On January 1, 2004, in accordance with the provisions of IFRS 1, Vivendi decided to record unrecognized actuarial gains and losses against consolidated equity.

The cost of plans is included in selling, general and administrative expenses, apart from the financial component which is recorded in other financial charges and income. The financial component of this cost consists of the undiscounting of actuarial liability and the expected return on plan assets.

Some other post-employment benefits, such as life insurance and medical coverage (mainly in the US) are subject to provisions which are assessed through an actuarial computation comparable to the method used for pension provisions.

1.3.10 Deferred taxes

Differences existing at the closing date between the tax base value of assets and liabilities and their carrying amount in the consolidated statement of financial position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- deferred tax assets, when the tax base value is greater than the carrying amount (expected future tax saving); and
- deferred tax liabilities, when the tax base value is lower than the carrying amount (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact neither earnings, nor tax income or loss.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is notably taken of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the group prove significantly different to those expected, the group will be obliged to increase or decrease the carrying amount of deferred tax assets, with a potentially material impact on the statement of financial position and statement of earnings of the group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from impairment of goodwill losses not deductible for tax purposes, or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact neither earnings, nor tax income or loss.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to equity, and not earnings, if the tax relates to items that are credited or charged directly to equity.

1.3.11 Share-based compensation

With the aim of aligning the interest of executive management and employees with shareholders' interest by providing them with an additional incentive to improve company performance and increase the share price on a long-term basis, Vivendi maintains several share-based compensation plans (group saving plans and restricted stocks) or other equity instruments based on the value of the Vivendi share price (stock purchase plans — until first semester 2002 — and stock option plans), which are settled either in equity instruments or cash. The granting of these plans is approved by the Management Board, followed by the Supervisory Board.

Stock Option and Restricted Stock plans granted

Characteristics of certain plans

Restricted stock plans

In 2006, Vivendi set up restricted stock plans in accordance with the 2005 French Finance Act. The restricted stocks granted are generally conditional upon the achievement of specified performance objectives and will vest 100% at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares, of the same class as existing shares making up the share capital of the company, employee shareholders are entitled, at the end of the vesting period, to dividends and voting rights attached to these shares. The compensation cost corresponds to the value of the equity instruments received by the beneficiary, equal to the difference between the fair value of the shares to be received less the discounted value of the dividends expected to be distributed by Vivendi over the vesting period.

Cash-settled instruments

Beginning in 2006, following the delisting of Vivendi's shares from the NYSE and given prevailing US securities regulations, Vivendi grants specific instruments to US resident managers and employees, with economic characteristics similar to those granted to non-US resident managers and employees; however, these equity instruments are exclusively cash-settled instruments.

- When the instruments grant entitlement to the appreciation of the value of the Vivendi shares, they are known as "stock appreciation rights" (SARs), which are the economic equivalent of stock options. Under a SAR plan, the beneficiaries will receive, upon exercise of their rights, a cash payment based on the Vivendi share price equal to the difference between the Vivendi share price upon exercise of the SARs and their strike price as set at the grant date.
- When the instruments grant entitlement to the value of Vivendi shares, they are known as *"restricted stock units"* (RSUs), which are the economic equivalent of restricted stocks. Under a RSU plan, the beneficiaries will receive, in general, at the end of a four-year period following the grant date, a cash payment based on the Vivendi share price (as quoted on the Paris Stock Exchange) and equal to the share price at this date, plus the value of dividends paid on Vivendi shares in respect of the two fiscal periods preceding the vesting date, and converted into the local currency at the prevailing exchange rate. These Vivendi RSUs are simply units of account and do not have any value outside the context of this plan. They do not carry voting rights and do not represent an ownership interest in Vivendi or any of its businesses.

Accounting for instruments

In accordance with IFRS 2, share-based compensation is recognized as a personnel cost at the fair value of the equity instruments granted. This expense is amortized over the vesting period, generally 3 years for stock option plans and 2 years for restricted stock plans conditional upon active employment within the group at the vesting date, and the achievement of specific performance objectives for restricted stock plans, apart from specific cases.

Vivendi uses a binomial model to assess the value of such instruments. This method relies on assumptions updated at the valuation date such as the computed volatility of Vivendi shares, the risk-free discount rate, the

expected dividend yield and the probability of concerned employees remaining with the group until the exercise of their rights.

The computed volatility corresponds to the average of (a) the implied volatility, based on Vivendi put and call options traded on a liquid market with a maturity of six months or more and (b) the 3-year historical volatility of Vivendi shares. Expected dividend yield at the grant date is based on Vivendi's dividend distribution policy, which is currently an anticipated dividend of at least 50% of adjusted net income.

However, depending on whether the equity instruments granted are equity-settled through the issuance of Vivendi shares or cash-settled, the valuation and recognition of the expense differs:

- Instruments settled through the issuance of Vivendi shares:
  - the expected term of the option granted is presumed to be the mid-point between the vesting date and the end of the contractual term,
  - the value of the instruments granted is estimated and fixed at the grant date,
  - the expense is recognized with a corresponding increase in equity.
- Instruments settled in cash:
  - the expected term of the instruments granted is presumed to be equal to one-half of the residual contractual term of the instrument for vested rights, and to the mean of the residual vesting period at the remeasurement date and the residual contractual term of the instrument for unvested rights,
  - the value of the instruments granted is initially estimated as of the grant date and is then re-estimated at each reporting date and the expense is adjusted pro rata taking into account the vested rights at each such reporting date,
  - the expense is recognized as a provision,
  - moreover, as SAR and RSU plans are primarily denominated in US dollars, the value changes in line with fluctuations in the euro/dollar exchange rate.

The share-based compensation cost is allocated to each business segment, pro rata to the number of equity instruments or equivalents granted to their managers and employees.

The dilutive effect of stock options and restricted stock plans settled through the issuance of Vivendi shares granted to managers and employees which are in the process of vesting is reflected in the calculation of diluted earnings per share.

In accordance with the transitional provisions of IFRS 1 with respect to IFRS 2, the group elected for retrospective application of IFRS 2 as of January 1, 2004. Consequently, all share-based compensation plans for which rights remained to be vested as of January 1, 2004 are now recognized in accordance with IFRS 2.

Share purchase plans

Vivendi also maintains share purchase plans (group saving plans) that allow substantially all of its French full-time employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain restrictions relating to their sale or transfer, are purchased by employees with a maximum discount of 20% compared to the average opening market price for Vivendi shares during the 20 trading days preceding the date on which the share capital increase was authorized by the Management Board (grant date). The difference between the subscription price of the shares and the share price on the date of the grant (corresponding to the subscription period closing date) represents the benefit granted to beneficiaries. Furthermore Vivendi takes into account a discount for non-transferability in respect of the restrictions on the sale or transfer of the shares, which is deducted from the benefit granted to the employees. This expense is recognized with a

corresponding increase in equity and allocated to each business segment, pro rata to the number of shares subscribed.

1.4. Contractual Obligations and Contingent Assets and Liabilities

Once a year, Vivendi and its subsidiaries prepare detailed records on all material contractual obligations, commercial and financial commitments and contingent obligations, for which it is jointly and severally liable. These detailed records are updated by the relevant departments and reviewed by senior management on a regular basis. In order to ensure completeness, accuracy and consistency of these records, some dedicated internal control procedures are performed, including (but not limited to):

- the review of the minutes of shareholders' meetings, meetings of the Management Board and of the Supervisory Board and meetings of the Supervisory Board committees, for matters such as contracts, litigation, and authorization of asset acquisitions or divestitures;
- the review with banks and financial institutions of pledges and guarantees;
- the review with internal and/or external legal counsels of pending litigation, claims (in dispute) and environmental matters as well as related assessments for unrecorded contingencies;
- the review of tax examiner's reports, and as the case may be, notices of assessments and tax expense analyses for prior years;
- the review with the risk management department and insurance agents and brokers with which the group contracted, of insurance coverage for unrecorded contingencies;
- the review of related-party transactions for guarantees and other given or received commitments; and
- more generally, the review of the main contracts and agreements.

1.5. New IFRS standards and IFRIC interpretations that have been published but are not yet effective

The IFRIC interpretations that have been issued by the IFRIC and that are not yet effective, but which have been applied in anticipation are detailed in Note 1.1.

Among other IFRS accounting standards and IFRIC interpretations issued by the IASB/IFRIC at the date of approval of these consolidated financial statements but that are not yet effective, and for which Vivendi has not elected an earlier application, the main ones which may affect Vivendi are as follows:

- the standard IFRS 8 — Operating Segments, related to segment data, shall apply to periods beginning on or after January 1, 2009;
- the amendment to IAS 23 — Borrowing Costs, on capitalisation of borrowing costs attributable to the cost of a fixed asset, shall apply to periods beginning on or after January 1, 2009;
- amendments to IAS 1 — Presentation of Financial Statements : A revised presentation, related to the presentation of financial statements and notably addressing the presentation of equity, shall apply to periods beginning on or after January 1, 2009;
- the revised standards IFRS 3 — *Business Combinations* and IAS 27 — *Consolidated and Separate Financial Statements* concerning, respectively, the accounting for business combinations and the application of the purchase method and the accounting treatment of transactions with minority interests, shall apply to periods beginning on or after January 1, 2010; and
- the amendment to IFRS 2, Share-based Payment on the accounting for vesting conditions and cancellations, shall apply to periods beginning on or after January 1, 2009.

Vivendi is currently assessing the potential impacts that the application of these standards and interpretations may have on the statement of earnings, the statement of financial position, the statement of cash flows and the content of the notes to the financial statements.

Note 2. Changes in the Scope of Consolidation

Preliminary note: the enterprise value of an acquired/divested stake in fully consolidated subsidiaries is defined as the cash paid/received plus the value of principal payments on consolidated/deconsolidated borrowings and net cash acquired as applicable.

2.1. Combination of the Canal+ Group and TPS pay-TV Activities in France (January 2007)

The combination of the Canal+ Group and TPS pay-TV activities in France was completed on January 4, 2007. At that date, TF1 and M6 contributed TPS to Canal+ France in exchange for 15% of Canal+ France (9.9% and 5.1%, respectively). On the same date, Lagardère transferred to Canal+ France its 34% stake in CanalSatellite in exchange for 10.18% of Canal+ France. As a result of the completion of this contribution and the €469 million cash consideration paid by Lagardère in December 2006, Lagardère holds a 20% interest in Canal+ France. Details of these transactions and the preliminary transactions that occurred during the fourth quarter of 2006 are presented in Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2006, as published in the 2006 Annual Report (from pages 198 to 201).

These transactions can be summarized as follows:

- TF1 and M6 contributed 100% of TPS in exchange for 15% of Canal+ France. From an accounting standpoint, this contribution is accounted for as the acquisition by Vivendi and Canal+ Group of 85% of TPS and the sale of 15% of Canal+ France to TF1 and M6 (including the additional investment in CanalSatellite, purchased at the same time from Lagardère, see below).
- Lagardère contributed its 34% equity interest in CanalSatellite and a cash consideration of €469 million, in exchange for 20% of Canal+ France. From an accounting standpoint, this transaction is considered as the acquisition of minority interests in CanalSatellite, over which Canal+ France exercises full control and the sale of 20% of Canal+ France to Lagardère (including TPS, purchased at the same time from TF1 and M6, see above).
- In addition, Vivendi, Canal+ Group, Lagardère, TF1 and M6 entered into other agreements, such as put options granted by Vivendi and Canal+ Group to TF1 and M6 on their 15% stake in Canal+ France, a call option granted by Vivendi and Canal+ Group to Lagardère for a 14% stake in Canal+ France as well as some other contractual commitments which are not recorded in the statement of financial position, as indicated below.

As a result of the completion of these transactions, Vivendi and Canal+ Group hold an aggregate 65% of Canal+ France, Lagardère holds 20%, TF1 holds 9.9% and M6 holds 5.1%. Canal+ France encompasses all the pay-TV activities of Canal+ Group and TPS in France.

The effect of the combination on the consolidated financial statements in 2007 can be summarized as follows:

- Acquisition of 85% of TPS from TF1 and M6

Canal+ France has been fully consolidating TPS since January 4, 2007, on which date TF1 and M6 contributed 100% of TPS Gestion, a company which wholly owns TPS to Canal+ France. From this date, Vivendi and Canal+ Group are entitled to exercise their shareholders' rights and therefore have the power to govern the financial and operational policies of TPS to obtain benefits from its operations. Accordingly, Vivendi and Canal+ Group have been exercising full control over TPS since January 4, 2007.

TF1 and M6 contributed 100% of the share capital of TPS Gestion, a company which wholly owns TPS SNC, to Canal+ France. Such contribution was valued at €900 million for 100% of TPS.

The purchase price of 85% of TPS (€787 million) was determined on the basis of the fair value of the Canal+ France shares received by TF1 and M6, plus the costs directly attributable to the acquisition. Canal+ France has performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by Canal+ France:

	January 4, 2007
	(In millions of euros)
Net carrying value of TPS before business combination:	
Long-lived assets and content assets(a)	112
Cash and cash equivalents	81
Net working capital	(210)
Provisions	(88)
Other liabilities	(13)
Carrying value of TPS' assets and liabilities(A)	**(118)**
Fair value adjustments of TPS' assets and liabilities incurred and assumed as at combination date:	
Customer list(b)	150
TPS trade name(c)	25
Assumed liabilities related to broadcasting rights and fair value adjustments to other long-term contracts(d)	(484)
Deferred tax assets, net	123
Total fair value adjustments of TPS' assets and liabilities incurred and assumed(B)	**(186)**
Fair value of TPS' assets and liabilities incurred and assumed (C = A + B)	(304)
Fair value of TPS' net assets acquired by Vivendi from TF1 and M6 (85% × C)	**(258)**
Goodwill arising on the acquisition of 85% of TPS from TF1 and M6(e)	1,045
Purchase price of 85% of TPS	**787**

(a) Primarily includes property, plant and equipment for a net carrying amount of €58 million, including television set-top boxes for €42 million and content assets for €43 million.

(b) The fair value of the customer list has been assessed using the "Income Approach", on the basis of the discounted value of expected revenues attributable to existing customers at the acquisition date. The present value of the estimated future cash flows has been determined using a discount rate of return that considers the relative risk of achieving these cash flows and the time value of money. This discount rate is consistent with the rate used by Vivendi for the purpose of evaluating similar businesses of Canal+ Group. This asset classified in "other intangible assets" is amortized over 5 years, based on the churn rate used for valuation purposes.

(c) The TPS trade name has been valued based on the "royalty relief" method, which involves assessing the royalties that would have been paid to third parties for the use of the trade name had Vivendi not owned it. The present value of the estimated future cash flows has been determined using a discount rate of return consistent with the rate used by Vivendi for the purpose of evaluating similar businesses of Canal+ Group. Given the fact that the TPS branded program bouquet will no longer be marketed under the TPS trade name, the latter was fully written down during 2007.

(d) Corresponds to liabilities incurred in connection with the business combination and mainly relating to "broadcasting rights" as well as the fair value adjustment of other long-term contractual commitments.

(e) The residual goodwill reflects the expected synergies of costs and revenues.

- Sale of 15% interest in Canal+ France to TF1 and M6

In consideration for the contribution of 85% of TPS to Vivendi, TF1 and M6 received a 15% interest (9.9% and 5.1%, respectively) in Canal+ France (Canal+ Group's pay-TV activity in France, including the additional interest in CanalSatellite purchased at the same time from Lagardère) and were granted put options on this interest by Vivendi (see below).

In accounting terms, the sale by Vivendi of this 15% interest in Canal+ France generated a dilution gain of €156 million, in an amount equal to the positive difference between the amount allocated to this interest, considering the exchange ratio, and its carrying amount. However, this capital gain was directly offset against the goodwill recorded for the put options granted to TF1 and M6. Vivendi generated this gain on an investment for which it continues to bear risks since it has undertaken to repurchase TF1's and M6's interest at a floor price corresponding to a reference price as determined pursuant to the combination with TPS.

- Acquisition by Canal+ France from Lagardère of its 34% in CanalSatellite

Lagardère Active contributed to Canal+ France its 24% interest in CanalSatellite and 100% of its interest in Lagardère Television Holdings S.A., which owns 10% of CanalSatellite's share capital. This contribution of assets was valued at €891 million and paid for in Canal+ France shares (10.18%), these shares, in addition to the shares acquired on December 19, 2006, give Lagardère 20% of the share capital of Canal+ France, after taking into account all contributions (including TPS). In accounting terms, the acquisition of the 34% stake in CanalSatellite, a company controlled by Canal+ France, is a purchase of minority interests which resulted in the recognition of goodwill in the amount of €564 million.

- Sale of 20% of Canal+ France to Lagardère

Lagardère's purchase of 20% of Canal+ France took place in two stages: (1) on December 19, 2006, the sale to Lagardère Active of 9.82% of Canal+ France (without TPS and with 66% of CanalSatellite, but based on the exchange ratio in the combination completed on January 4, 2007) for €469 million in cash and (2) on January 4, 2007, the contribution of 10.18% of Canal+ France (including TPS) to Lagardère Active in consideration for 34% of CanalSatellite.

From an accounting standpoint, the sale of 9.82% of Canal+ France generated a capital gain of €128 million in the 2006 consolidated net income. The 10.18% dilution of Canal+ Group in Canal+ France resulted in a dilution gain of €239 million in consolidated net income in 2007. The impact of this transaction on the value of TPS in Vivendi's consolidated financial statements breaks down as follows:

	Acquisition from TF1 and M6 (85%)	Divestiture to Lagardère (20%)	Upon Completion of the Transactions, as of January 4, 2007 (65%)
		(In millions of euros)	
Fair value of TPS' net asset acquired	(258)	61	(197)
Goodwill arising on the acquisition of TPS	1,045	(241)	804
Purchase price of TPS	**787**	**(180)**	**607**

- TF1's and M6's put options

Both TF1 and M6 were granted a put option by Vivendi on their shares in Canal+ France. These options are exercisable in February 2010 at fair market value, to be determined by a third-party expert, with a floor price of €1,130 million for 15% of Canal+ France (corresponding to a valuation of €7.5 billion for 100% of Canal+ France). This commitment of Vivendi to purchase minority interests was accounted for in long-term financial liabilities on January 4, 2007 for its present value, i.e., €1,001 million, mainly against negative minority interests for €87 million and goodwill for €1,088 million. After deduction of the €156 million dilution gain recorded by Vivendi in connection with the sale of the 15% interest in Canal+ France to TF1 and M6 (see above), goodwill as of January 4, 2007 amounted to €932 million. The subsequent change in this commitment was recorded in financial liabilities by adjusting the amount of goodwill. As of December 31, 2007, the present value of this commitment amounted to €1,034 million.

- Other items

The repayment of the €150 million advance paid by Vivendi in January 2006 to TF1 and M6, as well as the unwinding of the €469 million cash collateral established in December 2006, were completed on January 4, 2007.

In addition, this combination has generated the following contractual commitments, which are not recorded in the statement of financial position:

- Lagardère's call option

Lagardère was granted a call option by Canal+ Group pursuant to which Lagardère may increase to 34% the level of its equity interest in Canal+ France. The option is exercisable in October 2009 at fair market value, to be determined by an expert (the exercise price will be equal to the exercise price of the put options held by TF1 and M6 if one and/or the other is exercised) with a floor price of €1,055 million for 14% of Canal+ France (corresponding to a value of €7.5 billion for 100% of Canal+ France). If Lagardère decides to exercise such call option, the transaction would take place following the exercise (or failing that, the lapse) of the put options held by TF1 and M6. As of December 31, 2007, the present value of this commitment amounted to €965 million.

- Shareholders' Agreement between Vivendi, TF1 and M6, strategic agreements between Vivendi, Canal+ Group, Lagardère and Lagardère Active, dated as of January 4, 2007: please refer to Note 26.5.
- Commitments undertaken by Vivendi and Canal+ Group in connection with the authorization of the combination pursuant to the merger control regulations, by a decision of the French Minister of Economy, Finance and Industry: please refer to Note 26.4.
- Vendor warranties received from TF1 and M6

Canal+ Group and Vivendi received vendor warranties from TF1 and M6 capped at €113 million.

- TPS commitments

As of December 31, 2007, contractual content commitments and other long term obligations of TPS amounted to approximately €680 million. They are mainly composed of film and television rights and satellite capacity contracts. Some of these film and television rights were recorded as liabilities in the statement of financial position as part of the purchase price allocation of TPS by Canal+ France (see above). As a reminder, Vivendi granted a counter-guarantee in favor of TF1 and M6, in order to assume commitments and guarantees made by TF1 and M6 in connection with some of these commitments and other obligations recognized in the statement of financial position of TPS.

2.2. Consolidation of Onatel (Burkina Faso) by Maroc Telecom (January 2007)

On December 29, 2006, following the completion of a bidding process, Maroc Telecom acquired a 51% stake in Onatel, the national telecommunications operator in Burkina Faso, for a purchase price of €222 million (including acquisition fees) paid in 2006. Onatel has been fully consolidated since January 1, 2007. Maroc Telecom has performed an allocation of the purchase price in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed based on analyses and appraisals performed by Maroc Telecom and independent experts. The major assets acquired comprised lands, the value of which was reassessed at market value, and mobile customer list which is amortized over 7 years.

	January 1, 2007 (In millions of euros)
Carrying value of Onatel's assets and liabilities acquired (51%)(A)	**43**
Fair value adjustments of Onatel's assets and liabilities incurred and assumed as at acquisition date:	
Lands	21
Customer list	3
Others	(9)
Total fair value adjustments of Onatel's assets and liabilities incurred and assumed(B)	**15**
Fair value of Onatel's assets and liabilities incurred and assumed (C = A + B)	**58**
Goodwill arising on the acquisition of 51% of Onatel	164
Purchase price of 51% of Onatel	**222**

2.3. Acquisition of a 51% Stake in Gabon Telecom by Maroc Telecom (February 2007)

On February 9, 2007, Maroc Telecom acquired a 51% stake in Gabon Telecom S.A., the national telecommunications operator of Gabon, for a purchase price of €31 million (including acquisition fees). Gabon Telecom has been fully consolidated since March 1, 2007. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and recorded in the Consolidated Financial Statements as of March 31, 2008. The final goodwill may significantly differ from the preliminary goodwill which amounts to €19 million as of December 31, 2007.

2.4. Acquisition of BMG Music Publishing by UMG (May 2007)

On September 6, 2006, Universal Music Group (UMG) entered into an agreement with Bertelsmann AG to purchase 100% of BMG Music Publishing (BMGP). UMG paid €1,639 million in cash to Bertelsmann AG on December 15, 2006. The acquisition was completed on May 25, 2007, following receipt of European Commission clearance. BMGP has been fully consolidated since that date. Including capitalized transaction costs and the benefit of cash generated by trading as from July 1, 2006 to May 25, 2007, the acquisition price paid by UMG was €1,641 million.

On February 25, 2008, UMG completed the sale of certain music publishing catalogs, including Rondor UK, Zomba UK, 19 Music, 19 Songs and BBC Catalog, to CP Masters BV and ABP, thus complying with the European Commission mandated conditions of the BMG Music Publishing acquisition by UMG. As this divestiture was in progress as of December 31, 2007, these assets were then recorded in assets held for sale at this date.

In accordance with the accounting standards applicable to business combinations, UMG has performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by UMG with external appraisers. The major assets acquired were the catalogue of music publishing rights and artists' contracts. The allocation of the purchase

price will be finalized within the 12-month period as required by accounting standards and the final goodwill may significantly differ from the preliminary goodwill as presented below.

	May 25, 2007
	(In millions of euros)
Carrying value of BMGP's assets and liabilities(A)	**41**
Fair value adjustments of BMGP's assets and liabilities incurred and assumed as at acquisition date (preliminary):	
Catalogue of music publishing rights and writers' contracts	1,241
Deferred income tax, net	(234)
Others	(6)
Total fair value adjustments of BMGP's assets and liabilities incurred and assumed (preliminary)(B)	**1,001**
Fair value of BMGP's assets and liabilities incurred and assumed (C = A + B)	**1,042**
Preliminary goodwill	599
Purchase price of 100% of BMGP	**1,641**

2.5. Acquisition of the fixed telephony and broadband activities of Télé2 France by SFR (July 2007)

On October 2, 2006, SFR entered into an agreement with the Tele2 AB Group to acquire the entire fixed telephony and broadband activities of Télé2 France. The acquisition was completed on July 20, 2007 for an enterprise value (on a cash and debt free basis) of €345 million. From an accounting standpoint, the purchase price amounted to €361 million (including acquisition costs). In accordance with the accounting standards applicable to business combinations, SFR performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by SFR. The major assets acquired were a customer list, amortized over 41 months, and intangible assets (service access fees), amortized over 36 months. The preliminary goodwill amounted to €220 million. The allocation of the purchase price will be completed within the 12-month period prescribed by accounting standards and the final allocation may significantly differ from that amount.

	July 20, 2007
	(In millions of euros)
Net carrying value of Télé2 France(A)	**67**
Fair value adjustments of Télé2 France's assets and liabilities incurred and assumed as at acquisition date (preliminary):	
Customer list	98
Intangible assets	14
Others	(38)
Total fair value adjustments of Télé2's assets and liabilities incurred and assumed (preliminary)(B)	**74**
Fair value of Télé2's assets and liabilities incurred and assumed (C = A + B)	**141**
Preliminary goodwill	220
Purchase price of fixed telephony and broadband activities of Télé2 France	**361**

2.6. Acquisition of Sanctuary Group Plc by UMG

On June 15, 2007, UMG made an offer for the share capital of The Sanctuary Group Plc ("Sanctuary"), a company listed on the London Stock Exchange. Sanctuary is an international music group encompassing recorded products, merchandising and artist services. UMG declared the offer wholly unconditional and gained control of the company on August 2, 2007, having received valid acceptances of the offer from shareholders representing 60% of

the issued share capital of Sanctuary and having acquired a further 30% of the issued share capital, for a cash consideration of €19 million. Sanctuary was delisted from the London Stock Exchange on September 3, 2007, and pursuant to the provisions of the English Companies Act 2006, UMG acquired the remaining Sanctuary shares to obtain 100% legal ownership of the company on September 27, 2007. The total acquisition price paid by UMG was €170 million, including a total cash consideration, including costs, of €70 million and Sanctuary's net debt of €100 million. Sanctuary has been fully consolidated since August 2, 2007. In accordance with the accounting standards applicable to business combinations, UMG has performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by UMG. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and the final goodwill may significantly differ from the preliminary goodwill as presented below.

	August 2, 2007
	(In millions of euros)
Carrying value of Sanctuary's assets and liabilities(A)	**(15)**
Fair value adjustments of Sanctuary's assets and liabilities incurred and assumed as at acquisition date (preliminary):	
Catalog of recorded music, contracts and relationships	128
Deferred income tax, net	(37)
Others	(8)
Total fair value adjustments of Sanctuary's assets and liabilities incurred and assumed (preliminary)(B)	**83**
Fair value of Sanctuary's assets and liabilities incurred and assumed (C = A + B)	**68**
Preliminary goodwill	102
Purchase price of 100% of Sanctuary	**170**

2.7. Acquisition of a 2% Stake in Maroc Telecom by Vivendi (December 2007)

On December 7, 2007, Vivendi and the Moroccan Group Caisse de Dépôt et de Gestion (CDG) completed the transactions contemplated by the agreement announced on October 25, 2007. As a result of these transactions, CDG became a 0.6% shareholder of Vivendi and Vivendi acquired 2% of the share capital of Maroc Telecom from CDG, increasing its stake in Maroc Telecom from 51% to 53%. The acquisition took the form of an exchange of shares with CDG receiving 7,118,181 Vivendi shares acquired on the market for a cash consideration of €214 million. From an accounting standpoint, the difference between the fair value of Vivendi shares delivered €229 million as at the exchange date) and the acquired minority interests was accounted for as goodwill, in the amount of €201 million.

2.8. Proposed creation of Activision Blizzard (December 2007)

On December 1, 2007, Activision, Inc. and Vivendi entered into an agreement to combine Vivendi Games with Activision, Inc., a leading worldwide developer, publisher and distributor of interactive entertainment and leisure products with net revenues of $1.5 billion for the fiscal year ended March 31, 2007.

Under the terms of the business combination agreement, a newly formed, wholly-owned subsidiary of Activision will merge with and into Vivendi Games. As a result of the merger, Vivendi Games will become a wholly-owned subsidiary of Activision. In the merger, a subsidiary of Vivendi will receive approximately 295.3 million newly issued shares of Activision common stock, which number is based upon a valuation of Vivendi Games at $8.121 billion and a per share price for Activision common stock of $27.50. Simultaneously with the merger, Vivendi will purchase from Activision 62.9 million newly issued shares of Activision common stock, at $27.50 per share, for an aggregate purchase price of approximately $1.731 billion in cash. Immediately following completion of the merger and share purchase, Vivendi and its subsidiaries are expected to own approximately 52.2% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

Upon closing of the transaction, the combined company will be renamed Activision Blizzard, Inc. and will continue to operate as a public company traded on The NASDAQ National Market under Activision's current ticker "ATVI."

Within five business days after the closing of the transaction, Activision Blizzard will commence a cash tender offer for up to 146.5 million of its shares at $27.50 per share. According to the terms of the business combination agreement, the tender offer will be funded as follows: (a) the first $2.928 billion of aggregate tender offer consideration will be funded from Activision Blizzard's available cash on hand, including the $1.731 billion in proceeds received from the Vivendi share purchase, short term investments (excluding restricted cash) and, if necessary, borrowings made under one or more new credit facilities from Vivendi or third party lenders, (b) if the aggregate tender offer consideration exceeds $2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of $27.50 per share, additional newly issued shares of Activision Blizzard common shock in an amount up to $700 million, and (c) if the aggregate tender offer consideration exceeds $3.628 billion, any remaining funds required to complete the tender offer will be borrowed by Activision Blizzard from Vivendi or third-party lenders. If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of Activision Blizzard on a fully diluted basis.

The business combination agreement provides that, concurrent with the closing of the merger and share purchase, Activision Blizzard will obtain new credit facilities from either third party lenders or Vivendi, on market terms and conditions, that provides the availability to borrow funds needed to pay up to $400 million of the aggregate tender offer consideration (as described above), up to $375 million for working capital purposes, plus amounts necessary to cover certain fees and expenses.

Under the terms of the business combination agreement, Vivendi and Activision gave a number of reciprocal commitments customary for this type of transaction, notably certain representations and warranties and undertakings. The parties have also agreed to enter into various ancillary agreements at the closing of the Activision Blizzard transaction, including a tax sharing and indemnity agreement. The transaction is subject to the approval of Activision's stockholders and the satisfaction of customary closing conditions and regulatory approvals. In addition, Activision agreed to pay Vivendi a termination fee of $180 million if the business combination agreement is terminated due to the occurrence of certain events.

Following the transaction, Vivendi will have the ability to nominate a majority of the Activision Blizzard board. Prior to the fifth anniversary of the closing date, the approval of certain matters by the Activision Blizzard board of directors will require the affirmative vote of (a) a majority of the votes present or otherwise able to be cast, and (b) at least a majority of the independent directors. These matters include, in particular, the declaration and payment of any dividend on Activision Blizzard's common stock, provided that after the first anniversary of the closing date, this restriction will not apply if Activision Blizzard's pro forma net debt amount, after giving effect to such dividend, does not exceed $400 million.

Vivendi will fully consolidate Activision Blizzard from the closing date of the merger and share purchase transactions. Upon closing of these transactions, Vivendi will own a majority of the issued and outstanding shares of Activision common stock and will be entitled to exercise its shareholder's rights and therefore, strictly from an accounting perspective, will be deemed to have control of Activision Blizzard.

From an accounting perspective, Vivendi Games will be deemed the acquirer of Activision, and after consummation both of the merger and share purchase transactions under the business combination agreement and the completion of the tender offer, assuming that such tender offer is fully subscribed, Vivendi would hold a 68% controlling interest in Activision Blizzard and the transaction would be recorded as follows:

- the dilution of Vivendi's interest in Vivendi Games by approximately 32%; the dilution gain is expected to be approximately $2.5 billion (€1.8 billion); and

- the acquisition of a controlling interest of approximately 68% in Activision for a consideration of $5.0 billion; the allocation of the purchase price is expected to result in preliminary goodwill amounting to $5.0 billion (€3.5 billion), before allocation of the purchase price to the assets and liabilities of Activision.

2.9. Proposed take over of Neuf Cegetel by SFR

On December 20, 2007, SFR and the Louis Dreyfus Group signed a draft agreement under which the Louis Dreyfus Group would sell its entire approximately 28% interest in Neuf Cegetel to SFR, at a price of €34.50 per share, with 2007 coupons attached, for a total amount of €2.1 billion. This amount could increase by €40 million depending on the date of the transaction. If this transaction is completed, it will increase SFR's stake in Neuf Cegetel to 67.95% after dilution. On February 19 and 20, 2008, this draft agreement received positive opinions from SFR and Neuf Cegetel labor relations and employee representative committees, respectively. A definitive agreement was entered into on February 29, 2008. Subject to the receipt of all necessary regulatory approvals, SFR would acquire the Louis Dreyfus Group's stake in Neuf Cegetel.

After the closing of the Louis Dreyfus Group transaction, SFR will, in accordance with applicable securities laws, launch a cash tender offer for the publicly held Neuf Cegetel shares, followed by a squeeze out if applicable, at a price of €36.50 per share, with 2007 coupons attached.

Under the terms of the agreement with the Louis Dreyfus Group, Vivendi has agreed to pay the Louis Dreyfus Group €66 million in the event the transaction is not completed as counterpart of the share immobilization.

2.10. Other 2007 changes in scope

- Acquisition of Debitel France and its distribution subsidiary, Videlec by CID, a company owned 40% by SFR, in November 2007; and
- Acquisition of Octone by UMG in April 2007.

Note 3. Segment Data

3.1. Business Segment Data

The group operates through different entertainment businesses. Each business offers different products and services that are marketed through different channels. Given the unique customer base, technology, marketing and distribution requirements of these businesses, they are managed separately and represent the primary segment reporting level. As of December 31, 2007, Vivendi had five business segments engaging in the activities described below:

- Universal Music Group, sale of recorded music and exploitation of music publishing rights;
- the Canal+ Group, production and distribution of pay-TV in France, analog or digital (terrestrially, *via* satellite or ADSL);
- SFR, mobile phone services in France, as well as fixed and ADSL services developed or acquired recently;
- Maroc Telecom, telecommunications operator (mobile, fixed and Internet) essentially in Morocco as well as in other African countries; and
- Vivendi Games, publishing and distribution of video games, online or on other media (such as console, PC and mobile phones).

Vivendi Management evaluates the performance of the business segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations). Segment earnings correspond to EBITA of each business segments.

Additionally, segment data is elaborated according to the following principles:

- the segment "Holding & Corporate" includes the cost of Vivendi S.A.'s headquarters in Paris and of its New York City office, after the allocation of a portion of these costs to each of the businesses;
- the segment "Non-core operations and others" includes miscellaneous businesses outside Vivendi's core businesses, which assets are being divested or liquidated and which are not disclosed as discontinued

operations as they do not comply with criteria prescribed by IFRS5, as well as Vivendi Mobile Entertainment, which operates, under the "ZaOza" brand, a new service to sell digital content on the Internet and on mobile phones;

- inter-segment commercial relations are conducted on an arm's length basis on terms and conditions similar to those which would be proposed by third parties; and
- the business segments presented hereunder are identical to those appearing in the information given to Vivendi's Management and Supervisory Boards.

Vivendi has identified five geographic areas, consisting of its four main geographic markets (France, Rest of Europe, US and Morocco), as well as the rest of the world.

3.1.1 Consolidated Statement of Earnings

Year Ended December 31, 2007	Universal Music Group	Canal+ Group	SFR	Maroc Telecom	Vivendi Games	Holding & Corporate	Non Core Operations and Others	Eliminations	Total Vivendi
	(In millions of euros)								
External revenues	4,851	4,320	9,009	2,449	1,018	—	10	—	21,657
Inter-segment revenues	19	43	9	7	—	—	1	(79)	—
Revenues	**4,870**	**4,363**	**9,018**	**2,456**	**1,018**	**—**	**11**	**(79)**	**21,657**
Operating expenses excluding amortization and depreciation as well as financial charges related to share-based compensation plans	(4,123)	(3,727)	(5,573)	(1,057)	(701)	(89)	(30)	79	(15,221)
Financial charges related to stock options and share-based compensation plans	(12)	(8)	(14)	(2)	(83)	(35)	—	—	(154)
EBITDA	**735**	**628**	**3,431**	**1,397**	**234**	**(124)**	**(19)**	**—**	**6,282**
Restructuring charges	(67)	(31)	—	9	1	(1)	—	—	(89)
Gains (losses) on tangible and intangible assets	1	(4)	(44)	9	(1)	—	—	—	(39)
Other non recurring items	1	(1)	—	(1)	1	51	14	—	65
Depreciation of tangible assets	(46)	(131)	(504)	(257)	(43)	(6)	(6)	—	(993)
Amortization of intangible assets excluding those acquired through business combinations	—	(61)	(366)	(66)	(11)	(1)	—	—	(505)
Adjusted earnings before interest and income taxes (EBITA)	**624**	**400**	**2,517**	**1,091**	**181**	**(81)**	**(11)**	**—**	**4,721**
Amortization of intangible assets acquired through business combinations	(236)	(30)	(12)	(23)	—	—	—	—	(301)
Impairment losses of intangible assets acquired through business combinations	—	(25)	(9)	—	—	—	—	—	(34)
Earnings before interest and income taxes (EBIT)	**388**	**345**	**2,496**	**1,068**	**181**	**(81)**	**(11)**	**—**	**4,386**
Income from equity affiliates									373
Interest									(166)
Income from investments									6
Other financial charges and income									(83)
Provision for income taxes									(747)
Earnings from discontinued operations									—
Earnings									**3,769**
Attributable to:									
Equityholders of the parent									**2,625**
Minority interests									1,144

Year Ended December 31, 2006	Universal Music Group	Canal+ Group	SFR	Maroc Telecom	Vivendi Games	Holding & Corporate	Non core Operations and Others	Eliminations	Total Vivendi
					(In millions of euros)				
External revenues	4,931	3,563	8,674	2,043	804	—	29	—	20,044
Inter-segment revenues	24	67	4	10	—	—	—	(105)	—
Revenues	**4,955**	**3,630**	**8,678**	**2,053**	**804**	**—**	**29**	**(105)**	**20,044**
Operating expenses excluding amortization and depreciation as well as financial charges related to share-based compensation plans	(4,104)	(3,382)	(5,210)	(853)	(630)	(89)	(30)	105	(14,193)
Financial charges related to stock options and share-based compensation plans	(40)	(9)	(19)	(6)	(19)	(20)	—	—	(113)
EBITDA	**811**	**239**	**3,449**	**1,194**	**155**	**(109)**	**(1)**	**—**	**5,738**
Restructuring charges	(15)	—	—	(30)	(2)	(4)	1	—	(50)
Gains (losses) on tangible and intangible assets	—	7	(43)	1	(1)	5	(1)	—	(32)
Other nonrecurring items	—	1	—	(3)	—	3	70	—	71
Depreciation of tangible assets	(52)	(103)	(503)	(199)	(28)	(7)	(13)	—	(905)
Amortization of intangible assets excluding those acquired through business combinations	—	(69)	(320)	(51)	(9)	(1)	(2)	—	(452)
Adjusted earnings before interest and income taxes (EBITA)	**744**	**75**	**2,583**	**912**	**115**	**(113)**	**54**	**—**	**4,370**
Amortization of intangible assets acquired through business combinations	(199)	—	—	(24)	—	—	—	—	(223)
Impairment losses of intangible assets acquired through business combinations	—	—	—	—	—	—	—	—	—
Earnings before interest and income taxes (EBIT)	**545**	**75**	**2,583**	**888**	**115**	**(113)**	**54**	**—**	**4,147**
Income from equity affiliates									337
Interest									(203)
Income from investments									54
Other financial charges and income									311
Provision for income taxes									547
Earnings from discontinued operations									—
Earnings									**5,193**
Attributable to:									
Equityholders of the parent									**4,033**
Minority interests									1,160

Income from equity affiliates mainly comprised the group's share in earnings of NBC Universal (€301 million in 2007, unchanged compared to 2006), an investment allocated to the Holding & Corporate business segment, and the group's share in earnings of Neuf Cegetel (€78 million in 2007, compared to €38 million in 2006), an investment allocated to the SFR business segment. Please refer to Note 14.

3.1.2 Consolidated Statement of Financial Position

	Universal Music Group	Canal+ Group	SFR	Maroc Telecom	Vivendi Games	Holding & Corporate	Non Core Operations and others	Total Vivendi
				(In millions of euros)				
DECEMBER 31, 2007								
Segment assets	8,581	7,350	13,318	4,933	398	6,164	85	40,829
incl. investments in equity affiliates(a)	***48***	***2***	***1,134***	—	—	***5,641***	—	*6,825*
Unallocated assets								4,250
Total assets								**45,079**
Segment liabilities	2,977	3,421	5,591	1,383	402	378	9	14,161
Unallocated liabilities								8,676
Total liabilities								**22,837**
Increase in tangible and intangible assets	42	156	1,020	488	56	1	4	**1,767**
Net industrial investments (capex, net)(b)	38	143	1,020	363	56	1	5	**1,626**
DECEMBER 31, 2006								
Segment assets	8,953	5,398	12,415	4,045	428	7,134	174	38,547
incl. investments in equity affiliates(a)	*21*	*2*	*1,055*	*1*	—	*5,953*	—	*7,032*
Unallocated assets								4,501
Total assets								**43,048**
Segment liabilities	2,890	2,457	5,130	959	331	389	196	12,352
Unallocated liabilities								8,832
Total liabilities								**21,184**
Increase in tangible and intangible assets	46	150	1,380	361	86	2	—	**2,025**
Net industrial investments (capex, net)(b)	45	141	1,133	255	76	(4)	(1)	**1,645**

(a) Holding & Corporate includes the 20% stake in NBC Universal. SFR includes the approximate 40% stake in Neuf Cegetel.

(b) Corresponding to cash used for capital expenditures and proceeds from sales of property, plant, equipment and intangible assets.

In addition, additional segment data is presented in Note 9 “Goodwill” and Note 10 “Content assets and commitments”.

3.2. Geographic Data

Information by geographic area is the second level of segment data. Revenues are presented based on the customers' location.

	Year Ended December 31, 2007		2006	
	(In millions of euros)			
Revenues				
France	13,403	*62%*	12,372	***62%***
Rest of Europe	2,352	*11%*	2,081	*10%*
USA	2,319	*11%*	2,448	*12%*
Morocco	2,139	*10%*	1,960	*10%*
Rest of World	1,444	*6%*	1,183	*6%*
	21,657	***100%***	**20,044**	***100%***

	December 31, 2007		December 31, 2006	
	(In millions of euros)			
Segment assets				
France	**21,311**	***52%***	**19,147**	***50%***
Rest of Europe	**1,485**	***4%***	1,201	*3%*
USA	**12,781**	***31%***	13,836	*36%*
Morocco	**4,322**	***11%***	3,930	*10%*
Rest of World	930	***2%***	433	*1%*
	40,829	***100%***	**38,547**	***100%***

In 2007 and 2006, capital expenditures were mainly realized in France by SFR and Canal+ Group, and in Morocco by Maroc Telecom.

Note 4. EBIT

4.1. Breakdown of Revenues and Cost of Revenues

	Year Ended December 31, 2007	2006
	(In millions of euros)	
Product sales, net	5,835	5,788
Service revenues	15,787	14,222
Other	35	34
Revenues	**21,657**	**20,044**
Cost of products sold, net	(3,797)	(3,580)
Cost of service revenues	(6,080)	(6,059)
Other	1	3
Cost of revenues	**(9,876)**	**(9,636)**

4.2. Personnel Costs and Average Employee Numbers

	Note	Year Ended December 31, 2007	2006
		(In millions of euros except number of employees)	
Annual average number of full time equivalent employees		**39,919**	**37,014**
Salaries		1,661	1,540
Social security and other employment charges		402	386
Capitalized personnel costs		(30)	(29)
Wages and expenses		**2,033**	**1,897**
Share-based compensation	21.1	154	113
Employee benefit plans	20.1	26	46
Other		177	147
Personnel costs		**2,390**	**2,203**

4.3. Additional Information on Operating Expenses

Research and development costs recorded in expenses amounted to -€227 million in 2007 and -€217 million in 2006.

Advertising costs amounted to -€721 million in 2007 and -€661 million in 2006.

4.4. Amortization and Depreciation of Tangible and other Intangible Assets

	Note	Year Ended December 31, 2007	2006
		(In millions of euros)	
Amortization (excluding intangible assets acquired through business combinations)		1,498	1,357
o/w property, plant and equipment	12	*993*	*905*
o/w content assets	10	*40*	*50*
o/w other intangible assets	11	*465*	*402*
Amortization of intangible assets acquired through business combinations		301	223
o/w content assets	10	*235*	*199*
o/w other intangible assets	11	*66*	*24*
Impairment losses of other intangible assets acquired through business combinations		**34**	**—**
Amortization and depreciation of tangible and intangible assets		**1,833**	**1,580**

Note 5. Financial Charges and Income

Interest

	Note	Year Ended December 31 2007	2006
		(In millions of euros)	
Interest expense on borrowings		301	286
Capitalized interest relating to the acquisition of BMG Publishing	2.4	(25)	(3)
Interest income from cash and cash equivalents		(110)	(80)
Interest at nominal rate		**166**	**203**
Impacts of amortized cost on borrowings		*28*	*26*
Interest at effective rate		***194***	***229***

The impact of amortized cost on borrowings is recorded under "other financial charges" (please refer to the Note hereafter). This impact represents the difference between the interest at nominal rate and the interest at effective rate.

Other Financial Charges and Income

	Note	Year Ended December 31 2007	2006
		(In millions of euros)	
Other capital gain on the divestiture of businesses		262	189
o/w the gains on the sale of 20% of Canal + France to Lagardère	2.1	239	***128***
Downside adjustment on the divestiture of businesses		(40)	(104)
Other capital gain on financial investments		4	932
o/w the capital gain on the sale of Veolia Environment shares	15	—	***832***
Downside adjustment on financial investments		(185)	(631)
o/w the capital loss incurred on the PTC shares		—	***(496)***
o/w the capital loss on the sale of DuPont shares	6.2	—	***(98)***
o/w the write-off of the 19.7% minority stake in Amp'd	15	(65)	—
Financial components of employee benefits	20.2	(29)	(32)
Impacts of amortized cost on borrowings	5	(28)	(26)
Change in derivative instruments		9	24
Effect of undiscounting liabilities		(75)(a)	(15)
Other		(1)	(26)
Other financial charges and income		**(83)**	**311**

(a) As prescribed by accounting principles, when the effect of the time value of money is material, the amount for which financial assets or liabilities (mainly trade accounts receivable and payable, as well as provisions) are recorded on the balance sheet shall be the present value of the expected income or expenses, respectively. At each subsequent period-end, the present value of such financial assets or liabilities is adjusted to take into consideration the passage of time. As of December 31, 2007, this line item corresponds mainly to the effect of undiscounting of liabilities related to the combination of pay-TV activities in France with the Canal+ Group and TPS (please refer to Note 2.1).

Note 6. Income Taxes

6.1. Consolidated Global Profit Tax System

On December 23, 2003, Vivendi applied to the French Ministry of Finance for permission to use the Consolidated Global Profit Tax System under Article 209 *quinquies* of the French tax code. Authorization was granted by an order, dated as of August 22, 2004, and notified on August 23, 2004, for a five-year period beginning with the taxable year 2004 and ending with the taxable year as of December 31, 2008. This period may be extended for an additional three-year period. Therefore, Vivendi is entitled to consolidate its own profits and losses (including tax losses carried forward as of December 31, 2003) with the profits and losses of its subsidiaries operating within and outside France. Subsidiaries in which Vivendi owns at least 50% of outstanding shares, both French and foreign, as well as Canal+ S.A., fall within the scope of the Consolidated Global Profit Tax System, including, but not limited to Universal Music Group, Vivendi Games, CanalSat, SFR and, as of January 1, 2005, Maroc Telecom. The 2004 Finance Act authorized the unlimited carry forward of existing ordinary losses as of December 31, 2003, which, combined with Vivendi's permission to use the Consolidated Global Profit Tax System, enables Vivendi to maintain its capacity to use ordinary losses carried forward.

The effect of applying the Consolidated Global Profit Tax System on the valuation of losses carried forward is as follows:

- as of December 31, 2006, Vivendi carried forward losses of €9,344 million as the head company consolidating for tax purposes the results of its French and foreign subsidiaries (based on tax results converted in accordance with French tax rules for the latter) in which it held at least a 50% equity interest, as well as of Canal+ SA;
- on February 26, 2008, the date of the Management Board's meeting held to approve the financial statements for the Year Ended December 31, 2007, the 2007 taxable profits of the tax group companies, as of December 31, 2007 and, as a consequence, the amount of ordinary tax losses available for carry forward as such date, cannot be determined with sufficient certainty in accordance with French tax rules;
- therefore, before the impact of 2007 taxable profits on the future utilization of ordinary tax losses carried forward, Vivendi S.A. will be able to achieve maximum tax savings up to €3,115 million (undiscounted value based on the current income tax rate of 33.33%); and
- nonetheless, the period during which losses will be utilized cannot currently be determined with sufficient precision given the uncertainty associated with economic activity and Vivendi's ability to maintain SFR or the Canal+ Group (two French entities) in its taxable income basket. As a result, Vivendi values its tax losses carried forward under the Consolidated Global Profit Tax System based on one year's forecast results, taken from the following year's budget.

Impact of the Consolidated Global Profit Tax System on the Consolidated Financial Statements for the years ended December 31, 2007 and 2006 is as follows:

	December 31, 2005	Income/ (charges) in the statement of earnings	Collections	December 31, 2006	Income/ (charges) in the statement of earnings	Collections	December 31, 2007
	(In millions of euros)						
Current taxes	507	602	(505)	604	551(a)	(603)	552
Deferred tax assets	580	(43)	—	537	53	—	590
	1,087	**559**	**(505)**	**1,141**	**604**	**(603)**	**1,142**

(a) Corresponds to the expected tax savings for 2007 (€552 million) and the difference between the 2006 forecasted tax savings and the related 2007 tax savings received in 2007.

As of December 31 2007, current taxes corresponded to the 2007 expected tax savings. Deferred tax assets corresponded to the 2008 forecasted tax savings.

On February 26, 2008, the date of the Management Board meeting held to approve the financial statements for the year ended December 31, 2007, Vivendi intends to apply for permission to use the Consolidated Global Profit Tax System for an additional three-year period, in accordance with applicable law.

6.2. Settlement of Litigation relating to DuPont Shares

At the beginning of June 2006, Vivendi announced that an agreement had been reached with the United States Internal Revenue Service (IRS) ending their dispute concerning the amount of tax due on the redemption by DuPont of certain of its shares held by Seagram in April 1995. The agreement reached with the IRS provided for a payment by Vivendi in the total amount of approximately $671 million (€521 million), including tax of $284 million and interest of $387 million.

As a result, after including the payment made in connection with the agreement with the IRS (-$671 million) and a tax credit related to the deductible portion of this payment ($135 million), the reversal of the entire deferred tax liability established in connection with this matter ($1,847 million) recorded on the group's balance sheet resulted in a net gain of $1,311 million (€1,019 million), which was recorded under "Provision for income taxes" of the 2006 statement of earnings and breaks down as follows:

- reversal of the deferred tax liability of $1,547 million, recorded by Seagram in April 1995, net of tax of $284 million paid in connection with the agreement with the IRS, generated a gain of $1,263 million. This deferred tax liability corresponded to the additional tax which would have been owed to the IRS if the gain on the DuPont share redemption in 1995 had been fully taxable; and
- the difference between the reversal of the provision for interest in an amount of $462 million ($300 million after accounting for the tax benefit of deductible interest resulting in a savings of $162 million), and interest paid of $387 million ($252 million after accounting for the tax benefit of deductible interest resulting in a savings of $135 million), generated a gain of $75 million or $48 million after taking into account the effect on income tax of tax-deductible interest. This interest was provided for by Vivendi in December 2000 as part of the allocation of the purchase price of Seagram.

Furthermore, the agreement with the IRS provided that the 16.4 million DuPont shares that Vivendi has held since its merger with Seagram could be freely transferred and therefore subject to taxation in accordance with ordinary general tax rules. At the end of June 2006, Vivendi sold these shares at a unit price of $40.82, for a total amount of $671 million (€534 million), resulting in an accounting loss of $123 million (€98 million) and a capital gain for tax purposes of $523 million (€417 million). The tax on the capital gain is fully covered by the above mentioned tax-deductible interest and the US tax loss carry-forwards of Vivendi.

6.3. Provision for Income Taxes

	Note	Year Ended December 31, 2007	2006
		(In millions of euros)	
Provision for income taxes:			
Current			
DuPont shares litigation settlement	6.2	—	(521)
Use of tax losses:			
Tax savings related to the Consolidated Global Profit Tax System	6.1	552	604
Tax savings related to the US fiscal group		138	217
Adjustments to prior year's tax expense		(15)	26
Other income taxes items		(1,533)	(1,688)
		(858)	**(1,362)**
Deferred			
DuPont shares litigation settlement	6.2	—	1,603
Impact of the Consolidated Global Profit Tax System	6.1	53	(43)
Impact of the US fiscal group		(88)	14
Other changes in deferred tax assets		42	78
Impact of the change(s) in tax rates		33	—
Reversal of tax liabilities relating to risks extinguished over the period		15	272
Other deferred tax income/(expenses)		56	(15)
		111	**1,909**
Provision for income taxes		**(747)**	**547**

6.4. Provision for Income Taxes and Income Tax Paid by Geographical Area

	Note	Year Ended December 31, 2007	2006
		(In millions of euros)	
Provision for income taxes:			
Current			
France		(394)	(497)
US		(18)	(539)
o/w DuPont shares tax litigation settlement	6.2	—	(521)
Morocco		(350)	(282)
Other jurisdictions		(96)	(44)
		(858)	**(1,362)**
Deferred			
France		33	7
US		(45)	1,798
o/w DuPont shares tax litigation settlement	6.2	—	1,603
Morocco		7	—
Other jurisdictions		116	104
		111	**1,909**
Provision for income taxes		**(747)**	**547**
Income tax (paid)/collected:			
France		(560)	(522)
o/w SFR		(920)	*(852)*
US		(15)	(541)
o/w DuPont shares tax litigation settlement	6.2	—	(521)
Morocco		(306)	(286)
Other jurisdictions		(191)	(32)
Income tax paid		**(1,072)**	**(1,381)**

6.5. Effective Tax Rate

	Note	Year Ended December 31, 2007	2006
		(In millions of euros, except %)	
Earnings from continuing operations before provision for income taxes		**4,516**	**4,646**
Elimination:			
Income from equity affiliates		(373)	(337)
Earnings before provision for income taxes		**4,143**	**4,309**
French statutory tax rate(a)		**33.33%**	**33.33%**
Theoretical provision for income taxes based on French statutory tax rate		**(1,381)**	**(1,436)**
Reconciliation of the theoretical and effective provision for income taxes:			
Permanent differences		**22**	**(55)**
o/w other differences from tax rates		*(65)*	*(51)*
o/w impact of the changes in tax rates		*33*	—
Consolidated Global Profit	6.1	**605**	**561**
o/w current tax savings		*552*	*604*
o/w changes in related deferred tax assets		*53*	*(43)*
Other tax losses		**(56)**	**(26)**
o/w use of unrecognized ordinary losses		*87*	*175*
o/w unrecognized tax losses		*(143)*	*(201)*
Restatements in respect of the provision for income taxes of previous years		**2**	**1,380**
o/w DuPont shares litigation settlement		—	*1,082*
Capital gain or loss on the divestiture of financial investments or businesses		**61**	**123**
Effective provision for income taxes		**(747)**	**547**
Effective tax rate		**18.0%**	(12.7)%

(a) The French statutory tax rate is 33.33%. The December 30, 2004 Finance Act (Act No. 2004-1484) provided for the phasing out of the additional contribution surtax equal to 3% of the corporate tax liability of French companies since 2002. This surtax was reduced to 1.5% beginning January 1, 2005 and was abolished in 2006. Act No. 99-1140 of December 29, 1999 dealing with the financing of the social security system provided for the introduction of a surtax equal to 3.3% of the corporate tax liability of French companies. This surtax had the effect of raising the French corporate tax rate by 1.1 percentage points. The French corporate tax rate was therefore 34.43% in 2007 and in 2006.

6.6. Changes in Current and Deferred Tax Assets and Liabilities

Changes in deferred tax assets/(liabilities), net

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Opening balance of deferred tax assets/(liabilities)	414	(1,692)
Effect on provision for income taxes	111	1,909
Effect on shareholders' equity	—	26
Change in the scope of consolidation	(136)	(1)
Change in foreign currency translation adjustments	(63)	172
Closing balance of deferred tax assets/(liabilities)	**326**	**414**

Components of deferred tax assets and liabilities

	December 31, 2007	December 31, 2006
	(In millions of euros)	
Deferred tax assets		
Recognized deferred taxes		
Tax losses(a)	3,441	3,745
Temporary differences(b)	1,003	1,053
Recognized deferred taxes	**4,444**	**4,798**
Unrecognized deferred taxes		
Tax losses	(2,691)	(2,838)
Temporary differences	(331)	(476)
Unrecognized deferred taxes	**(3,022)**	**(3,314)**
Recorded deferred tax assets	**1,422**	**1,484**
Deferred tax liabilities		
Purchase accounting reevaluation of assets(c)	666	535
Spirits and wine sale	152	177
Other	278	358
Recorded deferred tax liabilities	**1,096**	**1,070**
Deferred tax assets/(liabilities), net	**326**	**414**

(a) Mainly includes deferred tax assets in respect of ordinary tax losses carried forward by Vivendi as head of the tax group under the Consolidated Global Profit Tax System (€3,115 million as of December 31, 2006, before adjustment due to the expected 2007 tax savings amounting to €552 million, please refer to section 6.1 above) and ordinary tax losses carried forward by the US tax group (€131 million as of December 31, 2006), hence a recognized deferred tax asset on losses carried forward amounting to €750 million.

(b) Mainly includes the deferred tax assets related to not deductible provisions, which mainly include provisions related to employee benefit plans and share-based compensation plans.

(c) These tax liabilities generated by asset revaluations as a result of the purchase price allocation of company acquisition costs are cancelled on the depreciation, amortization or divestiture of the underlying asset and generate no current tax charge.

Maturity of losses carried forward

The tax losses carried forward reported to tax authorities for the fiscal year ended December 31, 2006, which are material to Vivendi are described below along with their respective maturity periods:

- *France:* losses carried forward amounted to €9,344 million and can be carry forward indefinitely; and
- *United-States:* losses carried forward amounted to $534 million and can be carried forward for a twenty-year period. No losses will mature prior to December 31, 2022.

6.7. Tax Audits

The years ended December 31, 2007 and 2006 and prior years, when appropriate, are open to tax audits by the respective tax authorities in the jurisdictions in which Vivendi has operations. Various tax authorities have proposed or levied assessments for additional tax in respect of prior years. Management believes that the settlement of any or all of these assessments will not have a material impact on the results of operations, financial position or liquidity of Vivendi. Besides, in respect of the Consolidated Global Profit Tax System, the consolidated income reported by Vivendi S.A. for the years 2004 and 2005 is under audit by the French tax authorities. This tax audit, which started in 2007, is underway, and, as of today, the French tax authorities have not proposed any assessment that would materially impact the amount of losses carried forward in respect of the fiscal years considered.

Note 7. Reconciliation of Earnings attributable to Equity Holders of the Parent and adjusted Net Income

	Note	Year Ended December 31, 2007	Year Ended December 31, 2006
		(In millions of euros)	
Earnings attributable to equity holders of the parent(a)		**2,625**	**4,033**
Adjustments			
Amortization of intangible assets acquired through business combinations		301	223
Impairment losses of intangible assets acquired through business combinations(a)		34	—
Other financial charges and income(a)		83	(311)
Earnings from discontinued operations(a)		—	—
Change in deferred tax asset related to the Consolidated Global Profit Tax System	6.1	(53)	43
Non recurring items related to provision for income taxes		74(b)	(1,284)(b)
Provision for income taxes on adjustments		(155)	(83)
Minority interests in adjustments		(77)	(7)
Adjusted net income		**2,832**	**2,614**

(a) As presented in the consolidated statement of earnings.

(b) Corresponds mainly to the reversal of tax liabilities relating to risks extinguished over the period. In 2006, includes mainly the gain from the settlement of the Dupont litigation (€1,082 million).

Note 8. Earnings per Share

	Year Ended December 31,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Earnings (in millions of euros)				
Earnings attributable to the equity holders of the parent	2,625	2,625	4,033	4,033
Adjusted net income	2,832	2,832	2,614	2,614
Number of shares (in millions)				
Weighted average number of shares outstanding restated(a)	1,160.2	1,160.2	1,153.4	1,153.4
Potential dilutive effect related to share-based compensation	—	7.6	—	9.0
Adjusted weighted average number of shares	1,160.2	1,167.8	1,153.4	1,162.4
Earnings per share (in euros)				
Earnings attributable to the equity holders of the parent per share	2.26	2.25	3.50	3.47
Adjusted net income per share	2.44	2.43	2.27	2.25

(a) Net of treasury shares (please refer to Note 18.1).

Earnings from discontinued operations are not applicable over presented periods. Therefore, earnings from continuing operations, attributable to the equity holders of the parent, correspond to earnings attributable to the equity holders of the parent.

Note 9. Goodwill

	December 31, 2007	December 31, 2006
	(In millions of euros)	
Goodwill, gross	26,402	25,240
Impairment losses	(10,975)	(12,172)
Goodwill	**15,427**	**13,068**

Changes in Goodwill

	Goodwill as of December 31, 2006	Impairment losses	Changes in value of commitments to purchase minority interests	Business combinations	Divestitures, changes in foreign currency translation adjustments and other	Goodwill as of December 31, 2007
			(In millions of euros)			
Universal Music Group	3,923	—	—	739(a)	(416)	**4,246**
Canal + Group	3,412	—	10	1,427(b)	1	**4,850**
o/w Studio Canal	***129***	—	—	—	(2)	***127***
SFR	4,024	(6)	—	252(c)	—	**4,270**
Maroc Telecom	1,600	—	4	384(d)	(28)	**1,960**
Vivendi Games	109	—	—	1	(9)	**101**
Non core operations and others	—	—	—	—	—	—
Total	**13,068**	**(6)**	**14**	**2,803**	**(452)**	**15,427**

	Goodwill as of December 31, 2005	Impairment losses	Changes in value of commitments to purchase minority interests	Business combinations	Divestitures, changes in foreign currency translation adjustments and other	Goodwill as of December 31, 2006
			(In millions of euros)			
Universal Music Group	4,275	—	—	6	(358)(e)	**3,923**
Canal + Group	3,784	—	(54)(f)	23	(341)(g)	**3,412**
o/w Studio Canal	***106***	—	—	23	—	***129***
SFR	4,024	—	—	—	—	**4,024**
Maroc Telecom	1,636	—	—	—	(36)	**1,600**
Vivendi Games	77	—	—	—	32	**109**
Non core operations and others	—	—	—	—	—	—
	—	—	—	—	—	—
Total	**13,796**	**—**	**(54)**	**29**	**(703)**	**13,068**

(a) Mainly corresponds to goodwill attributable to the acquisition of BMG Music Publishing for €599 million (please refer to Note 2.4) and of Sanctuary for €102 million (please refer to Note 2.6).

(b) Corresponds to goodwill attributable to the acquisition of 65% of TPS (€804 million), the acquisition of 34% of CanalSatellite (€564 million) and the put option granted to TF1 and M6 on their stake in Canal+ France (€932 million), offset by goodwill attributable to the sale of 10.18% and 15% of Canal+ France to Lagardère, and TF1 and M6, respectively (€873 million) (please refer to Note 2.1).

(c) Corresponds mainly to the goodwill attributable to the acquisition of the fixed and ADSL activities of Télé2 France for €220 million.

(d) Corresponds to goodwill attributable to the acquisition of Onatel and Gabon Telecom for €164 million and €19 million, respectively (please refer to Notes 2.2 and 2.3) and the acquisition of a 2% interest in Maroc Telecom by Vivendi for €201 million (please refer to Note 2.7).

(e) Includes €67 million, a portion of the allocation of the excess of the acquisition cost (€964 million) over the carrying amount of the approximately 7.7% stake in Universal Studios Holding I Corp acquired from MEI. The remaining amount (€65 million) was accounted for as an investment in equity affiliates (NBCU).

(f) The put option granted to minority shareholders on TKP shares maturing October 2006 was not exercised. The goodwill calculated following the initial recognition of the put option was reversed.

(g) Corresponds mainly to the derecognition of the goodwill (€341 million) attributable to the sale of 9.82% of Canal+ France to Lagardère on December 19, 2006 (please refer to Note 2.1).

Goodwill Impairment Test

During the fourth quarter of 2007, Vivendi reviewed the value of goodwill allocated to its cash-generating units (CGUs). In the absence of any identified indicator of impairment, the test was performed on the basis of an internal valuation. After this test, Vivendi Management reached the conclusion that the recoverable value of its CGUs or groups of CGUs exceeded their carrying value.

CGUs or groups of CGUs tested are as follows:

Business Segments	Cash Generating Units (CGUs)	Groups of CGUs
Universal Music Group	Music recording	Universal Music Group
	Music publishing (including BMGP)	
	Canal+ Premium	
	Canal Sat/TPS	
Canal+ Group	Multi Thématiques	Canal+ French Pay-TV
	Canal Overseas	
	Studio Canal	Studio Canal
	Other entities	Other entities
SFR	SFR	SFR
	Mobile	Maroc Telecom
Maroc Telecom	Fixed and internet	
	Other entities	Other entities
Vivendi Games	Vivendi Games	Vivendi Games

The main assumptions and methods used are presented in the following table. Please refer to Note 1.3.5.6 for further presentation of these methods.

	2007			2006		
	Method	Discount Rate	Perpetual Growth Rate	Method	Discount Rate	Perpetual Growth Rate
Universal Music Group	DCF and comparables model	8.25%	2.0%	DCF and comparables model	8.25%	2.5%
Canal+ Group						
Pay TV in France	DCF	8.80%	1.5%	Value of transactions with TF1, M6 and Lagardère (please refer to Note 2.1)	—	—
Studio Canal	DCF	8,75% - 9,25%	0% - 1%	DCF	8.25% - 8.75%	0% - 1%
SFR	DCF and comparables model	8.00%	2.5%	DCF and comparables model	8.0%	2.5%
Maroc Telecom	Stock market price	—	—	Stock market price, DCF and comparables model	10.5%	2.5%
Vivendi Gemes	Value of transaction with Activision (please refer to Note 2.8)	—	—	DCF	11.0% - 12.0%	3.5%

DCF: Discounted Cash Flows.

Note 10. Content Assets and Commitments

10.1. Content Assets

December 31, 2007	Content assets, gross	Accumulated amortization and impairment losses	Content assets
		(In millions of euros)	
Music catalogs and publishing rights	5,690	(3,175)	2,515
Advances to artists and repertoire owners	449	—	449
Merchandising contracts and artists services	61	(3)	58
Sports rights	378	—	378
Film and television costs	4,428	(3,801)	627
Games advances	146	(82)	64
Content assets	**11,152**	**(7,061)**	**4,091**
Deduction of current content assets	(1,084)	120	(964)
Non current content assets	**10,068**	**(6,941)**	**3,127**

December 31, 2006	Content assets, gross	Accumulated amortization and impairment losses	Content assets
		(In millions of euros)	
Music catalogs and publishing rights	4,854	(3,221)	1,633
Advances to artists and repertoire owners	362	—	362
Sports rights	366	—	366
Film and television costs	4,023	(3,452)	571
Games advances	194	(164)	30
Content assets	**9,799**	**(6,837)**	**2,962**
Deduction of current content assets	(1,046)	204	(842)
Non current content assets	**8,753**	**(6,633)**	**2,120**

Changes in the main content assets are as follows:

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Opening balance of music catalogs and publishing rights	**1,633**	**1,989**
Amortization, net(a)	(232)	(199)
Business combinations	1,313(b)	23
Purchases of catalogs	11	9
Divestitures of catalogs	—	—
Assets held for sale	(12)	—
Changes in foreign currency translation adjustments and other	(198)	(189)
Closing balance of music catalogs and publishing rights	**2,515**	**1,633**

(a) This amortization is recorded in "Amortization of intangible assets acquired through business combinations" in the consolidated statement of earnings.

(b) Mainly corresponds to acquired catalogs relating to the acquisition of BMG Music Publishing by UMG (please refer to Note 2.4).

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Opening balance of payments to artists and repertoire owners	**362**	**366**
Payment to artists and repertoire owners	638	620
Business combinations	95	1
Recoupment of advances, net	(605)	(601)
Changes in foreign currency translation adjustments and other	(41)	(24)
Closing balance of payments to artists and repertoire owners	**449**	**362**

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Opening balance of sports rights	**366**	**355**
Rights acquisition(a)	785	683
Business combinations	6	—
Rights accrual(a)	(54)	51
Consumption of broadcasting rights	(727)	(717)
Other	2	(6)
Closing balance of sports rights	**378**	**366**

(a) The rights are accrued upon the opening of the broadcasting period. They are reclassified as acquired rights upon billing by the third party, unless they have already been expensed. The rights accrual, net corresponds to accrued rights less rights transferred to acquired rights and rights consumed before their billing.

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Opening balance of film and television costs	**571**	**509**
Acquisition of coproductions and catalogs	58	24
Consumption of coproductions and catalogs	(97)	(56)
Acquisition of film and television rights	676	599
Consumption of film and television rights	(719)	(581)
Business combinations	119	10
Other	19	66
Closing balance of film and television costs	**627**	**571**

10.2. Contractual Content Commitments

Commitments given recorded in the Statement of Financial Position: content liabilities

Content liabilities are part of "Trade accounts payable and other" or part of "Other non-current liabilities" depending on their nature or maturity, current or non-current, as applicable (please refer to Note 16). Content liabilities related to share-based compensation plans are part of provisions (please refer to Note 21).

	Minimum Future Payments as of December 31, 2007 Due in				Total as of December 31, 2006
	Total	2008	2009-2012	After 2012	
	(In millions of euros)				
Music royalties to artists and repertoire owners	1,485	1,436	49	—	1,334
Film and television rights(a)	182	182	—	—	116
Sports rights	473	464	9	—	500
Creative talent, employment agreements and others(b)	225	114	94	17	201
Total content liabilities	**2,365**	**2,196**	**152**	**17**	**2,151**

Off balance sheet commitments given/received

	Minimum Future Payments as of December 31, 2007 Due in				Total as of December 31, 2006
	Total	2008	2009-2012	After 2012	
	(In millions of euros)				
Film and television rights(a)	3,278(c)	1,160	1,617	501	2,672
Sports rights	181(d)	95	86	—	748
Creative talent, employment agreements and others(b)	1,005	453	503	49	979
Total given	**4,464**	**1,708**	**2,206**	**550**	**4,399**
Film and television rights(a)	(87)	(67)	(20)	—	(118)
Sports rights	—	—	—	—	(29)
Creative talent, employment agreements and others(b)			not available		
Other	(9)	(8)	(1)	—	(19)
Total received	**(96)**	**(75)**	**(21)**	**—**	**(166)**
Total net	**4,368**	**1,633**	**2,185**	**550**	**4,233**

(a) Includes primarily contracts valid over several years relating to the broadcast of future film and TV productions (mainly exclusivity contracts with major US studios and pre-purchases in the French movie industry), StudioCanal film coproduction commitments (given and received) and broadcasting rights of CanalSat and Cyfra+ multichannel digital TV packages. They are recorded as content assets when the broadcast is available for initial release. As of December 31, 2007, provisions recorded relating to film and television rights amounted to €566 million, compared to €214 million as of December 31, 2006 (please refer to Notes 2.1 and 19).

(b) UMG routinely commits to artists and other parties to pay agreed amounts upon delivery of content or other product ("Creative talent and employment agreements"). Until the artist or other party has delivered his or her content, UMG discloses its obligation as an off balance sheet commitment. While the artist or other party is also obligated to deliver his or her content or other product to UMG (these arrangements are generally exclusive), UMG does not report these obligations (or the likelihood of the other party's failure to meet its obligations) as an offset to its off balance sheet commitments.

(c) The increase in film and television rights compared to December 31, 2006, is mainly due to the full consolidation of TPS since January 4, 2007.

(d) Excludes broadcasting rights of all League 1 football matches for the next four seasons (2008-2009 to 2011-2012), awarded on February 6, 2008, to Canal+ Group by the French Professional Football League. Canal+ Group will pay €465 per season (i.e., €1,860 million) for these rights (please report to Note 29). These commitments will be recognized in the statement of financial position upon the opening of every season.

The amounts presented above for off balance sheet commitments given are the minimum amounts guaranteed to third parties.

Note 11. Other Intangible Assets

December 31, 2007	Other Intangible Assets, Gross	Accumulated Amortization and Impairment Losses	Other Intangible Assets
		(In millions of euros)	
Internally developed software(a)	1,146	(697)	449
Acquired software(b)	2,061	(1,333)	728
Telecom licenses	1,339	(312)	1,027
Other	1,101	(533)	568
	5,647	**(2,875)**	**2,772**

As of December 31, 2007, Vivendi does not hold any other intangible assets with an indefinite life.

December 31, 2006	Other Intangible Assets, Gross	Accumulated Amortization and Impairment Losses	Other Intangible Assets
		(In millions of euros)	
Internally developed software(a)	968	(574)	394
Acquired software(b)	1,630	(1,135)	495
Telecom licenses	1,318	(227)	1,091
Other	675	(393)	282
	4,591	**(2,329)**	**2,262**

(a) Includes mainly the cost of internal software developed by SFR.

(b) Includes mainly SFR software amortized over 4 years.

The changes in other intangible assets are as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2006
	(In millions of euros)	
Opening balance	**2,262**	**1,937**
Amortization	(531)	(426)
Impairment losses	(28)	—
Acquisitions	446	641
Increase related to internal developments	196	152
Divestitures/Decrease	(17)	(7)
Business combinations	354	—
Changes in foreign currency translation adjustments	(7)	(12)
Other	97	(23)
Closing balance	**2,772**	**2,262**

The amortization charge is accounted for in cost of revenues and in selling, general and administrative expenses. It mainly consists of telecom licenses (SFR: -€57 million in 2007 and -€52 million in 2006, Maroc Telecom: -€27 million in 2007 and -€25 million in 2006), internally developed software (-€133 million in 2007 and -€120 million in 2006) and acquired software (-€206 million in 2007 and -€171 million in 2006).

Note 12. Property, Plant and Equipment

December 31, 2007	Property, Plant and Equipment, Gross	Accumulated Depreciation and Impairment Losses	Property, Plant and Equipment
		(In millions of euros)	
Land	159	(1)	158
Buildings	1,899	(1,112)	787
Equipment and machinery	7,683	(4,814)	2,869
Construction-in-progress	183	—	183
Other	2,947	(2,269)	678
	12,871	**(8,196)**	**4,675**

December 31, 2006	Property, Plant and Equipment, Gross	Accumulated Depreciation and Impairment Losses	Property, Plant and Equipment
		(In millions of euros)	
Land	246	(20)	226
Buildings	1,939	(1,184)	755
Equipment and machinery	6,527	(3,995)	2,532
Construction-in-progress	273	—	273
Other	2,379	(1,786)	593
	11,364	**(6,985)**	**4,379**

As of December 31, 2007, property, plant and equipment financed by finance lease contracts amounted to €48 million, compared to €65 million in 2006.

The change in Property, Plant and Equipment is as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2006
	(In millions of euros)	
Opening balance	**4,379**	**4,331**
Depreciation	(993)	(905)
Acquisitions/Increase	1,125	1,232
Divestitures/Decrease	(119)	(42)
Business combinations	433	1
Changes in foreign currency translation adjustments	(30)	(43)
Other	(120)	(195)
Closing balance	**4,675**	**4,379**

The depreciation charge is accounted for in cost of revenues and in selling, general and administrative expenses. It mainly consists of buildings (-€121 million in 2007 and -€129 million in 2006) and equipment and machinery (-€623 million in 2007 and -€550 million in 2006).

Note 13. Property, Plant, Equipment and Intangible Assets of Telecom Operations

	December 31, 2007	December 31, 2006
	(In millions of euros)	
Network equipment(a)	2,314	2,365
Software(b)	915	726
Licenses(b)(c)	776	832
Other	609	427
Property, plant, equipment and intangible assets of telecom operations at SFR	**4,614**	**4,350**

	December 31, 2007	December 31, 2006
	(In millions of euros)	
Network equipment(a)	1,111	835
Software(b)	197	124
Licenses(b)	251	259
Other	438	330
Property, plant, equipment and intangible assets of telecom operations at Maroc Telecom	**1,997**	**1,548**

(a) Principally pylons, radio and transmission equipment, switch centers and servers and hardware, recorded as “Property, plant and equipment”.

(b) Recorded as “Other intangible assets”.

(c) Includes the discounted value of the fixed royalty GSM license used by SFR, which was renewed for 15 years in March 2006 (for a gross amount of €278 million).

Note 14. Investments in Equity Affiliates

	Note	Voting Interest		Value of Equity Affiliates	
		December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
		(In millions of euros)			
NBC Universal(a)		20.0%	20.0%	5,641	5,953
Neuf Cegetel	2.9	39.9%	40.5%	1,091	1,020
Other		na*	na*	93	59
				6,825	**7,032**

* na: not applicable.

(a) As of December 31, 2007, as at each year end, an impairment test was performed to determine whether the carrying amount of Vivendi's 20% interest in NBCU exceeds its recoverable amount. Vivendi's management, with the assistance of one independent expert, concluded that the carrying amount of the NBCU interest did not exceed its recoverable amount which was determined using the discounted cash flows method or stock market multiples employing financial assumptions consistent with those used for previous years (discount rate between 6.50% and 7.50%; terminal value based on a multiple of EBITDA between 9.5x and 10.5x for DCF).

Changes in Value of Equity Affiliates

	Value of Equity Affiliates as of December 31, 2006	Changes in Scope of Consolidation	Income from Equity Affiliates	Dividends Received	Changes in Foreign Currency Translation Adjustments and Other	Value of Equity Affiliates as of December 31, 2007
	(In millions of euros)					
NBC Universal	5,953	176(a)	301	(305)	(484)(b)	5,641
Neuf Cegetel	1,020	40(c)	78	(33)	(14)	1,091
Other	59	43	(6)	(2)	(1)	93
	7,032	**259**	**373**	**(340)**	**(499)**	**6,825**

	Value of Equity Affiliates as of December 31, 2005	Changes in Scope of Consolidation	Income from Equity Affiliates	Dividends Received	Changes in Foreign Currency Translation Adjustments and Other	Value of Equity Affiliates as of December 31, 2006
	(In millions of euros)					
NBC Universal	6,419	165(d)	301	(262)	(670)(b)	5,953
Neuf Cegetel	363	626(c)	38	—	(7)	1,020
Other	74	(1)	(2)	(9)	(3)	59
	6,856	**790**	**337**	**(271)**	**(680)**	**7,032**

(a) Includes Vivendi's subscription to the NBC Universal capital increase (€176 million) in order to finance the acquisitions of Oxygen Media and Hallmark International Group.

(b) Includes changes in foreign currency translation adjustments (-€481 million in 2007 and -€673 million in 2006).

(c) Corresponds to additional acquisitions by SFR.

(d) Includes Vivendi's subscription to the NBC Universal capital increase (€98 million) to finance the acquisition of iVillage by NBC Universal and the allocation (€65 million) of the excess of the acquisition cost over the carrying amount of the approximate 7.7% stake in Universal Studios Holding I Corp, acquired from MEI (please refer to Note 9).

Financial Information Relating to Equity Affiliates

The following condensed information relating to equity affiliates corresponds to Vivendi's equity in the stand-alone financial statements of these affiliates. This equity is calculated by applying Vivendi's ownership interests in these affiliates, as presented in Note 28.

	December 31, 2007		December 31, 2006	
	NBC Universal	Neuf Cegetel	NBC Universal	Neuf Cegetel
	(In millions of euros)			
Vivendi's ownership interests	20.0%	22.3%	20.0%	22.7%
Revenues	2,171	747	2,467	657
EBIT	453	53	468	15
Earnings	304	57	305	48
Total assets	4,709	1,137	4,837	993
Total abilities	1,290	754	1,301	658

Note 15. Financial Assets

	Note	December 31, 2007	December 31, 2006
		(In millions of euros)	
Available-for-sale securities		306	325
Derivative financial instruments	2.4	69	52
Financial assets at fair value through P&L		106	119
Down payments made to Bertelsmann for the acquisition of Music Publishing activities	2.4	—	1,663
Onatel shares(a)	2.2	—	222
Financial assets at fair value		**481**	**2,381**
Collateralized cash received from Lagardère	2.1	—	469
Cash deposits		72	50
Other loans and receivables		848	1,097
Held-to-maturity investments		1	—
Financial assets at amortized cost		**921**	**1,616**
Financial assets		**1,402**	**3,997**
Deduction of short-term financial assets		(187)	(833)
Non current financial assets		**1,215**	**3,164**

(a) Onatel has been fully consolidated since January 1, 2007.

Changes in Available-for-sale Securities

	Note	December 31, 2006	Changes in Value	Acquisition/ Divestiture	Changes in Foreign Currency Translation Adjustments and Other	December 31, 2007
				(In millions of euros)		
Sogecable shares hedging the exchangeable bonds	24.3.3	206	3	—	—	209
PTC shares held by Telco and Carcom	27	—	—	—	—	—
Amp'd shares(a)		42	—	23	(65)	—
Other		77	(1)	28	(7)	97
Available-for-sale securities		**325**	**2**	**51**	**(72)**	**306**

	Note	December 31, 2005	Changes in Value	Acquisition/ Divestiture	Changes in Foreign Currency Translation Adjustments and Other	December 31, 2006
				(In millions of euros)		
Veolia Environment shares(b)		823	38	(861)	—	—
DuPont shares	6.2	590	(6)	(550)	(34)	—
Sogecable shares hedging the exchangeable bonds	24.3.3	282	(48)	(28)	—	206
PTC shares held by Telco and Carcom	27	531	—	(496)	(35)	—
LBI fund shares		87	—	(87)	—	—
Amp'd shares		17	—	27	(2)	42
Other		145	9	(83)	6	77
Available-for-sale securities		**2,475**	**(7)**	**(2,078)**	**(65)**	**325**

(a) On June 1, 2007, Amp'd Mobile filed for Chapter 11 bankruptcy protection. As a result, Vivendi has written-off its 19.7% minority stake in this company ($75 million) as well as a related loan ($10 million). On July 23, 2007, Amp'd Mobile filed a Chapter 7 bankruptcy proceeding.

(b) This residual stake of 5.3% in Veolia Environement's share capital was sold in July 2006 under an Accelerated Book Building procedure, for a total amount of €861 million. The capital gain amounted to €832 million.

Other Financial Assets

	Note	December 31, 2007	December 31, 2006
		(In millions of euros)	
Deposits related to Qualified Technological Equipment lease/sublease operations(a)	16	624	686
Down payments made to TF1 & M 6	2.1	—	154
Pension funds	20	17	21
Other		207	236
Other loans and receivables		**848**	**1,097**

(a) Cash deposits relating to Qualified Technological Equipment (QTE) operations set up in 1999 and 2001 by SFR.

Note 16. Net Working Capital

Trade Accounts Receivable and other

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Trade accounts receivable	4,942	3,955
Trade accounts receivable write-offs	(1,354)	(820)
Trade accounts receivable, net	**3,588**	**3,135**
Other	1,620	1,354
o/w VAT to be received	*820*	*705*
o/w social costs and other taxes	*44*	*39*
o/w prepaid charges	*298*	*204*
Trade accounts receivable and other	**5,208**	**4,489**

Trade Accounts Payable and other

	Note	Year Ended December 31,	
		2007	2006
		(In millions of euros)	
Trade accounts payable		5,859	4,898
Other(a)		4,925	4,399
o/w royalty advances to music artist	10.2	***1,436***	***1,279***
o/w prepaid telecommunication revenues(b)		***795***	***772***
o/w VAT		***750***	***635***
o/w social costs and other taxes		***705***	***619***
Trade accounts payable and other		**10,784**	**9,297**

(a) Includes the debt incurred in connection with the interim dividend to be paid to Vodafone by SFR (€197 million with respect to the fiscal year 2007 paid in 2008 and €197 million with respect to the fiscal year 2006 paid in 2007).

(b) Mainly includes subscriptions and prepaid cards sold but not consumed, mobile phones held by distributors as well as roll-over minutes.

Other non-current Liabilities

	Note	Year Ended December 31, 2007	2006
		(In millions of euros)	
Advance lease payments in respect of Qualified Technological Equipment operations	15	650	715
Non current content liabilities		111	120
Liabilities related to SFR GSM licence(a)	13	238	253
Other		79	181
Total other non- current liabilities		**1,078**	**1,269**

(a) Corresponds to the discounted value of the liability. The nominal value amounted to €331 million as of December 31, 2007 and to €356 million as of December 31, 2006.

Note 17. Cash and Cash Equivalents

	Year Ended December 31, 2007	2006
	(In millions of euros)	
Cash	401	410
Cash equivalents	1,648	1,990
Cash and cash equivalents	**2,049**	**2,400**

As of December 31, 2007, cash equivalents comprised UCITS for €808 million (€1,459 million as of December 31, 2006) and certificates of deposit and term deposits for €840 million (€531 million as of December 31, 2006). In accordance with recommendations made by the AMF for the closing of financial statements for the year 2007, a review of the historical performance of these investments was performed during 2007 which confirmed their accounting treatment as cash equivalents.

Note 18. Information on the Share Capital

18.1. Number of Common Shares and Voting Rights Outstanding

	December 31, 2007	December 31, 2006
	(In thousands)	
Common shares outstanding (nominal value: €5.5 per share)	**1,164,743**	**1,157,034**
Treasury shares	(80)	(1,380)
Voting rights	**1,164,663**	**1,155,654**

As of December 31, 2007, Vivendi held 79,114 treasury shares to hedge certain share purchase options granted to executives and employees (unchanged compared to December 31, 2006). As of December 31, 2006, Vivendi held 1,300,389 shares which were in the process of being cancelled. Such cancellation, which was completed in the beginning of 2007, resulted from the conversion of ADS options into cash-settled stock appreciation rights (please refer to Note 21). In 2007, 7,118,181 shares were acquired, then exchanged for 2% of the share capital of Maroc Telecom (please refer to Note 2.7). In 2006, Vivendi sold 1,102,939 shares for a net amount of €27 million, which was recorded against equity.

18.2. 2007 Dividends

On February 26, 2008, the date of the Management Board's meeting which approved Vivendi's Consolidated Financial Statements as of December 31, 2007 and the appropriation of earnings, Vivendi's Management Board decided to propose the distribution of a dividend of €1.30 per share to Vivendi's shareholders, corresponding to a total distribution of approximately €1.5 billion. This proposal was presented to the Supervisory Board at its meeting held on February 28, 2008.

18.3. Statement of Recognized Charges and Income

	Note	Year Ended December 31, 2007			Year Ended December 31, 2006		
		Attibutable to Vivendi S.A.'s Shareholders	Minority Interests	Total	Attibutable to Vivendi S.A.'s Shareholders	Minority Interests	Total
		(In millions of euros)					
Net Income		**2,625**	**1,144**	**3,769**	**4,033**	**1,160**	**5,193**
Foreign currency translation adjustments		**(1,058)(a)**	**(17)**	**(1,075)**	**(977)(a)**	**(44)**	**(1,021)**
Assets available for sale	15	2	—	2	(847)	—	(847)
Valuation gains/(losses) taken to equity		*2*	—	*2*	*(7)*	—	*(7)*
Transferred to profit or loss on divestiture		—	—	—	*(840)*	—	*(840)*
Hedging instruments	24	38(b)	2	40	20	5	25
Tax		(2)	(1)	(3)	24	(1)	23
Unrealized gains (losses)		**38**	**1**	**39**	**(803)**	**4**	**(799)**
Charges and income directly recorded in equity related to equity affiliates		(2)	—	(2)	5	—	5
Other		4	—	4	(36)	35	(1)
Other impacts on retained earnings		**2**	**—**	**2**	**(31)**	**35**	**4**
Charges and income directly recognized in equity		**(1,018)**	**(16)**	**(1,034)**	**(1,811)**	**(5)**	**(1,816)**
TOTAL RECOGNIZED CHARGES AND INCOME OVER THE PERIOD		**1,607**	**1,128**	**2,735**	**2,222**	**1,155**	**3,377**

(a) Includes changes in foreign currency translation adjustments relating to the investment in NBC Universal of -€481 million in 2007 and -€662 million in 2006.

(b) Includes the impact of the fluctuation in the fair value of cash flow hedging instruments (€27 million in 2007) and net investment hedging instruments (€11 million in 2007).

Note 19. Provisions

	Note	December 31, 2006	Addition	Utilization	Reversal	Business Combinations	Divestiture, Changes in Foreign Currency Translation Adjustments and Other	December 31, 2007
				(In millions of euros)				
Employee benefit plans	20	485	41	(50)	(11)	16	(42)	439
Share-based compensation plans	21	154	123	(19)	(9)	—	(18)	231
Other employee provisions(a)		86	7	(11)	(20)	1	(3)	60
Employee benefits(b)		**725**	**171**	**(80)**	**(40)**	**17**	**(63)**	**730**
Restructuring costs		67	44	(43)	(11)	—	2	59
Litigations	27	230	244	(25)	(48)	41	(6)	436
Losses on onerous contracts		260	16	(164)	(16)	527(c)	32	655
Contigent liabilities due to disposal	26.4	155	8	(84)	(11)	—	(2)	66
Cost of dismantling and restoring site(d)		86	5	(3)	—	—	(8)	80
Other		263	104	(58)	(46)	3	7	273
Provisions		**1,786**	**592**	**(457)**	**(172)**	**588**	**(38)**	**2,299**
Deduction of current provisions		(398)	(405)	95	72	(46)	(23)	(705)
Non current provisions		1,388	187	(362)	(100)	542	(61)	1,594

	Note	December 31, 2005	Addition	Utilization	Reversal	Business Combinations	Divestiture, Changes in Foreign Currency Translation Adjustments and Other	December 31, 2006
				(In millions of euros)				
Employee benefit plans	20	724	73	(236)	(19)	—	(57)	485
Share-based compensation plans	21	46	60	(10)	(7)	—	65	154
Other employee provisions(a)		127	15	(6)	(26)	—	(24)	86
Employee benefits(b)		**897**	**148**	**(252)**	**(52)**	—	**(16)**	**725**
Restructuring costs		73	63	(63)	(1)	—	(5)	67
Litigations	27	285	50	(69)	(35)	—	(1)	230
Losses on onerous contracts		105	186(e)	(26)	—		(5)	260
Contigent liabilities due to disposal	26.4	173	98	(102)	(12)	—	(2)	155
Cost of dismantling and restoring site(d)		95	9	—	—	—	(18)	86
Other		170	60	(47)	(18)	—	98	263
Provisions		**1,798**	**614**	**(559)**	**(118)**	—	**51**	**1,786**
Deduction of current provisions		(578)	(179)	344	8	—	7	(398)
Non current provisions		1,220	435	(215)	(110)	—	58	1,388

(a) Includes employee deferred compensation.

(b) Excludes employee termination reserves recorded under restructuring costs in the amount of €45 million in 2007 and €25 million in 2006.

(c) Includes losses on onerous contracts and losses related to long-term contractual commitments estimated as part of business combinations. Concerns primarily contracts valid over several years relating to the broadcast of future film and TV productions and broadcasting rights of multi-channel digital TV packages. Includes, in particular, liabilities assumed in connection with the combination of the Canal+ Group and TPS pay-TV activities in France relating primarily to broadcasting rights, as well as the market value of other long-term contractual commitments. Please refer to Note 2.1.

(d) SFR is required to dismantle and restore each mobile telephony antenna site following the termination of the site lease agreement.

(e) The costs incurred in 2006 relating to the combination of the Canal+ France and TPS pay-TV activities in France amounted to €177 million, of which €165 million were recorded as provisions. As of December 31, 2007, the remaining provision amounted to €109 million.

Note 20. Employee Benefits

20.1. Analysis of the Expense Related to Employee Benefit Plans

The following table provides the cost of employee benefit plans excluding its financial component. The total cost of defined benefit plans is disclosed in Note 20.2.2 hereunder.

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Retirement pensions through defined contribution plans	24	24
Retirement pensions through defined benefit plans	2	22
Employee benefit plans	**26**	**46**

20.2. Retirement Pensions through Defined Benefit Plans

20.2.1 Assumptions used in the evaluation and sensitivity analysis

Discount rate, expected return on plan assets and rate of compensation increase

	Pension Benefits		Post-Retirement Benefits	
	2007	2006	2007	2006
Discount rate(a)	5.5%	4.9%	5.9%	5.2%
Expected return on plan assets(b)	5.0%	4.7%	na*	na*
Rate of compensation increase	3.5%	3.9%	3.3%	3.4%
Expected residual active life (in years)	12.0	12.4	9.4	9.5

* na: non applicable.

(a) The applicable discount rates were determined by reference to returns received on notes issued by investment grade companies having maturities identical to that of the valued plans. A 50 basis point increase in the 2007 discount rate would have lead to a decrease of €2 million in the pre-tax expense. A 50 basis point decrease in the 2007 discount rate would have lead to an increase of €3 million in the pre-tax expense.

(b) For each country where Vivendi has plan assets, expected returns on plan assets were determined taking into account the structure of the asset portfolio and the expected rates of return for each of the components. A 50 basis point increase (or decrease) in the expected return on plan assets for 2007 would have led to a decrease of €2 million in the pre-tax expense (or an increase of €2 million).

The assumptions used in accounting for the pension benefits, by country, were as follows:

	US		UK		Germany		France	
	2007	2006	2007	2006	2007	2006	2007	2006
Discount rate	6.0%	5.3%	5.7%	4.9%	5.3%	4.3%	5.3%	4.3%
Expected return on plan assets	6.0%	5.0%	5.0%	4.5%	na*	na*	5.0%	4.4%
Rate of compensation increase	na*	4.0%	4.9%	4.6%	3.5%	3.5%	3.5%	3.5%

* na: non applicable.

Through its pension management policy in the US (until December 2007) and in the UK, Vivendi put in place an investment strategy, including notably the use of derivatives, which protects the group against unfavorable changes in interest rates and increases in the rate of inflation. Thus, an increase in the pension obligation is compensated for by a symmetrical increase in the fair value of the plan assets.

For the VUPS plan in the UK, this has resulted in the use of interest and inflation derivatives that protect the group from unfavorable movements in interest rates and inflation.

The assumptions used in accounting for the postretirement benefits, by country, were as follows:

	US		Canada	
	2007	2006	2007	2006
Discount rate	6.0%	5.3%	5.6%	4.8%
Rate of compensation increase	4.0%	4.0%	na*	na*

* na: non applicable.

Pension plan assets

The range of investment allocation by asset category for each major plan was as follows:

	Minimum	Maximum
Equity securities	10%	24%
Real estate	1%	1%
Debt securities	72%	86%
Cash	4%	4%

Vivendi's allocation of its pension plan assets as of December 31, 2007 and 2006 was as follows:

	December 31,	
	2007	2006
Equity securities	20.9%	9.7%
Realestate	0.8%	0.3%
Debt securities	74.5%	84.3%
Cash	3.8%	5.7%
Total	100.0%	100.0%

These assets do not include buildings occupied by or assets used by Vivendi, or Vivendi shares or debt instruments.

Annual trend

For purposes of measuring post-retirement benefits, Vivendi assumed a slow-down in growth in the *per capita* cost of covered health care benefits (the annual trend in health care cost) from 8.7% for categories under 65 years old and 65 years old and over in 2007, down to 4.9% in 2012 for these categories. In 2007, a one-percentage- point increase in the annual trend rate would have increased the post-retirement obligation by €10 million and the pre-tax expense by less than €1 million; conversely, a one percentage-point decrease in the annual trend rate would have decreased the post-retirement benefit obligation by €9 million and the pre-tax expense by less than €1 million.

20.2.2 Analysis of the expense recorded and the benefits paid

	Pension Benefits		Post-Retirement Benefits		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2007	2006	2007	2006	2007	2006
	(In millions of euros)					
Current service cost	13	13	—	—	13	13
Amortization of actuarial (gains) losses	11	11	1	—	12	11
Amortization of past service costs	2	(16)	—	4	2	(12)
Effect of curtailments/settlements	(25)	10	—	—	(25)	10
Adjustment related to asset ceiling	—	—	—	—	—	—
Impact on selling, administrative and general expenses	**1**	**18**	**1**	**4**	**2**	**22**
Interest cost	61	62	8	9	69	71
Expected return on plan assets	(40)	(39)	—	—	(40)	(39)
Impact on other financial charges and income	**21**	**23**	**8**	**9**	**29**	**32**
Net benefit cost	**22**	**41**	**9**	**13**	**31**	**54**

In 2007, the benefits paid, including settlements relating to externalized liabilities, amounted to €499 million (€135 million 2006) with respect to pensions, of which €459 million (€107 million in 2006) was paid by pension funds and €15 million (€17 million in 2006) with respect to post-retirement benefits.

20.2.3 Analysis of net benefit obligations with respect to pensions and post-retirement benefits

Benefit obligation, fair value of plan assets and funded status for five periods:

	Pension Benefits					Post-Retirement Benefits				
	Year Ended December 31,				January 1, 2004	Year Ended December 31,				January 1, 2004
	2007	2006	2005	2004		2007	2006	2005	2004	
	(In millions of euros)									
Benefit obligation	780	1,319	1,376	1,276	1,439	144	159	200	201	206
Fair value of plan assets	443	911	806	685	769	—	—	—	—	—
Unfunded obligations	**(337)**	**(408)**	**(570)**	**(591)**	**(670)**	**(144)**	**(159)**	**(200)**	**(201)**	**(206)**

Changes in the value of the benefit obligations, the fair value of plan assets and the funded status for the years ended December 31, 2007 and 2006:

	Note	Pension Benefits		Post-retirement Benefits		Total	
		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
		2007	2006	2007	2006	2007	2006
		(In millions of euros)					
Changes in benefit obligation							
Benefit obligation at the beginning of the year		1,319	1,376	159	200	1,478	1,576
Current service cost		13	13	—	—	13	13
Interest cost		61	62	8	9	69	71
Contributions by plan participants		—	—	1	1	1	1
Business combinations		16	1	—	—	16	1
Divestitures		—	—	—	—	—	—
Curtailments		(2)	(1)	—	—	(2)	(1)
Settlements		(392)	(19)	—	—	(392)	(19)
Transfers		3	16	—	(16)	3	—
Plan amendments		4	(18)	—	—	4	(18)
Experience (gains) losses(a)		(1)	(2)	—	(2)	(1)	(4)
Actuarial (gains) losses related to changes in actuarial assumptions		(81)	68	—	3	(81)	71
Benefits paid		(104)	(116)	(15)	(17)	(119)	(133)
Special termination benefits		—	4	—	—	—	4
Other (foreign currency translation adjustments)		(56)	(65)	(9)	(19)	(65)	(84)
Benefit obligation at the end of the year		**780**	**1,319**	**144**	**159**	**924**	**1,478**
o/w wholly or partly funded benefits		*495*	*997*	—	—	*495*	*997*
o/w wholly unfunded benefits(b)		*285*	*322*	*144*	*159*	*429*	*481*
Changes in fair value of plan assets		—		—		—	
Fair value of plan assets at the beginning of the year		911	806	—	—	911	806
Expected return on plan assets		40	39	—	—	40	39
Experience gains (losses)(c)		(24)	24	—	—	(24)	24
Contributions by employers		56	223	14	16	70	239
Contributions by plan participants		—	—	1	1	1	1
Business combinations		—	—	—	—	—	—
Divestitures		—	—	—	—	—	—
Settlements		(395)	(19)	—	—	(395)	(19)
Transfers		—	—	—	—	—	—
Benefits paid		(104)	(116)	(15)	(17)	(119)	(133)
Other (foreign currency translation adjustments)		(41)	(46)	—	—	(41)	(46)
Fair value of plan assets at the end of the year		**443**	**911**	**—**	**—**	**443**	**911**
Funded status							
Underfunded obligation		(337)	(408)	(144)	(159)	(481)	(567)
Unrecognized actuarial (gains) losses		71	117	(16)	(18)	55	99
Unrecognized past service cost		4	4	—	—	4	4
Adjustment related to asset ceiling		—	—	—	—	—	—
Net (provision) asset recorded in the statement of financial position		**(262)**	**(287)**	**(160)**	**(177)**	**(422)**	**(464)**
o/w assets		*17*	*21*	—	—	*17*	*21*
o/w including provisions for employee benefit plans(d)	*19*	*(279)*	*(308)*	*(160)*	*(177)*	*(439)*	*(485)*

(a) Represents the impact on the benefit obligation resulting from the difference between benefits estimated at the previous year-end and benefits paid during the year. As a reminder, between 2005 and 2004, experience gains (losses) in respect of commitments amounted to -€8 million and -€7 million, respectively.

(b) Certain pension plans, in accordance with local laws and practices, are not covered by pension funds. As of December 31, 2007, they principally comprise supplementary pension plans in the US and pension plans in Germany.

(c) Represents the difference between the expected return on plan assets at the previous year-end and the actual return on plan assets during the year. As a reminder, in 2005 and 2004, experience gains (losses) in respect of plan assets amounted to €9 million and €6 million, respectively.

(d) Includes a current liability of €60 million as of December 31, 2007 (compared to €73 million as of December 31, 2006).

Benefit obligation and fair value of plan assets detailed by country:

	Pension Benefits		Post-Retirement Benefits	
	Year Ended December 31,		Year Ended December 31,	
	2007	2006	2007	2006
	(In millions of euros)			
Benefit obligations				
US companies	116	564	121	137
UK companies	420	488	—	—
German companies	101	111	—	
French companies	89	82	—	—
Other	54	74	23	22
	780	**1,319**	**144**	**159**
Fair value of plan assets				
US companies	52	456	—	—
UK companies	321	354	—	—
French companies	46	43	—	—
Other	24	58	—	—
	443	**911**	**—**	**—**

20.2.4 Additional information on pension benefits in France

Vivendi maintains ten funded pension plans in France, of which four are invested through insurance companies. The allocation of assets by category of the various plans was as follows:

	Equity Securities	Real Estate	Debt Securities	Cash	Total
Corporate Supplementary Plan	17.5%	5.0%	76.0%	1.5%	100.0%
Corporate Management Supplementary Plan	18.0%	4.5%	76.0%	1.5%	100.0%
SFR Supplementary Plan	19.0%	6.0%	74.0%	1.0%	100.0%
Canal+ Group IDR* Plan	16.0%	11.0%	73.0%	0.0%	100.0%

* IDR (Indemnités de départ en retraite): Indemnities payable on retirement.

The asset allocation remains fairly stable over time and the current asset allocation reflects the target asset allocation. Contributions to these plans amounted to €4 million in 2006, €5 million in 2007 and are estimated to be less than €5 million for 2008. Contributions to these ten plans amounted to €5 million in 2006 and in 2007, and are estimated to €6 million in 2008.

20.2.5 Benefits estimation and future payments

For 2008, pension fund contributions and benefit payments to retirees by Vivendi (contributions by employers) are estimated at €54 million in respect of pensions (€26 million of which relates to contributions to pension funds) and €12 million in respect of post-retirement benefits.

The table below presents, for its nominal value, the estimated future benefit payments that will be met by the pension funds or by Vivendi:

	Pension Benefits	Post-Retirement Benefits
	(In millions of euros)	
2008	54	12
2009	30	12
2010	30	12
2011	32	12
2012	31	11
2013-2017	189	54

Note 21. Share-Based Compensation Plans

21.1. Impact of the Expense Related to Share-based Compensation Plans

Impact on the consolidated statement of earnings

For 2007 and 2006 the compensation cost recognized with respect to all outstanding plans is as follows:

	Note	Year Ended December 31, 2007	2006
		(In millions of euros)	
Equity-settled instruments			
Vivendi stock option plans		24	32
Vivendi restricted stock plans		10	14
Employee stock purchase plans	21.5	6	7
		40	**53**
Cash-settled instruments			
Vivendi stock appreciation right plans		50	12
Vivendi "restricted stock unit" plans		4	6
UMG employee equity unit plan	21.4	(9)	30
Blizzard employee equity unit plan	21.4	69	12
		114	**60**
Share-based compensation cost	4.2	**154**	**113**

Impact on the provisions

As of December 31, 2007 and December 31, 2006, the estimated value of the vested rights is recorded as a liability and classified in provisions as follows (please refer to Note 19):

	December 31, 2007	December 31, 2006
	(In millions of euros)	
Vivendi stock appreciation right plans	89	65
o/w former ADS option and acquisition plans converted into SAR plans (May 2006)	***79***	***62***
Vivendi "restricted stock unit" plans	9	6
UMG employee equity unit plan	55	71
Blizzard employee equity unit plan	78	12
Provisions related to cash-settled instruments	**231**	**154**

21.2. Information on Plans Granted by the Group

Vivendi has granted to employees several stock-based compensation plans. Depending on the fiscal residence of the employee, the plans are either equity-settled (mainly in the European Union and in Morocco) or cash-settled (mainly in the United States). These equity instruments are mainly composed of stock option plans (or stock appreciation right "SAR" plans, when they are cash settled) and of restricted stock plans (or restricted stock unit "RSU" plans, when they are cash-settled). The fair value of the equity-settled instruments granted is estimated and fixed at the grant date. The fair-value of the cash-settled instruments is initially estimated at the grant date and re-estimated at each reporting date; the expense is adjusted pro rata taking into account the vested rights at the relevant reporting date. The characteristics and assumptions used to value these instruments are as follows (refer to Note 1.3.11 for further description of these plans and of the accounting methods applied by Vivendi):

Equity-settled instruments

	Subscription Plans										
	2007(a)			2006(b)			2005(b)	2004(b)	2003(b)		
Grant Date	**October 25**	**September 17**	**April 23**	**December 12**	**September 22**	**April 13**	**April 26**	**May 21**	**December 9**	**May 28**	**January 29**
Data at grant date											
Options strike price (in euros)	30.79	30.79	30.79	29.41	28.54	28.54	23.64	20.67	19.07	14.40	15.90
Maturity (in years)	10	10	10	10	10	10	10	10	10	10	8
Expected term (in years)	6.5	6.5	6.5	6	6	6	10	10	10	10	8
Number of instruments granted	63,200	42,400	5,718,220	24,000	58,400	5,481,520	7,284,600	8,267,200	310,000	10,547,000	1,610,000
Share price (in euros)	29.24	29.60	31.75	29.39	27.9	28.14	23.72	20.15	18.85	15.67	15.20
Expected volatility	21%	21%	20%	21%	22%	26%	17%	20%	20%	20%	20%
Risk-free interest rate(e)	4.12%	4.16%	4.17%	3.93%	3.73%	3.99%	3.48%	4.35%	3.90%	3.90%	3.90%
Expected dividend yield	4.27%	4.22%	3.94%	4.25%	4.05%	3.80%	3.37%	2.98%	3.18%	3.83%	3.95%
Fair value of the granted option at the grant date (in euros)	**4.30**	**4.52**	**5.64**	**4.43**	**4.20**	**5.38**	**4.33**	**4.78**	**4.21**	**3.65**	**2.64**
Fair value of the plan at the grant date (in millions of euros)	0.3	0.2	32.3	0.1	0.2	29.5	31.5	39.5	1.3	38.5	4.3

	Restricted Stock Plans							
	2007				2006			
Grant Date	October 25 (c)	September 17 (c)	April 23 (c)	January 24 (d)	December 12 (d)	December 12 (c)	September 22 (c)	April 13 (c)
Data at grant date								
Maturity-vesting period (in years)	2	2	2	0	0	2	2	2
Number of instruments granted	5,266	3,536	476,717	8,670	353,430	2,001	4,861	456,968
Share price (in euros)	29.24	29.60	31.75	32.25	29.39	29.39	27.90	28.14
Expected dividend yield	4.27%	4.22%	3.94%	3.88%	4.25%	4.25%	4.05%	3.80%
Performance conditions achievement rate	100%	100%	100%	na*	na*	100%	100%	100%
Fair value of the granted option at the grant date (in euros)	**26.79**	**27.15**	**29.30**	**29.80**	**26.94**	**26.94**	**25.69**	**26.04**
Fair value of the plan at the grant date (in millions of euros)	0.1	0.1	14.0	0.3	9.5	0.1	0.1	11.9

Cash-settled instruments

	SARs		
	2007(a)	2006(b)	
Grant Date	April 23	September 22	April 13
Strike price (in US dollars)	41.34	34.58	34.58
Maturity at the grant date (in years)	10	10	10
Number of instruments granted at grant date	1,280,660	24,000	1,250,320
Data at the valuation date (December 31, 2007)			
Expected term (in years)	5.8	4.7	4.4
Share price (in US dollars)	46.46	46.46	46.46
Expected volatility	21%	21%	21%
Risk-free interest rate(e)	4.21%	4.17%	4.15%
Expected dividend yield	4.12%	4.12%	4.12%
Fair value of the granted option as of December 31, 2007 (in US dollars)	**9.78**	**12.89**	**12.42**
Fair value of the plan as of December 31, 2007 (in millions of US dollars)	12.5	0.3	15.5

	RSUs			
	2007	2006		
Grant date	April 23 (c)	December 12 (d)	September 22 (c)	April 13 (c)
Maturity at the origin (in years)	2	0	2	2
Number of instruments initially granted	106,778	141,495	2,000	104,250
Data at the valuation date (December 31, 2007)				
Expected term (in years)	1.3	1	0.7	0.3
Share market price (in US dollars)	46.46	46.46	46.46	46.46
Expected dividend yield	4.12%	4.12%	4.12%	4.12%
Performance conditions achievement rate	100%	na*	100%	100%
Fair value of the granted option as of December 31, 2007 (in US dollars)	**44.55**	**44.55**	**46.46**	**46.46**
Fair value of the plan as of December 31, 2007 (in millions of US dollars)	**4.8**	**6.3**	**0.1**	**4.8**

* na: non applicable.

(a) Stock options and SARs granted since January 1, 2007 vest at the end of a three-year vesting period. Therefore, the compensation cost is recognized on a straight-line basis over the vesting period.

(b) Stock options and SARs granted before January 1, 2007 vest annually in one-third tranches from the grant date's anniversary. Two-thirds of the vested instruments become exercisable at the beginning of the third year from the grant date and the remaining one-third becomes exercisable at the beginning of the fourth year from the grant date. The compensation cost is recorded over the vesting period, but not on a straight line basis, given the vesting conditions. The expense is accounted for using the degressive method in accordance with the following spread rates: 61% in year 1, 28% in year 2 and 11% in year 3.

(c) The restricted stock and RSU plans are conditional upon the achievement of certain operating objectives in terms of group adjusted net income and cash flow from operations as set forth in the budget of the ongoing fiscal year. As with grants in 2006, operating performance objectives were satisfied in 2007; therefore, all shares and RSUs granted in 2007 are definitively acquired and will be vested by the beneficiaries following the two-year vesting period. The compensation cost is therefore recognized on a straight-line basis over this period.

(d) Vivendi set up a grant of 15 restricted shares without any performance conditions for all non-temporary employees and who are employed and who have been employed by the company for at least six months as of this date. Given the immediate vesting of such grant, the compensation cost was recognized in full on the grant date. For employees who are residents of France and Morocco, the 15 shares granted to each beneficiary will be issued to an individual account at the end of a two-year period from the grant date. At the end of this period, the restricted shares will remain unavailable for an additional two-year period. For employees who reside outside France and Morocco, each beneficiary definitively acquired a right to receive 15 RSUs which will remain unavailable for a four-year period after the grant date.

(e) The risk-free interest rate used is the rate of "Obligations Assimilables du Trésor" (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date.

Former ADS option and acquisition plans converted into SAR plans (May 2006)

On May 15, 2006, the ADS option and acquisition plans for US resident employees were converted into SAR plans. The terms and conditions of the stock options granted remain unchanged (exercise price, vesting period, maturity, etc.), but can only be cash-settled henceforth. As a result, the estimated value of the vested rights of these plans as of that date (€67 million) has been recorded as a liability and classified in provisions as a deduction from equity.

21.3. Information on Outstanding Plans

Transactions involving all equity-settled and cash-settled plans since January 1, 2006 are summarized below:

Equity-settled instruments

	Stock Options on Vivendi Shares				Restricted Stock Plans	
	Number of Stock Options Outstanding	Weighted Average Strike Price of Stock Options Outstanding	Total Intrinsic Value	Weighted Average Remaining Contractual Life	Number of Restricted Stocks Outstanding	Weighted Average Remaining Period Before Issuing Shares
		(In euros)	(In millions of euros)	(In years)		(In years)
Balance as of December 31, 2005	**62,697,995**	**44.7**			**—**	
Granted	5,563,920	28.5			817,260	
Exercised	(1,840,970)	14.2			—	
Forfeited	(2,447,721)	140.2			—	
Cancelled	(513,302)	23.9			(11,700)	
Balance as of December 31, 2006	**63,459,922**	**44.2**			**805,560**	
Granted	5,823,820	30.8			494,189	
Exercised(a)	(7,733,586)	14.5			(60)	
Forfeited	(11,208,989)	66.7			—	
Cancelled	(374,932)	26.1			(22,796)	
Balance as of December 31, 2007	**49,966,235**	**42.3**	**230.1**	**4.8**	**1,276,893**	**0.9**
Exercisable as of December 31, 2007	**36,296,309**	**46.6**	**194.6**		**—**	
Acquired as of December 31, 2007	**38,921,347**	**46.1**	**201.9**		**394,813**	

(a) The weighted average share price for options exercised was €31.54.

Cash-settled instruments

	SARs (Including Former ADS Converted into SARs in May 2006)				RSUs	
	Number of SARs Outstanding	Weighted Average Strike Price of SARs Outstanding	Total Intrinsic Value	Weighted Average Remaining Contractual Life	Number of Restricted Stocks Units Outstanding	Weighted Average Remaining Period Before Acquisition
		(In US dollars)	(In millions of US dollars)	(In years)		(In years)
Balance as of December 31, 2005	**37,903,611**	**50.3**				
Granted	1,274,320	34.6			247,745	
Exercised	(1,781,581)	19.3			—	
Forfeited	(2,381,357)	44.1			—	
Cancelled	(551,937)	40.4			(1,334)	
Balance as of December 31, 2006	**34,463,056**	**51.9**			**246,411**	
Granted	1,280,660	41.3			106,778	
Exercised(a)	(1,855,291)	29.7			—	
Forfeited	(2,516,746)	49.6			—	
Cancelled	(189,108)	43.2			(10,297)	
Balance as of December 31, 2007	**31,182,571**	**53.0**	**114.2**	**2.4**	**342,892**	**0.9**
Exercisable as of December 31, 2007	**28,221,179**	**54.8**	**85.3**		**—**	
Acquired as of December 31, 2007	**28,631,239**	**54.5**	**90.1**		**141,495**	

(a) The weighted average share price for SAR exercised was $43.91.

The following table summarizes information concerning stock options for ordinary shares outstanding and vested as of December 31, 2007:

Range of Strike Prices	Number Outstanding	Weighted Average Strike Price	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Strike Price
		(In euros)	(In years)		(In euros)
Under €20	4,887,514	14.7	5.1	4,887,514	14.7
€20 - €30	19,263,581	23.9	7.2	13,933,668	22.8
€30 - €40	5,827,254	30.8	9.2	215,114	32.0
€40 - €50	7,009,308	46.9	1.8	7,009,308	46.9
€50 - €60	728,039	55.9	1.9	625,204	56.3
€60 - €70	1,368	67.8	1.2	1,368	67.8
€70 - €80	6,879,016	76.5	0.9	6,879,016	76.5
€80 and more	5,370,155	94.6	0.7	5,370,155	94.6
	49,966,235	**42.3**	**4.8**	**38,921,347**	**46.1**

The following table summarizes information concerning stock appreciation rights outstanding and vested as of December 31, 2007:

Range of Strike Prices	Number Outstanding	Weighted Average Strike Price	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Strike Price
		(In US dollars)	(In years)		(In US dollars)
Under $20	518,459	14.9	3.8	518,459	14.9
$20 - $30	1,092,386	24.4	5.7	1,092,386	24.4
$30 - $40	3,004,335	32.9	7.0	1,689,383	32.8
$40 - $50	11,353,514	43.6	2.1	10,117,134	43.8
$50 - $60	2,888,630	57.8	1.2	2,888,630	57.8
$60 - $70	6,650,844	65.9	1.1	6,650,844	65.9
$70 - $80	5,662,960	74.0	2.0	5,662,960	74.0
$80 and more	11,443	175.2	2.0	11,443	175.2
	31,182,571	**53.0**	**2.4**	**28,631,239**	**54.5**

21.4. Long-term Incentive Plans

21.4.1 UMG long-term incentive plan

Since 2003, UMG has maintained an Equity Incentive Plan. Under the plan, certain key executives of UMG are awarded equity units. These equity units are phantom stock units whose value is intended to reflect the value of UMG, net of certain other adjustments as defined in the plan. These equity units are simply units of account, and they do not represent an actual ownership interest in either UMG or Vivendi. In general, the plan calls for equity units to vest at the end of a fixed vesting period that typically coincides with the term of the executive's employment agreement. In general, the Plan calls for cash payments to be made to participants at the end of that vesting period, based on the value of the equity units at that time (all amounts under the plan are due in 2008 and 2009). The Plan is denominated in U.S. dollars. As of December 31, 2007, there are 1,350,000 units granted (unchanged compared to December 31, 2006).

While an executive's equity units generally vest at the end of a fixed vesting period, compensation expense is recognized over the vesting period as services are rendered. Specifically, the expense recognized is based on the portion of the vesting period that has elapsed and the last available estimated value of those equity units. The expense is recorded as a provision. As of December 31, 2007, the estimated value of the rights vested, i.e., 1,134,000 units, amounted to $78 million (€55 million), compared to $93 million (€71 million) as of December 31, 2006. Changes in the local currency valuation are charged or credited to earnings as incurred. For 2007 this arose principally from a decrease in the estimated enterprise value of UMG and resulted in a credit to overheads of approximately €9 million.

Except in the case of certain transactions, the cash payments made under the Plan will be based on the appraised value of UMG as determined by a third-party valuation. This appraised value is based on UMG's total enterprise value, taking into account other adjustments as defined in the Plan as of December 31 of the year preceding the payment. As of December 31, 2007, no payment has yet been made (or were due to be made) under the Plan. Accordingly, no third-party valuation has been undertaken at this stage. In order to value the equity units for accounting purposes prior to an actual payment, the value of the Units is estimated based on publicly-available estimates of UMG's enterprise value as of December 31, 2007.

21.4.2 Blizzard (Vivendi Games subsidiary) long-term incentive plan

In 2006, Blizzard implemented the Blizzard Equity Plan (BEP), an equity incentive plan denominated in U.S. dollars. Under the Blizzard Equity Plan, certain key executives and employees of Blizzard were awarded restricted shares of Blizzard stock and other cash settled awards of Blizzard as follows:

- In October 2006, 1,361,000 restricted shares were granted. The value of the shares is determined every year based on an external independent appraisal. In general, the participants may only redeem vested shares in exchange for cash payments over the 10-year life of the grant. These restricted shares vest in one-third increments over three years, starting January 1, 2007.
- In March 2007, 729,000 cash settled stock options were granted with a strike price of $19.24 and a fixed exercise/payment term on May 1, 2009. These awards call for cash payments to be made to participants at this fixed date based on the value of Blizzard shares at that time. These options shall vest in accordance with the following schedule: one-third (243,000 awards) immediately vested at the date of grant, one-third as of January 1, 2008 and the remaining portion as of January 1, 2009.
- In March 2007, an additional 1,215,000 cash settled stock options were granted with a strike price of $19.24 and a fixed exercise/payment term on May 1, 2010. These awards call for cash payments to be made to participants at this fixed date based on the value of Blizzard shares at that time. These options vest in one-third increments over 3 years, starting January 1, 2008.

On December 1, 2007, Vivendi signed a definitive business combination agreement (“BCA”) with Activision, Inc. (“Activision”) to combine Vivendi Games with Activision. Under the terms of the agreement, Vivendi Games will be merged with a wholly owned subsidiary of Activision. Under the provisions of the BEP, the consummation of this transaction will be deemed a change in control, which will automatically trigger cash payments to the beneficiaries for the portion of awards that are vested at the closing date of the transaction. The outstanding non-vested rights shall become immediately vested upon the closing of the transaction, cancelled and extinguished and converted into a new right to receive an amount in cash eighteen months after the closing date upon the terms and subject to the conditions set forth in the BEP, including continued employment through the payment date.

With respect to both the payments made on the closing date with respect to previously vested awards and eighteen months thereafter with respect to the unvested awards, participants will be entitled to receive, in aggregate, a cash payment equal to the product of the number of shares subject to the awards and the per share fair value of Blizzard, less, for the cash-settled stock options, the applicable aggregate strike price.

The expense recognized in 2007 is based on the present obligation to make cash payments to the beneficiaries for the rights vested as of December 31, 2007 (equal to the portion of rights that should be vested at the closing date of the transaction assuming a closing in 2008) and was derived from the value of Blizzard shares as determined under the BEP. As of December 31, 2007, the estimated value of the rights vested amounted to $113 million (€78 million). As of December 31, 2007, the estimated value of the non-vested rights amounted to $89 million (€62 million), which will be recognized as an expense over the eighteen-month period from the closing date.

21.5. Employee Stock Purchase Plans

Vivendi maintains employee stock purchase plans that allow substantially all of the group’s full-time French employees and retirees to purchase Vivendi shares through capital increases reserved for them.

The characteristics of the plan granted in 2007 and the related assumptions used to measure the advantage granted to employees (with a discounted price for Vivendi shares and a discount for non-transferability) are as follows:

Grant date	June 29, 2007
Subscription price (in euros)	24.60
Data at grant date	
Share price (in euros)	31.9
Number of shares subscribed(a)	1,276,227
Expected dividend yield	3.94%
Risk-free interest rate	4.59%
5-year interest rate	6.54%
Discount for non-transferability(b)	9.2%
Fair value of instrument at grant date (in euros)	4.38
Fair value of the plan at grant date (in millions of euros)	6

(a) The increase in capital was registered on July 18, 2007, for a total amount of €31 million.

(b) Computed as a percentage of the share price at the grant date.

In 2006, 1,471,499 shares were subscribed as part of the employee stock purchase plan for a total amount of €30 million. The fair value of the plan as of grant date amounted to €4.98 per share.

Note 22. Borrowings and other Financial Liabilities

Analysis of Long-Term Borrowings and Other Financial Liabilities

	Note	Nominal Interest Rate (%)	Effective Interest Rate (%)	Maturity	December 31, 2007	December 31, 2006
			(In millions of euros)			
Finance leases	12	—	—	2009 - 2011	9(a)	247
Asset- backed borrowings(b)					***9***	***247***
Notes						
€700 million notes (October 2006)(c)		Eurbor 3 months+0.50%	—	October 2011	700	700
€500 million notes (October 2006)(c)		4.50%	4.58%	October 2013	500	500
€630 million notes (April 2005)(c)		3.63%	3.63%	April 2010	630	630
€600 million notes (February 2005)(c)		3.88%	3.94%	February 2012	600	600
€600 million notes (July 2005) — SFR(c)		3.38%	3.43%	July 2012	600	600
€400 million notes (October 2006) — SFR(c)		Eurbor 3 months+0.125%	—	October 2008	—(d)	400
Bonds exchangeable for Sogecable shares	24.3	1.75%	6.48%	October 2008	—(d)	221
Other notes		—	—	na*	209	275
Facilities					—	
MAD 6 billion notes — tranche B: 4 billion		TMP BDT 5 yrs.+1.15%(e)	—	December 2011	353	359
€1.2 billion credit facility — SFR		Eurbor 1 month+0.175%	—	April 2011	440	—
€450 million credit facility — SFR		Eurbor 1 month+0.16%	—	November 2011	290	—
Other		—	—	na*	202	138
Unsecured borrowings					***4,524***	***4,423***
Nominal value of borrowings					**4,533**	**4,670**
Cumulative effect of amortized cost and split accounting of embedded derivatives		na*	—	na*	(9)	(40)
Borrowings					**4,524**	**4,630**
Put options granted to TF 1 and M 6 on 15% of the share capital of Canal+ France	2.1	na*	—	February 2010	1,034	—
Put options granted to various third parties by Canal+ Group and SFR		na*	—	—	33	43
Commitments to purchase minority interests					**1,067**	**43**
Embedded derivative in bonds exchangeable for Sogecable shares	24.3	na*	—	October 2008	—	26
Other financial derivative instruments	24	na*	—	—	19	15
Other derivative instruments					**19**	**41**
Long-term borrowings and other financial liabilities					**5,610**	**4,714**

* na: non applicable.

(a) The early settlement of rental guarantees related to the last three buildings in Germany, which took place at the end of November 2007, involved a payment of €120 million and a deconsolidation of debt relating to finance lease commitments (€180 million, net of related cash deposit previously recorded in financial assets for €51 million. Please refer to Note 15). In addition, this transaction generated a capital gain of €59 million. Please refer to Note 26.

(b) Borrowings are considered secured whenever the creditor(s) is/are backed by a pledge on the borrower's and/or its guarantors' assets.

(c) The notes, listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.

(d) This borrowing was recorded as a short term borrowing.

(e) The interest rate is calculated based on the weighted average rate of the treasury bonds issued by the Kingdom of Morocco.

Analysis of Short-Term Borrowings and Other Financial Liabilities

	Note	Nominal Interest Rate (%)	December 31, 2007	December 31, 2006
		(In millions of euros)		
Current portion of finance leases	12	—	23	10
Asset-backed borrowings (a)			***23***	***10***
Treasury Bills				
Vivendi S.A.		Eonia+0.05%	—	167
SFR		Eonia +0.20%	376	950
Current portion of long-term borrowings				
€700 million notes (July 2004) — Vivendi S.A.		Eurbor 3 months+0.55%	—	700
€300 million (April 2006) — SFR		Eurbor 3 months+0.09%	—	300
€400 million notes (October 2006) — SFR(b)		Eurbor 3 months+0.125%	400	—
Bonds exchangeable for Sogecable shares	24.3	1.75%	221	—
Other notes		—	101	—
Other borrowings		—	33	65
Other		—	546	375
Unsecured borrowings			***1,677***	***2,557***
Nominal value of borrowings			**1,700**	**2,567**
Cumulative effect of amortized cost and split accounting of embedded derivatives		na*	22	9
Borrowings			**1,722**	**2,576**
Put options granted to various third parties by Canal+ Group		na*	10	14
Commitments to purchase minority interests			**10**	**14**
Embedded derivative in bonds exchangeable for Sogecable shares	24.3	na*	**19**	**—**
Other financial derivative instruments	24	na*	15	11
Short-term borrowings and other financial liabilities			**1,766**	**2,601**

* na: no interest accrued on other financial liabilities.

(a) Borrowings are considered secured whenever the creditor(s) is/are backed by a pledge on the borrower and/or its guarantors assets.

(b) The notes, listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.

Currency, Maturity and Nature of Interest Rate of the Nominal Value of Borrowings

	December 31, 2007		December 31, 2006	
	(In millions of euros)			
Currency:				
Euro — EUR	5,554	*89.1%*	6,696	*92.5%*
US dollar — USD	75	*1.2%*	86	*1.2%*
Dirham — MAD	441	*7.1%*	379	*5.2%*
Other (o/w PIN and FCFA)	163	*2.6%*	76	*1.1%*
Total	**6,233**	***100.0%***	**7,237**	***100.0%***
Maturity:				
Due before one year	1,700	27.3%	2,567	*35.5%*
Due between one and two years	341	5.5%	758	*10.5%*
Due between two and three years	656	10.5%	299	*4.1%*
Due between three and four years	1,517	24.3%	647	*8.9%*
Due between four and five years	1,506	24.2%	1,077	*14.9%*
Due after five years	513	8.2%	1,889	*26.1%*
Total	**6,233**	***100.0%***	**7,237**	***100.0%***
Nature of interest rate:				
Fixed interest rate	3,071	*49.3%*	3,151	*43.5%*
Floating interest rate	3,162	*50.7%*	4,086	*56.5%*
Total	**6,233**	***100.0%***	**7,237**	***100.0%***

Note 23. Fair Value of Financial Instruments

Pursuant to IAS 32, financial instruments are defined as follows:

- financial assets, which comprise the following assets:
  - cash;
  - contractual rights to receive cash or another financial asset;
  - contractual rights to exchange a financial instrument under conditions that are potentially favorable; or
  - equity instruments of another entity.

  In practice, financial assets include cash and cash equivalents, trade accounts receivable and other as well as financial assets measured at fair value, at historical cost and at amortized cost;

- financial liabilities, which comprise the following liabilities:
  - contractual obligations to deliver cash or another financial asset; or
  - contractual obligations to exchange a financial instrument under conditions that are potentially unfavorable.

In practice, financial liabilities include trade accounts payable and other, other non-current liabilities, short and long-term borrowings and other financial liabilities, including commitments to purchase minority interests and other derivative financial instruments; and

• equity instruments of the group (including equity derivative instruments).

The following table presents the net carrying amount and fair value of financial instruments of the group as of December 31, 2007 and December 31, 2006:

	Note	Year Ended December 31, 2007 Carrying Value	2007 Fair Value	2006 Carrying Value	2006 Fair Value
		(In millions of euros)			
Financial assets					
Financial assets at fair value	15	481	481	2,381	2,381
o/w fair value through profit or loss		129	129	2,030	2,030
o/w fair value through equity		352	352	351	351
o/w available-for-sale securities		***306***	***306***	***325***	***325***
o/w cash flow hedge instruments		***45***	***45***	***13***	***13***
o/w net investment hedge instruments		***1***	***1***	***13***	***13***
Financial assets at amortized cost	15	921	921	1,616	1,616
o/w assets held until its due date		***1***	***1***	—	—
Trade accounts receivable and other at amortized cost	16	5,208	5,208	4,489	4,489
Cash and cash equivalents	17	2,049	2,049	2,400	2,400
Financial liabilities					
Borrowings and other financial liabilities		7,376	7,327	7,315	7,362
o/w long term borrowings at amortized cost	***22***	***4,524***	***4,487***	***4,630***	***4,677***
o/w short term borrowings at amortized cost	***22***	***1,722***	***1,710***	***2,576***	***2,576***
o/w commitments to purchase minority interests		***1,077***	***1,077***	***57***	***57***
o/w other derivative instruments		***53***	***53***	***52***	***52***
Other non current liabilities	16	1,078	1,078	1,269	1,269
Trade accounts payable and other	16	10,784	10,784	9,297	9,297

The carrying amount of trade accounts receivable and other, cash and cash equivalents, trade accounts payable and other and short-term borrowings is a reasonable approximation of fair value, due to the short maturity of these instruments.

The estimated fair value of other financial instruments, as set forth above, has generally been determined by reference to market prices resulting from trading on a national securities exchange or in an over-the-counter market. In cases where listed market prices are not available, fair value is based on estimates using present value or other valuation techniques. Please refer to Note 1.

Note 24. Risk Management and Financial Derivative Instruments

Vivendi centrally manages financial liquidity, interest rate, foreign currency exchange rate and equity market risks. Vivendi's Financing and Treasury Department carries out these activities, reporting directly to the chief financial officer of Vivendi, a member of the Management Board. The Department has the necessary expertise, resources, notable technical resources and information systems for this purpose.

Vivendi uses various derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and stock prices. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. All derivative financial instruments are used for hedging purposes.

The following table sets forth the value of derivative financial instruments recorded in the Consolidated Statements of financial position as of December 31, 2007 and December 31, 2006:

	December 31, 2007		December 31, 2006	
	Derivative Financial Instruments		Derivative Financial Instruments	
	As Assets	As Liabilities	As Assets	As Liabilities
	(In millions of euros)			
Interest rate risk managements				
Pay-fixed interest rate swaps	32	—	14	—
Pay-floating interest rate swaps	1	2	3	1
Interest rate caps	—	—	1	—
	33	**2**	**18**	**1**
Foreign currency risk management				
Currency swaps	6	3	2	4
Forward contracts	15	3	13	1
	21	**6**	**15**	**5**
Equity market risk management				
Swaps indexed on Vivendi shares	—	2	—	4
Swaps indexed on other shares	15	—	11	—
	15	**2**	**11**	**4**
Other derivative instruments				
Embedded derivative in bonds exchangeable for Sogecable shares	—	19	—	26
Other embedded derivatives on borrowings	—	18	—	16
Other	—	6	8	—
	—	**43**	**8**	**42**
Derivative financial instruments	**69**	**53**	**52**	**52**
Deduction of current derivative financial instruments	(32)	(34)	(37)	(11)
Non current derivative financial instruments	**37**	**19**	**15**	**41**

The portfolio of derivative instruments set up by the group mainly includes cash flow hedging instruments, which represent a fair value of €45 million as of December 31, 2007 as well as net investment hedging instruments, fair value hedging and derivative instruments recorded at fair value against Earnings for a non material aggregate amount.

24.1. Interest Rate Risk Management

Interest rate risk management instruments are used by Vivendi to reduce net exposure to interest rate fluctuations, to adjust the respective proportion of fixed and floating interest rates in the total debt and to lower net financing costs.

Average gross borrowings and average cost of borrowings

In 2007, average gross borrowings amounted to €7.2 billion (compared to €6.7 billion in 2006), of which €3.3 billion was of fixed rates and €3.9 billion was of floating rates (compared to €3.0 and €3.7 billion in 2006, respectively). In 2007, the average cost of borrowings was 4.29% (compared to 4.22% in 2006) before taking into account the impact of interest rate derivative instruments. After interest rate management, the average cost of borrowings was 4.18%, with a fixed rate ratio of 64% (compared to 4.20%, with a fixed-rate ratio of 52% in 2006).

Interest rate hedges

Interest rate risk management instruments used by Vivendi include pay-floating and pay-fixed interest rate swaps. Pay-floating swaps effectively convert fixed rate borrowings to LIBOR and EURIBOR indexed ones. Pay-fixed swaps convert floating rate borrowings into fixed rate borrowings. These instruments enable the group to manage and reduce volatility in future cash flows required for interest payments on floating rate borrowings.

At the end of December 2006, Vivendi has a number of interest rate caps. If interest rates rise above the strike rate, the caps convert floating-rate borrowings into fixed-rate borrowings. Below the strike rate, the caps are not activated and Vivendi is able to benefit from decreases in interest rates.

At the end of December 2007, borrowings totaled €6.2 billion. Before considering any hedging instruments, floating-rate borrowings totaled €3.2 billion, hedged by swaps for the amount of €1.5 billion.

Moreover, cash and cash equivalents totaled €2 billion and are entirely of floating rate. Given the relative weighting of the Group's fixed-rate positions (borrowings of €3.0 billion based on fixed rate and €1.5 billion in floating-rate borrowings hedged by interest rate swaps for a total amount of €4.5 billion), and floating-rate positions (borrowings of €3.2 billion less cash and cash equivalents of €2 billion, for a total amount of €1.2 billion), an increase of 100 basis points in short-term interest rates would generate a decrease of €3 million in interest cost and a decrease of 100 basis points in short-term interest rates would generate a increase of €3 million in interest cost.

The following table summarizes information concerning Vivendi's interest rate risk management instruments:

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Pay-fixed interest rate swaps		
Notional amount	1,600	1,250
Average interest rate paid	3.77%	3.49%
Average interest rate received	4.65%	3.69%
Maturity:		
Due within one year	—	500
Due after one year and within five years	1,600	700(a)
Due after five years	—	50(b)
Pay-floating interest rate swaps		
Notional amount	130	280
Average interest rate paid	4.65%	3.66%
Average interest rate received	4.48%	3.28%
Maturity:		
Due within one year	30	250
Due after one year and within five years	100	30
Due after five years	—	—
Net position at Fixed interest rate	**1,470**	**970**
Interest rate caps		
Notional amount	—	450(c)
Guarantee rate bought	—	3.57%
Maturity:		
Due within one year	—	450
Due after one year and within five years	—	—

(a) In 2006, Vivendi hedged its €700 million floating-rate notes issued in October 2006 (Please refer to Note 22) with pay-fixed interest rate swaps for a notional amount of €700 million and with a maturity of five years (i.e., 2011). For accounting purposes, such derivative instruments are qualified as cash flow hedges. In 2007, SFR extended its interest rate coverage by setting up €400 million of additional hedges in the form of swaps:

- four fixed-rate payer swaps maturing in 4 and 5 years (i.e., 2011 and 2012) for a total nominal amount of €200 million. These instruments are classified as cash flow hedges for accounting purposes.

- two swaps against 1-month Euribor, each of which may be cancelled at the option of the bank, and maturing in 5 years (i.e., 2012) for a total nominal amount of €200 million. These instruments are recorded at fair value through profit or loss in the accounts.

(b) Deferred-start in October 2007 pay-fixed interest rate swaps with a maturity of 5 years, and are qualified as a cash flow hedge.

(c) In 2006, SFR completed the hedging of its interest rate risk on its treasury bill program with the implementation of additional interest rate caps of €300 million maturing in 2007, that will be converted into pay-fixed interest rate swaps or deferred-start swaps with maturities of 4 and 5 years (i.e., 2011 and 2012). For accounting purposes, such derivative instruments are qualified as a cash flow hedge.

24.2. Foreign Currency Risk Management

Vivendi's foreign currency risk policy seeks to hedge highly probable budget exposures, resulting primarily from monetary flows generated by commercial activities performed in currencies other than the euro and firm commitments, essentially relating to the acquisition of editorial content including sports, audiovisual and film rights, valued in foreign currency. For this purpose, Vivendi enters into currency swaps and forward contracts, in accordance with procedures prohibiting speculative transactions:

- Vivendi is the sole counterparty for foreign currency transactions within the group, unless specific regulatory or operational restrictions require otherwise;
- all foreign currency hedging transactions are backed, in amount and by maturity, by an identified economic underlying item; and
- all identified exposures are hedged at a minimum of 80% for forecasted transactions exposures and 100% for firm commitment contracts.

In addition, Vivendi also hedges foreign currency exposure resulting from foreign-currency denominated financial assets and liabilities by entering into currency swaps and forward contracts enabling the refinancing or investment of cash balances in euros or the local currency.

As of December 31, 2007, Vivendi had effectively hedged approximately 100% (compared to 96% as of December 31, 2006) of its foreign currency cash flows as well as borrowing-related exposure. The principal currencies hedged were the the pound sterling, the US dollar and the Japanese yen. In 2007, firm commitment contracts and forecasted transactions were entirely hedged. 2008 forecasted transactions were hedged at 80% in accordance with Vivendi's internal procedures with respect to foreign currency hedging and will be reviewed as of June 30, 2008.

In addition, in order to protect its net investment in certain Japanese subsidiaries against a potential devaluation, Vivendi hedged its Japanese exposure by setting up forward contracts and currency swaps for a notional amount of €233 million. For accounting purposes, such derivative instruments are qualified as net investment hedge.

Finally, with a view to the investment in Activision in 2008 of at least $1.7 billion, Vivendi set up in December 2007 a forward contract for the purchase of $1.2 billion, to partially hedge the purchase of the necessary U.S. dollars. The euro equivalent of this amount as of December 31, 2007 is €820 million. These instruments are classified as cash flow hedges for accounting purposes.

24.2.1 Sensitivity of operating indicators and indebtedness to the US dollar and the Moroccan dirham

An increase represents the appreciation of the euro against currency concerned.

	USD				MAD			
Average exchange rate used over the year 2007								
Change assumptions	+5%	(5)%	+10%	(10)%	+5%	(5)%	+10%	(10)%
Revenues	(0.3)%	0.3%	(0.6)%	0.6%	(0.5)%	0.5%	(0.9)%	1.1%
Earnings before interest and income taxes (EBIT)	0.1%	(0.1)%	0.1%	(0.1)%	(1.1)%	1.3%	(2.2)%	2.7%
Net cash provided by operating activities	0.1%	(0.1)%	0.3%	(0.2)%	(0.9)%	1.0%	(1.6)%	2.0%

	USD				MAD			
Exchange rate used as of December 31, 2007								
Change assumptions	+5%	(5)%	+10%	(10)%	+5%	(5)%	+10%	(10)%
Redemption value of borrowings	(0.1)%	0.1%	(0.1)%	0.1%	(0.3)%	0.4%	(0.6)%	0.8%
Cash and cash equivalents	(0.1)%	0.1%	(0.2)%	0.2%	(0.6)%	0.6%	(1.1)%	1.4%

24.2.2 Characteristics of foreign currency risk management instruments

As of December 31, 2007, excluding the net position of borrowings denominated in Moroccan Dirham (MAD), Vivendi's foreign currency denominated borrowings were not material. Nonetheless, Vivendi uses derivative instruments to manage its foreign currency exposure to intercompany current accounts denominated in foreign currencies.

Details concerning these instruments are provided in the table below:

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Currency swaps:		
National amount	1,192	900
Sales against the euro	260	308
Sales against other currencies	—	8
Purchases against the euro	930	576
Purchases against other currencies	2	8
Maturity:		
Due within one year	1,192	900
Forward contracts:		
National amount	882	278
Sales against the euro	25	236
Sales against other currencies	—	—
Purchases against the euro	845	27
Purchases against other currencies	12	15
Maturity:		
Due within one year	882	273
Due after one year and within five years	—	5

For accounting purposes, as of December 31, 2007, currency swaps and forward contracts are qualified as a net investment hedge of €233 million, €820 million as a cash flow hedge and €1,021 million as a fair value hedge.

The following tables present the notional amount of currency to be delivered or received under currency instruments (currency swaps and forwards). Positive amounts indicate currency receivable and negative amounts currency deliverable.

	December 31, 2007						
	EUR	USD	JPY	PIN	AUD	GBP	Other Currency
	(In millions of euros)						
Currency swaps:							
Sales against the euro	260	—	(208)	—	—	—	(52)
Sales against other currencies	—	—	—	—	—	—	—
Purchases against the euro	(930)	237	205	107	54	270	57
Purchases against other currencies	—	(2)	—	—	—	—	2
Forward contracts:							
Sales against the euro	25	—	(25)	—	—	—	—
Sales against other currencies	—	—	—	—	—	—	—
Purchases against the euro	(845)	845	—	—	—	—	—
Purchases against other currencies	—	(4)	—	—	—	1	3
	(1,490)	**1,076**	**(28)**	**107**	**54**	**271**	**10**

	December 31, 2006						
	EUR	USD	JPY	PIN	AUD	GBP	Other Currency
	(In millions of euros)						
Currency swaps:							
Sales against the euro	308	(230)	—	(5)	—	—	(73)
Sales against other currencies	—	8	—	—	—	—	(8)
Purchases against the euro	(576)	230	186	54	66	—	40
Purchases against other currencies	—	(8)	—	—	—	—	8
Forward contracts:							
Sales against the euro	236	(5)	(221)	—	(3)	(7)	—
Sales against other currencies	—	—	—	—	—	—	—
Purchases against the euro	(27)	27	—	—	—	—	—
Purchases against other currencies	—	(15)	—	—	—	12	3
	(59)	**7**	**(35)**	**49**	**63**	**5**	**(30)**

24.2.3 Group net balance sheet positions

The table below shows the group's net position in the main foreign currencies as of December 31, 2007 and as of December 31, 2006:

	December 31, 2007					
	USD	GBP	JPY	AUD	PLN	Other
	(In millions of euros)					
Assets	55	7	—	—	—	67
Liabilities	(148)	(369)	(182)	(55)	(119)	(36)
Net balance before management	**(93)**	**(362)**	**(182)**	**(55)**	**(119)**	**31**
Derivative financial instruments	47	366	203	55	107	(3)
Net balance after management	**(46)**	**4**	**21**	**—**	**(12)**	**28**

	December 31, 2006					
	USD	GBP	JPY	AUD	PLN	Other
	(In millions of euros)					
Assets	60	—	—	—	—	80
Liabilities	—	(187)	(164)	(58)	(57)	(21)
Net balance before management	**60**	**(187)**	**(164)**	**(58)**	**(57)**	**59**
Derivative financial instruments	(71)	182	185	57	49	(39)
Net balance after management	**(11)**	**(5)**	**21**	**(1)**	**(8)**	**20**

The position of the dirham (MAD) is not included in the table above due to local constraints associated with this currency.

A uniform decrease of 1% in exchange rates against all foreign currencies in position as of December 31, 2007, would have a cumulated negative impact of -€1.2 million on net income.

24.3. Equity Market Risk Management

24.3.1 Available-for-sale securities

Vivendi's exposure to equity market risk primarily relates to available-for-sale securities. Before equity market risk management, a decrease of 10% of the stock prices of these securities would have a negative net impact on equity of €22 million (unchanged compared to December 31, 2006).

24.3.2 Vivendi shares

As of December 31, 2007, Vivendi held 79,114 treasury shares (1.4 million as of December 31, 2006), representing a total net carrying amount of €1.9 million (-€33.4 million as of December 31, 2006). All of these treasury shares were held to hedge certain share purchase options granted to executives and employees. A 10% decrease or increase in the trading value of Vivendi shares would have an impact on the value of Vivendi treasury shares.

As part of its share repurchase program approved by the Combined Shareholders' Meeting held on April 20, 2006, Vivendi entrusted a financial intermediary for the implementation of a liquidity agreement drawn up in conformity with the professional code of ethics AFEI. The term of this agreement is one year, renewable by tacit agreement, and its purpose is the market making of Vivendi shares within the limit of available funds as provided in the agreement, the balance of which amounted to €92 million as of December 31, 2007. In 2007, 12.5 million shares were repurchased for a value of €381 million and a total number of 12.5 million shares were sold for an accounting value of €381 million pursuant to the implementation of this liquidity agreement. The company recognized capital

gains in the amount of €4 million in 2007 (compared to €5 million in 2006). In addition, the company has not directly acquired or transferred any of its treasury shares under this repurchase program with the liquidity agreement.

In June 2001 and December 2002, Vivendi purchased call options on its own stock in order to enable the group to deliver shares upon the exercise of share purchase options granted to employees. Based on the current stock price, no options are in-the-money.

	Year Ended December 31,	
	2007	2006
Call options purchased on Vivendi shares		
Number of shares	21,991,275	27,642,512
Total strike price (in millions of euros)	1,620	2,001
Maturity	December 2008	December 2008

In 2007 and 2006, Vivendi also hedged certain equity-linked to Vivendi and Canal+ S.A. debts using indexed swaps.

	Year Ended December 31,	
	2007	2006
Equity-linked swaps:		
Notional amount (in millions of euros)	123	123
Maturity:		
Due within one year	70	—
Due after one year and within five years	53	123

24.3.3 Hedges of other commitments and bonds exchangeable for shares

Bonds exchangeable for Sogecable SA shares

On October 30, 2003, Vivendi issued €605 million of 1.75% exchangeable bonds due 2008. The bonds are exchangeable for common shares of Sogecable S.A. (a limited liability company incorporated under the laws of the Kingdom of Spain, whose shares are listed on the Madrid Stock Exchange). Each bond is exchangeable at the option of the bondholder at any time, up to the tenth business day preceding the maturity date, into common shares of Sogecable S.A. at an exchange ratio of one share for one bond, subject to adjustment upon the occurrence of certain events. As of December 31, 2007, this ratio is fixed at 1,0118 share. Vivendi may at its discretion elect to pay holders exercising their option the cash equivalent in euros of the present market value of the relevant shares. In 2005, Vivendi divested 12.5 million Sogecable shares, at the bondholders' request, as part of the redemption of €363 million bonds exchangeable into Sogecable shares. In addition, Vivendi is entitled, at any time since October 30, 2006, at its discretion, to redeem in cash all, but not less than all, of the outstanding bonds, if on 20 out of 30 consecutive trading days, the product of (i) the closing price of a Sogecable share on the Madrid Stock Exchange and (ii) the then applicable exchange ratio equals or exceeds 125% of the sum of the principal amount of one bond (€29.32) plus accrued interest to, but excluding, the date set for redemption. In addition, Vivendi is entitled at any time to redeem in cash all, but not less than all, of the bonds outstanding at a price equal to the principal amount of the bonds plus accrued interest, if any, if less than 10% of the bonds originally issued remain outstanding at that time. Unless previously redeemed, exchanged or purchased and cancelled, the bonds will be redeemed in cash on the maturity date at their principal amount. The bonds, which are listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.

These bonds consist of a financial debt as well as a financial derivative instrument. The option granted to the bondholders is recorded as an embedded derivative for its fair value (€19 million as of December 31, 2007,

compared to €26 million as of December 31, 2006). The debt component is recorded at amortized costs of €212 million as of December 2007 and €203 million as of December 31, 2006. Please refer to Note 22.2.

As of December 31, 2007, Vivendi held 7.6 million Sogecable shares (unchanged compared to 2006) for a net value of €209 million (compared to €206 million as of December 31, 2006), of which 0.5 million shares were subject to a loan (compared to 1 million as of December 31, 2006). At the time of the issuance, Vivendi committed to lend a maximum of 20 million Sogecable shares to the financial institution acting as a bookrunner for the bond issue. Please refer to Note 15.

24.4. Credit and Investment Concentration Risk and Counterparty Risk

Vivendi minimizes the concentration of its credit and investment risk and counterparty risk by entering into credit and investment transactions only with highly rated commercial banks or financial institutions and by distributing the transactions among the selected institutions (rated at least A- by rating agencies).

Although Vivendi's credit risk is limited to the replacement cost at the present-estimated fair value of the instrument, management believes that the risk of incurring losses is remote and those losses, related to such risk if any, would not be material. The market risk on foreign exchange hedging instruments should be offset by changes in the valuation of the underlying hedged items. Vivendi's receivables and investments do not represent a significant concentration of credit risk due to its wide customer base, the wide variety of customers and markets in which its products are sold, the geographic diversity of its reporting units and the diversification of its portfolio among instruments and issuers.

24.5. Liquidity Risk

Vivendi believes that cash generated by its operations, cash and cash equivalents and the amounts available through its current credit lines, (available for €4.0 billion as of February 26, 2008, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2007), or under process of syndication (these lines should be available for €2 billion from February 29, 2008, please refer to Note 29), guarantee a sufficient liquidity to finance the group's operating expenses, capital investment needs, debt service, dividend payments and business combinations underway as of December 31, 2007.

In addition, as part of the takeover of Neuf Cegetel and in order to preserve its strategic and financial flexibility, Vivendi plans to raise €1 to €2 billion from its shareholders at the appropriate time. The definitive amount of this capital increase and the precise timetable will depend on market conditions.

Note 25. Transactions with Related Parties

This note presents transactions with related parties performed during 2007 and 2006 which could impact results, activities or the financial position of the group in 2008 or thereafter. As of December 31, 2007, and to the best of the company's knowledge, no transactions with related parties presented hereunder are likely to have a material impact on the results, activities or financial position of the group.

As a reminder, group-related parties are those companies over which the group exercises control, joint control or significant influence (joint ventures and equity affiliates), shareholders exercising joint control over group joint ventures, minority shareholders exercising significant influence over group subsidiaries, corporate officers, group management and directors and companies over which the latter exercise control, joint control, significant influence or in which they hold significant voting rights.

25.1. Compensation of Directors and Officers

The table below is a breakdown of Vivendi's compensation costs (including social security contributions) as well as other benefits granted to Management Board and Supervisory Board members in accordance with the different categories required by paragraph 16 of IAS 24.

	Year Ended December 31,	
	2007	2006
	(In millions of euros)	
Short-term employee benefits(a)	24	25
Social security contributions	3	3
Post-retirement benefits(b)	2	3
Other long-term benefits	—	—
Termination benefits(c)	ns*	ns*
Share-based payments	14	10
Total of costs accounted in P&L	**43**	**41**

ns*: not significant.

(a) Includes fixed and variable compensation, benefits in kind, as well as Supervisory Board attendance fees recognized over the period. In particular, the variable components attributable to the years 2007 and 2006 amounted to €14 million (of which €12 million was to be paid as of December 31, 2007) and €15 million paid in 2007, respectively.

(b) Includes defined pension benefit plans.

(c) Corresponds to the provision recognized over the period with respect to conventional indemnities upon voluntary retirement.

The members of the Management Board benefit from no contractual severance payment of any kind with respect to their service on the board even upon the expiration of their term of office. However, certain members are entitled to severance payments in the event of a breach of their employment contract (except in the event of dismissal for serious misconduct). As of December 31, 2007, the aggregate estimated amount of these payments was €23 million.

In addition, as of December 31, 2007, the obligations in favor of the Management Board members related to pension plans and share-based compensation plans (cash-settled plans) amounted to €10 million (compared to €9 million in 2006) and €8 million (compared to €3 million in 2006), respectively. As of December 31, 2007, the reserves accrued in respect to such obligations amounted to €6 million (compared to €5 million in 2006) and to €7 million (compared to €3 million in 2006), respectively. For more information on pension plans and share-based compensation plans, please refer to Notes 20 and 21.

A detailed description of the compensations and benefits of corporate officers of the group is presented in the Annual Report.

25.2. Other Related Parties

In 2007 and 2006, most Vivendi related companies were equity affiliated, e.g., NBC Universal and Neuf Cegetel. Vivendi's related companies also include minority shareholders which exercise significant influence on group affiliates such as Vodafone, which owns 44% of SFR, the Kingdom of Morocco, which owns 30% of Maroc Telecom and Lagardère, which owns 20% of Canal+ France since January 4, 2007 (please refer to Note 2.1).

The main related-party transactions and amounts outstanding by these companies or Vivendi are detailed hereunder:

	December 31, 2007	December 31, 2006
	(In millions of euros)	
Assets		
Non current content assets	41	66
Other intangible assets	42	—
Non current financial assets	4	1
Trade accounts receivable and other	241	218
Liabilities		
Short-term borrowings and other financial liabilities	11	14
Trade accounts payable and other(a)	444	476
Contractual obligations, net off balance sheet	486	382
Statement of earnings		
Revenues	394	431
Operating expenses	(675	(751)
	(281)	**(320)**

(a) Includes the interim dividends to be paid by SFR to Vodafone (€197 million as of December 31, 2007 paid in 2008 and €197 million as of December 31, 2006 paid in 2007).

The following is a summary of the related party transactions referenced above, all of which are conducted on an arm's length basis:

- Broadcasting rights regarding NBCU programs broadcast on the Canal+ Group channels and NBCU channels broadcast on CanalSat, and a movie production and distribution agreement with StudioCanal. In 2007, Canal+ France gave commitments relating to these contracts amounting to approximately to €510 million (compared to €415 million as of December 31, 2006), and StudioCanal received commitments relating to these contracts for a total amount of €24 million as of December 31, 2007 (compared to €33 million as of December 31, 2006). In 2007, the Canal+ Group recorded a net operating expense of €2 million compared to a net operating income of €15 million in 2006 in respect of business with NBCU and its subsidiaries. As of December 31, 2007, total receivables amounted to €44 million (compared to €48 million as of December 31, 2006), and total payables amounted to €17 million (compared to €10 million as of December 31, 2006). In addition, StudioCanal invested up to €41 million in co-production projects (compared to €66 million in 2006).

- Agreements with Lagardère which give Canal+ France the right to broadcast their theme channels on its multi-channel offer, signed in 2006 for a period of five years as a result of the **Canal+ Group and TPS combination of the pay-TV activities in France.**

- Cooperation and roaming agreements between SFR and Vodafone Group. These contracts generated a net expense of €18 million for SFR in 2007 compared to €25 million in 2006.

- Agreements with Neuf Cegetel which give SFR the right to use its networks and Neuf Cegetel the right to carry a volume of SFR and its subsidiaries calls. These contracts generated a net expense of €193 million as of December 31, 2007 compared to €245 million as of December 31, 2006.

Note 26. Contractual Obligations and Other Commitments

Vivendi's material contractual obligations and contingent assets and liabilities include:

- contracts related to operations such as content commitments (please refer to Note 10.2), contractual obligations and commercial commitments recorded in the statement of financial position, including finance leases (please refer to Note 12), off-balance sheet operating leases and subleases and off-balance sheet commercial commitments; such as long-term service contracts and purchase or investment commitments;
- commitments related to investments or divestitures such as share purchase or sale commitments, contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares, commitments resulting from shareholders' agreements and collateral and pledges granted to third parties over Vivendi's assets; and
- contingent assets and liabilities linked to litigations in which Vivendi is either plaintiff or defendant (please refer to Note 27).

26.1. Contractual Obligations and Commercial Commitments Recorded

Below is the summary of material contractual obligations and commercial commitments recorded in the statement of financial position as of December 31, 2007 and December 31, 2006. Further information is provided in Notes 26.1.1 and 26.1.2 of the present document and in the notes mentioned in the table below.

		Total as of December 31, 2007				Total as of December 31, 2006
			Payments Due in			
	Note	Total	2008	2009-2012	After 2012	
		(In millions of euros)				
Borrowings and other financial liabilities		**8,296**	1,967	5,780	549	**8,197**
o/w nominal value of borrowings and other financial liabilities(a)		***7,461***	***1,744***	***5,190***	***527***	***7,346***
o/w interests to be paid(b)		***835***	***223***	***590***	***22***	***851***
Contractual content commitments	10.2	**2,365**	2,196	152	17	2,151
Subtotal — future minimum payments related to the Consolidated Statement of Financial Position		**10,661**	**4,163**	**5,932**	**566**	**10,348**
Operating leases	26.1.1	**1,624**	304	920	400	1,589
Contractual content commitments	10.2	**4,368**	1,633	2,185	550	4,233
Other purchase obligations	26.1.2	**1,358**	584	492	282	**1,438**
Subtotal — not recorded in the Consolidated Statement of Financial Position		**7,350**	**2,521**	**3,597**	**1,232**	**7,260**
Total contractual obligations		**18,011**	**6,684**	**9,529**	**1,798**	**17,608**

(a) Future payment obligations are presented at their nominal value as set forth in the relevant agreements.

(b) The interest to be paid on floating rate borrowings is estimated based on the floating rate as of December 31, 2007.

Commitments specific to risk management are presented in Note 24.

26.1.1 Off balance sheet operating leases and subleases

	Future Minimum Lease Payments as of December 31, 2007				Future Minimum Lease Payments as of December 31, 2006
		Due in			
	Total	2008	2009-2012	After 2012	
	(In millions of euros)				
Buildings(a)	1,639	301	932	406	1,610
Other	40	17	22	1	29
Leases	**1,679**	**318**	**954**	**407**	**1,639**
Buildings(a)	(55)	(14)	(34)	(7)	(50)
Subleases	**(55)**	**(14)**	**(34)**	**(7)**	**(50)**
Net total	**1,624**	**304**	**920**	**400**	**1,589**

(a) Mainly relates to offices and technical premises.

As of December 31, 2007, €19 million of provisions were recorded in the statement of financial position with respect to operating leases (compared to €20 million as of December 31, 2006). These provisions mainly related to the unoccupied buildings.

In 2007, net expense recorded in the statement of earnings with respect to operating leases amounted to €378 million (compared to €362 million in 2006).

26.1.2 Off balance sheet commercial commitments

	Future Minimum Lease Payments as of December 31, 2007				Future Minimum Payments as of December 31, 2006
		Due in			
	Total	2008	2009-2012	After 2012	
	(In millions of euros)				
Satellite transponders	936(a)	229	431	276	774
Investment commitments(b)	316(c)	303	13	—	561
Other	151	75	70	6	141
Given commitments	**1,403**	**607**	**514**	**282**	**1,476**
Satellite transponders	(45)	(23)	(22)	—	(38)
Received commitments	**(45)**	**(23)**	**(22)**	—	**(38)**
Net total	**1,358**	**584**	**492**	**282**	**1,438**

(a) Includes the new satellite capacity contract at Canal+ Group. Canal+ Group decided, following a bidding process, to retain Astra as the future sole operator carrying its television programs and services by satellite services in France. Due to an option of pre-payment granted to Canal+ Group, this contract represented an additional overall commitment of €200 million over 10 years of which €89 was million paid in 2007, upon the exercise of early payment by Canal+ Group.

(b) Mainly relates to Maroc Telecom, SFR and Canal+ Group.

(c) Mainly includes residual commitments of Maroc Telecom related to the agreement signed in 2006 with the government of the Kingdom of Morocco pursuant to which Maroc Telecom committed to carry out a capital expenditure program for a total amount of MAD 7.4 billion and to create 150 new jobs between 2006 and 2009. In return, the Moroccan government agreed to exempt Maroc Telecom from paying customs' duties on capex-related imports. As of December 31, 2007, approximately MAD 391 million (€35 million, at this time) of the

capital expenditure program had yet to be spent. If Maroc Telecom does not make these investments, it will have to pay the unpaid customs' duties plus interest for late payment.

26.2. Other Given and Received Commitments Relating to Operations

References	Nature of the Commitment	Amount of the Commitment	Expiry
	Contingent liabilities		
(a)	SFR — UMTS license for France (assigned in August 2001)	1% of revenues earned	2021
(a)	SFR — GSM license for France (renewed in March 2006)	1% of revenues earned	2021
(b)	Maroc Telecom — Contribution to the provision of universal service	2% of Maroc Telecom annual revenues, net of interconnection costs	—
	Gabon Telecom — Contribution to mandatory health insurance	10% of annual revenue in mobile activities (excluding all taxes dropped by commissions paid to distributors) as of January 1st 2008.	—
(c)	Obligations related to the permission to use the Consolidated Global Profit System	— Creation of jobs 600 connected with the Group's businesses (760 already created at the beginning of 2008 since 2005) — Payment of €5 million annually for 5 years (€15 million already paid as of December 31, 2007)	2009
	Individual rights to training for French employees	Approximately 618 000 hours as of December 31, 2007	—
	Obligations in connection with pension plans and post-retirement benefits	Please refer to Note 20 "Employee benefits"	—
(d)	Various other miscellaneous guarantees given	Cumulated amount of €79 million	—
	Contingent assets		
(a)	SFR — Licenses for SFR networks and for the supply of telecommunications services in France: GSM (March 2006 — March 2021) and UM TS (August 2001 — August 2021)	—	2021
(e)	Maroc Telecom — Licenses for networks and for the supply of UM TS telecommunications services in Morocco (2006 — 2031)	—	2031
	Various other miscellaneous guarantees received	Cumulated amount of €196 million	—

(a) SFR holds licenses for its networks and for the supply of its telecommunications services in France for a period of 15 years for GSM (March 2006-March 2021), and 20 years for UMTS (August 2001-August 2021). In March 2006, the French Government authorized SFR to continue using its GSM license over the next 15 years (between April 1, 2006 and March 31, 2021), for an annual payment comprised of a fixed portion in an amount of €25 million (capitalized over the period for its present value of €278 million, please refer to Note 11) and a variable portion equal to 1% of the yearly revenues generated by the 2G technology. Since the variable portion cannot be reliably determined in order for it to be capitalized, it has not been recorded as a liability in the statement of financial position. Upon the acquisition of the UMTS license, the fixed amount paid, i.e., €619 million was recorded as an intangible asset (please refer to Note 11). Since the variable part of the fee

(equal to 1% of GSM revenues) cannot reliably be determined, it is not recorded in the statement of financial position. It is recorded as an expense when incurred.

(b) Maroc Telecom is required to contribute to the provision of universal service in the amount of 2% of its annual revenues, net of interconnection costs. This contribution to the universal service fund may be reduced by costs incurred directly by Maroc Telecom in this respect, subject to approval of the expenditure program by the Universal Service Management Committee of the ANRT (Moroccan National Telecommunications Regulatory Agency).

(c) Under the terms of the permission to use the Consolidated Global Profit Tax System, Vivendi has undertaken to create 600 jobs connected with the Group's businesses. Vivendi is committed to creating a minimum of 100 jobs by the end of 2005, 400 jobs by the end of 2006 and 600 jobs by the end of 2007. In January 2008, 760 jobs had been effectively created since 2005. In addition, Vivendi has undertaken to provide financial support for the creation of jobs not connected with the Group's businesses in regions in difficulty selected by the French State. Vivendi's financial commitment involves an annual payment of €5 million to specialist companies over a 5-year period commencing January 1, 2005. The objective is the creation of 1,000 jobs over 3 years and 1,500 jobs over 5 years. As of December 31, 2007, 1,624 jobs had been effectively created. The undertakings are regularly monitored by a National Monitoring and Orientation Committee comprising representatives of each of the parties concerned. As of December 31, 2007, Vivendi is in full compliance with its commitments and intends to continue to act in accordance with the terms of its undertaking.

(d) Including a guarantee capped at €17 million that would be reimbursed by December 2009, if it were to be called. In addition, Vivendi grants guarantees in various forms to financial institutions on behalf of its subsidiaries in the pursuit of their operations.

(e) In July 2006, Maroc Telecom was awarded a 3G mobile license by the ANRT (the Moroccan National Telecommunications Regulatory Agency) for 25 years (July 2006 through July 2031) for a fixed fee of MAD 300 million (approximately €27 million, excluding tax, paid in the fourth quarter of 2006).

26.3. Share Purchase and Sale Commitments

In connection with the purchase or sale of assets, Vivendi grants or receives commitments to purchase or sell securities. The main commitments of this nature concern Vivendi's stake in NBC Universal and in the share capital of Canal+ France and are described below. Furthermore, Vivendi has granted or received purchase or sale options related to shares in equity affiliates and unconsolidated investments.

NBC Universal

As part of the NBC-Universal transaction which was completed in May 2004, Vivendi received certain liquidity commitments and guarantees from General Electric (GE) which were subsequently amended in December 2006. As part of the amended agreement that governs Vivendi's exit from NBCU, Vivendi is entitled to sell its stake in NBCU under mechanisms providing for exits at fair market value. Vivendi has the right to notify GE of its intent to sell in the public market its NBCU shares from November 15 until the Friday of the first full week of December of each year between 2007 and 2016 up to an amount of $4 billion, which could lead to the public offering of a portion of Vivendi's stake the following year. GE has the right to pre-empt any of Vivendi's sales to the market. Under certain circumstances, if Vivendi exercises its right to sell its NBCU shares in the market, Vivendi will be able to exercise a put option to GE for those shares. Lastly, for the period between May 11, 2011 and May 11, 2017, GE will have the right to call either (i) all of Vivendi's NBCU shares or (ii) $4 billion of Vivendi's NBCU shares, in each case at the greater of their market value at the time the call is exercised or their value as determined at the time of the NBC Universal transaction in May 2004 (i.e. $8.3 billion), which value is increased by the US Consumer Price Index annually beginning in May 2009. If GE calls $4 billion, but not all, of Vivendi's NBCU shares, GE must call the remaining NBCU shares held by Vivendi by the end of the 12-month period commencing on the date GE exercises its call option.

Canal + France

As part of the combination of the Canal+ Group and TPS pay-TV activities in France, TF1 and M6 were granted a put option by Vivendi on their shares in Canal+ France. The present value of this option was recorded as a financial liability in the amount of €1,034 million as of December 31, 2007. In addition, Lagardère was granted a call option by Canal+ Group pursuant to which Lagardère may increase its equity interest in Canal+ France to 34%. The present value of this option was €965 million as of December 31, 2007. Please refer to Note 2.1.

Commitments related to transactions underway as of December 31, 2007

As of December 31, 2007, Vivendi was involved in the acquisition of various companies or assets, the completion of which is subject to the approval of competition authorities or to consultation with the relevant labor relations and employee representative committees. These transactions include mainly the combination of Vivendi Games with Activision in order to create Activision Blizzard (please refer to Note 2.8), and the proposed take over of Neuf Cegetel by SFR (please refer to Note 2.9).

26.4. Contingent Assets and Liabilities Subsequent to Given or Received Commitments Related to the Divestiture or Acquisition of Shares

Ref.	Nature of the Commitment contingent Liabilities	Amount of the Commitment	Expiry
(a)	NBC-Universal transaction (May 2004), in June 2005 and December 2006 amendments	— Breaches of obligations relating to retained businesses and liabilities, and the divestiture of certain businesses;	—
		— Breaches of tax representations;	2010
		— Obligation to cover the Most Favored Nation provisions limited to 50% of every dollar of loss up to $50 million and to 100% of all losses in excess for $50 million;	—
		— Violation of environmental laws and remedial actions: indemnification of aggregate losses stemming from VUE operations. $325 million deductible ($10 million de minim is exclusion) capped at $2,088 million.	2014
(b)	Acquisition of the MEIs take in USHI (February 2006)	Adjustment to the purchase price in the event of a sale by Vivendi of its NBCU equity	2008
	Divestiture of UMG manufacturing and distribution operations (May 2005)	Various commitments for manufacturing and distribution services	2015
	Commitment to Equitrax LLP	Commitment to use their royalty processing services for a period of seven years once the software has been developed and approved. It is anticipated that this commitment will begin in 2008.	2015
(c)	**Combination of the Canal+ Group and TPS pay — TV activities in France**	— Commitments regarding the broadcasting and rights from different contents and channels	2012
		— Please refer to Note 2.1	
(d)	Divestiture of Canal+ Nordic (October 2003)	Specific guarantee capped at €50 million.	2010
(e)	Divestiture of NC Numéricâble (March 2005)	Specific guarantees capped at €241 million (including tax and social risks) counter-guaranteed by France Telecom up to €151 million. €12 million of provisions.	2014
	Divestiture of PSG (June 2006)	— Customary guarantees capped at €18 million	2008
		— Unlimited specific guarantee.	2018
(f)	Divestiture of Sithe (December 2000)	Guarantees capped at $480 million	—
(g)	Sale of real estate assets (June 2002)	Autonomous first demand guarantees capped at €150 million total	2017
(h)	Early settlement of rental guarantees related to the last three buildings in Germany (November 2007)	Guarantees rental payments obligations of the companies sold in the transaction in the amount of €383 million, but received in return for such guaranty a pledge over the cash of the divested companies sold and a counter-guarantee provided by the purchaser in the amount of €200 million	2026
(i)	Divestiture of Spirits and Wine activities of Seagram (2001)	Specific guarantees relating to a claim formed by the Republic of Colombia and certain of its political subdivisions.	
	Other	Guarantees capped at €125 million (€8 million of provisions)	—
	Contingent assets		
	Acquisition of BMGP by UMG (May 2007)	**Reimbursement by Bertelsmann of payments made by UMG for employees who worked into BMGP in respect with compensation and retention plans signed before the acquisition of BMGP by UMG.**	—
(e)	Guarantees on divestiture of NC Numéricâble (March 2005)	€151 million counter-guaranteed by France Telecom	2014
(j)	Acquisition of Télé2 France by SFR (July 2007)	Guarantees capped at €358 million	2009
(k)	Divestiture of X fera (2003)	Guarantees amounting to €71 million	
(h)	Early settlement of rental guarantees related to the last three buildings in Germany (November 2007)	— Pledge over the cash of the divested companies sold	
		— Counter-guarantee provided by the purchaser in the amount of €200 million	
		— Additional of price for up €50 million under certain conditions	2010
	Various other miscellaneous contingent assets	Cumulated amount of €63 million	—

The accompanying notes are an integral part of the contingent assets and liabilities described above.

(a) As part of the NBC-Universal transaction which occurred in May 2004, Vivendi and General Electric (GE) gave certain reciprocal commitments customary for this type of transaction, and Vivendi retained certain liabilities relating to taxes and excluded assets. Vivendi and GE undertook to indemnify each other against losses stemming from among other things any breach of their respective representations, warranties and covenants. Neither party will have any indemnification obligations for losses arising as a result of any breach of representations and warranties (i) for any individual item where the loss is less than $10 million and (ii) in respect of each individual item where the loss is equal to or greater than $10 million except where the aggregate amount of all losses exceeds $325 million. In that event, the liable party will be required to pay the amount of losses which exceeds $325 million, but in no event will the aggregate indemnification payable exceed $2,088 million. In addition, Vivendi will have indemnification liabilities for 50% of every U.S. dollar of loss up to $50 million and for all losses in excess for $50 million relating to liabilities arising out of the Most Favored Nation provisions set forth in certain contracts. As part of the unwinding of IACI's interest in VUE on June 7, 2005, Vivendi's commitments with regard to environmental matters were amended and Vivendi's liability is now subject to a de minimis exception of $10 million and a payment basket of $325 million. The representations and warranties other than those regarding authorization, capitalization and tax representations terminated on August 11, 2005. Notices of claims for indemnity for environmental matters must be made by May 11, 2009, except for remediation claims which must be brought by May 11, 2014. Other claims, including those related to taxes, will be subject to applicable statutes of limitations.

(b) In connection with the purchase of the approximate 7.7% stake held by Matsushita Electric Industrial Co, Ltd (MEI) in Universal Studios Holding I Corp on February 7, 2006, if Vivendi were to sell any of its NBCU interests in 2008 for more than $7 billion, Vivendi agreed to pay MEI its pro rata share (33%) of the proceeds exceeding $7 billion.

(c) On August 30, 2006, the merger was authorized, pursuant to the merger control regulations, by a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Group Canal+ complying with certain undertakings. Without calling into question the pay-TV economic model, or the industrial logic behind the transaction and the benefits to the consumer, these commitments satisfy, more specifically, the following objectives:

- facilitate the access of television and video-on-demand (VOD) operators to rights on attractive audiovisual content and in particular French and US films and sporting events. To this end, the Canal+ Group undertakes, notably, to restrict the term of future framework agreements with major US studios to a maximum of three years, not to seek exclusive VOD rights, to guarantee non-discriminatory access to the StudioCanal catalogue, to restrict the proportion of films taken from this catalogue in the acquisition of films by the future entity and to cease soliciting combined offers for different categories of cinematographic and sporting rights.

  In addition, the Canal+ Group undertook to retrocede, within the framework of competition requirements, free-to-air audiovisuals rights to TV series and sporting events that the new entity may hold and does not use, more specifically to;

- make available to all pay-TV distributors who wish several high-quality channels, enabling them to develop attractive products. Third parties will be provided with access to TPS Star, three cinema channels (CinéStar, CinéCulte, CinéToile), Sport+ and the children's channels Piwi and Teletoon. In addition, Canal+ will be available in digital (self distribution) to all operators wishing to include this channel in their product range;

- enable French-language independent licensed channels to be included in the satellite offerings of the new group. The current proportion of theme channels in the Group's offerings that are neither controlled by the Canal+ Group or one of the minority shareholders in the new entity (Lagardère, TF1, M6), will be retained at the current level as a minimum, including in the basic offering. This guarantee applies in terms of both the number of channels and revenue.

These commitments are given by Vivendi and the Canal+ Group for a maximum period of six years, with the exception of those commitments concerning the availability of channels and VOD, which cannot exceed five years.

(d) In connection with the divestiture of Canal+ Nordic in October 2003, Canal+ Group granted a specific guarantee with a cap of €50 million which expires in April 2010 (which term could be extended under certain conditions). In addition, two guarantees given to American studios on output deals were retained by Canal+ Group, and amount to a maximum of €20 million and $15 million, respectively, over the life of the contracts. These guarantees are covered by a counter-guarantee given by the buyers to Canal+ Group. Canal+ Group has also retained distribution guarantees given in favor of Canal Digital and Telenor Broadcast Holding by a former subsidiary which guarantees are covered by a counter-guarantee given by the buyers.

(e) As part of the divestiture of NC Numéricâble on March 31, 2005, the Canal+ Group granted specific guarantees with a €241 million cap (including tax and social risks), for which €12 million of provisions were accrued as of December 31, 2007. Specific risks related to cable networks used by NC Numéricâble are included in this maximum amount and are counter-guaranteed by France Telecom up to €151 million. In addition, Canal+ Group received in January 2006, as part of the final divestiture of its 20% stake in Ypso, the right to a potential earn-out payment under certain conditions, that was not valued in the off-balance sheet accounts.

(f) In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi granted guarantees on its own representations and those of Sithe. Claims, other than those made in relation to foreign subsidiary commitments, are capped at $480 million. In addition, claims must exceed $15 million, except if they relate to foreign subsidiaries or the divestiture of certain electrical stations to Reliant in February 2000. Some of these guarantees expired.

(g) In connection with the sale of real estate assets in June 2002 to Nexity, Vivendi granted two autonomous first demand guarantees, one for €40 million and one for €110 million to several subsidiaries of Nexity (Nexim 1 to 6). The guarantees are effective until June 30, 2017.

(h) In connection with the disposal of the last three buildings in Germany (Lindencorso, Anthropolis/Grindelwaldweg and Dianapark) in November 2007, Vivendi agreed to continue to guarantee certain lease payments (i.e., €383 million) of the companies it sold in the transaction until December 31, 2026. Vivendi also granted standard guarantees, including tax indemnities. In exchange, Vivendi received in return for such guarantee a pledge over the cash of the divested companies and a counter-guarantee provided by the purchaser in the amount of €200 million. Consequently, Vivendi's economic exposure to these guarantees is now covered and Vivendi may recognize additional income of up to €50 million as a result of the definitive settlements (before September 30, 2010).

(i) A former Seagram subsidiary, divested in December 2001 to Diageo PLC and Pernod Ricard SA, as well as those companies and certain of their subsidiaries, were sued by the Republic of Colombia and certain of its political subdivisions before the United States District Court for the Eastern District of New York, for alleged unlawful practices, including alleged participation in a scheme to illegally distribute their liquor products in Colombia and money laundering, claimed to have had an anti-competitive effect in Colombia. Vivendi is not a party to this litigation. Diageo and Pernod Ricard have demanded indemnification from Vivendi with respect to their purchase of Vivendi's former Seagram subsidiary in 2001 and Vivendi has reserved its rights with respect to the indemnity demand. The defendants have denied that they have any liability for any of the claims asserted in the complaint.

(j) The Share Purchase Agreement (SPA) dated October 2, 2006 between Tele 2 Europe SA and SFR contains certain indemnities, guarantees, representations and warranties which will expire on January 20, 2009, except for those relating to tax and social matters which expire three months following the end of the applicable statute of limitations. The maximum liability under these provisions is 100% of the final purchase price (i.e., €358 million). On July 18, 2007, in accordance with European Union antitrust regulation, the European Commission approved the purchase of the fixed and internet activities of Télé2 France by SFR, subject to commitments on the handling and distribution of audio-visual content. Details of the commitments undertaken

by the Vivendi group and SFR related to this transaction can be obtained on Vivendi's web site at the following address: http://www.vivendi.com/corp/fr/filiales/index _ sfr.php.

(k) Vivendi received guarantees on the repayment of amounts paid in July 2007 (€71 million), in the event of a favorable decision of the Spanish Courts concerning Xfera's tax litigation to cancel the 2001, 2002 and 2003 radio spectrum fees. These guarantees include a bank first demand guarantee relating to 2001 fees for an amount of €57 million.

Several guarantees given in 2007 and during prior years in connection with asset acquisitions or disposals have expired. However, the time periods or statute of limitations of certain guarantees relating, among other things, to employees, environment and tax liabilities, that are linked to share ownership, or given in connection with the dissolution or winding-up of certain businesses has not yet expired. To the best of our knowledge, no material claims for indemnification against such liabilities have been made to date.

26.5. Shareholders Agreements

Under existing shareholder agreements (including SFR, Maroc Telecom and Canal+ France), Vivendi holds certain rights (such as preemptive rights, priority rights, etc.) which enable it to control the capital structure of consolidated companies owned partially by other shareholders. Conversely, Vivendi has granted similar rights to the other shareholders in the event that it sells its interests to third parties.

In addition, pursuant to other shareholders agreements or provisions of the bylaws of consolidated entities, equity affiliates or unconsolidated interests (including NBC Universal, Elektrim Telekomunikacja and Neuf Cegetel), Vivendi has given or received certain rights (preemptive and other rights) enabling it to protect its shareholder's rights.

- Shareholders' Agreement between Vivendi, TF1 and M6:

  Pursuant to Shareholders' Agreement between Vivendi, TF1 and M6, dated as of January 4, 2007, TF1 and M6 were granted a tag-along right in the event of the transfer of the exclusive control of Canal+ France by Vivendi/Canal+ Group, together with a priority right to sell their stakes on the market in the event of a public offering of Canal+ France's shares. TF1 and M6 are not represented on the supervisory board of Canal+ France and do not have rights of any kind in respect of the management of Canal+ France. Vivendi has a preemptive right over all the shares of Canal+ France owned by TF1 and M6.

- Strategic Agreements between Vivendi, Canal+ Group, Lagardère and Lagardère Active:

  The CanalSatellite agreement entered into between Lagardère and Canal+ Group in 2000 terminated on January 4, 2007.

  Pursuant to the Canal+ France strategic agreements entered into on January 4, 2007, Lagardère was granted rights to preserve its economic interest in Canal+ France, which rights vary according to the level of its ownership in Canal+ France. Under no circumstances will Lagardère have any joint control of Canal+ France, including in the event that Lagardère were to exercise its call option. The main provisions of these strategic agreements are as follows:

- The Chairman and all members of the management board of Canal+ France will be appointed by Canal+ Group. Lagardère will be represented by two out of the eleven members of the supervisory board. This number will be increased to three in the event of an increase to a level of 34% of Lagardère's ownership in Canal+ France.

- Lagardère has certain veto rights over Canal+ France and, in certain cases, over its major subsidiaries (including in the event of a change in the statutes, a major and lasting change in the business, its transformation into a company in which the partners have unlimited liability, a single investment of over a third of revenues, a public offering of the company's shares, in certain circumstances the entry of a third party as a shareholder, and, so long as Lagardère owns 34% of Canal+ France's capital, borrowings over the

thresholds of 50% and 90% of revenues as a function of the margin of earnings from operations (EFO[1]), and certain other rights (including a tag-along right, an anti-dilution right, certain bidding rights in the event of the sale of Canal+ France) intended to protect its economic interest. Vivendi has a pre-emptive right in the event of a sale of Lagardère's equity interest.

- Between 2008 and 2014, Lagardère will have a liquidity right exercisable between March 15th and April 15th of each calendar year, provided, however, that Lagardère owns at least 10% but no more than 20% of the capital and voting rights of Canal+ France, and provided further that it has waived its right to exercise its call option (if such option has not lapsed) enabling it to own 34% of the capital of Canal+ France. Pursuant to this liquidity right, Lagardère will be able to request the public offering of Canal+ France shares. In this event Vivendi/Canal+ Group has the right to acquire all of Lagardère's equity interest.

- The financing of Canal+ France has been structured through a mechanism which includes shareholders' loans and the delivery of guarantees with respect to Canal+ France's obligations. Pursuant to this mechanism,Lagardère has the option to participate in such financing and guarantee arrangements pro rata its level of ownership in the share capital of the company. With effect from 2011, after the reimbursement of the shareholder loans to which Lagardère has not contributed in proportion of its equity interest, and subject to compliance with certain indebtedness ratios, Canal+ France will distribute a dividend equal to its available cash flow not necessary for the financing of its operations provided that Lagardère owns at least 34% of the share capital of Canal+ France.

- Shareholders' Agreement between SFR and the Louis Dreyfus Group:

  On September 13, 2006, SFR and the Louis Dreyfus Group signed an agreement which became effective on October 24, 2006, the date of the initial public offering of Neuf Cegetel, and has an initial term of six years, renewable automatically for periods of three years in the absence of a decision to the contrary by the parties. The agreement provides notably for pre-emptive rights in favor of each of the parties in the event of the transfer of their Neuf Cegetel shares to a third party, subject to certain exceptions. The provisions of this new shareholders' agreement do not impact the governance of Neuf Cegetel and do not call into question the equity accounting of Neuf Cegetel by SFR. Please refer to Note 2.9.

  Pursuant to Article L. 225-100-3 of the French Commercial Code, some rights and obligations of Vivendi resulting from shareholders' agreements (SFR, Maroc Telecom, NBC Universal and Cyfra+) could be amended or terminated in the event of a change of control of Vivendi or a tender offer being made on Vivendi. These shareholders' agreements are subject to confidentiality provisions.

26.6. Collaterals and Pledges

The amount of the Group's assets that are pledged or mortgaged for the benefit of third parties was €1 million as of December 31, 2007 (compared to €51 million as of December 2006). Moreover, Vivendi received some guarantees from third parties on some of its receivables for €32 million as of December 31, 2007 (compared to €42 million as of December 31, 2006).

Note 27. Litigations

Vivendi is subject to various litigations, arbitrations or administrative proceedings in the normal course of its business.

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[1] EFO (Earnings From Operations as defined and used by Vivendi until June 30, 2006, please refer to Note 1.2.3 "Change in presentation" page 188 of the 2006 Annual Report) consists of gross margin, selling, general and administrative expenses, costs related to employee benefit plans excluding the change in financial component, costs related to share base payments, restructuring costs, the change in currency hedging instruments related to operating activities and gain and loss on the divestments of property, plant and equipment and intangible assets.

The expenses which may result from these proceedings are only recognized as a provision when they become likely and when their amount can either be quantified or estimated on a reasonable basis. In the last case, the amount of the provision represents Vivendi's best estimate of the risk. The amount of the provision recognized is calculated based on an appraisal of the level of the risk, bearing in mind that the occurrence of an ongoing event may lead, at any time, to a reappraisal of the risk. As of December 31, 2007, provisions recorded by Vivendi for all claims and litigations amounted to €436 million.

To the company's knowledge, there are no legal or arbitration proceedings or any facts of an exceptional nature which may have or have had in the recent past a significant effect on the company and on its group's financial position, profit, business and property, other than those described therein.

The situation of proceedings disclosed hereunder is described as of February 26, 2008, the date of the Management Board meeting held to approve Vivendi's financial statements for the year ended December 31, 2007.

COB/AMF Investigation Opened in July 2002

On December 19, 2006, the Commercial Chamber of the French Supreme Court (Cour de Cassation), upon appeal of the Autorités des Marchés Financiers (AMF), partially reversed the Paris Court of Appeal's decision held on June 28, 2005. In its decision, the Commercial Chamber of the French Supreme Court ruled that the statements made orally by Jean-Marie Messier at the company's 2002 Annual Shareholders' Meeting were binding on the company, regardless of whether such statements were accurate or complete, due to the fact that he made the statements while performing his duties as the chief executive officer. However, the French Supreme Court confirmed the accuracy and appropriateness of the consolidation methods applied by Vivendi. The case has been partially remanded to the Paris Court of Appeal in a different composition. A procedural hearing is scheduled on March 31, 2008.

Investigation by the Financial Department of the Parquet de Paris

In October 2002, the financial department of the Parquet de Paris initiated an investigation for publication of false or misleading information regarding the financial situation or forecasts of the company, as well as the publication of untrue or inaccurate financial statements (for financial years 2000 and 2001). Additional prosecution's charges joined this investigation related to purchases by the company of its own shares between September 1, 2001 and December 31, 2001 further to the submission, on June 6, 2005, to the Parquet de Paris of an AMF investigation report. Vivendi joined as a civil party to the investigation. On January 15, 2008, the judges notified to the parties the end of the investigation.

PSG Transfers

An investigation entrusted to a Judge has been opened in connection with the terms of transfer of PSG soccer players and the remuneration of intermediaries between 1998 and 2002. PSG is a former subsidiary of the Vivendi group. The investigation is ongoing.

Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi, Messrs. Jean-Marie Messier and Guillaume Hannezo in the United States District Court for the Southern District of New York and in the United States District Court for the Central District of California. On September 30, 2002, the New York court decided to consolidate these claims in a single action under its jurisdiction entitled In re Vivendi Universal S.A. Securities Litigation.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934. On January 7, 2003, they filed a consolidated class action suit that may benefit potential groups of shareholders. Damages of unspecified amount are claimed. Vivendi contests these allegations.

Fact discovery and depositions closed on June 30, 2007.

In parallel with these proceedings, the Court, on March 22, 2007, has decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that the persons from the United States, France, England and the Netherlands who purchased or acquired shares or ADS of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class. On April 9, 2007, Vivendi filed an appeal against this decision. On May 8, 2007, the United States Court of Appeals for the Second Circuit denied both Vivendi's and some other plaintiffs' petitions seeking review of the district court's decision with respect to class certification. On August 6, 2007, Vivendi filed a petition with the Supreme Court of the United States for a Writ of Certiori seeking to appeal the Second Circuit's decision on class certification. On October 9, 2007, the Supreme Court denied the petition.

Following the March 22, 2007 order, a number of individual cases have recently been filed against Vivendi by plaintiffs who were excluded from the certified class. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action. The trial is scheduled to commence in October 2008.

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, Mssrs. Messier and Hannezo for claims arising out of a merger agreement entered into by Vivendi and Liberty Media relating to the formation of Vivendi Universal Entertainment in May 2002. Liberty Media seeks rescission damages. The case has been consolidated with the securities class action.

Elektrim Telekomunikacja

As of today, Vivendi is a 51% shareholder in each of Elektrim Telekomunikajca Sp. z o.o. (Telco) and Carcom Warszawa (Carcom), companies organized under and existing under the laws of Poland which own, either directly and indirectly, 51% of the capital of Polska Telefonia Cyfrowa Sp. Z.o.o. (PTC), one of the primary mobile telephone operators in Poland. These shareholdings are the subject of several litigation proceedings the most recent developments in these proceedings are described below. Please also refer to the previous Annual Reports.

Exequatur Proceedings of the Arbitral Award rendered in Vienna on November 26, 2004

On January 18, 2007, following the appeal filed by Telco, the Polish Supreme Court overturned the decision authorizing the exequatur of the Arbitral Award rendered in Vienna on November 26, 2004. The case was remanded to the Warsaw Tribunal of first instance.

Arbitration Proceedings before the London Court of International Arbitration (LCIA)

On August 22, 2003, Vivendi and Vivendi Telecom International SA (VTI) lodged an arbitration claim with an arbitration court under the auspices of the London Court of International Arbitration (LCIA) against Elektrim, Telco and Carcom. This request for arbitration relates to the Third Amended and Restated Investment Agreement of September 3, 2001, entered into by and among Elektrim, Telco, Carcom, Vivendi and VTI (the "TIA"). The purpose of the TIA, amongst other things, is to govern relations between Vivendi and Elektrim within Telco. The subject matter of the dispute mainly relates to alleged breaches of the TIA by Vivendi and Elektrim.

Proceedings against Deutsche Telekom before the Paris Commercial Court

In April 2005, Vivendi summoned Deutsche Telekom (DT) before the Paris Commercial Court for wrongful termination of negotiations. In September 2004, DT ended, without prior notice and without legitimate justification, tri-party negotiations with Elektrim and Vivendi which had begun one year earlier in relation to the transfer of 51% of PTC to DT.

Arbitral Proceedings in Geneva under the aegis of the International Chamber of Commerce

On April 13, 2006, Vivendi initiated arbitration proceedings in Geneva against DT and Elektrim under the aegis of the International Chamber of Commerce to obtain the recognition of an agreement negotiated in February and March 2006 among Vivendi, Elektrim and DT, which aimed, in particular, to settle all pending litigation in connection with PTC. Vivendi is seeking enforcement of this contract or compensation of approximately €3 billion.

Proceedings against DT before the Federal Court in the State of Washington (USA)

On October 23, 2006, Vivendi filed a civil Racketeer Influenced and Corrupt Organizations Act (RICO) complaint in federal court in the State of Washington, claiming that T-Mobile had illegally appropriated Vivendi's investment in PTC through a pattern of fraud and racketeering. Named in the complaint are T-Mobile USA, Inc., T-Mobile Deutschland GmbH Deutsche Telekom AG and Mr Zygmunt Solorz-Zak, Elektrim's main shareholder. Vivendi is claiming compensation in the amount of approximately €7.5 billion.

Tort Claim initiated by Elektrim against Vivendi before the Warsaw District Court

Elektrim started a tort action against Vivendi before the Warsaw District Court on October 4, 2006, claiming that Vivendi prevented Elektrim from recovering the PTC shares following the Vienna Award. Elektrim is claiming compensation for amount of approximately €2.2 billion corresponding to the difference between the fair market value of 48% of PTC and the price paid by DT to Elektrim as a result of the exercise of its call option, evaluated at approximately €2.2 billion.

Arbitration proceedings in Vienna

On January 10, 2007 and July 5, 2007, DT lodged arbitration claims in Vienna against Elektrim Autoinvest, a 51% indirect subsidiary of Vivendi, and Carcom, which own 1.1% and 1.9% of the share capital of PTC, respectively. DT alleges that Elektrim Autoinvest and Carcom breached the PTC Shareholders' agreement by supporting Telco and opposing the implementation in Poland of the Arbitration Award rendered in Vienna in November 26, 2004 and claims it has a call option on Carcom's shareholding in PTC (1.9%).

On June 12, 2007, DT lodged an arbitration claim in Vienna against Vivendi, VTI, Carcom and Elektrim Autoinvest. DT alleges that the defendants committed a fault when they opposed the implementation in Poland of the Arbitral Award rendered in Vienna on November 24, 2006 and claiming damages of at least €1.2 billion.

Tort Claim initiated by T-Mobile against Telco before the Warsaw Tribunal

T-Mobile initiated a tort action against Telco before the Warsaw Tribunal on November 15, 2007. T-Mobile is claiming damages in the amount of approximately €3.5 billion as compensation for alleged misconducts in connection with the litigation involving the PTC shares.

Vivendi's Case against the Polish State

On August 10, 2006, Vivendi and VTI served the Republic of Poland with a request for arbitration on the basis of the treaty signed on February 14, 1989, between France and Poland relating to the reciprocal encouragement and protection of investments. In its request, Vivendi claimed that the Republic of Poland failed to comply with its obligations to protect and fairly treat foreign investors under such treaty. Vivendi is claiming compensation in the amount of €1.9 billion.

French Competition Council — Mobile Telephone Market

On June 29, 2007, the Commercial Chamber of the French Supreme Court partially reversed the decision rendered by the Court of appeal on December 12, 2006, confirming the order rendered by the French Competition Council ordering SFR to pay a fine of €220 millions, and recognizing that an illegal agreement existed due to exchange of

information among French mobile telephone operators between 1997 and 2003 and imposing a financial penalty on this basis. The French Supreme Court remanded the case to the Paris Court of Appeal otherwise composed.

SFR is involved in contentious proceedings connected with this order brought by customers and consumer associations before the Commercial Court of Paris. Since SFR is challenging the merits of these proceedings, it is not in a position to determine the potential impact of their outcome.

Claim against a former Seagram subsidiary

A former Seagram subsidiary, divested in December 2001 to Diageo PLC and Pernod Ricard SA, as well as those companies and certain of their subsidiaries, were sued by the Republic of Colombia and certain of its political subdivisions before the United States District Court for the Eastern District of New York, for alleged unlawful practices, including alleged participation in a scheme to illegally distribute their liquor products in Colombia and money laundering, claimed to have had an anti-competitive effect in Colombia. Vivendi is not a party to this litigation. Diageo and Pernod Ricard have demanded indemnification from Vivendi with respect to their purchase of Vivendi's former Seagram subsidiary in 2001 and Vivendi has reserved its rights with respect to the indemnity demand. The defendants have denied that they have any liability for any of the claims asserted in the complaint. The discovery process is just beginning.

Compañia de Aguas de Aconquija and Vivendi against the Republic of Argentina

On August 20, 2007, the International Center for Settlement of Investment Disputes (ICSID) issued an arbitration award in favor of Vivendi and its Argentine subsidiary Compañia de Aguas de Aconquija, relating to a dispute that arose in 1996 regarding the water concession in the Argentine Province of Tucuman, which was entered into in 1995 and terminated in 1997. The arbitration award held that the actions of the Provincial authorities had infringed the rights of Vivendi and its subsidiary, and were in breach of the provisions of the Franco-Argentine Bilateral Investment Protection Treaty.

The arbitration tribunal awarded Vivendi and its subsidiary damages of $105 million plus interest and costs. On December 13, 2007, the Argentine Government filed an application for the arbitration award to be set aside, in particular on the basis of an alleged conflict of interest concerning one of the arbitrators. ICSID will appoint an ad hoc committee to issue a ruling on this application, in the first quarter of 2008.

Claim against the company Compagnie Immobilière Phénix Expansion

Compagnie Immobilière Phénix Expansion (CIP Expansion), a former subsidiary of Vivendi, is the subject of a claim by Tso Yaroslavstroi, the Russian public corporation, relating to a contract for the construction of prefabricated houses in the Yaroslav region. On March 30, 2005, Tso Yaroslavtroi filed a claim against CIP Expansion with the ICC International Court of Arbitration, seeking an order for the payment of sums representing, in particular, the loss of profits envisaged from the sale of the prefabricated houses and compensation for the loss suffered. The award is expected to be issued during the first quarter of 2008.

Fermière de Cannes

On March 19, 2003, Anjou Grandes Opérations, Anjou Patrimoine and Anjou Services, three subsidiaries of Vivendi resulting from the break-up of Compagnie Immobilière Phénix (CIP), became the subject of claims a shareholders' action (ut singuli) brought by shareholders of Fermière de Cannes claiming that funds were owed to the company. Following a judgment of the French Supreme Court ("Cour de Cassation"), the Paris Court of Appeal, in a judgment dated December 6, 2007, upheld the claim of the shareholders and ordered two company officers of CIP and Fermière de Cannes, jointly and severally, to pay €67 millions in resulting from the offences of aiding and abetting, and concealing, the misappropriation of company assets in the exercise of their functions. The case against Anjou Services and the former subsidiaries of CIP was dismissed. The two company officers have filed an appeal with the French Supreme Court.

SCI Carrec

On October 2006, SCI Carrec filed a claim against société Gambetta Défense V before the tribunal of first instance of Nanterre seeking indemnification for its prejudice suffered in connection with the sale of a building in 1988. As part of this sale, SCI Carrec was granted an indemnity by Compagnie Générale des Eaux, the predecessor of Vivendi.

Parabole Reunion

In July 2007, the group Parabole Réunion filed a suit before the Tribunal of first instance of Paris following the termination of the distribution on an exclusive basis of the TPS channels in Reunion Island, Mayotte, Madagascar and Mauritius. Pursuant to a decision dated September 18, 2007, Group Canal+ was enjoined, under fine, from allowing the broadcast of these channels by a third party, unless it offers to Parabole Réunion the replacement of these channels by other channels of a similar attractivity, to be distributed on an exclusive basis. Groupe Canal+ appealed this decision.

Universal Music Group

Investigations into Prices in the Online Music Distribution Market

In December 2005, the New York State Attorney General opened an investigation into matters concerning the pricing of digital downloads. In February 2006, the United States Justice Department commenced a similar investigation. In connection with those inquiries, both the New York State Attorney General and the Department of Justice served subpoenas on the four major record companies. UMG has responded to the subpoenas served by the New York State Attorney General and the Department of Justice.

Brazilian Tax Dispute

The State of São Paolo, Tax Authority (Brazil) filed an action disputing certain deductions taken by a UMG company in Brazil for sales tax payments on account of copyright and neighboring rights payments for domestic Brazilian repertoire.

Class action against Activision in the United States

In February 2008, a purported class action was filed in the United States against Activision and its directors regarding the combination of Activision and Vivendi Games, and against Vivendi and its concerned subsidiaries. Vivendi intends to defend this action vigorously.

Note 28. Major Consolidated Entities

As of December 31, 2007, approximately 430 entities were consolidated or accounted for using the equity method (compared to approximately 400 entities as of December 31, 2006).

C: Consolidated; E: Equity.

Vivendi S.A.	Note	Country	December 31, 2007 Accounting Method	Voting Interest	Ownership Interest	December 31, 2006 Accounting Method	Voting Interest	Ownership Interest
		France	Parent company			Parent company		
Universal Music Group, Inc.		**USA**	**C**	**100%**	**100%**	**C**	**100%**	**100%**
Poly Gram Holding, Inc.		USA	C	100%	100%	C	100%	100%
UMG Recordings, Inc.		USA	C	100%	100%	C	100%	100%
Centenary Holding B.V.		Netherlands	C	100%	100%	C	100%	100%
Universal International Music B.V.		Netherlands	C	100%	100%	C	100%	100%
Centenary Music International B.V.		Netherlands	C	100%	100%	C	100%	100%
Universal Entertainment GmbH		Germany	C	100%	100%	C	100%	100%
Universal Music K.K.		Japan	C	100%	100%	C	100%	100%
Universal Music France S.A.S.		France	C	100%	100%	C	100%	100%
Centenary Music Holdings Limited		UK	C	100%	100%	C	100%	100%
Canal+ Group S.A.		**France**	**C**	**100%**	**100%**	**C**	**100%**	**100%**
Canal+ France S.A.	2.1	France	C	65%	65%	C	90%	90%
Canal+ S.A.(a)		France	C	49%	32%	C	49%	44%
Multi Thém atiques S.A.S		France	C	100%	65%	C	100%	90%
Canal Overseas S.A.S. (exMedia Overseas S.A.S.)		France	C	100%	65%	C	100%	90%
Canal+ Distribution S.A.S.(b)		France	C	100%	65%	C	66%	59%
TPS Cinema S.N.C.		France	C	100%	65%	—	—	—
Studio Canal S.A.		France	C	100%	100%	C	100%	100%
Cyfra+		Poland	C	75%	75%	C	75%	75%
SFR S.A.(c)		**France**	**C**	**56%**	**56%**	**C**	**56%**	**56%**
Société Ré union naise du Radio téléphone S.C.S.(b)		France	C	100%	56%	C	100%	56%
FrNet2 France S.A.S.(d)	2.5	France	C	100%	56%	—	—	—
Société Financière de Distribution S.A.		France	C	100%	56%	C	100%	56%
NeufCegetel S.A.		France	E	40%	22%	E	40%	23%
Maroc Telecom S.A.	2.7	**Morocco**	**C**	**53%**	**53%**	**C**	**51%**	**51%**
Mauritel S.A.		Mauritania	C	51%	22%	C	51%	21%
Onatel	2.2	Burkina Faso	C	51%	27%	—	—	—
Gabon Telecom S.A.	2.3	Gabon	C	51%	27%	—	—	—
Mobisud France		France	C	66%	35%	C	66%	34%
Mobisud Belgique		Belgium	C	100%	53%	—	—	—
Vivendi Games Inc.		**USA**	**C**	**100%**	**100%**	**C**	**100%**	**100%**
Blizzard Entertainment, Inc.		USA	C	100%	100%	C	100%	100%
NBC Universal		**USA**	**E**	**20%**	**20%**	**E**	**20%**	**20%**
Other								
Elektrim Telekom unikacja		Poland	C	51%	51%	C	51%	51%
Polska Telefonica Cyfrowa(e)	27	Poland	—	—	—	—	—	—
Vivendi Mobile Entertainment		France	C	100%	100%	C	100%	100%

(a) This company is consolidated because (i) Vivendi has majority control over the board of directors, (ii) no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi and (iii) Vivendi assumes the majority of risks and benefits pursuant to an agreement with Canal+ S.A. via Canal+ Distribution S.A.S., as modified by an amendment dated

as of December 28, 2007. Indeed, Canal+ Distribution, a wholly-owned subsidiary of Vivendi, guarantees Canal+ S.A. results in return for exclusive commercial rights to the Canal+ S.A. subscriber base.

(b) On December 31, 2007, Canal+ Distribution and Canal+ Active S.A.S. merged into CanalSatellite S.A. As a result of these operations, CanalSatellite S.A. was transformed into a simplified joint stock company and renamed to Canal+ Distribution S.A.S.

(c) SFR S.A. is 56% owned by Vivendi and 44% owned by Vodafone. Under the terms of the shareholders' agreement, Vivendi has management control of SFR, majority control over the board of directors, appoints the chairman and CEO, has majority control over shareholders' general meetings, and no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi.

(d) Corresponds to the fixed telephony and broadband activities of Télé2 France acquired in July 2007 (please refer to Note 2.5).

(e) Due to the legal disputes surrounding the ownership of Telco' stake in PTC which prevents Telco/Carcom from exercising joint control over PTC, as provided in the bylaws of PTC, Vivendi has not consolidated its stake in PTC.

Note 29. Subsequent Events

The main events that occurred since December 31, 2007, were as follows:

- *Planned acquisition of KinoWelt by StudioCanal.* On January 17, 2008, StudioCanal announced its planned acquisition of the entire share capital of KinoWelt, the leading German independent film company specializing in the acquisition and distribution of films.
- *Vivendi SA obtained a new syndicated loan.* On January 18, 2008, in anticipation of financing requirements associated with the transactions involving Activision and Neuf Cegetel, Vivendi entered into a €3.5 billion new syndicated loan underwritten by a pool of banks. This new facility consists of 3 tranches:
  - a €1.5 billion tranche under a bridging loan repayable with capital raised through a rights issue in the approximate same amount to be carried out upon completion of the acquisition of Neuf Cegetel; and
  - a €2 billion tranche under a "revolver" facility, half of which will be available during a three year period and the other half during a five year period.
- *Results of the Bidding Process relating to League 1 Broadcasting Rights.* On February 6, 2008, following the completion of a bidding process, the French Professional Football League awarded Canal+ Group nine out of the ten television lots offered for League 1 broadcasting rights (2008-2009 to 2011-2012). Canal+ Group will therefore continue to broadcast all League 1 football events on its channels. Each season these events will notably include all matches of all League 1 clubs, the top ten matches of the season, the Sunday night match fixture, multiplex programs to open and close the championship, and all informational programs. Canal+ Group will pay €465 million per season for these rights, compared to €600 million for each of the last three seasons.
- *Sales of certain music publishing catalogs by UMG* in connection with the European Commission mandated conditions of the BMG Music Publishing acquisition: please refer to Note 2.4.

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Vivendi

$700,000,000 5.750% Notes due 2013
$700,000,000 6.625% Notes due 2018

vivendi

OFFERING MEMORANDUM

April 1, 2008

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